

**Australia
Business Arts
Foundation**

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AbaF

Australia Business Arts Foundation Ltd
ABN 88 072 479 835

Financial Statements
For the Year Ended 30 June 2010

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Australia Business Arts Foundation Ltd
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Your directors present this report on the company for the financial year ended 30 June 2010.

DIRECTORS

The names of directors in office at any time during the year and to the date of this report are:

Mr Richard Allert AO (term ended 4/08/09)	Ms Lynn Bean (appointed 18/08/09, term ended 17/11/09)
Mr Terry Campbell AO (Chairman) (term ended 31/12/09, reappointed 20/4/10)	Mr Saul Eslake (appointed 18/3/10)
Mr Stephen Found (appointed 18/3/10)	Ms Patria Jafferries (appointed 18/3/10)
Mr Ross Nielson (term ended 31/12/09)	Mr Wayne Osborn (term ended 1/08/09)

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

COMPANY SECRETARY

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

Ms Joanne Simon, Bachelor of Business, Chartered Accountant. Joanne has worked for the company for the past 10 years, performing management roles in the finance and corporate services areas of the company. Joanne was appointed company secretary on 17 April 2000 and resigned from the position on 21 July 2010.

The following person was appointed to the position of company secretary on 21 July 2010:

Ms Emma Calverley, Bachelor of Business. Emma has a management and marketing background and has held senior business and general management positions.

OBJECTIVES AND PRINCIPAL ACTIVITIES

AbaF's Vision is a sustainable and vibrant arts sector supported by the private sector through sponsorships and partnerships, donations and business volunteering.

AbaF's Mission is to promote private support for the arts.

AbaF's Objectives are to:

- deliver innovative and relevant programs and services to business (large and small and medium enterprises (SME)) and donors (individuals & foundations);
- deliver innovative and relevant programs and services for the arts (individual artists, arts organisations and cultural institutions);
- ensure that AbaF's role and value is well understood and actively supported by key stakeholders; and
- ensure that AbaF operates as a sustainable, high performing organisation.

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OBJECTIVES AND PRINCIPAL ACTIVITIES (continued)

AbaF's Strategies include to:

- maintain a broad business network including the AbaF council working through state and territory chapters to advocate for increased private support for the arts;
- build the capacity of the arts to attract and use private support for revenue, governance and management;
- connect the arts and the private sectors to encourage mutually beneficial relationships;
- measure and share information about levels of and trends in private support for the arts;
- promote and communicate best practice and position AbaF as a thought leader in private support for the arts; and
- manage the organisation to ensure a sustainable high performance AbaF team.

Programs

AbaF works with business, the arts (organisations and individuals) and the philanthropic sector (foundations, trusts and individuals) in all states and territories of Australia through three programs:

Partnering – connecting business and the arts: AbaF provides business and the arts with information and advice and helps them to build relationships. AbaF creates opportunities for the sectors to network, find out about each other and explore partnership possibilities.

Volunteering – connecting business people with the arts: AbaF creates opportunities for business people to volunteer their time and expertise to the arts, enabling the parties to exchange benefits, through:

- adviceBank which connects business volunteers with arts organisations to work on specific projects; and
- boardBank which connects experienced business people with arts organisations seeking to fill board vacancies.

Giving – connecting donors and grant makers with the arts: AbaF works with donors and grant makers, artists and cultural organisations to increase donations to support Australia's cultural life. AbaF operates a unique facility:

- the Australia Cultural Fund, which enables donors to make tax deductible donations to AbaF to support eligible arts and cultural projects.

AbaF's Structure

AbaF is supported by the Australian Government through the Cultural Development Program administered by the Department of the Environment, Water, Heritage and the Arts. AbaF is a wholly owned Commonwealth company operating at arms' length from the Government.

AbaF's national team is supported by a board and a council of senior leaders from business. AbaF operates through a network of state and territory chapters involving AbaF national and state councillors. These chapters are chaired by an AbaF councillor and host regular functions to connect the private sector with the arts. Councillors' annual contributions fund AbaF's work in the state and territory chapters.

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OPERATING RESULT

The net result for the year ended 30 June 2010 was a surplus of \$69,336. Of this surplus, a total of \$45,000 relates to the revaluation of the Melbourne office fit-out and make-good obligation.

DIVIDENDS PAID OR RECOMMENDED

The income of the company must be applied solely towards the promotion of the company's objectives and must not be paid or transferred, directly or indirectly by way of a dividend, bonus or otherwise, to the members. As a result, the company has not paid or declared a dividend since the start of the financial year. No recommendation for payment of dividends has been made.

REVIEW OF OPERATIONS DURING THE 2009-10 FINANCIAL YEAR

In 2010 AbaF marks 10 years as Australia's peak organisation for the promotion of private support for the arts. Through innovative programs and services AbaF has achieved significant outcomes for the arts, business, foundations and individual donors across Australia.

During the financial year ended 30 June 2010, it is estimated that AbaF directly added more than \$4.2 million in value to the arts sector through partnering, volunteering and giving and provided opportunities for 5,019 arts and private sector representatives to participate in AbaF's professional development activities and connecting events.

During the financial year, AbaF achieved solid outcomes:

- 104 new arts partnerships valued at \$2 million were facilitated. Of these, 42 included first time business partners, 36 included first time arts partners and 62 included partners from the SME sector.
- 86 adviceBank placements valued at \$242,000 were facilitated.
- 64 boardBank introductions valued at \$750,000 were completed.
- 781 donations to the Australia Cultural Fund valued at \$1.2 million were received.
- 138 giving programs were developed by arts organisations and individual artists.
- AbaF has Premiers' Arts Partnership Funds operating in South Australia, Tasmania and Western Australia. During the year, 63 grants were made to the value of \$252,687 effectively doubling the investment of the business partner.
- 2,373 arts and private sector representatives participated in professional development activities, including 1,028 participants in the Artist Business workshops for visual artists.
- 108 AbaF workshops were held in capital cities and 60 were held in regional centres in all states and territories.
- The Margaret Lawrence Bequest Scholarship scheme enabled 15 arts managers from all over Australia to participate in executive development and leadership courses to the value of \$116,390 at Australia's leading business schools.
- 17 Arts Connecting Communities programs were completed by local councils.
- 2,646 arts and private sector representatives attended chapter and state functions.
- The 2009 AbaF Awards event was widely considered a great success, both in terms of nominations, partners and the 672 people in attendance. This was particularly pleasing given the change in venue for the first time to Brisbane.

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REVIEW OF OPERATIONS DURING THE 2009-10 FINANCIAL YEAR (continued)

- An awards presentation event was held in each state and 50 awards were presented in total at the state and national events.
- 114 nominations were received for the 2010 AbaF Awards (presentation events to be held in September and October 2010).
- The AbaF council numbered 98 senior business and community leaders.
- 34 presentations were given to business forums to advocate private sector support for the arts.
- 38 AbaF partners and government financial supporters provided financial support for AbaF's programs and services during the year.
- 302 items of media coverage about AbaF were generated.
- 6 research projects were completed during the year:
 - Survey of private sector support - 2007-08
 - Survey of private sector support - 2008-09
 - 'Arts and business: partnerships that work' (sponsorship decision-makers survey)
 - Charting AbaF's impact
 - boardBank survey
 - Survey of participants in WA Premier's Arts Partnership Fund.

FINANCIAL POSITION

The net assets of the company have increased by \$69,336 to \$1,087,699 during the financial year ended 30 June 2010.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During the financial year, there were no significant changes in the state of affairs of the company other than that referred to above, in the review of operations, financial statements or notes thereto.

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, PROSPECTS AND BUSINESS STRATEGIES

AbaF will continue to assist the arts and business to respond to the changing economic circumstances through:

- increasing advocacy, through AbaF's network of Councillors and other business associations, on the business benefits of arts relationships
- building the capacity (knowledge and skills) of the arts through forums and networks of arts and business leaders to share information and strategies for response
- maintaining guides and support services to address emerging issues and opportunities for the arts and business and
- monitoring trends and providing up-to-date, accurate advice to business and the arts.

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FUTURE DEVELOPMENTS, PROSPECTS AND BUSINESS STRATEGIES (continued)

The Australian Government has committed to providing continued funding at 2009-10 levels for AbaF's operating costs to 30 June 2012. Australian government funding for the Business Skills for Visual Artists initiative will, however, conclude at the end of the current funding agreement in October 2010.

As a consequence of 2010-11 revenue levels, AbaF has undertaken a review of its strategic priorities and staff structure, with an increased focus on business development and relations and income generation. The decision to refocus the priorities of the company has also resulted in a streamlining of the professional development program and the completion of the Arts Connecting Communities program.

Over the last couple of years, AbaF has been 'evolving' to a new brand iteration, more clearly articulated as the "creative connector". As the 'market' for our programs and services (arts, business and donors) has matured and developed, so has the need for AbaF to develop new knowledge and approaches to respond to market needs and opportunities.

There is an evident requirement for more personalised and customised support for artists, arts organisations, donors and businesses (AbaF councillors, large businesses and SMEs). This will be delivered through more one-to-one services, complemented by a smaller number of one-to-many opportunities. AbaF will prioritise programs and services through which it can have most impact and add real value, especially to small to medium arts organisations and businesses.

OPTIONS

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

INFORMATION ON DIRECTORS

Terry Campbell AO Board member since 2004; appointed Chairman 2007; Member, Executive Committee; Member, Audit Committee

Experience Senior Chairman, Goldman Sachs and Partners Australia; Vice Chairman, National Gallery of Australia Foundation; Chairman, Corporate Conservation Council, The Nature Conservancy; Deputy Chairman, Australian Davos Connection; Chairman, Mirrabooka Investments; Deputy Chairman, Australian Foundation Investment Co.; Director, Djerriwarrh Investments and AMCIL

Saul Eslake Board member since March 2010; Member, Executive Committee

Experience Program Director, Productivity Growth, Grattan Institute; Chair, Tasmanian Arts Advisory Board

Stephen Found Board member since March 2010; Member, Executive Committee

Experience Managing Director, Bytecraft Entertainment; Director, Bytecraft Systems Pty Ltd; Managing Director, Capitol Theatre Management Pty Ltd

Patria Jafferries Board member since March 2010; Member, Executive Committee

Experience Executive Director, His Majesty's Theatre Foundation

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MEETINGS OF DIRECTORS

During the financial year, 7 meetings of directors (including committees of directors) were held. Attendances by each director were as follows:

Director	Board of Directors		Executive Committee		Audit Committee	
	Attended	Eligible to Attend	Attended	Eligible to Attend	Attended	Eligible to Attend
R Allert AO	-	-	-	-	-	-
L Bean	1	1	-	-	-	-
T Campbell AO	3	3	3	3	1	1
S Eslake	2	2	3	3	-	-
S Found	2	2	-	3	-	-
P Jafferries	2	2	3	3	-	-
R Nielson	1	1	-	-	1	1
W Osborn	-	-	-	-	-	-

DIRECTORS' BENEFITS

Since 1 July 2009, no director of the company has received or become entitled to receive a benefit, other than a benefit included in the aggregate amount of emoluments received or due and receivable by directors shown in the accounts or the fixed salary of a full-time employee of the company, by reason of a contract made by the company with the director or any related party.

INDEMNIFYING OFFICERS OR AUDITOR

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 indemnity against a liability, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability for the costs or expenses to defend legal proceedings.

During the financial year, the company has paid premiums to indemnify directors against third party legal proceedings arising out of their conduct while acting in the capacity of director of the company.

ENVIRONMENTAL ISSUES

The company's operations are not regulated by any significant environmental regulations under a law of the Commonwealth or of a state or territory.

PROCEEDINGS ON BEHALF OF 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.

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MINISTERIAL DIRECTIONS

During the financial year, no Ministerial Directions were received.

AUDITOR'S INDEPENDENCE DECLARATION

The lead auditor's independence declaration for the year ended 30 June 2010 has been received and can be found on page 8 of the directors' report.

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



T Campbell AO
Director



S Eslake
Director

Dated this 12 day of October . 2010



**AUSTRALIA BUSINESS ART FOUNDATION LTD
2009-10 FINANCIAL STATEMENTS
AUDITOR'S INDEPENDENCE DECLARATION**

In relation to my audit of the financial report of the Australia Business Art Foundation Ltd for the year ended 30 June 2010, to the best of my knowledge and belief, there have been:

- (i) no contraventions of the auditor independence requirements of the *Corporations Act 2001*; and
- (ii) no contravention of any applicable code of professional conduct.

Australian National Audit Office

Ron Wah
Senior Director

Delegate of the Auditor-General

Canberra
11 October 2010



INDEPENDENT AUDITOR'S REPORT

To the members of Australia Business Arts Foundation Ltd

I have audited the accompanying financial report of Australia Business Arts Foundation Ltd which comprises the Statement of Financial Position as at 30 June 2010, and the Statement of Comprehensive Income, Statement of Changes in Equity, Statement of Cash Flows for the year ended on that date, Notes to and Forming Part of the Accounts including a Summary of Significant Accounting Policies, and the Directors' Declaration.

The Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on my audit. I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement 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.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting my audit, I have complied with the independence requirements of the *Corporations Act 2001*. I confirm that the independence declaration required by the *Corporations Act 2001*, provided to the directors of Australia Business Arts Foundation Ltd on 11 October 2010, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In my opinion:

- (a) the financial report of Australia Business Arts Foundation Ltd is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of Australia Business Arts Foundation Ltd's financial position as at 30 June 2010 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*

Australian National Audit Office



Ron Wah
Senior Director

Delegate of the Auditor-General

Canberra
12 October 2010

Australia Business Arts Foundation Ltd
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Directors' Declaration

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 12 to 36, are in accordance with the *Corporations Act 2001*:
 - (a) comply with Australian Accounting Standards; and
 - (b) give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the company.
2. 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.



T Campbell AO
Director



S Eslake
Director

Dated this 12 day of October 2010

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Statement of Comprehensive Income
 for the year ended 30 June 2010

	Note	2010 \$	2009 \$
Revenue from operations	2A	2,630,119	2,600,372
Revenue from government and other grants	2C	2,209,415	2,189,451
Finance income	2B	<u>73,727</u>	<u>98,925</u>
		4,913,261	4,888,748
Administration expenditure			
Employee benefits	3C	(2,180,666)	(2,237,228)
Suppliers expenses	3B	(2,690,744)	(3,084,271)
Depreciation	3A	<u>(17,515)</u>	<u>(24,975)</u>
		<u>(4,888,925)</u>	<u>(5,346,474)</u>
Profit (loss) for the year		24,336	(457,726)
Other comprehensive income			
Gain on revaluation of leasehold improvements and make-good obligation	9B	<u>45,000</u>	<u>-</u>
Other comprehensive income for the year		45,000	-
Total comprehensive income (loss) for the year		<u><u>69,336</u></u>	<u><u>(457,726)</u></u>
Profit (loss) attributable to members of the company		<u><u>24,336</u></u>	<u><u>(457,726)</u></u>
Total comprehensive income (loss) attributable to members of the company		<u><u>69,336</u></u>	<u><u>(457,726)</u></u>

The accompanying notes form part of these financial statements.

Australia Business Arts Foundation Ltd
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Statement of Financial Position
 as at 30 June 2010

	Note	2010 \$	2009 \$
ASSETS			
Current Assets			
Cash and cash equivalents	8A	2,134,107	1,764,216
Trade and other receivables	8B	52,830	232,016
Inventories	8C	20,533	23,578
Other assets	8D	4,702	10,359
Total Current Assets		<u>2,212,172</u>	<u>2,030,169</u>
Non-Current Assets			
Property, plant and equipment	9A	65,461	22,976
Total Non-Current Assets		<u>65,461</u>	<u>22,976</u>
Total Assets		<u>2,277,633</u>	<u>2,053,145</u>
LIABILITIES			
Current Liabilities			
Trade and other payables	10A	908,783	817,525
Short-term provisions	10B	269,239	196,569
Total Current Liabilities		<u>1,178,022</u>	<u>1,014,094</u>
Non-Current Liabilities			
Long-term provisions	10B	11,912	20,688
Total Non-Current Liabilities		<u>11,912</u>	<u>20,688</u>
Total Liabilities		<u>1,189,934</u>	<u>1,034,782</u>
Net Assets		<u>1,087,699</u>	<u>1,018,363</u>
EQUITY			
Retained earnings		520,687	510,710
Reserves	11	567,012	507,653
Total Equity		<u>1,087,699</u>	<u>1,018,363</u>

The accompanying notes form part of these financial statements.

Statement of Changes in Equity
 for the year ended 30 June 2010

	Retained Earnings	ACF Donations Reserve	Councillor Funded Projects Reserve	Small Arts and Bus Dev Fund Reserve	Asset Revaluation Reserve	Total Equity
Balance at 1 July 2008	617,469	551,565	258,667	48,388	-	1,476,089
Profit attributable to the entity	(106,759)	(397,666)	46,699	-	-	(457,726)
Total other comprehensive income	-	-	-	-	-	-
Balance at 30 June 2009	510,710	153,899	305,366	48,388	-	1,018,363
Profit attributable to the entity	9,977	13,448	911	-	-	24,336
Total other comprehensive income	-	-	-	-	45,000	45,000
Balance at 30 June 2010	520,687	167,347	306,277	48,388	45,000	1,087,699

For a description of each reserve, refer to note 11.
 The accompanying notes form part of these financial statements.

Australia Business Arts Foundation Ltd
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Statement of Cash Flows
 for the year ended 30 June 2010

	Note	2010 \$	2009 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from governments		2,170,758	2,264,989
Interest received		65,835	95,175
Other receipts		2,968,429	2,696,661
Payments to suppliers & employees		<u>(4,835,131)</u>	<u>(5,414,493)</u>
Net cash generated / (used in) in operating activities	16B	<u>369,891</u>	<u>(357,668)</u>
Net Increase (Decrease) in cash held		369,891	(357,668)
Cash and cash equivalents at beginning of the financial year		<u>1,764,216</u>	<u>2,121,884</u>
Cash and cash equivalents at end of the financial year	8A, 16A	<u><u>2,134,107</u></u>	<u><u>1,764,216</u></u>

The accompanying notes form part of these financial statements.

Australia Business Arts Foundation Ltd
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Notes to and Forming Part of the Accounts
for the year ended 30 June 2010

The financial report is for the Australia Business Arts Foundation as an individual entity, incorporated and domiciled in Australia. Australia Business Arts Foundation Ltd is a company limited by guarantee.

Note 1: Summary of Significant Accounting Policies

Basis of Preparation

The financial statements are general purpose financial statements that have been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and the *Corporations Act 2001*.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in financial statements containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless otherwise stated.

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

Accounting Policies

1.1 Income Tax

No provision for income tax has been raised as the company is exempt from income tax under Section 50-45 of the *Income Tax Assessment Act 1997*.

1.2 Inventories

Inventories represent publications held for distribution and are measured at current replacement value.

1.3 Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and revenues at their fair value at the date of acquisition.

1.4 Property Plant and Equipment

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

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

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

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Notes to and Forming Part of the Accounts
for the year ended 30 June 2010

Asset Recognition Threshold

Purchases of plant and equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than \$2,500, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located. This is particularly relevant to 'make good' provisions in property leases taken up by the company where there exists an obligation to restore the property to its original condition. These costs are included in the value of the company's leasehold improvements with a corresponding provision for the 'make good' taken up.

Depreciation and Amortisation

The depreciable amount of all fixed assets is depreciated on a straight-line basis over the assets useful life to the entity commencing from the time the asset is ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation Rate
Plant and equipment	15% to 30%
Leasehold improvements	33%

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

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

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

1.5 Leased Assets

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the lease term.

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

**Notes to and Forming Part of the Accounts
for the year ended 30 June 2010**

1.6 Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions of 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

Financial 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 payments;
- 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 of the 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.

(i) 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 are managed by key management personnel on a fair value basis in accordance with a document 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 and Forming Part of the Accounts
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(ii) 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.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period, which will be classified as non-current assets.

(iii) Financial liabilities

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

Impairment

At the end of each reporting period, the company 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 statement of comprehensive income.

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 expired. The difference between the carrying value of the financial liability, which is 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.

1.7 Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to the end of the reporting period. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled. 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. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash outflows are discounted using market yields on notional government bonds with terms to maturity that match the expected timing of cash flows. Contributions are made by the company to an employee superannuation fund and are charged as expenses when incurred.

1.8 Provision for Lease Makegood

A provision is 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 estimate of the amounts required to settle an obligation at the end of the reporting period.

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Notes to and Forming Part of the Accounts
for the year ended 30 June 2010

1.9 Cash and Cash Equivalents

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

1.10 Revenue

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

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

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

Donations and bequests are recognised as revenue when received.

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

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

Councillor, associate, award table sales and sponsorship income are recognised as revenue to the extent that they have been received or are entitled to be received at year-end.

Partnership income is deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

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

Resources received on an in-kind basis in the form of partnerships and sponsorships are recognised as revenue when and only when a fair value can be reliably determined and the services would have been purchased if they had not been provided on an in-kind basis. Use of those resources is recognised as an expense. During the year, all such resources received free of charge were brought to account because the fair value could be reliably determined.

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

1.11 Economic Dependency

AbaF is a wholly owned Commonwealth company and receives approximately 33% of its income from the Australian Government for funding of its operations. The company would not be able to continue its operations in 2010-11 without Australian Government funding.

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for the year ended 30 June 2010

1.12 Goods and Services Tax (GST)

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

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

1.13 Comparative Figure

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

When an entity applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements, a statement of financial position as at the beginning of the earliest comparative period must be disclosed.

1.14 Critical Accounting Estimates and Judgments

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

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. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

1.15 Adoption of New and Revised Accounting Standards

During the current year, the company adopted all of the new and revised Australian Accounting Standards and interpretations applicable to its operations which became mandatory.

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Notes to and Forming Part of the Accounts
for the year ended 30 June 2010

	2010	2009
	\$	\$
Note 2: Revenue and Other Income		
Note 2A: Revenue from Operations		
Councillor and associate contributions	655,000	556,841
Donations - Australia Cultural Fund	1,163,865	1,047,258
Donations - other	-	2,800
Partnerships and sponsorships	543,409	673,858
Fees - professional development	146,792	140,933
Trusts and foundations	83,725	172,246
Other revenues	37,328	6,436
Total other income	<u>2,630,119</u>	<u>2,600,372</u>
Note 2B: Finance Income		
Interest received	<u>73,727</u>	<u>98,925</u>
Note 2C: Revenue from Government Grants and Other Grants		
Grants - Aust Govt - core funding	1,645,000	1,644,000
Grants - Aust Govt - Business Skills for Visual Artists	501,865	446,049
Grants - Arts ACT	21,750	25,566
Grants - Arts Queensland	-	40,136
Grants - Arts SA	5,000	5,000
Grants - Arts Tasmania	35,800	28,700
	<u>2,209,415</u>	<u>2,189,451</u>
Note 3: Expenditure		
Note 3A: Depreciation		
Depreciation and Amortisation		
- leasehold improvements	3,799	6,667
- plant and equipment	13,716	18,308
Total depreciation and amortisation	<u>17,515</u>	<u>24,975</u>
Note 3B: Suppliers Expenses		
Supply of goods and services	2,573,114	2,957,935
Lease payments	117,630	126,336
Total suppliers expenses	<u>2,690,744</u>	<u>3,084,271</u>
Note 3C: Employee Benefits Expenses		
Remuneration (for services provided)	2,118,500	2,184,282
Other employee expenses	62,166	52,946
Total employee benefits expenses	<u>2,180,666</u>	<u>2,237,228</u>

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Notes to and Forming Part of the Accounts
for the year ended 30 June 2010

	2010	2009
	\$	\$
Note 4: Auditors' Remuneration		
Auditor remuneration		
- audit services	10,500	10,500
- other services	1,500	500
Total auditors' remuneration	12,000	11,000

Note 5: Directors' Remuneration

Aggregate remuneration received or due and receivable by directors of the company	7,755	42,216
	No.	No.
\$10,000 - \$ 19,999	1	3

A total of 7 directors waived their fee during the financial year. Superannuation contributions amounting to \$640 (2008-09 - \$3,486) were paid on behalf of directors.

Note 6: Key Management Personnel Compensation

	Short-term Benefits	Post- employment Benefits	Total
2010			
Total Compensation	191,332	24,953	216,285
2009			
Total Compensation	184,407	26,788	211,195

Note 7: Related Party Disclosures

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 during the financial year:

- a. A councillor contribution of \$10,000 plus GST was received from the councillor company associated with AbaF board director Terry Campbell.
- b. Goldman Sachs JBWere paid the company \$26,500 plus GST for naming rights to the AbaF 2009 Philanthropy Leadership Award. Terry Campbell is the Senior Chairman of Goldman Sachs JBWere.
- c. AbaF paid \$81,955 to Brett's Wharf Seafood Pty Ltd for the catering, equipment hire and beverage staff for the 2009 Awards event held in Queensland in October 2009. Ross Nielson was a director of AbaF at the time of the event and is associated with Brett's Wharf Seafood Pty Ltd.

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Notes to and Forming Part of the Accounts
for the year ended 30 June 2010

	Note	2010 \$	2009 \$
Note 8: Current Assets			
Note 8A: Cash and Cash Equivalents			
Cash at bank and on hand		<u>2,134,107</u>	<u>1,764,216</u>
Note 8B: Trade and Other Receivables			
Trade receivables	8B(i)	17,220	185,922
Sundry receivables		<u>35,610</u>	<u>46,094</u>
Total current trade and other receivables		<u>52,830</u>	<u>232,016</u>

(i) Provision for Impairment of Receivables

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. These amounts have been included in other expense items.

Receivables have been assessed for impairment and it has been determined that no impairment exists at 30 June 2010.

(ii) Credit Risk - Trade and Other Receivables

The company does not have any material credit risk exposure to any single receivable or group of receivables under financial instruments entered into by the company.

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.

Notes to and Forming Part of the Accounts
for the year ended 30 June 2010

Note 8B: Trade and Other Receivables (continued)

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

	Gross amount \$	Passed due and impaired \$	Past due but not impaired (days overdue)				Within initial trade terms \$
			<30 \$	31-60 \$	61-90 \$	>90 \$	
2010							
Trade and term receivables	17,220	-	990	45	270	1,310	14,605
Other receivables	35,610	-	-	-	-	-	35,610
	<u>52,830</u>	<u>-</u>	<u>990</u>	<u>45</u>	<u>270</u>	<u>1,310</u>	<u>50,215</u>
2009							
Trade and term receivables	185,922	-	1,395	1,375	-	420	182,732
Other receivables	46,094	-	-	-	-	-	46,094
	<u>232,016</u>	<u>-</u>	<u>1,395</u>	<u>1,375</u>	<u>-</u>	<u>420</u>	<u>228,826</u>

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

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

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Notes to and Forming Part of the Accounts
for the year ended 30 June 2010

	2010	2009
	\$	\$
Note 8C: Inventories		
At current replacement cost		
Publications held for distribution	<u>20,533</u>	<u>23,578</u>
Note 8D: Other Assets		
Prepayments	<u>4,702</u>	<u>10,359</u>
Note 9: Non-Current Assets		
Note 9A: Property, Plant and Equipment		
Leasehold improvements - at valuation	60,000	133,058
Less: Accumulated depreciation	-	<u>(129,259)</u>
Total leasehold improvements	<u>60,000</u>	<u>3,799</u>
Plant and equipment at cost	261,018	289,947
Less: Accumulated depreciation	<u>(255,557)</u>	<u>(270,770)</u>
Total plant and equipment	<u>5,461</u>	<u>19,177</u>
Total Property, Plant and Equipment	<u>65,461</u>	<u>22,976</u>

Note 9B: Movement in Carrying Amounts

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

	Leasehold Improvements	Plant and Equipment	Total
	\$	\$	\$
Balance as at 1 July 2008	10,466	37,485	47,951
Additions	-	-	-
Net Disposals / write downs	-	-	-
Depreciation expense	<u>(6,667)</u>	<u>(18,308)</u>	<u>(24,975)</u>
Carrying amount at 30 June 2009	3,799	19,177	22,976
Revaluation increment	60,000	-	60,000
Additions	-	-	-
Net Disposals / write downs	-	-	-
Depreciation expense	<u>(3,799)</u>	<u>(13,716)</u>	<u>(17,515)</u>
Carrying amount at 30 June 2010	<u>60,000</u>	<u>5,461</u>	<u>65,461</u>

Asset Revaluations

The Melbourne office fit-out was independently valued at 30 June 2010 by the Australian Valuation Office (AVO). The valuation was based on fair value and resulted in a revaluation increment of \$60,000 being recognised in the Asset Revaluation Reserve. Additionally, the makegood provision was increased by \$15,000 which has been offset against the Asset Revaluation Reserve.

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Notes to and Forming Part of the Accounts
for the year ended 30 June 2010

	2010	2009
	\$	\$
Note 10: Liabilities		
Note 10A: Trade and Other Payables		
Current		
Trade payables	88,112	212,099
Sundry payables	120,481	41,651
Australian Government superannuation	312,116	241,391
Income received in advance	388,074	322,384
Total current trade and other payables	<u>908,783</u>	<u>817,525</u>

Note 10B: Provisions

Current		
Current employee benefits	234,239	176,569
Lease make-good	35,000	20,000
	<u>269,239</u>	<u>196,569</u>
Non-current		
Long term employee benefits	11,912	20,688
Lease Make-good	-	-
	<u>11,912</u>	<u>20,688</u>
Total Provisions	<u>281,151</u>	<u>217,257</u>

Note 10C: Movement in Provisions

	Employee Benefits	Lease Makegood	Total
	\$	\$	\$
Opening balance at 1 July 2009	197,257	20,000	217,257
Additional provisions raised during year	48,894	15,000	63,894
Amounts used	-	-	-
Balance at 30 June 2010	<u>246,151</u>	<u>35,000</u>	<u>281,151</u>

Note 10D: Provision for Long-term Employee Benefits

A provision has been recognised for employee benefits relating to long service leave. In calculating the present value of future cash flows, in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employees' benefits has been included in Note 1 to this report.

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**Notes to and Forming Part of the Accounts
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	No.	No.
Note 10E: Full-Time Equivalent Employees		
(a) Number of full time equivalent employees at year end	25	27
	2010	2009
	\$	\$
Note 11: Reserves		
Australia Cultural Fund (ACF) Donations Reserve	11A 167,347	153,899
Councillor & Partner Funded Projects Reserve	11B 306,277	305,366
Small Arts and Business Development Fund Reserve	11C 48,388	48,388
Asset Revaluation Reserve	11D 45,000	-
	<u>567,012</u>	<u>507,653</u>

**Note 11A: Australia Cultural Fund Donations Reserve
Movements during the year**

Opening balance at 1 July 2009	153,899	551,565
Additions to the reserve - ACF donations received	1,163,865	1,047,258
Transfers from the reserve - ACF grants paid	<u>(1,150,417)</u>	<u>(1,444,924)</u>
Balance at 30 June 2010	<u>167,347</u>	<u>153,899</u>

The company has established the ACF which enables donors to make a donation to support the cultural life of Australia and also to express a preference for the use of these donations. The bona fide nature of the proposed cultural recipient is verified prior to making a decision to make a grant. Donations received are held in the ACF Reserve pending the verification process.

**Note 11B: Councillor and Partner Funded Projects Reserve
Movements during the year**

Opening balance at 1 July 2009	305,366	258,667
Transfers from (to) retained profits	<u>911</u>	<u>46,699</u>
Balance at 30 June 2010	<u>306,277</u>	<u>305,366</u>

Represented by:

Committed for future expenditure	306,277	305,366
Uncommitted for future expenditure	-	-
	<u>306,277</u>	<u>305,366</u>

The company receives income from councillors and partners to fund a component of AbaF's chapter operations, program delivery and the AbaF awards to be held in October 2010.

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**Notes to and Forming Part of the Accounts
for the year ended 30 June 2010**

	Note	2010 \$	2009 \$
Note 11C: Small Arts and Business Development Fund Reserve			
Movements during the year			
Opening balance at 1 July 2009		48,388	48,388
Transfers from (to) retained profits		-	-
Balance at 30 June 2010		48,388	48,388

Dame Elisabeth Murdoch made donations to start the "Small Arts and Business Development Fund" to be used to develop and pilot new programs and activities for the benefit of small arts and business.

Note 11D: Asset Revaluation Reserve

Opening balance at 1 July 2009	-	-
Revaluation increment	45,000	-
Balance at 30 June 2010	45,000	-

This reserve recognises the revaluation of leasehold improvements and make-good obligation.

Note 12: Commitments

Operating Lease Commitments

Non-cancellable operating leases contracted for but not capitalised in the financial statements

Payable - One year or less	10,442	79,581
- Later than 12 months but not later than five years	-	-
	10,442	79,581
Aggregate GST commitment	949	7,235

The operating lease commitments are shown inclusive of GST. The Melbourne office lease is currently month to month pending finalisation of the new lease, the negotiations of which are based on a two year lease with two options for a further two years each. The Sydney office lease is also currently based on a month to month agreement.

Superannuation Commitments

During the year, the company contributed to a number of different superannuation funds. Contribution rates varied according to the fund and employee requirements. The minimum amount for 2009-10 was the superannuation guarantee contribution of 9% of salary (9% for 2008-09).

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Notes to and Forming Part of the Accounts
for the year ended 30 June 2010

Note 12: Commitments (continued)

Superannuation Commitments (continued)

The company is also an Approved Authority for the Commonwealth superannuation schemes, the Public Sector Superannuation Scheme, the Commonwealth Superannuation Scheme and the Public Sector Superannuation accumulation plan and is in the process of correcting past superannuation contributions that were incorrectly paid on behalf of a number of employees to their choice of fund instead of a Commonwealth superannuation scheme. The estimated superannuation liability for all relevant current and former employees is reported in Note 10A.

Note 13: Trust Arrangement

The company has established Premiers' Arts Partnership Funds (PAPF) in South Australia, Western Australia and Tasmania with the financial support of a business partner and the state government.

The business partner and the state government contribute towards an incentive fund that is designed to stimulate the small to medium sector to partner with the arts in their state by matching their financial commitment to a designated amount.

This fund is promoted and administered by the company, with the Fund Review Panel comprising representatives from the company, the state government and the business partner assessing and approving all grants.

The following PAPF transactions during the financial year were not included in the company's income statement and balance sheet.

	SA PAPF		WA PAPF		Tas PAPF		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	\$	\$	\$	\$	\$	\$	\$	\$
Balance - 1 July 2009	141,186	76,368	18,780	99,580	13,505	91,363	173,471	267,311
Receipts	50,000	150,000	100,000	-	100,000	-	250,000	150,000
Expenditure	(100,201)	(85,182)	(84,326)	(80,800)	(66,900)	(77,858)	(251,427)	(243,840)
Balance - 30 June 2010	<u>90,985</u>	<u>141,186</u>	<u>34,454</u>	<u>18,780</u>	<u>46,605</u>	<u>13,505</u>	<u>172,044</u>	<u>173,471</u>

At 30 June 2010, a total of \$17,000 has been allocated for future payments.

Note 14: Contingent Liabilities and Contingent Assets

At 30 June 2010, there were no contingent liabilities or contingent assets.

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Notes to and Forming Part of the Accounts
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Note 15: Members' Guarantee

The company is incorporated under the Corporations Act 2001 and is a company limited by guarantee. If the company is wound up, the constitution states that each member is required to contribute a maximum of \$50 towards meeting any outstanding obligations of the company. At 30 June 2010, the number of members was 3 (30 June 2009: 3).

	Note	2010 \$	2009 \$
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Note 16: Cash Flow Information

Note 16A: Reconciliation of Cash

Cash at bank and on hand	8A	<u>2,134,107</u>	<u>1,764,216</u>
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Note 16B: Reconciliation of Cash Flow from Operations with Profit from Ordinary Activities

Profit (loss) from ordinary activities		69,336	(457,726)
Non cash flows in profit (loss)			
Revaluation of leasehold improvements		(60,000)	-
Depreciation		17,515	24,975
Changes in assets and liabilities			
Decrease in receivables		179,186	72,655
Decrease in inventories		3,045	744
Increase in provisions		63,894	31,153
Increase (decrease) in liability to suppliers		91,258	(24,013)
Decrease (increase) in other assets		<u>5,657</u>	<u>(5,456)</u>
Cash flows from operations		<u>369,891</u>	<u>(357,668)</u>

Notes to and Forming Part of the Accounts
for the year ended 30 June 2010

Note 17: Events After the Reporting Date

There are no events after the reporting date that have or will materially affect the financial position of the company.

Note 18: Financial Risk Management

The company's financial instruments consist mainly of deposits with banks, accounts receivable and payable 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	8A	2,134,107	1,764,216
Loans and receivables	8B	<u>52,830</u>	<u>232,016</u>
Total financial assets		<u><u>2,186,937</u></u>	<u><u>1,996,232</u></u>
Financial liabilities			
Financial liabilities at amortised cost			
- Trade and other payables	10A	<u>908,783</u>	<u>817,525</u>
Total Financial liabilities		<u><u>908,783</u></u>	<u><u>817,525</u></u>

Financial Risk Management Policies

The directors of the company meet on a regular basis to analyse financial risk management strategies and policies in the context of the most recent economic conditions and forecasts to assist the company in meeting its financial targets, whilst minimising potential adverse effects of financial performance.

Specific Financial Risk Exposures and Management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk and market risk relating to interest rate risk.

a. Credit risk

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

Notes to and Forming Part of the Accounts
for the year ended 30 June 2010

Note 18: Financial Risk Management (continued)

Credit risk exposures:

The maximum exposure to credit risk by class of recognised financial assets at the end of the reporting period is equivalent to the carrying value and classification of those financial assets (net of any provisions) as presented in the statement of financial position.

Trade and other receivables that are neither past due or impaired are considered to be of high credit quality. Aggregates of such amounts are as detailed in note 8B.

The company has no significant concentration of credit risk exposure to any single counterparty or group of counterparties. Details with respect to credit risk of trade and other receivables are provided in note 8B.

Credit risk related to balances with banks and other financial institutions is managed by the audit committee in accordance with approved policy. The following table provides information regarding the credit risk relating to cash and cash equivalents based on Standard and Poor's counterparty credit ratings.

	Note	2010 \$	2009 \$
Cash and cash equivalents			
- AA rated		2,134,107	1,764,216
	8A	2,134,107	1,764,216

b. Liquidity risk

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations in relation to financial liabilities.

The company manages its risk through the following mechanisms:

- preparing forward looking cash flow analysis in relation to its operational, investing and financing activities; and
- only investing surplus cash with major financial institutions.

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.

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Notes to and Forming Part of the Accounts
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Note 18: Financial Risk Management (continued)

Financial liability and financial asset maturity analysis

	Within 1 year		1 to 5 years		Over 5 years		Total	
	2010	2009	2010	2009	2010	2009	2010	2009
	\$	\$	\$	\$	\$	\$	\$	\$
Financial liabilities due for payment								
Trade and other payables (excluding estimated annual leave and deferred income)	208,593	253,750	-	-	-	-	208,593	253,750
Total expected outflows	<u>208,593</u>	<u>253,750</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>208,593</u>	<u>253,750</u>
Financial assets - cash flows realisable								
Cash and cash equivalents	2,134,107	1,764,216	-	-	-	-	2,134,107	1,764,216
Trade and term receivables	28,862	196,983	-	-	-	-	28,862	196,983
Total anticipated inflows	<u>2,162,969</u>	<u>1,961,199</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,162,969</u>	<u>1,961,199</u>
Net (outflow)/inflow on financial instruments	<u>1,954,376</u>	<u>1,707,449</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,954,376</u>	<u>1,707,449</u>

c. Market Risk

i. Interest rate risk:

Exposure to interest rate risk arises on financial assets recognised at the end of the reporting period whereby a future change in interest rates will affect future cash flows or the fair value of fixed rate financial instruments. The company is not exposed to interest rate risk other than interest on financial assets.

ii. Price risk: The company is not exposed to any material commodity price risk.

iii. Foreign currency risk: The company is not exposed to fluctuations in foreign currencies.

Notes to and Forming Part of the Accounts
for the year ended 30 June 2010

Note 18: Financial Risk Management (continued)

Sensitivity analysis

The following table illustrates sensitivities to the company's exposures to changes in interest rates and equity prices. The table indicates the impact on how profit and equity values reported at the end of the reporting period would have been affected by changes in the relevant risk variable that management considers to be reasonably possible. These sensitivities assume that the movement in a particular variable is independent of other variables.

	Profit	Equity
	\$	\$
Year ended 30 June 2010		
+ / - 2% in interest rates	+ / - 40,959	-
Year ended 30 June 2009		
+ / - 2% in interest rates	+ / - 35,973	-

No sensitivity analysis has been performed for foreign exchange risk, as the company is not exposed to fluctuations in foreign exchange.

Net Fair Values

The fair values of financial assets and liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. 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 judgement, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgement 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 (ie trade receivables, loan liabilities) are to be held until maturity and therefore the net fair value figures calculated bear little relevance to the company.

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Notes to and Forming Part of the Accounts
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Note 18: Financial Risk Management (continued)

	Footnote	2010		2009	
		Net Carrying Value	Net Fair Value	Net Carrying Value	Net Fair Value
Financial Assets					
Cash and cash equivalents	(i)	2,134,107	2,134,107	1,764,216	1,764,216
Trade and other receivables	(i)	52,830	52,830	232,016	232,016
		<u>2,186,937</u>	<u>2,186,937</u>	<u>1,996,232</u>	<u>1,996,232</u>
Financial Liabilities					
Trade and other payables	(i)	908,783	908,783	817,525	817,525
		<u>908,783</u>	<u>908,783</u>	<u>817,525</u>	<u>817,525</u>

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

- (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 annual leave, which is not considered a financial instrument.

Note 19: Company Details

The registered office and the principal place of business of the company is Level 2, 405 Collins Street, Melbourne Vic 3000.