



# The Fred Hollows Foundation

A.C.N. 070 556 642

## Annual Financial Report

**For the year ended 31 December 2017**

**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](http://www.hollows.org)

**Donation Line:**

1800 352 352

**Telephone:**

+612 8741 1900

**Facsimile:**

+612 8741 1999

**Email:**

[fhf@hollows.org](mailto: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

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**Current Directors**

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

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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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Locked Bag 5021,  
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**Email:** [fhf@hollows.org](mailto:fhf@hollows.org)

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**Bankers**

Westpac Banking Corporation

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**Auditors**

Ernst & Young

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## The Fred Hollows Foundation

(A company limited by guarantee)

A.C.N. 070 556 642

# Annual financial report

For the year ended 31 December 2017

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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 2017.

### 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	2017 Board Meetings	
			A	B
John Brumby (Chair)	January 2016		5	5
Joy Savage (Deputy Chair)	January 2016		4	5
Helen Evans	May 2015		4	5
John Leslie Fallick	May 2016		5	5
Christine Hawkins	May 2015		5	5
Gabi Hollows	April 1995		5	5
Jamie La Nauze	May 2016		5	5
Graham Skeates	May 2016		5	5
Paul Torzillo	May 2016		4	5

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

### Objectives, strategies, principal activities and performance measures

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

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

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

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

- *The results we seek*
  1. Support for the provision of universal access to high quality, affordable, comprehensive eye care services

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

In 2017, The Foundation worked directly or through partners in more than 25 countries in Africa, Asia, the Middle East and the Pacific as well as well as a range of initiatives to drive improvements in Aboriginal and Torres Strait Islanders exercising their right to good health in Australia. As a direct result of this work, the following results were achieved during the year:

#### Helping more people see than ever before

- An increase of 25% in screening to 4,902,490 people
- A 10% increase in eye operations and treatments resulting in 1,106,654 interventions:
  - 174,356 cataract operations - up 18% on 2016
  - 75,559 surgeries to treat trachoma - up 52% on 2016
  - 13,799 diabetic retinopathy treatments – up 34% on 2016
  - Another 842,940 sight saving or improving interventions
- 18,425,462 people treated with antibiotics for trachoma
- 87,026 pairs of glasses distributed- up 55% on 2016

#### Investing in people

- 102,356 people trained, which is an extra 23,906 (30%) on 2016 :
  - 148 surgeons
  - 513 clinic support staff
  - 80,870 community health workers – an additional 31,000 workers
  - 12,413 teachers
  - 13,074 Others
- 2,569,426 school children and community members educated in eye health and sanitation



### Continued support in equipment and technology

- 23 medical facilities built or renovated
- 43 medical facilities equipped
- 899 community health centres equipped
- 594 schools equipped
- \$3,534,755 worth of equipment and infrastructure provided

The Foundation undertook further innovative and groundbreaking initiatives throughout the year including the following social impact approaches:

#### ***Alina Vision – a New Social Enterprise***

- The Fred Hollows Foundation has taken on a key role in the establishment of a new social enterprise, Alina Vision, designed to provide an innovative approach allowing the private sector to contribute to ending avoidable blindness.
  - The launch of Alina Vision, a new social enterprise that is set to advance global eye health equality through a network of more than 60 eye surgery centres in some of the world's most underserved communities.
  - Alina Vision will deliver high-quality, accessible and sustainable eye care for people of all income levels, actively reaching out to those excluded from mainstream healthcare systems, particularly low-income people and women.
  - This innovative new initiative is about complementing our core work while taking the opportunity to learn how we can bring private sector investors into eye health. Our collaboration in Alina Vision does not replace our work with Governments, but rather it recognises the significant role of the private sector in health care and helps us understand how to design programs that will attract investment to help eliminate avoidable blindness.
  - In the next 10 years the network is projected to deliver a total of more than 1.1 million cataract surgeries, including at least 240,000 for free, as well as more than 2.2 million other procedures and pairs of glasses.

#### ***The Cameroon Cataract Development Impact Bond***

- The Fred Hollows Foundation was part of a coalition of eye health focused organisations and funders to establish the first social impact bond in the eye health sector.
  - The Cameroon Cataract Development Impact Loan, a new way of funding health care in low and middle income countries, will be used to prevent blindness through the provision of as many as 18,000 cataract surgeries in Cameroon over the next five years, by bringing together public and private investors, health donors, and eye care delivery experts.
  - This is a type of Development Impact Bond, a results-based contract in which investors provide financing for social programs upfront, and donor organizations repay investors their principal plus a return based on realised performance in delivering social outcomes. In an environment where the need for international development funding often outstrips the resources available, these instruments offer a promising new solution for more effective and efficient financing.

The Foundation continued to strengthen its organisational (including financial) base in 2017, through:

- The implementation of an organisation wide project and portfolio management system to assist in project design, implementation and financial management.

- Further expansion of our international fundraising activities with significant success in our Hong Kong office, the establishment and launch of our office in Dubai and the establishment of The Fred Hollows Foundation in the United States of America.

Based on the multi-year Strategic Plan, the Board monitored the implementation of the approved 2017 budget and organisational work plan. A comprehensive set of Key Performance Indicators (KPIs) were also developed, setting out a small number of KPIs for each of the 15 strategic objectives. These KPIs were regularly monitored by Management to measure organisational performance, with results reported to the Board.

### **Operating results for the year**

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

	<b>2017</b>	<b>2016</b>
Gross Operating Revenue	\$84,931,000	\$79,838,000
Expenses	\$86,982,000	\$79,723,000
Surplus (Deficit)	(\$2,051,000)	\$115,000
Total Equity	\$16,984,000	\$19,035,000
Cash Balance including Term-Deposits	\$5,731,000	\$8,039,000

### **Significant events after the balance date**

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

### **Indemnification and insurance of directors**

The Foundation held Directors and Officers Liability cover during 2017. The amount of cover is reviewed periodically.

Directors' qualifications and experience, and their special responsibilities on the Board during 2017:

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>Independent Director, Huawei Technologies (Australia) Pty Limited</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><b>Previously</b> 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 <i>(from November 2017)</i></p> <p>Chair of the Governance and Nominations Committee</p>
Joy Savage	<p>Senior Executive, Department of the Prime Minister and Cabinet</p> <p>Masters of Business Administration</p> <p><b>Previously:</b> CEO, Aboriginal Hostels Ltd.</p> <p>Assistant Secretary, Social Policy Division, Department of the Prime Minister and Cabinet.</p> <p>Assistant Secretary, Remote Health Services Development Branch, Department of Health and Ageing.</p> <p>CEO, Wuchopperen Health Service</p> <p>Director, Child and Maternal Health, Department of Health and Ageing.</p>	<p>Deputy Chair of the Board</p> <p>Member of the Finance and Audit Committee <i>(from September 2017)</i></p> <p>Member of the Programs and Partnerships Committee <i>(till July 2017)</i></p>

	CEO, Townsville Aboriginal and Islander Health Service	
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 Advisory Council of the Pacific Friends of the Global Fund</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><b>Previously</b>  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>	Chair of the Programs and Partnerships Committee
John Leslie Fallick	<p>Chairman, Granite Capital Pty Ltd</p> <p>Fellow, Australian Institute of Company Directors</p> <p>Chairman, Continuity Capital Partners Pty Ltd</p> <p>Chairman, Northern Territory Infrastructure Development Fund</p> <p>Non-executive Director, Indigenous Business Australia, Asset Management</p> <p>Masters of Arts</p>	<p>Member of the Finance &amp; Audit Committee (<i>till July 2017</i>)</p> <p>Chair of the Board of The Fred Hollows Foundation Kenya</p> <p>Chair of the Board of The Fred Hollows Foundation (HK) Limited (<i>till September 2017</i>)</p>

	<p>Masters of Letters in Economics</p> <p><b>Previously</b>  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><b>Previously</b>  Chair, Wheat Quality Australia Ltd; Chair, Go Grains Health &amp; Nutrition Limited; Independent director of several Commonwealth Statutory Corporations and Chairman of a Ministerial Council; non-executive director of a number of organisations in food and health, agribusiness, research and development; Chairman of superannuation fund; executive director of investment bank; Director YWCA of Sydney, Nuffield Australia Ltd</p>	Member of the Finance and Audit Committee
Gabi Hollows	<p>Orthoptist</p> <p>Officer of the Order of Australia</p> <p>Orthoptic Associate, Royal Australian and New Zealand College of Ophthalmologists</p>	<p>Founding Director</p> <p>Member of the Governance &amp; Nominations Committee</p> <p>Member of the Programs and Partnerships Committee</p>

<p>Jamie La Nauze</p>	<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><b>Previously</b> Group Chief Accountant, AMP; Regional Finance Director, Asian Operations of Prudential Insurance UK</p>	<p>Chair of the Finance &amp; 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><b>Previously</b> 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 (<i>from September 2017</i>)</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 2017.

	<b>Finance and Audit Committee</b>	<b>Governance and Nominations Committee</b>	<b>Programs and Partnerships Committee</b>
<b><i>No of meetings in 2017</i></b>	<b>5</b>	<b>4</b>	<b>3</b>
<b><i>Meetings attended</i></b>			
John Brumby	n/a	4	n/a
Helen Evans	n/a	n/a	3
Les Fallick	3 out of a possible 3	n/a	n/a
Christine Hawkins	5	n/a	n/a
Gabi Hollows	n/a	3	2
Jamie La Nauze	n/a	3	2
Joy Savage	2 out of a possible 2	n/a	2 out of a possible 2
Graham Skeates	5	n/a	n/a
Paul Torzillo	n/a	n/a	1 out of a possible 1

A number of Foundation members and associates who are not Directors also served on various Board Committees during 2017 as set out below:

Governance and Nominations Committee:	Michael Johnson (former Director)
Finance and Audit Committee:	Paul Ruiz (joined November 2017)
Programs and Partnerships Committee:	Ruwan De Mel (joined November 2017)

### **Limitation of Members Liability**

The Fred Hollows Foundation is a company limited by guarantee. In accordance with its Constitution, the liability of its 134 Members is limited to \$50.00 per person or an aggregate of \$6,700 in the event of the company being wound-up

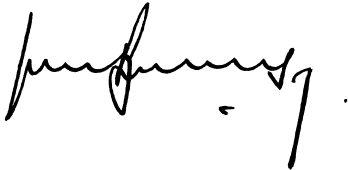
### **Auditor's Independence**

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: 27 March 2018

Sydney, NSW Australia





Building a better  
working world

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

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

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

In relation to our audit of the financial report of The Fred Hollows Foundation for the financial year ended 31 December 2017, and in accordance with the requirements of Subdivision 60-C of the *Australian Charities and Not-for profits Commission Act 2012*, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Australian Charities and Not-for profits Commission Act 2012* or any applicable code of professional conduct.

Ernst & Young

Kieren Cummings  
Partner  
Sydney  
27 March 2018



# The Fred Hollows Foundation

A.C.N 070 556 642

## Consolidated statement of comprehensive income

For the year ended 31 December 2017

		2017	2016
	Notes	\$000	\$000
<b>INCOME FROM CONTINUING OPERATIONS</b>			
<b>Community and corporate support</b>			
Donations and gifts		49,438	45,118
Bequests and legacies		17,348	11,232
<b>Grants</b>			
- Government Grants - Department of Foreign Affairs and Trade (DFAT)		5,778	7,541
- Other Australian government		515	626
- Other overseas		11,276	15,128
<b>Net gains on investments at fair value</b>	5	1,454	730
<b>Other income</b>	6	(878)	(537)
<b>Total income</b>		<b>84,931</b>	<b>79,838</b>
<b>EXPENDITURE FROM CONTINUING OPERATIONS</b>			
<i>International aid and development programs expenditure</i>			
<b>International Programs</b>			
- Funds to international programs		40,321	39,249
- Program support costs		10,556	8,877
<b>Community education</b>		6,563	4,812
<b>Fundraising costs</b>			
- Public fundraising		14,663	12,509
- Government, multilateral and private		148	126
<b>Accountability and administration</b>		5,070	4,329
<b>Total international aid and development programs expenditure</b>		<b>77,321</b>	<b>69,902</b>
<i>Domestic aid and development programs expenditure</i>			
<b>Domestic Programs</b>		6,357	6,761
<b>Community Education</b>		820	677
<b>Fundraising costs</b>		1,851	1,775
<b>Accountability and administration</b>		633	608
<b>Total domestic aid and development programs expenditure</b>		<b>9,661</b>	<b>9,821</b>
<b>Total Expenditure</b>		<b>86,982</b>	<b>79,723</b>
<b>Surplus (deficit) over expenditure</b>		<b>(2,051)</b>	<b>115</b>
Other comprehensive income		-	-
<b>Net surplus (deficit) for the period</b>		<b>(2,051)</b>	<b>115</b>

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 2017

	Note	2017	2016
		\$000	\$000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		5,414	6,029
Other interest bearing deposits		317	2,010
Trade and other receivables	8	6,400	7,291
Loans receivable current	11	54	-
Prepayments		965	843
<b>Total current assets</b>		<b>13,150</b>	<b>16,173</b>
<b>Non-current assets</b>			
Investments at fair value	9	13,639	12,139
Investment in an associate	10	1,530	-
Loans receivable non-current	11	556	-
Property, plant and equipment	12	1,839	1,286
Intangible assets	13	2,706	1,288
<b>Total non-current assets</b>		<b>20,270</b>	<b>14,713</b>
<b>TOTAL ASSETS</b>		<b>33,420</b>	<b>30,886</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	14	5,314	4,380
Deferred grants	15	8,766	5,381
Provisions	16	1,609	1,426
<b>Total current liabilities</b>		<b>15,689</b>	<b>11,187</b>
<b>Non-current liabilities</b>			
Provisions	16	358	264
Deferred liability	17	389	400
<b>Total non-current liabilities</b>		<b>747</b>	<b>664</b>
<b>TOTAL LIABILITIES</b>		<b>16,436</b>	<b>11,851</b>
<b>NET ASSETS</b>		<b>16,984</b>	<b>19,035</b>
<b>EQUITY</b>			
Accumulated surplus		4,561	7,617
Contingency reserve	18	12,423	11,418
<b>TOTAL EQUITY</b>		<b>16,984</b>	<b>19,035</b>

Notes:

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

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

(c) Intangible assets for the previous year have been reclassified for consistency.

## The Fred Hollows Foundation

A.C.N. 070 556 642

### Consolidated statement of cash flows

For the year ended 31 December 2017

	Note	2017	2016
		\$000	\$000
<b>Cash flows from operating activities</b>			
Receipt from donors		49,438	45,118
Receipts from bequests		16,969	10,992
Receipt of government grants		7,444	7,352
Receipt of other international grants		13,510	13,753
Payment of program and operating expenditures		(59,987)	(58,344)
Payment to employees for program and operating activities		(25,276)	(21,898)
<b>Net cash flows from/(used in) operating activities</b>		<b>2,098</b>	<b>(3,027)</b>
<b>Cash flows from investing activities</b>			
Disposal of financial assets at fair value		1,949	3,956
Dividends received		182	165
Interest received		67	73
Other receipts		49	34
Investment in an associate	10	(1,530)	-
Loan to strategic partner	11	(610)	-
Acquisition of plant and equipment	12b	(982)	(232)
Purchase of intangibles	13	(1,838)	(892)
<b>Net cash flows from/(used in) investing activities</b>		<b>(2,713)</b>	<b>3,104</b>
<b>Cash flows from financing activities</b>			
<b>Net cash flows from/(used in) financing activities</b>		<b>-</b>	<b>-</b>
Net increase in cash and cash equivalents		(615)	77
Cash and cash equivalents at beginning of the period		6,029	5,952
<b>Cash and cash equivalents at end of the period</b>		<b>5,414</b>	<b>6,029</b>

(a) The above Consolidated statement of cash flows should be read in conjunction with accompanying notes.

(b) The purchase of intangibles in the previous year has been reclassified from acquisition of plant and equipment for consistency

## The Fred Hollows Foundation

A.C.N. 070 556 642

### Consolidated statement of changes in equity

For the year ended 31 December 2017

	<b>Accumulated Surplus \$000</b>	<b>Contingency Reserve \$000</b>	<b>Total \$000</b>
Balance 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>-</u>	<u>(2,051)</u>
As at 31 December 2017	<u><u>4,561</u></u>	<u><u>12,423</u></u>	<u><u>16,984</u></u>
Balance at 1 January 2016	6,283	12,637	18,920
Movements in contingency reserves	1,219	(1,219)	-
Surplus for the year	<u>115</u>	<u>-</u>	<u>115</u>
As at 31 December 2016	<u><u>7,617</u></u>	<u><u>11,418</u></u>	<u><u>19,035</u></u>

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 2017

### 1 Corporate information

The consolidated financial statements of The Fred Hollows Foundation and its subsidiaries (collectively, the Group) for the year ended 31 December 2017 were authorised for issue in accordance with a resolution of the directors on 27 March 2018. The Fred Hollows Foundation, who is the parent entity is a not for profit entity and a company limited by guarantee incorporated and domiciled in Australia and the registered office is located at Rosebery, NSW, Australia.

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

#### (a) Basis of preparation

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

The Group's consolidated financial statements are a general purpose financial report which have been prepared in accordance with the requirements of the *Australian Accounting Standards Reduced Disclosure Requirements, the Australian Charities and Not-for-Profits Commission Act 2012, the Australian Charities and Not-for-Profits Commission Regulation 2013, the Charitable Fundraising Act 1991, the Charitable Collections Act 1946 (WA) and the Australian Council for International Development (ACFID) Code of Conduct*. The financial report has been prepared in accordance with the historical cost convention except for the investments, which are measured at fair value.

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

#### (b) Statement of compliance

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

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

#### (c) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Group and its subsidiaries as at 31 December 2017. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

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

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

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

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

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

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

# The Fred Hollows Foundation

A.C.N. 070 556 642

## Notes to consolidated financial statements

For the year ended 31 December 2017

### 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:

	<b>2017</b>	2016
	<b>\$000</b>	\$000
Current assets	<b>3,296</b>	1,899
Non-current assets	<b>171</b>	69
<b>Total assets</b>	<b>3,467</b>	1,968
Current liabilities	<b>2,642</b>	1,081
Non-current liabilities	<b>30</b>	26
<b>Total liabilities</b>	<b>2,672</b>	1,107
<b>Net assets</b>	<b>795</b>	861

##### (ii) Parent entity

Financial position information related to the parent entity.

	<b>2017</b>	2016
	<b>\$000</b>	\$000
Current assets	<b>9,853</b>	14,275
Non-current assets	<b>20,099</b>	14,644
<b>Total assets</b>	<b>29,952</b>	28,919
Current liabilities	<b>13,046</b>	10,106
Non-current liabilities	<b>717</b>	639
<b>Total liabilities</b>	<b>13,763</b>	10,745
<b>Net assets</b>	<b>16,189</b>	18,174

#### b) Statement of comprehensive income information

Comprehensive income information related to the subsidiaries and parent entity.

##### (i) Subsidiaries

	<b>2017</b>	2016
	<b>\$000</b>	\$000
Comprehensive income of the subsidiaries	<b>(66)</b>	505



## The Fred Hollows Foundation

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### Notes to consolidated financial statements

For the year ended 31 December 2017

#### 2 Parent and Subsidiaries financial information (continued)

##### b) Statement of comprehensive income information

(ii) Parent Entity

Comprehensive income information related to Parent entity.

	<u>2017</u>	<u>2016</u>
<b>INCOME FROM CONTINUING OPERATIONS</b>	<b>\$000</b>	<b>\$000</b>
<b>Community and corporate support</b>		
Donations and gifts	47,939	44,628
Bequests and legacies	17,348	11,232
<b>Grants</b>		
- Department of Foreign Affairs and Trade (DFAT)	5,778	7,541
- Other Australian government	515	626
- Other overseas	11,203	15,081
<b>Net gains/(losses) on investments at fair value</b>	<b>1,419</b>	<b>730</b>
<b>Other income</b>	<b>(884)</b>	<b>(599)</b>
<b>Total income</b>	<b><u>83,318</u></b>	<b><u>79,239</u></b>
<b>EXPENDITURE FROM CONTINUING OPERATIONS</b>		
<i>International aid and development programs expenditure</i>		
<b>International Programs</b>		
- Funds to international programs	39,784	39,097
- Program support costs	10,556	8,935
<b>Community education</b>	<b>6,231</b>	<b>4,812</b>
<b>Fundraising costs</b>		
- Public fundraising	14,085	12,509
- Government, multilateral and private	142	126
<b>Accountability and administration</b>	<b>4,939</b>	<b>4,330</b>
<b>Total international aid and development programs expenditure</b>	<b><u>75,737</u></b>	<b><u>69,809</u></b>
<i>Domestic aid and development programs expenditure</i>		
<b>Domestic Programs</b>	<b>6,357</b>	<b>6,761</b>
<b>Community Education</b>	<b>787</b>	<b>676</b>
<b>Fundraising costs</b>	<b>1,797</b>	<b>1,775</b>
<b>Accountability and administration</b>	<b>624</b>	<b>608</b>
<b>Total domestic aid and development programs expenditure</b>	<b><u>9,565</u></b>	<b><u>9,820</u></b>
<b>Total Expenditure</b>	<b><u>85,303</u></b>	<b><u>79,629</u></b>
<b>Net surplus (deficit) of income over expenditure</b>	<b>(1,985)</b>	<b>(390)</b>
Other comprehensive income	-	-
<b>Net surplus/(deficit) for the period</b>	<b><u>(1,985)</u></b>	<b><u>(390)</u></b>

# The Fred Hollows Foundation

A.C.N. 070 556 642

## Notes to consolidated financial statements

For the year ended 31 December 2017

### 3 Summary of significant accounting policies

#### a. Current and non-current classification

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

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

All other assets are classified as non-current.

A liability is current when it is:

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

The Group classifies all other liabilities as non-current.

#### b. Cash and cash equivalents

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

#### c. Other interest bearing deposits

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

#### d. Trade and other receivables

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

#### e. Loan receivable

Loan receivable is a non-derivative financial asset with fixed or determinable payments that are not quoted in an active 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.

## The Fred Hollows Foundation

A.C.N. 070 556 642

### Notes to consolidated financial statements

For the year ended 31 December 2017

#### 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:

	2017
<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:

<b>Software and systems</b>	
<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 acquired</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.

# The Fred Hollows Foundation

A.C.N. 070 556 642

## Notes to consolidated financial statements

For the year ended 31 December 2017

### 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 national government 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 2017 year, the employer superannuation guarantee contribution rate of 9.5% is applied to salary, wages and fringe benefit amounts.

#### I. Revenue recognition

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

##### (i) Donation income and grants

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

##### (ii) Bequest

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

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

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

##### (iv) Dividend and interest

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.

# The Fred Hollows Foundation

A.C.N. 070 556 642

## Notes to consolidated financial statements

For the year ended 31 December 2017

### 3 Summary of significant accounting policies (continued)

#### m. Taxes (continued)

##### (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 26 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.

# The Fred Hollows Foundation

A.C.N. 070 556 642

## Notes to consolidated financial statements

For the year ended 31 December 2017

### 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.

#### t. Investment in associate (continued)

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.

### 4 Financial risk management objectives and policies

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

#### Risk exposures and responses

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

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

## The Fred Hollows Foundation

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### Notes to consolidated financial statements

For the year ended 31 December 2017

#### 4 Financial risk management objectives and policies (continued)

##### Risk exposures and responses (continued)

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

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

##### (a) Interest rate risk

The Group has no long-term borrowings and its exposure to risk on market interest rates relates primarily to its daily cash balances. The Group has a temporary overdraft facility with a fixed 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 Foundation reserves the right to limit the funding to the AUD budgeted amount.

##### (c) Price risk

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

##### (d) Credit risk

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

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

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

##### (e) Liquidity risk

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

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

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

##### (f) Fair value

The Group uses various methods in estimating the fair value of a financial instrument. These methods include: fair value using quoted prices in active markets; 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.

## The Fred Hollows Foundation

A.C.N. 070 556 642

### Notes to consolidated financial statements

For the year ended 31 December 2017

#### 4 Financial risk management objectives and policies (continued)

##### (f) Fair value (continued)

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

<b>5 Net gains or losses on investments at fair value</b>	<b>2017</b>	2016
	<b>\$000</b>	\$000
Dividend, interest, and market movements of investments	<u>1,454</u>	<u>730</u>

#### 6 Other income

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

Merchandise sales	<u>2017</u>	2016
	<b>\$000</b>	\$000
Gain (loss) on disposal of property, plant and equipment	(2)	(12)
Exchange gains/(losses)	(926)	(646)
Sundry receipts	<u>50</u>	<u>121</u>
	<u><b>(878)</b></u>	<u>(537)</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

	<b>2017</b>	2016
	<b>\$000</b>	\$000
Parent entity and consolidated subsidiaries, net of exchange gain (loss)	843	763
Other country programs	<u>193</u>	<u>255</u>
	<u><b>1,036</b></u>	<u>1,018</u>

The Statement of Financial Position includes an increase to accumulated depreciation and amortisation of \$841K (\$421K in Note 12b and \$420K in Note 13) for the year against a depreciation charge of \$843K 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

	<b>2017</b>	2016
	<b>\$000</b>	\$000
Minimum lease payments - operating lease	<u>1,372</u>	<u>1,243</u>
	<u><b>1,372</b></u>	<u>1,243</u>



## The Fred Hollows Foundation

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### Notes to consolidated financial statements

For the year ended 31 December 2017

<b>8 Trade and other receivables</b>		<b>2017</b>	2016
		<u>\$000</u>	\$000
Trade receivables		194	1,884
Country program advances	8(a)	2,624	3,226
Partner and equipment advances	8(b)	2,415	1,190
Dividend and interest receivables		50	228
GST receivable	8(c)	322	354
Others		<u>795</u>	<u>409</u>
		<u><b>6,400</b></u>	<u><b>7,291</b></u>

Trade receivables are non-interest bearing and are generally on 30-60 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. Other receivables include commitments from the United Kingdom's DFID (Department for International Development), and RTI International (Research Training Institute) for assistance on Foundation's projects; as well as security deposits on leases transacted during the year. As at balance date all trade receivables are current and collectible and no impairment provision has been recognised.

#### (a) 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 \$322K and \$ 354K as at balance date of 2017 and 2016 respectively.

<b>9 Investments at fair value</b>		<b>2017</b>	2016
		<u>\$000</u>	\$000
AMP Responsible Industry Leader Fund		13,401	12,139
Directly Held Listed Domestic Shares		<u>238</u>	<u>-</u>
		<u><b>13,639</b></u>	<u><b>12,139</b></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.

## The Fred Hollows Foundation

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### Notes to consolidated financial statements

For the year ended 31 December 2017

#### 10 Investment in an associate

The Foundation 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 Foundation'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 until Alina has completed one year of operations.

	<u>2017</u>	2016
	<u>\$000</u>	\$000
Current assets	4,452	-
Current liabilities	(357)	-
Equity	<u>4,095</u>	-
The Foundations' share and equity - 42.91% (2016-0%)	<u>1,757</u>	-
Carrying amount of the investment	<u>1,530</u>	-
Revenue	329	-
Operating expenses	<u>329</u>	-
Net income	<u>-</u>	-

#### 11 Loans to a strategic partner

	<u>2017</u>	2016
	<u>\$000</u>	\$000
Current	54	-
Non-current	<u>556</u>	-
	<u>610</u>	-

The Foundation 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 Foundation 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 Foundation. In June 2017, The Foundation 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 loan is for a total of AUD 610K with an interest rate of 1.53% per annum. Principal repayments including accrued interest will start on 1 July 2018. Schedule of payments will be at AUD27K for 4 quarters; AUD36K for 4 quarters, and a last payment of AUD198K in 1 July 2020.

#### 12 Property, plant and equipment

##### (a) Carrying amount as of balance date

	<u>2017</u>	2016
	<u>\$000</u>	\$000
Motor vehicles	184	118
Office furniture and equipment	1,894	1,298
Leasehold improvements	1,912	1,584
Accumulated depreciation	<u>(2,151)</u>	(1,714)
	<u>1,839</u>	1,286

## The Fred Hollows Foundation

A.C.N. 070 556 642

### Notes to consolidated financial statements

For the year ended 31 December 2017

#### 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 \$	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)
	<u>63</u>	<u>745</u>	<u>1,031</u>	<u>1,839</u>
As at 31 December 2017	<u>63</u>	<u>745</u>	<u>1,031</u>	<u>1,839</u>

##### (c) Reconciliation of carrying amounts at the beginning of the period

Movement in non-current assets

	Motor vehicles \$000	Office furniture & equipment \$	Leasehold improve- ments \$000	Total \$000
As at 1 January 2016 net of accumulated depreciation and impairment	11	529	958	1,498
Additions	-	154	78	232
Disposals, cost less accumulated depreciation	-	(21)	(14)	(35)
Depreciation charge for the year	(10)	(242)	(149)	(401)
Exchange differential in revaluing opening balance to closing exchange rates	(1)	(5)	(2)	(8)
	<u>-</u>	<u>415</u>	<u>871</u>	<u>1,286</u>
As at 31 December 2016	<u>-</u>	<u>415</u>	<u>871</u>	<u>1,286</u>

#### 13 Intangible assets

	2017 \$000	2016 \$000
<b>Software and systems</b>		
As at the start of the year	1,288	765
Additions	1,838	892
Disposals, cost less accumulated depreciation	-	(11)
Amortisation for the year	(420)	(358)
	<u>2,706</u>	<u>1,288</u>
As at end of the year	<u>2,706</u>	<u>1,288</u>

## The Fred Hollows Foundation

A.C.N. 070 556 642

### Notes to consolidated financial statements

For the year ended 31 December 2017

#### 14 Trade and other payables

	2017	2016
	<u>\$000</u>	<u>\$000</u>
Trade payables	2,952	3,055
Accrued expenses	2,210	1,197
Tax liabilities	4	(2)
Other Creditors	148	130
	<u>5,314</u>	<u>4,380</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.

	2017	2016
	<u>\$000</u>	<u>\$000</u>
Government grants	4,516	3,365
Other grants	4,250	2,016
	<u>8,766</u>	<u>5,381</u>

#### 16 Provisions

##### (a) Current as at 31 December

	2017	2016
	<u>\$000</u>	<u>\$000</u>
Annual leave	1,216	1,086
Long service leave	393	340
Total current provisions	<u>1,609</u>	<u>1,426</u>

##### (b) Non current as at 31 December

As at 1 January	264	244
Utilised	(31)	(38)
Accrued during period	125	58
As at 31 December	<u>358</u>	<u>264</u>

## The Fred Hollows Foundation

A.C.N. 070 556 642

### Notes to consolidated financial statements

For the year ended 31 December 2017

#### 17 Lease commitments and deferred lease liability

	2017	2016
	<u>\$000</u>	<u>\$000</u>
Within one year	1,475	1,181
After one year but not more than five years	2,750	3,239
After more than five years	-	-
Total minimum lease payments	<u>4,225</u>	<u>4,420</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, Hong Kong and the United Kingdom.

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

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. Also during 2017, The Foundation has obtained an extra lease of Lower Ground at its current head office at Rosebery, NSW. The lease termination will coincide with that of the main lease in January 2021. As at balance date the rent free balances of all leases are \$389K (\$400K in 2016), and are shown in the Statement of financial position as deferred liability.

#### 18 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.

#### 19 Key Management Personnel

	2017	2016
	<u>\$000</u>	<u>\$000</u>
Compensation of key management personnel of the Group:		
Short-term employee benefits	969	951
Other long-term employee benefits	<u>80</u>	<u>78</u>
	<u>1,049</u>	<u>1,029</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.

#### 20 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.

#### 21 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 \$6,700 in the event of the company being wound up.

# The Fred Hollows Foundation

A.C.N. 070 556 642

## Notes to consolidated financial statements

For the year ended 31 December 2017

### 22 ACFID Code of Conduct

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

### 23 Related party disclosure

	<u>2017</u>	<u>2016</u>
	<b>\$000</b>	\$000
The Fred Hollows Foundation New Zealand (FHF NZ)	677	615
The Fred Hollows Foundation (Hong Kong)	820	586
The Fred Hollows Foundation (Kenya)	2,377	2,176
The Fred Hollows Foundation (UK)	<u>870</u>	<u>812</u>
	<u><b>4,744</b></u>	<u>4,189</u>

The Fred Hollows Foundation New Zealand (FHF NZ) operate under licensing agreement with The Fred Hollows Foundation (FHF). FHF funds partly its program activities: \$677K in 2017 and \$615K in 2016, Funding were also given to support the programs of The Foundation's subsidiaries in Hong Kong, Kenya and UK.

### 24 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 2017.

### 25 Auditors remuneration

	<u>2017</u>	<u>2016</u>
	<b>\$000</b>	\$000
For audit or review of financial report		
Ernst & Young (Australia) Ltd.	100	83
Ernst & Young Overseas	119	95
Non- Ernst & Young audit firms	<u>52</u>	<u>61</u>
	<u><b>271</b></u>	<u>239</u>

The Group's auditors are Ernst & Young Australia.

## The Fred Hollows Foundation

A.C.N. 070 556 642

### Notes to consolidated financial statements

For the year ended 31 December 2017

#### 26 Information furnished under the Charitable Fundraising Act

The following information related to the Parent entity only and is a requirement of the Charitable Fundraising Act 1991.

##### a. Details of aggregate gross income and total expenditure of fundraising appeals

	2017	2016
<b>Proceeds from fundraising appeals</b>	<b>\$000</b>	\$000
Donations	47,939	44,628
Bequests	17,348	11,232
Gross proceeds from fundraising appeals	<u>65,287</u>	<u>55,860</u>
<b>Direct costs of fundraising appeals</b>		
Donations	15,702	14,122
Bequests	180	162
Cost of raising Government funds	142	126
Total direct costs of fundraising appeals	<u>16,024</u>	<u>14,410</u>
Net surplus from fundraising appeals	<u><u>49,263</u></u>	<u><u>41,450</u></u>

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

Net surplus obtained from fundraising appeals	<u>49,263</u>	<u>41,450</u>
Applied for charitable purposes as follows:		
Office administration	<u>5,563</u>	<u>4,936</u>
Costs of direct services:		
Community education	7,018	5,488
International programs	50,341	48,033
Indigenous programs	6,357	6,761
	<u>63,716</u>	<u>60,282</u>
Total expenditure	<u>69,279</u>	<u>65,218</u>
Shortfall	<u>(20,016)</u>	<u>(23,768)</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)	5,778	7,541
Other government grants	515	626
Other overseas grants	11,203	15,081
Investment income	1,419	730
Other income	(885)	(600)
	<u>18,030</u>	<u>23,378</u>
Shortfall funded by Accumulated Surpluses	<u><u>(1,986)</u></u>	<u><u>(390)</u></u>

## The Fred Hollows Foundation

A.C.N. 070 556 642

### Notes to consolidated financial statements

For the year ended 31 December 2017

#### 26 Information furnished under the Charitable Fundraising Act (continued)

##### d. Comparison by monetary figures and percentages

	2017	2016
	<b>\$000</b>	\$000
Gross proceeds from fundraising appeals	<b>65,287</b>	55,860
Total direct costs of fundraising appeals	<b>16,024</b>	14,410
Total direct costs of fundraising as a percentage of gross proceeds from fundraising appeals	<b>25%</b>	26%
Net surplus from fundraising appeals	<b>49,263</b>	41,450
Net surplus from fundraising as a percentage of gross proceeds from fundraising appeals	<b>75%</b>	74%
Total cost of direct services	<b>63,715</b>	60,281
Total expenditure (excluding direct cost of fundraising appeals)	<b>69,279</b>	65,218
Total costs of direct services as a percentage of total expenditure	<b>92%</b>	92%
Total income received (including net profit from fundraising appeals)	<b>49,263</b>	41,450
Total cost of direct services as a percentage of total income received	<b>129%</b>	145%

##### (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:

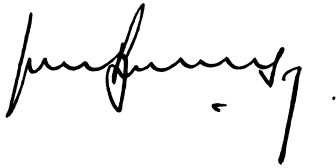
In the opinion of the directors:

(a) the financial statements and notes of The Fred Hollows Foundation and its subsidiaries (the Group) for the financial year ended 31 December 2017 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 2017 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 flourish at the end.

John Brumby, AO  
Chair

Date: 27 March 2018  
Sydney, NSW Australia



# Statement by Principal Officer

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

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

(a) the Consolidated statement of comprehensive income gives a true and fair view of all revenue and expenditure of The Fred Hollows Foundation and its subsidiaries (the Group) with respect to fundraising appeals; and

(b) the Consolidated statement of financial position gives a true and fair view of the state of affairs with respect to fundraising appeals conducted by the Group; and

(c) the provisions of the *Charitable Fundraising Act 1991*, the regulations under that Act and the conditions attached to the authority have been complied with by the Group; and

(d) the internal controls exercised by the Group are appropriate and effective in accounting for all income received and applied by the organisation from any of its fundraising appeals of its fundraising appeals.

on behalf of The Fred Hollows Foundation and its subsidiaries.



Graham Skeates  
Director  
Date: 27 March 2018  
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 2017, 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 2017 and of its consolidated financial performance for the year ended on that date; and
- b) complying with Australian Accounting Standards - Reduced Disclosure Requirements and the *Australian Charities and Not-for-Profits Commission Regulation 2013*.

#### Basis for Opinion

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

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

#### Responsibilities of the Directors for the Financial Report

The directors of the Group 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)

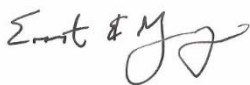
We have audited the financial report as required by Section 24(2) of the *NSW Charitable Fundraising Act 1991* and the *WA Charitable Collections Act (1946)*. Our procedures included obtaining an understanding of the internal control structure for fundraising appeal activities and examination, on a test 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 2017, in all material respects, in accordance with:
  - i. sections 20(1), 22(1-2), 24(1-3) of the NSW Charitable Fundraising Act 1991;
  - ii. sections 10(6) and 11 of the NSW Charitable Fundraising Regulations 2015;
  - iii. the WA Charitable Collections Act (1946); and
  - iv. the WA Charitable Collections Regulations (1947).
- b) the money received as a result of fundraising appeals conducted by the group during the financial year ended 31 December 2017 has been properly accounted for and applied, in all material respects, in accordance with the above mentioned Act(s) and Regulations.



Ernst & Young



Kieren Cummings  
Engagement Partner  
Sydney  
27 March 2017