



**The Fred Hollows
Foundation**

2009 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 2009.

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
Andrew Want (Director since 2003; Chair since May 2007)	- Chair of Board - Chair of Nominations Committee - Ex officio member of Finance and Governance Committee (FGC)	Principal, Rounding Mark Pty Ltd
Michael Johnson (Director from 1992 to 2005; and then from 2006)	- Vice-Chair of Board - Member of FGC and Nominations Committee	Associate Professor, School of Social Science and International Studies, University of NSW
Howard Davies (Director since 1998)	- Treasurer - Chair of FGC - Member of Nominations Committee (Also Trustee of FHF UK and representative on FHF NZ board)	Director of Analoufi Pty Ltd
Phillip Brown (Director since 2007; resigned 17 March 2009)	Chairman, The Fred Hollows Foundation UK	Entrepreneur
Robert Dalziel (Director since 2004)	- Member of Nominations Committee - Member of Victorian Fundraising Committee	Company Director
Sarah Elliott (Director since 2005)	- Chair of Program Advisory Committee - Member of FGC	Principal Policy Analyst, Department of Human Service, Housing NSW
Gabi Hollows (Director since 1992)	- Founding Director	Orthoptist
Brent Impey (Director since 12 March 2009)	-Chair FHF NZ	Director of Media Works
Mary Kostakidis (Director since 2008)	-Member of Nominations Committee	Human Rights Consultation Committee, Attorney-General's Department
John McElhinney (Director since 2006; resigned 12 March 2009)	-Director, The Fred Hollows Foundation New Zealand	Chief Executive Officer The Radio Network (New Zealand)
Romlie Mokak (Director since 2008)	-Member of Program Advisory Committee	CEO, Australian Indigenous Doctors Association
David Moran (Dr) (Director since 2005)	-Chair of Medical Advisory Committee	Ophthalmologist in private practice
Stephanie Young (Dr) (Director since 2006)	- Member of Medical Advisory Committee - Member of Nominations Committee	Ophthalmologist and Medical Officer at Concord Repatriation General Hospital

SECRETARY

Elizabeth Hounslow

FOUNDATION INFORMATION

The Foundation is a not-for-profit organisation Limited by Guarantee and domiciled in Australia with registered office and principal place of business at 61 Dunning Ave., Rosebery, NSW Australia 2018.

PRINCIPAL ACTIVITIES

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

OPERATING RESULTS FOR THE YEAR

The gross operating revenue of The Foundation was \$29,891,685 (2008: \$20,785,820) and expenses of \$25,997,696 (2008: \$21,346,660) resulting in operating surplus/(loss) of \$3,893,989 (2008: (\$560,840)). Total equity as at 31 December 2009 stood at \$13,148,019 (2008: \$9,254,030). The cash balance was \$7,910,869 (2008: \$3,541,639).

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.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

The Fred Hollows Foundation strives to end avoidable blindness in the communities and the countries where it works. For the year 2010, it expects to build strong partnerships and its business is expected to grow significantly in terms of number of beneficiaries and volume of financial transactions.

On the 12th December 2009, The Foundation became a signatory to the Deed of Agreement for the Establishment and Operation of the Vision 2020 Australia Global Consortium.

The Consortium is an unincorporated not-for-profit collaborative joint venture and thereby does not have an independent legal identity. The Consortium appointed The Foundation to act as its Agent to fulfill the role of Prime Contract Holder (PCH). In this role The Foundation enters into Funding Orders with AusAID, and enters into program agreements with Consortium members for the implementation of programs utilising the funds provided by AusAID. The Foundation will maintain a separate bank account and separate books and records dealing with funds received from AusAID under these funding orders and expended to Consortium members.

INDEMNIFICATION AND INSURANCE OF DIRECTORS

The Foundation held Directors and Officers Liability cover during 2009. The amount of cover is reviewed periodically.

DIRECTORS' MEETINGS

The Board met five times in 2009, and its Finance and Governance Committee met six times. Other Board Committees met regularly or as the need arose.

The number of meetings of Directors (including meetings of Board Committees) held during 2009, and the number of meetings attended by each Director, are set out in the following table. Note that two Directors, Phillip Brown and John McElhinney, resigned during the course of the year: As the latter resigned prior to the first Board meeting, he is not listed on the following table:

2009	Full Board	Finance and Governance Committee	Program Advisory Committee	Medical Advisory Committee	Nominations Committee
No. of meetings	5	6	2	2	4
No. of meetings attended					
Andrew Want (Chair)	5	5 (ex-officio member)	N/A	N/A	4
Michael Johnson (Vice-Chair)	4	6	N/A	N/A	4
Howard Davies (Treasurer)	5	4	N/A	N/A	4
Robert Dalziel (Hon. Secretary from May 2008)	5	N/A	N/A	N/A	3
Phillip Brown	1 (out of a possible 1)	N/A	N/A	N/A	N/A
Sarah Elliott	5	3	2	N/A	N/A
Gabi Hollows	5	1	N/A	N/A	N/A
Brent Impey	3 (out of a possible 4)	N/A	N/A	N/A	N/A
Mary Kostakidis (Director from May 2008)	3	N/A	N/A	N/A	4
Romlie Mokak (Director from May 2008)	4	N/A	2	N/A	N/A
David Moran	4	N/A	N/A	2	N/A
Stephanie Young	4	N/A	N/A	2	2

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.



Andrew Want
Chair
14 April 2010
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 year ended 31 December 2009, 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.

Ernst & Young



Sean Van Gorp
Partner
Sydney
Date: 14 April 2010

The Fred Hollows Foundation
A.C.N. 070 556 642
Statement of comprehensive income
For the year ended 31 December 2009

		2009	2008
		\$	\$
INCOME FROM CONTINUING OPERATIONS	Notes		
Donations and gifts			
- Monetary		16,448,088	13,948,349
- Non-monetary	21a	-	-
Bequests and legacies		7,379,460	5,195,900
Grants			
- AusAID		3,180,198	1,494,545
- Other Australian government		577,533	382,888
- Other overseas		128,946	150,650
- Corporate		1,642,753	1,305,570
Net gains/(losses) on investments at fair value	5	557,817	(2,052,237)
Other income	6	(23,110)	360,155
Revenue for international political or religious proselytisation programs	21b	-	-
Total income		29,891,685	20,785,820
EXPENDITURE FROM CONTINUING OPERATIONS			
Aid and development programs expenditure			
International programs			
- Funds to international programs		9,842,250	8,507,352
- Program support costs		2,986,219	1,978,115
Domestic programs expenditure		4,877,727	3,802,949
Community education		1,431,907	1,383,255
Fundraising costs			
- Public		4,944,788	4,107,563
- Government, multilateral and private		77,187	62,896
Administration expenses		1,813,174	1,504,530
Finance costs	7	24,444	-
Non-monetary expenditure	21a	-	-
Expenditure for international political or religious proselytisation programs	21b	-	-
Total Expenditure		25,997,696	21,346,660
Net surplus/(deficit) of income over expenditure	2	3,893,989	(560,840)
Other comprehensive income		-	-
Total comprehensive income (deficit) for the period		3,893,989	(560,840)

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

The Fred Hollows Foundation
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Statement of financial position
As at 31 December 2009

	Note	2009 \$	2008 \$	1 Jan 2008 \$
ASSETS				
Current assets				
Cash and cash equivalents	15	7,910,869	3,541,639	2,032,591
Other financial assets at amortised cost		340,249	313,756	293,673
Trade and other receivables	8	1,940,621	1,647,712	1,183,851
Inventories	9	-	15,282	16,965
Prepayments		173,547	29,477	87,217
Total current assets		10,365,286	5,547,866	3,614,297
Non-current assets				
Financial assets at fair value	10	5,960,400	5,164,158	8,509,611
Property, plant and equipment	11	1,464,206	528,147	407,001
Total non-current assets		7,424,606	5,692,305	8,916,612
TOTAL ASSETS		17,789,893	11,240,171	12,530,909
LIABILITIES				
Current liabilities				
Trade and other payables	12	3,229,808	1,642,283	2,471,309
Borrowings	14	456,429	-	-
Provisions	13	444,243	272,619	199,363
Total current liabilities		4,130,480	1,914,902	2,670,672
Non-current liabilities				
Borrowings	14	281,581	-	-
Provisions	13	75,360	71,239	45,367
Deferred liability	17	154,452	-	-
Total non-current liabilities		511,393	71,239	45,367
TOTAL LIABILITIES		4,641,873	1,986,141	2,716,039
NET ASSETS		13,148,019	9,254,030	9,814,870
EQUITY				
Accumulated funds		13,148,019	6,418,981	6,871,178
Future projects reserve		-	2,835,049	2,835,049
Tied funds reserve		-	-	108,643
TOTAL EQUITY		13,148,019	9,254,030	9,814,870

The above statement of financial position should be read in conjunction with accompanying notes.

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Statement of changes in equity
For the year ended 31 December 2009

	Note	Accumulated funds \$	Future project reserve \$	Investment reserve \$	Tied funds reserve \$	
Balance at 1 Jan 2009		6,418,981	2,835,049	-	-	9,254,030
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

		Accumulated funds \$	Future project reserve \$	Investment reserve \$	Tied funds reserve \$	Total \$
Balance at 1 Jan 2008, original		6,736,655	2,835,049	134,523	108,643	9,814,870
Early adoption of AASB 9 "Financial Instrument"	2	134,523	-	(134,523)	-	-
Balance at 1 Jan 2008, restated		6,871,178	2,835,049	-	108,643	9,814,870
Total comprehensive income (loss) for the period		(560,840)	-	-	-	(560,840)
Transfer from reserve		108,643	-	-	-	108,643
Transfer to accumulated funds		-	-	-	(108,643)	(108,643)
As at 31 December 2008		6,418,981	2,835,049	-	-	9,254,030

* The Foundation does not separately manage the Accumulated funds and Future project reserve and has therefore transferred the balance held in the Future project reserve to Accumulated funds

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

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Statement of cash flows
For the year ended 31 December 2009

	Notes	2009 \$	2008 \$
Cash flows from operating activities			
Receipt from donors		17,034,441	14,004,476
Receipts from bequests		7,352,892	5,120,537
Receipt of government grants		4,344,752	1,575,077
Receipt of international corporate donations		1,842,899	1,305,570
Payment of program expenditures		(15,560,322)	(14,158,958)
Payment to suppliers and employees		(10,603,511)	(7,380,975)
Others		112,245	(12,030)
Net cash flows from/(used in) operating activities	15	4,523,396	453,697
Cash flows from investing activities			
Acquisition of plant and equipment		(1,326,663)	(306,779)
Disposal of plant and equipment		39,968	18,009
Purchase of financial assets at fair value		(2,985,254)	(2,960,387)
Disposal of financial assets at fair value		2,780,662	3,882,314
Interest received		21,148	89,444
Dividends received		602,406	332,750
Net cash flows from/(used in) investing activities		(867,732)	1,055,351
Cash flows from financing activities			
Receipt of bank loan		924,288	-
Repayment of bank loan- principal		(186,278)	-
Repayment of bank loan- interest		(24,444)	-
Net cash flows from/(used in) financing activities		713,566	-
Net increase/(decrease) in cash and cash equivalents		4,369,230	1,509,048
Cash and cash equivalents at beginning of the period		3,541,639	2,032,591
Cash and cash equivalents at end of the period		7,910,869	3,541,639

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

The Fred Hollows Foundation

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Notes to financial statements

Year ended 31 December 2009

1 Corporate information

The Fred Hollows Foundation (The Foundation) is a company limited by guarantee incorporated in Australia. The Foundation operates as a charitable organisation engaged in prevention of blindness. The registered office and principal place of business is 61 Dunning Avenue, Rosebery NSW 2018.

The financial report of The Fred Hollows Foundation for the year ended 31 December 2009 was authorised in accordance with a resolution of the Directors on 14 April 2010.

2 New accounting standards and interpretations and accounting standards issued but not yet effective

The Foundation has adopted new and amended Australian Accounting Standards and AASB Interpretations that are effective for annual reporting periods commencing 1 January 2009.

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 2009. 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 AASB 9 *Financial Instruments* and related amendment AASB 2009-11 with an application date of 7 December 2009, being the earliest available application date. AASB 9 replaces the requirements of AASB 139 relating to classification and measurement of financial assets as of this application date. The early adoption of the standard has resulted in The Foundation changing the accounting policies relating to classification and measurement of its recognised financial assets.

The change in accounting policy has been made in accordance with the transitional provisions of the standard, however The Foundation has elected to retrospectively apply the changes to the extent allowed, and has restated comparative information accordingly. In accordance with the standard, the revised policies have not been applied to financial assets that The Foundation has already derecognised at the date of initial application.

As a result of the adoption of this standard, The Foundation has classified the financial assets in its investment portfolio at fair value through profit or loss, with gains and losses on these investments presented in the Statement of comprehensive income. Previously, The Foundation classified these investments as available-for-sale financial assets, with gains and losses shown as equity. The Foundation also holds term deposits which are held under a separate business model whose objective is to collect the contractual cash flows, and have been classified in Statement of financial position as "Other financial assets at amortised cost".

As a result of the above changes the impairment charge of \$1,646,593 on investments and movement in investment reserves of \$134,523 for the year ended 31 December 2008 have been reclassified to gains and losses on financial assets at fair value. The application of the standard had no impact on the valuation of The Foundation's financial assets and liabilities and therefore required no adjustment to the net assets. The impact from the movement in investment reserve of \$134,523 is reflected in the reported net surplus/(deficit) of 2008 which has changed from (\$426,317) to (\$560,840).

The Statement of changes in equity reflects the movement of the investment reserve to accumulated funds as at 1 January 2008. The opening balance of accumulated funds at 1 January 2008 has accordingly changed from \$6,736,655 to \$6,817,178.

The adoption of new standards and compliance with the new ACFID reporting requirements reflects the changes in the presentation of statements and disclosures in notes.

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Notes to financial statements

Year ended 31 December 2009

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, which include Australian equivalents to International Financial Reporting Standard (AIFRS) as issued by Australian Accounting Standards Board.

(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) Trade and other receivables

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

(e) Financial Assets

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,

Other financial assets

- include term deposits valued at amortised cost.

(f) Inventories

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

(g) Impairment

At each reporting date, assets 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.

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Notes to financial statements

Year ended 31 December 2009

3 Summary of significant accounting policies

(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 line basis at rates over the estimated useful lives of the assets as follows:

	2009	2008
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 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.

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Notes to financial statements

Year ended 31 December 2009

3 Summary of significant accounting policies (continued)

(k) Provisions (continued)

(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.

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.

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Notes to financial statements

Year ended 31 December 2009

3 Summary of significant accounting policies (continued)

(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 20 of the financial statements.

(p) Operating Leases

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

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

(q) Government grants

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

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

As per note 2, The Foundation has decided to classify investments in listed and unlisted securities financial assets value 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.

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Notes to financial statements

Year ended 31 December 2009

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 Governance 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.

The following sensitivity analysis is based on the interest rate risk exposures in existence at the reporting date.

If interest rates had moved as illustrated in the table below, with all other variables held constant, surplus and other comprehensive income would have been affected as follows:

Judgments of reasonably possible movements:

	Surplus		Other comprehensive income	
	higher/(lower) 2009	2008	higher/(lower) 2009	2008
	\$	\$	\$	\$
+2% (200 basis points)	158,217	70,833	-	-
- 1% (100 basis points)	(79,109)	(35,416)	-	-

The movements are due to higher/lower interest income from variable rate cash balances.

Significant assumptions used in the interest rate sensitivity analysis include reasonably possible movements in interest rates were determined based on the management expectations, the amount of assets to be deposited and the current relationships with financial institutions.

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Year ended 31 December 2009

4 Financial risk management objectives and policies (continued)

Risk exposures and responses (continued)

(ii) Foreign currency risk

The Foundation operates to eradicate blindness globally and as such many of its program expenses are in foreign currency. 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.

At balance date, The Foundation had the following underlying exposure to foreign currencies:

	2009	2008
	\$	\$
Pakistani Rupees	194,851	346,372
US Dollars	774,592	352,536

The following sensitivity is based on the foreign currency risk exposures in existence at the reporting date:

Had the US Dollar and Pakistani Rupees currency rates moved on average, as illustrated in the table below, with all other variables held constant, surplus and other comprehensive income would have been affected as follows:

Judgments of reasonably possible movements	Surplus		Other Comprehensive income	
	Higher (lower)		Higher (lower)	
	2009	2008	2009	2008
	\$	\$	\$	\$
<u>Pakistani Rupees</u>				
+ 10%	19,485	35,254	-	-
- 10%	(19,485)	(35,254)	-	-
<u>US Dollars</u>				
+ 10%	77,459	35,254	-	-
- 10%	(77,459)	(35,254)	-	-

Significant assumptions used in the foreign currency exposure sensitivity analysis include reasonably possible movements in foreign exchange rates were determined based on a review of the last two years historical movements future market expectations.

(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.

At balance date, The Foundation had the following investments in equity shares exposed to price risk:

	2009	2008
	\$	\$
Equities		
- Domestic	4,032,570	2,650,436
- International	1,674,145	2,323,342
	<u>5,706,715</u>	<u>4,973,778</u>

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Year ended 31 December 2009

4 Financial risk management objectives and policies (continued)

Risk exposures and responses (continued)

(iii) Price risk(continued)

The following sensitivity is based on the price risk exposures in existence at the reporting date:

Had the Australian (ASX) and international(MSCI world) equities markets moved as illustrated in the table below, with all other variables held constant, surplus and other comprehensive income would have been affected as follows:

Judgments of reasonably possible movements	Surplus		Other Comprehensive income	
	Higher (lower)		Higher (lower)	
	2009	2008	2009	2008
<u>Domestic Equities</u>	\$	\$	\$	\$
+ 10%	403,257	265,044	-	-
- 10%	(403,257)	(265,044)	-	-
<u>International Equities</u>				
+ 10%	167,415	232,334	-	-
- 10%	(167,415)	(232,334)	-	-

Significant assumptions used in the price risk exposure sensitivity analysis include reasonably possible movements in prices of equities were determined based on a review of the last two years historical movements, The Foundation's investment managers current reports, and The Foundation's market expectations.

(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 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.

Financial liabilities

The following liquidity risk disclosures reflect all contractually fixed pay-offs, repayments and interest resulting from recognised financial liabilities as of 31 December 2009. For the other obligations the respective undiscounted cash flows for the respective upcoming fiscal years are presented. The timing of cash flows for liabilities is based on the contractual terms of the underlying contract.

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Year ended 31 December 2009

4 Financial risk management objectives and policies (continued)

Risk exposures and responses (continued)

(v) Liquidity risk (continued)

However, where the counterparty has a choice of when the amount is paid, the liability is allocated to the earliest period in which The Foundation can be required to pay. When the Foundation is committed to make amounts available in installments, each installment is allocated to the earliest period in which the Foundation is required to pay.

	6 months	6-12 months	1-5 years	> 5 years	Total
Year ended 31 December 2009					
Financial liabilities					
Trade and other payables	(3,229,808)	-	-	-	(3,229,808)
Interest bearing loans and borrowings	(247,109)	(247,109)	(288,294)	-	(782,512)
	(3,476,917)	(247,109)	(288,294)	-	(4,012,320)
Year ended 31 December 2008					
Financial liabilities					
Trade and other payables	(1,642,283)	-	-	-	(1,642,283)
Interest bearing loans and borrowings	-	-	-	-	-
	(1,642,283)	-	-	-	(1,642,283)

(vi) Fair value

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

Level 1 – the fair value is calculated using quoted prices in active markets.

Level 2 – the fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 – the fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the table below.

	Year ended 31 December 2009			Total
	Quoted Market Price (Level 1)	Valuation technique observable inputs (Level 2)	Valuation technique non-market observable inputs (Level 3)	
	\$	\$	\$	\$
Financial assets				
ANZ Endowment Fund		203,532		203,532
Queensland Community Foundation		9,409		9,409
JB Were investment portfolio:				
- Fixed Interest		253,685		253,685
- Property	54,120			54,120
- Equities:				
- Domestic	3,765,508			3,765,508
- International	510,909	906,014		1,416,923
- International Managed Funds		257,223		257,223
	4,330,537	1,629,863	-	5,960,400

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Year ended 31 December 2009

4 Financial risk management objectives and policies (continued)

Risk exposures and responses (continued)

(vi) Fair value (continued)

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 manager uses a direct feed valuation provided daily by professional valuers. The investment manager conducts, where available, validation process that include reference to secondary pricing sources before releasing the updated prices on daily basis.

5 Net gains or losses on investments at fair value	2009	2008
	\$	\$
Dividend, interest and fair value movement in investments	1,274,533	(2,052,237)
Cost of foreign currency	(716,716)	-
	557,817	(2,052,237)

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 neutralised 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 \$716,716.

Per note 2 the movement in investment reserve of \$134,523 for the year ended 31 December 2008 has been reclassified to gains and losses on financial assets at fair value.

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	2009	2008
	\$	\$
(a) Finance costs		
Interest on bank borrowings	24,444	-
	24,444	-
(b) Depreciation, impairment and amortisation included in Statement of comprehensive income		
Depreciation	256,760	167,625
	256,760	167,625
(c) Lease payments and other expenses included in Statement of comprehensive income		
Minimum lease payments - operating lease	298,421	114,364
	298,421	114,364

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8 Current assets - trade and other receivables

		2009	2008
		\$	\$
Trade receivables		1,005	17,000
Receivables from related parties	8(a)	1,057,714	1,069,199
Avoidable Blindness Initiative (ABI) consortium		42,671	19,458
Dividend and interest receivables		59,961	27,125
GST receivable		293,458	231,113
Others		485,812	283,818
		<u>1,940,621</u>	<u>1,647,712</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) Fair value and credit risk

Due to the short-term nature of these receivables, their carrying values approximate their fair values.

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security.

9 Current assets - inventories

	2009	2008
	\$	\$
Goods for sale (at cost)	-	15,282
	<u>-</u>	<u>15,282</u>

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Year ended 31 December 2009

	2009	2008
	\$	\$
10 Non-current assets -financial assets at fair value		
ANZ Endowment Fund	203,532	217,187
Queensland Community Foundation	9,409	9,409
JB Were portfolio investment		
- Fixed Interest	253,685	190,380
- Property	54,120	-
- Equities:		
- Domestic	3,765,508	2,423,840
- International	1,416,923	1,906,124
- International Managed Funds	257,223	417,218
	<u>5,960,400</u>	<u>5,164,158</u>

ANZ Endowment Fund is payable on demand. Queensland Community funds are held in trust for perpetuity.

(a) Equities

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 4. 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.

11 Non-current assets - property, plant and equipment

(a) Carrying amount as of balance date

	2009	2008
	\$	\$
Motor vehicles	-	56,861
Office furniture and equipment	1,253,207	1,016,037
Leasehold improvements	650,243	53,262
Accumulated depreciation	(439,243)	(598,014)
	<u>1,464,206</u>	<u>528,147</u>

(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 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>

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Notes to financial statements

Year ended 31 December 2009

	2009	2008
12 Current liabilities - trade and other payables	\$	\$
Trade payables	303,331	112,730
Accrued expenses	277,356	85,151
Deferred grants:		
- Government grants	879,343	427,444
- Other grants	1,124,662	61,862
Other Creditors	645,115	955,096
	<u>3,229,808</u>	<u>1,642,283</u>

(a) Fair value

Due to the short-term nature of these payables, their carrying value approximates their fair value.

(b) Trade creditors

Trade creditors are non-interest bearing and are normally settled in 30 days.

(c) AusAID grants

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

(d) Foreign exchange and liquidity risk

Information regarding foreign exchange and liquidity risk exposure is set out in note 4 .

(e) Other

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

	2009	2008
13 Provisions	\$	\$
(a) Current		
Annual leave		
As at 31 December	411,445	272,619
Long service leave		
As at 31 December	32,798	-
Total current provisions		
As at 31 December	<u>444,243</u>	<u>272,619</u>
(b) Non current		
Long service leave		
As at 31 December	<u>75,360</u>	<u>71,239</u>

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Year ended 31 December 2009

14 Borrowings	2009	2008
	\$	\$
Obligations under mortgage		
Current	456,429	-
Non-current	281,581	-
	738,010	-

(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.

(b) Fair values

The carrying amount of The Foundation's borrowing approximates their fair value.

(c) Interest rate, foreign exchange and liquidity risk

Details regarding liquidity risk is disclosed in note 4.

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Notes to financial statements

Year ended 31 December 2009

15 Cash flow statement reconciliation

	2009	2008
	\$	\$
(a) Reconciliation of net profit after tax to net cash flows from operations		
Total comprehensive income (loss) for the period	3,893,989	(560,840)
Depreciation	255,110	167,625
(Gain)/loss on revaluation of financial assets at fair value	(955,724)	1,781,116
Net (profit)/loss on disposal of property, plant and equipment	95,525	4,374
(Gain)/loss on sale of investments	364,075	693,315
Dividend income classified as investing cash flow	(631,136)	(332,750)
Interest income classified as investing cash flow	(21,148)	(89,444)
Interest paid classified as financing cash outflow	24,444	-
Deferred rent expense	154,452	-
Others	52	(75,363)
Changes in assets and liabilities;		
(Increase) /decrease in other financial assets	(26,493)	-
(Increase) /decrease in receivables	133,712	(463,861)
(Increase) /decrease in inventory	15,282	1,683
(Increase) /decrease in prepayments	(144,071)	57,740
Increase /(decrease) in trade payables	1,189,583	(829,026)
Increase/(decrease) in provisions	175,745	99,128
Net cash flow from (used in) operating activities	<u>4,523,396</u>	<u>453,697</u>
(b) Reconciliation of cash		
Cash balance comprises:		
- Cash on hand	<u>7,910,869</u>	3,541,639
Closing cash balances	<u>7,910,869</u>	<u>3,541,639</u>

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16 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:

	2009	2008
	\$	\$
Short-term employee benefits	403,721	343,653
Other long-term employee benefits	32,252	29,059
	<u>435,973</u>	<u>372,712</u>

Executives

B. Doolan
E. Hounslow

Directors

Andrew Want	Brent Impey (appointed 12/3/2009)
Michael Johnson	Mary Kostakidis
Howard Davies	John McElhinney (resigned 12/3/2009)
Phillip Brown (resigned 17/3/2009)	Romlie Mokak
Robert Dalziel	David Moran
Sarah Elliott	Stephanie Young
Gabi Hollows	

17 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. While the move was made in July 2009, the rental contract started in 1 May 2009. The lease contract provided for a four-month free rental and will expire in 21 January 2016. 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:

	2009	2008
	\$	\$
Within one year	574,035	299,939
After one year but not more than five years	2,297,419	1,283,904
After more than five years	31,923	-
Total minimum lease payments	<u>2,871,454</u>	<u>1,583,843</u>

The rent free amount has also been 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 carried in the Statement of financial position as deferred liability amounting to \$154,452.

18 Events after the Statement of financial position date

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

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Year ended 31 December 2009

19 Auditors' remuneration

The auditor of The Foundation is Ernst & Young who acts on an honorary basis for the annual financial audit.

The following fees were paid for other services provided by the auditors:

	2009	2008
	\$	\$
<u>Ernst & Young Australian firm</u>		
Audit services- for funding acquittals to Department of Health and Ageing Central Australia Eye Health Program	-	1,600
<u>Ernst & Young China firm</u>		
Audit of Expenditure Statement for The Foundation's China program	19,319	18,658
<u>Ernst & Young Vietnam firm</u>		
Audit of Expenditure Statement for The Foundation's Vietnam program	15,545	
	<u>34,864</u>	<u>20,258</u>

20 Information furnished under the Charitable Fundraising Act 1991

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

Proceeds from fundraising appeals

	2009	2008
	\$	\$
Donations	11,566,158	9,721,172
Functions and special events	238,533	959,829
Bequests	7,379,460	5,195,900
Miracle Club	4,643,397	3,267,348
Gross proceeds from fundraising appeals	<u>23,827,548</u>	<u>19,144,249</u>

Direct costs of fundraising appeals

Donations	4,120,076	3,495,889
Functions and special events	191,706	200,090
Bequests	246,020	224,496
Miracle Club	384,661	171,017
Merchandise costs	7,119	16,071
Cost of raising Government funds	72,393	62,896
Total direct costs of fundraising appeals	<u>5,021,974</u>	<u>4,170,459</u>

Net surplus from Fundraising appeals

18,805,574 14,973,790

(b) Statement showing how funds received are applied for charitable purposes

	2009	2008
	\$	\$
Net surplus obtained from Fundraising appeals	<u>18,805,574</u>	<u>14,973,790</u>
Applied for charitable purposes as follows:		
Office administration	<u>1,837,619</u>	<u>1,504,530</u>
Expenditures on direct services:		
Community education	1,431,907	1,383,255
International programs	12,828,469	10,485,467
Indigenous programs	4,877,727	3,802,949
	<u>19,138,103</u>	<u>15,671,671</u>
Total expenditure	<u>20,975,722</u>	<u>17,176,201</u>
Surplus/(Shortfall)	<u>(2,170,148)</u>	<u>(2,202,411)</u>

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

	2009 \$	2008 \$
Shortfall was provided by the following sources:		
AusAID grants	3,180,198	1,494,545
Other government grants	577,533	382,888
Other overseas grants	128,946	150,650
Corporate funding	1,642,753	1,305,570
Investment income (loss)	557,817	(2,052,237)
Miscellaneous	(23,109)	360,155
	6,064,138	1,641,571
(Deficit) Surplus transfer to Accumulated Funds for future use	3,893,989	(560,840)

(d) Comparison by monetary figures and percentages

	2009 \$	2008 \$
Gross income from fundraising appeals	23,827,548	19,144,249
Total direct cost of fundraising appeals	5,021,974	4,170,459
Total direct cost of fundraising as a percentage of gross income from		
Fundraising appeals	21%	22%
Net surplus from fundraising appeals	18,805,574	14,973,790
Net surplus from fundraising as a percentage of gross income from fundraising appeals	79%	78%
Total cost of direct services	19,138,103	15,671,671
Total expenditure (excluding direct cost of fundraising appeals)	20,975,722	17,176,201
Total cost of Direct services as a percentage of total expenditure	91%	91%
Total income received (including net profit from fundraising appeals)	18,805,574	14,973,790
Total cost of direct services as a percentage of total income received	102%	105%

(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.

(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 2009.

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 2009 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.

A handwritten signature in black ink, appearing to read 'Andrew Want', with a large, stylized loop at the end.

Andrew Want
Director
14 April 2010
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.

A handwritten signature in black ink, appearing to read 'Howard Davies', with a horizontal line drawn underneath it.

Howard Davies
Director
14 April 2010
Sydney, NSW, Australia

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

Report on the Financial Report

We have audited the accompanying financial report of The Fred Hollows Foundation, which comprises the statement of financial position as at 31 December 2009, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes, including note 20 Information furnished under the ACFID code of conduct, and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of The Fred Hollows Foundation are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations), the *Corporations Act 2001*, the Charitable Fundraising Act 1991, and the Charitable Collections Act 1946 and Regulations (WA). This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance 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 our 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, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report 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 met 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. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. the financial report of The Fred Hollows Foundation is in accordance with:
 - (a) the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of Thee Fred Hollows Foundation at 31 December 2009 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.
 - (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 2009;
 - (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 2009;
 - (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



Sean Van Gorp
Partner
Sydney
Date: 14 April 2010