

The **Fred Hollows** Foundation

A.C.N. 070 556 642

Annual Financial Report

For the year ended 31 December 2016

**Registered office and
principal place of business**

Level 2, 61 Dunning Ave,
Rosebery, NSW 2018 Australia

Postal Address

Locked Bag 5021,
Alexandria NSW 2015, Australia

Contact details

Website:

www.hollows.org.au

Donation Line:

1800 352 352

Telephone:

+612 8741 1900

Facsimile:

+612 8741 1999

Email:

fhf@hollows.org

ABN:

46 070 556 642

The Fred Hollows Foundation

(A company limited by guarantee)

Corporate information

A.C.N. 070 556 642

Current Directors

J Brumby (Chair)
J Savage (Deputy Chair)
H Evans
L Fallick
C Hawkins
G Hollows
J La Nauze
G Skeates
P Torzillo

Company Secretary

Daryn Deiley

Registered office and principal place of business

Level 2, 61 Dunning Ave,
Rosebery, NSW 2018 Australia

Postal Address

Locked Bag 5021,
Alexandria NSW 2015, Australia

Contact details

Website: www.hollows.org.au
Donation Line: 1800 352 352
Telephone: +612 8741 1900
Facsimile: +612 8741 1999
Email: fhf@hollows.org

Bankers

Westpac Banking Corporation

Auditors

Ernst & Young

The Fred Hollows Foundation

(A company limited by guarantee)

A.C.N. 070 556 642

Annual financial report

For the year ended 31 December 2016

Contents to financial report

Directors' Report	1
Auditor's independence declaration	11
Statement of comprehensive income	13
Statement of financial position	14
Statement of changes in equity	15
Statement of cash flows	16
Notes	
1 Corporate information	17
2 Subsidiaries and Parent financial information	18
3 Summary of significant accounting policies	20
4 Financial risk management objectives and policies	23
5 Net gains or losses on investments at fair value	25
6 Other income	25
7 Expenses	25
8 Trade and other receivables	26
9 Investments at fair value	26
10 Property, plant and equipment	26
11 Trade and other payables	27
12 Provisions	28
13 Leasing commitments	28
14 Contingency Reserve	28
15 Key Management Personnel	28
16 Events subsequent to reporting date	29
17 Limitation of members' liability	29
18 ACFID Code of Conduct	29
19 Related party disclosure	29
20 Information furnished under the ACFID Code of Conduct	29
21 Auditors remuneration	29
22 Information furnished under the Charitable Fundraising Act	30
Directors' Declaration	33
Statement of principal officer	35
Independent auditor's report	37

Directors' Report

The Directors present this report to the Members of The Fred Hollows Foundation for the year ended 31 December 2016.

Directors

The names of each person who has been a Director during the year, and the number of meetings each has attended, are set out in the table below.

<i>Note: Column A shows the number of meetings attended while Column B shows the number of meetings held during the time each Director held office during the year.</i>	Date appointed to current term of office	Date of cessation during the year	2016 Board Meetings	
			A	B
John Brumby (<i>Chair from February 2016</i>)	January 2016		5	5
Joy Savage (<i>Deputy Chair from February 2016</i>)	January 2016		4	5
Helen Evans	May 2015		4	5
John Leslie Fallick (<i>Chair to February 2016</i>)	May 2016		3	5
Christine Hawkins	May 2015		5	5
Gabi Hollows	April 1995		5	5
Michael Johnson	May 2013	24 May 2016	2	2
Jamie La Nauze	May 2016		5	5
Ann Porcino (<i>Deputy Chair to February 2016</i>)	January 2016	29 January 2016	0	0
Graham Skeates	May 2016		5	5
Paul Torzillo	May 2016		4	5

Details of Directors' qualifications, experience and special responsibilities within The Foundation are shown later in this report.

Objectives, strategies, principal activities and performance measures

The Foundation is an independent, not-for-profit, non-political and secular international development agency. Its vision is a world in which no person is needlessly blind and Indigenous Australians exercise their right to good health.

For the 2014-2018 period, The Foundation is working towards delivery of five ambitious Long-Term Outcomes:

- Cataract being effectively managed
- Trachoma being eliminated

- Eye health services being available throughout the world for people living with diabetes
- Eye health services and systems being sustainable, and integrated into national health systems
- Eye health being appropriately resourced.

The Foundation has 15 strategic objectives sitting below the long-term outcomes giving strong direction to the way in which we should work, the focus of activities and the structure, tools and approach of the organization:

- *The results we seek*
 1. Support for the provision of universal access to high quality, affordable, comprehensive eye care services
 2. Strengthened national health systems, with a focus on eye health
 3. Increased government support for committing adequate resources to eye health
- *How we deliver our work*
 4. High quality in-country programs designed and delivered with local partners that have a significant and sustainable impact
 5. Strategic organisational partnership at regional and global levels that extend our influence and impact
 6. Effective in-country and global advocacy that builds political will and drives appropriate eye health financing
 7. High impact research and technological innovation
- *Our organisational base*
 8. Highly committed, capable and supported global workforce
 9. Effective global governance, management structures and processes
 10. Leading brand and international profile
 11. Global business systems that provide access to information, and ensure transparency and efficiency
 12. Disciplined and effective management of all our work, from planning to monitoring evaluation and learning
 13. Integrated risk management systems, underpinned by a strong and proactive risk culture
- *Our financial resources*
 14. Continued growth in public support and diversification of income sources
 15. Efficient and strategic use of resources.

In 2016, The Foundation worked directly or through partners in more than 25 countries in Africa, Asia, Middle East and Pacific as well as conducting Indigenous health initiatives in remote and under-serviced communities in Australia. As a direct result of this work, the following results were achieved during the year:

- 3,900,333 people had their eyes screened
- 1,004,975 eye operations and treatments were performed including:
 - 147,822 cataract operations
 - 49,817 trachomatous trichiasis surgeries
 - 10,267 diabetic retinopathy treatments
 - 797,069 other sight saving or improving interventions
- 18,585,866 people were treated with antibiotics for trachoma
- 56,160 pairs of glasses were distributed
- 78,450 people were trained including:
 - 272 surgeons
 - 662 clinic support staff

- 49,849 community health workers
- 9,254 school teachers
- 120 medical facilities were constructed, renovated or equipped
- \$2,674,507 worth of equipment was supplied
- 2,969,240 school children and community members participated in eye health education activities.

The Foundation has also achieved an increasing amount, in terms of its global partnerships, advocacy, and research work, including:

- Significant strengthening of our global partnerships with our peers, SightSavers and the Helen Keller Institute
- Successfully working towards, and by January 2017 achieving the status of “Official Relations” with the World Health Organisation, which will provide The Foundation with greater opportunity to help shape the global health debate
- The conception and by January 2017 the formation of a new Division within The Foundation, Knowledge and Innovation. This team will continue to drive the research, monitoring and evaluation of our work to ensure continual improvements in quality and impact and ensure The Foundation continues to be a learning organisation.

The Foundation continued to strengthen its organisational (including financial) base in 2016, through:

- An upgrade, including increased functionality, of our core financial systems and the introduction of new budget system to assist in the construction, review and consolidation of The Foundation’s financial planning
- Our bi-annual employee engagement survey, “Our Say” was conducted with over 90% of employees contributing. A number of employee lead working groups have begun making changes to practices and procedures following the results of this survey
- The consolidation of our international fundraising activities with significant success in our Hong Kong office and an increasing profile in the United States of America and the Middle East.

Based on the multi-year Strategic Plan, the Board monitored the implementation of the approved 2016 budget and organisational work plan. A comprehensive set of Key Performance Indicators (KPIs) were also developed, setting out a small number of KPIs for each of the 15 strategic objectives. These KPIs were regularly monitored by Management to measure organisational performance, with results reported to the Board.

Operating results for the year

The gross operating revenue of The Fred Hollows Foundation and its subsidiaries (collectively, the Group) was \$79,838,000 (2015: \$69,557,000) and expenses amounted to \$79,723,000 (2015: \$67,436,000), resulting in a surplus of \$115,000 (2015: surplus of \$2,121,000). Total equity as at 31 December 2016 stood at \$19,035,000 (2015: \$18,920,000). The cash balance including term-deposits was \$8,039,000 (2015: \$11,212,000).

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 2016. The amount of cover is reviewed periodically.

Directors' qualifications and experience, and their special responsibilities on the Board during 2016

Name	Experience and Qualifications	Special responsibilities within FHF
John Brumby	<p>Chair, BioCurate Pty Ltd</p> <p>Chair, MTAA Super</p> <p>Chair, Citywide Solutions Pty. Ltd.</p> <p>Independent Director, Huawei Technologies (Australia)</p> <p>Professorial Fellow at both Melbourne and Monash Universities</p> <p>Chair, Olivia Newton-John Cancer Research Institute</p> <p>National President, Australia China Business Council</p> <p>Officer of the Order of Australia</p> <p>Previously Victorian Premier (2007-2010) Victorian Treasurer (2000-2007)</p>	<p>Chair of the Board</p> <p>Chair of the Governance and Nominations Committee (<i>from May 2016</i>)</p> <p>Member of the Finance and Audit Committee (<i>till September 2016</i>)</p>
Joy Savage	<p>Senior Executive, Department of Prime Minister and Cabinet</p> <p>Masters of Business Administration</p> <p>Previously: CEO, Aboriginal Hostels Ltd. 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</p>	<p>Deputy Chair of the Board (<i>from February 2016</i>)</p> <p>Member of the Programs and Partnerships Committee (<i>Chair till May 2016</i>)</p>
Helen Evans	<p>Director, Burnet Institute</p> <p>Associate Professor (Hon) at the Nossal Institute for Global Health, The University of Melbourne</p>	<p>Chair of the Programs and Partnerships Committee (<i>from May 2016</i>)</p>

	<p>Member of the Global Fund to Fight AIDS, Tuberculosis and Malaria's Technical Evaluation Reference Group</p> <p>Member of the Advisory Council of the Pacific Friends of the Global Fund</p> <p>Officer of the Order of Australia</p> <p>Previously Deputy CEO, Gavi - The Vaccine Alliance; Deputy Executive Director, The Global Fund to Fight AIDS, Tuberculosis and Malaria; First Assistant Secretary, Office for Aboriginal and Torres Strait Islander Health, Department of Health</p>	
John Leslie Fallick	<p>Chairman, Granite Capital Pty Ltd</p> <p>Fellow, Australian Institute of Company Directors</p> <p>Chairman, Continuity Capital Partners Pty Ltd</p> <p>Chairman, Northern Territory Infrastructure Development Fund</p> <p>Non-executive Director, Indigenous Business Australia, Asset Management</p> <p>Masters of Arts Masters of Letters in Economics</p> <p>Previously Directorships in over 20 companies in Australia, the UK, Europe and Asia; Chairman, Carbon Advisory Board for Greening Australia; Lecturer in Economics</p>	<p>Chair of the Board (<i>till January 2016</i>)</p> <p>Member of the Finance & Audit Committee (<i>from August 2016</i>)</p> <p>Chair of the Board of The Fred Hollows Foundation Kenya</p> <p>Chair of the Board of The Fred Hollows Foundation (HK) Limited</p>
Ann Porcino	<p>Director and Principal Consultant, RPR Consulting</p> <p>Masters of Business Administration</p> <p>BA in Health Services Administration</p>	<p>Deputy Chair of the Board (<i>till February 2016</i>)</p> <p>Member of the Governance & Nominations Committee (<i>till February 2016</i>)</p>

	<p>Graduate, Australian Institute of Company Directors</p> <p>Previously Vice President of Relationships Australia NSW; CEO, Australian Council on Healthcare Standards; Director of Research and Development, Prince Henry and Prince of Wales Hospital Group; CEO, North Harbour Private Hospital</p>	
Christine Hawkins	<p>Director, Kimbriki Environmental Enterprises Pty Limited, Plant Biosecurity Cooperative Research Centre Limited</p> <p>Managing Director Cinnabar International Pty Ltd</p> <p>Independent Member, Audit and Risk Committee, Environment Protection Authority of NSW</p> <p>Fellow of the Australian Institute of Company Directors</p> <p>BComm(Hons) MComm UNSW FCPA FAICD</p> <p>Previously Chair, Wheat Quality Australia Ltd; Chair, Go Grains Health & Nutrition Limited; Independent director of several Commonwealth Statutory Corporations and Chairman of a Ministerial Council; non-executive director of a number of organisations in food and health, agribusiness, research and development; Chairman of superannuation fund; executive director of investment bank; Director YWCA of Sydney, Nuffield Australia Ltd</p>	Member of the Finance and Audit Committee
Gabi Hollows	<p>Orthoptist</p> <p>Officer of the Order of Australia</p>	<p>Founding Director</p> <p>Member of the Governance & Nominations Committee</p>

	Orthoptic Associate, Royal Australian and New Zealand College of Ophthalmologists	Member of the Programs and Partnerships Committee
Michael Johnson	<p>Associate Professor, School of Social Sciences, University of NSW</p> <p>Area Editor, Economic and Labour Relations Review</p> <p>Life Member, Clare Hall Cambridge</p> <p>Member of the Order of Australia</p> <p>Previously Coordinator, Development Studies Program, School of Social Sciences, UNSW; Head of the School of Social Science and Policy, UNSW; Member of the Expert Advisory Committee on the Social and Economic Sciences of the Australian Research Council; Foundation Director, Public Sector Research Centre, UNSW</p>	<p>Member of the Governance & Nominations Committee (<i>Chair till May 2016</i>)</p> <p>Member of the Finance & Audit Committee (<i>till May 2016</i>)</p> <p>Director of The Fred Hollows Foundation Kenya</p> <p>Director of The Fred Hollows Foundation (HK) Limited</p>
Jamie La Nauze	<p>Ophthalmic Surgeon</p> <p>Master's Degree in Clinical Epidemiology</p> <p>Fellow, Royal Australian and New Zealand College of ophthalmologists</p>	<p>Member of the Governance and Nominations Committee</p> <p>Member of the Programs and Partnerships Committee</p>
Graham Skeates	<p>Chartered Accountant with 40 years' experience in the accounting profession and financial services industry.</p> <p>Previously Group Chief Accountant, AMP; Regional Finance Director, Asian Operations of Prudential Insurance UK</p>	<p>Chair of the Finance & Audit Committee</p> <p>Director of The Fred Hollows Foundation (HK) Limited</p>

Paul Torzillo	Head of Respiratory Medicine, Royal Prince Alfred Hospital, Sydney Executive Clinical Director, Royal Prince Alfred Hospital Senior Physician, Intensive Care Unit, Royal Prince Alfred Hospital, Medical Director, Nganampa Health Council Clinical Professor of Medicine, University of Sydney Clinical Director, Critical Care Services, Sydney Local Area Health District	
---------------	----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------	--

Company Secretary

Victoria Morris to 8 June 2016
Daryn Deiley from 9 June 2016

Board Committee Meetings

The Board has established three 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 2016.

	Finance and Audit Committee	Governance and Nominations Committee	Programs and Partnerships Committee
<i>No of meetings in 2016</i>	5	4	3
<i>Meetings attended</i>			
John Brumby	4 out of a possible 4	4	n/a
Helen Evans	n/a	n/a	3
Les Fallick	1 out of a possible 2	n/a	n/a
Christine Hawkins	3	n/a	n/a
Gabi Hollows	n/a	4	3
Michael Johnson	2 out of a possible 3	4	n/a
Jamie La Nauze	n/a	4	3
Joy Savage	n/a	n/a	3
Graham Skeates	5	n/a	n/a
Paul Torzillo	n/a	n/a	n/a

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

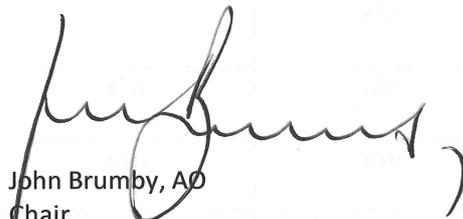
Auditor's Independence

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 the *Australian Charities and Not-for-Profits Commission Act 2012*.

Signed in accordance with resolution of the Directors.



John Brumby, AO
Chair
Date: 28 March 2017
Sydney, NSW Australia



Building a better
working world

Ernst & Young
200 George Street
Sydney NSW 2000 Australia
GPO Box 2646 Sydney NSW 2001

Tel: +61 2 9248 5555
Fax: +61 2 9248 5959
ey.com/au

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 2016, and in accordance with the requirements of Subdivision 60-C of the *Australian Charities and Not-for profits Commission Act 2012*, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Australian Charities and Not-for profits Commission Act 2012* or any applicable code of professional conduct.

Ernst & Young

Kieren Cummings
Partner
Sydney
28 March 2017

The Fred Hollows Foundation

A.C.N 070 556 642

Consolidated statement of comprehensive income

For the year ended 31 December 2016

		2016	2015
	Notes	\$000	\$000
INCOME FROM CONTINUING OPERATIONS			
Community and corporate support			
Donations and gifts		45,118	41,262
Bequests and legacies		11,232	10,905
Grants			
- Government Grants - Department of Foreign Affairs and Trade (DFAT)		7,541	10,582
- Other Australian government		626	291
- Other overseas		15,128	5,140
Net gains on investments at fair value	5	730	779
Other income	6	(537)	598
Total income		79,838	69,557
EXPENDITURE FROM CONTINUING OPERATIONS			
<i>International aid and development programs expenditure</i>			
International Programs			
- Funds to international programs		39,249	29,518
- Program support costs		8,877	7,685
Community education		4,812	3,839
Fundraising costs			
- Public fundraising		12,509	11,007
- Government, multilateral and private		126	111
Accountability and administration		4,329	3,843
Total international aid and development programs expenditure		69,902	56,003
<i>Domestic aid and development programs expenditure</i>			
Domestic Programs		6,761	7,595
Community Education		677	784
Fundraising costs		1,775	2,270
Accountability and administration		608	784
Total domestic aid and development programs expenditure		9,821	11,433
Total Expenditure		79,723	67,436
Net surplus of income over expenditure		115	2,121
Other comprehensive income		-	-
Net surplus for the period		115	2,121

Notes:

- There were 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 Consolidated statement of comprehensive income should be read in conjunction with accompanying notes.
- A rereceipt appearing as Other income in 2015 was reclassified to be consistent with current year's income groupings (See Note 6).

The Fred Hollows Foundation

A.C.N. 070 556 642

Consolidated statement of financial position

As at 31 December 2016

	Note	2016	2015
		\$000	\$000
ASSETS			
Current assets			
Cash and cash equivalents		6,029	5,952
Other interest bearing deposits		2,010	5,260
Trade and other receivables	8	7,291	4,249
Prepayments		843	960
Total current assets		16,173	16,421
Non-current assets			
Investments at fair value	9	12,139	12,100
Property, plant and equipment	10	2,574	2,263
Total non-current assets		14,713	14,363
TOTAL ASSETS		30,886	30,784
LIABILITIES			
Current liabilities			
Trade and other payables	11	9,761	10,294
Provisions	12	1,426	1,274
Total current liabilities		11,187	11,568
Non-current liabilities			
Provisions	12	264	244
Deferred liability	13	400	52
Total non-current liabilities		664	296
TOTAL LIABILITIES		11,851	11,864
NET ASSETS		19,035	18,920
EQUITY			
Accumulated surplus		7,617	6,283
Contingency reserve	14	11,418	12,637
TOTAL EQUITY		19,035	18,920

Notes:

(a) There are no net tax liabilities. See related Notes 8 and 11.

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

The Fred Hollows Foundation

A.C.N. 070 556 642

Consolidated statement of changes in equity

For the year ended 31 December 2016

	Accumulated Surplus \$000	Contingency Reserve \$000	Total \$000
Balance at 1 January 2016	6,283	12,637	18,920
Movements in contingency reserves	1,219	(1,219)	-
Surplus for the year	<u>115</u>	<u>0</u>	<u>115</u>
As at 31 December 2016	<u><u>7,617</u></u>	<u><u>11,418</u></u>	<u><u>19,035</u></u>
Balance at 1 January 2015	3,089	13,710	16,799
Movements in contingency reserves	1,073	(1,073)	-
Surplus for the year	<u>2,121</u>	<u>0</u>	<u>2,121</u>
As at 31 December 2015	<u><u>6,283</u></u>	<u><u>12,637</u></u>	<u><u>18,920</u></u>

The Fred Hollows Foundation

A.C.N. 070 556 642

Consolidated statement of cash flows

For the year ended 31 December 2016

	2016	2015
	<u>\$000</u>	<u>\$000</u>
Cash flows from operating activities		
Receipt from donors	45,118	41,141
Receipts from bequests	10,992	10,230
Receipt of government grants	7,352	8,653
Receipt of international corporate grants	13,753	7,828
Payment of program and operating expenditures	(58,344)	(47,674)
Payment to employees for program and operating activities	(21,898)	(19,861)
Net cash flows from/(used in) operating activities	<u>(3,027)</u>	<u>317</u>
Cash flows from investing activities		
Acquisition of plant and equipment	(1,123)	(666)
Acquisition of financial assets	-	-
Disposal of plant and equipment	34	37
Disposal of financial assets at fair value	3,955	1,269
Interest received	73	114
Dividends received	165	93
Net cash flows from/(used in) investing activities	<u>3,104</u>	<u>847</u>
Net cash flows from/(used in) financing activities	<u>-</u>	<u>-</u>
Net increase in cash and cash equivalents	77	1,164
Cash and cash equivalents at beginning of the period	5,952	4,788
Cash and cash equivalents at end of the period	<u><u>6,029</u></u>	<u><u>5,952</u></u>

The Fred Hollows Foundation

A.C.N. 070 556 642

Notes to consolidated financial statements

For the year ended 31 December 2016

1 Corporate information

The consolidated financial statements of The Fred Hollows Foundation and its subsidiaries (collectively, the Group) for the year ended 31 December 2016 were authorised for issue in accordance with a resolution of the directors on 28 March 2017. The Fred Hollows Foundation who is the parent entity is a not for profit entity and a limited company incorporated and domiciled in Australia and the registered office is located at Rosebery, NSW, Australia.

The Group is principally engaged in the the promotion of its vision of a world in which no person is needlessly blind and Indigenous Australians exercise their right to good health. Further information on the nature of the operations and principal activities of the Group is provided in the directors' report.

(a) Basis of preparation

The Group's consolidated financial statements are presented in Australian dollars, which is also the parent company's functional currency, and are rounded to the nearest thousand (\$000) except where indicated otherwise. For each entity, the Group determines the functional currency and items included in the financial statements of each entity and are measured using that functional currency.

The Group's consolidated financial statements are a general purpose financial report which have been prepared in accordance with the requirements of the Australian Accounting Standards Reduced Disclosure Requirements, the Australian Charities and Not-for-Profits Commission Act 2012, the Australian Charities and Not-for-Profits Commission Regulation 2013, 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.

Where additional disclosures are presented in the reporting year, the Group has disclosed the same comparative information for the prior year.

(b) Statement of compliance

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

The adoption of AASB1053 and AASB 2010-2 has allowed the Foundation to remove a number of disclosures, in particular the disclosures around Financial risk management objectives and policies.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2016. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e., existing rights that give it the current ability to direct the relevant activities of the investee)
- Exposure, or rights, to variable returns from its involvement with the investee
- The ability to use its power over the investee to affect its returns

Generally, there is a presumption that a majority of voting rights results in control. To support this presumption, and when the Group has less than the majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

- The contractual arrangement(s) with the other vote holders of the investee
- Rights arising from other contractual arrangements
- The Group's voting rights and potential voting rights

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date of the Group gains control until the date the Group ceases to control the subsidiary.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies. All intra-group assets and liabilities, equity, income and expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it derecognises the related assets (including goodwill), liabilities, non-controlling interest and other components of equity while any resultant gain or loss is recognised in profit or loss. Any investment retained is recognised at fair value.

The Fred Hollows Foundation

A.C.N. 070 556 642

Notes to consolidated financial statements

For the year ended 31 December 2016

2 Subsidiaries and Parent financial information

The subsidiaries of the Parent entity are The Fred Hollows Foundation (UK), The Fred Hollows Foundation Kenya and The Fred Hollows Foundation (Hong Kong), all 100% owned and controlled by the Parent entity.

The parent entity within the Group is The Fred Hollows Foundation Australia.

a) Statement of financial position information

Financial position information related to the subsidiaries and parent entity.

(i) Subsidiaries

Financial position information related to the subsidiaries:

	2016	2015
	\$000	\$000
Current assets	1,899	3,704
Non-current assets	69	91
Total assets	1,968	3,795
Current liabilities	1,081	3,428
Non-current liabilities	26	11
Total liabilities	1,107	3,439
Net assets	861	356

(ii) Parent entity

Financial position information related to the parent entity.

	2016	2015
	\$000	\$000
Current assets	14,275	13,859
Non-current assets	14,644	14,273
Total assets	28,919	28,132
Current liabilities	10,106	9,282
Non-current liabilities	639	285
Total liabilities	10,745	9,567
Net assets	18,174	18,565

b) Statement of comprehensive income information

Comprehensive income information related to the subsidiaries and parent entity.

(i) Subsidiaries

	2016	2015
	\$000	\$000
Comprehensive income of the subsidiaries	505	238

The Fred Hollows Foundation

A.C.N. 070 556 642

Notes to consolidated financial statements

For the year ended 31 December 2016

	2016 \$	2015 \$
2 Parent and Subsidiaries financial information (continued)	\$000	\$000
b) Statement of comprehensive income information		
(ii) Parent Entity		
Comprehensive income information related to Parent entity.		
INCOME FROM CONTINUING OPERATIONS		
Community and corporate support		
Donations and gifts	44,628	41,017
Bequests and legacies	11,232	10,806
Grants		
- Department of Foreign Affairs and Trade (DFAT)	7,541	10,582
- Other Australian government	626	291
- Other overseas	15,081	5,140
Net gains/(losses) on investments at fair value	730	779
Other income	(599)	597
Total income	79,239	69,212
EXPENDITURE FROM CONTINUING OPERATIONS		
<i>International aid and development programs expenditure</i>		
International Programs		
- Funds to international programs	39,097	29,443
- Program support costs	8,935	7,685
Community education	4,812	3,838
Fundraising costs		
- Public fundraising	12,509	11,009
- Government, multilateral and private	126	111
Accountability and administration	4,329	3,841
<i>Total international aid and development programs expenditure</i>	69,808	55,927
<i>Domestic aid and development programs expenditure</i>		
Domestic Programs	6,761	7,570
Community Education	676	783
Fundraising costs	1,775	2,267
Accountability and administration	608	783
<i>Total domestic aid and development programs expenditure</i>	9,820	11,403
Total Expenditure	79,629	67,330
Net surplus (deficit) of income over expenditure	(390)	1,882
Other comprehensive income	-	-
Net surplus/(deficit) for the period	(390)	1,882

The Fred Hollows Foundation

A.C.N. 070 556 642

Notes to consolidated financial statements

For the year ended 31 December 2016

3 Summary of significant accounting policies

a. Current and non-current classification

The Group presents assets and liabilities in statement of financial position based on current/non-current classification. An asset is current when it is:

- Expected to be realised or intended to be sold or consumed in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be realised within twelve months after the reporting period or
- Cash or cash equivalents unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when it is:

- Expected to be settled in the normal operating cycle
- Held primarily for the purpose of trading
- Expected to be settled within twelve months after the reporting period or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The Group classifies all other liabilities as non-current.

b. Cash and cash equivalents

Cash and cash equivalent In the Group's 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.

c. Other interest bearing deposits

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

d. 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.

e. Investments 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 Group have been determined as follows:

i. Managed Funds

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

ii. Directly Held Shares

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

f. 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.

The Fred Hollows Foundation

A.C.N. 070 556 642

Notes to consolidated financial statements

For the year ended 31 December 2016

3 Summary of significant accounting policies (continued)

g. Property, Plant and equipment

(i) Cost and valuation

The Group 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:

	2016
Motor vehicles	3-5 years
Office machines and equipment	3-10 years
Office furniture and equipment	3-10 years
Leasehold improvements	5-15 years

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.

h. 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 Group prior to the end of the financial year that are unpaid and arise when The Group 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.

i. Provisions

Provisions are recognised when the Group 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 Group 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.

The Fred Hollows Foundation

A.C.N. 070 556 642

Notes to consolidated financial statements

For the year ended 31 December 2016

3 Summary of significant accounting policies (continued)

j. 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.

(ii) Bequest

The Group recognises bequest income on receipt. Bequests received in the form of shares are recognised as bequest income at the market value on the date the shares were transferred to the Foundation from the estates. Any market movement in value of shares following the transfer date of beneficial ownership to the Group are treated as gains or losses on investments.

(iii) 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.

(iv) Dividend and interest

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.

k. Taxes

(i) Current income tax

The parent entity has been registered under the provisions of The Charitable Fundraising Act 1991 and under Subdivision 50-B of the Income Tax Assessment Act 1997 in Australia, it is an income tax exempt charitable entity. Accordingly, this status is accorded by governments in the countries where all the subsidiaries operate.

(ii) Goods and Services Tax (GST)

In Australia, where the parent entity operates, revenue, expenses and assets are recognised net of the amount - 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.

(iii) Withholding Tax

In countries where the subsidiaries are covered with withholding tax legislation, revenue, expenses and assets are recognized net of withholding tax while receivables and payables are stated net of the withholding tax.

l. Foreign currency translations

Foreign currency assets and liabilities accounts are translated to Australia Dollars at reporting dates using the spot rate of the day. Expenditures in foreign currency are translated at the monthly average rate.

The Fred Hollows Foundation

A.C.N. 070 556 642

Notes to consolidated financial statements

For the year ended 31 December 2016

3 Summary of significant accounting policies (continued)

m. Fundraising activities

The parent entity, The Fred Hollows Foundation, being a charitable institution, 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 21 of the financial statements.

n. 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.

o. 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.

p. 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 Group 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 Group'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.

4 Financial risk management objectives and policies

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

Risk exposures and responses

The Group 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 Group's financial targets while protecting future financial security.

The main risks arising from the Group'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 Fred Hollows Foundation

A.C.N. 070 556 642

Notes to consolidated financial statements

For the year ended 31 December 2016

4 Financial risk management objectives and policies (continued)

Risk exposures and responses (continued)

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

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

(a) Interest rate risk

The Group'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 cost.

(b) Foreign currency risk

The Group prepares local currency budgets. The Group's commitments are limited by the funds raised by the parent entity which is in Australian dollar equivalent to local currency budgets at the time of the budget.

(c) Price risk

The Group's investment in equity securities are subject to price risk. To limit this risk the Group has a policy to diversify its portfolio ensuring the majority of the equity investments are of a high quality and are publicly traded. The Group's investments are currently placed in a fund called Responsible Investment Leaders Balanced Fund managed by AMP Investors Capital Limited. The Group also has direct shareholdings that it receives from estates. There is a policy to liquidate the shares after a holding period of 45 days.

(d) Credit risk

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

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

(e) Liquidity risk

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

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of effective working capital management practices,

The Group 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 Group 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.

The Fred Hollows Foundation

A.C.N. 070 556 642

Notes to consolidated financial statements

For the year ended 31 December 2016

4 Financial risk management objectives and policies (continued)

(f) Fair value (continued)

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

5 Net gains or losses on investments at fair value	2016	2015
	\$000	\$000

Dividend, interest, and market movements of investments	<u>730</u>	<u>779</u>
---------------------------------------------------------	------------	------------

6 Other income	2016	2015
	\$000	\$000

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

Gain (loss) on disposal of property, plant and equipment	(12)	37
Exchange gains/(losses)	(646)	(64)
Sundry receipts	<u>121</u>	<u>625</u>
	<u>(537)</u>	<u>598</u>

Sundry receipts includes reimbursements; contributions from Top End Health Service in the Northern Territory for purchase of medical equipment; contribution from ICTC (International Coalition of Trachoma Control) for engagement of PricewaterhouseCoopers (PwC) towards a study on elimination of Trachoma.

Sundry receipts of \$121K in 2015 was reclassified to appropriate revenue category during the current year to be consistent with the current year presentation. This receipt is reclassified as Donations and gifts.

The Group 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 revenues.

7 Expenses	2016	2015
	\$000	\$000

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

Parent entity and consolidated subsidiaries, net of exchange gain (loss)	763	806
Other country programs	<u>255</u>	<u>239</u>
	<u>1,018</u>	<u>1,045</u>

The difference in the parent entity's depreciation charge of \$763 as compared to the charge of \$767 in the Statement of Financial Position (see Note 10b) represents foreign exchange differentials from entities where base currencies are non-Australian Dollars.

(b) Lease payments and other expenses included in Statement of comprehensive income	2016	2015
	\$000	\$000

Minimum lease payments - operating lease	<u>1,243</u>	<u>1,096</u>
	<u>1,243</u>	<u>1,096</u>

The Fred Hollows Foundation

A.C.N. 070 556 642

Notes to consolidated financial statements

For the year ended 31 December 2016

		<u>2016</u>	<u>2015</u>
8 Trade and other receivables		\$000	\$000
Trade receivables		1,884	17
Receivables from related parties	8(a)	3,226	2,129
Partner/equipment advances		1,190	694
Dividend and interest receivables		228	235
GST receivable	8(b)	354	526
Others		<u>409</u>	<u>648</u>
		<u>7,291</u>	<u>4,249</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. Other receivables include commitments from the United Kingdom's DFID (Department for International Development), and RTI International (Research Training Institute) for assistance on Foundation's projects; as well as security deposits on leases transacted during the year. As at balance date all trade receivables are current and collectible and no impairment provision has been recognised.

(a) Receivables from related parties

These represent remittance of monies to the Group's country programs. The monies have been held for program expenditures which remain unspent as at balance date.

(b) Net tax liability

At reporting dates the net GST is a receivable. Other tax liabilities (PAYG and FBT) are shown separately in Note 11. The net of GST and other tax liabilities were a receivable of \$356 thousand and \$ 265 thousand as at balance date of 2016 and 2015 respectively.

		<u>2016</u>	<u>2015</u>
9 Investments at fair value		\$000	\$000
AMP Responsible Industry Leader Fund		12,139	11,633
Directly Held Listed Domestic Shares		<u>-</u>	<u>467</u>
		<u>12,139</u>	<u>12,100</u>

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

Directly held shares are shares donated to The Foundation most of which by way of bequest. The shares are actively traded in Australian Exchange as listed securities.

		<u>2016</u>	<u>2015</u>
10 Property, plant and equipment		\$000	\$000
(a) Carrying amount as of balance date			
Motor vehicles		118	116
Office furniture and equipment		3,962	3,777
Leasehold improvements		1,584	1,549
Accumulated depreciation		<u>(3,090)</u>	<u>(3,179)</u>
		<u>2,574</u>	<u>2,263</u>

The Fred Hollows Foundation

A.C.N. 070 556 642

Notes to consolidated financial statements

For the year ended 31 December 2016

10 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 \$000	Office furniture & equipment \$000	Leasehold improve- ments \$000	Total \$000
As at 1 January 2016 net of accumulated depreciation and impairment	11	1,294	958	2,263
Additions	-	1,046	78	1,124
Disposals, cost less accumulated depreciation	-	(32)	(14)	(46)
Depreciation charge for the year	(10)	(600)	(149)	(759)
Exchange differential in revaluating opening balance to closing exchange rates	(1)	(5)	(2)	(8)
As at 31 December 2016	-	1,703	871	2,574
	Motor vehicles \$000	Office furniture & equipment \$000	Leasehold improve- ments \$000	Total \$000
As at 1 January 2015 net of accumulated depreciation and impairment	25	1,269	1,108	2,402
Additions	-	666	-	666
Disposals, cost less accumulated depreciation	-	(1)	-	(1)
Depreciation charge for the year	(12)	(636)	(149)	(797)
Exchange differential in revaluating opening balance to closing exchange rates	(2)	(4)	(1)	(7)
As at 31 December 2015	11	1,294	958	2,263

	2016	2015
11 Trade and other payables	\$000	\$000
Trade payables	3,055	1,548
Accrued expenses	1,197	1,011
Deferred grants:		
- Government grants	3,365	4,180
- Other grants	2,016	3,383
Tax liabilities	(2)	3
Other Creditors	130	169
	9,761	10,294

(a) Government grants

Australian Government grants are credited with interest and have an average term of one to three years.

(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 in Note 8.

The Fred Hollows Foundation

A.C.N. 070 556 642

Notes to consolidated financial statements

For the year ended 31 December 2016

11 Trade and other payables (continued)

(c) Other payables

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

12 Provisions	2016	2015
(a) Current as at 31 December	\$000	\$000
Annual leave	1,086	985
Long service leave	340	289
Total current provisions	1,426	1,274
(b) Non current as at 31 December		
Long service leave	264	244

13 Leasing commitments

The Group has existing lease agreements for its principal office at Rosebery, its offices in Darwin and Melbourne as well as its subsidiaries in the Kenya, Hong Kong and the United Kingdom.

The Group 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:

	2016	2015
	\$000	\$000
Within one year	1,181	1,130
After one year but not more than five years	3,239	3,939
After more than five years	-	-
Total minimum lease payments	4,420	5,069

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. During the year, The Foundation has renewed its lease at Rosebery, NSW for another 5 years with rent free incentives. As at balance date the the rent free balances of all leases are \$400 thousand (\$52 thousand in 2015), and are shown in the Statement of financial position as deferred liability.

14 Contingency Reserve

The Foundation calculates and maintains a contingency reserve primarily to protect The Foundation against any catastrophic event resulting in cessation or significant reduction in income.

15 Key Management Personnel

As per section 8.1 of the parent entity's constitution, no remuneration will be given by the Group to any of its directors.

	2016	2015
	\$000	\$000
Compensation of key management personnel of the Group:		
Short-term employee benefits	951	842
Other long-term employee benefits	26	19
	977	861

The amounts disclosed in the table are the amounts recognised as an expense during the reported period related to key management personnel.

The Fred Hollows Foundation

A.C.N. 070 556 642

Notes to consolidated financial statements

For the year ended 31 December 2016

16 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.

17 Limitation of members' liability

The parent entity, 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.

18 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.

19 Related party disclosure

The Fred Hollows Foundation New Zealand (FHF NZ) operate under licensing agreement with The Fred Hollows Foundation (FHF). FHF funds part of the program activities undertaken by FHF NZ. For the years 2016 and 2015, FHF remitted the amounts of \$615 thousand and \$1.384 million to FHF NZ for this purpose.

Funding were also given to support the programs of The Foundation's subsidiaries as follows:

	2016	2015
	\$000	\$000
The Fred Hollows Foundation (Hong Kong)	586	337
The Fred Hollows Foundation (Kenya)	2,176	2,422
The Fred Hollows Foundation (UK)	812	567
	<u>3,574</u>	<u>3,326</u>

20 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 proselytisation programs

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 2016.

	2016	2015
	\$000	\$000
21 Auditors remuneration		
The Group's auditors are Ernst & Young Australia. <i>For audit or review of financial report</i>		
Ernst & Young (Australia) Ltd.	83	78
Ernst & Young Overseas	95	91
Non- Ernst & Young audit firms	61	70
<i>For other services</i>		
Ernst & Young (Australia) Ltd.- assurance related	-	1
Non-Ernst & Young audit firms- business advice & tax related	-	1
	<u>239</u>	<u>241</u>

The Fred Hollows Foundation

A.C.N. 070 556 642

Notes to consolidated financial statements

For the year ended 31 December 2016

	<u>2016</u>	<u>2015</u>
	<u>\$000</u>	<u>\$000</u>
22 Information furnished under the Charitable Fundraising Act		
The following information related to the Parent entity only and is a requirement of the Charitable Fundraising Act 1991.		
a. Details of aggregate gross income and total expenditure of fundraising appeals		
<u>Proceeds from fundraising appeals</u>		
Donations	44,628	41,017
Bequests	<u>11,232</u>	<u>10,806</u>
Gross proceeds from fundraising appeals	<u>55,860</u>	<u>51,823</u>
<u>Direct costs of fundraising appeals</u>		
Donations	14,122	12,709
Bequests	162	568
Cost of raising Government funds	<u>126</u>	<u>111</u>
Total direct costs of fundraising appeals	<u>14,410</u>	<u>13,388</u>
Net surplus from fundraising appeals	<u>41,450</u>	<u>38,435</u>
b. Statement showing how funds received are applied for charitable purposes		
Net surplus obtained from fundraising appeals	<u>41,450</u>	<u>38,435</u>
Applied for charitable purposes as follows:		
Office administration	<u>4,937</u>	<u>4,623</u>
Costs of direct services:		
Community education	5,488	4,621
International programs	48,033	37,128
Indigenous programs	<u>6,761</u>	<u>7,570</u>
	<u>60,282</u>	<u>49,319</u>
Total expenditure	<u>65,219</u>	<u>53,942</u>
Surplus/(shortfall)	<u>(23,769)</u>	<u>(15,507)</u>
c. Statement showing how funds received are applied for charitable purposes		
Shortfall was provided by the following sources:		
Department of Foreign Affairs and Trade (DFAT)	7,541	10,582
Other government grants	626	291
Other overseas grants	15,081	5,140
Investment income	730	779
Other income	<u>(600)</u>	<u>597</u>
	<u>23,378</u>	<u>17,389</u>
Surplus transfer to Accumulated Surpluses for future use	<u>(391)</u>	<u>1,882</u>

The Fred Hollows Foundation

A.C.N. 070 556 642

Notes to consolidated financial statements

For the year ended 31 December 2016

	<u>2016</u>	<u>2015</u>
	<u>\$000</u>	<u>\$000</u>
22 Information furnished under the Charitable Fundraising Act (continued)		
d. Comparison by monetary figures and percentages		
Gross proceeds from fundraising appeals	55,860	51,823
Total direct costs of fundraising appeals	14,410	13,388
Total direct costs of fundraising as a percentage of gross proceeds from fundraising appeals	<u>26%</u>	<u>26%</u>
Net surplus from fundraising appeals	<u>41,450</u>	<u>38,435</u>
Net surplus from fundraising as a percentage of gross proceeds from fundraising appeals	<u>74%</u>	<u>74%</u>
Total cost of direct services	60,281	49,319
Total expenditure (excluding direct cost of fundraising appeals)	<u>65,219</u>	<u>53,942</u>
Total costs of direct services as a percentage of total expenditure	<u>92%</u>	<u>91%</u>
Total income received (including net profit from fundraising appeals)	41,450	38,435
Total cost of direct services as a percentage of total income received	<u>145%</u>	<u>128%</u>

(e) Fundraising appeals conducted during the financial period:

All fundraising activities are related to Public Appeals.

Directors' Declaration

The Directors present this report to the Members of The Fred Hollows Foundation for the year ended 31 December 2016.

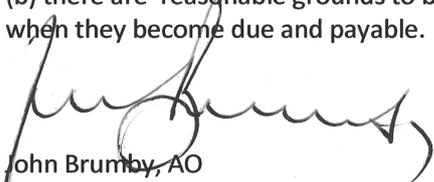
In accordance with a resolution of the directors of the Parent entity, The Fred Hollows Foundation, I state that:

In the opinion of the directors:

(a) the financial statements and notes of The Fred Hollows Foundation and its subsidiaries (the Group) for the financial year ended 30 December 2016 are in accordance with the *Australian Charities and Not-for-Profits Commission Act 2012*, including:

- (i) giving a true and fair view of the Group's financial position as at 31 December 2016 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

(b) there are reasonable grounds to believe that the Group will be able to pay its debts as and when they become due and payable.



John Brumby, AO
Chair

Date: 28 March 2017
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 Parent entity, The Fred Hollows Foundation, I declare that:

- (a) the Consolidated statement of comprehensive income gives a true and fair view of all revenue and expenditure of The Fred Hollows Foundation and its subsidiaries (the Group) with respect to fundraising appeals; and
- (b) the Consolidated statement of financial position gives a true and fair view of the state of affairs with respect to fundraising appeals conducted by the Group; 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 with by the Group; and
- (d) the internal controls exercised by the Group 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 and its subsidiaries.



Graham Skeates

Director

Date: 28 March 2017

Sydney, NSW Australia

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

Report on the financial report

Opinion

We have audited the financial report of The Fred Hollows Foundation and its subsidiaries (collectively the Group), which comprises the consolidated statement of financial position as at 31 December 2016, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, notes to the financial statements, including a summary of significant accounting policies, and the directors' declaration.

In our opinion, the accompanying financial report of the Group is in accordance with the *Australian Charities and Not-for-Profits Commission Act 2012*, including:

- a. giving a true and fair view of the consolidated financial position of the Group as at 31 December 2016 and of its consolidated financial performance for the year ended on that date; and
- b. complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence requirements of the *Australian Charities and Not-for-Profits Commission Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's *APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Responsibilities of the Directors 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 *Australian Charities and Not-for-Profits Commission Act 2012* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial report. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on the requirements of the *NSW Charitable Fundraising Act 1991* and the *NSW Charitable Fundraising Regulations 2015* 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 2015* 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 2016, 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 10(6) and 11 of the *NSW Charitable Fundraising Regulations 2015*;
 - 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 2016 has been properly accounted for and applied, in all material respects, in accordance with the above mentioned Act(s) and Regulations.



Ernst & Young



Kieren Cummings
Partner
Sydney
28 March 2017