Cambodian Kids Can

FOUNDATION FOR DEVELOPING CAMBODIAN COMMUNITIES LTD

(A COMPANY LIMITED BY GUARANTEE)

ABN 45 134 664 903

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2014

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 2014 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 (resigned 27 Nov 2013)
Patrick Arthur	Chief Financial Officer	3 December 2009
Jacinta Ryan	Scientist and Academic	20 September 2010
Aaron Lamb	Digital Communications Co-ordinator	24 October 2012
Eliza Lamb	Educational Advisor	11 March 2014
Biheng Zhang	Research and Grants Officer	17 June 2014

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
Melani Daruis	Chartered Accountant	17 December 2008

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	7
Mark Gemmola	8	8
Gavin Didsbury	8	7
Marie O'Sullivan	4	4
Patrick Arthur	8	8
Jacinta Ryan	8	5
Aaron Lamb	8	8
Eliza Lamb	3	3
Biheng Zhang	1	1

(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 surplus of the Group for the financial year was $161,258 (2013: $17,735 deficit). The board of directors is satisfied with the Group's operations for the year ended 30 June 2014.

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 the two projects in Cambodia, Mekhala House and Mekhala Learning. Mekhala House is a home for girls who are considered at risk because they are orphaned or their sole surviving parent is unable to adequately look after them. Mekhala Learning is a computer and English school for children of poor families.

During the financial year the Group was successful in achieving tax exemption status and Deductible Gift Recipient status in Australia. Following this, the Group then applied for and received a refund from the Australian Taxation Office of the accrued tax paid while operating without tax exemption status since December 2008. The refund was approximately $110,000 and provides the Group with sufficient reserve funds for about one year of operation for the projects.

Following the granting of DGR status, Mekhala Learning came under the control of the Group. Previously, this project had been under the control of Global Development Group, an Australian NGO, which provided donors to the project with tax deductibility.

During the year the Company adopted the trading name of 'Cambodian Kids Can' to better reflect how both the Mekhala House and Mekhala Learning projects enable young people in Prey Veng to realise their potential through education.

The fundraising activities resulted in the Group raising sufficient funds to operate the programs at Mekhala House and Mekhala Learning.

The staff development programs initiated in previous years have led to a significant improvement in the operational capability of staff in Cambodia. The staff have begun creating individualised personal development programs for the girls at Mekhala House, which are being implemented with support from the Australian Directors. 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.

At Mekhala Learning the seventh six-month course has been completed resulting in a total of 316 students who have successfully graduated from the program since it began in 2009. A number of these are now employed using the skills they have learned at Mekhala Learning, although a large-scale review is planned in 2015 to quantitatively measure how successful the program has been in allowing the students to transition to work.

DIRECTORS' REPORT (continued)

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, monitoring and evaluation of the Mekhala Learning project through regular student reviews and monitoring of the budget against actual expenditure.

Apart from these developments, there were no significant changes in the nature of the activities of the Group during the financial year.

Short and long term objectives of the entity

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

- 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;
- To develop relationships with philanthropic funds and corporate donors to increase FDCC's revenue base; and
- To grow its regular donor and volunteer base.

The objectives of the Company over the longer term are:

- 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;
- Provide opportunity and empowerment to Cambodian girls so they can develop and become future leaders within their community;
- Provide high quality computer and internet training in six-monthly courses to young people from poor families in Prey Veng;
- Expand the library at the Mekhala Learning centre to provide a wide range of resources for all members of the Prey Veng community.

DIRECTORS' REPORT (continued)

Strategy for achieving objectives

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

- Establish a marketing and fundraising plan to expand the current donor base 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;
- Work with 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, support and education are provided to the children at both projects.

Significant changes in the state of affairs

The most significant change in the state of affairs was the granting of tax exemption and DGR status to the Company.

Apart from this, there were no significant changes in the state of affairs of the Group that occurred during the financial period under review.

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

During 2014 the Company was registered as a deductible gift recipient under the Overseas Aid Gift Deduction Scheme (OAGDS). Endorsement as a deductible gift recipient was made by the Australian Taxation Office (ATO) on 20 March 2014. The Company was also granted income tax exemption dating back to the date of incorporation being 17 December 2008. On this basis, all previously paid income tax instalments were refunded to the Company.

DIRECTORS' REPORT (continued)

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. There are no indemnification arrangements in respect of the auditors of the Company.

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 8 and forms part of the directors' report for the financial year ended 30 June 2014.

This report is made with a resolution of the Directors:

Melani Daruis
Director

Mark Gemmola
Director

Melbourne
20 November 2014

LEAD AUDITOR'S INDEPENDENCE DECLARATION UNDER SUBDIVISION 60-C SECTION 60-40 OF THE AUSTRALIAN CHARATIES AND NOT-FOR-PROFITS COMMISSION ACT 2012 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 2014, 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 *Australian Charities and Not-for-profits Commission Act 2012* 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
20 November 2014

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 consolidated statement of financial position as at 30 June 2014, and consolidated statement of surplus or deficit and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 17 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and the entities it controlled at the year's end or from time to time during the financial year.

The audit report has also been prepared for the members of the Company pursuant to the *Australian Charities and Not-for-profits Commission Act 2012* and the *Australian Charities and Not-for-profits Commission Regulations (2013)* (ACNC).

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 – Reduced disclosure requirements and the ACNC. The directors responsibility also includes such internal control as the directors determine is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

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 gives a true and fair view, in accordance with Australian Accounting Standards – Reduced disclosure requirements and the ACNC, a true and fair view which is consistent with our understanding of the Group's financial position and of its 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 *Australian Charities and Not-for-profits Commission Act 2012*.

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. The Group has determined that it is impracticable to establish controls over the collection of cash donations prior to entry into its financial records.

In respect of the qualification however, based on our understanding of the internal controls, nothing has come to our attention which would cause us to believe that the internal controls over revenue from fundraising activities by the Group, are not appropriate given the size and nature of the Group.

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 *Australian Charities and Not-for-profits Commission Act 2012*, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

   (ii) complying with Australian Accounting Standards – Reduced disclosure requirements and the *Australian Charities and Not-for-profits Commission Regulation 2013*.

KPMG

KPMG

Tony Batsakis
KPMG

Melbourne
20 November 2014

DIRECTORS' DECLARATION

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

a) the Company and Group are not publicly accountable;

b) the consolidated financial statements and notes that are set out on pages 12 to 28 are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:

   i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance, for the financial period ended on that date; and

   ii) complying with Australian Accounting Standards – Reduced Disclosure Regime and the *Australian Charities and Not-for-profits Commission Regulation 2013*; and

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 20 day of November 2014.

Melani Daruis	Mark Gemmola
Director	Director

STATEMENT OF SURPLUS OR DEFICIT AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 30 JUNE 2014

	Note	Consolidated 2014 $	2013 $
Revenue from operating activities			
Donations		131,051	49,893
Fundraising proceeds		46,508	25,704
Finance income		140	64
Memberships		4,100	4,900
Total revenues		**181,799**	**80,561**
Expenses from ordinary activities			
Fundraising activities		(12,225)	(1,900)
Project expenses	4	(110,512)	(79,697)
Administration expenses		(2,648)	(2,210)
Operating surplus/(deficit) before income tax		**56,424**	**(3,246)**
Income tax benefit/(expense) attributable to operating profit	5	104,844	(14,489)
Operating surplus/(deficit) after income tax		**161,258**	**(17,735)**
Other comprehensive income			
Exchange differences of translation of foreign operations		(2,033)	805
Total comprehensive surplus/(deficit) for the period		**159,225**	**(16,390)**

The notes pages 16 to 28 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

STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 30 JUNE 2014

Consolidated	**Notes**	**Establishment Capital $**	**Translation Reserve $**	**Retained Earnings/ (Accumulated Losses) $**	**Total $**
Balance at 1 July 2012		46,215	(11,601)	(26,065)	8,549
Total comprehensive income					
Surplus/(Deficit)		-	-	(17,735)	(17,735)
Other comprehensive income		-	805	-	805
Total comprehensive income		-	805	(17,735)	(16,930)
Transactions with owners of the company		-	-	-	-
Total transactions with owners of the company		-	-	-	-
Balance at 30 June 2013		46,215	(10,796)	(43,800)	(8,381)
Balance at 1 July 2013		46,215	(10,796)	(43,800)	(8,381)
Total comprehensive income					
Surplus/(Deficit)		-	-	161,258	161,258
Other comprehensive income		-	(2,033)	-	(2,033)
Total comprehensive income		-	(2,033)	161,258	159,225
Transactions with owners of the company		-	-	-	-
Changes in ownership interests					
Asset transfers	12	5,706	-	-	5,706
Total changes in ownership interests		5,706	-	-	5,706
Total transactions with owners of the company		5,706	-	-	5,706
Balance at 30 June 2014		51,921	(12,829)	117,458	156,550

The notes on pages 16 to 28 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

STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2014

	Notes	Consolidated 2014 $	2013 $
Current Assets			
Cash and cash equivalents	6	147,168	25,529
Receivables	7	-	21,889
Current tax asset	5(c)	-	5,235
Total Current Assets		**147,168**	**52,653**
Non-current Assets			
Plant and equipment	8	9,382	6,107
Total Non-current Assets		**9,382**	**6,107**
Total Assets		**156,550**	**58,760**
Current Liabilities			
Payables	9	-	67,141
Total Current Liabilities		**-**	**67,141**
Total Liabilities		**-**	**67,141**
Net Asset Surplus/(Deficiency)		**156,550**	**(8,381)**
Members' Equity			
Establishment capital	10	51,921	46,215
Reserves		(12,829)	(10,796)
Retained Earnings/(Accumulated losses)		117,458	(43,800)
Total Surplus/(Deficiency) in Members' Equity		**156,550**	**(8,381)**

The notes on pages 16 to 28 are an integral part of these consolidated financial statements.

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2014

	Notes	Consolidated 2014 $	2013 $
Cash flows from operating activities			
Receipts from customers and members		181,659	80,497
Payments to suppliers and employees		(122,641)	(81,522)
Interest received		140	64
Income tax refunded/(paid)		110,079	(30,255)
Net cash inflow/(outflow) from operating activities		**169,237**	**(31,216)**
Cash flows from investing activities			
Payments for plant & equipment	8	(3,699)	(1,115)
Net cash (outflow)/inflow from investing activities		**(3,699)**	**(1,115)**
Cash flows from financing activities			
Proceeds from asset transfers	12	3,322	-
Proceeds from loans		-	32,252
Repayment of loans		(45,252)	-
Net cash (outflow)/inflow from financing activities		**(41,930)**	**32,252**
Net increase/(decrease) in cash held		**123,608**	**(79)**
Cash at beginning of financial period		25,529	25,270
Effect of exchange rate fluctuations on cash held		(1,969)	338
Cash at end of financial period	6	**147,168**	**25,529**

The notes on pages 16 to 28 are an integral part of these consolidated financial statements.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

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 2014 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 and Mekhala Learning Centre. Mekhala House is a home for orphaned and underprivileged children in Cambodia, including associated staff development and training, and education support for the children in Mekhala House. Mekhala Learning Centre is a community learning centre and library. It offers classes in English, computer skills, current affairs and other vocational courses. The learning centre is open to all members of the Prey Veng community.

2. BASIS OF PREPARATION

(a) Statement of compliance

The Group and Company has adopted AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Standards arising from Reduced Disclosure Requirements for the financial year beginning on 1 July 2013 to prepare Tier 2 general purpose financial statements.

The financial statements are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements (AASBs – RDR's) (including Australian interpretation) adopted by the Australian Accounting Standards Board (AASB) and the Australian Charities and Not-for-profit Commission Act 2012.

The financial statements were authorised for issue by the Board of Directors on 20 November 2014.

(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.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

2. BASIS OF PREPARATION (continued)

(e) Going concern

The Group incurred an operating surplus after tax of $161,258 (2013: $17,735 deficit 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.

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.

(f) Changes in accounting policies

Starting as of 1 July 2013, the Group has changed its accounting policy in respect of the application of reduced disclosure requirements.

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. Certain comparatives have been restated to comply with the current year presentation.

(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.

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 surplus or deficit.

(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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(c) Financial instruments (continued)

(ii) Non-derivative financial liabilities

All financial liabilities (including liabilities designated at fair value through surplus or deficit) 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 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Plant and equipment (continued)

(iii) Depreciation

Depreciation is recognised in surplus or deficit 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 surplus or deficit 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 surplus or deficit 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 surplus or deficit.

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 surplus or deficit. 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 2014

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Revenue (continued)

(iv) Asset transfers – owner related transactions

When assets are transferred between related entities, where the assets transferred are on a non-reciprocal basis by parties that have either an equity or governance interest in the Company, the transfer of assets is treated as an owner related transaction.

(g) Income tax

As at the reporting date, the Company is an income tax exempt charitable entity.

(h) Presentation of financial statements

The Group and Company has adopted reduced disclosure requirements in AASB 1053 *Application of Tiers of Australian Accounting Standards*, AASB 2010-2 *Amendments to Australian Standards arising from Reduced Disclosure Requirements* from 1 July 2013. This has resulted in a reduction of disclosures for items such as financial instruments.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated	
	2014	**2013**
	$	**$**
4. PROJECT EXPENSES		
Wages and Salaries	25,828	17,514
Rent & Utilities	10,581	7,974
Children's expenses	9,259	9,189
Food and sustenance	36,475	26,198
Education costs	15,088	5,512
Depreciation	2,744	2,285
Motor vehicle expenses	2,510	3,310
Other	8,027	7,715
	110,512	79,697
5. INCOME TAX		
(a) Income Tax expense		
The major components of income tax expense are:		
Current income tax		
Current income tax (benefit)/charge	(104,844)	14,489
Income tax (benefit)/expense reported in the statement of profit and loss and other comprehensive income	**(104,844)**	**14,489**
(b) Numerical reconciliation between aggregate tax expense recognised in the income statement and tax expense		
Total accounting (surplus)/deficit before income tax	(56,424)	3,246
At the Group's statutory income tax rate of 30%	16,927	(974)
Income non-assessment for income tax purposes	(16,927)	-
Expenditure not allowable for income tax purposes	-	12,703
Other items (net)	-	2,760
Tax benefits not previously recognised – ATO refunds	(104,844)	-
Income tax expense reported in the statement of profit or loss and other comprehensive income	**(104,844)**	**14,489**
(c) Current tax liability/(asset)		
Current tax payable	-	**14,489**
Less: instalments prepaid	-	(19,724)
	-	**(5,235)**

On 1 November 2013 the Group received notification from the Australian Taxation Office of endorsement for charity tax concessions. Income tax exemption has been granted from 17 December 2008 (being the date of incorporation of the Company).

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated 2014 $	Consolidated 2013 $
6. CASH AND CASH EQUIVALENTS		
Cash on hand	1,638	1,742
Bank balances	145,530	23,787
Total	**147,168**	**25,529**
7. RECEIVABLES		
Director receivable	-	21,889

8. PLANT AND EQUIPMENT

	Fixtures & Fittings $	Consolidated Motor Vehicles $	Total $
Cost or deemed cost			
Balance at 1 July 2013	11,713	5,618	17,331
Additions	3,699	-	3,699
Assets transferred	2,384	-	2,384
Effects of movement in exchange rates	(111)	(33)	(144)
Balance at 30 June 2014	17,685	5,585	23,270
Depreciation and impairment losses			
Balance at 1 July 2013	(7,709)	(3,515)	(11,224)
Depreciation for the year	(1,982)	(762)	(2,744)
Effects of movements in exchange rates	56	24	80
Balance at 30 June 2014	(9,635)	(4,253)	(13,888)
Carrying amounts			
At 30 June 2013	4,004	2,103	6,107
At 30 June 2014	8,049	1,331	9,382

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

	Consolidated	
	2014	**2013**
	$	**$**
9. PAYABLES		
Director loan account – ATO	-	34,889
Director loan account – other	-	15,000
FDCC Mekhala Learning loan	-	17,252
	-	67,141

10. 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

Establishment capital relates to net capital amounts arising from owner related transactions (note 12) recorded as a result of the transfer of assets between related parties, for nil consideration and is made up of:

Cash and cash equivalents	3,322
Plant and equipment	2,384
Total	**5,706**
	51,921

(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 95 members at 30 June 2014.

The liability of the members is limited to $1.00.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

11. COMMITMENTS

The Group leases premises in Prey Veng under an operating lease for the accommodation of the orphan children cared for by the Group (known as Mekhala House). The property is leased on a month to month basis. The terms of this lease require the Group to pay US$200 per month on the first week of every month.

During the period ended 30 June 2014, $2,624 (2013: $2,217) was recognised as an expense in the income statement in respect of the operating lease for the premises.

The Group also leases premises in Prey Veng under an operating lease for the provision of Mekhala Learning Centre. The property is leased on a month to month basis. The terms of this lease require the Group to pay US$300 per month on the first of every month.

During the period 1 April 2014 to 30 June 2014, being the period of consolidation, $984 was recognised as an expense in the income statement in respect of the operating lease for the premises.

12. OWNER RELATED TRANSACTION

On 1 April 2014, the Group obtained control of the assets of Mekhala Learning Centre, as a result of changes to previous arrangements held with Global Development Group and the Directors of the Company. No consideration was paid in relation to obtaining control of the assets of $5,706 which were transferred to the Group.

Taking control will enable the Group to create strategy and policy to enable Mekhala Learning Centre to grow and fulfil the community learning and development needs of Prey Veng.

13. 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 (2013: $8,143) was free from impairment during the year (2013: $8,395 impaired). Any impairment is as a result of the directors' assessment of the recoverable amount of net assets owned by the subsidiaries 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 $123,995 (2013: $42,342).

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

The Director loan agreement ("ATO agreement") entered into during 2011 was fully repaid during 2014. The purpose of the loan was to cover income tax instalments made to the Australian Taxation Office, where the lenders had contractually committed the provision of loan funds for tax payments made by the Group in prior years.

The Group received notification of income tax exemption from the Australian Taxation Office. The income tax exemption was effective from the date of incorporation being 17 December 2008. On this basis, all previously paid income tax payments were refunded to the Group.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

14. SUBSEQUENT EVENTS

There have been no events subsequent to the 30 June 2014 reporting date that significantly impacts the operations of financial performance of the Group and its subsidiaries.

15. PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ended 30 June 2014, the parent entity of the Group was the Foundation for Developing Cambodian Communities Limited.

	Parent	
	2014	**2013**
	$	**$**
Result of parent entity		
Profit/(Loss) for the period	99,378	(16,930)
Other comprehensive income	-	-
Total comprehensive income for the period	**99,378**	**(16,930)**
Financial position of parent entity at year end		
Current assets	82,855	33,365
Total assets	90,997	41,508
Current liabilities	-	49,889
Total liabilities	-	49,889
Total equity of the parent entity comprising of:		
Share capital	46,215	46,215
Revaluation reserve	-	-
Retained earnings/(Accumulated losses)	44,782	(54,596)
Total equity	**90,997**	**(8,381)**

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2014

16. 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 2014 annual financial statements.

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

17. PRINCIPAL REGISTERED OFFICE

The registered address and principal place of business is 11/41 Murrumbeena Rd, Murrumbeena, in Melbourne, Australia.