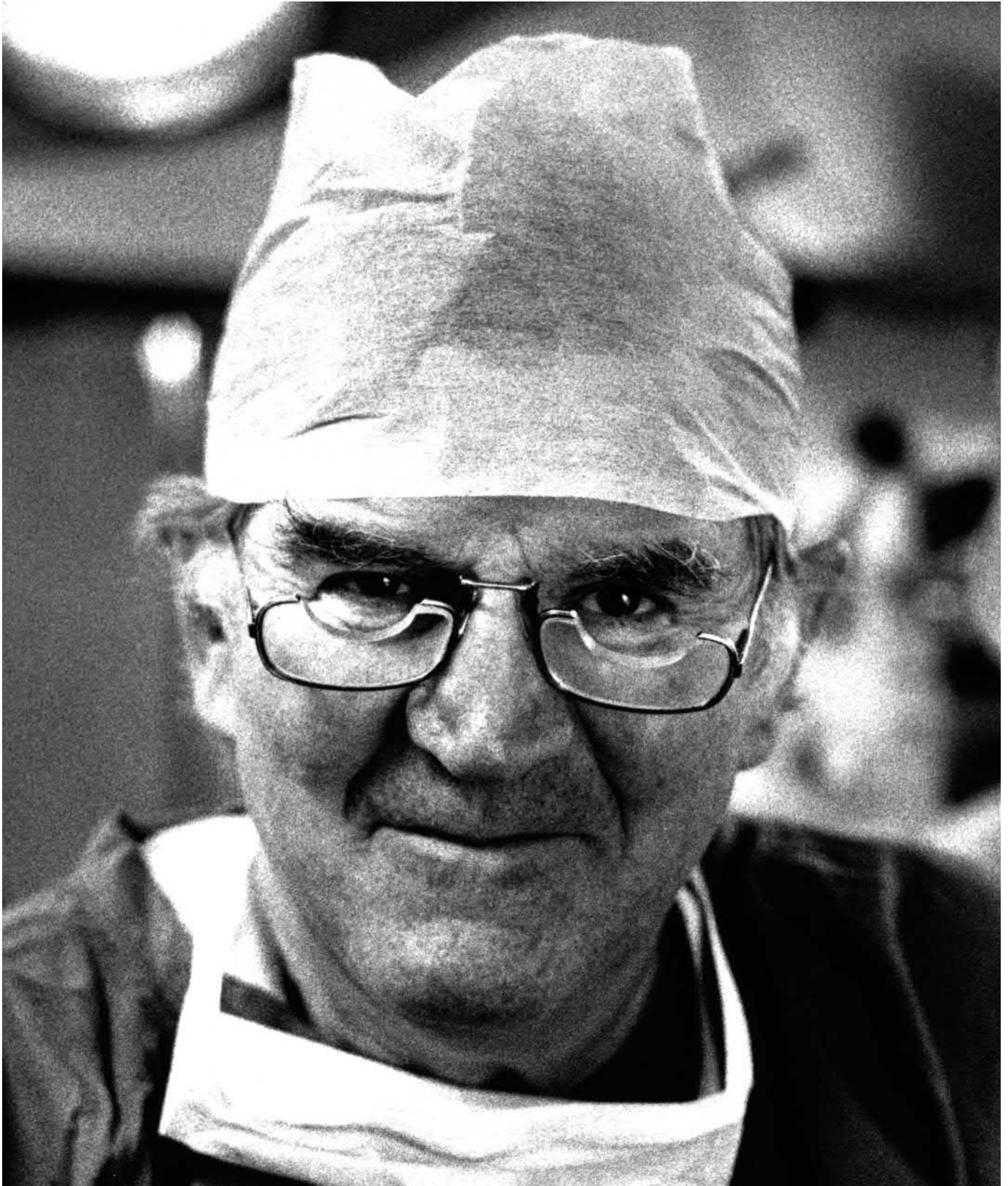


ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019



CORPORATE INFORMATION

Current Directors	J Brumby (Chair) H Evans (Deputy Chair) M Johnson (Deputy Chair) K Fanning A Hall C Hawkins G Hollows R de Mel P Ruiz P Torzillo
Chief Executive Officer	Ian Wishart
Company Secretary	Daryn Deiley
Registered office and principal place of business	Level 2, 61 Dunning Ave, Rosebery, NSW 2018 Australia
Postal Address	Locked Bag 5021, Alexandria NSW 2015, Australia
ABN	46 070 556 642
Contact details	
Website:	www.hollows.org
Donation Line:	1800 352 352
Telephone:	+612 8741 1900
Facsimile:	+612 8741 1999
Email:	fhf@hollows.org
Bankers	Westpac Banking Corporation
Auditors	Ernst & Young

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 31 DECEMBER 2019

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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 2019.

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	2019 Board Meetings	
			A	B
John Brumby (Chair)	May 2018		5	5
Joy Savage (Deputy Chair to 28 May 2019)	January 2016	28 May 2019	3	3
Helen Evans (Deputy Chair from 29 May 2019)	May 2018		4	5
Michael Johnson (Deputy Chair from 29 May 2019)	May 2018		5	5
Katrina Fanning	May 2019		1	2
Anthony Hall	May 2019		2	2
Christine Hawkins	May 2018		5	5
Gabi Hollows	April 1995		5	5
Jamie La Nauze	May 2016	28 May 2019	3	3
Ruwan de Mel	May 2019		3	3
Paul Ruiz	May 2019		3	3
Graham Skeates	May 2016	28 May 2019	3	3
Paul Torzillo	May 2019		2	5

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

Objectives, strategies, principal activities and performance

The Fred Hollows Foundation is an international development organisation focusing on blindness prevention and Indigenous Australian health.

We are independent, not-for-profit, politically unaligned and secular.

Our Vision

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

Our Inspiration

We are inspired by the life and work of Professor Fred Hollows, an internationally-acclaimed eye surgeon and an activist for social justice who

championed the right of all people to high-quality and affordable eye care and good health.

Our Values

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

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

Our Goals

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



Our Goals (Continued)

To deliver our long term goals we have identified bold and inspiring challenges that will amplify our impact. These challenges are:

- Clearing the cataract backlog
- Closing the gap
- Achieving gender equity
- Finally eliminating trachoma

Together with our supporters and partners we are committed to making a difference and are inspired by these great initiatives that can change people's lives.

Global Highlights 2019

Having treated over 97 million people with antibiotics to help eliminate Trachoma, it is important to note that this is only possible with the extraordinary support of Pfizer and the International Trachoma Initiative, who support organisations such as The Foundation by donating the necessary antibiotics to enable this work.

The Foundation is also fortunate to have many volunteers and organisations provide essential services on a pro- bono basis or at discounted rates helping to achieve our goals.

2019 was another year of milestones for The Fred Hollows Foundation. Last year we celebrated 20 years of work in the United Kingdom.

 **68,293** PEOPLE TRAINED, INCLUDING SURGEONS, NURSES, COMMUNITY HEALTH WORKERS AND TEACHERS

 **646,835** EYE OPERATIONS AND TREATMENTS PERFORMED

 **20M+** PEOPLE TREATED WITH ANTIBIOTICS FOR TRACHOMA

 **2.3M+** SCHOOL CHILDREN AND COMMUNITY MEMBERS EDUCATED IN EYE HEALTH AND SANITATION

 **4,677** MEDICAL FACILITIES, TRAINING CENTRES AND SCHOOLS EQUIPPED

 **24** MEDICAL FACILITIES BUILT OR RENOVATED

Consolidated operating results for the year

The consolidated financial statements of The Fred Hollows Foundation (the parent entity), and its subsidiaries (collectively the group and referred to as The Foundation from hereon) for the year ended 31 December 2019 were:

	2019	2018
	\$000	\$000
<i>Income</i>	\$96,045	\$89,574
<i>Expenditure</i>	\$99,345	\$91,292
<i>Operating (Deficit)</i>	\$(3,300)	\$[1,718]
<i>(Loss) for the year</i>	\$(2,659)	\$[1,781]
<i>Total Equity</i>	\$13,319	\$15,203
<i>Cash Balance including Term-Deposits</i>	\$9,153	\$4,252

Significant events after the balance date

On the 12 February 2020, The Foundation liquidated its entire investment in the AMP Capital Ethical Leaders Balanced Fund for \$11.5m, realising a gain since balance date of \$388,000. The proceeds from the sale have been allocated to a term deposit and on-call bank accounts.

The Australian bushfires at the end of 2019 and start of 2020, together with measures taken in Australia and around the world to counter the spread of COVID-19, will adversely impact The Foundation in 2020. While, at the time of issuing these financial statements, it is not possible to quantify this impact, the Board and management acted quickly to respond to the challenges that The Foundation faces in 2020.

On 4 March 2020, the Board approved a response plan that anticipates revenue reductions and the corresponding need to reduce operating expenditure. Where possible, savings will be sought from activities that do not directly impact our work to bring an end to avoidable blindness or generate future revenue for The Foundation. The Board is closely monitoring the plan's progress and will reassess its scope and focus as conditions evolve.


The Directors are not aware of any other material events occurring after balance date of this report that would require further disclosure in these financial statements.

Indemnification and insurance of directors



The Fred Hollowes Foundation (FHF) held Directors and Officers Liability cover during 2019. The amount of cover is reviewed periodically.



Directors' qualifications and experience, and their special responsibilities on the Board throughout the period:

Name	Experience and Qualifications	Special responsibilities within FHF
<p>John Brumby</p> 	<p>Chair, BioCurate Pty Ltd</p> <p>Chair, MTAA Superannuation Fund</p> <p>Chair, Citywide Solutions Pty. Ltd.</p> <p>Chair, Melbourne Convention and Exhibition Trust</p> <p>Enterprise Professor, The University of Melbourne</p> <p>Chair, Olivia Newton-John Cancer Research Institute</p> <p>National President and Chair, Australia China Business Council</p> <p>Officer of the Order of Australia</p> <p>Previously Victorian Premier (2007-2010) Victorian Treasurer (2000-2007)</p>	<p>Chair of the Board</p> <p>Chair of the Board of The Fred Hollowes Foundation (HK) Limited</p> <p>Chair of the Board of The Fred Hollowes Foundation (USA) <i>(from February 2018)</i></p> <p>Chair of the Governance and Nominations Committee</p>
<p>Michael Johnson</p> 	<p>Honorary Associate Professor, School of Social Sciences, University of NSW</p> <p>Area Editor, Economic and Labour Relations Review</p> <p>Life Member, Clare Hall Cambridge</p> <p>Member of the Australian Institute of Company Directors</p> <p>Member of the Order of Australia</p> <p>Previously Coordinator, Development Studies Program, School of Social Sciences, UNSW; Head of the School of Social Science and Policy, UNSW; Member of the Expert Advisory Committee on the Social and Economic Sciences of the Australian Research Council; Foundation Director, Public Sector Research Centre, UNSW</p>	<p>Deputy Chair of the Board <i>(from 29 May 2019)</i></p> <p>Member of the Governance & Nominations Committee</p> <p>Member of the Programs and Partnerships Committee</p> <p>Director of The Fred Hollowes Foundation Kenya</p> <p>Director of The Fred Hollowes Foundation (HK) Limited</p>

<p>Helen Evans</p> 	<p>Director, Burnet Institute</p> <p>Board member of the Global Health Alliance Melbourne</p> <p>Associate Professor (Hon) at the Nossal Institute for Global Health, The University of Melbourne</p> <p>Fellow of the Australian Institute of International Affairs</p> <p>Member of the Global Fund to Fight AIDS, Tuberculosis and Malaria's Technical Evaluation Reference Group</p> <p>Member of the Technical Reference Group for the Indo-Pacific Health Security Initiative</p> <p>Officer of the Order of Australia</p> <p>Previously Deputy CEO, Gavi – The Vaccine Alliance;</p> <p>Deputy Executive Director, The Global Fund to Fight AIDs, Tuberculosis and Malaria;</p> <p>First Assistant Secretary, Office for Aboriginal and Torres Strait Islander Health, Department of Health</p>	<p>Deputy Chair of the Board <i>(from 29 May 2019)</i></p> <p>Director of The Fred Hollows Foundation (USA)</p> <p>Chair of the Programs and Partnerships Committee</p>
<p>Katrina Fanning</p> 	<p>Chair ACT Aboriginal and Torres Strait Islander Elected Body</p> <p>Chair Australian Rugby League Indigenous Council</p> <p>Member of Joint Council on Closing the Gap</p> <p>CEO Coolamon Advisors Pty Ltd</p> <p>2014 Public Service Medal</p> <p>2020 ACT Australian of the Year</p> <p>Previously Operations Manager Aboriginal Hostels Limited</p> <p>National Manager Indigenous Service Centrelink</p>	<p>Member of the Finance and Audit Committee (from November 2019)</p>

Name	Experience and Qualifications	Special responsibilities within FHF
<p data-bbox="196 271 336 342">Anthony Hall</p> 	<p data-bbox="392 271 798 333">Consultant Ophthalmologist and vitreo-retinal surgeon Newcastle</p> <p data-bbox="392 371 1015 434">Fellow, Royal Australian and New Zealand College of Ophthalmologists</p> <p data-bbox="392 472 948 504">Fellow, Royal College of Ophthalmologist UK</p> <p data-bbox="392 542 916 604">Director Kilimanjaro Centre for Community Ophthalmology Tanzania</p> <p data-bbox="392 642 874 739">Previously Member of Commonwealth Eye Health Consortium advisory committee</p> <p data-bbox="392 777 916 840">Chair RANZCO International Development Committee</p> <p data-bbox="392 878 759 909">Director Vision2020 Australia</p> <p data-bbox="392 947 877 1010">Head of Department of Ophthalmology Kilimanjaro Christian Medical Centre</p>	<p data-bbox="1040 271 1407 333">Member of the Programs and Partnerships Committee</p>
<p data-bbox="209 1057 323 1128">Paul Torzillo</p> 	<p data-bbox="392 1057 842 1120">Head of Respiratory Medicine, Royal Prince Alfred Hospital, Sydney</p> <p data-bbox="392 1158 737 1220">Executive Clinical Director, Royal Prince Alfred Hospital</p> <p data-bbox="392 1258 855 1321">Senior Physician, Intensive Care Unit, Royal Prince Alfred Hospital.</p> <p data-bbox="392 1359 938 1391">Medical Director, Nganampa Health Council.</p> <p data-bbox="392 1429 769 1491">Clinical Professor of Medicine, University of Sydney.</p> <p data-bbox="392 1529 871 1592">Clinical Director, Critical Care Services, Sydney Local Area Health District</p> <p data-bbox="392 1630 1008 1769">Previously Consultant in Child Health, World Health Organization, Integrated Management of Childhood Illness (IMCI) Program, Royal Australian College of Ophthalmologists, National Trachoma and Eye Health Program</p>	<p data-bbox="1040 1057 1407 1120">Member of the Programs and Partnerships Committee</p>

<p>Christine Hawkins</p> 	<p>Chair, ASA Council Chair, QIBA Governance Council Director, Southern Highlands Botanic Gardens Limited</p> <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>Member of the Order of Australia</p> <p>BComm(Hons) MComm UNSW FCPA FAICD</p> <p>Previously Chair, Wheat Quality Australia Ltd; Chair, Go Grains Health & Nutrition Limited; Independent director of several Commonwealth Statutory Corporations and Chairman of a Ministerial Council; non-executive director of a number of organisations in food and health, agribusiness, research and development; Chairman of superannuation fund; executive director of investment bank; Director YWCA of Sydney, Nuffield Australia Ltd</p>	<p>Chair of the Board of The Fred Hollows Foundation Kenya</p> <p>Director of The Fred Hollows Foundation Social Action Fund (USA)</p> <p>Member of the Finance and Audit Committee</p>
<p>Gabi Hollows</p> 	<p>Orthoptist</p> <p>Officer of the Order of Australia</p> <p>Orthoptic Associate, Royal Australian and New Zealand College of Ophthalmologists</p>	<p>Founding Director</p> <p>Member of the Governance & Nominations Committee</p> <p>Member of the Programs and Partnerships Committee</p>

Name	Experience and Qualifications	Special responsibilities within FHF
<p>Ruwan de Mel</p> 	<p>Chartered Accountant with over 20 years' experience in the accounting and banking professions and more than 16 years in international development.</p> <p>Previously Director of Strategy, The Global Fund to Fight AIDs, Tuberculosis and Malaria</p>	<p>Member of the Programs and Partnerships Committee</p>
<p>Paul Ruiz</p> 	<p>Non-executive director and Chair of the Board Audit and Risk Committee for Financial Planning Association of Australia Limited</p> <p>Independent member of Audit and Risk Committees of:</p> <ul style="list-style-type: none"> • NSW Treasury • State Library of New South Wales • Western City and Aerotropolis Authority <p>Fellow of the Institute of Chartered Accountants in England & Wales</p> <p>Graduate of Australian Institute of Company Directors BSc (Economics) – University of Wales</p> <p>Previously Partner with 'Big-4' accounting firm Registered Company Auditor</p>	<p>Member of the Finance and Audit Committee</p> <p>Chair of the Finance and Audit Committee (from May 2019)</p> <p>Chair of the Board of Alina Vision Pte. Ltd. (from 13 March 2020)</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 2019

	Finance and Audit Committee	Governance and Nominations Committee	Programs and Partnerships Committee
No. of meetings in 2019	5	4	4
No. Meetings attended			
John Brumby	n/a	4	n/a
Katrina Fanning	0 out of a possible 1	n/a	n/a
Helen Evans	n/a	n/a	4
Anthony Hall	n/a	n/a	4
Christine Hawkins	5	n/a	n/a
Gabi Hollows	n/a	4	4
Michael Johnson	n/a	4	4
Jamie La Nauze	n/a	2 out of a possible 2	2 out of a possible 2
Ruwan De Mel	n/a	n/a	3
Paul Ruiz	5	n/a	n/a
Joy Savage	3 out of a possible 3	n/a	n/a
Graham Skeates	3 out of a possible 3	n/a	n/a
Paul Torzillo	n/a	n/a	2

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 it

being wound up, the liability of members will not exceed \$50.00 per member or an aggregate of \$6,500.

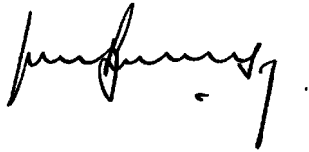
Auditor's Independence

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

Auditor

Ernst & Young continues in office in accordance with the Australian Charities and Not-forProfits 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.

John Brumby, AO
Chair
Date: 26 March 2020
Sydney, NSW Australia

AUDITOR'S INDEPENDENCE DECLARATION TO THE DIRECTORS OF THE FOUNDATION



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 FOUNDATION

In relation to our audit of the financial report of The Foundation for the financial year ended 31 December 2019, and in accordance with the requirements of Subdivision 60-C of the Australian Charities and Not-for profits Commission Act 2012 to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of any applicable code of professional conduct.

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

Ernst & Young

A handwritten signature in black ink that reads 'Kieren Cummings'.

Kieren Cummings

Partner
Sydney
26 March 2020

CONSOLIDATED STATEMENT OF INCOME

For the year ended 31 December 2019		2019	2018
INCOME	Notes	\$000	\$000
Community and corporate support			
- Donations and gifts		51,144	50,710
- Bequests and legacies		14,090	15,121
Grants			
- Government grants – Department of Foreign Affairs and Trade (DFAT)		11,189	7,716
- Other Australian government		108	17
- Other overseas		17,996	16,070
Investment income	5	1,570	112
Other Income / (Loss)	6	[52]	[172]
TOTAL INCOME		96,045	89,574
EXPENDITURE			
<i>International aid and development programs expenditure</i>			
International Programs			
- Funds to international programs		46,944	41,261
- Program support costs		14,038	11,330
Community education		7,641	6,784
Fundraising costs			
- Public fundraising		15,762	16,104
- Government, multilateral and private		159	162
Accountability and administration		5,820	5,616
Total international aid and development programs expenditure		90,364	81,257
<i>Domestic aid and development programs expenditure</i>			
- Domestic programs		6,061	6,496
- Community education		759	838
- Fundraising costs		1,583	2,009
- Accountability and administration		578	692
Total domestic aid and development programs expenditure		8,981	10,035
TOTAL EXPENDITURE		99,345	91,292
Operating (Deficit)		[3,300]	[1,718]
Share of (Loss) of associate		-	[63]
Bargain gain on acquisition of associate	9	641	-
(Loss) for the year		[2,659]	[1,781]
(Loss) for the year attributable to:			
Non-controlling interest		[7]	-
Members of the parent		[2,652]	-

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

For the year ended 31 December 2019		2019	2018
	Notes	\$000	\$000
ASSETS			
Current assets			
Cash and cash equivalents		8,836	3,935
Other interest bearing deposits		317	317
Trade and other receivables	7	4,946	9,451
Loans receivable	10	317	171
Prepayments		1,157	1,069
Total current assets		15,573	14,943
Non-current assets			
Financial assets at fair value	8	11,130	9,752
Investment in an associate	9	-	1,467
Loans receivable	10	-	366
Other receivable	13(b)	3,260	-
Property, plant and equipment	11	4,847	1,921
Intangible assets	12	4,410	4,223
Total non-current assets		23,647	17,729
TOTAL ASSETS		39,220	32,672
LIABILITIES			
Current liabilities			
Trade and other payables	13	7,283	3,922
Deferred grants	14	10,930	8,271
Lease liabilities	17	917	-
Borrowings	15	918	812
Provisions	16	2,244	1,939
Total current liabilities		22,292	14,944
Non-current liabilities			
Lease liabilities	17	1,774	-
Borrowings	15	1,229	1,902
Provisions	16	444	337
Deferred liability		162	286
Total non-current liabilities		3,609	2,525
TOTAL LIABILITIES		25,901	17,469
NET ASSETS		13,319	15,203
EQUITY			
Accumulated surplus		768	1,403
Contingency reserve	18	12,551	13,800
TOTAL EQUITY		13,319	15,203
Total Equity attributable to:			
Non-Controlling Interest		768	-
Members of the Parent		12,551	15,203

CONSOLIDATED STATEMENT OF CASH FLOWS

For the year ended 31 December 2019		2019	2018
	Note	\$000	\$000
Cash flows from operating activities			
Receipt from donors		51,144	50,710
Receipts from bequests		15,866	12,638
Receipt of government grants		10,943	8,795
Receipt of other international grants		20,721	14,514
Payment of program and operating expenditures		[61,575]	[63,133]
Payment to employees for program and operating activities		[31,501]	[28,756]
Net cash flows from/(used in) operating activities		5,598	[5,232]
Cash flows from investing activities			
Disposal of financial assets at fair value		2,000	3,736
Purchase of financial assets at fair value		[2,000]	-
Dividends received		83	6
Interest received		58	38
Other receipts		106	85
Net cash inflow on acquisition of subsidiary	9	2,068	-
Loan repayment of strategic partner		220	73
Acquisition of plant and equipment		[164]	[756]
Purchase of intangibles	12	[1,317]	[2,083]
Net cash flows from/(used in) investing activities		1,054	1,099
Cash flows from financing activities			
Repayment of leasing liabilities		[975]	-
Interest on leasing liabilities paid		[78]	-
Receipt of bank loan		304	3,076
Repayment of bank loan – principal		[870]	[362]
Repayment of bank loan – interest		[132]	[60]
Net cash flows from/(used in) financing activities		[1,751]	2,654
Net increase in cash and cash equivalents		4,901	[1,479]
Cash and cash equivalents at beginning of the period		3,935	5,414
Cash and cash equivalents at end of the period		8,836	3,935

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the year ended 31 December 2019

	Note	Accumulated Surplus	Contingency Reserve	Non- Controlling Interest	Total
		\$000	\$000	\$000	\$000
Balance as at 1 January 2018		4,561	12,423	-	16,984
Movements in contingency reserves		[1,377]	1,377	-	-
Loss for the year		[1,781]	-	-	[1,781]
Balance as at 31 December 2018		1,403	13,800	-	15,203
Balance as at 1 January 2019		1,403	13,800	-	15,203
Acquisition of Alina Vision	9	-	-	775	775
Movements in contingency reserves		1,249	[1,249]	-	-
Loss for the year		[2,652]	-	[7]	[2,659]
Balance as at 31 December 2019		-	12,551	768	13,319

1. General information and statement of compliance

The consolidated financial statements of The Fred Hollows Foundation (the parent entity), and its subsidiaries (collectively the group and referred to as The Foundation from hereon) for the year ended 31 December 2019, were authorised for issue in accordance with a resolution of the directors on 26 March 2020. The Foundation is a not for profit entity, and a public company limited by guarantee. It is an income tax exempt charitable organisation, incorporated and domiciled in Australia. The registered office is located at 61 Dunning Avenue, Rosebery, NSW, Australia.

The Foundation is principally engaged in 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 Foundation is provided in the directors' report.

(a) Basis of preparation

The Foundation's consolidated financial statements are presented in Australian dollars, which is also the parent company's functional currency, and are rounded to the nearest thousand dollars (\$000) except where indicated otherwise.

The Foundation'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*, *Australian Charities and Not-for-Profits Commission Act 2012*, *Australian Charities and Not-for-Profits Commission Regulation 2013*, *Charitable Fundraising Act 1991 (NSW)*, *Charitable Fundraising Regulation 2015 (NSW)*, *Charitable Collections Act 1946 (WA)*, *Charitable Collections Regulations 1947 (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 financial assets, which are measured at fair value.

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

(b) Statement of compliance

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

The adoption of AASB1053 and AASB 2010-2 means there is reduced disclosure requirements for The Foundation, in particular within the disclosures around financial risk management objectives and policies.

(c) Basis of consolidation

The consolidated financial statements comprise the financial statements of The Foundation and its subsidiaries as at 31 December 2019. Control is achieved when The Foundation 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 Foundation controls an investee if and only if The Foundation has:

- Power over the investee (i.e., existing rights that give 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 Foundation has less than the majority of the voting or similar rights of an investee, The Foundation 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 Foundation's voting rights and potential voting rights

The Foundation 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 Foundation obtains control over the subsidiary and ceases when The Foundation loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated financial statements from the date The Foundation gains control until the date The Foundation ceases to control the subsidiary.

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

2. Subsidiaries and Parent financial information

The Parent entity of the consolidated entity is The Fred Hollowes Foundation. The subsidiaries of the Parent entity are The Fred Hollowes Foundation (UK), The Fred Hollowes Foundation Kenya, The Fred Hollowes Foundation (Hong Kong), The Fred

Hollowes Foundation (USA), The Fred Hollowes Foundation Social Action Fund (USA), all 100% owned and controlled by the Parent entity. The Parent entity also has a 76.6% ownership interest in Alina Vision Pte. Ltd. (refer to note 9)

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:	2019	2018
	\$000	\$000
Current assets	6,471	1,828
Non-current assets	1,133	394
Total assets	7,604	2,222
Current liabilities	4,203	1,383
Total liabilities	4,203	1,383
Net assets	3,401	839

(ii) Parent entity

Financial position information related to the Parent entity:	2019	2018
	\$000	\$000
Current assets	9,102	13,114
Non-current assets	22,514	17,336
Total assets	31,616	30,450
Current liabilities	18,089	13,560
Non-current liabilities	3,609	2,526
Total liabilities	21,698	16,086
Net assets	9,918	14,364

The Parent entity's cash balance of \$4.7m is held with our bankers, Westpac Banking Corporation.

2. Subsidiaries and Parent financial information (Continued)

b) Statement of income information

Income information related to the subsidiaries and parent entity.

(i) Subsidiaries

	2019	2018
	\$000	\$000
Net surplus of the subsidiaries	27	44

(ii) Parent Entity

INCOME	2019	2018
Community and Corporate support		
- Donations and gifts	48,548	49,048
- Bequests and legacies	14,090	15,121
Grants		
- Government grants - DFAT	11,189	7,716
- Other Australian government	108	17
- Other overseas	17,857	16,007
Net gains fair value	1,570	112
Other Income / (Losses)	[120]	[172]
TOTAL INCOME	93,242	87,849
EXPENDITURE		
<i>International Aid & Development Programs Expenditure</i>		
International Programs		
Funds to international programs	46,844	41,160
Program support costs	13,941	11,330
Community Education	6,740	6,270
Fundraising Costs		
- Public fundraising	14,283	15,361
- Government, multilateral and private	159	154
Accountability & Administration	5,645	5,476
Total International Aid & Development Programs Expenditure	87,612	79,751

	2019	2018
Domestic Aid & Development Programs Expenditure		
- Domestic programs	6,039	6,490
- Community education	759	775
- Fundraising costs	1,583	1,919
- Accountability & administration	576	676
Total Domestic Aid & Development Programs Expenditure	8,957	9,860
TOTAL EXPENDITURE	96,569	89,611
Operating (Deficit)	[3,327]	[1,762]
Share of (loss) of associate	-	[63]
Bargain gain on acquisition of associate	641	-
(Loss) for the year	[2,686]	[1,825]

3. Summary of significant accounting policies

(a) Current and non-current classification

The Foundation presents assets and liabilities in the 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 Foundation classifies all other liabilities as non-current.

(b) Cash and cash equivalents

Cash and cash equivalents in The Foundation's Statement of financial position comprises of cash at bank and in hand (Includes cash and cash equivalents held in foreign bank accounts), 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 their carrying amounts which equates to fair value, this is largely due to the short-term nature of these receivables.

(e) Loans receivable

Loans are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, they

are measured at amortised cost using effective interest rate (EIR) method less allowances taken into account for the estimated losses for these loans. The Foundation evaluates this loss based on parameters such as specific country risk factors and risk factors of the financed project.

(f) Financial assets

All financial assets are initially recognised at fair value of the consideration given plus the transaction costs associated with the investment. The financial assets are then recorded at fair value through the Statement of 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 Foundation 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 shares are determined directly by reference to published price quotations in an active market.

(g) Property, Plant and equipment

(i) Cost and valuation

The Foundation does not own any property. 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:

2019

<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.

(h) 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.

Software development expenditure is capitalised only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and The Foundation intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, software development expenditure is recognised in the income statement as incurred.

Costs incurred in developing products or systems and costs incurred in acquiring software that will contribute to future financial year benefits through revenue generation and/or cost reduction are capitalised to software and systems. IT development and software costs have a finite useful life.

Costs capitalised include external direct costs of materials, and directly attributable employee costs, with amortisation calculated on a straight line-basis over 3-5 years. IT web portal development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where the company has an intention and ability to use the asset.

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 Statement of income when the asset is de-recognised.

(i) Trade and other payables

Trade and other payables are carried at amortised cost and due to their short-term nature, they are not

3. Summary of significant accounting policies (Continued)

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) 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.

The expense relating to any provision is presented in the Statement of 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 present value method.

Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on high quality corporate bonds with terms to maturity and currencies that match, as closely as possible, to the estimated future cash outflows.

(k) 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 Foundation recognises bequest income on receipt or where The Foundation has an uncontested contractual right to receive the bequest. 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 Foundation is treated as net gains or losses on investments.

(iii) Investment income

Interest revenue is recognised using the effective interest method, with interest accrued over the relevant period using the effective interest rate. This rate 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 and distribution income and interest revenue arising from financial assets at fair value is also included in "net gains or losses on investments at fair value". Dividends and distributions are recognised at the time the right to receive them, has been established and holding goes ex-dividend or ex-distribution.

(l) Taxes

(i) Current 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 in Australia, and accordingly, is an income tax exempt charitable entity.

(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, is classified as cash flows from operations.

(iii) Withholding Tax

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

(m) 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.

(n) 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.

(o) Government grants

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

The Foundation will assess the enforceability of a contract and the specificity of performance obligations attached to a grant, and based on this assessment, the grant will be either recognised immediately under AASB15 or is recognised as income on a systematic basis over the periods that the related costs, for which it is intended to compensate, are expensed under AASB1058.

(p) Business Combinations

A business combination is accounted for by applying the acquisition method, unless it is a combination involving entities or businesses under common control. The business combination will be accounted for from the date that control is obtained, whereby the fair value of the identifiable assets acquired and liabilities (including contingent liabilities) assumed is recognised (subject to certain limited exemptions).

The consideration transferred in a business combination is measured at fair value, which is the sum of acquisition date fair values of the:

- Assets transferred by the acquirer
- The liabilities incurred by the acquirer to former owners of the acquiree
- The equity interests issued by the acquiree, and
- Contingent consideration.

When measuring the consideration transferred in the business combination, any asset or liability resulting from a contingent consideration arrangement is also included. Subsequent to initial recognition, contingent consideration classified as equity is not remeasured and its subsequent settlement is accounted for within equity.

Contingent consideration classified as an asset or liability is remeasured in each reporting period to fair value, recognising any change to fair value in Statement of income, unless the change in value can be identified as existing at acquisition date.

All transaction costs incurred in relation to business combinations, other than those associated with the issue of a financial instrument, are recognised as expenses in profit or loss when incurred.

3. Summary of significant accounting policies (Continued)

The acquisition of a business may result in the recognition of goodwill or a gain from a bargain purchase. A bargain purchase occurs where the consideration is less than the fair value of the assets and liabilities acquired and is recognised immediately in profit or loss on acquisition date.

(q) 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 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.

(ii) Gifts in-kind

During the year The Foundation received approximately 19 million (2018: 20 million) doses of Zithromax donated by Pfizer under the International Trachoma Initiative for collection, distribution and application in the Oromia region of Ethiopia. The Board has taken the view that control and significant risk and rewards of Zithromax never passed to The Foundation and has therefore not accounted for their receipt or expense in the financial statements.

(r) New Standards adopted as at 1 January 2019

i. New standards, amendments and interpretations effective and adopted during the year

The Foundation has adopted the following new standards and amendments during the year

ended 31 December 2019, including consequential amendments to other standards with the date of initial application by the Company being 1 January 2019. The nature and effects of the changes are as follows:

New standard or amendments	Effective for annual periods beginning on or after
– AASB 16 Leases	1 January 2019
– AASB 15 Revenue from Contracts with Customers	1 January 2019
– AASB 1058 Income for Not-for-Profit entities	1 January 2019

Leases

AASB 16 introduces a single lessee accounting model and requires a lessee to recognise assets and liabilities for all leases with a term of more than 12 months, unless the underlying asset is of low value. A lessee is required to recognise a right-of-use asset representing its right to use the underlying leased asset and a lease liability representing its obligation to make lease payments. The Foundation adopted AASB 16 using the modified retrospective method of adoption, with the date of initial application of 1 January 2019. The Foundation elected to use the transition practical expedient to not reassess whether a contract is, or contains, a lease at 1 January 2019. Instead, The Foundation applied the standard only to contracts which were previously identified as leases under AASB 117 at the date of initial application.

The Foundation recognised right-of-use assets and lease liabilities for those leases previously classified as operating leases, except for short-term leases and leases of low-value assets. The right-of-use assets for most leases were recognised based on the carrying amount as if the standard had always been applied, apart from the use of incremental borrowing rate at the date of initial application. Lease liabilities were recognised based on the present value of the remaining lease payments, discounted using the incremental borrowing rate at the date of initial application.

Based on the above, as at 1 January 2019:

- Right-of-use assets of \$1,925,000 were recognised
- Additional lease liabilities of \$1,925,000 were recognised
- There was no impact on equity on adoption

i) Right-of-use assets

The Foundation recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the lease:

If ownership of the leased asset transfers to The Foundation at the end of the lease term or the cost of the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

ii) Lease liabilities

At the commencement date of the lease, The Foundation recognises lease liabilities measured at the present value of lease payments to be made over the lease term.

iii) Short-term leases and leases of low-value assets

The Foundation applies the short-term lease recognition exemption to its short-term leases (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

New Revenue Standards

AASB 1058: Income for Not-for-Profit Entities (applicable to annual reporting periods beginning on or after 1 January 2019) and AASB 15: Revenue from Contracts with Customers applicable to annual reporting periods beginning on or after 1 January 2019)

A core change of AASB 1058 and AASB 15 is that it shifts the focus from a reciprocal/non-reciprocal basis to a basis of assessment that considers the enforceability of a contract and the specificity of performance obligations. AASB 15 applies where there is an enforceable contract with a customer with ‘sufficiently specific’ performance obligations which results in income being recognised when (or as) the performance obligations are satisfied under AASB 15, as opposed to immediate recognition under AASB 1058.

For all income contracts, The Foundation assesses each contract to determine whether it is enforceable and whether its performance obligations are sufficiently specific. For those contracts that are not enforceable or the performance obligations are not sufficiently specific, this will result in immediate income recognition under AASB 1058. Income is deferred under AASB 15 otherwise.

Volunteer work done within The Foundation is not material.

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 Board approved 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 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 monitoring the management of financial risks rests with the Finance and Audit Committee under the authority of the Board.

(a) Interest rate risk

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

(b) Foreign currency risk

The Foundation 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) 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.

There are no financial assets that are past due or impaired and The Foundation holds no collateral as security or any other credit enhancements

(d) Price risk

The Foundation's financial assets are subject to price risk. To limit this risk, The Foundation has a policy to diversify its exposure across asset classes by holding units in the AMP Capital Ethical Leaders Balanced Fund managed by AMP Capital Investors Limited.

Price risk also arises where direct shareholdings are received from estates. The Foundation manages this risk via its policy to only hold shares up to a maximum of 45 days.

(e) 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 effective working capital management practices,

The Foundation 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 Foundation uses various methods in estimating the fair value of a financial instrument. These methods include:

- using prices quoted by AMP Capital for the Foundation's investment in units of the AMP Capital Ethical Leaders Balanced Fund.
- Quoted market price for other listed financial assets based on quoted prices on active markets as at the reporting date without any deduction for transaction costs.

5. Investment income

	2019	2018
	\$000	\$000
Dividend and interest income	66	95
Unrealised gain on financial assets	1,504	17
	1,570	112

6. Other income / (losses)

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

	2019	2018
	\$000	\$000
Gain/(loss) on disposal of property, plant and equipment	[5]	[8]
Exchange gains/(losses)	[412]	[202]
Sundry receipts	365	38
	[52]	[172]

The Foundation has disclosed most significant revenue categories on the face of the Statement of income and as such has only shown by way of note the breakdown of other revenues.

7. Trade and other receivables

		2019	2018
		\$000	\$000
Trade receivables		515	228
Country program advances	7(a)	939	3, 561
Partner and equipment advances	7(b)	2, 074	2, 350
Dividend and interest receivables		39	86
GST receivable	7(c)	249	438
Bequest receivable	7(d)	877	2, 652
Others		253	136
		4, 946	9, 451

Trade receivables are non-interest bearing and are generally on 30-60-day terms.

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 at balance date all trade receivables are current and collectible.

(a) Country program advances:

These represent remittance of monies to The Foundation'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. Advances are given to program partners to carry out project-based tasks or to a third-party supplier to procure medical and other equipment. As at balance date all advances are current and no provision for impairment has been recognised.

(c) GST receivable:

At balance date, the net GST is a receivable. Other tax liabilities (PAYG and FBT) are shown separately in Note 13.

(d) Bequest receivable:

At reporting date The Foundation had an unconditional, uncontested contractual right to receive \$ 877,000 (2018: \$2,652,000) of bequest income.

8. Financial assets at fair value

	2019	2018
	\$000	\$000
AMP Capital Ethical Leaders Balanced Fund	11,130	9,682
Directly held listed shares	-	70
	11,130	9,752

The AMP Capital Ethical Leaders Balanced Fund holds a diversified portfolio of assets across all asset types with an emphasis on growth assets (shares and property). On the 12 February 2020, The Foundation liquidated its entire holding in the fund (refer to note 20).

Directly held listed shares are shares donated to The Foundation most by way of bequest.

9. Acquisition and disposals

In August 2019, The Foundation increased its equity holding of Alina Vision Pte. Ltd. (Alina Vision) from 42.91% to 76.60%. Alina Vision was previously an equity accounted associate.

Accounting standards require The Foundation to record the increase in equity in two parts, Firstly, a notional disposal of the previously held 42.91%

interest, then as a new acquisition using the fair value of identifiable Net Assets of Alina Vision at the date of acquisition.

The value of the investment in associate at the date of acquisition has been based on the opening balance for the financial year, and any gains and losses from the associate up to that date.

Fair Value of consideration transferred	Fair Value \$000 (AUD)
Value of Investment in associate recognised on notional disposal	1,449
Amount settled in cash:	
Transfer to purchase additional shares	446
Total cost of acquisition	1,895

9. Acquisition and disposals (Continued)

Recognised amounts of identifiable net assets	Fair Value \$000 (AUD)
Cash and cash equivalents	2, 514
Trade and other receivables	127
Property, plant and equipment	776
Trade and other payables	[106]
Identifiable net assets (100%)	3, 311
Fair Value of non-controlling Interest (23.4%)	[775]
The Foundation's share of net assets acquired (76.6%)	2, 536
Cost of acquisition	[1, 895]
Bargain gain on acquisition of associate	641
Consideration transferred settled in cash	[446]
Cash and and equivalents acquired	2, 514
Net cash inflow on acquisition	2, 068

10. Loans to a strategic partner

	2019	2018
	\$000	\$000
Current	317	171
Non-current	-	366
	317	537

In June 2017, The Foundation approved a loan to Helen Keller International to help it significantly scale up their programs by enhancing their ability to seek and manage larger grants potentially involving multiple implementing partners. The original loan was a total of \$610,000 with an interest rate of 1.53% per annum and final instalment receipt due 1 July 2020.

11. Property, plant and equipment

	2019	2018
(a) Carrying amount as of balance date	\$000	\$000
Motor vehicles	269	197
Office furniture and equipment	1,897	1,934
Leasehold improvements	2,396	2,382
Right of use assets	3,665	-
Medical equipment	804	-
Accumulated depreciation	[4,184]	[2,592]
	4,847	1,921

(i) Motor vehicles are used for program delivery in countries where The Foundation undertakes its activities.

(b) Reconciliation of carrying amounts at the end of the period

Movement in non-current assets

	Motor vehicles	Office furniture & equip- ment	Medical Equip- ment	Leasehold improve- ments	Right to use Asset	Total
	\$000	\$000	\$000	\$000	\$000	\$000
As at 1 January 2019 net of accumulated depreciation and impairment	51	600	-	1,270	-	1,921
Additions	61	103	-	-	1,740	1,904
Assets acquired in Business Combination	-	-	803	-	-	803
AASB 16 adjustment	-	-	-	-	1,925	1,925
Disposals, cost less accumulated depreciation	-	[40]	-	-	-	[40]
Depreciation charge for the year	[19]	[277]	[93]	[285]	[1,013]	[1,687]
Exchange differential in revaluing opening balance to closing exchange rates	3	5	-	13	-	21
As at 31 December 2019	96	391	710	998	2,652	4,847

11. Property, plant and equipment (Continued)

(b) Reconciliation of carrying amounts at the beginning of the period

Movement in non-current assets

	Motor vehicles	Office furniture & equipment	Leasehold improvements	Right to use Asset	Total
	\$000	\$000	\$000	\$000	\$000
As at 1 January 2018 net of accumulated depreciation and impairment	62	745	1,032	-	1,839
Additions	-	245	511	-	756
Disposals, cost less accumulated depreciation	-	[50]	[12]	-	[62]
Depreciation charge for the year	[15]	[344]	[271]	-	[630]
Exchange differential in revaluing opening balance to closing exchange rates	4	4	10	-	18
As at 31 December 2018	51	600	1,270	-	1,921

12. Intangible assets

	2019	2018
Software and systems	\$000	\$000
As at the start of the year	4,223	2,706
Additions	1,317	2,083
Exchange differential in revaluing opening balance to closing exchange rates	-	[2]
Amortisation for the year	[1,130]	[564]
As at end of the year	4,410	4,223

13. Trade and other payables

	Notes	2019	2018
		\$000	\$000
Trade payables		2,670	2,070
Tax liabilities	13(a)	173	171
Accrued expenses		1,054	1,286
Cameroon Cataract Bond accrual	13(b)	3,369	-
Other creditors		17	395
As at end of the year		7,283	3,922

(a) Tax liabilities

Tax liabilities are credit balance of PAYG and fringe benefits tax liabilities. There is no liability for GST.

(b) Cameroon cataract bond – Accrual and other receivable

The Foundation is involved in a project to support the Magrabi ICO Cameroon Eye Institute to significantly increase the volume and quality of cataract surgeries undertaken in Cameroon whereby it has guaranteed the capital loan

amount, interest and associated costs incurred by the investing partners OPIC and Netri. In 2019 The Foundation has accrued a liability of \$3,369,000 (2018: NIL) for these guaranteed amounts and determined the amounts may be payable in the next 12 months. The Foundation has also recognised the contracted receivables of \$3,260,000 (2018: NIL) as income from grant funders Conrad Hilton Foundation and Sightsavers for their contribution to these project costs. As the grant funders are not due to meet their commitments until 2021 and beyond, this amount is classified as non-current.

14. Deferred grants

Deferred grants are Australian Government and other grants which have a term of less than one year.

	2019	2018
	\$000	\$000
Government grants	5,224	5,578
Other grants	5,706	2,693
	10,930	8,271

15. Borrowings

	2019	2018
Current - Secured	\$000	\$000
Bank Loan	918	812
Non Current - Secured		
Bank Loan	1, 229	1, 902
The carrying amounts of assets pledged as security are:		
Floating charge over assets	2, 079	2, 714

In May 2018 The Foundation entered into a business finance agreement with Westpac Banking Corporation to have its major capital expenditure items funded by the bank. The Total loan facility approved was \$3.5m and was used to fund Leasehold Improvements to 61 Dunning Avenue, Rosebery, IT Hardware and major software projects. The current outstanding

drawdowns on the facility consist of 6 separate contracts and they will be repaid over the next three years.

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

16. Provisions

(a) Current as at 31 December	2019	2018
Annual leave	\$000	\$000
As at 1 January	1, 488	1, 216
Utilised	[1, 405]	[1, 328]
Accrued during period	1, 743	1, 600
Annual leave	1, 826	1, 488
Long service leave		
As at 1 January	451	393
Utilised	[134]	[113]
Additional provisions recognised/ (unused amounts reversed)	101	171
Long service leave	418	451
Total current provisions	2, 244	1, 939
(b) Non-current as at 31 December		
Long service leave		
As at 1 January	337	358
Additional provisions recognised/ (unused amounts reversed)	107	[21]
Long service leave	444	337

17. Lease liability

	2019	2018
	\$000	\$000
Current	917	-
Non-Current	1,774	-
	2,691	-

On first adoption, AASB 16 permits comparatives to be presented without restatement. The lease liabilities are secured by the related underlying assets. Future minimum lease payments as at 31 December 2019 are as follows:

	Minimum Lease payments due				
	Within 1 Year	1-2 Years	2-3 Years	After 3 Years	Total
	\$000	\$000	\$000	\$000	\$000
As at 31 December 2019					
Lease payments	1,036	992	720	160	2,908
Finance charges	[119]	[71]	[26]	[1]	[217]
	917	921	694	159	2,691

The Foundation has lease agreements for its offices in Rosebery, Darwin and Melbourne as well as its subsidiaries in the Kenya, US, Hong Kong and the United Kingdom.

With the exception of short-term leases and leases of low-value underlying assets, each lease is reflected on the balance sheet as a right-of-use asset and a lease liability.

18. Contingency reserve

The Foundation 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.

Accumulated surplus is that part of The Foundation's equity represented by amounts in excess of the contingency reserve and which is available to support the working capital requirements or other strategic investments made by The Foundation.

19. Key management personnel

	2019	2018
	\$000	\$000
Compensation of key management personnel of The Foundation:	1,084	949
Short-term employee benefits	11	8
	1,095	957

The Foundation's constitution, prohibits the payment of remuneration 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 (comprising CEO, Chief Operating Officer and Deputy CEO).

20. Events subsequent to reporting date

On the 12 February 2020, The Foundation liquidated its entire investment in the AMP Capital Ethical Leaders Balanced Fund for \$11.5m, realising a gain since balance date of \$388,000. The proceeds from the sale have been allocated to a term deposit and on-call bank accounts.

The Australian bushfires at the end of 2019 and start of 2020, together with measures taken in Australia and around the world to counter the spread of COVID-19, will adversely impact The Foundation in 2020. While, at the time of issuing these financial statements, it is not possible to quantify this impact, the Board and management acted quickly to respond to the challenges that The Foundation faces in 2020. On 4

March 2020, the Board approved a response plan that anticipates revenue reductions and the corresponding need to reduce operating expenditure. Where possible, savings will be sought from activities that do not directly impact our work to bring an end to avoidable blindness or generate future revenue for The Foundation. The Board is closely monitoring the plan's progress and will reassess its scope and focus as conditions evolve.

The Directors are not aware of any other 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 it

being wound up, the liability of members will not exceed \$50.00 per member or an aggregate of \$6,500.

22. ACFID Code of Conduct

Certain items required in the ACFID Code of Conduct reporting are not displayed. These include, but are not limited to, Inventories, Assets

held for sale, Investment property and other reserves which have nil balances for both the reporting periods covered.

23. Related party disclosure

Grants to related parties	2019	2018
	\$000	\$000
The Fred Hollows Foundation New Zealand (FHF NZ)	275	516
The Fred Hollows Foundation (Hong Kong)	25	436
The Fred Hollows Foundation (Kenya)	1,565	1,672
The Fred Hollows Foundation (UK)	809	806
The Fred Hollows Foundation (USA)	912	124
Alina Vision Pte Ltd	1,650	-
	5,236	3,554

The Fred Hollows Foundation New Zealand (FHF NZ) operates under a licensing agreement with The Foundation (FHF) which partly funds its program activities as detailed above. Funding was also given to support the programs of Alina Vision and The Foundation's subsidiaries in Hong Kong, Kenya, US 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 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 2019.

25. Auditor's remuneration

	2019	2018
	\$000	\$000
For audit or review of financial report		
Ernst & Young - Australia	96	90
Ernst & Young - Overseas	101	69
Non- Ernst & Young audit firms	205	106
	402	265

The Foundation's auditors are Ernst & Young Australia.

26. Information furnished under the Charitable Fundraising Act

The following information relates to the Parent entity (The Fred Hollows Foundation) only and is a requirement of the Charitable Fundraising Act 1991.

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

	2019	2018
	\$000	\$000
Proceeds from fundraising appeals		
Donations	48,548	49,048
Bequests	14,090	15,121
Gross proceeds from fundraising appeals	62,638	64,169
Direct costs of fundraising appeals		
Donations	15,682	17,083
Bequests	184	196
Cost of raising Government funds	159	155
Total direct costs of fundraising appeals	16,025	17,434
Net surplus from fundraising appeals	46,613	46,735

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

	2019	2018
	\$000	\$000
Net surplus obtained from fundraising appeals	46,613	46,735
Applied for charitable purposes as follows:		
Office administration	6,221	6,153
Costs of direct services:		
Community education	7,499	7,043
International programs	60,785	52,490
Indigenous programs	6,039	6,490
	74,323	66,023
Total expenditure	80,544	72,176
Shortfall	[33,931]	[25,441]

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

	2019	2018
	\$000	\$000
Shortfall was provided by the following sources:		
Department of Foreign Affairs and Trade (DFAT)	11,189	7,716
Other government grants	108	17
Other overseas grants	17,857	16,007
Investment income	1,570	112
Other income	[120]	[173]
	30,604	23,679
Shortfall funded by Accumulated Surpluses	[3,327]	[1,762]

d. Comparison by monetary figures and percentages

	2019	2018
	\$000	\$000
Gross proceeds from fundraising appeals	62,638	64,169
Total direct costs of fundraising appeals	16,025	17,434
Total direct costs of fundraising as a percentage of gross proceeds from fundraising appeals	26%	27%
Net surplus from fundraising appeals	46,613	46,735
Net surplus from fundraising as a percentage of gross proceeds from fundraising appeals	74%	73%
Total cost of direct services	74,323	66,024
Total expenditure (excluding direct cost of fundraising appeals)	80,544	72,176
Total costs of direct services as a percentage of total expenditure	92%	91%
Total income received (including net profit from fundraising appeals and other income sources)	46,613	46,735
Total cost of direct services as a percentage of total income received	159%	141%

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:

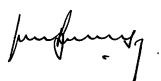
a) the financial statements and notes of The Fred Hollows Foundation and its subsidiaries (The Foundation) are in accordance with the *Australian Charities and Not-for-Profits Commission Act 2012*, including:

(i) giving a true and fair view of The Foundation's financial position as at 31 December 2019 and of its performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards and the *Australian Charities and Not-for-Profits Commission Regulation 2013*;

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

On behalf of the Board,



John Brumby, AO

Chair

Date: 26 March 2020

Sydney, NSW Australia

STATEMENT BY CHAIR OF THE FINANCE AND AUDIT COMMITTEE

Declaration by the Chair of the Finance and Audit Committee in respect of fundraising appeals under the *Charitable Fundraising Act 1991 (NSW)*.

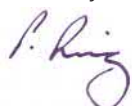
In accordance with a resolution of the directors of the Parent entity, The Fred Hollows Foundation, I state that:

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

(ii) 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 Foundation; and

(iii) The provisions of the NSW Charitable Fundraising Act 1991, the regulations under that Act and the conditions attached to the authority have been complied with by The Foundation; and

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



Paul Ruiz

Director, Chair of Finance and Audit Committee

Date: 26 March 2020

Sydney, NSW Australia



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INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE FOUNDATION

Report on the Financial Report

Opinion

We have audited the financial report of The Fred Hollows Foundation and its subsidiaries (collectively The Foundation), which comprises the consolidated statement of financial position as at 31 December 2019, the consolidated statement of 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 Foundation 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 Foundation as at 31 December 2019 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.

Emphasis of matter

Following 31 December 2019, COVID-19 was declared a pandemic and governments worldwide implemented initiatives to control the spread of the virus. While the full repercussions of these are not yet known, there is the potential

of consequential impacts on the assets, liabilities and results of the Group subsequent to 31 December 2019 as disclosed in note 20. Our opinion is not modified in respect of this matter.

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 Foundation in accordance with the auditor independence requirements of the Australian Charities and Not-for-Profits Commission Act 2012 and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

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

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

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

In connection with our audit of the financial report, our responsibility is to read the other



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

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

Responsibilities of the Directors for the Financial Report

The directors of the Company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the Australian Charities and Not-for-Profits Commission Act 2012 and for such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the directors are responsible for assessing The Foundation'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 Foundation 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 Foundation's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of



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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 Foundation'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 Foundation 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 Foundation to express an opinion on the financial report. We are responsible for the direction, supervision and performance of The Foundation 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 noncompliance may occur and not be detected. An audit is not designed to detect all instances of noncompliance 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 Foundation has been properly drawn up and associated



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records have been properly kept during the financial year ended 31 December 2019, in all material respects, in accordance with:

- i. sections 20(1), 22(1-2), 24(1-3) of the NSW Charitable Fundraising Act 1991;
- ii. sections 10(6) and 11 of the NSW Charitable Fundraising Regulations 2015;
- iii. the WA Charitable Collections Act (1946); and
- iv. the WA Charitable Collections Regulations (1947).

b) the money received as a result of fundraising appeals conducted by the company during the financial year ended 31 December 2019 has been properly accounted for and applied, in all material respects, in accordance with the above mentioned Acts and Regulations.

Emphasis of matter

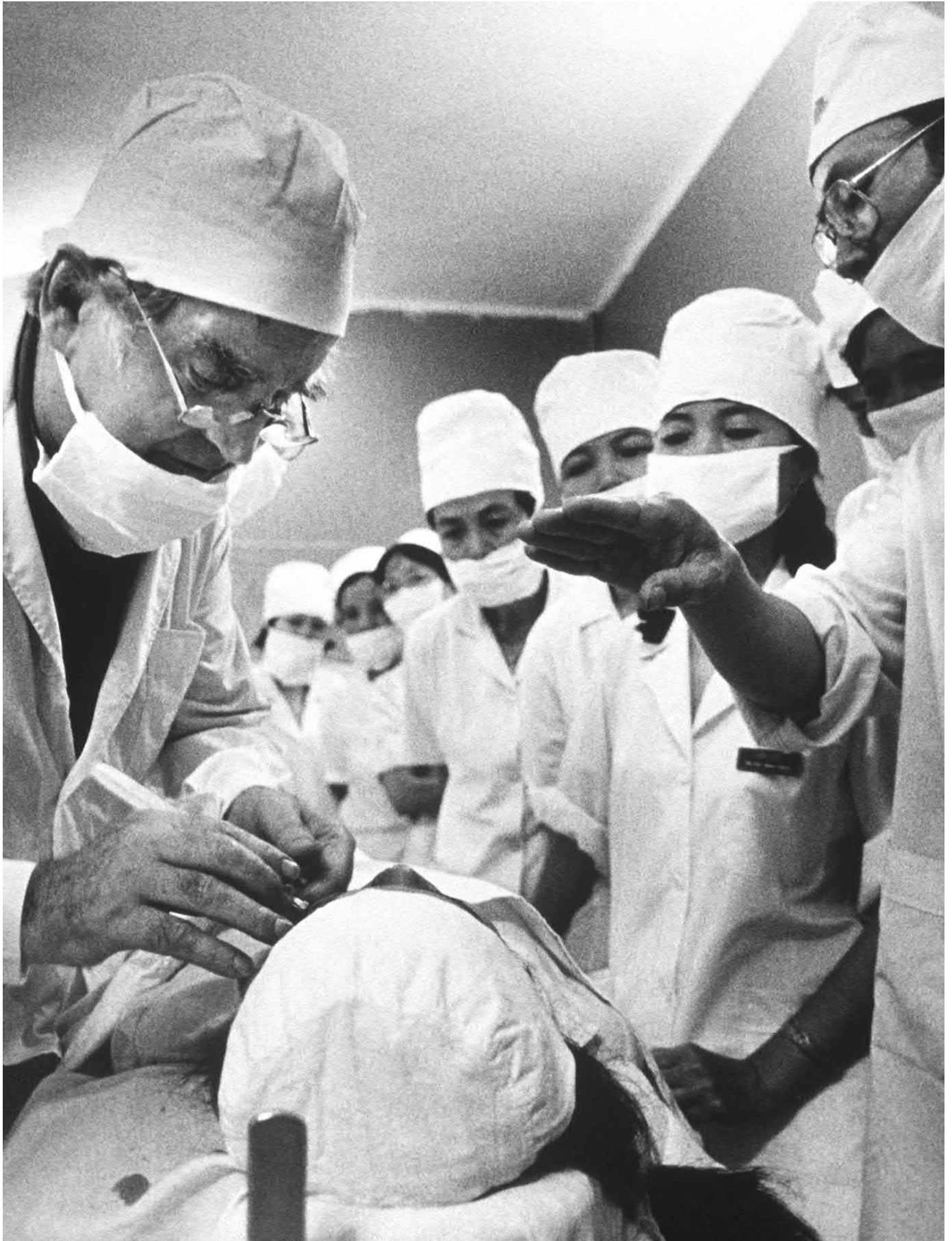
Following 31 December 2019, COVID-19 was declared a pandemic and governments worldwide implemented initiatives to control the spread of the virus. While the full repercussions of these are not yet known, there is the potential of consequential impacts on the assets, liabilities and results of the Group subsequent to 31 December 2019 as disclosed in note 20. Our opinion is not modified in respect of this matter

A handwritten signature in black ink, appearing to read 'Ernst & Young', written in a cursive style.

Ernst & Young

A handwritten signature in black ink, appearing to read 'Kieren Cummings', written in a cursive style.

Kieren Cummings
Engagement Partner
Sydney
26 March 2020



The **Fred Hollows**
Foundation