

**The Fred Hollows  
Foundation**

## **2010 General Purpose Financial Statements**

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## The Fred Hollows Foundation

A.C.N. 070 556 642

# Directors' Report

The Directors of Fred Hollows Foundation submit their report for the year ended 31 December 2010.

### BOARD OF DIRECTORS

The names of the Directors in office during the financial year and until the date of this report are as follows.

Name	Position	Experience & Professional Background
Les Fallick Chairman (Director from May 2010)	Chair of the Board (from May 2010); Chair of the Governance and Nominations Committee and Ex -Officio Member of the Finance and Audit Committee (from May 2010)	Director, Principle Advisory Services
Andrew Want (Director from 2003; Chair from May 2007; resigned May 2010)	Chair of the Board (to May 2010); Chair of Governance and Nominations Committee and member of the Finance and Audit Committee (to May 2010)	Principal, Rounding Mark Pty Ltd
Michael Johnson (Director from May 1992 to May 2005; and then from May 2006)	Vice-Chair of the Board; Member of the Finance and Audit Committee and the Governance and Nominations Committee	Associate Professor, School of Social Science and International Studies, University of NSW
Graham Skeates (Director from May 2010)	Treasurer and Chair of the Finance and Audit Committee (from May 2010)	Chartered Accountant
Howard Davies (Director from May 1998)	Treasurer and Chair of the Finance and Audit Committee (until May 2010); Member of the Governance and Nominations Committee; Director of FHF NZ and FHF UK	Director of Analoufi Pty Ltd
Robert Dalziel (Director from May 2004)	Honorary Secretary; Member of the Governance and Nominations Committee	Company Director
Sarah Elliott (Director from May 2005)	Chair of the Program Advisory Committee; Member of the Finance and Audit Committee	Principal Policy Officer, Department of Housing Services, NSW
Gabi Hollows (Director from April 1995)	Founding Director	Orthoptist
Brent Impey (Director from March 2009)	Director FHF NZ	Lawyer and with extensive experience in media companies
Jamie La Nauze (Director from May 2010)	Chair of the Medical Advisory Committee	Ophthalmologist
Mary Kostakidis (Director from May 2008)	Member of the Governance and Nominations Committee	Commentator and human rights activist with extensive media experience
Romlie Mokak (Director from May 2008)	Member of Program Advisory Committee	CEO, Australian Indigenous Doctors Association
David Moran (Director from May 2005; resigned May 2010)	Chair of the Medical Advisory Committee (until May 2010)	Ophthalmologist
Stephanie Young (Director from May 2006)	Member of the Medical Advisory Committee and the Governance and Nominations Committee	Ophthalmologist and Medical Officer at Concord Repatriation General Hospital

## **OBJECTIVES, STRATEGIES , PRINCIPAL ACTIVITIES AND PERFORMANCE MEASURES**

The Foundation is an independent, non-profit, non-political and secular development agency that aims to eliminate avoidable blindness in developing countries and improve the health and life expectancy of Indigenous Australians.

In 2010 The Foundation's strategic objectives were to:

- end avoidable blindness by 2020 in the countries and communities in which it works
- 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.

The following key activities contributed in achieving The Foundation's objectives in 2010:

- undertaking more than 130 eye health projects in 18 countries in Africa and Asia
- supporting 194,903 eye operations and treatments
- training just under 13,000 medical and support staff
- building or upgrading 41 eye health units and facilities
- holding two intensive eye surgery weeks in Alice Springs for Indigenous patients
- supporting optometry and spectacle services in more than 55 Indigenous communities
- trialling a nutritional supplement to combat iron deficiency in Indigenous infants
- conducting professional and effective marketing and fundraising activities
- implementing enhanced financial management and information technology systems.

The Foundation has a comprehensive set of Key Performance Indicators (KPIs), developed by Management and approved by the Board, to measure its performance at periodic intervals. The KPIs span two years, are regularly reviewed and a formal Results Report is produced at the end of the period.

## **OPERATING RESULTS FOR THE YEAR**

The gross operating revenue of The Foundation was \$38,643,254 (2009: \$29,891,685) and expenses of \$35,557,596 (2009: \$25,997,696) resulting in operating surplus of \$3,085,658 (2009: \$3,893,989). Total equity as at 31 December 2010 stood at \$16,233,678 (2009: \$13,148,019). The cash balance including term-deposits was \$11,738,770 (2009: \$8,706,557).

## **SIGNIFICANT CHANGES IN STATE OF AFFAIRS**

There have been no significant changes in the state of affairs of The Foundation during the year.

## **SIGNIFICANT EVENTS AFTER THE BALANCE DATE**

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

## **INDEMNIFICATION AND INSURANCE OF DIRECTORS**

The Foundation held Directors and Officers Liability cover during 2010. The amount of cover is reviewed periodically.

## **DIRECTORS' MEETINGS**

The Board met five times in 2010, and its Finance and Audit Committee met five times. Other Board Committees met regularly or as the need arose.

The number of meetings of Directors (including meetings of Board Committees) held during 2010 and the number of meetings attended by each Director, are set out in the following table. Note that two Directors (Andrew Want and David Moran) resigned and two new Directors (Jamie La Nauze and Graham Skeates) were elected during the course of the year.

	Full Board	Finance and Audit Committee	Program Advisory Committee	Medical Advisory Committee	Nominations Committee
<b>No. of meetings</b>	5	5	5	2	3
<b>No. of meetings attended</b>					
Les Fallick (Chair from May 2010)	4 (out of possible 4)	4 (out of possible 4)	N/A	N/A	2 (out of possible 2)
Andrew Want (Chair to May 2010)	1 (out of possible 1)	N/A	N/A	N/A	1 (out of possible 1)
Michael Johnson (Vice-Chair)	5	5	N/A	N/A	3
Graham Skeates (Treasurer from May 2010)	4 (out of possible 4)	5	N/A	N/A	N/A
Howard Davies	4	4	N/A	N/A	3
Robert Dalziel	5	N/A	N/A	N/A	3
Sarah Elliott	4	4	5	N/A	N/A
Gabi Hollows	5	N/A	N/A	N/A	N/A
Brent Imprey	3 (out of a possible 4)	N/A	N/A	N/A	N/A
Mary Kostakidis	5	N/A	N/A	N/A	3
Romlie Mokak	3	N/A	3	N/A	N/A
David Moran	1 (out of possible 1)	N/A	N/A	1 (out of possible 1)	N/A
Jamie La Nauze	3 (out of possible 3)	N/A	N/A	2	N/A
Stephanie Young	5	N/A	N/A	2	1

#### LIMITATION OF MEMBERS LIABILITY

The Fred Hollows Foundation is a company limited by guarantee and in accordance with its Constitution, in the event that The Fred Hollows Foundation being wound up, the liability of its 166 members at balance date will not exceed a total of \$332 for all members or \$2.00 per member.

#### AUDITOR'S INDEPENDENCE

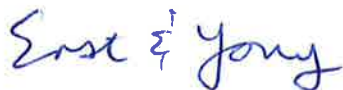
The Directors have received an independent declaration from the auditor of The Fred Hollows Foundation, Ernst & Young.

*Signed in accordance with a resolution of the Directors.*


**Les Fallick**  
**Chair**  
**7 April 2011**  
**Sydney, NSW Australia**

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

In relation to our audit of the financial report of The Fred Hollows Foundation for the period ended 31 December 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

A handwritten signature in blue ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in blue ink, appearing to be 'Nigel Stevenson'.

Nigel Stevenson  
Partner  
Sydney,  
7 April 2011

**Statement of comprehensive income**

For the year ended 31 December 2010

	Notes	2010 \$	2009 \$
<b>INCOME FROM CONTINUING OPERATIONS</b>			
<b>Community and corporate support</b>			
Donations and gifts			
- Monetary		21,122,498	16,448,088
Bequests and legacies		8,703,822	7,379,460
<b>Grants</b>			
- AusAID		5,710,432	3,180,198
- Other Australian government		331,009	577,533
- Other overseas		-	128,946
- Corporate/trusts		2,555,380	1,642,753
Net gains/(losses) on investments at fair value	5	247,628	557,817
Other income	6	(27,515)	(23,110)
Total income		<u>38,643,254</u>	<u>29,891,685</u>
<b>EXPENDITURE FROM CONTINUING OPERATIONS</b>			
<b>Program costs</b>			
<i>International aid and development programs expenditure</i>			
<b>International Programs</b>			
- Funds to international programs		14,502,386	9,842,250
- Program support costs		3,953,702	2,986,219
<b>Community education</b>		1,655,798	1,037,444
<b>Fundraising costs</b>			
- Public fundraising		5,328,576	3,582,591
- Government, multilateral and private		62,420	55,923
<b>Accountability and administration</b>		1,576,687	1,331,389
<i>Total international aid and development programs expenditure</i>		<u>27,079,569</u>	<u>18,835,815</u>
<i>Domestic aid and development programs expenditure</i>			
<b>Domestic Programs</b>		5,778,202	4,877,727
<b>Community Education</b>		518,394	394,464
<b>Fundraising costs</b>		1,687,804	1,383,460
<b>Accountability and administration</b>		493,627	506,230
<i>Total domestic aid and development programs expenditure</i>		<u>8,478,027</u>	<u>7,161,881</u>
<b>Total Expenditure</b>		35,557,596	25,997,696
Other comprehensive income		-	-
<b>Net surplus/(deficit) for the period</b>		<u><u>3,085,658</u></u>	<u><u>3,893,989</u></u>

Notes:

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

The Fred Hollows Foundation  
A.C.N. 070 556 642  
**Statement of financial position**  
As at 31 December 2010

	Note	2010	2009
		\$	\$
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents		3,384,210	8,366,308
Other interest bearing deposits		8,354,561	340,249
Trade and other receivables		4,015,908	1,664,758
Prepayments		365,317	173,547
<b>Total current assets</b>		<b>16,119,996</b>	<b>10,544,862</b>
<b>Non-current assets</b>			
Financial assets at fair value	9	7,245,020	5,960,400
Property, plant and equipment	10	1,956,553	1,464,206
<b>Total non-current assets</b>		<b>9,201,574</b>	<b>7,424,606</b>
<b>TOTAL ASSETS</b>		<b>25,321,569</b>	<b>17,969,468</b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	11	7,937,465	3,409,384
Borrowings	12	281,581	456,429
Provisions	13	549,849	444,243
<b>Total current liabilities</b>		<b>8,768,895</b>	<b>4,310,056</b>
<b>Non-current liabilities</b>			
Borrowings	12	-	281,581
Provisions	13	91,203	75,360
Deferred liability	15	227,793	154,452
<b>Total non-current liabilities</b>		<b>318,996</b>	<b>511,393</b>
<b>TOTAL LIABILITIES</b>		<b>9,087,891</b>	<b>4,821,449</b>
<b>NET ASSETS</b>		<b>16,233,678</b>	<b>13,148,019</b>
<b>EQUITY</b>			
Accumulated funds		16,233,678	13,148,019
<b>TOTAL EQUITY</b>		<b>16,233,678</b>	<b>13,148,019</b>

Notes:

- (a) There are no net tax liabilities. See related Notes 8 and 11.
- (b) Items having nil balances in 2009 and 2010 are not shown above. See Note 18.
- (c) The 2009 assets and liabilities have been regrouped as required.
- (d) The above Statement of financial position should be read in conjunction with accompanying notes.



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

**Statement of cash flows**

For the year ended 31 December 2010

	<b>2010</b>	2009
	<b>\$</b>	\$
<b>Cash flows from operating activities</b>		
Receipt from donors	<b>18,153,270</b>	17,034,441
Receipts from bequests	<b>7,649,125</b>	7,352,892
Receipt of government grants	<b>9,977,954</b>	4,800,191
Receipt of international corporate donations	<b>3,370,077</b>	1,842,899
Payment of program expenditures	<b>(20,961,121)</b>	(15,560,322)
Payment to suppliers and employees	<b>(13,813,314)</b>	(10,603,511)
Others	<b>(184,145)</b>	112,245
<b>Net cash flows from/(used in) operating activities</b>	<b>4,191,846</b>	4,978,835
<b>Cash flows from investing activities</b>		
Acquisition of plant and equipment	<b>(881,880)</b>	(1,326,663)
Disposal of plant and equipment	<b>30,000</b>	39,968
Purchase of financial assets at fair value	<b>(6,650,000)</b>	(2,985,254)
Disposal of financial assets at fair value	<b>6,320,827</b>	2,780,662
Purchase of other interest bearing deposits	<b>(8,014,312)</b>	-
Interest received	<b>311,843</b>	21,148
Dividends received	<b>203,795</b>	602,406
<b>Net cash flows from/(used in) investing activities</b>	<b>(8,679,726)</b>	(867,732)
<b>Cash flows from financing activities</b>		
Receipt of bank loan	-	924,288
Repayment of bank loan- principal	<b>(456,429)</b>	(186,278)
Repayment of bank loan- interest	<b>(37,789)</b>	(24,444)
<b>Net cash flows from/(used in) financing activities</b>	<b>(494,218)</b>	713,566
Net increase/(decrease) in cash and cash equivalents	<b>(4,982,098)</b>	4,824,669
Cash and cash equivalents at beginning of the period	<b>8,366,308</b>	3,541,639
<b>Cash and cash equivalents at end of the period</b>	<b>3,384,209</b>	8,366,308

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

The Fred Hollows Foundation  
A.C.N. 070 556 642  
**Statement of changes in equity**  
For the year ended 31 December 2010

	Accumulated funds \$	Future project reserve \$	Total \$
Balance at 1 January 2010	<b>13,148,019</b>		<b>13,148,019</b>
Surplus for the year	<b>3,085,658</b>		<b>3,085,658</b>
Other comprehensive income			
Total comprehensive income for the period	<b>3,085,658</b>		<b>3,085,658</b>
As at 31 December 2010	<b>16,233,677</b>	-	<b>16,233,677</b>

	Accumulated funds \$	Future project reserve \$	Total \$
Balance at 1 January 2009	6,418,981	2,835,049	9,254,030
Surplus for the year	3,893,989		3,893,989
Other comprehensive income			
Total comprehensive income for the period	3,893,989		3,893,989
Transfer from reserve	2,835,049		2,835,049
Transfer to accumulated funds		(2,835,049)	(2,835,049)
As at 31 December 2009	13,148,019	-	13,148,019

(a) The above 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 financial statements

Year ended 31 December 2010

### 1 Corporate information

The financial report of The Fred Hollows Foundation for the year ended 31 December 2010 was authorised in accordance with a resolution of the Directors on ?? April 2011.

### 2 New accounting standards

The Foundation has adopted new and amended Australian Accounting Standards (AAS) and Australian Accounting Standard Board (AASB) interpretations that are effective for annual reporting periods commencing 1 January 2010.

Except as described below, Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by The Foundation for the annual reporting period ended 31 December 2010. The impact of these standards and interpretations has been assessed and they are not expected to have a material effect on The Foundation.

The Foundation has elected to early adopt the following accounting standards and amendments, issued by the AASB and the Corporate Reporting Reform Act:

- AASB 1053 -Application of Tiers of Australian Accounting Standards (AAS)
- AASB 2010-2 Amendments to AAS Arising from Reduced Reporting Requirements

Both standards are applicable to annual reporting periods beginning after 1 July 2013 but with discretion to be adopted from 1 January 2010. Specifically The Foundation chose the Reduced Disclosure Regime Tier 2 of the reporting requirements available for all not-for-profit sector. This in effect has reduced the disclosures of this report specifically that relates to:

- Financial risk management objectives and policies
- Break-up of net gains or losses on investments
- Fair value and credit/foreign exchange risks of trade and other receivables as well as trade and other payables
- Cash flow statement reconciliation
- Key management personnel
- Auditors' remuneration

### 3 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 1091 and the Australian Council for International Development (ACFID) Code of Conduct have also been complied with. The financial report has been prepared in accordance with the historical cost convention except for the investments which are measured at fair value,

#### (b) Statement of Compliance

The financial report complies with Australian Accounting Standards - Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASBs).

# The Fred Hollows Foundation

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## Notes to financial statements

Year ended 31 December 2010

### 3 Summary of significant accounting policies

#### (c) Cash and cash equivalents

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

#### (d) Other interest bearing deposits

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

#### (e) Trade and other receivables

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

#### (f) Financial Assets

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

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

##### Investments at fair value

Investments at fair value refers to "Investments at fair value through profit and loss". These consist of:

- 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,

#### (g) Impairment

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

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

#### (h) Property, Plant and equipment

##### (i) Cost and valuation

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

##### (ii) Depreciation

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

	2010	2009
Motor vehicles	3-5 years	3-5 years
Office machines and equipment	3-10 years	3-10 years
Office furniture and equipment	3-10 years	3-10 years
Leasehold improvements	5-15 years	5-15 years

# The Fred Hollows Foundation

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## Notes to financial statements

Year ended 31 December 2010

### 3 Summary of significant accounting policies

#### (h) Property, Plant and equipment

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

##### (iii) Derecognition

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

#### (i) Trade and other payables

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

#### (j) Borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. After initial recognition, borrowings are subsequently measured at amortised cost using the effective interest method.

Borrowings are classified as current liabilities unless The Foundation has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date, in which case borrowings are classified as non-current liabilities.

#### (k) Provisions

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

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

##### Employee benefits

###### (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.

#### (l) Revenue recognition

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

# The Fred Hollows Foundation

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## Notes to financial statements

Year ended 31 December 2010

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

#### (l) Revenue recognition (continued)

##### 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.

##### Net gains or losses on financial instruments at fair value

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

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

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

#### (m) 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 recognised net of the amount of GST except:

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

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

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

#### (n) Foreign currency translations

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

Transactions in foreign currency are recorded at exchange rate at the time of the transaction.

#### (o) Fundraising activities

As a charitable institution, The Foundation has requirements under the Charitable Fundraising Act 1991. This act provides the manner in which fundraising appeals are conducted, controlled and reported. These are shown in Note 18 of the financial statements.

# The Fred Hollows Foundation

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## Notes to financial statements

Year ended 31 December 2010

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

#### (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.

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

#### (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.

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

#### Valuation of investments

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

#### 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.

#### (s) Indigenous program assets and liabilities

The assets and liabilities of The Foundation's Indigenous program were historically reflected in The Foundation's statements on a net assets basis. In 2010 the assets and liabilities of the Indigenous program are separately disclosed. The net assets of the Indigenous program at 31 December 2009 have been accordingly reclassified to specific assets and liabilities of The Foundation. This reclassification has had no impact on the valuation of The Foundation's financial assets and liabilities and therefore required no adjustment to the net assets.

# The Fred Hollows Foundation

A.C.N. 070 556 642

## Notes to financial statements

Year ended 31 December 2010

### 4 Financial risk management objectives and policies

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

#### Risk exposures and responses

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

The Foundation enters into forward currency contracts to support budget commitments to its international programs.

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

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

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

#### *(i) Interest rate risk*

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

#### *(ii) Foreign currency risk*

The Foundation operates to eradicate blindness globally and as such many of its program expenses are in US Dollars. As a result, The Foundation periodically enters into forward foreign exchange contracts to limit its exposure on planned project expenditure and the impact of currency exchange volatility. These contracts were closed out at or before year end and any differences with spot market foreign exchange rates are reflected in net gains or losses on financial assets in Australian Dollars.

#### *(iii) Price risk*

The Foundation's investment in equity securities are subject to price risk. To limit this risk The Foundation has a policy to diversify its portfolio ensuring the majority of the equity investments are of a high quality and are publicly traded.

#### *(iv) Credit risk*

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

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



# The Fred Hollows Foundation

A.C.N. 070 556 642

## Notes to financial statements

Year ended 31 December 2010

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

#### Risk exposures and responses (continued)

##### (iv) Credit risk (continued)

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

##### (v) Liquidity risk

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

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

The Foundation manages its liquidity risk by monitoring the total cash inflows and outflows expected on a monthly basis. The Foundation also controls its liquidity risk through investment in financial instruments, which under normal market conditions are readily convertible to cash. In addition, the Foundation maintains sufficient cash to meet worldwide programs' normal operating requirements.

##### (vi) Fair value

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

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

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

	2010	2009
<b>5 Net gains or losses on investments at fair value</b>	<b>\$</b>	<b>\$</b>
Dividend, interest, realised and unrealised gains/losses on FX contracts and investments	<u><b>247,628</b></u>	<u>557,817</u>

The Foundation periodically enters into forward foreign exchange contracts to limit its exposure on planned project expenditure and the impact of currency exchange volatility. In the year under review, exchange rates moved favourably for The Foundation. This resulted in lower than planned expenditures that offset the costs incurred for the protection against adverse currency movements. Protection against adverse currency movements versus the actual movements for the year resulted in a cost of foreign currency of \$282,763.

# The Fred Hollows Foundation

A.C.N. 070 556 642

## Notes to financial statements

Year ended 31 December 2010

### 6 Other income

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

### 7 Expenses

	2010	2009
	\$	\$
<b>(a) Finance costs</b>		
Interest on bank borrowings	37,789	24,444
	<u>37,789</u>	<u>24,444</u>

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

Depreciation	366,261	256,760
	<u>366,261</u>	<u>256,760</u>

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

Minimum lease payments - operating lease	541,817	298,421
Contingent rentals	-	-
	<u>541,817</u>	<u>298,421</u>

### 8 Trade and other receivables

	2010	2009
	\$	\$
Trade receivables	2,970,233	1,005
Receivables from related parties	8(a) 627,755	764,073
Avoidable Blindness Initiative (ABI) consortium	(1,965)	42,671
Dividend and interest receivables	173,963	59,961
GST receivable	8(b) 210,102	293,458
Others	35,820	503,590
	<u>4,015,908</u>	<u>1,664,758</u>

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

#### (a) Receivables from related parties

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

#### (b) Net tax liability

At reporting dates the net GST is a receivable per Note 8. Other tax liabilities (PAYG and FBT) are shown separately in Note 11. The net of GST and other tax liabilities were a receivable of \$110,690 and \$106,267 as at balance date of 2010 and 2009 respectively.

## The Fred Hollows Foundation

A.C.N. 070 556 642

### Notes to financial statements

Year ended 31 December 2010

	2010	2009
	\$	\$
<b>9 Financial assets at fair value</b>		
AMP Responsible Industry Leader Fund	6,959,312	-
ANZ Endowment Fund	182,538	203,532
Directly Held Listed Domestic Shares	54,554	-
Queensland Community Foundation	10,127	9,409
JB Were portfolio investment		
- Fixed Interest	-	253,685
- Property	-	54,120
- Equities:		
- Domestic	-	3,765,508
- International	-	1,416,923
- International Managed Funds	38,489	257,223
	<b>7,245,020</b>	<b>5,960,400</b>

AMP Responsible Industry Leader Fund represents investments in diversified portfolio across all asset types with emphasis on growth assets (shares and property) where the Foundation holds interest expressed in units. The new investment manager has been selected by the Finance and Audit Committee from a range of investment managers.

ANZ Endowment Fund is payable on demand. Queensland Community funds are held in trust for perpetuity. investments in JB Were are remnants of shares to be settled within 2011.

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

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

#### 10 Property, plant and equipment

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

	2010	2009
	\$	\$
Motor vehicles	20,638	-
Office furniture and equipment	1,738,725	1,253,206
Leasehold improvements	955,942	650,243
Accumulated depreciation	(758,752)	(439,243)
	<b>1,956,553</b>	<b>1,464,206</b>

# The Fred Hollows Foundation

A.C.N. 070 556 642

## Notes to financial statements

Year ended 31 December 2010

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

Movement in non-current assets

	Motor vehicles \$	Office furniture & equipment \$	Leasehold improve- ments \$	Total \$
As at 1 January 2010 net of accumulated depreciation and impairment	-	838,474	625,732	1,464,206
Reclassifications	-	(20,529)	20,529	-
Additions	40,781	555,543	285,556	881,880
Disposals, cost less accumulated depreciation	(15,972)	(6,034)	(1,266)	(23,272)
Depreciation charge for the year	(6,022)	(283,523)	(76,716)	(366,261)
	<u>18,787</u>	<u>1,083,931</u>	<u>853,835</u>	<u>1,956,553</u>

	Motor vehicles \$	Office furniture & equipment \$	Leasehold improve- ments \$	Total \$
As at 1 January 2009 net of accumulated depreciation and impairment	34,694	456,438	37,015	528,147
Additions	7,972	668,448	650,243	1,326,663
Disposals, cost less accumulated depreciation	(39,819)	(58,659)	(37,015)	(135,493)
Depreciation charge for the year	(2,847)	(227,753)	(24,510)	(255,110)
	<u>-</u>	<u>838,474</u>	<u>625,732</u>	<u>1,464,206</u>

11 Trade and other payables	2010 \$	2009 \$
Trade payables	857,751	476,429
Accrued expenses	186,896	277,356
Deferred grants:		
- Government grants	5,056,421	929,612
- Other grants	1,447,842	1,074,393
Tax liabilities	99,411	187,191
Other Creditors	289,144	464,403
	<u>7,937,465</u>	<u>3,409,384</u>

### (a) Government grants

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

### (b) Tax liabilities

Tax liabilities are credit balance of PAYG and fringe benefits tax liabilities. There is no liability for GST since GST payments are shown under GST Receivable under Note 8.

### (c) Other payables

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

# The Fred Hollows Foundation

A.C.N. 070 556 642

## Notes to financial statements

Year ended 31 December 2010

<b>12 Borrowings</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Obligations under mortgage		
Current	<b>281,581</b>	456,429
Non-current	-	281,581
	<b>281,581</b>	<b>738,010</b>

### (a) Loan contract

In July 2009, The Foundation moved its principal office to Rosebery to accommodate an expansion in staffing and operations and entered into mortgage contract to finance the move as well as the fit out of new workstations and the purchase of new furniture. The total contracted amount is \$924,288 payable in 24 monthly installments of \$41,185 commencing on 1 September 2009. The loan will be fully repaid in 2011.

<b>13 Provisions</b>	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
<b>(a) Current</b>		
<b>Annual leave</b>		
As at 31 December	<b>488,568</b>	411,445
<b>Long service leave</b>		
As at 31 December	<b>61,281</b>	32,798
<b>Total current provisions</b>		
As at 31 December	<b>549,849</b>	444,243
<b>(b) Non current</b>		
<b>Long service leave</b>		
As at 31 December	<b>91,202</b>	75,360

### 14 Key management personnel

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

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

	<b>2010</b>	<b>2009</b>
	<b>\$</b>	<b>\$</b>
Short-term employee benefits	<b>435,461</b>	403,721
Other long-term employee benefits	<b>20,569</b>	32,252
	<b>456,030</b>	<b>435,973</b>

#### Executives

B. Doolan

E. Hounslow

# The Fred Hollows Foundation

A.C.N. 070 556 642

## Notes to financial statements

Year ended 31 December 2010

### 15 Leasing commitments

The Foundation has moved its principal office to Rosebery to accommodate an expansion in staffing and operations and as such entered into a commercial lease for six years from 1 May 2009 to 21 January 2016 with four month free rental.

In Darwin, The Foundation also moved its main office to Casuarina to accommodate further expansion and as such entered into a commercial lease for five years from 1 April 2010 to 31 March 2015 (with option for further five years) and with four-month free rental. The Foundation also has existing operating leases on motor vehicles and other premises in Melbourne, Brisbane and The Northern Territory. These leases have an average life of between one and four years with no renewal option included in the contracts. There are no restrictions placed upon the lessee by entering into these leases.

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

	2010	2009
	\$	\$
Within one year	686,621	574,035
After one year but not more than five years	2,236,128	2,297,419
After more than five years	23,032	31,923
Total minimum lease payments	<u>2,922,748</u>	<u>2,871,454</u>

The balances of the rent free amounts have been determined and brought to account at balance date, as well as recognition of future rental increases during the term of the lease. As at balance date these amounts are \$227,793 (\$154,452 in 2009), and are shown in the Statement of financial position as deferred liability.

### 16 Events subsequent to reporting date

The Directors are now aware of any material events occurring after balance date of this report that would require further disclosure in these financial statements.

### 17 Limitation of members' liability

The 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 \$2.00 per member.

### 18 ACFID Code of Conduct

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

# The Fred Hollows Foundation

A.C.N. 070 556 642

## Notes to financial statements

Year ended 31 December 2010

### 19 Auditors remuneration

The terms of engagement of auditors have changed into 2010 to fees for services from pro bono basis in the previous years.

### 20 Information furnished under the Charitable Fundraising Act 1991

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

	2010	2009
	\$	\$
<b><u>Proceeds from fundraising appeals</u></b>		
Donations	12,711,665	11,566,158
Functions and special events	301,497	238,533
Bequests	8,703,822	7,379,460
Miracle Club	8,109,336	4,643,397
Gross proceeds from fundraising appeals	<u>29,826,320</u>	<u>23,827,548</u>

#### **Direct costs of fundraising appeals**

Donations	6,434,746	4,120,076
Functions and special events	5,366	191,706
Bequests	213,298	246,020
Miracle Club	343,429	384,661
Merchandise costs	-	7,119
Cost of raising Government funds	81,963	72,393
Total direct costs of fundraising appeals	<u>7,078,801</u>	<u>5,021,974</u>

Net surplus from Fundraising appeals	<u>22,747,519</u>	<u>18,805,574</u>
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#### (b) Statement showing how funds received are applied for charitable purposes

	2010	2009
	\$	\$
Net surplus obtained from Fundraising appeals	<u>22,747,519</u>	18,805,574
Applied for charitable purposes as follows:		
Office administration	<u>2,070,314</u>	1,837,619
Expenditures on direct services:		
Community education	2,174,192	1,431,907
International programs	18,456,088	12,828,469
Indigenous programs	5,778,202	4,877,727
	<u>26,408,482</u>	<u>19,138,103</u>
Total expenditure	<u>28,478,796</u>	20,975,722
Surplus/(Shortfall)	<u>(5,731,277)</u>	(2,170,148)

# The Fred Hollows Foundation

A.C.N. 070 556 642

## Notes to financial statements

Year ended 31 December 2010

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

	2010 \$	2009 \$
Shortfall was provided by the following sources:		
AusAID grants	5,710,432	3,180,198
Other government grants	331,009	577,533
Other overseas grants	-	128,946
Corporate funding	2,555,380	1,642,753
Investment income (loss)	247,628	557,817
Miscellaneous	(27,515)	(23,109)
	<b>8,816,934</b>	<b>6,064,138</b>
(Deficit) Surplus transfer to Accumulated Funds for future use	<b>3,085,658</b>	<b>3,893,989</b>

### (d) Comparison by monetary figures and percentages

	2010 \$	2009 \$
Gross income from fundraising appeals	<b>29,826,320</b>	<b>23,827,548</b>
Total direct cost of fundraising appeals	<b>7,078,801</b>	<b>5,021,974</b>
Total direct cost of fundraising as a percentage of gross income from		
Fundraising appeals	<b>24%</b>	<b>21%</b>
Net surplus from fundraising appeals	<b>22,747,519</b>	<b>18,805,574</b>
Net surplus from fundraising as a percentage of gross income from fundraising appeals	<b>76%</b>	<b>79%</b>
Total cost of direct services	<b>26,408,482</b>	<b>19,138,103</b>
Total expenditure (excluding direct cost of fundraising appeals)	<b>28,478,796</b>	<b>20,975,722</b>
Total cost of Direct services as a percentage of total expenditure	<b>93%</b>	<b>91%</b>
Total income received (including net profit from fundraising appeals)	<b>22,747,519</b>	<b>18,805,574</b>
Total cost of direct services as a percentage of total income received	<b>116%</b>	<b>102%</b>

### (e) Fundraising appeals conducted during the financial period:

Public appeals

### 21 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

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 2010.



# Directors Declaration

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

that: In the opinion of the directors:

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

(a) Giving a true and fair view of The Foundation's financial position as at 31 December 2010 and of its performance for the year ended on that date.

(b) Complying with Accounting Standards and Corporations Regulations 2001.

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



Les Fallick  
Director  
7 April 2011  
Sydney, Australia

# Statement by Principal Officer

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

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

In my opinion as the Principal Officer:

(a) the Statement of comprehensive income gives a true and fair view of all income and expenditure of The Fred Hollows Foundation with respect to fundraising appeals; and

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

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

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

On behalf of The Fred Hollows Foundation.



Graham Skeates  
Director  
7 April 2011  
Sydney, NSW, Australia

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

We have audited the accompanying financial report of The Fred Hollows Foundation which comprises the statement of financial position as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information and the directors' declaration.

### *Directors' responsibility for the financial report*

The directors of the Foundation are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards, the *Corporations Act 2001*, the Charitable Fundraising Act 1991, and the Charitable Collections Act 1946 and Regulations (WA) and for such internal controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

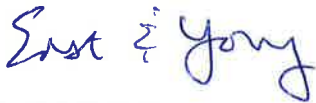
### *Independence*

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

## Opinion

In our opinion:

- a. the financial report of The Fred Hollows Foundation is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the Foundation's financial position as at 31 December 2010 and of its performance for the year ended on that date; and
  - ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the Charitable Fundraising Act 1991, including:
  - i the financial report of The Fred Hollows Foundation shows a true and fair view of the financial results of fundraising appeals for the year ended 31 December 2010;
  - ii the financial report and associated records of The Fred Hollows Foundation have been properly kept during the year in accordance with the Act;
  - iii money received as a result of fundraising appeals conducted during the year has been properly accounted for and applied in accordance with the Act; and
  - iv as at the date of this report, there are reasonable grounds to believe that The Fred Hollows Foundation will be able to pay its debts as and when they fall due.
- c. the Charitable Collections Act 1946 and Regulations (WA), including:
  - i the financial report of the Fred Hollows Foundation shows a true and fair view of the financial results of fundraising appeals for the year ended 31 December 2010;
  - ii the financial report and associated records of The Fred Hollows Foundation have been properly kept during the year in accordance with the Act and Regulations;
  - iii money received as a result of fundraising appeals conducted during the year has been properly accounted for and applied in accordance with the Act and Regulations;
  - iv as at the date of this report, there are reasonable grounds to believe that The Fred Hollows Foundation will be able to pay its debts as and when they fall due; and
  - v based on our audit, we have not become aware of any matter that makes us believe that The Fred Hollows Foundation has not complied with the obligations imposed by the Act and Regulations.



Ernst & Young



Nigel Stevenson  
Partner  
Sydney  
7 April 2010