



Financial Report

Paraplegic & Quadriplegic Association of NSW

ABN 42 000 355 948

30 June 2010

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Directors' Report

The Directors present their report on the Paraplegic & Quadriplegic Association of NSW for the financial year ended 30 June 2010.

DIRECTORS

The names of Directors in office at anytime during or since the end of the year are:

- Robyn Chapman** – **Director**
Qualifications – B. AppSc (Phy)
Experience – CEO, Independent Living Centre NSW
- David Gorman** – **Director (commenced November 2009)**
Qualifications – Accounting Certificate, Advanced Certificate in Real Estate, Graduate Diploma in Advanced Taxation
Experience – Former member of the ATO's Tax Technical Clearance team
- Anders Halvorsen** – **Director, Deputy Chairman**
Qualifications – MBA, JP, MAICD
Experience – Director North Coast Community Housing Company Ltd; Business management consultant; Former Director Independence Solutions Ltd – resigned 1 September 2007 (ParaQuad NSW representative)
Committees – Chair of Finance and Risk Committee; Chair of Remuneration Committee;
- Robert Zoa Manga** – **Director (Terminated September 2009)**
Qualifications – MBBS, MPH, MHSM
Experience – Education & Research Consultant, RRCS; Clinical Research Manager, Royal Hospital for Women; Senior Research Fellow, University of NSW; President, Spinal Talk Incorporated; Management Committee Member of PDCN
- Carole Molyneux** – **Director**
Qualifications – BA Honours
Experience – CEO, Suzanne Grae Corp Pty Ltd; former Director of Bantex Australia Pty Ltd; former Director of Zonta Club of Sydney; former General Manager, Grace Bros Sydney; Member of AICD
Committees – Member of Finance and Risk Committee; Member of Remuneration Committee
- Wendy Potter** – **Director, Chairman**
Qualifications – Certificate IV Community Services (Welfare), Dip. Dist. Community Services Welfare Cert, IV Workplace Training & Assessment
Experience – Past President People with Disabilities Australia Inc.
Committees – Member of Governance Committee; Member of Remuneration Committee

Directors' Report

John Renshaw	– Director
Qualifications	– Bachelor of Commerce (Accounting) UNSW 1996 Bachelor of Laws UNSW 1996
Experience	– McLachlan Chilton Solicitors, Partner since July 2008; former Partner of TLLawyers Pty Ltd (formerly Thomas Laycock Solicitors & Mediators); Member of the Australian and New Zealand Institute of Insurance and Finance
Committees	– Member of Finance and Risk Committee; Member of Remuneration Committee
Susan Rutkowski	– Director
Qualifications	– Medical Practitioner A.M. MB.BS, FAFRM. (RACP), MHA Medical
Experience	– Honorary Medical Officer Spinal Cord Injury Unit, Royal North Shore Hospital and Moorong Spinal Unit, Royal Rehabilitation Centre Sydney; Life Governor, Sydney Hospital; Clinical Senior Lecturer, Faculty of Medicine, University of Sydney; Part Time Staff Specialist NSW Spinal Outreach Service
Dr Edward Watts	– Director
Qualifications	– B.App.Ec(Hon), PhD
Experience	– Senior lecturer in the Dept of Accounting & Finance, Macquarie University Former Chairman Independence Solutions Ltd to Nov 2007 (ParaQuad NSW representative); former Director Independence Solutions Ltd – resigned 11 April 2007 (ParaQuad NSW representative)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

DIRECTORS MEETINGS

	Board Meetings		Finance and Risk Committee		Policy Committee		Governance Committee		Remuneration Committee	
	Eligible to Attend	Attend ed	Eligible to Attend	Attend ed	Eligible to Attend	Attend ed	Eligible to Attend	Attend ed	Eligible to Attend	Attend ed
Robyn Chapman	9	8	-	-	-	-	-	-	-	-
David Gorman										
Anders Halvorsen	9	9	12	12	3	3	-	-	2	2
Robert Manga	2	-	-	-	-	-	-	-	-	-
Carole Molyneux	9	8	12	9	-	-	-	-	2	2
Wendy Potter	9	9	-	-	3	3	-	-	2	2
John Renshaw	3	3	12	10	-	-	-	-	-	-
Susan Rutkowski	9	6	-	-	-	-	-	-	-	-
Dr Edward Watts	9	9	-	-	-	-	-	-	-	-

There were no meetings of the Governance Committee held during the year.

Directors' Report

COMPANY SECRETARY

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

Martin Gardiner	– Secretary
Qualifications	– CPA, B. Bus (Major Accounting, Sub-major Finance)
Experience	– General Manager Corporate Services ParaQuad NSW; Director, Treasurer, John Wycliffe Christian Education Association Ltd; former Group Manager Financial and Commercial Services Wesley Mission; former Financial Accountant David Jones; former Director; Treasurer Lottie Stewart Hospital

PRINCIPAL ACTIVITIES and OBJECTIVES

The Paraplegic and Quadriplegic Association of NSW (ParaQuad) exists to support people with a spinal cord injury to achieve their choices in life. During the financial year, ParaQuad continued to provide a range of community services primarily to people with a spinal cord injury living within NSW and the ACT. ParaQuad's business operations (BrightSky Australia and Mobility and Functional Support program) and advocacy and information services were provided to a broader population.

ParaQuad's current three year strategic plan has four key objectives:

- Review processes and systems/structure to achieve best practice
- To diversify the revenue base
- Review and develop clinical/community services in line with financial resources
- Develop a focussed and achievable fundraising plan

Under each of these objectives exist a range of strategies to be pursued to assist in achieving the various objectives. Due to the potentially confidential and sensitive strategies being considered no specific details are disclosed in this report.

The Board is of the view that achievement of these objectives will better enable the organisation to support people with a spinal cord injury to achieve their choices in life. On a regular basis throughout the year the Board reviews progress against the strategic plan objectives.

No fundamental change in the nature of ParaQuad's activities occurred during the course of the year.

OPERATING RESULTS

The net operating profit after income tax of the company for the financial year was \$129,664 (2009: profit \$390,562).

DIVIDENDS PAID OR RECOMMENDED

The company is limited by guarantee and therefore not permitted to pay dividends under its Constitution.

Directors' Report

REVIEW OF OPERATIONS

This year was the fourth in a row that the organisation has generated a surplus, a vast improvement on financial performances of the past. Despite the surplus the organisation continues to operate in a highly competitive environment. Our commercial arm, BrightSky Australia has had another successful year with revenue growing significantly. Margins however continue to be under pressure as competition and Government tenders drive down possible net returns. The Mobility and Functional Support program has benefited from yet another extension to the existing contract to April 2011, however the opportunity for further extensions has now ended with the next three year contract out for tender. Demand for services in the Primary Health Team continues to grow, and while last year we were able to add resources, financial pressures have not enabled us to further increase the resources again this year. The Attendant Care operation continues to deliver quality personal care services in a challenging environment.

The redevelopment of Ferguson Lodge continues to consume an extensive amount of time for a number of people at ParaQuad. While it is finally starting to take shape and will deliver on much needed improvements to the facility it has been a long haul with numerous small building and related issues to resolve and negotiations with neighbours, Government and local utilities. The original timetable was very tight with full occupation previously expected during 2010. Unfortunately a few of these issues and rain has delayed the overall project by a number of months with final occupation not expected until March/April 2011. However, by the time you read this review, we expect current residents to be preparing to move into the main complex of the redevelopment. Stage 2 which will be completed in 2011 involves the completion of independent living units, gardens and roadways. We are hopeful the redevelopment will be finished in time for ParaQuad's 50th Anniversary celebrations scheduled for March/April 2011.

As in past years Quality accreditation continues to be an important part of operations at ParaQuad. There seems to be a never ending requirement for operations to be accredited or re-accredited in some way. The Mobility and Functional Support program will be working towards accreditation under ISO 9001 as a requirement of the recently launched tender.

Under the Attendant Care program we have implemented a new Rostering System, which at the time of writing was being launched to carers and clients. Expectations are that the new program will enable co-ordinators to visit clients and staff more frequently rather than spending large amounts of time reviewing timesheets for processing. During the year a new Payroll system was successfully implemented. While the old systems met basic needs they did not provide the necessary capability for the organisation to be as effective as it needs to be in the current environment.

Revenue continues to grow in the BrightSky Australia operation with a full strength Sales Team generating positive results. During 2009/10 we were successful in tendering for the Epidermolysis Bullosa Scheme to both administer and supply wound care product under the scheme. The scheme operates for the benefit of children who have a serious skin condition requiring a regular supply of wound care bandages. In the latter half of 2009/10 we successfully launched our business to business webstore enabling corporate clients to place orders online at their convenience. To ensure that we are able to efficiently support the increased business volume a review of processes is being undertaken. The review has already identified a number of relatively small areas of improvement that collectively will improve the efficiency and cost effectiveness of the order to despatch logistics process.

Directors' Report

Total revenue of the organisation has grown by over 6% this year but due to tighter margins and increased costs the surplus result is lower than last year. A surplus of \$129,664 was generated which is significantly better than was budgeted for the year. We were also very fortunate to have received a few small bequests and a large donation for which we continue to be very grateful. Our new Fundraising and PR Manager has settled in very well and is generating some exciting leads. Revenue received from general fundraising in 2009/10 was by far the biggest we have had for a number of years with expectations of even better results in years to come.

Over the year ParaQuad also received three large donations totalling \$330,000 that were provided specifically for the purpose of the redevelopment of the Ferguson Lodge building at Lidcombe. The Board understands that Australian Accounting Standards require these donations to be recognised as revenue in the year of receipt. As the donations relate to a property that ParaQuad does not own the Board is of the view that to recognise the revenue during 2010 would materially misrepresent the financial results of the organisation in 2010 and in 2011. During 2011 it is expected that these donations will be fully expended on the Ferguson Lodge redevelopment. Such expenditure is likely to be treated as an expense item thereby distorting the 2011 result.

The Board is of the view that matching these specific donations with the expenditure incurred in the year of expenditure will better represent the financial operations of the organisation. The Board also accepts that this treatment will lead to a qualification of the 2010 accounts.

During the year the Board reviewed the investment portfolio in conjunction with independent advisors to shape our investments to maximise return within an acceptable risk profile. This review identified that some structural change was necessary to improve the returns generated. The view taken was that rather than invest predominately in Managed Funds which are a vehicle for all organisations irrespective of tax status, a structure built around direct share investments enabling us to better capitalise on imputation credits available to the organisation and at a lower cost structure was the preferred method. The share portfolio will be managed by professional advisors.

As a result of this decision we sold the managed fund investments and realised the unrealised capital loss recognised in last year's accounts. The consolidated \$129,664 surplus for the year is after realising a loss of \$224,814 from the sale of investments. While a loss was realised on the managed fund portfolio our existing direct share portfolio currently holds an unrealised gain of \$88,160 as at 30 June 2010.

Looking ahead we see continuing challenges and competitiveness in the BrightSky marketplace. In the Attendant Care program there will continue to be a balancing of client and staff needs and wants ensuring the safety of all are maintained. In the Mobility and Functional Support program while there is potential for an increase in business if successful in the new national tender, there is also potential for revenue to be lower as new competition under the tender is likely to reduce our current market dominance in NSW.

Expectations are that the redeveloped Ferguson Lodge will be a state of the art facility providing much needed resources for the spinal cord injured community, however there is still more building development work to come and the demolition of the existing building is expected to reveal asbestos as reported in last year's report. We expect another positive year for fundraising but recognise that ParaQuad is only one of a very large number of charities competing for a scarce donation dollar and as such our success in this and other areas of the organisation will only ever be achieved through hard work by the total ParaQuad team.

Directors' Report

Employee turnover in Management ranks has been quite low with only one position changing during the year, that being, Kris Hume, General Manager BrightSky Australia. Kris was successful in building a solid base for Brightsky's successes. Kris left towards the end of the year to work for another not-for-profit organisation in a more senior role. The General Manager's role has been filled by an internal appointment.

While there has been no major change during the year to the corporate infrastructure including our IT environment we have stabilised all performance related issues which plagued us a few years ago with an IT uptime outcome in excess of 99.5% availability over the year. The next stage of the upgrade will be to establish a disaster recovery capability which should allow us to continue operating in the event of a catastrophic failure at Newington.

As with all organisations operating in the not for profit sector we want to acknowledge the generous support we receive from our sponsors, donors and other funding bodies. We continue to be very appreciative of the support we received for the Ferguson Lodge redevelopment from ADHC and the Motor Accidents Authority in making this redevelopment possible. Residents continue to be enthusiastic about the redevelopment and are eager for Stage 1 to be completed.

The Board acknowledges the tremendous effort of management and staff in delivering quality services in a difficult environment while generating a surplus for the fourth consecutive year.

Our ongoing focus continues to be to enhance the resources available to support the range of services we provide to our members and clients however we are constrained by available funds to do this. As indicated previously we expect 2010/11 to be a very challenging year as in the past.

SIGNIFICANT CHANGES IN STATE OF AFFAIRS

No significant changes in the company's state of affairs occurred during the financial year.

AFTER BALANCE DATE EVENTS

There are no matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

FUTURE DEVELOPMENTS

The company intends to continue to carry on operations in accordance to its constitution with no significant deviations planned.

ENVIRONMENTAL ISSUES

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Directors' Report

REMUNERATION REPORT

A small honorarium is paid to one Director in recognition of the significant ongoing contribution being made to the organisation. No other director has been paid any form of remuneration during the year ended 30 June 2010.

OPTIONS

As the company is limited by guarantee, no options over issued shares or interests in the company were granted during or since the end of financial year and there were no options outstanding at the time of this report.

INDEMNITIES OF OFFICERS OR AUDITORS

The company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the company or a related body corporate indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings.

During the financial year, the company paid a premium of \$8,480 excluding GST to insure all of the Directors of the company. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the directors in their capacity as directors of the company. No other premiums have been paid.

PROCEEDINGS ON BEHALF OF THE COMPANY

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

The company was not a party to any such proceedings during the year.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 47.

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



W POTTER
Director

Dated this 23rd day of September 2010

Statement of Comprehensive Income For the Year Ended 30 June 2010

	Notes	2010	2009
		\$	\$
Revenue	2b	35,718,047	33,582,020
Trade receivables impairment reversal	4	43,699	176,893
Cost of sales		(20,241,735)	(18,774,752)
Employee related expenses		(11,855,237)	(11,151,244)
Operating and administration expenses		(2,637,334)	(2,621,804)
Trade receivables impairment expense	4	(38,510)	(69,010)
Depreciation expenses		(488,884)	(642,867)
Finance costs		(34)	(488)
Restructuring costs		(42,068)	(19,403)
Rental expense		(45,758)	(40,998)
Audit fees		(57,708)	(47,785)
Loss on sale of investments		(224,814)	-
		129,664	390,562
Profit before income tax		129,664	390,562
Income tax expense	1a	-	-
		129,664	390,562
		129,664	390,562
Other comprehensive income			
Net gain / (loss) on revaluation of financial assets		50,570	(294,383)
		50,570	(294,383)
Other comprehensive income for the year		50,570	(294,383)
		50,570	(294,383)
		180,234	96,179
Total comprehensive income for the year		180,234	96,179

The financial statements should be read in conjunction with the accompanying notes.

Statement of Financial Position As at 30 June 2010

	Notes	2010 \$	2009 \$
Current assets			
Cash and cash equivalents	3	4,256,682	3,049,237
Trade and other receivables	4	2,791,408	2,188,428
Inventories	5	827,806	744,929
Financial assets	6	1,325,929	2,154,745
Other current assets	7	141,767	96,591
Total current assets		9,343,592	8,233,930
Non-current assets			
Property, plant and equipment	8	5,697,243	6,102,938
Total non-current assets		5,697,243	6,102,938
Total assets		15,040,835	14,336,868
Current liabilities			
Trade and other payables	9	5,293,398	5,213,181
Short-term provisions	11	476,500	542,600
Total current liabilities		5,769,898	5,755,781
Non-current liabilities			
Long- term provisions	11	273,600	122,200
Total non-current liabilities		273,600	122,200
Total liabilities		6,043,498	5,877,981
Net assets		8,997,337	8,458,887
Equity			
Reserves	18	88,160	(320,626)
Retained earnings		8,909,177	8,779,513
Total equity		8,997,337	8,458,887

The financial statements should be read in conjunction with the accompanying notes.

Statement of Changes in Equity For the Year Ended 30 June 2010

	Notes	Financial Asset Reserve	Retained Earnings	Total
		\$	\$	\$
Balance at 30 June 2008		(26,243)	8,388,951	8,362,708
Total other comprehensive income for the period		(294,383)	-	(294,383)
Profit for the period		-	390,562	390,562
Balance at 30 June 2009		(320,626)	8,779,513	8,458,887
Total other comprehensive income for the period		50,570	-	50,570
Transfer on Sale of Asset		358,216	-	358,216
Profit for the period		-	129,664	129,664
Balance at 30 June 2010	18	88,160	8,909,177	8,997,337

The financial statements should be read in conjunction with the accompanying notes.

Statement of Cash Flows For the Year Ended 30 June 2010

	Notes	2010 \$	2009 \$
Cash Flows from Operating Activities			
Receipts from customers		25,960,090	25,553,644
Receipts from government departments		9,538,425	8,848,825
Payments to suppliers and employees		(36,160,109)	(34,157,841)
Donations received		682,103	535,849
Distributions received from managed funds		112,182	136,519
Interest received		131,789	126,885
Finance costs paid		(34)	(488)
Net cash provided by operating activities	20	264,446	1,043,393
Cash Flows from Investing Activities			
Payment for property, plant and equipment		(173,558)	(245,229)
Proceeds from sale of property, plant and equipment		103,770	90,055
Proceeds from sale of investments		1,012,787	-
Net cash provided by/(used) in investing activities		942,999	(155,174)
Net increase in cash		1,207,445	888,219
Cash at the beginning of the Financial Year		3,049,237	2,161,018
Cash at the end of the Financial Year	3	4,256,682	3,049,237

The financial statements should be read in conjunction with the accompanying notes.

Notes to the Financial Statements For the Year Ended 30 June 2010

Note 1: Statement of significant accounting policies

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Australian Accounting Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board, the *Charitable Fundraising Act 1991* and the *Corporations Act 2001*.

The Paraplegic & Quadriplegic Association of NSW ("ParaQuad") is a company limited by guarantee, incorporated and domiciled in Australia.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions to which they apply.

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

Basis of Preparation

Reporting Basis and Conventions

The financial report has been prepared on an accruals basis and is based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

The financial report has been prepared on a going concern basis.

Accounting Policies

a. Income Tax

Under Section 50-5 of the *Income Tax Assessment Act 1997*, the income of ParaQuad is exempt from income tax.

b. Inventories

Inventories are measured at the lower of cost and net realisable value.

c. Property, Plant and Equipment

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

Notes to the Financial Statements For the Year Ended 30 June 2010

Note 1: Statement of significant accounting policies (cont)

Property

Freehold land and buildings are carried at the lower of cost less accumulated depreciation or recoverable amount. The assessment of recoverable amount conducted annually by Directors considers valuations and market appraisals conducted by independent valuers/agents and an assessment of current equivalent property selling prices.

ParaQuad is the Manager of the Trustee of the Reserve Trust responsible for the parcel of Crown Land located at Lidcombe on which the current Accommodation program known as Ferguson Lodge is operated. A Reserve Trust is a legal body constituted under the *Crown Lands Act, 1989*. The building ("Premises") on this land is currently undergoing redevelopment.

Under the requirements of the Funding Agreement ParaQuad is restricted in various ways in dealing with this property. The key considerations include –

- ParaQuad has no legal or equitable interest in the Premises situated on the parcel of Crown Land and that the State of New South Wales is to remain the registered proprietor of the Premises.
- The Premises forms part of the Reserve;
- The Reserve Trust has been constituted trustee of the Reserve; and
- ParaQuad has been appointed to manage the affairs of the Reserve Trust.

As a result of these considerations the new building is not reportable in the financial statements of ParaQuad but the Reserve Trust. See note 23 for an account of the Reserve Trust.

A reassessment of the estimated useful life of the existing building has been undertaken as a result of the re-development. As at reporting date the current building is fully depreciated. Upon final demolition of the building during 2010/11 the building will be formally disposed and the original building cost and accumulated depreciation will be removed from the accounts.

Freehold land and buildings that have been contributed at no cost or for nominal cost are valued at the fair value of the asset at the date it is acquired.

Plant and Equipment

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

The carrying amount of plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount of an asset is determined as the higher of fair value less costs to sell and value in use, with value in use being determined as the written-down current cost (depreciated replacement cost) of the asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Notes to the Financial Statements For the Year Ended 30 June 2010

Note 1: Statement of significant accounting policies (cont)

Plant and Equipment (cont)

Plant and equipment that have been contributed at no cost or for nominal cost are valued at the fair value of the asset at the date it is acquired.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated on a straight-line basis over their estimated useful lives commencing from the time the asset is held ready for use.

The depreciation rates used for each class of asset are:

Class of Fixed Asset	Depreciation Rate
Buildings	2.5 - 40%
Plant and equipment	10 - 33%
Motor vehicles	18 - 35%

The assets' residual values and useful lives are reviewed and adjusted, if appropriate, at each balance sheet date. The 40% rate for buildings relates to Ferguson Lodge which has been earmarked for demolition in 2010/11 as part of the redevelopment. The 35% rate for motor vehicles relates to high usage vehicles which lose value at a quicker rate than other vehicles.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

d. Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to the Company, are classified as finance leases.

Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the entity will obtain ownership of the asset. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Notes to the Financial Statements For the Year Ended 30 June 2010

Note 1: Statement of significant accounting policies (cont)

d. Leases (cont)

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

e. Financial Instruments

Initial Recognition and Measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transactions costs except where the instrument is classified 'at fair value through profit or loss' in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

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

Amortised cost is calculated as:

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

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

Financial assets at fair value through profit or loss

Financial assets are classified at 'fair value through profit or loss' when they are held for trading for the purpose of short-term profit taking, or where they are derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in profit or loss.

Notes to the Financial Statements For the Year Ended 30 June 2010

Note 1: Statement of significant accounting policies (cont)

e. Financial Instruments (cont)

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

Financial liabilities

Non-derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair Value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At each reporting date, the entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the Income Statement.

Derecognition

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

Notes to the Financial Statements For the Year Ended 30 June 2010

Note 1: Statement of significant accounting policies (cont)

f. Impairment of Assets

At each reporting date, the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, with value in use being determined as the written-down current cost (depreciated replacement cost) of the asset, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement.

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

Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where an impairment loss on a revalued asset is identified, this is debited against the revaluation reserve in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation reserve for that same class of asset.

g. Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year together with benefits arising from wages, salaries and annual leave which may be settled after one year, have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Contributions are made by the company to an employee superannuation fund and are charged as expenses when incurred.

h. Provisions

Provisions are recognised when the company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimates of the amounts required to settle the obligation at reporting date.

i. Cash and Cash Equivalents

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

Notes to the Financial Statements For the Year Ended 30 June 2010

Note 1: Statement of significant accounting policies (cont)

j. Revenue

Revenue from the sale of goods is recognised upon the shipment of goods to customers.

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

Grant revenue is recognised in the income statement when the entity obtains control of the grant and it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably.

If conditions are attached to the grant which must be satisfied before the company is eligible to receive the contribution, the recognition of the grant as revenue will be deferred until those conditions are satisfied.

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

Where ParaQuad receives non-reciprocal contributions of assets from the government and other parties for zero or a nominal value, these assets are recognised at fair value on the date of acquisition in the balance sheet, with a corresponding amount of income recognised in the income statement.

Donations and bequests are generally recognised as revenue when received. From time to time ParaQuad receives donations and bequests that have been donated or given for a specific purpose. Where ParaQuad determines that recognition of the specific donation or bequest as revenue in the year of receipt will misrepresent the true financial position of the organisation in that year ParaQuad may delay recognition until the purpose of the donation is able to be fulfilled.

All revenue is stated net of the amount of goods and services tax (GST).

k. Finance Costs

Finance costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other finance costs are recognised in income in the period in which they are incurred.

Notes to the Financial Statements For the Year Ended 30 June 2010

Note 1: Statement of significant accounting policies (cont)

l. Goods and Services Tax (GST)

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

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

m. Comparative Figures

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

n. Critical Accounting Estimates and Judgements

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

Key Estimates – Impairment

The company assesses impairment at each reporting date by evaluating conditions specific to the company that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined.

Key Judgements – Provision for Impairment of Receivables

At each reporting date the company determines the provision for impairment of receivables based on a specific review of the receivables outstanding. An impairment provision is established for an individual receivable balance if past payment history has indicated that payment may not be made within commercially reasonable payment terms. In these cases the individual account is blocked from further transactions until payment of past transactions is made or the account is written off as a bad debt if unrecovered. At reporting date if it is assessed that a previously recognised provision for impairment should be reversed this amount is recognised in the statement of comprehensive income.

Key Judgements – Provision for Impaired Inventory

The company determines the provision for impaired inventory based on the difference between the number of units sold in the past 12 months and the number of units on hand as at 30 June 2010 for each item of inventory. Where the number of units sold is less than the units on hand the difference between the number of units sold and on hand is treated as impaired as the likelihood of the items being sold within the next 12 months is low.

Notes to the Financial Statements For the Year Ended 30 June 2010

Note 1: Statement of significant accounting policies (cont)

Key Judgements – Available-for-sale investments

The company maintains a portfolio of securities with a carrying value of \$1,325,929 at reporting date. As at reporting date certain individual securities have increased in value by \$88,160 from the original cost. The increase in value has been recognised in equity and is subject to adjustment at reporting date. Should share values decline to a level which is in excess of 50% below cost or should prices remain at levels below 80% of cost for a period in excess of 24 months, the Directors have determined that such investments will be considered for impairment after assessing the current market situation and likelihood of recovery in the near future.

n. Critical Accounting Estimates and Judgements (cont)

Key Judgements – Recoverable Amount of Land and Buildings

The assessment of recoverable amount considers the comparative size of the individual property, current market leasing rates of properties of comparable size and location, current commercial capitalisation rates of 7% and special features of owned properties compared to the market. The assessment also considers the current depth of the selling market at the time of assessment in arriving at an estimated recoverable amount. In times of general market financial stress the Directors recognise that market values can be volatile and have adopted a conservative approach in assessing the recoverable value of property.

o. Economic Dependence

A significant amount of revenue is received from the Department of Veterans Affairs and from the Ageing, Disability and Home Care Department. At the date of this report the Board of Directors has no reason to believe that either of these Departments will not continue to support the company.

p. New Accounting Standards for Application in Future Periods

Directors have considered all pending Australian Accounting Standards issued between the previous financial report and the current reporting date, and believe they have no material impact to the company's financial reporting. The company has decided against early adoption of these standards. A discussion of those future requirements and their impact on the company can be found at note 19.

Notes to the Financial Statements For the Year Ended 30 June 2010

Note 2: Profit / Loss from ordinary activities

	Note	2010	2009
		\$	\$
a Expenses			
Depreciation of non-current assets			
- Buildings and Fitout		319,551	457,997
- Motor Vehicles		90,921	94,982
- Plant and equipment and other non-current assets		78,412	89,888
Total depreciation		488,884	642,867
Trade receivables impairment provision used during the year		23,656	7,343
b Revenue and net gains			
Operating activities:			
- Sales revenue		25,375,472	23,306,885
- Government funding		8,671,295	8,044,386
- Interest received		131,789	126,885
- Donations, fundraising and bequests	22	682,103	1,254,129
- Residents' fees		431,063	495,726
- Gain on sale of assets		13,400	13,227
- Dividends/Distributions from shares/managed funds		80,437	82,268
- Other revenue		332,488	258,514
		35,718,047	33,582,020

Notes to the Financial Statements For the Year Ended 30 June 2010

Note 3: Cash assets

	2010	2009
	\$	\$
Cash at bank and on hand	2,256,682	2,049,237
Short term deposits	2,000,000	1,000,000
	<u>4,256,682</u>	<u>3,049,237</u>

Note 4: Receivables

Current

Trade receivables	2,770,830	2,186,852
Provision for impairment of receivables	(67,061)	(72,250)
	<u>2,703,769</u>	<u>2,114,602</u>
Other receivables	87,639	73,826
	<u>2,791,408</u>	<u>2,188,428</u>

Current trade receivables are generally on 30-day terms. These receivables are assessed for recoverability and a provision for impairment is recognised when there is objective evidence that an individual trade receivable is impaired. Movement in the provision for impairment of receivables is as follows:

	\$
Provision for Impairment as at 30 June 2008	(187,476)
Newly impaired receivables	(69,010)
Provision used during year	7,343
Amount reversed	176,893
Provision for Impairment as at 30 June 2009	(72,250)
Newly impaired receivables	(38,510)
Provision used during year	23,656
Amount reversed	20,043
Provision for Impairment as at 30 June 2010	(67,061)

Notes to the Financial Statements For the Year Ended 30 June 2010

Note 4: Receivables (Cont)

The company has credit risk exposure to a group of receivables including Government agencies. The Directors consider these receivables to be low risk.

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

The balances of receivables that remain within initial trade terms (as detailed in the table) are considered to be of high credit quality.

	Gross Amount	Past Due and Impaired	Past Due but not impaired (days overdue)			Within Trade Terms
			< 30	31 - 60	> 60	
	\$	\$	\$	\$	\$	\$
2010						
Trade Receivables	2,770,830	67,061	135,239	35,377	9,004	2,524,149
Other Receivables	87,639	-	-	-	-	87,639
Total	2,858,469	67,061	135,239	35,377	9,004	2,611,788
2009						
Trade Receivables	2,186,852	72,250	134,881	9,813	36,685	1,933,223
Other Receivables	73,826	-	-	-	-	73,826
Total	2,260,678	72,250	134,881	9,813	36,685	2,007,049

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

There are some balances within trade receivables that are not impaired and are past due. The company has conducted an assessment and expects these balances will be received.

Notes to the Financial Statements For the Year Ended 30 June 2010

Note 5: Inventories

	2010	2009
	\$	\$
Current		
Finished goods	827,806	744,929

Note 6: Financial assets

Current

Public company shares, at fair value	759,673	709,103
Managed funds, at fair value	566,256	1,445,642
Total Financial Assets, at fair value	1,325,929	2,154,745

These assets are classified as “available for sale financial assets”. There are no fixed returns or fixed maturity dates attached to these investments. During June 2010 managed funds were sold and as at reporting date were temporarily held in cash pending reinvestment in public company shares during July 2010.

Note 7: Other current assets

Current

Prepayments	141,767	96,591
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Note 8: Property, plant and equipment

Land and buildings

Freehold land at cost	2,282,418	2,282,418
Buildings at cost	4,353,472	4,353,472
Less accumulated depreciation	(1,726,101)	(1,502,652)
	2,627,371	2,850,820
Total Land and Buildings	4,909,789	5,133,238

Notes to the Financial Statements For the Year Ended 30 June 2010

Note 8: Property, plant and equipment (cont)

	2010	2009
	\$	\$
Plant and Equipment		
Plant and equipment at cost	370,483	372,714
Less accumulated depreciation	<u>(330,980)</u>	<u>(329,548)</u>
	<u>39,503</u>	<u>43,166</u>
Motor vehicles at cost	595,331	665,510
Less accumulated depreciation	<u>(287,812)</u>	<u>(315,158)</u>
	<u>307,519</u>	<u>350,352</u>
Office equipment at cost	297,505	439,664
Less accumulated depreciation	<u>(232,304)</u>	<u>(332,496)</u>
	<u>65,201</u>	<u>107,168</u>
Furniture and fittings at cost	135,954	132,751
Less accumulated depreciation	<u>(90,931)</u>	<u>(90,948)</u>
	<u>45,023</u>	<u>41,803</u>
Fit out at cost	1,125,418	1,193,650
Less accumulated depreciation	<u>(795,210)</u>	<u>(766,439)</u>
	<u>330,208</u>	<u>427,211</u>
Total plant and equipment	<u>787,454</u>	<u>969,700</u>
Total property, plant and equipment	<u>5,697,243</u>	<u>6,102,938</u>

Notes to the Financial Statements For the Year Ended 30 June 2010

Note 8: Property, plant and equipment (cont)

(a) Movements in carrying amounts

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

2010	Opening Balance \$	Additions \$	Disposals \$	Depreciation \$	Closing Balance \$
Freehold land	2,282,418	-	-	-	2,282,418
Buildings	2,850,820	-	-	(223,449)	2,627,371
Plant and Equipment	43,166	17,737	-	(21,400)	39,503
Motor Vehicles	350,352	136,190	(88,102)	(90,921)	307,519
Office Equipment	107,168	9,690	(982)	(50,675)	65,201
Furniture and Fittings	41,803	9,941	(384)	(6,337)	45,023
Fitout Newington	427,211	-	(901)	(96,102)	330,208
Total	6,102,938	173,558	(90,369)	(488,884)	5,697,243

2009	Opening Balance \$	Additions \$	Disposals \$	Depreciation \$	Closing Balance \$
Freehold land	2,282,418	-	-	-	2,282,418
Buildings	3,215,296	-	-	(364,476)	2,850,820
Plant and Equipment	65,814	-	-	(22,648)	43,166
Motor Vehicles	356,057	166,105	(76,828)	(94,982)	350,352
Office Equipment	90,484	78,329	-	(61,645)	107,168
Furniture and Fittings	46,603	795	-	(5,595)	41,803
Fitout Newington	520,732	-	-	(93,521)	427,211
Total	6,577,404	245,229	(76,828)	(642,867)	6,102,938

(b) Land and building

Included in land and buildings are properties located at Newington, Lidcombe and Newcastle. The Directors have reassessed the market value of the two properties as at 30 June and despite the current financial uncertainty believe that the current recoverable amount is higher than the carrying value of these properties. See Note 1n. for details on these assessments.

Notes to the Financial Statements For the Year Ended 30 June 2010

Note 9: Trade and Other Payables

	Note	2010	2009
		\$	\$
Current			
Trade creditors		3,452,523	3,551,143
Employee annual leave entitlements		902,400	866,000
Sundry payables and accrued expenses		938,475	796,038
	9a	<u>5,293,398</u>	<u>5,213,181</u>

a. Financial Liabilities at amortised cost classified as trade and other payables

Trade and other payables			
Total current		<u>5,293,398</u>	<u>5,213,181</u>
Less employee annual leave entitlements		<u>(902,400)</u>	<u>(866,000)</u>
Financial liabilities as trade and other payables	14	<u>4,390,998</u>	<u>4,347,181</u>

Note 10: Borrowings

The company's available credit facility consists of the following:

- Commercial bill with borrowings limited to \$1.0 million
- Overdraft facility with drawings limited to \$1.0 million
- Corporate credit card facilities limited to \$70,000

The credit facility is secured by registered first mortgage over the Newington property and a fixed and floating charge over all the assets of the company.

As at 30 June 2010, apart from corporate credit card facilities the available credit facilities remained unused in full.

Note 11: Provisions

Current employee long service leave benefits	476,500	542,600
Non current employee long service leave benefits	273,600	122,200
	<u>750,100</u>	<u>664,800</u>

As at 30 June 2010 the Board changed the company's policy on long service leave entitlements so that all staff who have worked for the organisation for five years continuously will be entitled to be paid their accumulated entitlement upon resignation. Previously some staff were only entitled to long service leave after 10 years of continuous service. Long service leave can only be taken after 10 years continuous service. A comparative adjustment totaling \$112,500 has been made.

Notes to the Financial Statements For the Year Ended 30 June 2010

Note 11: Provisions (Cont)

	Employee Long Service Leave Benefits
	\$
Balance as at 30 June 2009	664,800
Additional provisions raised during the year	138,041
Amounts used	(52,741)
Balance as at 30 June 2010	<u>750,100</u>

A provision has been recognised for employee entitlements relating to long service leave. The current employee long service leave benefit is based on employees' entitlement as at 30 June. Non current benefit is calculated using the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1 to this report.

Note 12: Capital and leasing commitments

	2010	2009
	\$	\$
a. Operating lease commitments		
Non-cancellable operating leases contracted for but not capitalised in the financial statements:		
Payable — minimum lease payments		
- not later than 12 months	40,126	51,671
- between 12 months and 5 years	32,660	64,459
- greater than 5 years	-	-
	<u>72,786</u>	<u>116,130</u>

These lease commitments are non-cancellable operating leases contracted for but not capitalised in the financial statements with a maximum five-year term. No capital commitments exist in regards to the operating lease commitments at year-end. Increases in lease commitments may occur in line with CPI.

Notes to the Financial Statements For the Year Ended 30 June 2010

Note 13: Events after the reporting date

There are no matters or circumstances that have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Note 14: Financial Risk Management

The company's financial instruments consist mainly of deposits with banks, local money market instruments, short-term investments, accounts receivable, managed funds, company shares and payables and leases.

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

	Note	2010	2009
		\$	\$
Financial assets			
Cash and cash equivalents	3	4,256,682	3,049,237
Receivables	4	2,791,408	2,188,428
Available for sale financial assets			
Shares in listed entities	6	759,673	709,103
Managed funds	6	566,256	1,445,642
Total financial assets		<u>8,374,019</u>	<u>7,392,410</u>
Financial liabilities			
Trade and other payables	9a	4,390,998	4,347,181
Total financial liabilities		<u>4,390,998</u>	<u>4,347,181</u>

Financial Risk Management Policies

A finance and risk committee consisting of Board Members and Senior Management meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

Specific Financial Risk Exposures and Management

The main risks the entity is exposed to through its financial instruments are liquidity risk and credit risk.

Interest rate risk

The company has no borrowings outstanding as at 30 June 2010 and is not materially impacted by interest rate movements.

Notes to the Financial Statements For the Year Ended 30 June 2010

Note 14: Financial Risk Management (cont)

Foreign currency risk

The entity is not exposed to fluctuations in foreign currencies.

Liquidity risk

The entity manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

The tables below reflect an undiscounted contractual maturity analysis for financial liabilities.

Cash flows realised from financial assets reflect management's expectations as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

2010	Note	Within 1 Year	1 - 5 Years	Over 5 years	Total contractual cash flow
Financial liabilities due for payment					
Trade and other payables	9a	4,390,998	-	-	4,390,998
Total expected outflows		4,390,998	-	-	4,390,998
Financial Assets - cash flows realisable					
Cash and cash equivalents	3	4,256,682	-	-	4,256,682
Receivables	4	2,791,408	-	-	2,791,408
Shares in listed entities	6	-	759,673	-	759,673
Managed funds	6	566,256	-	-	566,256
Total anticipated inflows		7,614,346	759,673	-	8,374,019
Net inflow on financial instruments		3,223,348	759,673	-	3,983,021

Notes to the Financial Statements For the Year Ended 30 June 2010

Note 14: Financial Risk Management (cont)

2009	Note	Within 1 Year	1 - 5 Years	Over 5 years	Total contractual cash flow
Financial liabilities due for payment					
Trade and other payables	9a	4,347,181	-	-	4,347,181
Total expected outflows		4,347,181	-	-	4,347,181
Financial Assets - cash flows realisable					
Cash and cash equivalents	3	3,049,237	-	-	3,049,237
Receivables	4	2,188,428	-	-	2,188,428
Shares in listed entities	6	-	709,103	-	709,103
Managed funds	6	-	-	1,445,642	1,445,642
Total anticipated inflows		5,237,665	709,103	1,445,642	7,392,410
Net inflow on financial instruments		890,484	709,103	1,445,642	3,045,229

Credit risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counter parties of contract obligations that could lead to a financial loss to the company.

Credit risk is managed by the entity and reviewed regularly by the finance and risk committee. It arises from exposures to customers as well as through deposits with financial institutions.

The entity monitors the credit risk by actively assessing the rating quality and liquidity of counterparties.

Credit Risk Exposures

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of those assets, as disclosed in the balance sheet and notes to the financial statements.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are detailed in Note 4.

The company has credit risk exposure to a group of receivables including Government agencies. The Directors consider these receivables to be low risk.

There is no material amounts of collateral held as security at 30 June 2010.

The total carrying value of Cash and cash equivalent financial assets are deposited in AA or higher rated bank deposit instruments.

Notes to the Financial Statements For the Year Ended 30 June 2010

Note 14: Financial Risk Management (cont)

Price risk

The entity is not exposed to any material commodity price risk.

Net Fair Values

Net Fair values versus carrying amounts

The fair values of financial assets and financial liabilities are presented in the following table and can be compared to their carrying values as presented in the balance sheet. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived may be based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below. Where possible, valuation information used to calculate fair value is extracted from the market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market bid prices. Where securities are unlisted and no market quotes are available, fair value is obtained using discounted cash flow analysis and other valuation techniques commonly used by market participants.

Differences between fair values and carrying values of financial instruments with fixed interest rates are due to the change in discount rates being applied by the market since their initial recognition by the company. Most of these instruments which are carried at amortised cost are to be held until maturity and therefore the net fair value figures calculated bear little relevance to the company.

	Footnote	Net Carrying Amount 2010 \$	Net Fair Value 2010 \$	Net Carrying Amount 2009 \$	Net Fair Value 2009 \$
Cash and cash equivalents	(i)	4,256,682	4,256,682	3,049,237	3,049,237
Receivables	(i)	2,791,408	2,791,408	2,188,428	2,188,428
Available for sales investments					
Shares in listed entities	(ii)	759,673	759,673	709,103	709,103
Managed funds	(ii)	566,256	566,256	1,445,642	1,445,642
		<u>8,374,019</u>	<u>8,374,019</u>	<u>7,392,410</u>	<u>7,392,410</u>
Trade and other payables	(i)	<u>(4,390,998)</u>	<u>(4,390,998)</u>	<u>(4,347,181)</u>	<u>(4,347,181)</u>
		<u>(4,390,998)</u>	<u>(4,390,998)</u>	<u>(4,347,181)</u>	<u>(4,347,181)</u>

The fair values disclosed in the above table have been determined based on the following methodologies:

Notes to the Financial Statements For the Year Ended 30 June 2010

Note 14: Financial Risk Management (cont)

- (i) Cash and cash equivalents, trade and other receivables and trade and other payables are short-term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts provided for relating to annual leave and deferred income which is not considered a financial instrument.
- (ii) For listed available-for-sale and held-for-trading financial assets, closing quoted bid prices at reporting date are used.

Market risk sensitivity analysis of fair values versus carrying amounts

The Company is not exposed to movements in interest rates. The Company is exposed to movements in the sharemarket which will change according to changes in economic conditions and market perceptions.

The following table shows the impact of a 5% change in the general value of the sharemarket on profit or loss and equity, assuming the portfolio held by the Company moves in line with the overall movement in the sharemarket.

	Profit or Loss		Equity	
	5% Increase	5% decrease	5% Increase	5% decrease
2010	\$	\$	\$	\$
Financial Assets				
Available for sale financial assets	-	-	66,296	(66,296)
2009	\$	\$	\$	\$
Financial Assets				
Available for sale financial assets	-	-	107,737	(107,737)

Note 15: Company limited by guarantee

The Company is incorporated and domiciled in New South Wales under the *Corporations Act 2001*, as a company limited by guarantee. The amount of the guarantee is limited by the Constitution to an amount not exceeding \$20 per member. This guarantee is not capable of being called up except for the purpose of the winding up of the company. As at 30 June 2010 the number of members was 2,007 (2009: 1,739)

Note 16: Contingent Assets and Contingent Liabilities

There are no contingent assets or contingent liabilities identified as at the reporting date.

Notes to the Financial Statements For the Year Ended 30 June 2010

Note 17: Related party transactions

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

Transactions with related parties:

a) Key Management Personnel

Names and positions held of the company's key management personnel in office at any time during the financial year are:

2010

Key Management Person	Position
Max Bosotti	Chief Executive Officer
Martin Gardiner	General Manager Corporate Services and Company Secretary
David Sinclair	General Manager BrightSky Australia (commenced May 2010)
Kris Hume	General Manager BrightSky Australia (resigned May 2010)
Tonina Harvey	General Manager Community Services
Paul Hoppenbrower	Senior Manager Human Resources

2009

Key Management Person	Position
Max Bosotti	Chief Executive Officer
Martin Gardiner	General Manager Corporate Services and Company Secretary
Kris Hume	General Manager Sales, Marketing and Customer Relations
Tonina Harvey	General Manager Community Services
Paul Hoppenbrower	Senior Manager Human Resources

i) Compensation Practices

Key Management Personnel are remunerated by base salary plus SGC Superannuation. Managers have the option of packaging a company vehicle out of their base salary. The total remuneration package is assessed against both not for profit and commercial market remuneration surveys on an annual basis. During 2010 some Key Management Personnel received a performance based bonus.

Notes to the Financial Statements For the Year Ended 30 June 2010

Note 17: Related party transactions (cont)

ii) Key Management Personnel Compensation

	Short Term Benefits	Post Employment Benefits	Long Term Benefits	Total
2010 Total Compensation	822,000	72,000	16,000	910,000
2009 Total Compensation	793,000	69,000	-	862,000

During the year the Board approved the payment of a small honorarium to one Director in recognition of the significant ongoing contribution being made to the organisation. No other Director is entitled to or has received remuneration from the Company.

Note 18: Reserves

Financial Asset Reserve

This reserve records the revaluation of financial assets (that do not represent impairment write-downs) that relate to financial assets that are classified as available-for-sale.

Note 19: New Accounting Standards for Application in Future Periods

No accounting standard has been adopted earlier than the application date as stated in the standard. No new accounting standards, amendments to standards and interpretations issued by the Australian Accounting Standards Board that are applicable in the current period are assessed to have a material financial affect on the company.

Notes to the Financial Statements For the Year Ended 30 June 2010

Note 20: Cash flow information

	2010	2009
	\$	\$
Reconciliation of cash flow from operations with profit after income tax		
Profit from ordinary activities after income tax	129,664	390,562
Non-cash flows in loss		
- Depreciation expense	488,884	642,867
- Net loss on disposal of investments	224,814	-
- Net (gain) on disposal of property, plant and equipment	(13,400)	(13,227)
Changes in assets and liabilities		
- Decrease / (increase) in trade and other receivables	(602,980)	427,265
- (Increase) in inventories	(82,877)	(190,753)
- (Increase) in prepayments	(45,176)	(1,673)
- (Increase) in financial assets	-	(659,505)
- (Decrease) in trade and other payables	(98,620)	(85,532)
- Increase in other creditors & accruals	178,837	257,274
- Increase in provisions	85,300	276,115
Cash flows provided by operating activities	264,446	1,043,393

Note 21: Fundraising activities conducted

During the financial year two general fundraising appeals were conducted under the Charitable Fundraising Act 1991 in addition to the continuing appeal for funds to assist in the upgrade of the 40 bed Ferguson Lodge complex at Lidcombe.

Note 22: Fundraising Appeals conducted during the financial year

The following disclosures for the current period are included to comply with the *Charitable Fundraising Act 1991*.

During the financial year the Foundation received income from donations and proceeds from a range of individual and corporate supporters

Notes to the Financial Statements For the Year Ended 30 June 2010

Note 22: Fundraising Appeals conducted during the financial year (cont)

Results from fundraising appeals

(i) Net surplus from fundraising appeals:

	Note	2010	2009
		\$	\$
Aggregate gross income from fundraising	1	447,273	174,818
Aggregate direct expenditure incurred in fundraising appeals		(45,160)	(54,499)
Net surplus from fundraising appeals		402,113	120,319

Note 1: Gross income from fundraising excludes bequests and scholarship contributions which are excluded for reporting purposes under the *Charitable Fundraising Act 1991*.

(ii) Applications of funds for charitable purposes:

The fundraising appeals recorded a surplus of \$402,113 (2009: \$120,319), which went towards maintaining services to members.

Note 23: Reserve Trust Account

The Reserve Trust is a legal body constituted under the *Crown Lands Act, 1989*. ParaQuad has been assigned the Manager of the Trustee of the Reserve Trust responsible for the parcel of Crown Land located at Lidcombe. The accounts of the Reserve Trust are as follows.

	Note	2010	2009
		\$	\$
Non Current Assets			
Work in progress Ferguson Lodge redevelopment	1	5,040,659	687,499
Total assets		5,040,659	687,499
Equity			
Retained earnings		5,040,659	687,499
Total equity		5,040,659	687,499
Income Statement			
Government contributions		4,353,160	414,628
Net surplus		4,353,160	414,628

Note 1: The Trust capitalises building expenditure as work in progress. As at reporting date \$5,040,659 of expenditure has been incurred and recognised as work in progress. The building is expected to be completed during 2011.

Notes to the Financial Statements For the Year Ended 30 June 2010

Note 24: Prior period adjustments

An adjustment has been made to opening balances and 2009 year balances as detailed below:

- 1) The effect of the change in Long Service Leave (LSL) policy detailed in Note 11 is that the LSL balance as at June 2008 increased by \$56,800 and as at June 2009 increased by \$112,500. The \$112,500 is split between current and non current liability of \$59,900 and \$52,600 respectively. There was a corresponding charge to expense totaling \$56,800 in the year ending June 2008 and a charge of \$55,700 in the year ending June 2009.

Statement of Comprehensive Income

	Previous Disclosures per 2009 audited financial statement	Adjustment	Revised 2009 comparatives	Reference note
	\$	\$	\$	
Revenue	33,582,020	-	33,582,020	
Trade receivables impairment reversal	176,893	-	176,893	
Cost of Sales	(18,774,752)	-	(18,774,752)	
Employee related expenses	(11,131,752)	(55,700)	(11,187,452)	1
Operating and administration expenses	(2,585,596)	-	(2,585,596)	
Trade receivables impairment expense	(69,010)	-	(69,010)	
Depreciation expenses	(642,867)	-	(642,867)	
Finance costs	(488)	-	(488)	
Restructuring costs	(19,403)	-	(19,403)	
Rental expense	(40,998)	-	(40,998)	
Audit fees	(47,785)	-	(47,785)	
Profit before income tax	446,262	(55,700)	390,562	
Income tax expense	-	-	-	
Profit after income tax	446,262	(55,700)	390,562	
Other comprehensive income				
Net gain / (loss) on revaluation of financial assets	(294,383)	-	(294,383)	
Other comprehensive income for the year	(294,383)	-	(294,383)	
Total comprehensive income for the year	151,879	(55,700)	96,179	

Notes to the Financial Statements For the Year Ended 30 June 2010

Note 24: Prior period adjustments (cont)

Balance Sheet

	Previous Disclosures per 2009 audited financial statement	Adjustment	Revised 2009 comparatives	Reference note
	\$	\$	\$	
Current assets				
Cash and cash equivalents	3,049,237	-	3,049,237	
Trade and other receivables	2,188,428	-	2,188,428	
Inventories	744,929	-	744,929	
Financial assets	2,154,745	-	2,154,745	
Other current assets	96,591	-	96,591	
Total current assets	8,233,930	-	8,233,930	
Non-current assets				
Property, plant and equipment	6,102,938	-	6,102,938	
Total non-current assets	6,102,938	-	6,102,938	
Total assets	14,336,868	-	14,336,868	
Current liabilities				
Trade and other payables	5,213,181	-	5,213,181	
Short-term provisions	482,700	59,900	542,600	1
Total current liabilities	5,695,881	59,900	5,755,781	
Non-current liabilities				
Long- term provisions	69,600	52,600	122,200	1
Total non-current liabilities	69,600	52,600	122,200	
Total liabilities	5,765,481	112,500	5,877,981	
Net assets	8,571,387	(112,500)	8,458,887	
Equity				
Reserves	(320,626)	-	(320,626)	
Retained earnings	8,892,013	(112,500)	8,779,513	
Total equity	8,571,387	(112,500)	8,458,887	

Notes to the Financial Statements For the Year Ended 30 June 2010

Note 25: Company details

The registered office and principal place of business of the company is:

The Paraplegic & Quadriplegic Association of NSW
6 Holker Street
NEWINGTON NSW 2127

The other places of business are:

BrightSky Australia
6 Holker Street
NEWINGTON NSW 2127

Ferguson Lodge
10 College Street
LIDCOMBE NSW 2141

ParaQuad Newcastle
65 The Avenue
WICKHAM NSW 2293

Berala Transitional Accommodation
80 Sixth Avenue
BERALA NSW 2141

Directors' Declaration

The directors of the company declare that:

The financial statements and notes, as set out in pages 9 to 41 are in accordance with the Corporations Act 2001 and:

- a. comply with Australian Accounting Standards; and
- b. give a true and fair view of the company's financial position as at 30 June 2010 and of the performance for the year ended on that date of the company.

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

This declaration is made in accordance with a resolution of the Board of Directors.



W POTTER
Director

Dated this 23th day of September 2010

Directors' Declaration On Fundraising Appeals

I, Wendy Potter, Director of Paraplegic & Quadriplegic Association of NSW declare in my opinion pursuant to Schedule 1, Section 7(3) of the NSW Charitable Fundraising Regulations 2009:

1. The income statement included in this report gives a true and fair view of all income and expenditure of the Paraplegic & Quadriplegic Association of NSW with respect to fundraising appeals;
2. The balance sheet included in this report gives a true and fair view of the state of affairs with respect to fundraising appeals;
3. The provision of the Charitable Fundraising Act 1991, the Regulations under that Act and the conditions attached to the authority have been complied with; and
4. The internal controls exercised by Paraplegic & Quadriplegic Association of NSW are appropriate and effective in accounting for all income received and applied by Paraplegic & Quadriplegic Association of NSW from any of its fundraising appeals.



W POTTER
Director

Dated this 23th day of September 2010

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
PARAPLEGIC AND QUADRAPLEGIC ASSOCIATION OF NSW
ABN 42 000 355 948**



Report on the Financial Report

We have audited the accompanying financial report of the Paraplegic and Quadriplegic Association of NSW (the "Company"), which comprises the statement of financial position as at 30 June 2010 and the statement of comprehensive income, statement of changes in equity and the statement of cash flows for the year ended on that date, a summary of significant accounting policies and 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), the *Corporations Act 2001*, the requirements of the *NSW Charitable Fundraising Act 1991* and the *NSW Charitable Fundraising Regulation 2008*. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that are 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 the relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report are free of material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

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**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
PARAPLEGIC AND QUADRAPLEGIC ASSOCIATION OF NSW
ABN 42 000 355 948
(CONTINUED)**



Additional Scope pursuant to the Charitable Fundraising Act 1991

In addition, our audit report has been prepared for the members of the Company in accordance with Section 24(2) of the *Charitable Fundraising Act (NSW) 1991* and the *NSW Charitable Fundraising Regulation 2008* (Regulations). 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 Act (NSW) 1991* and Regulations.

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

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of the Paraplegic and Quadriplegic Association of NSW on 23 September 2010 would be in the same terms if provided to the directors as at the date of auditor's report

Basis for Qualified Auditor's Opinions

1. It is not always practicable for the Company to establish accounting control over all form of donations prior to receipt of these funds and accordingly it is not possible for our examination to include procedures which extend beyond the amounts of such income recorded in the accounting records of the Company.

In respect to the qualification above, based on our review of the internal controls, nothing has come to our attention, which would cause us to believe that the internal controls over income from fundraising and donations by the Company are not appropriate.

2. The Company has deferred donations totalling \$330,000 to other payables as at 30 June 2010. The money was gifted to the Company in relation to the Ferguson Lodge redevelopment project, but without written contractual conditions or terms attached.

This constitutes a departure from Australian Accounting Standards which require contributions to be recognised as revenue when received.

Had the Company's directors recognised the donations in accordance with the Australian Accounting Standards, revenue and net profit after income tax would have increased by \$330,000 and other payables decreased by the same amount.

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**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
PARAPLEGIC AND QUADRAPLEGIC ASSOCIATION OF NSW
ABN 42 000 355 948
(CONTINUED)**



Qualified Auditor's Opinion pursuant to the Corporations Act 2001

In our opinion, except for the effects, if any of the qualification set out above, the financial report of the Paraplegic and Quadriplegic Association of NSW in all material respects is in accordance with the *Corporations Act 2001*, including:

- i. giving a true and fair view of the Company's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
- ii. complying with Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

*Qualified Auditor's Opinion pursuant to the
Charitable Fundraising (NSW) Act 1991*

In our opinion, except for the effects, if any of the qualification set out above:

- 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 2010;
- b) The financial report has been properly drawn up, and the associated records have been properly kept for the period from 1 July 2009 to 30 June 2010, in accordance with sections 20 (1), 22 (1-2), 24 (1-3) of the *Charitable Fundraising (NSW) Act 1991* and sections 9 (6) and 10 of the *NSW Charitable Fundraising Regulations 2008*; and
- c) Money received as a result of fundraising appeal activities conducted during the period from 1 July 2009 to 30 June 2010 has been properly accounted for and applied in accordance with the *Charitable Fundraising (NSW) Act 1991* and its Regulations.

Mark Driessen, FCA
Registered Company Auditor
WalterTurnbull

Sydney, NSW
30 September 2010

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**AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C
OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF
PARAPLEGIC & QUADRIPLEGIC ASSOCIATION OF NSW**



I declare that, to the best of my knowledge and belief, during the year ended 30 June 2010 there have been:

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

WalterTurnbull
Mark Driessen, FCA
Registered Company Auditor

Dated this 23rd day of September 2010

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