FOUNDATION FOR DEVELOPING CAMBODIAN COMMUNITIES LTD

(A COMPANY LIMITED BY GUARANTEE)

ABN 45 134 664 903

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2013

FDCC

the foundation for developing
cambodian communities

FOUNDATION FOR DEVELOPING CAMBODIAN COMMUNITIES LTD

(A Company Limited by Guarantee)

ABN 45 134 664 903

CONTENTS

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 2013 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
Melani Daruis	Chartered Accountant	17 December 2008
Mark Gemmola	Economic Analyst and Valuer	17 December 2008
Gavin Didsbury	Founder and Director of Psych Press	17 December 2008
Marie O'Sullivan	Leadership Development Consultant	17 December 2008
Patrick Arthur	Chief Financial Officer	3 December 2009
Jacinta Ryan	Scientist and Academic	20 September 2010
P Whitney-Wall	Placement Consultant	13 June 2012 (resigned 8 Jan 2013)
A Lamb	Digital Communications Co-ordinator	24 October 2012

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)
Melani Daruis	8	8
Mark Gemmola	8	8
Gavin Didsbury	8	8
Marie O'Sullivan	8	7
Patrick Arthur	8	8
Jacinta Ryan	8	7
P Whitney-Wall	4	1
A Lamb	6	6

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

(B) Number of meetings attended.

DIRECTORS' REPORT (continued)

Operating and financial review

The net operating loss of the Group for the financial year was $17,735 (2012: $7,291). The board of directors is satisfied with the Group's operations for the year ended 30 June 2013.

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 process for achieving Income Tax exemption and Deductible Gift Recipient 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; and
- 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.

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;
- 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; and
- Undertake staff training to ensure high quality care and support are provided to the children.

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 Company has made an application to AusAID for tax exemption and registration as a deductible gift recipient under the Overseas Aid Gift Deduction Scheme (OAGDS). The Company was notified in August 2013 that the Minister for Foreign Affairs has declared FDCC to be an 'approved organisation' under the OAGDS. The Company subsequently was notified by the Australian Taxation Office in October 2013 that it has met the ATO's Public Fund requirements. The application is currently being considered by Treasury, which is the final step in the process of endorsement for DGR status. The Company has successfully registered with the Australian Charities and Not for Profits Commission (ACNC) which provides tax exemption status and it is waiting on official notification from the ATO on this issue.

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 2013.

This report is made with a resolution of the Directors:

Melani Daruis	Mark Gemmola
Director	Director

Melbourne
31 October 2013

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 2013, 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

KPMG

Tony Batsakis
Partner

Melbourne
31 October 2013

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 2013, and statements of profit and loss and other 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 qualified audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Foundation for Developing Cambodian Communities Ltd on 31 October 2013, would be the same terms if given to the directors as at the time of this auditor's report.

KPMG

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

Basis for qualified auditor's opinion

Cash donations are a significant source of fundraising revenue for the Group and Company. The Group has determined that it is impracticable to establish controls over the collection of cash donations prior to entry into its financial records.

Qualified Auditor's opinion

In our opinion, except for the possible effects of the matter described in the Basis for qualified auditor's opinion paragraph:

(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 2013 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
6 November 2013

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 2013 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 31 day of October 2013.

Melani Daruis
Director

Mark Gemmola
Director

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2013

		Consolidated		Parent	
	Note	2013	2012	2013	2012
		$	$	$	$
Revenue from continuing operations					
Donations		49,893	39,084	21,784	39,084
Fundraising proceeds		25,704	51,765	25,704	51,765
Finance income		64	67	5	14
Memberships		4,900	5,750	4,900	5,750
Total revenues		**80,561**	**96,666**	**52,393**	**96,613**
Expenses from ordinary activities					
Fundraising activities		(1,900)	(12,000)	(1,900)	(12,000)
Project expenses	5	(79,697)	(63,542)	(42,342)	(66,214)
Administration expenses		(2,210)	(3,633)	(2,197)	(2,229)
Impairment charges	14	-	-	(8,395)	(261)
Operating profit/(loss) before income tax		**(3,246)**	**17,491**	**(2,441)**	**15,909**
Income tax attributable to operating profit	6	(14,489)	(24,782)	(14,489)	(24,782)
Operating (loss)/profit after income tax		**(17,735)**	**(7,291)**	**(16,930)**	**(8,873)**
Other comprehensive income					
Exchange differences of translation of foreign operations		**805**	**(1,581)**	-	-
Total comprehensive (loss)/income for the period		**(16,930)**	**(8,872)**	**(16,930)**	**(8,873)**

The notes pages 16 to 31 are an integral part of these consolidated financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

Consolidated	**Notes**	**Share Capital** $	**Translation Reserve** $	**Accumulated Losses** $	**Total** $
Balance at 1 July 2011		46,215	(10,020)	(18,774)	17,421
Total comprehensive income for the period					
Operating (loss)/profit after income tax		-	-	(7,291)	(7,291)
Other comprehensive income					
Foreign currency translation reserve differences		-	(1,581)	-	(1,581)
Total other comprehensive income		-	(1,581)	-	(1,581)
Total comprehensive income for the period		-	(1,581)	(7,291)	(8,872)
Transactions with owners, recorded directly in equity					
Total transactions with owners		-	-	-	-
Balance at 30 June 2012		46,215	(11,601)	(26,065)	8,549
Balance at 1 July 2012		46,215	(11,601)	(26,065)	8,549
Total comprehensive income for the period					
Operating (loss)/profit after income tax		-	-	(17,735)	(17,735)
Other comprehensive income					
Foreign currency translation reserve differences		-	805	-	805
Total other comprehensive income		-	805	-	805
Total comprehensive (loss)/income for the period		-	805	(17,735)	(16,930)
Transactions with owners, recorded directly in equity					
Total transactions with owners		-	-	-	-
Balance at 30 June 2013		46,215	(10,796)	(43,800)	(8,381)

The notes on pages 16 to 31 are an integral part of these consolidated financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2013

Parent	**Notes**	**Share Capital** $	**Translation Reserve** $	**Accumulated Losses** $	**Total** $
Balance at 1 July 2011		46,215	-	(28,793)	17,422
Total comprehensive income for the period					
Operating profit/(loss) after income tax		-	-	(8,873)	(8,873)
Other comprehensive income					
Foreign currency translation reserve differences		-	-	-	-
Total other comprehensive income		-	-	-	-
Total comprehensive (loss)/income for the period		-	-	(8,873)	(8,873)
Transactions with owners, recorded directly in equity					
Total transactions with owners		-	-	-	-
Balance at 30 June 2012		46,215	-	(37,666)	8,549
Balance at 1 July 2012		46,215	-	(37,666)	8,549
Total comprehensive income for the period					
Operating (loss)/profit after income tax		-	-	(16,930)	(16,930)
Other comprehensive income					
Foreign currency translation reserve differences		-	-	-	-
Total other comprehensive income		-	-	-	-
Total comprehensive (loss)/income for the period		-	-	(16,930)	(16,930)
Transactions with owners, recorded directly in equity					
Total transactions with owners		-	-	-	-
Balance at 30 June 2013		46,215	-	(54,596)	(8,381)

The notes on pages 16 to 31 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 FINANCIAL POSITION

AS AT 30 JUNE 2013

	Notes	Consolidated 2013 $	Consolidated 2012 $	Parent 2013 $	Parent 2012 $
Current Assets					
Cash and cash equivalents	7	25,529	25,270	6,241	15,542
Receivables	8	21,889	21,889	21,889	21,889
Current tax asset	6(c)	5,235	-	5,235	-
Total Current Assets		**52,653**	**47,159**	**33,365**	**37,431**
Non-current Assets					
Investment in subsidiary	14	-	-	8,143	16,538
Plant and equipment	9	6,107	6,810	-	-
Total Non-current Assets		**6,107**	**6,810**	**8,143**	**16,538**
Total Assets		**58,760**	**53,969**	**41,508**	**53,969**
Current Liabilities					
Current tax liability	6(c)	-	10,531	-	10,531
Payables	10	67,141	34,889	49,889	34,889
Total Current Liabilities		**67,141**	**45,420**	**49,889**	**45,420**
Total Liabilities		**67,141**	**45,420**	**49,889**	**45,420**
Net Assets/(Deficiency)		**(8,381)**	**8,549**	**(8,381)**	**8,549**
Members' Equity					
Establishment capital	11	46,215	46,215	46,215	46,215
Reserves		(10,796)	(11,601)	-	-
Accumulated losses		(43,800)	(26,065)	(54,596)	(37,666)
Total (deficiency in) Members' Equity		**(8,381)**	**8,549**	**(8,381)**	**8,549**

The notes on pages 16 to 31 are an integral part of these consolidated financial statements.

STATEMENTS OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2013

		Consolidated		Parent	
		2013	2012	2013	2012
	Notes	$	$	$	$
Cash flows from operating activities					
Receipts from customers and members		80,497	96,599	52,388	96,599
Payments to suppliers and employees		(81,522)	(76,935)	(46,439)	(80,443)
Interest received		64	67	5	14
Income tax paid		(30,255)	(39,147)	(30,255)	(39,147)
Net cash (outflow)/inflow from operating activities	12	**(31,216)**	**(19,416)**	**(24,301)**	**(22,977)**
Cash flows from investing activities					
Payments for plant & equipment	9	(1,115)	(2,009)	-	-
Net cash inflow/(outflow) from investing activities		**(1,115)**	**(2,009)**	-	-
Cash flows from financing activities					
Proceeds from loans		32,252	13,000	15,000	13,000
Net cash inflows/(outflows) from financing activities		**32,252**	**13,000**	**15,000**	**13,000**
Net (decrease)/increase in cash held		**(79)**	**(8,425)**	**(9,301)**	**(9,977)**
Cash at beginning of financial period		25,270	35,606	15,542	25,519
Effect of exchange rate fluctuations on cash held		338	(1,911)	-	-
Cash at end of financial period	7	**25,529**	**25,270**	**6,241**	**15,542**

The notes on pages 16 to 31 are an integral part of these consolidated financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

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 2013 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 11/41 Murrumbeena Rd, Murrumbeena, Victoria, Australia.

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 31th October 2013.

(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.

(e) Going concern

The Group incurred an operating loss after tax of $17,735 (2012: $7,291 loss after tax) and the Company incurred an operating loss after tax of $16,930 (2012: $8,873 loss after tax).

The annual financial statements are prepared on the going concern basis, which contemplates the continuation of normal operating activities without the need to cease or significantly curtail operations, including the expectation the Group and Company will be able to pay their debts as and when they fall due.

2. BASIS OF PREPARATION (continued)

(e) Going concern (continued)

The Directors that have provided loans at balance date of $49,889 ("loans") have provided a legally enforceable commitment to the Group that the loans will be deferred until such time the Group is able to fund the repayment of the loans without the continued support of the Directors that have provided the loans. The Directors that have provided the loans have also agreed to forgive any amount of the loans which the Group is unable to repay.

In addition, the Group's financial performance for the 2014 year indicates the Group will be able to fund its operational expenditures from its existing cash reserves, cash inflows generated from a sufficient level of fundraising activities and cash proceeds from receivables due.

Consequently, the Directors are satisfied the Group and Company will be able to meet their funding obligations and continue normal operating activities for a period of at least 12 months from the date of approval of these annual financial statements.

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.

(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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 arising on re-translation are recognised in profit or loss.

(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 on re-translation are recognised in other comprehensive income, and presented 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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments (continued)

(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.

(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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Plant and equipment (continued)

(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.

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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Impairment (continued)

(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:

(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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 2012, 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.

4. FINANCIAL RISK MANAGEMENT (continued)

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 2013

	Consolidated		Parent	
	2013	2012	2013	2012
	$	$	$	$
5. PROJECT EXPENSES				
Wages and Salaries	17,514	14,923	-	-
Rent & Utilities	7,974	5,811	-	-
Children's expenses	9,189	7,340	-	-
Food and sustenance	26,198	18,461	-	-
Education costs	5,512	2,893	-	-
Depreciation	2,285	2,240	-	-
Motor vehicle expenses	3,310	2,948	-	-
Other	7,715	8,926	-	-
Project transfers	-	-	42,342	66,214
	79,697	63,542	42,342	66,214

6. INCOME TAX

(a) Income Tax expense

	Consolidated 2013 $	Consolidated 2012 $	Parent 2013 $	Parent 2012 $
The major components of income tax expense are:				
Current income tax				
Current income tax charge	14,489	24,782	14,489	24,782
Income tax expense reported in the statement of profit and loss and other comprehensive income	**14,489**	**24,782**	**14,489**	**24,782**
(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	3,246	(17,491)	2,441	(15,909)
At the Group's statutory income tax rate of 30%	(974)	5,247	(732)	4,773
Expenditure not allowable for income tax purposes	12,703	19,931	15,221	20,009
Other items (net)	2,760	(396)	-	-
Income tax expense reported in the statements of profit or loss and other comprehensive income	**14,489**	**24,782**	**14,489**	**24,782**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

6. INCOME TAX (continued)	Consolidated 2013 $	Consolidated 2012 $	Parent 2013 $	Parent 2012 $
(c) Current tax liability/(asset)				
Current tax payable	**14,489**	24,782	**14,489**	24,782
Less: instalments prepaid	(19,724)	(14,251)	(19,724)	(14,251)
	(5,235)	**10,531**	**(5,235)**	**10,531**

The current tax receivable for the Group of $5,235 (2012: payable $10,531) and for the Company of $5,235 (2012: payable $10,531) represents the amount of income taxes prepaid in respect of the current financial year. The current tax payable was recognised in the income statement.

(d) Contingent tax asset

The Company has lodged an application to the Australian Taxation Office ("ATO")for tax exemption status. The Company has successfully met the requirements of AusAID under the OAGDS (Overseas Aid Gift Deduction Scheme) and has been advised by the ATO that the Group's governing documents meet the ATOs public fund requirements. The application is currently with the Federal Treasury Department for approval. Following Treasury approval and the granting by the ATO of the tax exemption status, the Company is confident that all past (2012: $24,782; 2011: $24,896; 2010: $27,234 and 2009: $7,655) and current tax payments made in relation to the operations of the Company will be refunded to the Company.

In addition, the Company has been registered with the Australian Charities and Not-for-profits Commission ("ACNC").

7. CASH AND CASH EQUIVALENTS	Consolidated 2013 $	Consolidated 2012 $	Parent 2013 $	Parent 2012 $
Cash on hand	1,742	403	300	300
Bank balances	23,787	24,867	5,941	15,242
Total	**25,529**	**25,270**	**6,241**	**15,542**

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

8. RECEIVABLES	Consolidated 2013 $	Consolidated 2012 $	Parent 2013 $	Parent 2012 $
Director receivable	21,889	21,889	21,889	21,889

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

9. PLANT AND EQUIPMENT

		Consolidated	
	Fixtures & Fittings	Motor Vehicles	Total
	$	$	$
Cost or deemed cost			
Balance at 1 July 2011	8,155	5,017	13,172
Additions	1,872	137	2,009
Effect of movement in exchange rates	207	155	362
Balance at 30 June 2012	10,234	5,309	15,543
Balance at 1 July 2012	10,234	5,309	15,543
Additions	1,054	61	1,115
Effects of movement in exchange rates	425	248	673
Balance at 30 June 2013	11,713	5,618	17,331
Depreciation and impairment losses			
Balance at 1 July 2011	(4,321)	(2,140)	(6,461)
Depreciation for the year	(1,596)	(644)	(2,240)
Effect of movements in exchange rates	(23)	(9)	(32)
Balance at 30 June 2012	(5,940)	(2,793)	(8,733)
Balance at 1 July 2012	(5,940)	(2,793)	(8,733)
Depreciation for the year	(1,623)	(662)	(2,285)
Effects of movements in exchange rates	(146)	(60)	(206)
Balance at 30 June 2013	(7,709)	(3,515)	(11,224)
Carrying amounts			
At 30 June 2012	4,294	2,516	6,810
At 30 June 2013	4,004	2,103	6,107

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

	Consolidated		Parent	
	2013	2012	2013	2012
	$	$	$	$
10. PAYABLES				
Director loan account – ATO	34,889	34,889	34,889	34,889
Director loan account – other	15,000	-	15,000	-
FDCC Mekhala Learning loan	17,252	-	-	-
	67,141	34,889	49,889	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 114 members at 30 June 2013.

The liability of the members is limited to $1.00.

	Consolidated		Parent	
	2013	2012	2013	2012
	$	$	$	$
12. CASH FLOW STATEMENT RECONCILIATION				
(a) Reconciliation of the operating deficit after tax to the net cash flows from operations				
Net deficit	(17,735)	(7,291)	(16,930)	(8,873)
Adjustments for:				
Depreciation	2,285	2,240	-	-
Impairment	-	-	8,395	261
Changes in assets and liabilities:				
Increase/(decrease) in tax payable	(15,766)	(14,365)	(15,766)	(14,365)
Net cash inflows/(outflows) from operating activities	(31,216)	(19,416)	(24,301)	(22,977)

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

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 (increased to $200 per month on 1 January 2013) on the first week of every month.

During the period ended 30 June 2013, $2,217 (2012: $1,741) 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 $8,143 (2012: $16,538) was impaired during the year by $8,395 (2012: $261) 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 $42,342 (2012: $66,214).

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

The Director loan agreement ("ATO agreement") entered into during 2011 continued to have effect during the financial year as set out in notes 8 and 10 to these financial statements. A partial draw down of the loan proceeds occurred during 2012 leaving an undrawn amount of $21,889 available in the facility. The purpose of the loan is to cover income tax instalments made to the Australian Taxation Office, where the lenders have contractually committed the provision of loan funds for tax payments made by the Group in prior years. This has given rise to the recognition of both a loan receivable amount arising for the commitment to fund tax payments made, reduced by cash loan proceeds received, and a payable amount due for the gross amount repayable to the lenders. The loan is repayable on request by the lenders, for a term no later than 31 July 2015.

Other Director loans provided to the Group during 2013 were $15,000.

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. The loan is on interest free terms.

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	2013	2012	2013	2012
		$	$	$	$
Cash and cash equivalents	7	25,529	25,270	6,241	15,542
Director receivable	8	21,889	21,889	21,889	21,889
		47,418	47,159	28,130	37,431

Consolidated and parent	Carrying Amount		6 mths or less	
	2013	2012	2013	2012
	$	$	$	$
Non-derivative financial liabilities:				
Related party payable *	17,252	-	-	-
Director payable	49,889	34,889	-	-
	67,141	34,889	-	-

* Consolidated only

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	2013 $	2012 $	2013 $	2012 $
Cash and cash equivalent - in AUD	17,846	9,625	-	-

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 $1,622 (2012: $875). This analysis assumes that all other variables, in particular interest rates, remain constant.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

15. FINANCIAL INSTRUMENTS (continued)

The following significant exchange rates applied during the year:

	Average rate 2013	Reporting date spot
AUD		
USD	1.011	0.928

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	**2013 $**	**2012 $**	**2013 $**	**2012 $**
Financial assets	23,787	24,867	5,941	15,542

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points in interest rates would have increased/(decreased) the Group's pre-tax equity and pre-tax surplus and deficit by $238 (2012: $249) and the parent by $59 (2012: $152).

Fair values

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

16. SUBSEQUENT EVENTS

Since the 30 June 2013 reporting date, the Company was notified in August 2013 that the Minister for Foreign Affairs has declared FDCC to be an 'approved organisation' under the Overseas Aid Gift Deduction Scheme (OAGDS). This approval is used to support the Company's application for DGR and tax exemption status. The Company subsequently was notified by the Australian Taxation Office in October 2013 that it has met the ATO's Public Fund requirements. The application is currently with the Federal Treasury Department for approval, which is the final step in the process of endorsement for DGR status. The Group has also been registered with the ACNC and, as a result, is currently awaiting notification from the ATO that it has been granted tax exemption status.

There have been no other events subsequent to the 30 June 2013 reporting date that significantly impacts the operations of financial performance of the Group and its subsidiary.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

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 2013 Annual Financial Statements was $Nil (2012: $Nil). Direct reimbursements of costs were $300 (2012: $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 2013 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 11/41 Murrumbeena Rd, Murrumbeena, in Melbourne, Australia.