



**The Fred Hollows
Foundation**

A.C.N. 070 556 642

**Annual
Financial Report**

For the year ended 31 December 2018

**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

Donation Line:

1800 352 352

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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 C Hawkins G Hollows M Johnson J La Nauze G Skeates P Torzillo
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Chief Executive Officer	Ian Wishart
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Company Secretary	Daryn Deiley
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Registered office and principal place of business	Level 2, 61 Dunning Ave, Rosebery, NSW 2018 Australia
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Postal Address	Locked Bag 5021, Alexandria NSW 2015, Australia
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Contact details	
Website:	www.hollows.org
Donation Line:	1800 352 352
Telephone:	+612 8741 1900
Facsimile:	+612 8741 1999
Email:	fhf@hollows.org

Bankers	Westpac Banking Corporation
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Auditors	Ernst & Young
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The Fred Hollows Foundation

(A company limited by guarantee)

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Annual financial report

For the year ended 31 December 2018

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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 2018.

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	2018 Board Meetings	
			A	B
John Brumby (Chair)	May 2018		6	6
Joy Savage (Deputy Chair)	January 2016		5	6
Helen Evans	May 2018		5	6
John Leslie Fallick	May 2016	22 May 2018	1	4
Christine Hawkins	May 2018		6	6
Gabi Hollows	April 1995		4	6
Michael Johnson	May 2018		2	2
Jamie La Nauze	May 2016		6	6
Graham Skeates	May 2016		6	6
Paul Torzillo	May 2016		4	6

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

Objectives, strategies, principal activities and performance

The Fred Hollows Foundation is an international development organisation focusing on blindness prevention and Indigenous Australian health. We are independent, not-for-profit, politically unaligned and secular.

Our Vision

We see a world in which no person is needlessly blind and Indigenous Australians exercise their right to good health.

Our Inspiration

We are inspired by the life and work of Professor Fred Hollows, an internationally-acclaimed eye surgeon and an activist for social justice who championed the right of all people to high-quality and affordable eye care and good health.

Our Values

Our values of *integrity, empowerment, collaboration*, and *action* underpin every aspect of our work both here in Australia and around the globe.

For more than 25 years we have continued Fred Hollows' legacy and mission to end avoidable blindness. Clarity about our vision, purpose and values is an important element of our success. We are singularly dedicated to our pursuit of this goal.

2018 was the final year for our 2014-2018 Strategy and provides a good chance to reflect on the significant growth and success that has been delivered in this period.

The raw numbers of The Fred Hollows Foundation's achievements during our last strategy period are very pleasing. Since 2014, working with our partners we have seen:

- **20.5 million** people screened
- **3.6 million** eye operations and treatments
- **77 million** people treated with antibiotics for trachoma
- **303,000** people trained including surgeons, health workers and teachers
- **4,300** medical facilities built, renovated or equipped
- **\$15.1 million** worth of equipment and infrastructure provided
- **9.9 million** children and community members educated in eye health

2018 was another year of milestones for The Fred Hollows Foundation. Last year we celebrated 20 years of work in China, Cambodia and Pakistan and 10 years in Lao PDR and Bangladesh.

Our Impact In 2018

- **17,605** diabetic retinopathy treatments up 28% from 2017
- **163,960** cataract operations down 6% from 2017
- **24,799,814** people treated with antibiotics for trachoma up 35% from 2017
- **42,264** surgeries to treat trachoma down 44% from 2017
- **705,278** other sight saving or improving interventions down 16% from 2017
- **5,306,365** people screened up 8% from 2017
- **125,619** pairs of glasses distributed up 44% from 2017
- **\$2.1 million** worth of equipment and infrastructure provided down 41% from 2017

Having treated over 77 million people with antibiotics to help eliminate Trachoma in the last 5 years, it is important to note that this is only possible with the extraordinary support of Pfizer and the International Trachoma Initiative, who support organisations such as The Fred Hollows Foundation by donating the necessary antibiotics to enable this work. The Foundation is also fortunate to have many volunteers and organisations provide essential services on a pro- bono basis or at discounted rates helping to achieve our goals.

2018 saw further work in some key new innovative approaches to quality and impact in our work including:

BOOST – Better Operative Outcomes Software Tool – an innovation driving better quality outcomes:

The Fred Hollows Foundation played a key role in developing a new smartphone app to help improve cataract surgical outcomes, especially for people in developing countries. The Fred Hollows Foundation was among a global consortium to launch BOOST (Better Operative Outcomes Software Tool), a simple, free and easy-to-use app to help surgeons monitor and improve outcomes of cataract surgery.

In developing countries many patients do not return for follow up care because of lack of transport and other costs, making it hard for doctors to check on the quality of surgery. BOOST was developed following a study of 40 hospitals in 12 low and middle-income countries published in Lancet Global Health that showed measuring vision immediately after surgery is a valid indicator for quality.

The app now gives surgeons and clinics a simple tool to measure, benchmark and improve their results, even where few patients return.

BOOST guides users through simple steps to capture data the day after surgery, analyse their results and compare their performance against other users around the world. All data is anonymous and users can opt out of sharing their data at any time. The app also automatically suggests tailored strategies to help further improve quality.

A new strategic plan for 2019-2023

This year the Board and management team of The Fred Hollows Foundation finalised the next strategic plan which continues and enhances the historic work of The Fred Hollows Foundation and positions the organisation to deliver even more impact in its very important work.

Our New Vision

A world in which no person is needlessly blind or vision impaired.

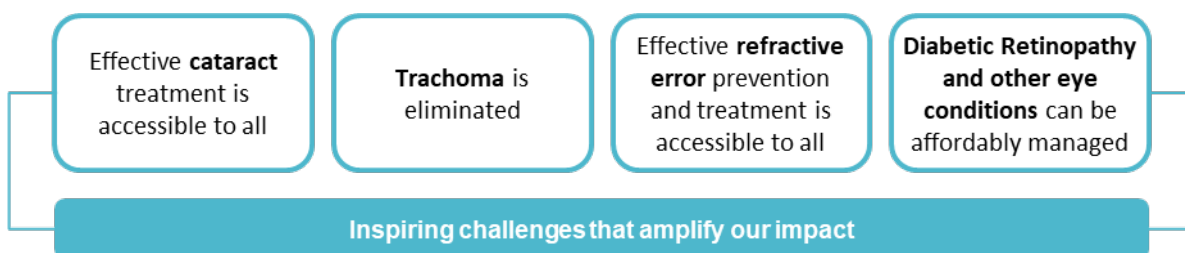
Our Purpose

We are determined to deliver Fred Hollows' vision of preventing blindness and restoring sight. We work around the world so that no one is left behind, and in Australia we work tirelessly to ensure that Aboriginal and Torres Strait Islander peoples can always exercise their right to sight and good health.

Our priority is to work with communities to improve their own eye health. We do this through life-changing surgeries and treatments, training doctors and health workers, generating new ideas, and pushing for change at all levels – from local to global.

Goals to deliver impact

To deliver maximum impact, our work will be driven by four impact goals:



We have also identified several inspiring challenges that aim to replicate the initial success of the trachoma elimination campaign.

Goals to drive our success

Successfully achieving our long-term goal of zero prevalence of avoidable blindness and vision impairment is dependent on how we function as an organisation. We need to be able to fund our activities, operate effectively and contribute an overall benefit to the sector. We have set goals to ensure we are performing at the optimal level to maximise our resources and impact.



Operating results for the year

The operating results of The Fred Hollows Foundation inclusive of subsidiaries (collectively, the Group) were:

	2018 \$000s	2017 \$000s
Gross Operating Revenue	\$89,574	\$84,931
Expenses	\$91,292	\$86,982
Operating Surplus (Deficit)	(\$1,718)	(\$2,051)
Surplus / (loss) for the year	(\$1,781)	(\$2,051)
Total Equity	\$15,203	\$16,984
Cash Balance including Term-Deposits	\$4,252	\$5,731

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 Fred Hollows Foundation's operations in future years.

Indemnification and insurance of directors

The Fred Hollows Foundation held Directors and Officers Liability cover during 2018. The amount of cover is reviewed periodically.

Directors' qualifications and experience, and their special responsibilities on the Board during 2018:

Name	Experience and Qualifications	Special responsibilities within FHF
John Brumby	<p>Chair, BioCurate Pty Ltd</p> <p>Chair, MTAA Superannuation Fund</p> <p>Chair, Citywide Solutions Pty. Ltd.</p> <p>Chair, Melbourne Convention and Exhibition Trust</p> <p>Enterprise Professor, The University of Melbourne</p> <p>Chair, Olivia Newton-John Cancer Research Institute</p> <p>National President and Chair, 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 Board of The Fred Hollows Foundation (HK) Limited</p> <p>Chair of the Board of The Fred Hollows Foundation (USA) (<i>from February 2018</i>)</p> <p>Chair of the Governance and Nominations Committee</p>
Joy Savage	<p>Executive Director Aboriginal and Torres Strait Islander Health, Cairns and Hinterland Hospital and Health Service.</p> <p>Masters of Business Administration</p> <p>Previously: Senior Executive, Department of the Prime Minister and Cabinet</p> <p>CEO, Aboriginal Hostels Ltd.</p> <p>Assistant Secretary, Social Policy</p>	<p>Deputy Chair of the Board</p> <p>Chair of the Board of The Fred Hollows Foundation Social Action Fund (USA) (<i>from February 2018</i>)</p> <p>Member of the Finance and Audit Committee</p>

	<p>Division, Department of the Prime Minister and Cabinet.</p> <p>Assistant Secretary, Remote Health Services Development Branch, Department of Health and Ageing.</p>	
Helen Evans	<p>Director, Burnet Institute</p> <p>Board member of the Global Health Alliance Melbourne</p> <p>Associate Professor (Hon) at the Nossal Institute for Global Health, The University of Melbourne</p> <p>Fellow of the Australian Institute of International Affairs</p> <p>Member of the Global Fund to Fight AIDS, Tuberculosis and Malaria's Technical Evaluation Reference Group</p> <p>Member of the Technical Reference Group for the Indo-Pacific Health Security Initiative</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>	<p>Director of The Fred Hollows Foundation (USA) <i>(from February 2018)</i></p> <p>Chair of the Programs and Partnerships Committee</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>Chair of the Board of The Fred Hollows Foundation Kenya <i>(till February 2018)</i></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 30 companies in Australia, the UK, Europe and Asia; Chairman, Carbon Advisory Board for Greening Australia; Lecturer in Economics</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>	<p>Chair of the Board of The Fred Hollows Foundation Kenya (<i>from February 2018</i>)</p> <p>Director of The Fred Hollows Foundation Social Action Fund (USA) (<i>from February 2018</i>)</p> <p>Member of the Finance and Audit Committee</p>

Gabi Hollows	<p>Orthoptist</p> <p>Officer of the Order of Australia</p> <p>Orthoptic Associate, Royal Australian and New Zealand College of Ophthalmologists</p>	<p>Founding Director</p> <p>Member of the Governance & Nominations Committee</p> <p>Member of the Programs and Partnerships Committee</p>
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 Australian Institute of Company Directors</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</p> <p>Member of the Programs and Partnerships Committee (<i>from August 2018</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>

<p>Graham Skeates</p>	<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>
<p>Paul Torzillo</p>	<p>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.</p> <p>Medical Director, Nganampa Health Council.</p> <p>Clinical Professor of Medicine, University of Sydney.</p> <p>Clinical Director, Critical Care Services, Sydney Local Area Health District</p> <p>Previously Consultant in child Health, World Health Organization, Integrated management of Childhood Illness (IMCI) program; Royal Australian College of Ophthalmologists, National trachoma and Eye Health Program</p>	<p>Member of the Programs and Partnerships Committee</p>

Company Secretary

Daryn Deiley

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 2018

	Finance and Audit Committee	Governance and Nominations Committee	Programs and Partnerships Committee
No. of meetings in 2018	5	4	4
No. Meetings attended			
John Brumby	n/a	4	n/a
Helen Evans	n/a	n/a	4
Christine Hawkins	5	n/a	n/a
Gabi Hollows	n/a	4	4
Michael Johnson	n/a	4	2 out of a possible 2
Jamie La Nauze	n/a	4	4
Joy Savage	3	n/a	n/a
Graham Skeates	5	n/a	n/a
Paul Torzillo	n/a	n/a	2

A number of Foundation members and associates who are not Directors also served on various Board Committees during 2018 as set out below:

Finance and Audit Committee:

Paul Ruiz

Programs and Partnerships Committee:

Ruwan De Mel

Anthony Hall (joined May 2018)

Limitation of Members Liability

The Fred Hollows Foundation is a company limited by guarantee. In accordance with its Constitution, the liability of its 130 Members is limited to \$50.00 per person or an aggregate of \$6,500 in the event of the company being wound-up

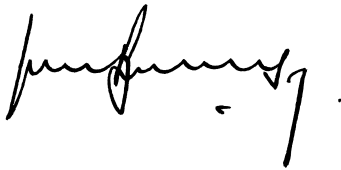
Auditor's Independence

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.

A handwritten signature in black ink, appearing to read 'John Brumby', with a small dot at the end of the signature.

John Brumby, AO

Chair

Date: 28 March 2019

Sydney, NSW Australia



Building a better
working world

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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 2018, 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 any applicable code of professional conduct.

Ernst & Young

Kieren Cummings
Partner
Sydney
28 March 2019

The Fred Hollows Foundation

A.C.N 070 556 642

Consolidated statement of comprehensive income

For the year ended 31 December 2018

		2018	2017
	Notes	\$000	\$000
INCOME FROM CONTINUING OPERATIONS			
Community and corporate support			
Donations and gifts		50,710	49,438
Bequests and legacies		15,121	17,348
Grants			
- Government Grants - Department of Foreign Affairs and Trade (DFAT)		7,716	5,778
- Other Australian government		17	515
- Other overseas		16,070	11,276
Net gains on investments at fair value	5	112	1,454
Other income	6	(172)	(878)
Total income		89,574	84,931
EXPENDITURE FROM CONTINUING OPERATIONS			
<i>International aid and development programs expenditure</i>			
International Programs			
- Funds to international programs		41,261	40,321
- Program support costs		11,330	10,556
Community education		6,784	6,563
Fundraising costs			
- Public fundraising		16,104	14,663
- Government, multilateral and private		162	148
Accountability and administration		5,616	5,070
Total international aid and development programs expenditure		81,257	77,321
<i>Domestic aid and development programs expenditure</i>			
Domestic Programs		6,496	6,357
Community Education		838	820
Fundraising costs		2,009	1,851
Accountability and administration		692	633
Total domestic aid and development programs expenditure		10,035	9,661
Total Expenditure		91,292	86,982
Operating Surplus (deficit) over expenditure		(1,718)	(2,051)
Share of Loss of associate	10	(63)	-
Other comprehensive income		-	-
Surplus / (loss) for the year		(1,781)	(2,051)

Note:

The above Consolidated statement of comprehensive income should be read in conjunction with accompanying notes.

The Fred Hollows Foundation

A.C.N. 070 556 642

Consolidated statement of financial position

As at 31 December 2018

	Note	2018	2017
		\$000	\$000
ASSETS			
Current assets			
Cash and cash equivalents		3,935	5,414
Other interest bearing deposits		317	317
Trade and other receivables	8	9,451	6,400
Loans receivable current	11	171	54
Prepayments		1,069	965
Total current assets		14,943	13,150
Non-current assets			
Investments at fair value	9	9,752	13,639
Investment in an associate	10	1,467	1,530
Loans receivable non-current	11	366	556
Property, plant and equipment	12	1,921	1,839
Intangible assets	13	4,223	2,706
Total non-current assets		17,729	20,270
TOTAL ASSETS		32,672	33,420
LIABILITIES			
Current liabilities			
Trade and other payables	14	3,922	5,314
Deferred grants	15	8,271	8,766
Borrowings	16	812	-
Provisions	17	1,939	1,609
Total current liabilities		14,944	15,689
Non-current liabilities			
Provisions	17	337	358
Deferred liability	18	286	389
Borrowings	16	1,902	-
Total non-current liabilities		2,525	747
TOTAL LIABILITIES		17,469	16,436
NET ASSETS		15,203	16,984
EQUITY			
Accumulated surplus		1,403	4,561
Contingency reserve	19	13,800	12,423
TOTAL EQUITY		15,203	16,984

Notes:

(a) There are no net tax liabilities. See related Notes 3 (m), 8 and 14.

(b) The above Consolidated 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 cash flows

For the year ended 31 December 2018

	Note	2018	2017
		\$000	\$000
Cash flows from operating activities			
Receipt from donors		50,710	49,438
Receipts from bequests		12,638	16,969
Receipt of government grants		8,795	7,444
Receipt of other international grants		14,514	13,510
Payment of program and operating expenditures		(63,133)	(59,987)
Payment to employees for program and operating activities		(28,756)	(25,276)
Net cash flows from/(used in) operating activities		(5,232)	2,098
Cash flows from investing activities			
Disposal of financial assets at fair value		3,736	1,949
Dividends received		6	182
Interest received		38	67
Other receipts		85	49
Investment in an associate	10	-	(1,530)
Loan to strategic partner		-	(610)
Loan repayment of strategic partner		73	-
Acquisition of plant and equipment	12b	(756)	(982)
Purchase of intangibles	13	(2,083)	(1,838)
Net cash flows from/(used in) investing activities		1,099	(2,713)
Cash flows from financing activities			
Receipt of bank loan		3,076	-
Repayment of bank loan- principal		(362)	-
Repayment of bank loan- interest		(60)	-
Net cash flows from/(used in) financing activities		2,654	-
Net increase in cash and cash equivalents		(1,479)	(615)
Cash and cash equivalents at beginning of the period		5,414	6,029
Cash and cash equivalents at end of the period		3,935	5,414

(a) The above Consolidated statement of cash flows 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 2018

	Accumulated Surplus \$000	Contingency Reserve \$000	Total \$000
Balance as at 1 January 2017	7,617	11,418	19,035
Movements in contingency reserves	(1,005)	1,005	-
Surplus / (loss) for the year	<u>(2,051)</u>	-	<u>(2,051)</u>
Balance as at 31 December 2017	<u>4,561</u>	<u>12,423</u>	<u>16,984</u>
Balance as at 1 January 2018	4,561	12,423	16,984
Movements in contingency reserves	(1,377)	1,377	-
Surplus / (loss) for the year	<u>(1,781)</u>	-	<u>(1,781)</u>
Balance as at 31 December 2018	<u>1,403</u>	<u>13,800</u>	<u>15,203</u>

The above Consolidated statement of changes in equity should be read in conjunction with accompanying notes.

The Fred Hollows Foundation

A.C.N. 070 556 642

Notes to consolidated financial statements

For the year ended 31 December 2018

1 Corporate information

The consolidated financial statements of The Fred Hollows Foundation (the parent entity), and its subsidiaries (collectively, the Group) for the year ended 31 December 2018, were authorised for issue in accordance with a resolution of the directors on 28 March 2019. The Fred Hollows Foundation is a not for profit entity, and a company limited by guarantee. It is an income tax exempt charitable organisation, incorporated and domiciled in Australia. 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 dollars (\$000) except where indicated otherwise. For each subsidiary, the Group determines the functional currency and items included in the financial statements of each subsidiary 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* means there is reduced disclosure requirements on the Foundation, in particular within 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 2018. 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 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.

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For the year ended 31 December 2018

2 Subsidiaries and Parent financial information

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

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

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:

	2018	2017
	\$000	\$000
Current assets	1,828	3,296
Non-current assets	394	171
Total assets	2,222	3,467
Current liabilities	1,383	2,642
Non-current liabilities	-	30
Total liabilities	1,383	2,672
Net assets	839	795

(ii) Parent entity

Financial position information related to the parent entity.

	2018	2017
	\$000	\$000
Current assets	13,114	9,853
Non-current assets	17,336	20,099
Total assets	30,450	29,952
Current liabilities	13,560	13,046
Non-current liabilities	2,526	717
Total liabilities	16,086	13,763
Net assets	14,364	16,189

b) Statement of comprehensive income information

(i) Subsidiaries

	2018	2017
	\$000	\$000
Surplus / (loss) for the year for subsidiaries	44	(66)

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2 Parent and Subsidiaries financial information (continued)

b) Statement of comprehensive income information

(ii) Parent Entity

Comprehensive income information related to Parent entity.

	2018	2017
	\$000	\$000
INCOME FROM CONTINUING OPERATIONS		
Community and corporate support		
Donations and gifts	49,048	47,939
Bequests and legacies	15,121	17,348
Grants		
- Department of Foreign Affairs and Trade (DFAT)	7,716	5,778
- Other Australian government	17	515
- Other overseas	16,007	11,203
Net gains/(losses) on investments at fair value	112	1,419
Other income	(172)	(884)
Total income	87,849	83,318
EXPENDITURE FROM CONTINUING OPERATIONS		
<i>International aid and development programs expenditure</i>		
International Programs		
- Funds to international programs	41,160	39,784
- Program support costs	11,330	10,556
Community education	6,270	6,231
Fundraising costs		
- Public fundraising	15,361	14,085
- Government, multilateral and private	154	142
	5,476	4,940
Total international aid and development programs expenditure	79,751	75,738
<i>Domestic aid and development programs expenditure</i>		
Domestic Programs	6,490	6,357
Community Education	775	787
Fundraising costs	1,919	1,797
Accountability and administration	676	624
Total domestic aid and development programs expenditure	9,860	9,565
Total Expenditure	89,611	85,303
Operating Net surplus (deficit) of income over expenditure	(1,762)	(1,985)
Share of Loss of associate	(63)	-
Other comprehensive income	-	-
Surplus / (loss) for the year	(1,825)	(1,985)

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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 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) Loans receivable

market.

Initial costs are subsequently measured at amortised cost using effective interest rate (EIR) method, less impairment.

(f) 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 the Statement of comprehensive income on subsequent measurements.

Fair value is the price that would be received from a sale of or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The fair value of the financial assets of the Group has been determined as follows:

i. Managed Funds

Managed funds are valued at the 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.

(g) Impairment

At each reporting date, assets other than mentioned under item (f) 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.

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3 Summary of significant accounting policies (continued)

(h) 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:

	2018
<i>Motor vehicles</i>	3-5 years
<i>Office machines and equipment</i>	3-10 years
<i>Office furniture and equipment</i>	3-10 years
<i>Leasehold improvements</i>	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.

(i) Intangible assets

Intangible assets are software which are initially measured at cost. Following initial recognition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses.

The useful lives of software assets are assessed to be either finite or indefinite. The amortisation period for software with a finite useful life is reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for prospectively by changing the amortisation period or method, as appropriate, which is a change in accounting estimate. The amortisation expense on software with finite lives is recognised as an expense in the category consistent with the function of the asset.

A summary of policies applied to the Group's intangible assets is as follows:

Software and systems	
<i>Useful lives</i>	3-5 years
<i>Amortisation method</i>	Straight line over the period of expected future economic benefits
<i>Internally generated or aquired</i>	Where the cost relates to software development and meet The Foundation's criteria
<i>Impairment testing</i>	When indicators or impairment exist or when annual impairment testing for assets is required

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is de-recognised.

(j) 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.

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For the year ended 31 December 2018

3 Summary of significant accounting policies (continued)

(k) 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 high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows.

(iii) Superannuation

Contributions are made to various superannuation funds in respect of the Groups superannuation obligations for its employees. During the 2018 year, the employer superannuation guarantee contribution rate of 9.5% was applied to salary, wages and fringe benefit amounts.

(l) 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 or where the Group has an uncontested contractual right to receive. 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

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.

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.

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3 Summary of significant accounting policies (continued)

(m) 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 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 flows 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.

(n) Foreign currency translations

On consolidation, foreign currency assets and liabilities are translated into Australian dollars at the rate of exchange prevailing at the reporting date and foreign currency income and expenses are translated at the monthly average exchange rates for the current month.. The exchange differences arising on translation for consolidation are recognised in profit and loss.

(o) 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 27 of the financial statements.

(p) 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.

(q) Government grants

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

Where 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.

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3 Summary of significant accounting policies (continued)

(r) 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) 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 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.

(s) Investment in associate

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee, but is not control or joint control over those policies.

The Group's investment in its associates are accounted for using the equity method.

Under the equity method, the investment in an associate is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in the Group's share of net assets of the associate since the acquisition date. Goodwill relating to the associate is included in the carrying amount of the investment and is not tested for impairment separately.

The aggregate of the Group's share of profit or loss of an associate is shown on the statement of comprehensive income and represents profit or loss after tax and non-controlling interests in the subsidiaries of the associate.

The financial statements are prepared for the same reporting period as the Group. When necessary, adjustments are made to bring the accounting policies in line with those of the Group. After application of the equity method, the Group determines whether it is necessary to recognise an impairment loss on its investment in its associate. At each reporting date, the Group determines whether there is objective evidence that the investment in the associate is impaired. If there is such evidence, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value, and then recognises the loss as 'Share of profit of an associate' in the statement of comprehensive income.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in Statement of comprehensive income.

(t) Gifts In-kind

During the year the Group received approximately 24 million doses of Zithromax donated by Pfizer under the International Trachoma Initiative for collection, distribution and application in the Oromia region of Ethiopia. The Board has taken the view that control and significant risk and rewards of Zithromax never passed to the Group and has therefore not accounted for their receipt or expense in the financial statements.

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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 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 risk with regards to movements in market interest rates is limited to its short term borrowings and the daily cash balances held in interest bearing accounts. The Group's long term borrowings have fixed interest rates and it also has a temporary overdraft facility with a variable interest rate.

(b) Foreign currency risk

The Group funds program countries based on their local currency budgets on condition that should there be a material devaluation of AUD against their local currencies, The Fred Hollows Foundation reserves the right to limit the funding to the AUD budgeted amount.

(c) Price risk

The Group's investments are subject to price risk. To limit this risk, the Group has a policy to diversify its portfolio to ensure that the majority of investments are of a high quality and are publicly traded. The Group's investment currently consists of a unit holding in the 'Responsible Investment Leaders Balanced Fund', managed by AMP Capital Investors Limited.

The Group also has a direct shareholding 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.

Throughout the year we issue invoices to a number of supporters. These could all be classified as large corporate or government with a history of prompt payment of invoices. There are no financial assets that are past due or impaired and the Group holds no collateral as security or any other credit enhancements.

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4 Financial risk management objectives and policies (continued)

Risk exposures and responses (continued)

(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; AMP published price for The Group's investment in units in AMP Responsible Industry Leaders Fund shown in Note 3f; 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 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.

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5 Net gains or losses on investments at fair value	2018	2017
	\$000	\$000
Dividend, interest, and market movements of investments	<u>112</u>	<u>1,454</u>

6 Other income

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

	2018	2017
	\$000	\$000
Gain (loss) on disposal of property, plant and equipment	(8)	(2)
Exchange gains/(losses)	(202)	(926)
Sundry receipts	<u>38</u>	<u>50</u>
	<u>(172)</u>	<u>(878)</u>

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

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

	2018	2017
	\$000	\$000
Parent entity and consolidated subsidiaries, net of exchange gain (loss)	1,197	843
Other country programs	<u>208</u>	<u>193</u>
	<u>1,405</u>	<u>1,036</u>

The Statement of Financial Position includes an increase to accumulated depreciation and amortisation of \$1.194m (\$630K in Note 12b and \$564K in Note 13) for the year against a depreciation charge of \$1.197m shown above. The difference represents foreign exchange in translation of foreign currency transactions detailed in Note 3n.

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

	2018	2017
	\$000	\$000
Minimum lease payments - operating lease	<u>1,535</u>	<u>1,372</u>
	<u>1,535</u>	<u>1,372</u>

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8 Trade and other receivables		2018	2017
		<u>\$000</u>	<u>\$000</u>
Trade receivables		228	194
Country program advances	8(a)	3,561	2,624
Partner and equipment advances	8(b)	2,350	2,415
Dividend and interest receivables		86	50
GST receivable	8(c)	438	322
Bequest receivable	8(d)	2,652	-
Others		136	795
		<u>9,451</u>	<u>6,400</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 RTI International (Research Training Institute) for assistance on the Group'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) Country program advances

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) Partner and equipment advances

Advances are given to program partners to carry out project-based tasks or to a third party supplier to procure medical and other equipment. A provision for impairment is recognized when a party given the advance fails to comply with its contractual obligation. As at balance date all advances are current and no provision for impairment has been recognised.

(c) Net tax liability

At reporting dates the net GST is a receivable. Other tax liabilities (PAYG and FBT) are shown separately in Note 14. The net of GST and other tax liabilities were a receivable of \$268K and \$ 318K as at balance date of 2018 and 2017 respectively.

(d) Bequest receivable

At reporting date the Foundation had an unconditional, uncontested contractual right to receive \$2.62m (2017: Nil) of Bequest Income.

9 Investments at fair value		2018	2017
		<u>\$000</u>	<u>\$000</u>
AMP Responsible Industry Leader Fund		9,682	13,401
Directly Held Listed Domestic Shares		70	238
		<u>9,752</u>	<u>13,639</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 Group holds an interest expressed in units.

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

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10 Investment in an associate

The Group has a 42.91% interest in Alina Vision Pte. Ltd., a business that aims to accelerate affordable eye care sector where a global network of subsidiaries are set up with standardised operations and governance. The Group's interest in Alina Vision will in the long term be accounted for using the equity method. The investment is currently valued at original acquisition cost less 42.91% of the losses in the associate.

	2018	2017
	\$000	\$000
Current assets	3,850	4,452
Non Current assets	780	-
Current liabilities	(357)	(357)
Equity	4,273	4,095
The Foundations' share and equity - 42.91% (2017: 42.91%)	1,834	1,757
Carrying amount of the investment	1,467	1,530
Revenue	2,421	329
Operating expenses	2,566	329
Surplus / (loss) for the year	(146)	-
The Foundations Share of Loss of associate (42.91%)	(63)	-

11 Loans to a strategic partner

	2018	2017
	\$000	\$000
Current	171	54
Non-current	366	556
	537	610

The Group has identified "Strategic organisation partnerships at regional and global levels that extend our influence and impact" as a key delivery mechanism. In June 2014, The Group entered a strategic partnership with Hellen Keller International (HKI), another charity based in the USA with similar projects in 21 countries, eight of which overlap with The Group. In June 2017, The Group approved a loan that will allow HKI to significantly scale up their programs by enhancing their ability to seek and manage larger grants potentially involving multiple implementing partners. The original loan was a total of AUD 610K with an interest rate of 1.53% per annum. Principal repayments including accrued interest commenced on 1 July 2018. Schedule of payments will be at AUD36,600 for 4 quarters; AUD48,800 for 4 quarters, and a last payment of AUD268,400 in 1 July 2020.

12 Property, plant and equipment

(a) Carrying amount as of balance date

	2018	2017
	\$000	\$000
Motor vehicles	197	184
Office furniture and equipment	1,934	1,894
Leasehold improvements	2,382	1,912
Accumulated depreciation	(2,592)	(2,151)
	1,921	1,839

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12 Property, plant and equipment (continued)

(b) Reconciliation of carrying amounts at the 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 2018 net of accumulated depreciation and impairment	62	745	1,032	1,839
Additions	-	245	511	756
Disposals, cost less accumulated depreciation	-	(50)	(12)	(62)
Depreciation charge for the year	(15)	(344)	(271)	(630)
Exchange differential in revaluing opening balance to closing exchange rates	4	4	10	18
As at 31 December 2018	51	600	1,270	1,921

(c) Reconciliation of carrying amounts at the beginning 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 2017 net of accumulated depreciation and impairment	-	415	871	1,286
Additions	76	575	331	982
Disposals, cost less accumulated depreciation	-	(2)	-	(2)
Depreciation charge for the year	(12)	(240)	(169)	(421)
Exchange differential in revaluing opening balance to closing exchange rates	(1)	(3)	(2)	(6)
As at 31 December 2017	63	745	1,031	1,839

13 Intangible assets

	2018 \$000	2017 \$000
Software and systems		
As at 1 January 2018	2,706	1,288
Additions	2,083	1,838
Exchange differential in revaluing opening balance to closing exchange rates	(2)	-
Amortisation for the year	(564)	(420)
As at 31 December 2018	4,223	2,706
Share of Loss of associate		

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Notes to consolidated financial statements

For the year ended 31 December 2018

14 Trade and other payables

	<u>2018</u>	2017
	\$000	\$000
Trade payables	2,070	2,952
Accrued expenses	1,286	2,210
Tax liabilities	171	4
Other payables	395	148
	<u>3,922</u>	<u>5,314</u>

(a) 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.

(b) Other payables

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

15 Deferred grants

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

	<u>2018</u>	2017
	\$000	\$000
Government grants	5,578	4,516
Other grants	2,693	4,250
	<u>8,271</u>	<u>8,766</u>

16 Borrowings

	<u>2018</u>	2017
Current - Secured	\$000	\$000
Bank Loan	812	-
Non Current - Secured		
Bank Loan	1,902	-
The carrying amounts of funded assets pledged as security are:		
Floating charge over assets	2,714	-

During May 2018 The Group entered into a business finance agreement with Westpac Banking Corporation to have its major capital expenditure items funded by the bank. The Total loan facility approved is \$3.5m and has been used to date to fund Leashold Improvements to 61 Dunning Avenue, IT Hardware and major software projects. The current drawdowns on the facility consist of 5 separate contracts with repayment periods varying from 23 months to four years.

All borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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Notes to consolidated financial statements

For the year ended 31 December 2018

17 Provisions

(a) Current as at 31 December

	2018	2017
Annual leave	\$000	\$000
As at 1 January	1,216	1,086
Utilised	(1,328)	(1,151)
Accrued during period	1,600	1,281
Annual leave	1,488	1,216
Long service leave		
As at 1 January	393	340
Utilised	-	-
Additional provisions recognised/ (unused amounts reversed)	58	53
Long service leave	451	393
Total current provisions	1,939	1,609

(b) Non current as at 31 December

Long service leave

As at 1 January	358	264
Utilised	(113)	(31)
Accrued during period	93	125
Long service leave	337	358

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For the year ended 31 December 2018

18 Lease commitments and deferred lease liability

	2018	2017
	<u>\$000</u>	\$000
Within one year	1,672	1,475
After one year but not more than five years	1,858	2,750
After more than five years	-	-
Total minimum lease payments	<u>3,530</u>	<u>4,225</u>

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, US, Hong Kong and the United Kingdom.

The Group also has existing operating leases on motor vehicles, photocopiers, 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.

The balances of the rent free amounts as well as recognition of future rental increases during the term of the leases have been determined and brought to account at balance date. As at balance date the rent free balances of all leases are \$286K (\$389K in 2017), and are shown in the Statement of financial position as deferred liability.

19 Contingency Reserve

The Group calculates and maintains a contingency reserve primarily to protect itself against any catastrophic event resulting in cessation or significant reduction in income to meet the contractual, legal and ethical obligations to partners, suppliers of goods and services and staff.

20 Key Management Personnel

	2018	2017
	<u>\$000</u>	\$000
Compensation of key management personnel of the Group:		
Short-term employee benefits	949	969
Other long-term employee benefits	8	80
	<u>957</u>	<u>1,049</u>

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

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

21 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.

22 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 or an aggregate of \$6,500 in the event of the company being wound up.

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Notes to consolidated financial statements

For the year ended 31 December 2018

23 ACFID Code of Conduct

Certain items required in the ACFID Code of Conduct reporting are not displayed. These include, but are not limited to, Inventories, Assets held for sale, Investment property and other reserves which have nil balances for both the reporting periods covered.

24 Related party disclosure

	2018	2017
	<u>\$000</u>	<u>\$000</u>
The Fred Hollows Foundation New Zealand (FHF NZ)	516	677
The Fred Hollows Foundation (Hong Kong)	436	820
The Fred Hollows Foundation (Kenya)	1,672	2,377
The Fred Hollows Foundation (UK)	806	870
The Fred Hollows Foundation (USA)	124	-
	<u>3,554</u>	<u>4,744</u>

The Fred Hollows Foundation New Zealand operates under licensing agreement with The Fred Hollows Foundation, which partly funds program activities as detailed above. Funding was also provided to subsidiaries in Hong Kong, Kenya, US and UK to support programs.

25 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 2018.

26 Auditor's remuneration

	2018	2017
	<u>\$000</u>	<u>\$000</u>
For audit or review of financial report		
Ernst & Young - Australia	90	100
Ernst & Young - Overseas	69	119
Non- Ernst & Young audit firms	106	52
	<u>265</u>	<u>271</u>

The Group's auditors are Ernst & Young Australia.

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Notes to consolidated financial statements

For the year ended 31 December 2018

27 Information furnished under the Charitable Fundraising Act

The following information relates 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

	2018	2017
Proceeds from fundraising appeals	\$000	\$000
Donations	49,048	47,939
Bequests	15,121	17,348
Gross proceeds from fundraising appeals	<u>64,169</u>	<u>65,287</u>
Direct costs of fundraising appeals		
Donations	17,083	15,702
Bequests	196	180
Cost of raising Government funds	155	142
Total direct costs of fundraising appeals	<u>17,434</u>	<u>16,024</u>
Net surplus from fundraising appeals	<u><u>46,735</u></u>	<u><u>49,263</u></u>

b. Statement showing how funds received are applied for charitable purposes

Net surplus obtained from fundraising appeals	<u>46,735</u>	<u>49,263</u>
Applied for charitable purposes as follows:		
Office administration	<u>6,153</u>	<u>5,563</u>
Costs of direct services:		
Community education	7,043	7,018
International programs	52,490	50,341
Indigenous programs	<u>6,490</u>	<u>6,357</u>
	<u>66,023</u>	<u>63,716</u>
Total expenditure	<u>72,176</u>	<u>69,279</u>
Shortfall	<u>(25,441)</u>	<u>(20,016)</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)	7,716	5,778
Other government grants	17	515
Other overseas grants	16,007	11,203
Investment income	112	1,419
Other income	<u>(173)</u>	<u>(885)</u>
	<u>23,679</u>	<u>18,030</u>

Shortfall funded by Accumulated Surpluses	<u><u>(1,762)</u></u>	<u><u>(1,986)</u></u>
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The Fred Hollows Foundation

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Notes to consolidated financial statements

For the year ended 31 December 2018

27 Information furnished under the Charitable Fundraising Act (continued)

d. Comparison by monetary figures and percentages

	2018	2017
	\$000	\$000
Gross proceeds from fundraising appeals	64,169	65,287
Total direct costs of fundraising appeals	17,434	16,024
Total direct costs of fundraising as a percentage of gross proceeds from fundraising appeals	27%	25%
Net surplus from fundraising appeals	46,735	49,263
Net surplus from fundraising as a percentage of gross proceeds from fundraising appeals	73%	75%
Total cost of direct services	66,024	63,715
Total expenditure (excluding direct cost of fundraising appeals)	72,176	69,279
Total costs of direct services as a percentage of total expenditure	91%	92%
Total income received (including net profit from fundraising appeals)	46,735	49,263
Total cost of direct services as a percentage of total income received	141%	129%

(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 Parent entity, The Fred Hollows Foundation, I state that:

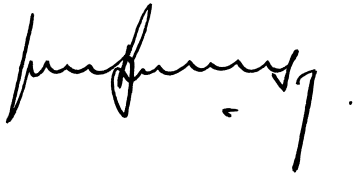
In the opinion of the directors:

(a) the financial statements and notes of The Fred Hollows Foundation and its subsidiaries (the Group) for the financial year ended 31 December 2018 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 2018 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.

A handwritten signature in black ink, appearing to read 'John Brumby', with a small dot at the end.

John Brumby, AO
Chair
Date: 28 March 2019
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 NSW *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 2019
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 2018, 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 2018 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.

Information Other than the Financial Report and Auditor's Report Thereon

The directors are responsible for the other information. The other information is the directors' report accompanying the financial report.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 2018, 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)*.



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- b) the money received as a result of fundraising appeals conducted by the company during the financial year ended 31 December 2018 has been properly accounted for and applied, in all material respects, in accordance with the above mentioned Acts and Regulations.

Ernst & Young

Kieren Cummings
Engagement Partner
Sydney
28 March 2019