



**The Fred Hollows
Foundation**

A.C.N. 070 556 642

General Purpose Financial Statements
For the year ended 31 December 2012

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The Fred Hollows Foundation

A.C.N. 070 556 642

For the year ended 31 December 2012

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The Fred Hollows Foundation

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Directors' Report

The Directors present this report to the Members of The Fred Hollows Foundation for the year ended 31 December 2012.

Directors

The names of each person who has been a Director during the year, and the number of meetings each has attended, are as follows:

	Date appointed to current term of office	Date of cessation during the year	Board Meeting	
			A	B
John Leslie Fallick (<i>Chair until February 2013</i>)	May 2010		6	7
Michael Johnson	May 2010		7	7
Graham Skeates	May 2010		7	7
Robert Dalziel (<i>Acting Chair from February 2013</i>)	May 2011		7	7
Howard Davies	May 2010	2 June 2012	2	3
Sarah Elliott	May 2011	31 December 2012	6	7
Peter Hearl	May 2011	1 June 2012	3	3
Gabrielle Hollows	April 1995		7	7
Brent Impey	March 2009	31 December 2012	4	7
James La Nauze	May 2010		7	7
Paul Torzillo	June 2012		2	3
Stephanie Young	May 2009	1 June 2012	2	3

Legend:

A: Number of meetings attended

B: Number of meetings held during the time Director held office during the year 2012

Three other Directors were appointed after the balance date to the date of this report. Their names and dates of appointment are as follows:

	Date appointed to current term of office
John Brumby	January 2013
Ann Porcino	January 2013
Joy Savage	January 2013

Details of Directors' qualifications, experience and special responsibilities are shown at the last section of this report.

Objectives, strategies, principal activities and performance measures

The Foundation is an independent, non-profit, non-political and secular development agency. Its vision is a world in which no person is needlessly blind and Indigenous Australians exercise their right to good health.

During 2012, The Foundation was ranked within the top 50 in an annual list of the best 100 non-government organisations (NGO) in the world published by The Global Journal. The Foundation

celebrated its 20th year in 2012 and the occasion was marked in the Parliament by Statements On Indulgence by the Prime Minister and the Leader of Opposition on 23 August 2012.

For the 2011 to 2014 period, The Foundation has four key strategic objectives:

- end avoidable blindness by 2020 in the communities and countries in which we work
- improve Indigenous health
- build a strong organisation
- create an international structure.

In 2012, The Foundation worked in 18 countries in Africa and Asia, as well as conducting Indigenous health initiatives in remote communities in Australia. As a direct result of The Foundation's work in these countries and in Indigenous Australia, and its strategic and financial partnership with another international eye health organisation in Africa, the following results were achieved during the year:

- 1,989,410 people had their eyes screened.
- 98,088 cataract operations were performed.
- 48,913 pairs of spectacles were distributed.
- 7,930,812 other sight saving or improving interventions were undertaken.
- 174 surgeons and 601 nurses and other support staff received clinical training.
- 859 existing eye health professionals were supported with continuing education or mentoring.
- 16,107 community health workers received eye care training.
- 22,978 attended other related courses.
- 98 eye health facilities were constructed or upgraded.
- Equipment to the value of \$5,875,743 was provided.

In terms of the specific objective of improving Indigenous health, during 2012 The Foundation's Indigenous Australia Program:

- developed MoUs with Government and Aboriginal organisations for the development and implementation of integrated eye health programs in the Greater Darwin and Katherine regions;
- supported a pilot tele-health project for chronic disease management in three communities;
- increased the availability of primary health care in the APY Lands through a partnership with Nganampa Health Council;
- completed an evaluation of our Anaemia Prevention Project with the results to be disseminated in 2013;
- supported the training of Aboriginal community-based nutrition workers and the development of a new course ("Talking about feeding babies and little kids"), and assisted four remote communities to provide better nutrition information in their stores;
- produced resources for Indigenous organisations to improve their governance and management, and provided assistance and training in this area; and
- worked on a Women's Development Program with the Jawoyn Association and the Banatjarl Women's Council in the Katherine Region.

The Foundation built a stronger organisational base in 2012 through:

- introducing a more sophisticated electronic documents and records management system;
- strengthening IT and data base platforms and systems;
- developing more detailed security plans for each country office;
- enhancing recruitment and induction processes; and
- substantially increasing the number of regular donors.

In pursuit of its objectives in 2012, The Foundation also conducted research, advocacy, community education and a wide range of fundraising activities.

Based on the multi-year Strategic Framework, the Board monitored the implementation of the approved 2012 budget and organisational work plan. A comprehensive set of Key Performance Indicators (KPIs) were developed, setting out a targeted list of desired objectives under each of the four strategic goals. These KPIs were regularly monitored by Management to measure organisational performance, with a formal Results Report produced for the Board's review and scrutiny.

Operating results for the year

The gross operating revenue of The Foundation was \$48,288,361 (2011: \$44,950,535) and expenses amounted to \$50,968,341 (2011: \$42,738,437), resulting in a deficit of \$2,679,980 (2011: surplus of \$2,212,098). Total equity as at 31 December 2012 stood at \$15,765,796 (2011: \$18,445,776). The cash balance including term-deposits was \$12,797,206 (2011: \$18,680,822).

Significant changes in state of affairs

There has been no significant change in the state of affairs of The Foundation during the financial year.

Significant events after the balance date

Up to the date of this report, there have been no significant events after the balance date that should be included in this financial report nor significantly affect The Foundation's operations in future years.

Indemnification and insurance of directors

The Foundation held Directors and Officers Liability cover during 2012. The amount of cover is reviewed periodically.

Directors' qualifications and experience, and their special responsibilities on the Board during 2012 or, for the last three Directors, as of the date of this report

Name	Experience and Qualifications	Special responsibilities
John Leslie Fallick	Founder and Director, Principle Advisory Services; Director, Infrastructure Capital Group and Continuity Capital; Director, Clearview Pty Ltd; Past Chairman, Carbon Advisory Board for Greening Australia; Bachelor of Economics.	Chair of the Board (up to Feb 2013); Chair of the Governance & Nominations Committee; <i>Ex-officio</i> Member of the Finance & Audit Committee.
Michael Johnson	Associate Professor, School of Social Science, University of NSW.	Vice-Chair of the Board; Member of the Finance & Audit Committee; Member of the Governance & Nominations Committee.
Robert Dalziel	Chairman, Dacland Management; Director, Wine Preserva; Deputy Chair, Melbourne Rebels. <i>Previously:</i> Chairman, Harris Scarfe Pty Ltd and Just Group; Director, Angus & Coote (Holdings); Managing Director, Mayne Nickless; Executive Chairman, Optus Communications.	Acting Chair of the Board (from Feb 2013); Honorary Secretary Member of the Governance & Nominations Committee
Graham Skeates	Chartered Accountant with 40 years experience in the accounting profession and financial services industry. <i>Previously:</i> Group Chief Accountant, AMP; Regional Finance Director, Asian operations of Prudential Insurance UK.	Treasurer; Chair of the Finance & Audit Committee.
Howard Davies	Director, Analoufi Pty Ltd; Director, FHF New Zealand; Director, FHF United Kingdom.	Member of the Governance & Nominations Committee.
Sarah Elliott	Principal Policy Officer, Department of Housing Services, NSW.	Chair of the Program Advisory Committee; Member of the Finance & Audit Committee.

Peter Hearl	Director of Goodman Fielder, Director, Treasury Wine Estate.	Member of the Governance & Nominations Committee.
Gabi Hollows	Orthoptist.	Founding Director; Member of the Governance & Nominations Committee.
Brent Impey	Lawyer with extensive experience in media companies.	Director of FHF New Zealand.
Jamie La Nauze	Ophthalmic surgeon; Masters degree in Clinical Epidemiology; Fellow, Royal Australian and New Zealand College of Ophthalmologists	Chair of the Medical Advisory Committee.
Paul Torzillo	Head of Respiratory Medicine and Executive Clinical Director at Royal prince Alfred Hospital, Sydney; Medical Director, Nganampa Health Council; Clinical Professor of Medicine, University of Sydney; Clinical Director of critical care services, Sydney Local Area Health District; Ministerial appointee to the National Indigenous Health Equity Council and the National Health Performance Authority.	Member of the Medical Advisory Committee.
Stephanie Young	Ophthalmologist; Medical Officer at Concord Repatriation General Hospital	Member of the Medical Advisory Committee; Member of the Governance & Nominations Committee.
John Brumby	Chair of MTAA Super; Independent Director, Huawei Technologies (Australia); Vice-Chancellor's Professorial Fellow at both Melbourne and Monash Universities. <i>Previously:</i> Victorian Premier (2007-2010); Victorian Treasurer (2000-2007).	Member of the Finance & Audit Committee.
Ann Porcino	Director and Principal Consultant of RPR Consulting; Vice President, Relationships Australia NSW. <i>Previously:</i> CEO, Australian Council on Healthcare Standards; Director of Research and Development, Prince Henry and Prince of Wales Hospital Group; CEO, North Harbour Private Hospital. Masters of Business Administration and BA in Health Services Administration.	Member of the Governance & Nominations Committee.
Joy Savage	CEO, Aboriginal Hostels Ltd. <i>Previously:</i> Assistant Secretary, Social Policy Division, Department of Prime Minister and Cabinet; head of the Remote Health Services Development Branch, Department of Health and Ageing; CEO of two Aboriginal-controlled health services in Queensland.	Member of the Programs Advisory Committee.

Company Secretary

Elizabeth Hounslow

Board Committee Meetings

The Board has established four Committees which report directly to it. The following table shows these Committees, the number of meetings held during the year and the attendance record of those Directors who were members of the Committees during 2012.

	Finance & Audit Committee	Program Advisor Committee	Medical Advisory Committee	Governance and Nominations Committee
No of meetings	4	4	2	3
Meetings attended				
John Leslie Fallick	3	N/A	N/A	3
Michael Johnson	4	N/A	N/A	3
Graham Skeates	4	N/A	N/A	N/A
Robert Dalziel	N/A	N/A	N/A	3
Howard Davies	N/A	N/A	N/A	1 out of a possible 2
Sarah Elliott	3	4	N/A	N/A
Gabi Hollows	N/A	N/A	N/A	2 out of a possible 2
Brent Impey	N/A	N/A	N/A	N/A
Jamie La Nauze	N/A	4	2	N/A
Stephanie Young	N/A	N/A	2	N/A
Peter Hearl	N/A	N/A	N/A	1 out of a possible 1
Paul Torzillo	N/A	N/A	1	N/A

A number of Foundation members and associates who are not Directors also served on various Board Committees during 2012 as set out below:

Finance & Audit Committee	Christine Hawkins
Program Advisory Committee	Jo Thomson and Kate Gilbert
Medical Advisory Committee	Dr David Moran; Dr Katherine Smallcombe; Dr Tim Henderson, Dr Richard Wormald (corresponding member)

LIMITATION OF MEMBERS LIABILITY

The Fred Hollows Foundation is a company limited by guarantee. In accordance with its Constitution, the liability of its Members is limited to \$50.00 per person in the event of the company being wound-up.


AUDITOR'S INDEPENDENCE

The Directors have received an independent declaration from the auditor of The Fred Hollows Foundation, Ernst & Young.

AUDITOR

Ernst & Young continues in office in accordance with section 327 of the Corporations Act 2001

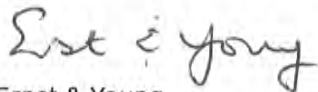
Signed in accordance with a resolution of the Directors



Robert Rae Dalziel
Acting Chair
13 March 2013
Sydney, NSW Australia

Auditor's Independence Declaration to the Directors of The Fred Hollows Foundation

In relation to our audit of the financial report of The Fred Hollows Foundation for the financial year ended 31 December 2012, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

A handwritten signature in cursive script that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in cursive script, likely belonging to Nigel Stevenson.

Nigel Stevenson
Partner
Sydney

13 March 2013

Statement of comprehensive income

For the year ended 31 December 2012

	2012	2011
	\$	\$
INCOME FROM CONTINUING OPERATIONS		
Community and corporate support		
Donations and gifts		
- Monetary	29,144,150	24,723,145
Bequests and legacies	7,499,286	10,053,451
Grants		
- AusAID	8,265,726	6,445,552
- Other Australian government	234,215	283,917
- Corporate/trusts	1,332,350	2,525,707
Net gains/(losses) on investments at fair value	1,611,927	588,874
Other income	200,707	329,889
Total income	48,288,361	44,950,535
EXPENDITURE FROM CONTINUING OPERATIONS		
<i>International aid and development programs expenditure</i>		
International Programs		
- Funds to international programs	21,573,593	17,858,617
- Program support costs	5,649,906	4,488,370
Community education	2,006,225	1,805,972
Fundraising costs		
- Public fundraising	7,228,254	6,446,038
- Government, multilateral and private	73,013	65,111
Accountability and administration	2,844,588	2,004,277
<i>Total international aid and development programs expenditure</i>	39,375,579	32,668,385
<i>Domestic aid and development programs expenditure</i>		
Domestic Programs	8,015,007	6,888,474
Community Education	590,663	556,692
Fundraising costs	2,149,603	2,007,066
Accountability and administration	837,489	617,820
<i>Total domestic aid and development programs expenditure</i>	11,592,762	10,070,052
Total Expenditure	50,968,341	42,738,437
Net surplus (deficit) of income over expenditure	(2,679,980)	2,212,098
Other comprehensive income	-	-
Net surplus/(deficit) for the period	(2,679,980)	2,212,098

Notes:

- There was no non-monetary donations and gifts received during the reporting periods.
- There are no revenue nor expenditure for international political or religious proselytisation programs.
- The above Statement of comprehensive income should be read in conjunction with accompanying notes.

Statement of financial position

As at 31 December 2012

	Note	2012 \$	2011 \$
ASSETS			
Current assets			
Cash and cash equivalents		1,787,206	2,303,412
Other interest bearing deposits		11,010,000	16,377,410
Trade and other receivables	7	3,584,911	2,584,442
Prepayments		608,537	415,536
Total current assets		16,990,654	21,680,800
Non-current assets			
Financial assets at fair value	8	7,878,385	6,906,398
Property, plant and equipment	9	2,713,749	2,285,216
Total non-current assets		10,592,134	9,191,614
TOTAL ASSETS		27,582,788	30,872,414
LIABILITIES			
Current liabilities			
Trade and other payables	10	10,618,718	11,364,245
Provisions	11	783,814	697,742
Total current liabilities		11,402,532	12,061,987
Non-current liabilities			
Provisions	11	207,013	135,723
Deferred liability	13	207,447	228,928
Total non-current liabilities		414,460	364,651
TOTAL LIABILITIES		11,816,992	12,426,638
NET ASSETS		15,765,796	18,445,776
EQUITY			
Accumulated funds		15,765,796	18,445,776
TOTAL EQUITY		15,765,796	18,445,776

Notes:

(a) There are no net tax liabilities. See related Notes 7 and 10.

(b) Items having nil balances in 2012 and 2011 are not shown above.

(c) The above Statement of financial position should be read in conjunction with accompanying notes.

Statement of cash flows

For the year ended 31 December 2012

	2012 \$	2011 \$
Cash flows from operating activities		
Receipt from donors	29,144,150	24,723,145
Receipts from bequests	7,347,885	9,449,137
Receipt of government grants	7,105,962	6,716,016
Receipt of international corporate donations	1,003,771	1,749,792
Payment of program and operating expenditures	(36,989,551)	(24,657,342)
Payment to employees	(13,202,145)	(11,620,772)
Net cash flows from/(used in) operating activities	(5,589,927)	6,359,976
Cash flows from investing activities		
Acquisition of plant and equipment	(1,117,813)	(842,748)
Disposal of plant and equipment	(6,295)	43,500
Disposal of financial assets at fair value	194,697	924,053
Purchase of other interest bearing deposits	-	(8,022,849)
Redeem interest bearing deposits	5,367,410	-
Interest received	400,258	664,460
Dividends received	235,464	81,106
Net cash flows from/(used in) investing activities	5,073,720	(7,152,478)
Cash flows from financing activities		
Repayment of bank loan- principal	-	(281,581)
Repayment of bank loan- interest	-	(6,713)
Net cash flows from/(used in) financing activities	-	(288,294)
Net increase/(decrease) in cash and cash equivalents	(516,206)	(1,080,796)
Cash and cash equivalents at beginning of the period	2,303,412	3,384,208
Cash and cash equivalents at end of the period	1,787,206	2,303,412

The above statement of cash flows should be read in conjunction with accompanying notes.

Statement of changes in equity

For the year ended 31 December 2012

	Accumulated funds \$
Balance at 1 January 2012	<u>18,445,776</u>
Surplus (Deficit) for the year	(2,679,980)
Other comprehensive income	-
Total comprehensive income (loss) for the period	<u>(2,679,980)</u>
As at 31 December 2012	<u><u>15,765,796</u></u>
Balance at 1 January 2011	<u>16,233,678</u>
Surplus for the year	2,212,098
Other comprehensive income	-
Total comprehensive income for the period	<u>2,212,098</u>
As at 31 December 2011	<u><u>18,445,776</u></u>

(a) The above Statement of changes in equity should be read in conjunction with accompanying notes.

The Fred Hollows Foundation

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Notes to financial statements

For the year ended 31 December 2012

1 Corporate information

The financial report of The Fred Hollows Foundation for the year ended 31 December 2012 was authorised in accordance with a resolution of the Directors on 13 March 2013.

2 Summary of significant accounting policies

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Australian Accounting Standards Reduced Disclosure Requirements and the Corporations Act 2001, the Charitable Fundraising Act 1991, the Charitable Collections Act 1946 (WA) and the Australian Council for International Development (ACFID) Code of Conduct. The financial report has been prepared in accordance with the historical cost convention except for the investments which are measured at fair value.

(b) Statement of Compliance

The Foundation has early adopted AASB 1053 *Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*.

(c) Cash and cash equivalents

Cash and cash equivalent in the Statement of financial position comprise of cash at bank and in hand and short-term deposits with an original maturity of three months or less.

(d) Other interest bearing deposits

These are short-term deposits with maturities over three months but less than one year.

(e) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off as incurred.

(f) Financial Assets at fair value

All financial assets are initially recognised at fair value of the consideration given plus the transaction costs associated with the investment. The investments are then recorded at fair value through Statement of comprehensive income on subsequent measurements.

The fair value of the financial assets of The Foundation have been determined as follows:

Managed Funds

Managed funds are valued at redemption price as at balance date quoted by the investment manager.

(g) Impairment

At each reporting date, assets other than mentioned under item (e) are reviewed to determine if there is any objective evidence of impairment.

The impairment for these assets is recognised directly against Statement of comprehensive income for the class of asset.

(h) Property, Plant and equipment

(i) Cost and valuation

The Foundation does not own any realty. Items of plant and equipment are valued at cost, less accumulated depreciation and any accumulated impairment.

(ii) Depreciation

Depreciation is provided for on a straight line basis at rates over the estimated useful lives of the assets as follows:

	2012	2011
Motor vehicles	3-5 years	3-5 years
Office machines and equipment	3-10 years	3-10 years
Office furniture and equipment	3-10 years	3-10 years
Leasehold improvements	5-15 years	5-15 years

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Notes to financial statements

For the year ended 31 December 2012

2 Summary of significant accounting policies

(h) Property, Plant and equipment (continued)

(i) Cost and valuation (continued)

The assets' residual values, useful lives and amortisation methods are reviewed at the end of each financial year.

(iii) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

(i) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to The Foundation prior to the end of the financial year that are unpaid and arise when The Foundation becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(j) Provisions

Provisions are recognised when The Foundation has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When The Foundation expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the Statement of comprehensive income net of any reimbursement.

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits, and annual leave expected to be settled within 12 months of the reporting date are recognised in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Long service leave

The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the discounted present value method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(k) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Donation income and grants

Control of a right to receive the donation is attained, usually evidenced by receipt of cash. Donations and grants received, which are unspent at balance date and are for a specific project not yet complete, are only recognised as income when the project occurs as these amounts are repayable if not fully utilised on the specific project.

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Notes to financial statements

For the year ended 31 December 2012

2 Summary of significant accounting policies

(k) Revenue recognition (continued)

(ii) Net gains or losses on financial instruments at fair value

Gains or losses (excluding interest and dividend income) on financial instruments at fair value through profit or loss is calculated as the difference between the fair value at sale or at year end, and the fair value at the previous valuation point. This includes both realised and unrealised gains and losses.

Dividend income and interest revenue arising from financial assets at fair value is also included in "net gains and losses on financial instruments at fair value". Dividends are recognised at the time the right to receive dividends has been established, usually through a formal announcement of the company distributing the dividends.

Interest revenue is recognised using the effective interest method, with interest accrued over the relevant period using the effective interest rate, which is the rate that exactly discounts the estimated future cash flows over the expected life of the financial asset to the net carrying amount of the financial asset.

(l) Taxes

(i) Income tax

The Foundation has been registered under the provisions of The Charitable Fundraising Act 1991 and under Subdivision 50-B of the Income Tax Assessment Act 1997, it is an income tax exempt charitable entity.

(ii) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable: and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Statement of financial position.

Cash Flows are included in the Statement of cash flow on a gross basis and the GST component of the cash flows arising from investing and financing activities, which is recoverable or payable to, the taxation authority are classified as cash flows from operations.

(m) Foreign currency translations

Foreign currency in relation to overseas currency bank accounts are translated to local currency using rates of exchange prevalent at the end of the financial year.

Expenditures in foreign currency are translated at the monthly average rate.

(n) Fundraising activities

As a charitable institution, The Foundation has requirements under the Charitable Fundraising Act 1991. This Act provides the manner in which fundraising appeals are conducted, controlled and reported. These are shown in Note 20 of the financial statements.

(o) Operating Leases

Leases where the lessor retains substantially all the risks and benefits of the ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term.

Operating lease payments are recognised as an expense in the Statement of comprehensive income on a straight-line basis over the term of the lease.

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Notes to financial statements

For the year ended 31 December 2012

2 Summary of significant accounting policies (continued)

(p) Government grants

Government grants are recognised in the Statement of financial position as a liability when the grant is received.

When the grant relates to a future program costs (provision of program services), it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

(q) Significant accounting judgments

Management has identified the following critical accounting policies for which significant judgments, estimates and assumptions are made. Actual results may differ from these estimates under different assumptions and conditions and may materially affect financial results or the financial position reported in future periods.

(i) Valuation of investments

The Foundation classifies its investments in listed and unlisted securities at fair value. The fair value of listed shares has been determined by reference to published price quotations in an active market. The fair values of unlisted securities not traded in an active market are determined by appropriately qualified independent professional valuers commissioned by The Foundation's fund managers.

(ii) Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience as well as on manufacturers' warranties (for plant and equipment), and turnover policies (for motor vehicles). In addition, the condition of the the assets is assessed at least once per year and considered against the remaining useful life. Adjustments to useful lives are made when considered necessary.

Further details of the nature of these assumptions and conditions may be found in the relevant notes to the financial statements.

(r) Consolidation

Consolidated financial statements have not been prepared in accordance with AASB 127 Consolidated and Separate Financial Statements on the grounds that the controlled entities are not material to these financial statements. The controlled entities are FHF Eastern Africa and The Fred Hollows Foundation (UK).

3 Financial risk management objectives and policies

The Foundation's principal financial instruments comprise cash and short-term deposits, receivables, payables, bank borrowings and investments.

Risk exposures and responses

The Foundation manages its exposure to key financial risks, including interest rate and currency risk in accordance with the Foundation's financial risk management policy. The objective of the policy is to support the delivery of the Foundation's financial targets while protecting future financial security.

The main risks arising from The Foundation's financial instruments are interest rate risk, foreign currency risk, credit risk, price risk and liquidity risk. The Foundation uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rate, equity price risk and foreign exchange risk and assessments of market forecasts for interest and foreign exchange rates as well as prices of shares in equity. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Board reviews and agrees policies for managing each of these risks as summarised below.

Primary responsibility for identification and control of financial risks rests with the Finance and Audit Committee under the authority of the board.

(a) Interest rate risk

The Foundation's exposure to market interest rates relates primarily to The Foundation's cash balances. No interest rate risk relates to bank borrowings as they are under fixed interest rate and are carried at amortised costs.

The Fred Hollows Foundation

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Notes to financial statements

For the year ended 31 December 2012

3 Financial risk management objectives and policies (continued)

(b) Foreign currency risk

The Foundation's international program prepares local currency budgets. The Foundation's commitments are limited by the Australian dollar equivalent to local currency budgets at the budgeted rate.

(c) Price risk

The Foundation's investment in equity securities are subject to price risk. To limit this risk The Foundation has a policy to diversify its portfolio ensuring the majority of the equity investments are of a high quality and are publicly traded. The Foundation's investments are currently placed in a fund called Responsible Investment Leaders Balanced Fund managed by AMP Capital Investors Limited.

(d) Credit risk

Credit risk represents the risk that the counterparty to the financial instrument will fail to discharge an obligation and cause The Foundation to incur financial loss.

The Foundation's exposure to credit risk arises from default of the counterparty, with the current maximum exposure at the reporting date equal to the fair value of these instruments as disclosed in the Statement of financial position. This does not represent the maximum risk exposure that could arise in the future as a result of changes in values.

The majority of The Foundation's receivables are from the Australian government; trade receivables are not material and historically The Foundation is not exposed to normal trading risk. There are no financial assets that are past due or impaired and the foundation holds no collateral as security or any other credit enhancements.

(e) Liquidity risk

Liquidity risk arises from the financial liabilities of The Foundation and its subsequent ability to meet its obligation to repay these liabilities as and when they fall due.

The Foundation's objective is to maintain a balance between continuity of funding and flexibility through the use of cash and bank loans.

The Foundation manages its liquidity risk by monitoring the total cash inflows and outflows expected on a monthly basis. In addition, The Foundation maintains sufficient cash to meet worldwide programs' normal operating requirements.

(f) Fair value

The Foundation uses various methods in estimating the fair value of a financial instrument. These methods include: fair value using quoted prices in active markets; fair value estimates using inputs from observable prices either directly (as prices) or indirectly (derived from prices); and fair value estimates using inputs from non-observable market data.

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices.

For financial instruments not quoted in active markets, The Foundation's investment managers uses a direct feed valuation provided daily by professional valuers. The investment managers conduct, where available, validation process that include reference to secondary pricing sources before releasing the updated prices on daily basis.

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Notes to financial statements

For the year ended 31 December 2012

	2012	2011
	\$	\$
4 Net gains or losses on investments at fair value		
Dividend and interest on investments	<u>1,611,927</u>	<u>588,874</u>

5 Other income

This includes income or losses from disposal of plant and equipment, foreign currency transactions and other sundry receipts.

	2012	2011
	\$	\$
Gain (loss) disposal of property, plant and equipment	(58,840)	(53,347)
Exchange gains/(losses)	(168,621)	32,795
Others	428,168	350,441
	<u>200,707</u>	<u>329,889</u>

The Fred Hollows Foundation has disclosed most significant revenue categories on the face of the Statement of comprehensive income and as such has only shown by way of note the breakdown of other revenue, which includes the required disclosure of interest and dividend revenue as well as amortisation of financial guarantees.

	2012	2011
	\$	\$
6 Expenses		
(a) Finance costs		
Interest on bank borrowings	-	6,713
	<u>-</u>	<u>6,713</u>

(b) Depreciation, impairment and amortisation included in Statement of comprehensive income

Depreciation	<u>597,155</u>	425,370
	<u>597,155</u>	<u>425,370</u>

(c) Lease payments and other expenses included in Statement of comprehensive income

Minimum lease payments - operating lease	<u>619,331</u>	607,235
	<u>619,331</u>	<u>607,235</u>

7 Trade and other receivables

		2012	2011
		\$	\$
Trade receivables		79,460	195,385
Receivables from related parties	7(a)	2,359,653	1,102,109
Equipment Advances		254,142	396,950
Dividend and interest receivables		216,749	255,827
GST receivable	7(b)	622,362	593,820
Others		52,545	40,350
		<u>3,584,911</u>	<u>2,584,442</u>

Trade receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. As at balance date all trade receivables are current and collectible and no impairment provision has been recognised.

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Notes to financial statements

For the year ended 31 December 2012

7 Trade and other receivables (continued)

(a) Receivables from related parties

These represent remittance of monies to Fred Hollows entities intended for program expenditure and has been unspent as of balance date. The balance represents remainder of the most current remittances.

(b) Net tax liability

At reporting dates the net GST is a receivable per Note 7. Other tax liabilities (PAYG and FBT) are shown separately in Note 10. The net of GST and other tax liabilities were a receivable of \$487,728 and \$473,246 as at balance date of 2012 and 2011 respectively.

8 Financial assets at fair value	2012	2011
	\$	\$
AMP Responsible Industry Leader Fund	7,724,546	6,713,001
ANZ Endowment Fund	-	170,199
Directly Held Listed Domestic Shares	151,401	-
Queensland Community Foundation	-	10,203
JB Were portfolio investment		
- International Managed Funds	2,438	12,996
	7,878,385	6,906,398

AMP Responsible Industry Leader Fund represents investments in diversified portfolio across all asset types with emphasis on growth assets (shares and property) where the Foundation holds interest expressed in units.

ANZ Endowment Fund is payable on demand and has been redeemed during the year. Investments in JB Were are remnants of investments retired in mid 2010 and is expected that final settlement will occur in late 2013.

The fair value of listed investments has been determined directly by reference to published price quotations in an active market.

The fair value of the unlisted investments has been estimated by The Foundation's fund managers using valuation techniques based on assumptions, which are outlined in note 3. Management believes the estimated fair value resulting from the valuation techniques and recorded in the Statement of financial position and the related changes in fair value recorded in Statement of comprehensive income are reasonable and most appropriate at the reporting date.

9 Property, plant and equipment

(a) Carrying amount as of balance date

	2012	2011
	\$	\$
Office furniture and equipment	2,760,949	2,383,746
Leasehold improvements	1,271,866	998,245
Accumulated depreciation	(1,319,066)	(1,096,774)
	2,713,749	2,285,216

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Notes to financial statements

For the year ended 31 December 2012

9 Property, plant and equipment (continued)

(b) Reconciliation of carrying amounts at the beginning and end of the period

Movement in non-current assets

	Motor vehicles	Office furniture & equipment	Leasehold improve- ments	Total
	\$	\$	\$	\$
As at 1 January 2012 net of accumulated depreciation and impairment		1,470,491	814,725	2,285,216
Additions	-	872,474	273,621	1,146,095
Disposals, cost less accumulated depreciation	-	(120,408)	-	(120,408)
Depreciation charge for the year	-	(482,167)	(114,988)	(597,155)
	-	1,740,391	973,358	2,713,749

	Motor vehicles	Office furniture & equipment	Leasehold improve- ments	Total
	\$	\$	\$	\$
As at 1 January 2011 net of accumulated depreciation and impairment	18,787	1,083,931	853,835	1,956,553
Additions	-	721,220	121,528	842,748
Disposals, cost less accumulated depreciation	(18,148)	(2,657)	(67,910)	(88,715)
Depreciation charge for the year	(639)	(332,003)	(92,728)	(425,370)
	-	1,470,491	814,725	2,285,216

10 Trade and other payables	2012	2011
	\$	\$
Trade payables	2,717,201	1,699,669
Accrued expenses	463,197	492,497
Deferred grants:		
- Government grants	6,723,392	8,117,371
- Other grants	303,822	671,927
Tax liabilities	134,634	120,574
Other Creditors	276,472	262,207
	10,618,718	11,364,245

(a) Government grants

Government grants are credited with interest and have an average term of one year.

(b) Tax liabilities

Tax liabilities are credit balance of PAYG and fringe benefits tax liabilities. There is no liability for GST since GST payments are shown under GST Receivable under Note 7.

(c) Other payables

Other payables are non-interest bearing and have an average term of 6 months.

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Notes to financial statements

For the year ended 31 December 2012

	2012	2011
	\$	\$
11 Provisions		
(a) Current as at 31 December		
Annual leave	724,581	629,692
Long service leave	59,233	68,050
	<hr/>	<hr/>
Total current provisions	783,814	697,742
	<hr/>	<hr/>
(b) Non current as at 31 December		
Long service leave	207,013	135,723
	<hr/>	<hr/>

12 Key management personnel

As per section 8.1 of The Fred Hollows Foundation's Constitution, no money or benefit will be given by The Foundation to any of its directors.

Compensation paid or payable to key personnel of The Foundation, whether as an executive officer or otherwise, is as follows:

	2012	2011
	\$	\$
Short-term employee benefits	470,878	465,095
Other long-term employee benefits	34,861	22,276
	<hr/>	<hr/>
	505,739	487,371
	<hr/>	<hr/>

13 Leasing commitments

The Foundation has leased its principal office at Rosebery as well as the offices in Darwin and Melbourne.

The Foundation also has existing operating leases on motor vehicles and other premises in Brisbane and the Northern Territory. These leases have an average life of between one and four years with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

Future minimum rentals payable under non-cancellable operating leases as at 31 December are as follows:

	2012	2011
	\$	\$
Within one year	945,289	905,021
After one year but not more than five years	2,236,963	2,659,184
After more than five years	-	-
	<hr/>	<hr/>
Total minimum lease payments	3,182,252	3,564,205
	<hr/>	<hr/>

The balances of the rent free amounts have been determined and brought to account at balance date, as well as recognition of future rental increases during the term of the lease. As at balance date these amounts are \$207,446 (\$228,928 in 2011), and are shown in the Statement of financial position as deferred liability.

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Notes to financial statements

For the year ended 31 December 2012

14 Events subsequent to reporting date

The Directors are not aware of any material events occurring after balance date of this report that would require further disclosure in these financial statements.

15 Limitation of members' liability

The Fred Hollows Foundation is a company limited by guarantee and in accordance with its Constitution, in the event of The Fred Hollows Foundation being wound up, the liability of members will not exceed \$50.00 per member.

16 ACFID Code of Conduct

Certain lines of items required in the ACFID Code of Conduct reporting including but not limited to Inventories, Assets held for sale, Intangibles, Investment property and reserves have nil balances for both the reporting periods covered.

17 Information furnished under the ACFID Code of Conduct

(a) Non-monetary gifts and expenditures

Non-monetary donations and gifts are not included in the Statement of comprehensive income. No non-monetary donations or gifts were made during the period.

(b) Revenue (expenditure) for international political or religious

No revenue was earned nor expenditure incurred for the year on international political or religious proselytisation programs.

(c) Table of Cash Movements for Designated Purpose

No single appeal or other form of fundraising for a designated purpose generated 10% or more of total income for the year ended 31st December 2012.

18 Related party disclosure

The Fred Hollows Foundation UK (FHF UK), The Fred Hollows New Zealand (FHF NZ), and The Fred Hollows Foundation SA (FHF SA) operate under licensing agreement with The Fred Hollows Foundation (FHF). FHF funds part of the program activities undertaken by FHF NZ and FHF SA and also funds the program and operational costs of FHF UK.

19 Auditors remuneration

The auditors of The Fred Hollows Foundation is Ernst and Young.

	2012	2011
	\$	\$
<i>Amounts received or due and receivable by Ernst & Young (Australia) for:</i>		
Audit of financial report	71,500	70,000
Taxation Services	-	5,390
Other non-audit services	-	-
	<u>71,500</u>	<u>75,390</u>

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Notes to financial statements

For the year ended 31 December 2012

20 Information furnished under the Charitable Fundraising Act 1991

a) Details of aggregate gross income and total expenditure of fundraising appeals

	2012	2011
	\$	\$
<u>Proceeds from fundraising appeals</u>		
Donations	15,816,424	14,183,112
Functions and special events	306,463	384,574
Bequests	7,499,286	10,053,451
Miracle Club	13,021,263	10,155,459
Gross proceeds from fundraising appeals	<u>36,643,436</u>	<u>34,776,596</u>

Direct costs of fundraising appeals

Donations	8,506,280	7,666,843
Functions and special events	9,063	8,169
Bequests	236,464	213,128
Miracle Club	604,553	544,893
Cost of raising Government funds	94,509	85,182
Total direct costs of fundraising appeals	<u>9,450,869</u>	<u>8,518,215</u>

Net surplus from Fundraising appeals 27,192,566 26,258,381

(b) Statement showing how funds received are applied for charitable purposes

	2012	2011
	\$	\$
Net surplus obtained from Fundraising appeals	<u>27,192,566</u>	<u>26,258,381</u>
Applied for charitable purposes as follows:		
Office administration	<u>3,682,077</u>	2,622,097
Expenditures on direct services:		
Community education	2,596,888	2,362,664
International programs	27,223,498	22,346,987
Indigenous programs	8,015,007	6,888,474
	<u>37,835,393</u>	<u>31,598,125</u>
Total expenditure	<u>41,517,471</u>	<u>34,220,222</u>
Surplus/(Shortfall)	<u>(14,324,904)</u>	<u>(7,961,841)</u>

(c) Statement showing how funds received are applied for charitable purposes (continued)

	2012	2011
	\$	\$
Shortfall was provided by the following sources:		
AusAID grants	8,265,726	6,445,552
Other government grants	234,215	283,917
Other overseas grants	-	-
Corporate funding	1,332,350	2,525,707
Investment income	1,611,927	588,874
Miscellaneous	200,707	329,889
	<u>11,644,925</u>	<u>10,173,939</u>
(Deficit) Surplus transfer to Accumulated Funds for future use	<u>(2,679,980)</u>	<u>2,212,098</u>

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Notes to financial statements

For the year ended 31 December 2012

(d) Comparison by monetary figures and percentages	2012	2011
	\$	\$
Gross income from fundraising appeals	36,643,436	34,776,596
Total direct cost of fundraising appeals	9,450,869	8,518,215
Total direct cost of fundraising as a percentage of gross income from		
Fundraising appeals	26%	24%
Net surplus from fundraising appeals	27,192,566	26,258,381
Net surplus from fundraising as a percentage of gross income from fundraising appeals	74%	76%
Total cost of direct services	37,835,393	31,598,125
Total expenditure (excluding direct cost of fundraising appeals)	41,517,471	34,220,222
Total cost of Direct services as a percentage of total expenditure	91%	92%
Total income received (including net profit from fundraising appeals)	27,192,566	26,258,381
Total cost of direct services as a percentage of total income received	139%	120%

(e) Fundraising appeals conducted during the financial period:

All fundraising activities are related to Public Appeals.

Directors Declaration

In accordance with a resolution of the directors of The Fred Hollows Foundation, I state that:

In the opinion of the directors:

1. The financial statements, notes and the additional disclosures included in the directors' report designated as audited, of The Foundation are in accordance with the Corporations Act 2001, including:

(a) Giving a true and fair view of The Foundation's financial position as at 31 December 2012 and of its performance for the year ended on that date.

(b) Complying with Australian Accounting Standards Reduced Disclosure Requirements and Corporations Act 2001, the Charitable Fundraising Act 1991, the Charitable Collections Act 1946 (WA) and the Australian Council for International Development (ACFID) Code of Conduct.

2. There are reasonable grounds to believe that The Foundation will be able to pay its debts as and when they become due and payable.



Robert Rae Dalziel
Acting Chair
13 March 2013
Sydney, NSW Australia

Statement by Principal Officer

Declaration by the Principal Officer in respect of fundraising appeals under the Charitable Fundraising Act 1991.

In accordance with a resolution of the Directors of The Fred Hollows Foundation, I declare that:

- (a) the Statement of comprehensive income gives a true and fair view of all income and expenditure of The Fred Hollows Foundation with respect to fundraising appeals; and
- (b) the Statement of financial position gives a true and fair view of the state of affairs with respect to fundraising appeals conducted by the organisation; and
- (c) the provisions of the Charitable Fundraising Act 1991, the regulations under that Act and the conditions attached to the authority have been complied by the organisation; and
- (d) the internal controls exercised by The Fred Hollows Foundation are appropriate and effective in accounting for all income received and applied by the organisation from any of its fundraising appeals.

On behalf of The Fred Hollows Foundation.



Graham Skeates
Director
13 March 2013
Sydney, NSW, Australia

Independent auditor's report to the members of The Fred Hollows Foundation

Report on the financial report

We have audited the accompanying financial report of Company, which comprises the statement of financial position as at 31 December 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Act 2001* and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about 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 judgment, 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 controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

- (a) giving a true and fair view of the financial position of The Fred Hollows Foundation at 31 December 2012 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Corporations Regulations 2001*.

Report on the requirements of the *NSW Charitable Fundraising Act 1991* and the *NSW Charitable Fundraising Regulations 2008* and the requirements of the *WA Charitable Collections Act (1946)* and the *WA Charitable Collections Regulations (1947)*

We have audited the financial report as required by Section 24(2) of the *NSW Charitable Fundraising Act 1991* and the *WA Charitable Collections Act (1946)*. Our 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 *NSW Charitable Fundraising Act 1991* and the *NSW Charitable Fundraising Regulations 2008* and the *WA Charitable Collections Act (1946)* and the *WA Charitable Collections Regulations (1947)*.

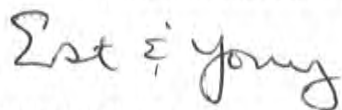
Because of the inherent limitations of any assurance engagement, it is possible that fraud, error or non compliance may occur and not be detected. An audit is not designed to detect all instances of non compliance with the requirements described in the above-mentioned Acts and Regulations as an audit is not performed continuously throughout the period and the audit procedures performed in respect of compliance with these requirements are undertaken on a test basis. The audit opinion expressed in this report has been formed on the above basis.

Opinion

In our opinion:

- a) the financial report of The Fred Hollows Foundation has been properly drawn up and associated records have been properly kept during the financial year ended 31 December 2012 in all material respects, in accordance with:
 - i sections 20(1), 22(1-2), 24(1-3) of the *NSW Charitable Fundraising Act 1991*;
 - ii sections 9(6) and 10 of the *NSW Charitable Fundraising Regulations 2008*;
 - iii the *WA Charitable Collections Act (1946)*; and
 - iv the *WA Charitable Collections Regulations (1947)*.

- b) the money received as a result of fundraising appeals conducted by the company during the financial year ended 31 December 2012 has been properly accounted for and applied, in all material respects, in accordance with the above mentioned Acts and Regulations.



Ernst & Young



Nigel Stevenson
Partner
Sydney, 13 March 2013