# FOUNDATION FOR DEVELOPING CAMBODIAN COMMUNITIES LTD

(A COMPANY LIMITED BY GUARANTEE)

ABN 45 134 664 903

## FINANCIAL REPORT

## FOR THE YEAR ENDED 30 JUNE 2011

FDCC

the foundation for developing cambodian communities

# FOUNDATION FOR DEVELOPING CAMBODIAN COMMUNITIES LTD

(A Company Limited by Guarantee)

ABN 45 134 664 903

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# FOUNDATION FOR DEVELOPING CAMBODIAN COMMUNITIES LTD

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## DIRECTORS' REPORT

The Directors present their report together with the financial report of Foundation for Developing Cambodian Communities Ltd (the Company), and of the Group, being the Company and its subsidiary for the financial year ended 30 June 2011 and the auditor's report thereon.

**Directors**

The Directors of the Company at any time during or since the end of the financial year are:

| Name | Occupation | Date of Appointment |
|---|---|---|
| Di Willis | Human Resources Specialist | 17 December 2008 |
| Melani Daruis | Chartered Accountant | 17 December 2008 |
| Mark Gemmola | Economic Analyst and Valuer | 17 December 2008 |
| Gavin Didsbury | Organisational Psychologist | 17 December 2008 |
| Marie O'Sullivan | Organisational Psychologist | 17 December 2008 |
| Patrick Arthur | Chief Financial Officer | 3 December 2009 |
| Jacinta Ryan | Scientist and Academic | 20 September 2010 |
| Catherine McKean | Treasury Manager | 26 October 2010 |

**Company Secretary**

The following person held office as Company secretary during the financial year and up to the date of this report:

| Name | Occupation | Date of Appointment |
|---|---|---|
| Michael Ricketts | Finance and IT Director | 22 October 2009 |

**Directors' meetings**

The number of Directors' meetings (including meetings of committees of directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

| Director | Board Meetings | |
|---|---|---|
| | (A) | (B) |
| Di Willis ** | 8 | - |
| Melani Daruis | 8 | 8 |
| Mark Gemmola | 8 | 8 |
| Gavin Didsbury | 8 | 8 |
| Marie O'Sullivan | 8 | 7 |
| Patrick Arthur *** | 6 | 5 |
| Jacinta Ryan | 8 | 7 |
| Catherine McKean | 6 | 6 |

(A) Number of meetings held during the time the director held office during the period.

(B) Number of meetings attended.

** Di Willis was granted a leave of absence on 12 February 2009.

*** Patrick Arthur was granted a leave of absence between October 2010 and February 2011.

# DIRECTORS' REPORT (continued)

**Operating and financial review**

The net operating loss of the Group for the financial year was $2,760 (2010: $2,918). The board of directors is satisfied with the Group's operations for the year ended 30 June 2011.

**Principal activities**

A vision, mission and series of strategic objectives have been formulated in order to provide the necessary framework for the Group to fulfil its role.

The principal activity of the Group in the course of the financial year was raising money for and overseeing the operations of Mekhala House, a home for orphaned and underprivileged children in Cambodia, including associated staff development training, and education support for the children in Mekhala House. There were no significant changes in the nature of the activities of the Group during the financial year.

The fundraising activities resulted in the Group raising sufficient funds to operate the programs at Mekhala House. The staff development programs have led to a significant improvement in the operational capability of staff in Cambodia and their ability to begin a strategic planning process for their organisation. The care and educational programs developed for the children have resulted in them achieving above average educational results in their school, excellent health outcomes and learning new vocational and life skills.

The Company's chief measure of its performance is whether it raises sufficient money for the activities of FDCC in Cambodia.

The Company measures the performance of FDCC in Cambodia through a variety of ways including assessments and reviews of programs operated by the staff in Cambodia, monitoring of the children's education results and monitoring of the budget against actual expenditure.

The Directors of the Company also have established staff position descriptions and objectives in collaboration with the Executive Director of FDCC in Cambodia. The Directors of the Company undertake an annual performance review of the Executive Director of FDCC in Cambodia who, in turn, undertakes reviews of all staff members.

**Short and long term objectives of the entity**

The objectives of the Company during the next twelve months are:

- To successfully complete the OAGDS submission process with AusAID and to achieve DGR status;
- To develop and implement fundraising activities that generate sufficient funds for FDCC in Cambodia to operate the projects during the year and to provide a cash reserve for contingent requirements;
- To provide operational and strategic assistance to FDCC Cambodia in operating the projects; and
- To grow its membership and volunteer base.

# DIRECTORS' REPORT (continued)

The objectives of the Company over the longer term are:

- To develop relationships with philanthropic funds and corporate donors to increase FDCC's revenue base;
- To increase the awareness of FDCC's activities and objectives within Australia;
- To provide opportunities for Australians to work closely with Cambodians to develop programs that provide assistance and opportunity to underprivileged children in Cambodia;
- To develop the operational and strategic planning capability of staff in Cambodia;
- To assist FDCC Cambodia to develop social enterprise businesses that will generate funds for the Cambodian projects.

The objectives of the Group are to:

- Create opportunity to improve girls' lives by providing a home for underprivileged girls who are orphaned or at risk:
- Provide primary care and educational programs for the girls;
- Provide the girls with the education, work and life skills; and
- Provide opportunity and empowerment to Cambodian girls so they can develop and become future leaders within their community; and
- Achieve self sufficiency by sourcing the funds for the project locally in Cambodia.

**Strategy for achieving objectives**

The strategies adopted by the Company to achieve these objectives were:

- Establish a marketing and fundraising subcommittee to expand the current membership plan for FDCC and to plan and oversee future fundraising activities;
- Seek pro bono legal assistance from Mallesons Stephen Jacques to submit the OAGDS application to AusAID;
- Travel to Cambodia to work with staff and Directors to initiate a strategic planning process for FDCC in Cambodia;
- Engage volunteers to undertake research on potential funding sources among philanthropic foundations and corporations; and
- Engage volunteers to work on planning and executing fundraising activities for the Company.

The strategies adopted by the Group to achieve the objectives were:

- Develop and implement educational programs and skills training for the children;
- Undertake staff training to ensure high quality care and support are provided to the children; and
- Undertake strategies planning to assist in achieving self sufficiency.

**Significant changes in the state of affairs**

There were no significant changes in the state of affairs of the Group that occurred during the financial period under review.

# DIRECTORS' REPORT (continued)

**Dividends**

There were no dividends paid or declared by the Group to its members.

**Events subsequent to reporting date**

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group in future financial years.

**Likely developments**

It is not foreseen that the Group will undertake any change in its general direction during the coming financial year. The Group will continue to act as a charitable institution and raise funds for development activities in regional Cambodia.

**Application for tax exemption and to become a deductible gift recipient**

The Group has made an application to the Australian Taxation Office for tax exemption and registration as a deductible gift recipient. In support of this, the Group is currently being assessed by AusAid for OAGDS (Overseas Aid Gift Deduction Scheme) status. Of the seven criteria required for successful registration under the scheme, the Group achieved five. The remaining information required to satisfy the final two criteria was submitted in July 2011. The submission is currently being assessed by AusAID.

**Indemnification and insurance of officers and auditors, including environmental regulation**

During the period, the Group paid a premium for Directors' and Officers' liability insurance policies, which covers all the Directors and Officers of the Group. The directors have not included details of the nature of the liabilities covered or the amount of the premium paid in respect of the directors' and officers' liability and legal expenses insurance contracts, as disclosure is prohibited under the terms of the contracts.

The Group is not exposed to any significant environmental regulation.

**Lead Auditor's independence declaration**

The lead auditor's independence declaration is set out on page 7 and forms part of the directors' report for the financial year ended 30 June 2011.

This report is made with a resolution of the Directors:

Melani Daruis
Director

Mark Gemmola
Director

Melbourne
27 October 2011

KPMG

**LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF FOUNDATION FOR DEVELOPING CAMBODIAN COMMUNITIES LTD**

As auditor of Foundation for Developing Cambodian Communities Ltd for the year ended 30 June 2011, I declare that, to the best of my knowledge and belief, there have been:

(a) no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and

(b) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Tony Batsakis
*Partner*

Melbourne
27 October 2011

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF FOUNDATION FOR DEVELOPING CAMBODIAN COMMUNITIES LTD AND ITS CONTROLLED ENTITY

We have audited the accompanying financial report of Foundation for Developing Cambodian Communities Ltd (the Company), which comprises the statements of financial position as at 30 June 2011, and statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, notes 1 to 19 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Company and the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

*Directors' responsibility 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 and the *Corporations Act 2001* and.for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error.

*Auditor's responsibility*

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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 the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with the *Corporations Act 2001* and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Company's and the Group's financial position and of their performance.

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

KPMG

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Qualification*

It is not always practicable for the Company and Group to establish accounting control over all sources of fundraising appeal activities prior to receipt of these funds by employees of the Company and Group, and accordingly it is not possible for our examination to include procedures which extend beyond the amounts of such income recorded in the accounting records of the Company and Group.

*Auditor's opinion*

In our opinion, except for the effects on the financial report of such adjustments, if any, as might have been required had the limitation referred to in the qualification paragraph not existed;

(a) the financial report of Foundation for Developing Cambodian Communities Ltd is in accordance with the *Corporations Act 2001*, including:

(i) giving a true and fair view of the Company's and the Group's financial position as at 30 June 2011 and of their 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.

KPMG

KPMG

Tony Batsakis
*Partner*

Melbourne
27 October 2011

## DIRECTORS' DECLARATION

In the opinion of the directors of Foundation for Development Cambodian Communities Ltd (the Company):

a) The financial statements and notes as set out in the financial report are in accordance with the *Corporations Act 2001*, including:

   i) giving a true and fair view of the Company's and Group's financial position as at 30 June 2011 and of their performance for the financial period ended on that date; and

   ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001.*

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

Signed in accordance with a resolution of the directors:

Dated at Melbourne this 27th day of October 2011.

Melani Daruis
Director

Mark Gemmola
Director

FOUNDATION FOR DEVELOPING CAMBODIAN COMMUNITIES LTD

(A Company Limited by Guarantee)

ABN 45 134 664 903

# STATEMENTS OF COMPREHENSIVE INCOME

**FOR THE YEAR ENDED 30 JUNE 2011**

| | | Consolidated | | Parent | |
|---|---|---|---|---|---|
| | Note | 2011<br>$ | 2010<br>$ | 2011<br>$ | 2010<br>$ |
| **Revenue from continuing operations** | | | | | |
| Donations | | 43,316 | 49,736 | 41,875 | 49,736 |
| Fundraising proceeds | | 46,275 | 36,866 | 46,275 | 36,866 |
| Finance income | | 150 | 432 | 42 | 300 |
| Memberships | | 7,225 | 5,655 | 7,225 | 5,655 |
| **Total revenues** | | **96,966** | **92,689** | **95,417** | **92,557** |
| **Expenses from ordinary activities** | | | | | |
| Fundraising activities | | (10,982) | (730) | (10,982) | (730) |
| Project expenses | 5 | (61,184) | (66,548) | (55,421) | (76,168) |
| Administration expenses | | (2,664) | (1,095) | (1,450) | (1,046) |
| Impairment charges | 14 | - | - | (1,768) | - |
| **Operating profit/(loss) before income tax** | | **22,136** | **24,316** | **25,796** | **14,613** |
| Income tax attributable to operating profit | 6 | (24,896) | (27,234) | (24,896) | (27,234) |
| **Operating profit/(loss) after income tax** | | **(2,760)** | **(2,918)** | **900** | **(12,621)** |
| **Other comprehensive income** | | | | | |
| Exchange differences of translation of foreign operations | | **(5,575)** | **(469)** | - | - |
| **Total comprehensive income/(loss) for the period** | | **(8,335)** | **(3,387)** | **900** | **(12,621)** |

The notes on pages 16 to 29 are an integral part of these consolidated financial statements.

FOUNDATION FOR DEVELOPING CAMBODIAN COMMUNITIES LTD

(A Company Limited by Guarantee)

ABN 45 134 664 903

# STATEMENTS OF CHANGES IN EQUITY

**FOR THE YEAR ENDED 30 JUNE 2011**

| **Consolidated** | **Notes** | **Share Capital** $ | **Translation Reserve** $ | **Accumulated Losses** $ | **Total** $ |
|---|---|---|---|---|---|
| Balance at 1 July 2009 | | 46,215 | (3,976) | (13,096) | 29,143 |
| **Total comprehensive income for the period** | | | | | |
| Operating profit/(loss) after income tax | | - | - | (2,918) | (2,918) |
| *Other comprehensive income* | | | | | |
| Foreign currency translation reserve differences | | - | (469) | - | (469) |
| Total other comprehensive income | | - | (469) | - | (469) |
| Total comprehensive income for the period | | - | (469) | (2,918) | (3,387) |
| **Transactions with owners, recorded directly in equity** | | | | | |
| Total transactions with owners | | - | - | - | - |
| Balance at 30 June 2010 | | 46,215 | (4,445) | (16,014) | 25,756 |
| Balance at 1 July 2010 | | 46,215 | (4,445) | (16,014) | 25,756 |
| **Total comprehensive income for the period** | | | | | |
| Operating profit/(loss) after income tax | | - | - | (2,760) | (2,760) |
| *Other comprehensive income* | | | | | |
| Foreign currency translation reserve differences | | - | (5,575) | - | (5,575) |
| Total other comprehensive income | | - | (5,575) | - | (5,575) |
| Total comprehensive income for the period | | - | (5,575) | (2,760) | (8,335) |
| **Transactions with owners, recorded directly in equity** | | | | | |
| Total transactions with owners | | - | - | - | - |
| Balance at 30 June 2011 | | 46,215 | (10,020) | (18,774) | 17,421 |

The notes on pages 16 to 29 are an integral part of these consolidated financial statements.

FOUNDATION FOR DEVELOPING CAMBODIAN COMMUNITIES LTD

(A Company Limited by Guarantee)

ABN 45 134 664 903

# STATEMENTS OF CHANGES IN EQUITY

**FOR THE YEAR ENDED 30 JUNE 2011**

| **Parent** | **Notes** | **Share Capital** $ | **Translation Reserve** $ | **Accumulated Losses** $ | **Total** $ |
|---|---|---|---|---|---|
| Balance at 1 July 2009 | | 46,215 | - | (17,072) | 29,143 |
| **Total comprehensive income for the period** | | | | | |
| Operating profit/(loss) after income tax | | - | - | (12,621) | (12,621) |
| *Other comprehensive income* | | | | | |
| Foreign currency translation reserve differences | | - | - | - | - |
| Total other comprehensive income | | - | - | - | - |
| Total comprehensive income for the period | | - | - | (12,621) | (12,621) |
| **Transactions with owners, recorded directly in equity** | | | | | |
| Total transactions with owners | | - | - | - | - |
| Balance at 30 June 2010 | | 46,215 | - | (29,693) | 16,522 |
| Balance at 1 July 2010 | | 46,215 | - | (29,693) | 16,522 |
| **Total comprehensive income for the period** | | | | | |
| Operating profit/(loss) after income tax | | - | - | 900 | 900 |
| *Other comprehensive income* | | | | | |
| Foreign currency translation reserve differences | | - | - | - | - |
| Total other comprehensive income | | - | - | - | - |
| Total comprehensive income for the period | | - | - | 900 | 900 |
| **Transactions with owners, recorded directly in equity** | | | | | |
| Total transactions with owners | | - | - | - | - |
| Balance at 30 June 2011 | | 46,215 | - | (28,793) | 17,422 |

The notes on pages 16 to 29 are an integral part of these consolidated financial statements.

# STATEMENTS OF FINANCIAL POSITION

**AS AT 30 JUNE 2011**

| | Notes | Consolidated 2011 $ | Consolidated 2010 $ | Parent 2011 $ | Parent 2010 $ |
|---|---|---|---|---|---|
| **Current Assets** | | | | | |
| Cash and cash equivalents | 7 | 35,606 | 42,075 | 25,519 | 25,189 |
| Receivables | 8 | 34,889 | - | 34,889 | - |
| **Total Current Assets** | | **70,495** | **42,075** | **60,408** | **25,189** |
| **Non-current Assets** | | | | | |
| Investment in subsidiary | 14 | - | - | 16,799 | 18,567 |
| Plant and equipment | 9 | 6,711 | 10,915 | - | - |
| **Total Non-current Assets** | | **6,711** | **10,915** | **16,799** | **18,567** |
| **Total Assets** | | **77,206** | **52,990** | **77,207** | **43,756** |
| **Current Liabilities** | | | | | |
| Current tax payable | 6(c) | 24,896 | 27,234 | 24,896 | 27,234 |
| Payables | 10 | 34,889 | - | 34,889 | - |
| **Total Current Liabilities** | | **59,785** | **27,234** | **59,785** | **27,234** |
| **Total Liabilities** | | **59,785** | **27,234** | **59,785** | **27,234** |
| **Net Assets** | | **17,421** | **25,756** | **17,422** | **16,522** |
| **Members' Equity** | | | | | |
| Establishment capital | 11 | 46,215 | 46,215 | 46,215 | 46,215 |
| Reserves | | (10,020) | (4,445) | - | - |
| Accumulated losses | | (18,774) | (16,014) | (28,793) | (29,693) |
| **Total Members' Equity** | | **17,421** | **25,756** | **17,422** | **16,522** |

The notes on pages 16 to 29 are an integral part of these consolidated financial statements.

# STATEMENTS OF CASH FLOWS

**FOR THE YEAR ENDED 30 JUNE 2011**

| | | Consolidated | | Parent | |
|---|---|---|---|---|---|
| | | 2011 | 2010 | 2011 | 2010 |
| | Notes | $ | $ | $ | $ |
| **Cash flows from operating activities** | | | | | |
| Receipts from customers and members | | 96,816 | 92,257 | 95,375 | 92,257 |
| Payments to suppliers and employees | | (72,355) | (65,781) | (67,853) | (77,944) |
| Interest received | | 150 | 432 | 42 | 300 |
| Income tax paid | | (27,234) | (7,655) | (27,234) | (7,655) |
| **Net cash inflow/(outflow) from operating activities** | 12 | **(2,623)** | **19,253** | **330** | **6,958** |
| **Cash flows from investing activities** | | | | | |
| Payments for plant & equipment | 9 | (449) | (4,572) | - | - |
| **Net cash inflow/(outflow) from investing activities** | | **(449)** | **(4,572)** | - | - |
| **Net increase/(decrease) in cash held** | | **(3,072)** | **14,681** | **330** | **6,958** |
| Cash at beginning of financial period | | 42,075 | 27,295 | 25,189 | 18,231 |
| Effect of exchange rate fluctuations on cash held | | (3,397) | 99 | - | - |
| **Cash at end of financial period** | 7 | **35,606** | **42,075** | **25,519** | **25,189** |

The notes on pages 16 to 29 are an integral part of these consolidated financial statements.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2011**

## 1. REPORTING ENTITY

The Foundation for Developing Cambodian Communities Ltd ("the Company") is a not-for-profit company limited by guarantee incorporated in Australia. The consolidated financial statements of the Company as at and for the year ended 30 June 2011 comprise the Company and its subsidiary, Foundation for the Development of Cambodian Communities, (together referred to as the "Group" and individually as "Group entities"). The Group is primarily involved in raising money for and overseeing the operations of Mekhala House, a home for orphaned and underprivileged children in Cambodia, including associated staff development and training, and education support for the children in Mekhala House.

The registered office and principal place of business is 5 Alma Place, St Kilda.

## 2. BASIS OF PREPARATION

### (a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASB's) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The Company and its subsidiary have elected to apply ASIC Class Order CO 10/654 and present both parent and group financial statements in this financial report.

The financial statements were approved by the Board of Directors on 27 October 2011.

### (b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis.

### (c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Company's functional currency.

### (d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revision to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

## 3. SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2011**

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (a) Basis of consolidation

*(i) Subsidiaries*

Subsidiaries are entities controlled by the Group, which are recorded at cost in the financial statements of the Company. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that currently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. The accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group.

*(ii) Transactions eliminated on consolidation*

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

### (b) Foreign currency

*(i) Foreign currency transactions*

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. Foreign currency differences are recognised in other comprehensive income, and presented in the foreign currency translation reserve in equity.

*(ii) Foreign operations*

The assets and liabilities of foreign operations are translated to Australian dollars at exchange rates at the reporting date. The income and expenses of foreign operations are translated to Australian dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised directly in the foreign currency translation reserve in equity.

### (c) Financial instruments

*(i) Non-derivative financial assets*

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

**3. SIGNIFICANT ACCOUNTING POLICIES (continued)**

**(c) Financial instruments (continued)**

*(i) Non-derivative financial assets (continued)*

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial assets: cash and cash equivalents and receivables.

*(ii) Non-derivative financial liabilities*

All financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group has the following non-derivative financial liabilities: trade and other payables.

Such financial instruments are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition these financial instruments are measured at amortised cost using the effective interest method.

**(d) Plant and equipment**

*(i) Recognition and measurement*

Items of plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses (see accounting policy 3(e)). Cost includes expenditure that is directly attributable to the acquisition of the asset.

When parts of an item of plant and equipment have different useful lives, they are accounted for as separate items of plant and equipment. Gains and losses on disposal of an item of plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of plant and equipment and are recognised in profit or loss.

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (d) Plant and equipment (continued)

*(ii) Subsequent costs*

The cost of replacing part of an item of plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. The costs of the day-to-day servicing of plant and equipment are recognised in profit or loss as incurred.

*(iii) Depreciation*

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of plant and equipment.

The estimated useful lives for the current period are:

| | |
|---|---|
| • Furniture and fixtures | 5 years |
| • Motor vehicles | 10 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date.

### (e) Impairment

*(i) Financial assets*

A financial asset not carried at fair value through profit or loss is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, at that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired at then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2011**

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (e) Impairment (continued)

*(i) Financial assets (continued)*

In assessing collective impairment the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between the carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance against receivables. When a subsequent event causes the amount if impairment loss to decrease, the decrease in impairment loss is reversed through profit or loss.

*(ii) Non-financial assets*

The carrying amounts of the Group's non-financial assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated.

The recoverable amount of an asset or cash generating unit is the greater of its value in use and its fair value less costs to sell. Value in use is the depreciated replacement cost of an asset when the future economic benefits of the asset are not primarily dependent on the asset's ability to general net cash inflows and where the entity would, if deprived of the asset, replace its remaining future economic benefits. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or group of assets (the "cash generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash generating units are allocated to reduce the carrying amount of the other assets in the unit (group of units) on a *pro rata* basis.

### (f) Revenue

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

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2011**

## 3. SIGNIFICANT ACCOUNTING POLICIES (continued)

### (f) Revenue (continued)

*(i) Donations*

Donations represents monies received into the Group's bank accounts and are recognised as income upon receipt where they are not tied to any obligation or condition.

The Group, in common with most organisations dependent on such contributions, is unable to establish control over voluntary donations prior to their initial entry into the accounting records.

*(ii) Fundraising proceeds*

Proceeds from the fundraising activities of the Group, which are controlled by the Group, are brought to account upon receipt where they are not tied to any obligation or condition.

*(iii) Finance income*

Finance income comprises interest income on funds invested. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

### (g) Income tax

Income tax expense comprises current tax. Income tax expense is recognised in profit or loss.

Current tax is the expected tax payable on the taxable income for the period, using tax rates enacted or substantively enacted at the reporting date.

As at the reporting date, the Company is not an income tax exempt charitable entity. A process has been implemented that will enable the Company to achieve tax exempt status at a future, as yet unknown, date.

### (h) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2010, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for AASB 9 Financial Instruments, which becomes mandatory for the Group's 2014 consolidated financial statements and could change the classification and measurement of financial assets. The Group does not plan to adopt this standard early and the extent of the impact has not been determined.

## 4. FINANCIAL RISK MANAGEMENT

**Overview**

The Group has exposure to the following risks from their use of financial instruments:

- Credit risk
- Liquidity risk
- Market risk

This note presents information about the Group's exposure to each of the above risks, their objectives, and policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout this financial report.

The Board of Directors has overall responsibility for the establishment and oversight of the risk management framework.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities. The Group, through their training and management standards and procedures, aim to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

**Credit risk**

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations.

**Liquidity risk**

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

**Market risk**

Market risk is the risk that changes in market prices, such as interest rates will affect the Group's income or the value of its holding in financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

*Currency risk*

Currency risk is the risk that the fair values of future cash flows of a financial instrument will fluctuate due to changes in foreign exchange rates. The Group has currency exposure through the transfer of funds from Australia to Cambodia to support normal operating activities.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2011**

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **$** | **$** | **$** | **$** |
| **5. PROJECT EXPENSES** | | | | |
| Wages and Salaries | 14,344 | 15,183 | - | - |
| Rent & Utilities | 5,705 | 6,069 | - | - |
| Children's expenses | 6,597 | 6,198 | - | - |
| Food and sustenance | 16,321 | 17,460 | - | - |
| Education costs | 3,042 | 1,413 | - | - |
| Depreciation | 2,475 | 2,592 | - | - |
| Motor vehicle expenses | 2,906 | 5,911 | - | - |
| Other | 9,794 | 11,722 | - | - |
| Project transfers | - | - | 55,421 | 76,168 |
| | 61,184 | 66,548 | 55,421 | 76,168 |

## 6. INCOME TAX

**(a) Income Tax expense**

| | | | | |
|---|---|---|---|---|
| The major components of income tax expense are: | | | | |
| *Current income tax* | | | | |
| Current income tax charge | 24,896 | 27,234 | 24,896 | 27,234 |
| **Income tax expense reported in the statement of comprehensive income** | **24,896** | **27,234** | **24,896** | **27,234** |

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2011**

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **$** | **$** | **$** | **$** |
| **6. INCOME TAX (continued)** | | | | |
| **(b) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense calculated per the statutory income tax rate** | | | | |
| Total accounting (profit)/loss before income tax | (22,136) | (24,316) | (25,796) | (14,613) |
| At the Group's statutory income tax rate of 30% | 6,641 | 7,295 | 7,739 | 4,384 |
| Expenditure not allowable for income tax purposes | 16,626 | 22,850 | 17,157 | 22,850 |
| Other items (net) | 1,629 | (2,911) | - | - |
| **Income tax expense reported in the statement of comprehensive income** | **24,896** | **27,234** | **24,896** | **27,234** |
| **(c) Current tax payable** | | | | |
| Current tax payable | **24,896** | **27,234** | **24,896** | **27,234** |

The current tax payable for the Group of $24,896 (2010: $27,234) and for the Company of $24,896 (2010: $27,234) represents the amount of income taxes payable in respect of the current financial year. The current tax payable was recognised in the income statement.

**(d) Contingent tax asset**

The Group has lodged an application to the Australian Taxation Office for tax exemption status. This application is dependent upon the Group successfully obtaining registration under the OAGDS (Overseas Aid Gift Deduction Scheme). Following the granting by the Australian Taxation Office of the tax exemption status, the Group is confident that all past (2010: $27,234 and 2009: $7,655) and current ($24,896) tax payments made in relation to the operations of the Group will be refunded to the Group.

**7. CASH AND CASH EQUIVALENTS**

| | | | | |
|---|---|---|---|---|
| Cash on hand | 374 | 328 | 300 | 300 |
| Bank balances | 35,232 | 41,747 | 25,219 | 24,889 |
| **Total** | **35,606** | **42,075** | **25,519** | **25,189** |

The Group's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in note 15.

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2011**

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | 2011 | 2010 | 2011 | 2010 |
| | $ | $ | $ | $ |
| **8. RECEIVABLES** | | | | |
| Director receivable | 34,889 | - | 34,889 | - |

## 9. PLANT AND EQUIPMENT

| | | Consolidated | |
|---|---|---|---|
| | Fixtures & Fittings | Motor Vehicles | Total |
| | $ | $ | $ |
| **Cost or deemed cost** | | | |
| Balance at 1 July 2009 | 4,644 | 6,215 | 10,859 |
| Additions | 4,572 | - | 4,572 |
| Effect of movement in exchange rates | (184) | (272) | (456) |
| Balance at 30 June 2010 | 9,032 | 5,943 | 14,975 |
| Balance at 1 July 2010 | 9,032 | 5,943 | 14,975 |
| Additions | 449 | - | 449 |
| Effects of movement in exchange rates | (1,326) | (926) | (2,252) |
| Balance at 30 June 2011 | 8,155 | 5,017 | 13,172 |
| **Depreciation and impairment losses** | | | |
| Balance at 1 July 2009 | (819) | (537) | (1,356) |
| Depreciation for the year | (1,712) | (880) | (2,592) |
| Effect of movements in exchange rates | (74) | (38) | (112) |
| Balance at 30 June 2010 | (2,605) | (1,455) | (4,060) |
| Balance at 1 July 2010 | (2,605) | (1,455) | (4,060) |
| Depreciation for the year | (1,769) | (706) | (2,475) |
| Effects of movements in exchange rates | 53 | 21 | 74 |
| Balance at 30 June 2011 | (4,321) | (2,140) | (6,461) |
| **Carrying amounts** | | | |
| At 30 June 2010 | 6,427 | 4,488 | 10,915 |
| At 30 June 2011 | 3,834 | 2,877 | 6,711 |

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2011**

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **$** | **$** | **$** | **$** |
| **10. PAYABLES** | | | | |
| Director loan account | 34,889 | - | 34,889 | - |

**11. CAPITAL AND RESERVES**

**(a) Establishment capital**

Establishment capital, contributed by the members on commencement, is made up of:

| | Consolidated |
|---|---|
| Cash and cash equivalents * | $33,923 |
| Plant and equipment | $12,292 |
| **Total** | **$46,215** |

* Company: $22,515

**(b) Member rights and obligations**

No monies or assets are distributable to Members, office bearers or Directors of the Group, except as reimbursement of out-of-pocket expenses incurred on behalf of the Group.

Members are entitled to one vote. There were 153 members at 30 June 2011.

The liability of the members is limited to $1.00.

| | Consolidated | | Parent | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **$** | **$** | **$** | **$** |
| **12. CASH FLOW STATEMENT RECONCILIATION** | | | | |
| (a) Reconciliation of the operating deficit after tax to the net cash flows from operations | | | | |
| Net deficit | (2,760) | (2,918) | 900 | (12,621) |
| *Adjustments for:* | | | | |
| Depreciation | 2,475 | 2,592 | - | - |
| Impairment | - | - | 1,768 | - |
| *Changes in assets and liabilities:* | | | | |
| Increase/(decrease) in tax payable | (2,338) | 19,579 | (2,338) | 19,579 |
| **Net cash inflows/(outflows) from operating activities** | (2,623) | 19,253 | 330 | 6,958 |

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2011**

## 13. COMMITMENTS

The Group leases premises in Prey Veng under an operating lease for the accommodation of the orphan children cared for by the Group. The property is leased on a month to month basis. The terms of this lease require the Group to pay US$150 per month on the first week of every month.

During the period ended 30 June 2011, $1,728 (2010: $2,024) was recognised as an expense in the income statement in respect of the operating lease for the premises.

## 14. RELATED PARTIES

The consolidated financial statements include the financial statements of The Foundation for Developing Cambodian Communities Ltd and its wholly owned subsidiary, Foundation for Developing Cambodian Communities. The investment in the subsidiary of $16,799 (2010: $18,567) was impaired during the year by $1,768 (2010: Nil impairment) as a result of the directors' assessment of the recoverable amount of net assets owned by the subsidiary at balance date.

Transactions between the Foundation for Developing Cambodian Communities Ltd and its subsidiary for the year consisted of the transfer of donated funds from Australia to Cambodia for the ongoing operating costs of the subsidiary which was an amount of $55,421 (2010: $74,943).

The Directors receive no compensation in relation to the management of the Group.

During the financial year, two of the Directors entered into a loan agreement with the Group as set out in notes 8 and 10 to these financial statements. The cash proceeds from the loan had yet to be received at balance date. The purpose of the loan is to cover income tax instalments made to the Australian Taxation Office for the financial years ended 30 June 2009 and 2010. The loan is repayable on request by the lenders, for a term no later than 31 July 2013. If all or part of the loan has been used to cover any of the Group's operational costs, the loan will automatically become a donation from the lenders. As discussed in note 6(d), the Group expects that all income tax instalments paid will be refunded by the Australian Taxation Office upon the Group's registrations as a tax exempt entity. At that time, it is the Group's intention to repay the Director loan as shown in note 10. Interest payable on the loan is equivalent to interest earned whilst on term deposit with the Group's bank.

## 15. FINANCIAL INSTRUMENTS

### Credit risk

*Exposure to credit risk*

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

| | | Carrying amount | | | |
|---|---|---|---|---|---|
| | | Consolidated | | Parent | |
| | Note | 2011 | 2010 | 2011 | 2010 |
| | | $ | $ | $ | $ |
| Cash and cash equivalents | 7 | 35,606 | 42,075 | 25,519 | 25,189 |
| Director receivable | 8 | 34,889 | - | 34,889 | - |
| | | 70,495 | 42,075 | 60,408 | 25,189 |

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2011**

## 15. FINANCIAL INSTRUMENTS (continued)

| **Consolidated and parent** | **Carrying Amount** | | **6 mths or less** | |
|---|---|---|---|---|
| | **2011** | **2010** | **2011** | **2010** |
| | **$** | **$** | **$** | **$** |
| Non-derivative financial liabilities: | | | | |
| Director payable | 34,889 | - | - | - |

**Currency risk**

*Exposure to currency risk*

The Group's exposure to foreign currency risk at balance date was as follows, based on notional amount:

| | Consolidated USD | | Parent USD | |
|---|---|---|---|---|
| **Consolidated and parent** | **2011** | **2010** | **2011** | **2010** |
| | **$** | **$** | **$** | **$** |
| Cash and cash equivalent - in AUD | 10,012 | 16,859 | - | - |

*Sensitivity analysis*

A 10 percent strengthening of the Australian dollar against the United States dollar at 30 June would have decreased pre-tax equity by $910 (2010: $1,533). This analysis assumes that all other variables, in particular interest rates, remain constant.

The following significant exchange rates applied during the year:

| | Average rate 2011 | Reporting date spot |
|---|---|---|
| *AUD* | | |
| USD | 1.0419 | 1.0739 |

**Interest rate risk**

*Profile*

At the reporting date the interest rate profile of the Company's interest bearing financial instruments was:

| | **Carrying amount** | | | |
|---|---|---|---|---|
| | **Consolidated** | | **Parent** | |
| **Variable rate instruments** | 2011 | 2010 | 2011 | 2010 |
| | $ | $ | $ | $ |
| Financial assets | 35,232 | 41,747 | 25,219 | 24,889 |

# NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

**FOR THE YEAR ENDED 30 JUNE 2011**

## 15. FINANCIAL INSTRUMENTS (continued)

*Cash flow sensitivity analysis for variable rate instruments*

A change of 100 basis points in interest rates would have increased/(decreased) the Groups pre-tax equity and pre-tax surplus and deficit by $352 (2010: $417) and the parent by $252 (2010: $249).

**Fair values**

The fair values of financial assets and liabilities are equal to the carrying amounts shown in the balance sheet.

## 16. SUBSEQUENT EVENTS

There have been no events subsequent to the 30 June 2011 reporting date that significantly impacts the operations of financial performance of the Group and its subsidiary.

## 17. AUDITORS' REMUNERATION

The auditors of the Foundation for Developing Cambodian Communities Ltd act on an honorary basis for the annual financial audit. The fees paid to the auditor, KPMG, for the audit of the 2011 Annual Financial Statements was $Nil (2010: $Nil). Direct reimbursement of costs were $300 (2010: $300).

## 18. ECONOMIC DEPENDENCY

The Group is reliant on ongoing donations and fundraising income from various parties to support its operations in Cambodia.

In addition, the Directors have committed to financially supporting the Group's operations in Cambodia over the 12 months from the date of signing the 2011 annual financial statements.

The activities of the Group could be severely curtailed in the event of any significant reduction in donation and fundraising income.

## 19. PRINCIPAL REGISTERED OFFICE

The registered address and principal place of business is 5 Alma Place, St Kilda.