FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2013

CONTENTS

ABN 76 604 592 013

CORPORATE INFORMATION

ABN:	ABN 76 604 592 013
Directors	A Coleman (Chair) S Davies P Dorrington J Jones N Popelianski L Dewar J Berriman
Company secretary	J Swift
Registered office and principal place of business	Level 1, 53 Burnley St Richmond VIC 3121
Bankers	Bank of Melbourne Collins St Melbourne VIC 3000
Auditors	Pitcher Partners 15 William Street Melbourne VIC 3001

DIRECTORS' REPORT FOR THE YEAR ENDED 30 JUNE 2013

The directors present their report with the financial statements to the members of Kids Under Cover (the company) for the year ended 30 June 2013 and auditors report thereon.

DIRECTORS

The names of each person who has been a director during the year and to the date of this report are:

	Date appointed	Date of cessation	Board	
			A	B
K Morgan	20 Dec 07	Nov 12	1	2
S Davies	20 Dec 07	-	6	8
P Dorrington	20 Dec 07	-	8	8
T Stannage	20 Dec 07	Nov 12	2	2
J Dingeldei	10 Dec 08	Nov 12	2	2
J Jones	18 Nov 10	-	5	8
L Dewar	19 Apr 12	-	6	8
N Popelianski	16 Aug 12	-	7	7
A Coleman	18 Oct 12	-	6	6
J Berriman	18 Apr 13	-	1	2

A – number of meetings attended. **B** – number of meetings held during the time the director held office during the year
Details of directors' qualifications, experience and special responsibilities can be found on page VII of this report.

COMPANY SECRETARY

Ms J Swift has been the company secretary since 20 December 2007.

SHORT AND LONG-TERM OBJECTIVES AND STRATEGY

The company's short and long term objective is to prevent youth homelessness.
The company's strategies to achieve this objective include:

- constructing purpose built demountable studios for homeless and at-risk young people
- providing scholarships for education or job training
- offering mentors to empower young people to achieve their goals

In doing this we seek to keep families together, keep young people engaged in education and connected with their community.

PRINCIPAL ACTIVITIES

The company's principal activities during the year were:

- Fundraising through gifts, donations, government and philanthropic grants, appeals, events and regular giving programs
- Construction of one and two-bedroom studios
- Provision of scholarships
- Provision of mentors
- Providing studio monitoring support.

COMPANY OBJECTIVES AND PERFORMANCE

PERFORMANCE MEASURES

To help evaluate whether the activities of the company are achieving its short and long-term objectives the company uses an Annual Impact Survey to measure, analyse and monitor performance.
A detailed review of our most recent survey can be found in the Annual Report which accompanies this Financial Report.

MEMBERS GUARANTEE

The company is incorporated under the *Corporations Act 2001* and is a company limited by guarantee. If the company is wound up, the constitution states that each member is required to contribute to a maximum of $1 each towards meeting any outstandings and obligations of the entity. At 30 June 2013 the number of members was 65. The combined total amount that members of the company are liable to contribute if the company is wound up is $65.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's declaration under s.307C of the *Corporations Act 2001* in relation to the audit appears on page V and forms part of the directors' report for the year ended 30 June 2013.

Signed in accordance with a resolution of the board of directors made pursuant to s.298(2) of the *Corporations Act 2001*.

On behalf of the directors:

Andrew Coleman
Director, Chair

Jeff Jones
Director, Treasurer

Melbourne, 17 October 2013

KIDS UNDER COVER
ACN 129 005 269

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF KIDS UNDER COVER

PITCHER PARTNERS
An independent Victorian Partnership
ABN 27 975 255 196

AUDITOR'S DECLARATION OF INDEPENDENCE

In relation to the independent audit for the year ended 30 June 2013, to the best of my knowledge and belief there have been:

(i) No contraventions of the auditor independence requirements of the *Corporations Act 2001*; and

(ii) No contraventions of any applicable code of professional conduct

M J HARRISON
Partner

PITCHER PARTNERS
Melbourne

Date: 17 October 2013

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DIRECTORS' QUALIFICATIONS, EXPERIENCE AND SPECIAL RESPONSIBILITIES

NAME	QUALIFICATIONS AND EXPERIENCE	SPECIAL RESPONSIBILITIES
Ken Morgan OAM	Founder of Kids Under Cover. Awarded the Medal of the Order of Australia in 2011. Awarded a Humanitarian Award by the Australian Humanitarian Foundation in 2000 in recognition of his work with homeless children and also awarded the Centenary Medal in 2003.	Founding Patron
Andrew Coleman	Current Group General Manager and Board Member at Coles. Is a Chartered Management Accountant and holds a Bachelor of Economics.	Chair Finance Committee Remuneration Committee Chair
Linda Dewar	Experienced senior executive with a career encompassing a broad range of companies. Extensive business, finance and general management experience in the finance sector. Currently Director Client Services at the Greater Metropolitan Cemeteries Trust, Trustee for the Melbourne Exhibition and Convention Centre Trust and Board Member for Lodden Mallee Housing Service.	Vice Chair Governance Committee Remuneration Committee
Sarah Davies	Current Chief Executive Officer of Reach and a Board Member of the Centre for Social Impact. Has an extensive background in the tertiary education sector. Is a graduate of the Australian Institute of Company Directors and a Williamson Fellow.	
Petrina Dorrington	Previous Executive Director of Kids Under Cover and has a background in Hospitality and Tourism. Former General Manager of Melbourne International Film Festival. Currently working with Lord Mayor's Charitable Foundation, Youth in Philanthropy Program Mentor and Homeless Australia Take Action Toolkit project.	Remuneration Committee Chair
Jeff Jones	Financial and Commercial Director at Total Construction Pty Ltd. Holds a Bachelor of Commerce and a Masters in Business Administration. Is a member of the Institute of Chartered Accountants in Australia and has over 20 years experience in accounting and finance.	Treasurer Finance Committee Chair Audit & Risk Committee Chair
Nathaniel Popelianski	Partner at Corrs Chambers Westgarth where he specialises in property law. Has over 15 years experience and holds a Bachelor of Commerce and a Bachelor of Law.	Governance Committee Chair
Jan Berriman	20 years experience in executive positions within not for profit companies in both urban and rural contexts within Australia. Is a graduate of the Australian Institute of Company Directors.	
Tim Stannage	Over 25 years retail experience. Holds numerous business and marketing qualifications and recently completed a Business Master Degree in Entrepreneurship and Innovation.	
John Dingeldei	Experienced Marketing Manager with more than 25 years marketing expertise, which is supported by a Bachelor of Business Marketing. Currently the Managing Director of Orangehammer Advertising and Marketing.	

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 $	2012 $
GRANTS			
Government		1,064,977	940,420
Other		889,465	723,065
FUNDRAISING			
Donations and gifts	4(a)	1,858,074	1,709,658
Bequests	4(a)	53,974	-
Events	4(a)	484,782	499,294
Membership fees		15,150	22,700
Sales of goods		795	-
Investment income	4(b)	149,842	135,371
Revenue and other income		**4,517,059**	**4,030,508**
Fundraising costs	2(c)	1,265,256	1,058,389
Scholarship Program costs	2(c)	233,342	139,409
Housing Program costs	2(c)	2,324,349	1,544,728
Mentor Program costs	2(c)	87,976	27,170
Finance costs	2(c)	15,417	87,883
Management and administration	2(c)	527,871	438,069
Expenditure		**4,454,211**	**3,295,648**
Total comprehensive income for the year		**62,848**	**734,860**

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

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2013

	Notes	2013 $	2012 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	4,661,454	4,034,457
Trade and other receivables	6	103,039	123,941
Inventories	7	3,420	7,019
Other assets	8	138,758	109,887
Total current assets		**4,906,671**	**4,275,304**
NON-CURRENT ASSETS			
Receivables	6	130,000	130,000
Property, plant and equipment	9	9,704,294	9,851,616
Total non-current assets		**9,834,294**	**9,981,616**
Total assets		**14,740,965**	**14,256,920**
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	10	2,161,300	1,751,339
Provisions	11	158,211	146,975
Total current liabilities		**2,319,511**	**1,898,314**
NON-CURRENT LIABILITIES			
Provisions	11	22,100	22,100
Total non-current liabilities		**22,100**	**22,100**
Total liabilities		**2,341,611**	**1,920,414**
Net assets		**12,399,354**	**12,336,506**
FUNDS			
General funds		11,382,502	8,962,727
Designated funds reserve		809,372	1,036,583
Restricted funds reserve		207,480	206,090
Asset revaluation reserve		-	2,131,106
Total funds	**12**	**12,399,354**	**12,336,506**

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

STATEMENT OF CHANGES IN FUNDS FOR THE YEAR ENDED 30 JUNE 2013

	GENERAL FUNDS $	DESIGNATED FUNDS $	RESTRICTED FUNDS $	ASSET REVALUATION RESERVE $	TOTAL $
Balance at 1 July 2011	8,696,735	569,607	204,198	2,131,106	11,601,646
Surplus attributable to the entity	734,860	-	-	-	734,860
Transfers to reserves	(468,868)	466,976	1,892	-	-
Balance at 30 June 2012	**8,962,727**	**1,036,583**	**206,090**	**2,131,106**	**12,336,506**
Surplus attributable to the entity	62,848	-	-	-	62,848
Transfers to reserves	2,356,927	(227,211)	1,390	(2,131,106)	-
Balance at 30 June 2013	**11,382,502**	**809,372**	**207,480**	**-**	**12,399,354**

Details of the purpose of each reserve and fund are included in Note 12(c).
The statement of changes in funds is to be read in conjunction with the attached notes.

STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 30 JUNE 2013

	Notes	2013 $	2012 $
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from grants and fundraising		4,395,965	4,909,163
Interest income		149,842	135,371
Payments to suppliers and employees		(2,404,942)	(2,261,226)
Scholarships paid		(152,934)	(90,397)
Interest paid		(13)	(81)
Net cash flows from operating activities	**13**	**1,987,918**	**2,692,830**
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from sales of property plant and equipment		200	9,565
Purchase of property plant and equipment		(1,361,121)	(943,192)
Net cash flows used in investing activities		**(1,360,921)**	**(933,627)**
Net increase in cash and cash equivalents		626,997	1,759,203
Cash and cash equivalents at beginning of year		4,034,457	2,275,254
Cash and cash equivalents at end of year	**2(d),5**	**4,661,454**	**4,034,457**

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

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

The financial statements of the not-for-profit company, Kids Under Cover (the company), for the year ended 30 June 2013 were authorised for issue in accordance with a resolution of directors on 17 October 2013.

Kids Under Cover is a company limited by guarantee, incorporated and domiciled in Australia.

The nature of the operations and activities of the company are described in the directors' report.

2. SUMMARY OF ACCOUNTING POLICIES

(a) BASIS OF PREPARATION

These general purpose financial statements have been prepared in accordance with the requirements of the *Corporations Act 2001*, Australian Accounting Standards, Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board.

The financial statements have been prepared on an accruals basis and are based on historical cost.

(b) REVENUE RECOGNITION

Revenue is recognised when the company obtains control of the income and the amount can be quantified with reasonable accuracy. Revenues are recognised net of the amounts of goods and services tax (GST) payable to the Australian Taxation Office.

Donations

Donations are recognised when received.

Government grants

The company's studio building activity is supported by grants received from state governments. Grants received on the condition that specified services are delivered, or conditions are fulfilled, are considered reciprocal. Such grants are initially recognised as a liability, and revenue is recognised as services are performed or conditions fulfilled. Revenue from non-reciprocal grants is recognised when received.

Sales of goods

Revenue from sales of goods comprises revenue earned from the sale of goods purchased for re-sale and gifts donated for re-sale. Sales revenue is recognised when the control of goods passes to the customer.

Investment income

Investment income comprises interest revenue and is recognised as it accrues.

In-kind donations

Goods and services donated to the company are included at the fair value to the company where this can be quantified.

No amounts are included in the financial statements for services donated by volunteers.

Goods donated for re-sale, raffle and auction are included as income when they are sold.

Asset sales

The gain or loss on disposal of all non-current assets is determined as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

(c) EXPENDITURE

All expenditure is accounted for on an accruals basis and has been classified under headings that aggregate all costs related to the category. Where costs cannot be directly attributed to a particular category they have been allocated to activities on a basis of headcount.

Fundraising costs are those incurred in seeking voluntary contributions by donations and includes the costs of fundraising events.

Scholarship Program costs are those costs incurred in managing the Scholarship Program, including payment of scholarships, study aids and education related research.

Mentor Program costs are those costs incurred in managing the Mentor Program, including training of potential mentors and matching mentors with mentees.

Housing Program costs are those costs incurred in managing the Housing Program including processing of applications, arranging installations and non-capital costs incurred in maintaining the company's housing stock. Depreciation and amortisation of the housing stock is included in these costs.

Finance costs include interest, bank charges and credit card fees.

Management and administration costs are those incurred in connection with the administration of the company, support of programs and fundraising, and compliance with constitutional and statutory requirements.

(d) CASH AND CASH EQUIVALENTS

Cash and cash equivalents in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less. For the purposes of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

(e) TRADE AND OTHER RECEIVABLES

Trade receivables, which comprise amounts due from sales of merchandise, membership fees and from services provided to government for the construction and relocation of studios, are recognised and carried at original invoice amount less an allowance for any uncollectable amounts.

Normal terms of settlement vary from seven to 90 days. The carrying amount of the receivable is deemed to reflect fair value.

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

(f) INVENTORIES

Inventories of goods purchased for re-sale are valued at the lower of cost and net realisable value.

(g) PROPERTY, PLANT AND EQUIPMENT

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

Any property, plant or equipment donated to the company or acquired for nominal cost is recognised at fair value at the date the company obtains control of the assets.

Houses

Houses are carried at deemed cost less, where applicable, any accumulated depreciation.

The land on which the houses are situated is utilised under a long-term lease from the government and is not owned by the company.

Studios

Studios are carried at deemed cost less accumulated depreciation.

Studios funded by Department of Human Services – Children Youth & Families (CYF) remain in CYF's possession for 15 years and the company must manage the studios for that time. The company has a duty of stewardship to manage, control and, where necessary, relocate the studios. Title to the studios is transferred over the 15-year period. Despite the legal ownership remaining with CYF, the risk and rewards of ownership effectively lie with the company. These studios are included as assets on the balance sheet.

Studios funded by other sources, including Department of Human Services – Office of Housing (OOH), are property of the company.

Plant and equipment

Plant and equipment is carried at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation

Items of property, plant and equipment (other than land) are depreciated over their useful lives to the company commencing from when the asset is held ready for use. Depreciation is calculated on a straight line and diminishing value basis over the expected economic lives as follows:

	2013	2012
	%pa	%pa
Houses	5	5
Studios	5-25	5
Furniture & fittings	5-15	5-15
Office equipment	5-45	5-45
Motor vehicles	18-25	18-25

Impairment

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

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

Impairment exists when the carrying value of an asset exceeds its estimated recoverable amount. The asset is then written down to its recoverable amount.

For property, plant and equipment, impairment losses are recognised in the income statement. However, because land and buildings are measured at re-valued amounts, impairment losses on land and buildings are treated as a revaluation decrement.

De-recognition and disposal

An item of property, plant and equipment is de-recognised upon disposal, when the item is no longer used in the operations of the company or when it has no sale value. Any gain or loss arising on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is de-recognised.

Any part of the asset revaluation reserve attributable to the asset disposed of or de-recognised is transferred to general funds at the date of disposal.

(h) TRADE CREDITORS AND OTHER PAYABLES

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

(i) DEFERRED INCOME

The liability for deferred income is the unutilised amounts of grants received on the condition that specified services are delivered or conditions fulfilled and revenue received in advance for fundraising events to be held post balance date.

(j) EMPLOYEE BENEFITS

Employee benefits comprise wages and salaries, annual, non-accumulating sick and long service leave, and contributions to superannuation plans.

Liabilities for wages and salaries expected to be settled within 12 months of balance date are recognised in other payables in respect of employees' services up to the reporting date. Liabilities for annual leave in respect of the employees' services up to the reporting date, which are expected to be settled within 12 months of balance date, are recognised in the provision for employee benefits. Both liabilities are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

(k) LEASE ASSETS AND LIABILITIES

Operating lease payments are recognised as an expense in the income statement on a straight line basis over the lease term.

(l) TAXATION

Income tax

The company is a charitable institution for the purposes of the Australian taxation legislation and is therefore exempt from income tax under Div 50 of the *Income Tax Assessment Act 1997*. This exemption has been confirmed by the Australian Taxation Office. The company holds deductible gift recipient status.

Goods and services tax (GST)

Revenues, expenses and assets are recognised net of GST except where the amount of GST incurred is not recoverable from the Australian Taxation Office, in which case it is recognised as part of the cost of the acquisition of an asset or as part of an item of expense. Receivables and payables are recognised inclusive of GST.

The net amount of GST recoverable from or payable to the Australian Taxation Office is included as part of receivables or payables.

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 is recoverable from or payable to the Australian Taxation Office is included as operating cash flows.

(m) COMPARATIVE

Comparative information has been adjusted where appropriate to be in line with current year presentation and disclosures.

(n) NEW STANDARDS AND INTERPRETATIONS NOT YET ADOPTED

A number of accounting standards and interpretations have been issued at the reporting date but are not yet effective. The new standards have been assessed and are not expected to materially impact the company.

3. CHANGES IN ACCOUNTING POLICIES

Effective 1 July 2012, the company revised its policy on the treatment of relocated studios. Previously, the company capitalised the original studio cost and depreciated it over a 20-year useful life. Over the studios useful life it can be relocated and on average this occurs every four years. The cost of the relocation was expensed.

The new policy capitalises all studio installations, new and relocations, with any written down value being expensed, for accounting purposes, on a relocation event. All installations effective 1 July 2012 are now depreciated over a four-year period, which is in line with the average period over which studios are relocated. The directors believe that this is a more accurate reflection of the value of the studios. On relocation, studios are dismantled and refurbished, and become essentially a new asset.

The effect of this new policy on net income is shown below.

		2013	2012
	Notes	$	$
If old policy was applied to current year:			
Net surplus for the year		62,848	734,860
Deduct relocation expense		(731,038)	
Add back increase in depreciation		147,476	-
Add back loss on relocation		627,443	-
Change in net surplus		**43,881**	**-**
Revised net surplus for the year		**106,729**	**734,860**
If new policy was applied to previous year:			
Net surplus for the year		62,848	734,860
Add back relocation expense		-	546,190
Deduct increase in depreciation		-	(61,222)
Deduct loss on relocation		-	(525,589)
Change in net surplus		**-**	**(40,621)**
Revised net surplus for the year		**62,848**	**694,239**

KIDS UNDER COVER
FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2013

4. REVENUE, OTHER INCOME AND EXPENSES

	Notes	2013 $	2012 $
(a) REVENUE			
Government grants		1,064,977	940,420
Other grants		889,465	723,065
DONATIONS AND GIFTS			
Individuals		710,554	543,452
Corporate donors		202,681	175,190
Charitable foundations		843,777	951,310
Gifts-in-kind		101,062	39,706
Bequests		53,974	-
EVENTS			
Sales of tickets		121,720	161,310
Raffles and auctions		306,562	264,396
Sponsorships		56,500	73,588
Membership fees		15,150	22,700
(b) OTHER INCOME			
INVESTMENT INCOME			
Interest received		149,842	135,371
(c) EXPENSES			
Depreciation		834,218	666,597
Interest paid		8,446	70,326
Loss on disposal of property, plant and equipment		74,348	48,558
Loss on relocation of property, plant and equipment		627,443	-
Impairment losses	9	465,878	-
(d) EMPLOYEE BENEFITS EXPENSE	2(j)		
Wages and salaries		1,135,886	1,004,794
Movement in employee benefits provisions		11,236	38,367
(e) OPERATING LEASE EXPENSE		44,423	42,673

5. CASH AND CASH EQUIVALENTS

	Notes	2013 $	2012 $
Cash on hand		120	590
Cash at bank		4,658,417	4,030,950
Security deposit		2,917	2,917
	2(d)	**4,661,454**	**4,034,457**

Cash at bank earns interest at floating rates based on daily deposit rates.

6. TRADE AND OTHER RECEIVABLES

	Notes	2013 $	2012 $
CURRENT			
Trade debtors	2(e)	103,039	119,880
Other debtors		-	4,061
		103,039	**123,941**
NON-CURRENT			
Advance – Mallee Accommodation and Support Program Inc (secured)		130,000	130,000

The company's exposure to credit risk and impairment losses related to trade debtors and other receivables is disclosed in Note 15.

7. INVENTORIES

	Notes	2013 $	2012 $
Ball auction inventory	2(f)	3,420	7,019

8. OTHER ASSETS

	Notes	2013 $	2012 $
Prepayments		138,758	109,887

9. PROPERTY, PLANT AND EQUIPMENT

	STUDIOS	HOUSES	MOTOR VEHICLES	OFFICE FITTINGS AND EQUIPMENT	TOTAL
	$	$	$	$	$
COST OR FAIR VALUE					
At 1 July 2011	10,549,476	2,146,073	72,628	171,476	12,939,653
Additions	670,645	-		15,106	685,751
Disposals	(123,015)	-	-	-	(123,015)
At 30 June 2012	**11,097,106**	**2,146,073**	**72,628**	**186,582**	**13,502,389**
Additions	1,862,580	-	-	15,649	1,878,229
Disposals	(919,582)	-	-	-	(919,582)
Impairment losses	(465,878)	-	-	-	(465,878)
At 30 June 2013	**11,574,226**	**2,146,073**	**72,628**	**202,231**	**13,995,158**
ACCUMULATED DEPRECIATION					
At 1 July 2011	1,902,418	1,001,529	22,979	122,141	3,049,068
Charge for the year	532,016	107,598	12,446	14,538	666,597
Disposals	(64,892)	-	-	-	(64,892)
At 30 June 2012	**2,369,542**	**1,109,127**	**35,425**	**136,679**	**3,650,773**
Charge for the year	701,857	107,303	9,301	15,757	834,218
Disposals	(194,127)	-	-	-	(194,127)
At 30 June 2013	**2,877,272**	**1,216,430**	**44,726**	**152,436**	**4,290,864**
NET CARRYING AMOUNT					
At 30 June 2013	**8,696,954**	**929,643**	**27,902**	**49,795**	**9,704,294**
At 30 June 2012	**8,727,564**	**1,036,946**	**37,203**	**49,903**	**9,851,616**

Impairment losses
The company has recognised an impairment loss of $465,878 on studios constructed under pilot program funding from the Queensland State Government. The impairment reflects the constructive obligation to return the ownership of these studios to the Queensland State Government.

10. TRADE CREDITORS AND OTHER PAYABLES

	Notes	2013	2012
		$	$
CURRENT			
Trade creditors	2(h)	533,901	19,180
Other creditors		13,987	65,163
Accruals and deferred income	2(i)	331,074	289,193
Government grants in advance	2(i)	1,282,338	1,377,803
		2,161,300	**1,751,339**

11. PROVISIONS

	Notes	2013	2012
		$	$
CURRENT			
Employee benefits	2(j)	116,611	105,375
Scholarships		41,600	41,600
		158,211	**146,975**
NON-CURRENT			
Scholarships		22,100	22,100

12. FUNDS

(a) MOVEMENT IN FUNDS - 2013

	AT 1 JULY 2012	NET INCOME	TRANSFERS	AT 30 JUNE 2013
	$	$	$	$
General funds	8,962,727	62,848	2,356,927	11,382,502
Asset revaluation reserve	2,131,106	-	(2,131,106)	-
DESIGNATED FUNDS				
Scholarship Program reserve	454,916	-	17,993	472,909
Housing Program reserve	581,667	-	(245,204)	336,463
Total designated funds	**1,036,583**	**-**	**(227,211)**	**809,372**
RESTRICTED FUNDS				
Scholarship endowment reserve	206,090	-	1,390	207,480
Total funds	**12,336,506**	**62,848**	**-**	**12,399,354**

(b) MOVEMENT IN FUNDS - 2012

	AT 1 JULY 2011	NET INCOME	TRANSFERS	AT 30 JUNE 2012
	$	$	$	$
General funds	8,696,735	734,860	(468,868)	8,962,727
Asset revaluation reserve	2,131,106	-	-	2,131,106
DESIGNATED FUNDS				
Scholarship Program reserve	398,095	-	56,821	454,916
Housing Program reserve	171,512	-	410,155	581,667
Total designated funds	**569,607**	**-**	**466,976**	**1,036,583**
RESTRICTED FUNDS				
Scholarship endowment reserve	204,198	-	1,892	206,090
Total funds	**11,601,646**	**734,860**	**-**	**12,336,506**

(c) DETAILS OF FUNDS

General reserve
The general reserve represents the retained earnings of the company and are the funds of the company that are not designated for a particular purpose.

Asset revaluation reserve
This reserve is used to record increases in the fair value of land and buildings and decreases to the extent that such decreases relate to an increase in the value of that class of assets previously recognised in the reserve.

Scholarship Program reserve
The Scholarship Program reserve has been established to record funds raised by donation to the company for use in its Scholarship Program.

Housing Program reserve
The Housing Program reserve has been established to record funds raised by donation to the company for use in its Housing Program.

Scholarship endowment reserve
The scholarship endowment reserve was established from funds received from the Estate of Cecelia Murnane. These funds are held in perpetuity with 80 percent of the income relating to these funds being used to pay scholarships and the balance retained to increase the fund.

(d) MEMBERS GUARANTEE
The company is limited by guarantee. In the event of the company being wound up, the constitution states that each member is required to contribute a maximum of $1 towards meeting any outstanding obligations of the company. At 30 June 2013 the number of members was 65 (2012 – 64).

13. CASH FLOW INFORMATION

	Notes	2013 $	2012 $
Net surplus for the year		62,848	734,860
Loss on disposal of non-current assets	4(c)	74,348	48,558
Loss on relocation of non-current assets	4(c)	627,443	-
In-kind assets		(48,370)	-
Depreciation of property, plant and equipment	4(c)	834,218	666,597
Impairment losses	4(c)	465,878	-
(INCREASE)/DECREASE IN ASSETS			
Trade and other receivables		20,902	(35,302)
Prepayments		(28,872)	23,297
Inventories		3,599	12,657
INCREASE/(DECREASE) IN LIABILITIES			
Trade creditors and accruals		33,678	133,753
Deferred income and grants in advance		(68,990)	1,089,143
Provisions		11,236	19,267
Net cash flow from operations		**1,987,918**	**2,692,830**

14. COMMITMENTS AND CONTINGENCIES

	Notes	2013 $	2012 $
OPERATING LEASES The company has entered into a commercial lease for the head office premises. Future minimum rentals payable under non-cancellable operating leases as at the reporting date are:			
Within one year		34,290	44,401
After one year but not more than five years		-	34,290
Total commitments under operating leases	**3(c)**	**34,290**	**78,691**

15. FINANCIAL RISK MANAGEMENT

The company's financial instruments consist mainly of deposits with banks, short and long-term investments, accounts receivable and accounts payable.

The main risks arising from the company's financial instruments are liquidity risk, credit risk and market price risk. The company does not use derivative instruments to manage risks associated with its financial instruments.

The directors have overall responsibility for risk management, including risks associated with financial instruments. The Board Audit Committee is responsible for managing the effectiveness of the company's risk management policies and processes and regularly reviewing risk management policies and systems, taking into account changes in market conditions and the company's activities. The Board Finance Committee is responsible for developing and monitoring investment policies.

This note presents information about the company's exposure to liquidity, credit and market price risk, and its objectives, policies and processes for measuring and managing risk.

LIQUIDITY RISK

Liquidity risk is the risk that the company will not be able to fund its obligations as they fall due.

The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate liquid funds are available to meet normal operating expenses for 120 days.

The following are the contractual maturities of financial assets and liabilities.

	WITHIN 1 YEAR		1 TO 5 YEARS		OVER 5 YEARS		TOTAL	
	2013	2012	2013	2012	2013	2012	2013	2012
	$	$	$	$	$	$	$	$
FINANCIAL LIABILITIES DUE FOR PAYMENT								
Trade and other payables (including estimated annual leave and deferred income)	2,277,911	1,856,715	-	-	-	-	2,277,911	1,856,715
Total expected outflows	2,277,911	1,856,715	-	-	-	-	2,277,911	1,856,715
FINANCIAL ASSETS – CASH FLOWS REALISABLE								
Cash and cash equivalents	4,661,454	4,034,457	-	-	-	-	4,661,454	4,034,457
Trade and other receivables	103,039	123,941	-	-	-	-	103,039	123,941
Total anticipated inflows	4,764,493	4,158,398	-	-	-	-	4,764,493	4,158,398
Net inflow on financial instruments	2,483,582	2,301,683	-	-	-	-	2,483,582	2,301,683

CREDIT RISK

Credit risk is the risk of financial loss to the company if a customer or counterparty to a financial instrument fails to meet its contractual obligations. The company is exposed to two sources of credit risk – amounts receivable in respect of membership fees and the provision of housing, and counterparty risk in respect of funds deposited with banks and other financial institutions.

The majority of amounts receivable are in respect of the provision of housing and are due from government departments. All arrangements to provide housing are subject to contractual arrangements, which include settlement terms. Any amounts outstanding beyond the contracted period are followed up.

Funds are deposited only with those banks and financial institutions approved by the Board. Such approval is only given in respect of banks that hold an AA rating from Standard & Poor's or an equivalent rating from another reputable ratings agency. At the reporting date, the company did not have any material credit risk exposures to any single receivable or group of receivables or any bank or financial institution.

Exposure to credit risk

The carrying amount of the company's financial assets best represents its maximum credit risk exposure.
The company's maximum exposure to credit risk at the reporting date was:

	Notes	2013	2012
		$	$
Cash and cash equivalents	5	4,661,454	4,034,457
Trade debtors	6	103,039	119,880
Other receivables	6	-	4,061
		4,764,493	**4,158,398**

Other current receivables are analysed in Note 6. None of the amounts comprising this total is 'past due' at the reporting date. Trade debtors comprise amounts due in respect of membership fees, ball tickets and the provision of housing. The aging of these debtors at reporting date was:

	Notes	2013	2012
		$	$
Not past due		77,489	107,455
Past due 0 - 30 days		11,370	3,825
Past due 31-120 days		14,180	8,600
Past due 121 days to one year		-	-
Past due and impaired		-	-
		103,039	**119,880**

The company does not hold any financial assets whose terms have been re-negotiated, but which would otherwise be past due or impaired.

There are no balances within trade receivables that contain assets that are not impaired and are past due. It is expected that these balances will be received when due.

MARKET PRICE RISK
Market price risk is the risk that changes in market prices will affect the company's income or the value of its holdings of financial instruments. The company is exposed to one source of market price risk being fluctuations in interest rates.

Interest rate risk
Interest rate risk refers to the risk that the value of financial instruments or cash flows associated with the instrument will fluctuate due to changes in market interest rates.

The company is exposed to interest rate fluctuations on its cash at bank. The company actively monitors interest rates for cash at bank to maximise interest income.

Sensitivity analysis
A change of 100 basis points or one percent in interest rates at the reporting date would, with all other variables held constant, have increased or decreased the company's surplus and funds by the amounts shown below. The one percent assumption has been determined by management to be a reasonable possible movement in interest rates over a 12-month period.

	SURPLUS	FUNDS
	$	$
YEAR ENDED 30 JUNE 2013		
+/- 1% in interest rates	46,615	46,615
YEAR ENDED 30 JUNE 2012		
+/- 1% in interest rates	40,345	40,345

NET FAIR VALUES
Carrying amounts of financial assets and liabilities recorded in the financial statements represent their net fair values as determined in accordance with accounting policies disclosed in Note 2 to the financial statements.

16. KEY MANAGEMENT PERSONNEL COMPENSATION

	Notes	2013	2012
		$	$
Short-term benefits		490,725	442,948
Post employment benefits		40,650	38,502
Total compensation		**531,375**	**481,450**

17. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

(a) DIRECTORS
Directors of the company in office during the year are disclosed in the directors' report that accompanies these financial statements.

(B) DIRECTORS' COMPENSATION
The directors act in an honorary capacity and receive no compensation for their services.

(C) TRANSACTIONS WITH DIRECTOR-RELATED ENTITIES
There were no transactions with directors or director related entities during the financial year and no amounts payable or receivable from directors or director related entities at the reporting date.

18. ECONOMIC DEPENDENCY

The company is dependent upon the ongoing receipt of grants and donations to ensure the continuance of its housing, scholarship and mentoring programs.

19. ADDITIONAL COMPANY INFORMATION

Kids Under Cover is a company limited by guarantee, incorporated and operating in Australia.

The registered office of the company and its principal place of business is:
Level 1, 53 Burnley St
Richmond VIC 3121

DIRECTORS' DECLARATION

The directors of Kids Under Cover Ltd declare that in their opinion:
(a) The attached financial statements and notes thereto comply with Accounting Standards
(b) The attached financial statements and notes thereto give a true and fair view of the financial position and performance of the company
(c) The attached financial statements and notes thereto are in accordance with the *Corporations Act 2001* and the *Corporations Regulations 2001*
(d) There are reasonable grounds to believe the company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the *Corporations Act 2001*.

On behalf of the directors

Andrew Coleman
Director, Chair

Jeff Jones
Director, Treasurer

Melbourne, 17 October 2013

KIDS UNDER COVER
ACN 129 005 269

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KIDS UNDER COVER

PITCHER PARTNERS

An independent Victorian Partnership
ABN 27 975 255 196

Independent auditor's report

We have audited the accompanying Financial Report of Kids Under Cover, which comprises the statement of financial position as at 30 June 2013, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the Financial Report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the Financial Report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's responsibility

Our responsibility is to express an opinion on the Financial Report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the Financial Report is free from material misstatement.

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

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

Independence

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

Auditor's opinion

In our opinion, the Financial Report of Kids Under Cover is in accordance with the *Corporations Act 2001*, including:

(a) giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

M J HARRISON
Partner

PITCHER PARTNERS
Melbourne

Date: 17 October 2013

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