

The **Fred Hollows** Foundation

Directors' Report and Full Financial Report
for Year Ended 31 December 2006

The Fred Hollows Foundation Director's Report for Year Ended 31 December 2006.

Names, Qualifications, Experience and Special Responsibilities

The Foundation is governed by a Board of Directors who are elected from and by the members at the Annual General Meeting each year. Directors are elected for a three year term but may stand again for election, subject to maximum time limits set in the Constitution. The only exception is Gabi Hollows who is recognized as the 'Founding Director' and has a right to lifetime membership on the Board. All Directors serve in a voluntary capacity.

The Board is entrusted with preserving and promoting the founding spirit and vision of The Foundation. Directors set broad strategic directions and policies; approve and monitor annual budgets and the broader financial situation; identify and manage major risks; ensure compliance with relevant regulations and standards; and appoint, support and monitor the performance of the Chief Executive Officer who is charged with ensuring the effective and efficient operation of The Foundation.

The Foundation's Constitution allows for a minimum of 9 and a maximum of 15 Directors. There were 13 Directors in 2006, drawn from a range of fields relevant to the work and needs of The Foundation.

(Note that Directors were in office for the entire period unless otherwise stated in the table below).

| Director | Responsibilities | Employment | Directorship of other Public Companies |
|--|---|---|---|
| Nigel Milan (Director since 1997) | - Chair of the Board - Nominations Committee <i>(chair)</i> | - Former Managing Director, SBS - CEO, Royal Flying Doctor Service | |
| Shelley Reys (Director since 2003) | - Vice-Chair of the Board - Indigenous Program Committee <i>(co-chair)</i> | Managing Director, Arrilla – Indigenous Consultants and Services | |
| Howard Davies (Director since 1998) | -Treasurer - Finance and Governance Committee <i>(chair)</i> - Nominations Committee | Company Director, IMC Associates Pty Ltd | - FH Technologies R&D Pty Ltd - The Export Finance Insurance Corporation |
| John Richardson (Director since 2005) | - Honorary Secretary - Finance and Governance Committee | Chairman, Pacific Region Marsh Pty Ltd | - Marsh Pty Ltd - Australian & New Zealand Institute of Insurance and Finance |
| Gabi Hollows (Director since 1995) | - Founding Director - Indigenous Program Committee - Medical Committee | Orthoptist | |
| Robert Dalziel (Director since 2004) | - Victorian Fundraising Committee <i>(convenor)</i> - Nominations Committee | - Chairman, The Colorado Group Ltd - Chairman, Loscam Limited - Chairman, The PAS Group - Director, Australian Rugby Union | - The Colorado Group Ltd - Loscam Limited - The PAS Group - Australian Rugby Union |

| | | | |
|---|---|--|---|
| Sarah Elliott (Director since 2005) | - Finance and Governance Committee | Senior Policy Analyst, NSW Department of Housing | |
| Sharon Galleguillos (Director since 2002) | - Indigenous Program Committee (<i>co-chair</i>) | Lecturer, Aboriginal Studies, University of Sydney | |
| Michael Johnson (Director from 1995 to 2005; re-elected 2006) | - Finance and Governance Committee - Nominations Committee | Associate Professor, School of Social Sciences and International Studies, University of NSW | - FH Technologies R&D Pty Ltd - The Fred Hollows Foundation South Africa |
| John McElhinney (Director since 2006) | - Representative of The Fred Hollows Foundation New Zealand | Chief Executive Officer, The Radio Network | The Fred Hollows Foundation New Zealand |
| David Moran (Director since 2005) | - Medical Committee (<i>chair</i>) | Ophthalmologist in private practice | |
| Andrew Want (Director since 2003) | - Finance and Governance Committee - Nominations Committee | Managing Director, Veda Advantage Ltd | Veda Advantage Ltd |
| Stephanie Young (Director since 2006) | - Medical Committee - Nominations Committee | Ophthalmologist and Medical Officer, Concord Repatriation General Hospital | |
| Fessehaie Abraham (Director since 1998; resigned May 2006) | | Senior Analyst, Australian Competition and Consumer Commission | |
| Mark Gillies (Director since 1996; resigned May 2006) | - Finance and Governance Committee - Indigenous Program Committee - Medical Committee | Ophthalmologist and Associate Professor, Department of Ophthalmology, University of Sydney | |

Corporate Information

The Fred Hollows Foundation is a public company limited by guarantee, incorporated and domiciled in Australia. The Foundation's registered office is located at 4 Mitchell Street, Enfield NSW 2136 Australia.

Nature of Operations and Principal Activities

The Foundation operates as an independent, not-for-profit, non-political and secular development agency. It works collaboratively with partners and supporters to eradicate unnecessary and avoidable blindness in developing countries and to improve Indigenous health and life expectancy in Australia.

Review of Operations

Indigenous Program in Australia

- The Foundation's work continued to focus on health and some of the social determinants that have such a major impact on the health and well-being of Indigenous people, especially those living in remote communities. The key areas of activity in 2006 were eye health services, nutrition and community stores, literacy, child and maternal health, women's centres, cultural events, advocacy and general community capacity building.

- The Foundation works through formal and informal partnerships with Indigenous organisations. In 2006 existing formal partnerships with the Jawoyn Association, Nyirranggulung Mardrulk Ngadberre Regional Council and Sunrise Health Service were reviewed and new agreements signed. Informal partnerships were established for collaboration on projects with Katherine West Health Board, Anmatjere Health Board, Wurli Wurilinjang Health Service, Aboriginal Medical Services Alliance NT, Djilpin Arts Aboriginal Corporation and Maari Ma Health Board.
- During 2006, two offices dedicated to the Indigenous Program were maintained – in Darwin and in Katherine in the Northern Territory. There was also, for the first time, an outreach officer based in Wilcannia in Western NSW.
- Significant achievements in 2006 included:
 - Establishing the Outreach Optometry Project in the NT to provide vital administrative support to optometrists visiting remote communities
 - Commencing a new partnership with the Katherine West Health Board to focus on improving child and maternal health
 - Contributing to achieving the relocation of the school at Wugularr (Katherine East region) from a flood plain to higher land, and securing funds for a Community Resource Centre to be built for that community
 - Beginning work in Northwestern NSW, with an initial focus on literacy and community stores
 - Providing governance and financial literacy training and support to a range of Aboriginal community committees
 - Supporting the commemoration of the 40th anniversary of the Wave Hill 'walk-off'.

International Program

The Foundation works with and through partnerships with local health care providers and other development NGOs in Africa, Asia and the Pacific. Our goal is to eradicate avoidable blindness and to build comprehensive and sustainable eye health systems in the countries and regions where we work.

- Programs in *Asia and Africa* are supported and managed by The Fred Hollows Foundation based in Australia. In 2006, eye health care planning, capacity building and/or training was conducted either directly by The Foundation or with its support in 14 countries:
 - Bangladesh
 - Cambodia
 - China
 - Eritrea
 - India
 - Kenya
 - Nepal
 - North Korea
 - Pakistan
 - Rwanda
 - South Africa
 - Sri Lanka
 - Tanzania
 - Vietnam.

- Country Managers, Medical Advisers and Sydney-based programs staff met for detailed program planning and discussion at *Regional Management Group meetings* held in 2006 in East London, South Africa (African region) and in Korat, Thailand (South East Asian region).
- In 2006, The Foundation's programs in Asia and Africa achieved the following results:
 - 930,000 men, women and children had their sight screened or tested
 - 75,677 people had cataract operations or other sight-saving or sight-improving interventions
 - 3,781 eye health workers were trained
 - Equipment to the value of \$1,179,444 was provided to local doctors, clinics and hospitals
 - 13 eye health facilities were constructed, upgraded or renovated.
- Programs in the *Pacific region and surrounds* are supported and managed by The Fred Hollows Foundation New Zealand. In 2006 there were active programs or initiatives in Timor-Leste, Melanesia (PNG, Vanuatu, Solomon Islands, Nauru), Fiji, and Polynesia (Niue, Samoa, Tonga, and the Cook Islands).

General

- A multi-year, organisation-wide planning exercise came to fruition in 2006 with the launch and distribution of The Foundation's *Strategic Framework 2006 – 2010*. It sets four goals for the period:
 - End avoidable blindness in the communities and countries where we work
 - Improve the life chances and choices of Indigenous Australians through improving their health
 - Work through strong partnerships and cross-sector collaborations – at local, national and global levels
 - Build a strong and dynamic organisation, capable of facilitating effective eye and Indigenous health programs and having a positive impact on public opinion, policies and practices.
- *Fundraising, communications, education and corporate services activities* were undertaken to support The Foundation's Indigenous and international development programs.
- *Detailed information* about these programs and activities can be found on www.hollows.org.au or in The Foundation's published 2006 Annual Report.

Performance Indicators

17 Key Performance Indicators (KPIs) were established in 2006, organised according to the four broad goals identified in the Strategic Framework. In addition, a specific Indigenous Program Strategic Framework was developed with a more detailed set of desired outcomes for work in that area.

Through the Management reports presented at each Board meeting, and the special purpose Board Committees which focus on specific areas of work, the Directors monitor organisational performance against these indicators throughout the year.

Operating Results

Net operating surplus for the year was \$1,160,128 (2005: \$595,693). Total undistributed funds as at 31 December 2006 stood at \$7,906,851 (2005: \$6,336,110). The cash balance was \$1,498,257 (2005: \$3,180,996).

Risk Management

The Foundation takes a proactive approach to risk management. The Board works closely with Management to ensure that both risks and opportunities are identified on a timely basis and that The Foundation's objectives and activities are aligned with these identified risks and opportunities.

The Board believes that it is crucial for all Directors to be part of this process and so has not established a separate risk management committee. Rather, Board Committees are convened or established as appropriate in response to issues and risks identified by the Board as a whole. These committees examine the issues and report back to the Board.

In addition, the Directors have put in place a number of standing mechanisms to ensure that The Foundation's organisational risks are minimised and managed well.

- The Board develops and approves a five-year Strategic Framework, which sets out The Foundation's vision, purpose, key priorities and strategies for their achievement.
- It also approves the KPIs and the annual operational priorities and supporting budgets, and undertakes quarterly monitoring of progress against these priorities and budgets.
- A Finance and Governance Committee (FGC) and a Nominations Committee assist the Board to discharge its responsibility to manage the organisation's financial and governance risks. The FGC advises the Board on such matters as The Foundation's liquidity, currency, investment strategies, and general governance and exposures. The Nominations Committee is particularly charged with ensuring responsible governance succession planning.

Significant Changes in the State of Affairs

- The Fred Hollows Foundation in Australia, The Fred Hollows Foundation NZ and The Fred Hollows Foundation UK signed a Memorandum of Understanding in late 2006 to establish The Fred Hollows Foundation International, a new global structure for Foundation operations. FHFI will safeguard the underlying values of these entities and their quality of work, while facilitating opportunities to make a larger contribution to the eradication of avoidable blindness in the countries where Foundation entities work.
- The Foundation provided financial and other support to The Fred Hollows Foundation UK in 2006 as part of a plan to build a stronger presence and profile in the European Community to support our work in Africa and

South Asia. A formal MoU setting out the nature and terms of the support was developed to underpin this new partnership between the two entities.

- The planned eye care program in Kilinochchi in the Tamil region in the north of Sri Lanka did not proceed during 2006 as a result of security concerns in the country.
- Towards the end of the year, a comprehensive review of the program in the Eastern Cape of South Africa was undertaken. The recommendations of the program will be implemented in early 2007.
- During the financial year and for the period from the balance date to the date of this report, there have been no other significant changes in the state of affairs.

Likely Developments - 2007

- It is probable that new eye care partnerships will be initiated in Mongolia, Myanmar and Tibet, and that the fledgling initiatives in Afghanistan, Bangladesh, Lao PDR and Sri Lanka will be further progressed.
- The Foundation will expand its Indigenous health work to develop new partnerships and initiatives in Central Australia, Northwestern New South Wales and Western Australia.
- There will be a stronger focus on monitoring and evaluation across all programs, with an emphasis on being able to demonstrate both the quantitative and qualitative outcomes of The Foundation's work to reduce cataract and other forms of blindness in developing countries and improve Indigenous health in Australia.
- An International Management Group meeting will be held in Cambodia in August 2007. Country Managers, Medical Advisers and Sydney-based programs staff from the African, Asian and Indigenous programs will (a) meet to build the capacity of The Foundation's country offices in areas such as program planning and implementation, financial and human resource management, and local fundraising, and (b) agree on strategic priorities for 2008-2009.
- The Leadership Group of the new Fred Hollows Foundation International will meet for the first time in mid-year, with The Foundation being represented on the Group by the CEO.
- The transition funds available to support the full independence of the two Fred Hollows IOL Laboratories are likely to be fully expended during 2007 by the Laboratory in Kathmandu, Nepal.
- A new corporate intranet and website will be launched in the first half of 2007.

Environmental Regulation and Performance

The Foundation is not subject to any particular or significant environmental regulation. Nonetheless, in 2007 The Foundation will investigate ways that it can reduce or offset its carbon emissions.

Indemnification and Insurance of Directors

The Foundation held Directors and Officers Liability Cover during 2006. The amount of cover is adequate and reviewed periodically but, as commercially sensitive information, not publicly disclosed.

Directors' Meetings

The Board meets quarterly, as does its Finance and Governance Committee. Other Board Committees meet as the need arises.

The number of meetings of Directors (including meetings of Board Committees) held during 2006, and the number of meetings attended by each Director, are set out in the following table.

Note that:

- Fessahaie Abraham and Mark Gillies resigned as Directors at the Annual General Meeting on 16 May 2006.
- Stephanie Young, John McElhinney and Michael Johnson were elected as new Directors, and John Richardson was elected as Honorary Secretary at that same AGM.

| | Full Board | Finance and Governance Committee | Indigenous Program Committee | Medical Committee | Nominations Committee |
|----------------------------------|-------------------|---|-------------------------------------|--------------------------|-------------------------------|
| No. of meetings held | 4 | 4 | 1 | 3 | 2 |
| No. of meetings attended | | | | | |
| Nigel Milan (Chair) | 4 | N/A | N/A | N/A | 2 |
| Shelley-Reys (Vice-Chair) | 2 | N/A | 1 | N/A | N/A |
| Howard Davies (Treasurer) | 2 | 4 | N/A | N/A | 2 |
| John Richardson (Hon. Secretary) | 3 | 3 | N/A | N/A | N/A |
| Robert Dalziel | 3 | N/A | N/A | N/A | 1 (out of 1 possible meeting) |
| Sarah Elliott | 3 | 1 (out of 1 possible meeting) | N/A | N/A | N/A |
| Sharon Galleguillos | 2 | N/A | 1 | N/A | N/A |
| Gabi Hollows | 3 | N/A | 1 | 3 | N/A |
| Michael Johnson | 3 | 3 | N/A | N/A | 2 |

| | | | | | |
|-------------------|--------------------------------|-------------------------------|-----|--------------------------------|-----|
| David Moran | 4 | N/A | N/A | 3 | N/A |
| Andrew Want | 3 | 2 | N/A | N/A | N/A |
| Mark Gillies | 1 (out of 1 possible meeting) | 1 (out of 1 possible meeting) | N/A | 1 (out of 1 possible meeting) | N/A |
| Fessehaie Abraham | 1 (out of 1 possible meeting) | N/A | N/A | N/A | N/A |
| John McElhinney | 4 | N/A | N/A | N/A | N/A |
| Stephanie Young | 1 (out of 3 possible meetings) | N/A | N/A | 2 (out of 2 possible meetings) | N/A |

Committee Membership

In 2006, The Foundation had four Committees which report to the Board – Finance and Governance, Indigenous Programs, Medical and Nominations.

Members of these Committees of the Board during 2006 were:

| Finance and Governance Committee | Indigenous Programs Committee | Nominations Committee | Medical Committee |
|---|--|---|--|
| Howard Davies (<i>Chair</i>) | Shelley Reys (<i>Co-Chair</i>) | Nigel Milan (<i>Chair until December 2006</i>) | David Moran (<i>Chair</i>) |
| Sarah Elliot (<i>from September 2006</i>) | Sharon Galleguillos (<i>Co-Chair</i>) | Andrew Want (<i>from December 2006 - Interim Chair</i>) | Mark Gillies (<i>resigned May 2006</i>) |
| Michael Johnson | Gabi Hollows | Howard Davies | Gabi Hollows |
| John Richardson | Mark Gillies (<i>resigned May 2006</i>) | Michael Johnson (<i>from June 2006</i>) | Stephanie Young (<i>from May 2006</i>) |
| Andrew Want | | Victoria Rubensohn | Paul Torzillo |
| Mark Gillies (<i>resigned May 2006</i>) | | Stephanie Young (<i>from December 2006</i>) | <i>Ex-officio members: Garry Brian and Sanduk Ruit</i> |
| | | Robert Dalziel | |

The Foundation also has a Fundraising Committee in Victoria comprised of community supporters and chaired by a Director, Robert Dalziel. It reports to the Marketing and Fundraising Director.

Corporate Governance

In recognising the need for the highest standards of corporate behavior and accountability, the Directors of The Foundation support the ASX Principles of Good Corporate Governance and Best Practice Recommendations. Although The Foundation is not a listed company and does not have any obligations to report on these, The Foundation continues to adhere to these principles, which will be subject to ongoing review.

Auditor's Independence and Non-Audit Service

The Directors have received an independent declaration from the auditor of The Fred Hollows Foundation. The auditor did not provide any non-audit services during the financial year.

The declaration is set out below.

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to read 'N. Milan'.

Nigel Milan

Chair

10 April 2007

The Fred Hollows Foundation Directors' Report and Full Financials Report 2006

The Fred Hollows Foundation
A.C.N. 070 556 642
Income Statement
YEAR ENDED 31 DECEMBER 2006

| | Notes | 2006 \$ | 2005 \$ |
|--|-------|-------------------|-------------------|
| CONTINUING OPERATIONS | | | |
| Revenues | | | |
| Gross proceeds from fundraising appeals | | 9,881,528 | 8,047,304 |
| Gross proceeds from sale of goods | | 78,970 | 60,689 |
| AusAID Grants | | 1,190,671 | 2,041,943 |
| Other Australian (Govt Depts/Organisations) | | 568,830 | 590,813 |
| Corporate funding | | 1,049,458 | 491,059 |
| Investment income | | 684,741 | 333,694 |
| Other income | | 103,698 | 114,650 |
| | | <u>13,557,896</u> | <u>11,680,152</u> |
| Revenue | | | |
| EXPENSES FROM CONTINUING OPERATIONS | | | |
| Overseas project expenses | | 6,455,055 | 5,970,248 |
| Domestic project expenses | | 1,791,011 | 1,503,373 |
| Community education | | 919,259 | 802,197 |
| Fundraising expenses | | 2,493,171 | 1,837,057 |
| Administration expenses | | 739,272 | 971,584 |
| | | <u>12,397,768</u> | <u>11,084,459</u> |
| NET SURPLUS FROM CONTINUING OPERATIONS | | | |
| | | 1,160,128 | 595,693 |
| SURPLUS/(DEFICIT) ATTRIBUTABLE TO MEMBERS OF THE FRED HOLLOWES FOUNDATION | | | |
| | | <u>1,160,128</u> | <u>595,693</u> |

The Fred Hollows Foundation
A.C.N. 070 556 642

Balance Sheet
AS AT 31 DECEMBER 2006

| | Notes | 2006 \$ | 2005 \$ |
|---|-------|------------------|------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 9b | 1,498,257 | 3,180,996 |
| Trade and other receivables | 2 | 585,806 | 332,118 |
| Inventories | 3 | 8,681 | 3,189 |
| Prepayments | | <u>70,437</u> | <u>46,004</u> |
| Total Current Assets | | <u>2,163,181</u> | <u>3,562,307</u> |
| NON CURRENT ASSETS | | | |
| Available for sale financial assets | 4 | 7,178,789 | 3,462,811 |
| Financial assets held to maturity | | 276,789 | 262,358 |
| Plant and equipment | 5 | <u>333,835</u> | <u>246,061</u> |
| Total Non Current Assets | | <u>7,789,413</u> | <u>3,971,230</u> |
| TOTAL ASSETS | | <u>9,952,594</u> | <u>7,533,537</u> |
| CURRENT LIABILITIES | | | |
| Payables | 6 | 1,876,290 | 1,047,869 |
| Provisions | 7 | <u>124,432</u> | <u>125,002</u> |
| Total Current Liabilities | | <u>2,000,722</u> | <u>1,172,871</u> |
| NON CURRENT LIABILITIES | | | |
| Provisions | 7 | <u>45,021</u> | <u>24,556</u> |
| Total Non Current Liabilities | | <u>45,021</u> | <u>24,556</u> |
| TOTAL LIABILITIES | | <u>2,045,743</u> | <u>1,197,427</u> |
| NET ASSETS | | <u>7,906,851</u> | <u>6,336,110</u> |
| ACCUMULATED SURPLUS AND RESERVES | | <u>7,906,851</u> | <u>6,336,110</u> |
| EQUITY | | | |
| Accumulated Funds | | 4,693,206 | 3,533,078 |
| Future Projects reserve | | 2,435,049 | 2,435,049 |
| Investment reserve | | 669,953 | 259,340 |
| Tied Funds reserve | | <u>108,643</u> | <u>108,643</u> |
| TOTAL EQUITY | | <u>7,906,851</u> | <u>6,336,110</u> |

The Fred Hollows Foundation
A.C.N. 070 556 642

Statement of changes in Equity

| | Retained Earnings | Future Project Reserve | Investment Reserve | Tied Funds Reserve | TOTAL |
|--|----------------------|------------------------------|-----------------------|--------------------------|------------------|
| As at Jan 2006 | 3,533,078 | 2,435,049 | 259,340 | 108,643 | 6,336,110 |
| Surplus/(deficit) for the year | 1,160,128 | | | | 1,160,128 |
| Available for sale financial assets | | | | | |
| - Valuation gains taken directly to equity | | | 410,613 | | 410,613 |
| - Transferred to Profit & Loss on sale | | | | | |
| Total income/expense recognized | <u>4,693,206</u> | <u>2,435,049</u> | <u>669,953</u> | <u>108,643</u> | <u>7,906,851</u> |
| Transfer from reserve | | | | | |
| Transfer to reserve | | | | | - |
| As at 31 December 2006 | <u>4,693,206</u> | <u>2,435,049</u> | <u>669,953</u> | <u>108,643</u> | <u>7,906,851</u> |

The Fred Hollows Foundation
A.C.N. 070 556 642

Statement of Cash Flows
YEAR ENDED 31 DECEMBER 2006

| | Notes | 2006 \$ | 2005 \$ |
|--|-------|------------------|------------------|
| CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Bequests | | 2,563,747 | 2,227,876 |
| International Corporate donations | | 1,049,458 | 890,484 |
| Government grants | | 1,190,671 | 2,041,943 |
| Receipt from customers | | 7,815,591 | 6,015,932 |
| Program expenditure | | (8,246,066) | (7,473,621) |
| Payment to suppliers and employees | | (3,236,046) | (3,615,604) |
| Interest received | | 618,048 | 333,694 |
| NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES | 9(a) | 1,755,403 | 420,704 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | |
| Acquisition of plant and equipment | | (199,540) | (86,885) |
| Disposal of plant & equipment | | 14,500 | 6,847 |
| Purchase of available-for-sale assets | | (3,692,489) | (4,225,000) |
| Disposal of available-for-sale assets | | 453,817 | 1,500,000 |
| Disposal of financial assets held to maturity | | (14,430) | 2,500,000 |
| NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES | | (3,438,142) | (305,038) |
| NET INCREASE/(DECREASE) IN CASH HELD | | (1,682,739) | 115,666 |
| Add opening cash brought forward | | 3,180,996 | 3,065,330 |
| CLOSING CASH CARRIED FORWARD | 9(b) | <u>1,498,257</u> | <u>3,180,996</u> |

The Fred Hollows Foundation
A.C.N. 070 556 642

Notes to the Financial Statements
YEAR ENDED 31 DECEMBER 2006

1. Corporate Information

The financial report of the Fred Hollows Foundation for the year ended 31 December 2006 was authorized in accordance with a resolution of the directors on 10th April 2007

The Fred Hollows Foundation is a company limited by guarantee incorporated in Australia. The nature of operations and principal activities of the foundation are described in Note 17. The registered office and principal place of business is 4 Mitchell Street, Enfield.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with the requirements of the Corporations Act 2001 and Accounting Standards. Other mandatory professional reporting requirements such as the Charitable Fundraising Act 1991 and the Australian Council for International Development code of conduct, have also been complied with. The financial report has been prepared in accordance with the historical cost convention, except for the available-for-sale assets, which are measured at fair value.

(b) Statement of Compliance

The financial report complies with Australian Accounting standards, which include Australian Equivalents to International Financial Reporting Standard ('AIFRS'). Compliance with AIFRS does not ensure that the financial report, comprising the financial statements and notes thereto, complies with the International Financial Reporting Standards ('IFRS').

Certain Australian Accounting Standards and UIG interpretations have recently been issued or amended but are not yet effective and have not been adopted by The Fred Hollows Foundation for the annual reporting period ended 31 December 2006. The Directors have not yet assessed the impact of these new or amended standards.

(c) Cash and cash equivalents

Cash and cash equivalents in the balance sheet comprise of cash at bank and in hand and short term deposits with an original maturity of three months or less. These amounts are stated at the lower of cost and net realisable value.

For the purpose of the Statement of Cash Flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(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) Financial Assets

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 designated as available-for-sale financial assets or financial assets held to maturity.

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

Available-for-sale financial assets

- * shares in listed entities at quoted market bid price at balance date;
- * Managed Funds at the redemption price at balance date quoted by the investment manager;

Financial assets held to maturity

- * Fixed interest securities are valued at amortized cost;

After initial recognition available-for-sale financial assets are measured at fair value with the gains and losses recognised as a separate component of equity until the investment is sold, collected or otherwise disposed of, or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is included in the income statement.

(f) Inventories

Inventories are valued at the lower of cost and net realizable value. The cost incurred in inventory is made up of the purchase of merchandise. The cost is the purchase price of the items.

(g) Impairment

At each reporting date, assets are reviewed to determine whether there is any indication that an asset is impaired. Where an indicator of impairment exists, a formal estimate of the asset's recoverable amount is made, and where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and is written down to recoverable amount. An asset's recoverable amount is higher of its fair value less costs to sell and value in use.

In assessing the value in use of plant and equipment the foundation takes into account the depreciated replacement cost of an asset, which is the replacement cost of the asset less, where applicable, accumulate depreciation.

An impairment for a non-revalued asset is recognized in the profit and loss. However an impairment for a revalued asset is recognized directly against the investment reserve for the class of asset to the extent that it does not exceed the amount in the investment reserve. Amounts in excess of the reserve are recognized in the profit and loss.

(h) Plant and equipment

Cost and valuation

Items of plant and equipment are valued at cost, less accumulated depreciation and any accumulated impairment.

Depreciation

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

| | | |
|---------------------------------|---------------|---------------|
| Major depreciation periods are: | 2006 | 2005 |
| Plant and equipment: | 3 to 20 years | 3 to 20 years |

(i) Trade and other payables

Trade and other payables are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received, whether or not billed to the entity.

(j) Revenue recognition

Revenue is recognized 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 recognized.

Donation income and Grants

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

Sale of goods

Control of the goods has passed to the buyer.

Interest

Control of a right to receive consideration for the provision of, or investment in, assets has been attained.

(k) Taxes

Income tax

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

Goods and Services Tax (GST)

Revenue, expenses and assets are recognized 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 recognized 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 Balance Sheet.

Cash Flows are included in the Cash Flow Statement 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 operating cash flows.

(l) Provisions

Provision is made for employee entitlement benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include annual leave and long service leave.

Liabilities arising in respect of annual leave and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts. All other employee entitlement liabilities are measured at the present value of the estimated future cash flow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the interest rates attaching to government guaranteed securities which have terms to maturity approximating the terms of the related liability are used.

Employee entitlements expenses and revenues arising in respect of the following categories:

- wages and salaries, non-monetary benefits, annual leave, long service leave entitlements, and

- other types of employee entitlements

are charged against profits on a net basis in their respective categories.

The Foundation contributes to various superannuation funds in respect of its superannuation obligations for its employees.

A superannuation contribution of 9% of the employees' salaries and wages is legally enforceable.

Funding is provided to defined contribution style funds only.

(m) Foreign currency translations

Foreign currency translations in relation to overseas currency bank accounts and inventory held at year end are converted to local currency using rates of exchange prevalent at the end of the financial year. Transactions in foreign currency are recorded at a fixed rate.

(n) Fundraising activities

As a charitable Institution, the foundation has requirements under the Charitable Fundraising Act 1991. This act prescribes the manner in which fundraising appeals are conducted, controlled and reported in NSW. These are shown in note 19 in the financial statements.

(o) Operating Leases

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

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

The Fred Hollows Foundation
A.C.N. 070 556 642
Notes to the Financial Statements
YEAR ENDED 31 DECEMBER 2006

| | 2006 \$ | 2005 \$ |
|--|------------------|------------------|
| 2. TRADE AND OTHER RECEIVABLES | | |
| Trade Receivables | 585,806 | 332,118 |
| Current debtors are non-interest bearing and are generally on 30 day terms | | |
| 3. INVENTORIES | | |
| Merchandise stock | 8,681 | 3,189 |
| | <u>8,681</u> | <u>3,189</u> |
| 4. FINANCIAL ASSETS | | |
| ANZ Endowment Fund | 189,834 | 157,283 |
| Queensland Community Foundation | 13,227 | 12,227 |
| JB Were portfolio investment | 6,475,684 | 3,293,301 |
| Westpac | 500,000 | 0 |
| | <u>7,178,745</u> | <u>3,462,811</u> |

ANZ Endowment Fund is repayable on demand.
Queensland Community Foundation funds are held in trust for perpetuity.
Westpac Fixed Deposit is repayable on demand.
Jb Were managed portfolio

5. PLANT AND EQUIPMENT

| | | |
|---------------------------------------|----------------|----------------|
| Plant and equipment, at cost | 647,618 | 464,028 |
| Provision for depreciation | (313,783) | (217,968) |
| | <u>333,835</u> | <u>246,060</u> |
| <i>Movement in Non Current Assets</i> | | |
| Balance at beginning of the year | 246,060 | 271,423 |
| Additions | 199,540 | 86,885 |
| Disposals | (14,500) | (6,847) |
| Depreciation expense | (97,265) | (105,401) |
| Balance at the end of the year | <u>333,835</u> | <u>246,060</u> |

6. TRADE AND OTHER PAYABLES

| | | |
|-------------------|------------------|------------------|
| Trade payables | 156,497 | 79,006 |
| Tied Income | 1,136,268 | 460,431 |
| Government Grants | 459,402 | 263,253 |
| Other Grants | 8,966 | 66,367 |
| Other creditors | 115,157 | 178,812 |
| | <u>1,876,290</u> | <u>1,047,869</u> |

Trade creditors are non-interest bearing and are normally settled in 30 days
Other payables are non-interest bearing and have an average term of 6 months
AusAID grants are credited with interest and have an average term of one year

7. PROVISIONS - Employee Benefits.

(a) Current

Annual leave

| | | |
|-----------------------|----------------|----------------|
| As at 1 January | 125,002 | 125,156 |
| Utilized | (64,058) | (54,538) |
| Accrued during period | 63,487 | 54,384 |
| As at 31 December | <u>124,431</u> | <u>125,002</u> |

(b) Non current

Long service leave

| | | |
|-----------------------|---------------|---------------|
| As at 1 January | 24,556 | 25,004 |
| Utilized | 0 | (12,388) |
| Accrued during period | 20,465 | 11,940 |
| As at 31 December | <u>45,021</u> | <u>24,556</u> |

8 RESERVES

(a) Future Projects

Nature and purpose of reserve

This reserve contains amounts of retained profits that have been set aside by directors for the purpose of funding future projects/activities.

(b) Investment Reserve

The Investment Reserve is used to record the movements in the value of the available-for-sale financial assets

9. STATEMENT OF CASH FLOWS

| | 2006 | 2005 |
|--|------------------|------------------|
| | \$ | \$ |
| (a) Reconciliation of the net profit/(loss) after tax to the net cash flows from operations | | |
| Operating surplus/(deficit) after tax | 1,160,128 | 595,693 |
| Depreciation of non current assets | 97,265 | 105,400 |
| Provision for employee entitlements | 19,895 | 598 |
| Investment income reinvested | (66,693) | |
| <i>Changes in assets and liabilities</i> | | |
| Receivables | (253,688) | (170,223) |
| Inventory | (5,492) | 33,403 |
| Payables | 828,421 | (145,740) |
| Prepayments | (24,433) | 1,573 |
| Net cash flow from (used in) operating activities | <u>1,755,403</u> | <u>420,704</u> |
| (b) Reconciliation of cash | | |
| Cash balance comprises: | | |
| - cash on hand | 1,498,257 | 3,180,996 |
| - cash on short term interest | | |
| Closing cash balances | <u>1,498,257</u> | <u>3,180,996</u> |

10. REMUNERATION OF DIRECTORS

As per section 6.1 of The Fred Hollows Foundation's Constitution, no money or benefit will be given by The Foundation to any director. There is no director's remuneration.

11. AUDITORS' REMUNERATION

Audit

The auditors of The Fred Hollows Foundation act on an honorary basis.

12. RELATED PARTY DISCLOSURES

The directors of The Fred Hollows Foundation during the financial year were:

| | |
|---|---|
| Nigel Milan | Mark Gillies (Resigned 21 May 2006) |
| Michael R Johnson | Gabi B Hollows |
| Howard Davies | Shelley Reys |
| Andrew Want | Stephanie Young (Appointed 21 May 2006) |
| Fessehaie Abraham (Resigned 21 May 2006) | John McElhinney (Appointed 21 May 2006) |
| Robert Dalziel (Appointed 27 May 2006) | Sarah Elliot (Appointed 21 May 2006) |
| Sharon Galleguillos | |
| John Richardson | |
| David Moran | |
| Directors Insurance cover to be included. | |

13 Financial instruments

The Foundation's financial instruments comprise of cash, short term deposits, fixed interest, managed funds and listed shares. The main purpose for these instruments is to raise finance for the Foundation's projects and services. The Foundation has various other financial instruments such as trade debtors and creditors, which arise directly from its operations. The main risk arising from these financial instruments are interest rate risk, credit risk and foreign currency risk.

The Fred Hollows Foundation Directors' Report and Full Financials Report 2006

13a. Interest Rate Risk

The following table sets out the carry amount by maturity of the financial instruments that are exposed to interest rate risks:

| Financial Assets | Floating Interest Rate | | Fixed interest rates maturing in | | | | | | | | | | Total Carrying Amount per balance sheet | | Weighted Average Effective Interest Rate | | |
|-------------------------------|------------------------|--------------|----------------------------------|----------|---------------|----------|-------------|----------|---------------|----------|---------------|----------|---|--------------|--|------|---|
| | 2006 | 2005 | < 1 year | | > 1 < 2 years | | >2 <3 years | | >3 - <4 years | | >5 - <6 years | | 2006 | 2005 | 2006 | 2005 | |
| | \$,000 | \$,000 | \$,000 | \$,000 | \$,000 | \$,000 | \$,000 | \$,000 | \$,000 | \$,000 | \$,000 | \$,000 | \$,000 | \$,000 | \$,000 | % | % |
| Instruments | | | | | | | | | | | | | | | | | |
| Cash | 1,498 | 3,180 | - | - | - | - | - | - | - | - | - | - | - | 1,498 | 3,180 | 3.0 | |
| Investments held to Maturity | 276 | 262 | - | - | - | - | - | - | - | - | - | - | - | 276 | 262 | 6.1 | |
| Short term deposits | - | - | 500 | - | - | - | - | - | - | - | - | - | - | 500 | - | 5.6 | |
| Total Financial Assets | 1,774 | 3,442 | 500 | - | - | - | - | - | - | - | - | - | - | 2,274 | 3,442 | | |

All other financial assets and all financial liabilities, both recognized and unrecognized, are non-interest bearing.

NET SURPLUS FROM CONTINUING OPERATIONS

(b) Fair values

The carrying amounts of financial assets and financial liabilities, at balance sheet date, approximate their aggregate fair values.

(c) Credit risk exposures

The company's maximum exposures to credit risk at balance date in relation to each class of recognized financial assets is the carrying amount of those assets as indicated in the balance sheet. The company has no unrecognized financial assets.

(d) Foreign Currency Risk

The Foundation has a small exposure to foreign currency risk arising from the overseas bank accounts and investments held in foreign currency.

The Fred Hollows Foundation operates as a charitable organisation engaged in one segment being aid and development in eye care and health.

15. FH Technologies R & D Pty Limited

FH Technologies R&D Pty Ltd is a wholly owned subsidiary of the Foundation. The subsidiary is in the business of research, development and marketing activities in relation to laser and lens technology. This subsidiary is in the process of wind up and currently has nil assets.

16. Commitments

(a) The Foundation has also entered into a three year lease agreement on the premises it currently occupies. Future minimal rental payable under this agreement as at balance sheet date is as follows:

| | 2006 | 2005 |
|--|--------|-------|
| | \$ | \$ |
| Within 1 year | 121202 | 78784 |
| After 1 year and not more than 3 years | | 0 |
| | 121202 | 78784 |

(b) There may be some liability in relation to staff benefits which is still under investigation and clarification.

**The Fred Hollows Foundation
NET SURPLUS FROM CONTINUING OPERATIONS**

**Notes to the Financial Statements
YEAR ENDED 31 DECEMBER 2006**

**17 KEY PERSONNEL REMUNERATION
SURPLUS/(DEFICIT) ATTRIBUTABLE TO MEMBERS OF THE**

| | 2006 | 2005 |
|---|-------------|-------------|
| | \$ | \$ |
| Compensation received or receivable by key personnel of the Foundation in connection with management of the affairs of the Foundation, whether as an executive officer or otherwise | | |
| Comprising of: Short - term benefits | 285,180 | 205,789 |
| - post employment benefits | 21,884 | |

18. SUBSEQUENT EVENTS

Up until the date of this report there have been no significant events after balance date that should be included in this financial report.

19. INFORMATION TO BE FURNISHED UNDER THE CHARITABLE FUNDRAISING ACT 1991

**19 (a) DETAILS OF AGGREGATE GROSS INCOME AND TOTAL
EXPENDITURE OF FUNDRAISING APPEALS**

| | 2006 | | 2005 | |
|--|-----------------------------|-------------------------|-----------------------------|-------------------------|
| | \$ | \$ | \$ | \$ |
| Gross proceeds from Fundraising appeals | | 9,960,498 | | 8,107,993 |
| Donations | 6,004,825 | | 4,836,502 | |
| Functions and Special events | 483,094 | | 288,578 | |
| Bequests | 2,563,747 | | 2,227,876 | |
| Miracle Club | 829,862 | | 694,348 | |
| Merchandise sales | 78,970 | | 60,689 | |
| New initiatives | | | 0 | |
| | <u> </u> | | <u> </u> | |
| Direct costs of Fundraising appeals | | 2,493,170 | | 1,837,057 |
| Donations | 1,944,355 | | 1,229,903 | |
| Functions and Special events | 288,708 | | 298,317 | |
| Bequests | 170,814 | | 145,916 | |
| Miracle Club | | | 43,611 | |
| Merchandise sales | 43,758 | | 69,776 | |
| Cost of raising Government funds | 45,535 | | 49,534 | |
| | <u> </u> | | <u> </u> | |
| Net surplus from Fundraising appeals | | <u>7,467,328</u> | | <u>6,270,936</u> |

**19(b) STATEMENT SHOWING HOW FUNDS RECEIVED
ARE APPLIED FOR CHARITABLE PURPOSES**

| | 2006 | | 2005 | |
|---|-------------|-------------------------|-------------|-----------------------|
| | \$ | \$ | \$ | \$ |
| Net surplus obtained from Fundraising appeals | | <u>7,467,328</u> | | <u>6,270,936</u> |
| <i>Applied for charitable purposes as follows:</i> | | | | |
| Office administration | | 739,272 | | 971,584 |
| <i>Expenditures on direct services:</i> | | | | |
| Community education | 919,259 | | 802,197 | |
| International programs | 6,455,055 | | 5,970,248 | |
| Indigenous programs | 1,791,011 | | 1,503,373 | |
| | | <u>9,165,325</u> | | <u>8,275,818</u> |
| Total expenditure | | <u>9,904,597</u> | | <u>9,247,402</u> |
| Surplus/(Shortfall) | | <u>(2,437,269)</u> | | <u>(2,976,466)</u> |
| <i>Shortfall was provided by the following sources:</i> | | | | |
| AusAID grants | 1,190,671 | | 2,041,943 | |
| Other Government Grants | 568,830 | | 590,813 | |
| Interest & Investment income | 684,741 | | 333,694 | |
| Corporate funding | 1,049,458 | | 491,059 | |
| Miscellaneous | 103,697 | 3,597,397 | 114,650 | 3,572,159 |
| Surplus transfer to Accumulated Funds for future use | | <u>1,160,128</u> | | <u>595,693</u> |

**The Fred Hollows Foundation
A.C.N. 070 556 642**

**Notes to the Financial Statements
YEAR ENDED 31 DECEMBER 2006**

| 19(c) COMPARISON BY MONETARY FIGURES AND PERCENTAGES | 2006 \$ | 2005 \$ |
|---|--------------------|--------------------|
| Gross income from Fundraising appeals | 9,960,498 | 8,107,993 |
| Total direct cost of Fundraising appeals | 2,493,170 | 1,837,057 |
| Total direct cost of Fundraising as a percentage of gross income from Fundraising appeals | 25% | 23% |
| Net surplus from Fundraising appeals | 7,467,328 | 6,270,936 |
| Net surplus from Fundraising as a percentage of gross income from Fundraising appeals | 75% | 77% |
| Total cost of Direct services | 9,165,325 | 8,275,818 |
| Total Expenditure (excluding direct cost of Fundraising appeals) | 9,904,597 | 9,247,402 |
| Total cost of Direct services as a percentage of Total expenditure | 93% | 89% |
| Total Income received (including net profit from Fundraising appeals) | 11,064,725 | 9,843,095 |
| Total cost of Direct services as a percentage of Total income received | 83% | 84% |

19(d) FUNDRAISING APPEALS CONDUCTED DURING THE FINANCIAL PERIOD

Public appeals and Merchandise sales.

20. INFORMATION TO BE FURNISHED UNDER THE ACFID CODE OF CONDUCT

| 20(a) INCOME STATEMENT FOR THE YEAR ENDING 31 DECEMBER 2006 | 2006 \$ | 2005 \$ |
|---|--------------------|--------------------|
| REVENUE | | |
| Donations and gifts - monetary & non-monetary | 7,317,781 | 5,819,428 |
| Legacies and bequests | 2,563,747 | 2,227,876 |
| Grants | | |
| - AusAID | 1,190,671 | 2,041,943 |
| - Other Australian-Govt Depts /Organisation | 568,830 | 590,813 |
| Corporate funding | 1,049,458 | 491,059 |
| Investment income | 684,741 | 333,694 |
| Other income | | |
| - Merchandise sales | 78,970 | 60,689 |
| - R&D commercialization proceeds | 0 | 0 |
| - Miscellaneous | 103,698 | 114,650 |
| Total revenue | 13,557,896 | 11,680,152 |
| DISBURSEMENTS | | |
| Overseas projects | | |
| - Funds to overseas projects | 6,455,055 | 5,970,248 |
| - Other project costs | 0 | 0 |
| Domestic projects | 1,791,011 | 1,503,373 |
| Community education | 919,259 | 802,197 |
| Fundraising costs | | |
| - public | 2,447,635 | 1,787,523 |
| - government and multilaterals | 45,535 | 49,534 |
| Administration | 739,273 | 971,584 |
| Total disbursements | 12,397,768 | 11,084,459 |
| Extraordinary items | 0 | 0 |
| Excess of revenue over expenses (shortfall) from continuing operations | 1,160,128 | 595,693 |

The Fred Hollows Foundation
A.C.N. 070 556 642

Notes to the Financial Statements
YEAR ENDED 31 DECEMBER 2006

21(b) Balance Sheet
AS AT 31 DECEMBER 2006

| | | 2006 \$ | 2005 \$ |
|---|----|------------------|------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | 9b | 1,498,257 | 3,180,996 |
| Trade and other receivables | 2 | 585,806 | 332,118 |
| Inventories | 3 | 8,681 | 3,189 |
| Prepayments | | 70,437 | 46,004 |
| Total Current Assets | | <u>2,163,181</u> | <u>3,562,307</u> |
| NON CURRENT ASSETS | | | |
| Plant and equipment | 5 | 333,835 | 246,061 |
| Available for sale financial assets | 4 | 7,178,789 | 3,462,811 |
| Financial assets held to maturity | | 276,789 | 262,358 |
| Total Non Current Assets | | <u>7,789,413</u> | <u>3,971,230</u> |
| TOTAL ASSETS | | <u>9,952,594</u> | <u>7,533,537</u> |
| CURRENT LIABILITIES | | | |
| Payables | 6 | 1,876,290 | 1,047,869 |
| Provisions | 7 | 124,432 | 125,002 |
| Total Current Liabilities | | <u>2,000,722</u> | <u>1,172,871</u> |
| NON CURRENT LIABILITIES | | | |
| Provisions | 7 | 45,021 | 24,556 |
| Total Non Current Liabilities | | <u>45,021</u> | <u>24,556</u> |
| TOTAL LIABILITIES | | <u>2,045,743</u> | <u>1,197,427</u> |
| NET ASSETS | | <u>7,906,851</u> | <u>6,336,110</u> |
| ACCUMULATED SURPLUS AND RESERVES | | <u>7,906,851</u> | <u>6,336,110</u> |

The Fred Hollows Foundation

A.C.N. 070 556 642

Statement of changes in Equity

| | Retained Earnings | Future Project Reserve | Investment Reserve | Tied Funds Reserve | TOTAL |
|--|------------------------------|---------------------------------------|-------------------------------|-------------------------------|------------------|
| As at Jan 2006 | 3,533,078 | 2,435,049 | 259,340 | 108,643 | 6,336,110 |
| Surplus/(deficit) for the year | 1,160,128 | 0 | 0 | 0 | 1,160,128 |
| Available for sale financial assets | 0 | 0 | 0 | 0 | 0 |
| | 0 | 0 | 0 | 0 | 0 |
| - Valuation gains taken directly to equity | 0 | 0 | 410,613 | 0 | 410,613 |
| | 0 | 0 | 0 | 0 | 0 |
| - Transferred to Profit & Loss on sale | 0 | 0 | 0 | 0 | 0 |
| | 0 | 0 | 0 | 0 | 0 |
| Total income/expense recognized | 4,693,206 | 2,435,049 | 669,953 | 108,643 | 7,906,851 |
| Transfer from reserve | 0 | 0 | 0 | 0 | 0 |
| Transfer to reserve | 0 | 0 | 0 | 0 | 0 |
| As at 31 December 2006 | 4,693,206 | 2,435,049 | 669,953 | 108,643 | 7,906,851 |

The Fred Hollows Foundation
A.C.N. 070 556 642

Directors' Declaration
YEAR ENDED 31 DECEMBER 2006

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

In the opinion of the directors:

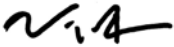
(a) the financial statements and notes of the company are in accordance with the Corporations Act 2001:

including:

- (i) giving a true and fair view of the company's financial position as at 31 December 2006 and of the company's performance for the year ended on that date; and
- (ii) complying with Accounting Standards and the Corporations Regulations; and

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

On behalf of the Board,



N Milan
Director

Sydney - This day 10th April 2007

The Fred Hollows Foundation
A.C.N. 070 556 642

Statement by Principal Officer
YEAR ENDED 31 DECEMBER 2006

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

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

In my opinion as the Principal Officer:

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

On behalf of The Fred Hollows Foundation,



H Davies
Principal Officer

Sydney - This day 10th April 2007