



northcott
disability services

Concise
Financial
Report

30 June 2006



The Northcott Society and its controlled entities Directors' report For the year ended 30 June 2006

The directors present their report together with the concise financial report of The Northcott Society ("the Society") and of the consolidated entity, being Northcott and its controlled entities for the year ended 30 June 2006 and the auditor's report thereon.

1. Directors

The directors of the Society at any time during or since the end of the financial year are:

Name and qualifications	Experience, special responsibilities and other directorships
Mr PJ Cave B Bus, FCPA <i>Chairman</i>	Appointed 27 November 1986 Chairman, Atlas Group Holdings Limited Executive Chairman, Interbank Capital Partners Pty Limited Chairman, Omni Plastics Group 36 years experience in banking and commerce
Mr CF Moore <i>Deputy Chairman</i>	Appointed 18 July 1991 Chairman, Finance and Properties Committee Chairman, Embankment Capital Pty Limited Chairman, Moore Family Philanthropic Foundation
Mr G Gardner BA MBA FAIM <i>Managing Director and Chief Executive Officer</i>	Appointed 14 December 2005
Mr R Blaiklock B Comm, MBA	Appointed 19 November 2003 Managing Director, Baresque Australia Pty Ltd and affiliated companies
Ms U Bonzol, B Comm (Marketing), Dip FP, FAICD	Appointed 20 August 1992 Director, Money Skills Pty Limited CEO InTech Credit Union
Mr M Briggs B Comm, ACA, ACIS, MBA	Appointed 27 March 2003 Member, Finance and Properties Committee Director, Tennyson Strategic Solutions Pty Limited Director, Independence Solutions Pty Limited Directors, Omni Industries Pty Limited Deputy Chairman, Paraplegic and Quadriplegic Assoc of NSW
Mr B Downie	Appointed 16 May 1985 Managing Director, Downie Group Industries Pty Limited Managing Director, Bock Australia Pty Limited 38 years experience in electrical mechanical engineering
Dr D C Janssen MB, BS, MBA	Appointed 27 November 1986 Member, Finance and Properties Committee Director, Baryon Pty Limited and affiliated companies President, AEEMA (Australian Electrical and Electronics Industry Association) Member, NSW Innovation Council

The Northcott Society and its controlled entities Directors' report (continued) For the year ended 30 June 2006

1. Directors (continued)

Name and qualifications	Experience, special responsibilities and other directorships
Mr AW Stevenson BA (NSW), LLB (Sydney)	Appointed 19 August 1982 Member, Finance and Properties Committee Lawyer and Notary Public Director of several public and private companies
Ms A Sullivan PGC Mgt	Appointed 19 December 2001 Public Relations/Marketing Consultant
Mr JF Surian BA (Econ) ASIA	Appointed 14 December 2000 Managing Director, Raine and Horne Commercial Parramatta Director, Sydney West Marketing
Dr HEC Taylor MB, BS	Appointed 19 April 1990 Director and founder of the Taylor Group of Investment Companies
Dr MT Westbrook AM, BA (Hons), MA (Hons), PhD, FAPS	Appointed 15 February 1996 Conjoint Associate Professor, Centre for Clerical Governance Research in Health, Faculty of Medicine, University of NSW

In accordance with the Society's Constitution, one third of the directors retire from the Board of directors at the forthcoming Annual General Meeting of members and, being eligible, offer themselves for re-election.

2. Company secretary

Name and qualifications	Experience and special responsibilities
Mr MR Fryer FCPA, FCMA, FCIS, GAICD	Appointed 24 September 2003 Director Operations

3. Directors' meeting

The number of directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the directors of Northcott during the financial year are:

Director	Board Meetings	
	Attended	Held*
Mr PJ Cave	7	8
Mr CF Moore	7	8
Mr G Gardner	4	4
Mr R Blaiklock	8	8
Ms U Bonzol	5	8
Mr M Briggs	7	8
Mr B Downie	8	8
Dr DC Janssen	7	8
Mr AW Stevenson	6	8
Ms A Sullivan	6	8
Mr JF Surian	8	8
Dr HEC Taylor	7	8
Dr MT Westbrook	5	8

* Number of meetings held during the time the director held office during the period

The Northcott Society and its controlled entities Directors' report (continued)

For the year ended 30 June 2006

4. Principal activities

The principal activities of the consolidated entity during the course of the financial year were the provision of accommodation, education, orthopaedic aid and appliances, recreation, open employment, social and welfare activities, therapy and training services to persons with disabilities in New South Wales.

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

5. Operating and financial review Review and result of operations

The operations for the year ended 30 June 2006 resulted in a consolidated net deficit of \$348,377 (2005: \$319,901). The directors note that in comparison to the previous year the deficit has increased by \$28,476.

Income from government funding was greater than that achieved last year due to the introduction of some new client programmes and the receipt of one-off funding for existing programmes. Income from estates and bequests was above that achieved last year but below expectations and investment returns were below that achieved last year but above expectations.

Expenditure on client programmes was greater than last year mainly due to some new programmes and increased activity on existing programmes. Expenditure in all other areas was in accordance with expectations.

Significant changes in the 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.

6. Events subsequent to reporting 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 Society, 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.

7. Likely developments

The directors do not believe that there will be any significant change in the consolidated entity's operations for the next twelve months.

8. Environmental regulation

The consolidated entity's operations are not subject to any significant environmental regulation under either Commonwealth or State legislation. However, 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 breaches of those requirements as they apply to the Society.

The Northcott Society and its controlled entities Directors' report (continued) For the year ended 30 June 2006

9. Indemnification and insurance of officers and auditors

Indemnification

Northcott has agreed to indemnify the current and former directors of the Society and its controlled entities against all liabilities to another person (other than Northcott or a related body corporate) that may arise from their position as directors of the Society and its controlled entities, except where the liability arises out of conduct involving a lack of good faith. The agreement stipulates that the Society will meet the full amount of any such liabilities, including costs and expenses. The Society has not agreed to indemnify its current or former auditors.

Insurance premiums

Since the end of the previous financial year the Society has paid insurance premiums in respect of directors' and officers' liability and legal expenses' insurance contracts, for current and former directors and officers, including executive officers of the Society and directors and executive officers and secretaries of its controlled entities. The insurance premiums relate to:

- costs and expenses incurred by the relevant officers in defending proceedings, whether civil or criminal and whatever their outcome; and
- other liabilities that may arise from their position, with the exception of conduct involving a wilful breach of duty or improper use of information or position to gain a personal advantage.

Under the terms of the contract of insurance, further details of the insurance cover are not permitted to be disclosed.

10. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 14 and forms part of the directors' report for financial year ended 30 June 2006.

This report is made with a resolution of the directors:



PJ Cave
Director

Dated at Sydney this 27th day of September 2006.

The Northcott Society and its controlled entities

Concise financial report

Discussion and analysis of income statements

Revenue for the consolidated entity increased by \$1.6m over 2005 levels to just under \$16m. The main increases were in:

- Government funding of \$913k, with additional recurrent funding for the accommodation service at Beverley Park, one off funding for some older programs and funding for some new programs;
- Estates and bequests of \$316k; and
- Other revenue of \$581k as a result of increased program activity and the receipt of some one off revenues.

These increases in revenue were offset by a decline in revenue from the sale of goods of \$296k due to reduced staff numbers and activity in the NES area.

Increases in expenditure by the consolidated entity were in client programmes of \$1,051k, fundraising of \$268k and corporate support of \$532k. A large driver of the increased client programme costs was an increase in personnel costs due to higher workers compensation premiums and the commencement of additional programmes requiring additional staff. These increases in expenditure were offset by a decline in cost of sales of \$632k.

Financial income from investments decreased from the 2005 levels by \$400k due to lower investment returns as a result of market conditions.

Discussion and analysis of statements of recognised income and expense

The recognised expense for the period includes the deficit for the year together with actuarial gains and losses on the defined benefit superannuation plan, which have been recognised in accordance with Australian Equivalents to International Financial Reporting Standards for the first time.

Discussion and analysis of balance sheets

Total assets for the consolidated entity for 2006 show a small increase over 2005. This is offset by an increase in current liabilities due to government grants received in advance being greater than that in 2005.

Discussion and analysis of the statements of cash flows

There was a significant improvement in cash received from operating activities by the consolidated entity in 2006 due to additional government and other revenue. Consequently there was a reduction in proceeds from managed funds, included within cash flows from investing activities.

The Northcott Society and its controlled entities Concise financial report

Income statements

For the year ended 30 June 2006

In AUD

	Consolidated		The Society	
	2006	2005	2006	2005
Government funding	8,566,813	7,653,542	8,566,813	7,653,542
Revenue from estates and bequests	1,714,030	1,398,066	1,428,959	1,398,066
Revenue from sale of goods	2,234,592	2,531,073	2,234,592	2,531,073
Donations	1,580,631	1,474,968	1,551,721	1,431,575
Revenue from rental and accommodation	526,344	444,301	526,344	444,301
Revenue from royalties	43,636	20,123	43,636	20,123
Profit from sale of non-current assets	7,842	140,465	7,842	140,465
Other revenue	1,279,543	699,341	1,293,773	716,537
	15,953,431	14,361,879	15,653,680	14,335,682
Cost of sales	(1,655,026)	(2,286,642)	(1,655,026)	(2,286,642)
Client programme expenses	(11,090,840)	(10,039,870)	(11,030,496)	(10,022,767)
Fundraising expenses	(925,329)	(657,208)	(921,780)	(652,639)
Corporate support expenses	(4,598,602)	(4,066,296)	(4,586,800)	(4,052,471)
Deficit before financing income	(2,316,366)	(2,688,137)	(2,540,422)	(2,678,837)
Financial income	4 1,967,989	2,368,236	1,831,951	2,261,702
Net financing income	4 1,967,989	2,368,236	1,831,951	2,261,702
Deficit for the period	(348,377)	(319,901)	(708,471)	(417,135)

Statements of recognised income and expense

For the year ended 30 June 2006

In AUD

	Consolidated		The Society	
	2006	2005	2006	2005
Actuarial gains/(losses) on defined benefit superannuation plans	201,893	(83,998)	201,893	(83,998)
Net income/(expense) recognised directly in equity	201,893	(83,998)	201,893	(83,998)
Deficit for the period	(348,377)	(319,901)	(708,471)	(417,135)
Total recognised income and expense for the period	(146,484)	(403,899)	(506,578)	(501,133)

The income statements and statements of recognised income and expense are to be read in conjunction with the notes to the financial statements set out on pages 9 to 10.

The Northcott Society and its controlled entities Concise financial report

Balance sheets

As at 30 June 2006

In AUD

	Consolidated		The Society	
	2006	2005	2006	2005
Assets				
Cash and cash equivalents	2,002,755	1,126,321	868,548	505,950
Trade and other receivables	594,856	686,225	384,382	475,008
Inventories	471,708	480,780	471,708	480,780
Other financial assets	9,051,766	9,113,679	9,051,766	9,113,679
Other	102,987	437,799	102,987	436,099
Total current assets	12,224,072	11,844,804	10,879,391	11,011,516
Trade and other receivables	1,275,357	1,419,148	-	-
Employee benefits	362,169	253,785	362,169	253,785
Property, plant and equipment	19,228,196	19,431,686	19,226,726	19,429,924
Total non-current assets	20,865,722	21,104,619	19,588,895	19,683,709
Total assets	33,089,794	32,949,423	30,468,286	30,695,225
Liabilities				
Trade and other payables	1,530,012	1,507,935	1,487,246	1,502,355
Employee benefits	1,307,823	1,329,732	1,307,823	1,329,732
Other	1,800,732	1,534,458	1,800,732	1,504,488
Total current liabilities	4,638,567	4,372,125	4,595,801	4,336,575
Employee benefits	133,841	113,428	133,841	113,428
Total non-current liabilities	133,841	113,428	133,841	113,428
Total liabilities	4,772,408	4,485,553	4,729,642	4,450,003
Net assets	28,317,386	28,463,870	25,738,644	26,245,222
Accumulated funds				
General accumulated funds	2,385,233	2,227,899	(193,509)	9,251
Reserves:				
- Allocated capital funds	17,122,994	17,122,994	17,122,994	17,122,994
- Services development fund	5,350,000	5,350,000	5,350,000	5,350,000
- Estates and bequests reserve	3,459,159	3,762,977	3,459,159	3,762,977
Total accumulated funds	28,317,386	28,463,870	25,738,644	26,245,222

The balance sheets are to be read in conjunction with the notes to the financial statements set out on pages 9 to 10.

The Northcott Society and its controlled entities Concise financial report

Statements of cash flows For the year ended 30 June 2006

In AUD

	Consolidated		The Society	
	2006	2005	2006	2005
Cash flows from operating activities				
Cash receipts from customers, donations and grants	16,516,992	13,405,930	16,232,238	13,317,777
Cash paid to suppliers and employees	(16,649,970)	(16,359,828)	(16,599,226)	(16,283,163)
Cash used by operations	(132,980)	(2,953,898)	(366,988)	(2,965,386)
Dividends received	28,521	1,982	28,521	1,982
Interest received	56,554	19,273	1,726	3,120
Net used in operating activities	(47,905)	(2,932,643)	(336,741)	(2,960,284)
Cash flows from investing activities				
Proceeds from sale of non-current assets	726,020	999,745	501,020	774,745
Proceeds from sale of managed fund investments held for trading	1,522,201	3,948,541	1,522,201	3,948,541
Acquisition of property, plant and equipment	(1,323,882)	(1,301,599)	(1,323,882)	(1,299,652)
Net cash from investing activities	924,339	3,646,687	699,339	3,423,634
Net increase in cash and cash equivalents	876,434	714,044	362,598	463,350
Cash and cash equivalents at 1 July	1,126,321	412,277	505,950	42,600
Cash and cash equivalents at 30 June	2,002,755	1,126,321	868,548	505,950

The statements of cash flows are to be read in conjunction with the notes to the financial statements set out on pages 9 to 10.

The Northcott Society and its controlled entities Concise financial report

Notes to the financial statements

1. Basis of preparation of concise financial report

The concise financial report has been prepared in accordance with the Corporations Act 2001, Accounting Standard AASB 1039 *Concise Financial Reports* and applicable Urgent Issues Group Consensus Views. The financial statements and specific disclosures required by AASB 1039 have been derived from the consolidated entity's full financial report for the financial year. Other information included in the concise financial report is consistent with the consolidated entity's full financial report. The concise financial report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities of the consolidated entity as the full financial report.

The financial report is prepared on the historical cost basis except for financial instruments held for trading which are carried at fair value. The presentation currency is Australian dollars.

A full description of the accounting policies adopted by the consolidated entity may be found in the consolidated entity's full financial report. These accounting policies have been consistently applied by each entity in the consolidated entity and are consistent with those of the previous year.

2. Accounting estimates and judgements

(i) Defined benefit superannuation plan obligations

Various actuarial assumptions are utilised in the determination of the consolidated entity's defined benefit superannuation fund obligations. These assumptions are set out in note 12 of the Annual Financial Report.

3. Segment reporting

The consolidated entity is engaged in the provision of goods and services to persons with disabilities and operates wholly within New South Wales.

4. Explanation of transition to AIFRSs

As stated in significant accounting policies note 1(a), 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 the preparation of an opening AIFRS balance sheet at 1 July 2004 (the consolidated entity's date of transition).

In preparing its opening AIFRS balance sheet, the consolidated entity has adjusted amounts reported previously in financial statements prepared in accordance with its old basis of accounting (previous GAAP). An explanation of how the transition from previous GAAP to AIFRSs has affected the consolidated entity's financial position, financial performance and cash flows is set out below:

- (a) Under AIFRS, the consolidated entity has been required to consider the classification of its investment in shares and managed funds in order to determine the relevant accounting treatment. The Board has determined that such investments are held for trading and, accordingly, have reclassified these as current assets.
- (b) Under previous GAAP, certain defined benefit superannuation plan obligations were recognised on a cash basis. In accordance with AASB 1, the cumulative actuarial gains and losses existing at 1 July 2004 amounting to \$293,401 have been recognised for all defined benefit superannuation plans. The effect in the consolidated entity is to:
 - Increase assets for employee benefits by \$293,401 at 1 July 2004;
 - To increase assets by \$253,785 and increase liabilities by \$12,134 at 30 June 2005; and
 - To decrease client programme expenses by \$32,248 for the financial year ended 30 June 2005.
- (c) The effect of the above adjustments has been to increase general accumulated funds as follows:

In AUD	Consolidated		The Society	
	1 July 2004	30 June 2005	1 July 2004	30 June 2005
Employee benefits	293,401	241,651	293,401	241,651
Total adjustment to accumulated funds	<u>293,401</u>	<u>241,651</u>	<u>293,401</u>	<u>241,651</u>

- (d) Consistent with AIFRS, the consolidated entity has adjusted other income to include only the net gain/loss on disposal of property, plant and equipment. Under previous GAAP, the gross proceeds were included within other income.

There are no material differences between the cash flow statement presented under AIFRSs and the cash flow statement presented under previous GAAP.

The Northcott Society and its controlled entities Concise financial report

Notes to the financial statements (continued)

5. Fundraising appeals conducted during the financial year

Fundraising appeals conducted during the financial year included mail appeals and various other sundry fundraising projects and general receiving of indirectly solicited donations and bequests.

	Consolidated		The Society	
	2006	2005	2006	2005
(i) Results of Fundraising appeals				
<i>In AUD</i>				
Gross proceeds from fundraising	3,294,661	2,873,034	2,980,680	2,829,641
Less: Direct costs of fundraising appeals	(925,329)	(657,208)	(921,780)	(652,639)
Net surplus obtained from fundraising appeals	2,369,332	2,215,826	2,058,900	2,177,002

	Consolidated		The Society	
	2006	2005	2006	2005
(ii) Application of net surplus obtained from fundraising appeals				
<i>In AUD</i>				
Distributions (expenditure on direct services)	11,090,840	10,039,870	11,030,496	10,022,767
Recurrent administration expenses	4,598,602	4,066,296	4,586,800	4,052,471
	15,689,442	14,106,166	15,617,296	14,075,238

The shortfall between the net surplus available from fundraising appeals and total expenditure was provided from the following sources:

	Consolidated		The Society	
	2006	2005	2006	2005
Government grants	8,566,813	7,653,542	8,566,813	7,653,542
Investment income	1,967,989	2,368,236	1,831,951	2,261,702
Profit from sale of goods and services	1,105,910	688,732	1,105,910	688,732
Other income	1,331,021	859,929	1,345,251	877,125
Transfer from/(to) general accumulated funds	348,376	319,901	708,471	417,135
	13,320,109	11,890,340	13,558,396	11,898,236

	Consolidated				The Society			
	2006		2005		2006		2005	
	\$	%	\$	%	\$	%	\$	%
(iii) Comparisons of certain monetary figures and percentages								
Total cost of fundraising/ Gross income from fundraising	925,329	28	657,208	23	921,780	31	652,639	22
	3,294,661		2,873,034		2,980,680		2,829,641	
Net surplus from fundraising/ Gross income from fundraising	2,369,332	72	2,215,826	77	2,058,900	69	2,177,002	77
	3,294,661		2,873,034		2,980,680		2,829,641	
Total cost of services/ Total expenditure	11,090,840	61	10,039,870	59	11,030,496	61	10,022,767	59
	18,269,797		17,050,016		18,194,102		17,014,519	
Total cost of services/ Total income received from operating activities	11,090,840	70	10,039,870	71	11,030,496	71	10,022,767	71
	15,945,589		14,221,414		15,645,838		14,195,217	

The Northcott Society and its controlled entities Declaration by Chief Executive Officer in respect of fundraising appeals

I, Glenn Gardner, Chief Executive Officer of The Northcott Society, declare that in my opinion:

- a) The financial report gives a true and fair view of all income and expenditure of the consolidated entity with respect to fundraising appeal activities for the financial year ended 30 June 2006;
- b) The balance sheet 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 (NSW) Act 1991 and Regulations under the Act and the conditions attached to the authority have been complied with during the year ended 30 June 2006; and
- d) The internal controls exercised by the consolidated entity are appropriate and effective in accounting for all income received and applied by the consolidated entity from any of its fundraising appeals.

Dated at Sydney this 27th day of September 2006.

Signed in accordance with a resolution of the directors:



Glenn Gardner
Chief Executive Officer

The Northcott Society and its controlled entities Directors' declaration

In the opinion of the directors of The Northcott Society ("the Society"), the accompanying concise financial report of the consolidated entity, comprising The Northcott Society and its controlled entities for the financial year ended 30 June 2006, set out on pages 5 to 10:

- a) has been derived from or is consistent with the full financial report for the financial year; and
- b) complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*

Dated at Sydney this 27th day of September 2006.

Signed in accordance with a resolution of the directors:



PJ Cave
Director

Independent audit report on concise financial report to the members of The Northcott Society

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

Scope

We have audited the concise financial report of The Northcott Society ("the Society") and its controlled entities for the financial year ended 30 June 2006, consisting of the income statements, statements of recognised income and expense, balance sheets, statements of cash flow, accompanying discussion and analysis on the income statements, statements of recognised income and expense, balance sheets and statements of cash flow set out on pages 5 to 10 and the directors' declaration set out on page 12 in order to express an opinion on it to the members of the Society. The Society's directors are responsible for the concise financial report.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the concise financial report is free of material misstatement. We have also performed an independent audit of the full financial report of The Northcott Society and its controlled entities for the financial year ended 30 June 2006. Our audit report on the full financial report was signed on 27 September 2006 and was not subject to any qualification.

Our procedures in respect of the audit of the concise financial report included testing that the information in the concise financial report is consistent with the full financial report and examination, on a test basis, of evidence supporting the amounts and other disclosures which were not directly derived from the full financial report. These procedures have been undertaken to form an opinion whether, in all material respects, the concise financial report is presented fairly in accordance with Australian Accounting Standards AASB 1039 *Concise Financial Reports*.

The audit opinion expressed in this report has been formed on the above basis.

Audit opinion

In our opinion, the concise financial report of The Northcott Society and its controlled entities for the financial year ended 30 June 2006 complies with Australian Accounting Standard AASB 1039 *Concise Financial Reports*.

KPMG

KPMG



Tony Nimac
Partner

Sydney
27 September 2006

Lead auditor's independence declaration under Section 307C of the Corporations Act 2001

To: the directors of The Northcott Society

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:

- no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.



KPMG



Tony Nimac
Partner

Sydney

27 September 2006

The Northcott Society
(A company limited by guarantee)
and its controlled entities
ABN 87 302 064 152

The financial statements and other specific disclosures is an extract of, and has been derived from The Northcott Society and its controlled entities ("consolidated entity") full financial report for the financial year. Other information included in the concise financial report is consistent with the consolidated entity's full financial report.

The concise financial report does not, and cannot be expected to, provide as full an understanding of the financial performance, financial position and financing and investing activities for the consolidated entity as the full financial report.

A copy of the consolidated entity's 30 June 2006 Annual Financial Report, including the independent audit report, is available to all members, and will be sent to members without charge upon request. The 30 June 2006 Annual Financial Report can be requested by telephoning Mike Fryer on 02 9890 0120 or by email mike.fryer@northcott.com.au



northcott
disability services