

MELBOURNE COMMUNITY FOUNDATION EXTENSION FUND

ANNUAL REPORT 2006

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MELBOURNE COMMUNITY FOUNDATION EXTENSION FUND

DIRECTORS' REPORT

1. The Directors of the Trustee present their report on the Melbourne Community Foundation Extension Fund (the company) for the Financial year ended 30 June 2006.
2. The names of Directors of the Trustee in office during or since the end of the financial year are:

Name

Marion Webster OAM (Chair)	Annie Duncan Dr
Chris Arnold	Jill Reichstein OAM
Lucy Ashley	Hayden Raysmith
Sam Chandler	Russell Phillips
Carol desCognets (nee Clendenin)	Mike Zafiroopoulos
David I. Gibbs	Chris Lovell
Peter Griffin	David Parsons SC
Gregory Larsen	Ully Merkel
Karen Mahlab	Kristen Smith
Ian McHutchison	

3. **Meeting of Directors**

The meetings held during the financial year were

	<u>Number Eligible To Attend</u>	<u>Number Attended</u>
Marion Webster OAM	12	12
Annie Duncan Dr	4	3
Carol desCognets	5	5
David I Gibbs	12	11
Karen Mahlab	12	10
Gregory Larsen	12	11
Ian McHutchison	5	4
David Parsons SC	12	6
Jill Reichstein OAM	12	7
Hayden Raysmith	12	10
Mike Zafiroopoulos	12	8
Chris Arnold	12	11
Lucy Ashley	6	0
Peter Griffin	12	8
Ully Merkel	9	5
Chris Lovell	12	9
Kristen Smith	12	7
Russell Phillips	12	6
Sam Chandler	6	6

Leave

Lucy Ashley resigned February 2006
Ully Merkel resigned March 2006
Carol des Cognets resigned May 2006
Kristen Smith resigned June 2006

Carol des Cognets leave of absence July 2005 - Dec 2005

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4. **Principal Activities**

The Melbourne Community Foundation Extension Fund is a charitable organisation.

5. **Results**

The company's profit for the period was \$167,432 (2005:\$58,291). No Income Tax is payable by the company.

6. **Dividends**

No Dividend was paid during financial year.

7. **Directors' Benefits**

The directors act in an honorary capacity unless otherwise stated. During the financial year, no director of the company has received or become entitled to receive a benefit because of a contract that the director or firm of which the director is a member or an entity in which the director has a substantial financial interest made with the company or an entity that the company controlled, or a body corporate that was related to the company, when the contract was made or when the director was received, or became entitled to receive the benefit.

8. **State of Affairs**

In the opinion of the directors there were no significant changes in the state of affairs of the company that occurred during the financial year under review.

9. **Environmental regulation**

The company's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation.

10. **Subsequent Events**

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the directors of the company, to affect significantly the operations of the company.

11. **Likely developments**

Information about likely developments in the operations of the company and the expected results of those operations in future financial years has not been included in this report because disclosure of the information would be likely to result in unreasonable prejudice to the company.

12. **Indemnification**

The company is entitled to be indemnified in respect of liabilities, out of the assets of the Foundation.

Signed in accordance with the resolution of the Board of Directors:

M Webster OAM
Director

D.I. Gibbs
Director

Date:

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INCOME STATEMENT FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 \$	2005 \$
Revenue and other Income			
Net investment income	8	58,575	36,330
Donations		33,776	8,570
Changes in fair value of investments		89,922	38,770
Net gain/(loss) on sale of investments		<u>10,236</u>	<u>(2,768)</u>
		192,509	80,902
Expenditure			
Administration fee		<u>(7,827)</u>	<u>(6,611)</u>
Profit from Operating Activities		184,682	74,291
Distributions paid		(17,250)	(16,000)
Net Profit		<u><u>167,432</u></u>	<u><u>58,291</u></u>

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BALANCE SHEET AS AT 30 JUNE 2006

	Note	2006 \$	2005 \$
CURRENT ASSETS			
Cash & cash equivalents	3	41,337	44,089
Withholding tax receivable		-	274
Receivables	4	36,366	18,328
Total current assets		<u>77,703</u>	<u>62,691</u>
NON CURRENT ASSETS			
Investments - Shares listed companies	9	778,842	625,968
Total non current assets		<u>778,842</u>	<u>625,968</u>
Total Assets		<u>856,545</u>	<u>688,659</u>
CURRENT LIABILITIES			
Trade and other trade payables	5	<u>2,136</u>	<u>1,682</u>
Total Liabilities		<u>2,136</u>	<u>1,682</u>
Net Assets		<u>854,409</u>	<u>686,977</u>

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STATEMENT OF CHANGES IN EQUITY

		2006	2005
		\$	\$
TRUST FUNDS			
Corpus		200	200
COMMUNITY FUNDS			
Opening balance	2	686,777	628,486
Profit for year		167,432	58,291
Total Trust Funds		<u>854,409</u>	<u>686,977</u>

MELBOURNE COMMUNITY FOUNDATION EXTENSION FUND

**STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2006**

	Note	2006 \$	2005 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Donations received		33,776	8,570
Investment income		43,689	13,774
Interest income		3,816	10,467
Distributions paid		(17,250)	(16,000)
Administration expenses paid		<u>(7,373)</u>	<u>(4,928)</u>
Net cash from operating activities		56,658	11,883
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases for investments		(333,910)	(676,244)
Proceeds from sale of investments		<u>215,229</u>	<u>35,355</u>
Net cash from investing activities		(118,681)	(640,889)
CASH FLOWS FROM FINANCING ACTIVITIES			
Return of capital		-	725
Buyback proceeds		<u>59,271</u>	<u>43,684</u>
Net cash from financing activities		59,271	44,409
Net decrease in cash and cash equivalents		(2,752)	(584,597)
Cash and cash equivalents at 1 July 2005		44,089	628,686
Cash and cash equivalents at 30 June 2006	3(b)	<u><u>41,337</u></u>	<u><u>44,089</u></u>

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

1. Significant accounting policies

The company is an entity domiciled in Australia. The financial report was authorised for issue by the trustee on 19 September 2006.

The significant policies which have been adopted in the preparation of this Financial Report are:

(a) Statement of Compliance

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

(b) Basis of preparation

The financial report is presented in Australian dollars.

The financial report has been prepared on the historical cost basis except for certain financial instruments which are stated at their fair value (AASB139: Financial Instruments Recognition and Measurement).

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgments, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses.

(c) Foreign currency transactions

Transactions in foreign currencies are translated at the foreign currency exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are translated to Australian dollars at the foreign currency closing exchange rate ruling at the balance sheet date.

Foreign currency exchange differences arising on translation and realised gains and losses on disposals or settlements of monetary assets and liabilities are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are translated to Australian dollars at the foreign currency closing exchange rates ruling at the dates that the values were determined. Foreign currency exchange differences relating to investments at fair value through profit or loss are included in gains and losses on investments. All other foreign currency exchange differences relating to monetary items, including cash and cash equivalents are presented separately in the income statement.

(d) Revenue Recognition

Revenue is recognised to the extent it is possible that the economic benefit will flow to the company and revenue can be reliably measured.

(i) Interest income

Interest income and expense is recognised in the income statement as it accrues, using the original effective interest rate of the instrument calculated at the acquisition or origination date. Interest income includes the amortisation of any discount or premium, transaction costs or other differences between the initial carrying amount of an interest-bearing instrument and its amount at maturity calculated on an effective interest rate basis.

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(ii) Dividend income

Dividend income relating to exchange-traded equity investments is recognised in the income statement on the ex-dividend date.

In some cases, the company may receive or choose to receive dividends in the form of additional shares rather than cash. In such cases the company recognises the dividend income for the amount of the cash dividend alternative with the corresponding debit treated as an additional investment.

Income distributions from private equity investments and other managed investment schemes are recognised in the income statement as dividend income when declared.

(e) Expenses

All expenses, including management fees and custodian fees, are recognised in the income statement on an accrual basis.

All expenses are recognised in the income statement on an accruals basis.

(f) Investments

Financial instruments are recognised on the balance sheet at fair value with any gains or losses arising from changes in fair value being recognised in the income statement.

The fair value of financial instruments classified as held for trading is their quoted bid price.

From July 1 2005, in order to comply with AASB132 "Financial Instruments: Disclosure and Presentation", the unitholders' funds are required to be treated as a liability to unitholders and trust distributions to be treated as an expense in the Income Statement. AASB132 was effective from 1 July 2005 and therefore does not affect prior year comparatives.

(g) Buy Backs

The total proceeds including imputation credit of the financial instrument less the fair market value the day before the buyback is used to calculate the portion attributable to income. The basis of this policy is to retain the capital value of investment and unitholder funds.

(h) Cash and Cash Equivalents

Cash and cash equivalents comprise cash balances, short term bills and call deposits.

(i) Income Tax

The Fund is exempt from Income Tax under Section 50-5 of the Income Tax Assessment Act 1997.

(j) GST

Expenses are recognised net of the amount of goods and services tax (GST) recoverable from the Australian Taxation Office (ATO). GST on brokerage is claimed at the rate of 75% of the total.

(k) Receivables and Payables

Receivables and payables are stated at their cost.

(l) Impact of adoption of AIFRS

The company amended its accounting policies and financial reporting from the former Australian Accounting Standards (previous Australian GAAP) to Australian equivalents of International Financial Reporting Standards (AIFRS).

This change has not had a significant impact on the financial statements of Melbourne Community Foundation Extension Fund.

MELBOURNE COMMUNITY FOUNDATION EXTENSION FUND

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	2006 \$	2005 \$
2. Community Funds		
Opening balance	686,777	628,486
Profit for the year	167,432	58,291
	<u>854,209</u>	<u>686,777</u>
3. Note to Statement of Cash Flows		
(a) Reconciliation of Net Profits to Net Cash Provided by Operating Activities		
Net profit from Community Funds	167,432	58,291
Changes in fair value non cash	(89,922)	(38,770)
Dividend reinvestment non cash	(3,542)	-
Other non cash items	-	9,282
Increase in receivables	(17,764)	(18,602)
Increase in accounts payable	454	1,682
Net cash from operating activities	<u>56,658</u>	<u>11,883</u>
(b) Reconciliation of Cash		
Cash at bank and on hand	200	200
JB Were Cash Management Account	41,137	43,889
	<u>41,337</u>	<u>44,089</u>
4. Receivables		
Dividends receivable	3,857	-
Imputation credits	31,833	15,842
Interest	676	2,486
	<u>36,366</u>	<u>18,328</u>
5. Trade and other payables		
Sundry creditors	<u>2,136</u>	<u>1,682</u>

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6. Financial Instruments

(a) Terms, Conditions and Accounting Policies

The company's Accounting Policies, including terms and conditions of each class of financial asset, financial liability and equity instrument, both recognised and unrecognised at balance date are as follows:

(i) Financial Assets

Cash Assets

Cash at Bank is stated at cost.
Interest is recognised when earned.

Cash at Bank is at Call with effective interest rate of 4.80

Receivables

Amounts Receivable are carried at nominal amount due.

No Interest is charged on outstanding balances.

(ii) Financial Liabilities

Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received.

Trade Liabilities are normally settled on 30 day terms.

(b) Credit Risk

The company's maximum exposure to credit risk in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the statement of financial position and notes to the financial statements.

(c) Net Fair Values

The Net fair values of the financial assets and financial liabilities approximate their carrying amounts.

The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the statement of financial position and in the notes to and forming part of the financial statements.

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

6. Financial Instruments (cont'd)

(d) Interest Rate Risk

in market interest rates and the effective weighted average interest rate on those financial assets and financial liabilities, is as follows:

	Weighted Average		Floating Interest		Non Interest		Total Carrying Amount	
	Effective Interest				Bearing		Per Statement of Financial	
	2006	2005	2006	2005	2006	2005	2006	2005
	%	%	\$	\$	\$	\$	\$	\$
Financial Assets								
Cash assets	3.94	3.94	200	200	-	-	200	200
Cash Trust	4.80	4.79	41,137	43,889	-	-	41,137	43,889
Shares in Listed companies					778,842	625,968	778,842	625,968
Receivables			-	-	36,366	18,602	36,366	18,602
Total Financial Assets			41,337	44,089	815,208	644,570	856,545	688,659
Financial Liabilities								
Payables			-	-	2,136	-	2,136	-

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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

7. Contractual Commitments

At 30 June, 2006 there were no outstanding contractual commitments.

8. Net Investment Income represented by:

	2006	2005
	\$	\$
Dividends listed companies	29,980	14,974
Franking credits received	21,483	9,329
Interest -JB Were	2,006	10,806
Trust distributions	5,106	1,221
	<u>58,575</u>	<u>36,330</u>

9. Investments

	2006	2005
	\$	\$
Ordinary shares	535,082	418,229
Property trusts	39,710	28,018
Quasi fixed interest	118,326	130,661
International shares	60,455	49,060
Managed funds	25,269	-
	<u>778,842</u>	<u>625,968</u>

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DIRECTORS' DECLARATION

In the opinion of Melbourne Community Foundation Extension Fund

- (a) The financial statements and notes, as set out on pages 2 to 13, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the company as at 30 June 2006 and of its performance, as represented by the results of their operations and their cash flows, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (b) There are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

Dated at Melbourne this day of October 2006.

Signed in accordance with a resolution of the directors.

M Webster OAM
Director

D.I. Gibbs
Director

