

ActionAid Australia **(formerly Austcare)**

ABN 87 001 251 930

Annual Financial Report **Year ended 31 December 2012**

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ActionAid Australia Directors' Report

The directors present their report together with the financial report of ActionAid Australia ("the Company") for the year ended 31 December 2012 and the auditor's report thereon.

1. Directors

The directors of the Company at any time during or since the reporting period are:

| Director | Qualifications & experience | Special responsibilities |
|----------------------------|---|--|
| The Hon John Dowd AO QC | LLB (Syd) Chancellor Southern Cross University Deputy President NSW Mental Health Tribunal President International Commission of Jurists Australia Former NSW Attorney General Former Supreme Court Judge | President Director from 28 April 2008 Appointed President 1 July 2009 |
| Bill Armstrong AO | Grad Dip in Community Education Member AICD Former CEO, Australian Volunteers International Former President, ACFID (then ACFOA) | Vice-President Director from 26 February 2003 Appointed Vice-President 1 July 2009 Retired on 16 May 2012 |
| Margaret Alston | LLB (Melbourne) Dip ED (Melbourne) Consultant Member St Vincent's Health Regional Advisory Council Melbourne Former Program Quality Advisor, Save the Children Australia Former Business Development Consultant, RMIT International Projects Former Program Director, Australian Volunteers International | Director from 16 June 2011 Appointed Vice-President 16 May 2012 |
| Tuong Quang Luu AO | BA/LLB (Saigon) LLB (ANU) Barrister at law Part-time Director, National Australia Day Council Former Head of SBS Radio Former Director: The Australian Museum Trust, Refugee Council of Australia & MSTL Former Alternate Director PAN TV | Director from 8 February 2007 |
| Sonia Zavesky | Graduate, A.F.T.R.S. Director, Zavesky Consulting Former Head of Communications, Greenpeace Former Chief of Staff and Executive Producer, ABC News Radio Sydney Former news and current affairs journalist, ABC | Director from 4 November 2009 |
| Nicola Davies | LLB (Hons), BSc ANU, Barrister at Law Team Leader, Global Energy Campaign, Greenpeace International Former Executive Director of the ACT & Conservation Council Former Peace and Disarmament Director, Greenpeace International Former Deputy Director Climate & Energy, Greenpeace International | Director from 29 April 2010 Resigned on 9 April 2012 |

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Directors' Report (continued)

1. Directors' (continued)

| Director | Qualifications & experience | Special responsibilities |
|-----------------|---|---------------------------------|
| James Pyne | B.E. Hons (Syd) M.B.A. (Insead) Group Head of Sales - Coates Hire, Australia Former Executive - Brakes Foodservice Group (UK) Former Principal - Softbank Europe Venture Capital (UK) Former Strategy Consultant – LEK Consulting (Australia, New Zealand, France, The Philippines, UK) | Director from 25 November 2010 |
| Susan Brennan | BA/LLB (Hons), Barrister at Law Vice President, World YWCA and Former President, World YWCA | Director from 24 February 2011 |
| Gordon Weiss | MA (Int. Relations, Security) Former OSCE official Former Global Emergencies Official (UNICEF) Former Spokesman (UN Sri Lanka) Author Journalist with The Global Mail | Director from 16 June 2011 |
| Thomas O'Connor | BA/LLB (Melb) Senior Programs Manager, Centre for Australian Progress Former CEO, the Oaktree Foundation | Director from 17 May 2012 |
| Maree Blake | GAICD, FCSA, FCPA B.Bus, Grad. Cert. in Management Various Non-Executive Directorship and Committee Positions Former ASIC Queensland Regional Commissioner Former partner of national accounting firm | Director from 22 November 2012 |

2. Company Secretary

Archie Law was appointed to the position of Company Secretary on 1 July 2009.

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Directors' Report (continued)

3. Directors' meetings

The number of directors' meetings and number of meetings attended by each of the directors of the Company during the year were:

| | Board Meetings 4 meetings held | | Governance & Board Development Committee 3 meetings held | | Audit & Risk Management Committee and Finance and Fundraising Committee 4 meetings held | |
|----------------------|-----------------------------------|----------|---|----------|--|----------|
| | Eligible to attend | Attended | Eligible to attend | Attended | Eligible to attend | Attended |
| The Hon John Dowd AO | 4 | 4 | - | - | - | - |
| Bill Armstrong AO | 2 | 2 | 2 | 2 | - | - |
| James Pyne | 4 | 1 | - | - | 3 | 1 |
| Tuong Quang Luu AO | 4 | 3 | - | - | 3 | 3 |
| Thomas O' Connor | 3 | 3 | 1 | 1 | - | - |
| Maree Blake | 1 | 1 | - | - | - | - |
| Sonia Zavesky | 4 | 3 | 3 | 3 | - | - |
| Nicola Davies | 1 | 1 | - | - | 1 | 1 |
| Susan Brennan | 4 | 3 | 3 | 3 | - | - |
| Margaret Alston | 4 | 4 | - | - | 3 | 3 |
| Gordon Weiss | 4 | 2 | - | - | 4 | 3 |

4. Principal objectives, strategy and activities

ActionAid Australia's mission is to work with poor and excluded people to eradicate poverty and injustice. The organisation conducts co-ordinated appeals, projects and campaigns to work towards ending the poverty and injustice experienced by poor and excluded people.

ActionAid Australia is striving for a poverty free planet. In doing so, we have defined our own unique identity and the focus of our work in our new strategy Changing the Rules 2012-2017. In order to maximise our contribution to the ActionAid International federation's work at the local, national and international level, the ActionAid Australia strategy is closely linked to the ActionAid International strategy "People's Action to End Poverty" that guides the federation's work from 2012 to 2017.

Drawing on the strengths of our organisation and an analysis of the context in which we will operate in the coming years, we commit ourselves to the primary objective of helping people to stand up, claim their human rights and actively challenge the prevailing growth driven development model which is based on an unjust global economic and political system. We have committed ourselves to three core mission objectives:

1. Enabling poor and excluded people, particularly women, to secure access to, and control over, the productive resources, and decision making processes essential to improving their livelihoods.
2. Protecting women's rights by preventing and responding to gender based violence against women during disasters and conflicts.
3. Encouraging Australians to challenge the status quo and critically evaluate how their lives and choices affect people living in poverty by tapping into positive values, beliefs and attitudes.

The full version of Changing the Rules, containing detailed activities for achieving the above objectives, is available on ActionAid Australia's website. ActionAid Australia's performance is regularly measured against the objectives and outcomes in Changing the Rules. At every Board Meeting, the directors conduct a review of progress against each of the strategy's objectives

ActionAid Australia

Directors' Report (continued)

5. Operating and financial review

ActionAid Australia's short-term financial strategy continues to focus on investment in the organisation's future stability and effectiveness by diversifying its income sources, enabling a significant long-term contribution to ActionAid projects overseas. Historically the bulk of ActionAid Australia's income has come from government grants, and although this income is expected to continue, the organisation is currently building public income in the form of monthly donations from long-term donors. Because the costs of building the relationships with long-term donors are primarily up-front, fundraising expenditure will be higher than normal in the short-term but will provide significant increases in public income over the medium to longer term. ActionAid International supported ActionAid Australia's efforts to build public funding during the year by funding \$761,280 of ActionAid Australia's fundraising costs.

Due to increased expenditure on building public income, ActionAid Australia recorded a deficit for the year of \$147,804 (year ended 31 December 2011: deficit \$857,715). Total revenue for the year was \$11,294,137 (year ended 31 December 2011: \$9,809,666) and total expenditure was \$11,441,941 (year ended 31 December 2011: \$10,667,381). The deficit resulted in a 6% decrease in reserves, which at 31 December 2012 were \$2,216,363 (31 December 2011: \$2,364,167). Cash balances at 31 December 2012 were 45% reduced at \$4,442,979 (31 December 2011: \$8,070,732).

Public funds raised by ActionAid Australia totalled \$3,342,113 (year ended 31 December 2011: \$3,445,293), and AusAID and other grant income totalled \$6,854,279 (year ended 31 December 2011: \$5,780,659). Note that this excludes grants not yet disbursed which have been treated as a liability and amounted to \$2,366,875 (31 December 2011: \$6,113,254).

During the year, ActionAid Australia provided \$6,965,135 to projects working towards ending poverty in Africa, the Middle East and the Asia Pacific region (year ended 31 December 2011: \$5,763,832). \$767,290 was spent in Australia on supporting international projects (year ended 31 December 2011: \$780,691) and funding the Pacific Research Project implemented from Australia.

In line with ActionAid Australia's belief that the ability for poor and excluded people's ability to claim their rights is partially dependent on influencing the opinions of the Australian people and policy change in Australia, the Company's expenditure on Australian community education initiatives remained significant to \$637,131 (year ended 31 December 2011: \$694,033). The expenditures on fundraising for the year were \$2,068,477 (year ended 31 December 2011: \$2,248,227). Administration costs were \$874,602 (year ended 31 December 2011: \$961,185)

Significant changes in the state of affairs

There have not been any significant changes in the state of affairs during the year 2012.

6. 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 Company, the results of those operations, or the state of affairs of the Company, in future financial years

ActionAid Australia Directors' Report (continued)

7. Likely developments

The directors believe that the need for working with poor and excluded people to eradicate poverty and injustice will not diminish in the foreseeable future, and as such the directors, staff and volunteers will continue to work towards a world without poverty in which every person can exercise their right to a life of dignity.

8. Liability of members on winding up

ActionAid Australia is a Company limited by guarantee, and was incorporated on 8 June 1978. In the event of the Company being wound up every member of the Company undertakes to contribute an amount of \$50. The total amount that members of the Company are liable to contribute if the Company is wound up is \$2,000 (31 December 2011: \$1,750).

9. Indemnification and insurance of officers and auditors

Indemnification

The Company has taken out a directors' and officers' insurance policy to indemnify all past and present directors and officers of the Company to another person (other than the Company) that may arise from their position as directors and officers of the Company, except where the liability arises out of conduct involving a lack of good faith. No claims were made during or since the period and there are no outstanding claims.

Insurance premiums

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 such disclosure is prohibited under the terms of the contract.

10. Auditor's independence declaration

The auditor's independence declaration as required under section 307C of the Corporations Act is on page 6 of this financial report, and forms part of this report.

11. Environmental regulation

The Company's operations are not subject to any significant environmental regulations under either Commonwealth or State Legislation. The directors believe that the Company has adequate systems in place for the management of its environmental requirements and is not aware of any significant breaches of those environmental requirements as they apply to the Company.

This report is made with a resolution of the directors.



The Hon. John Dowd AO QC
President



Sonia Zavesky
Director

Dated at Sydney this 11th day of April 2013



Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the directors of ActionAid Australia

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 31 December 2012 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Cameron Roan
Partner

Sydney

11 April 2013

ActionAid Australia

Statement of Comprehensive Income

For the year ended 31 December 2012

| | Note | Year ended 31 December 2012 | Year ended 31 December 2011 |
|--|------|-----------------------------------|-----------------------------------|
| | | \$ | \$ |
| REVENUE | | | |
| Donations and gifts | | | |
| -Monetary | | 3,219,491 | 3,276,946 |
| -Non-monetary | 4 | 129,306 | 219,413 |
| Bequests and legacies | | 122,622 | 168,347 |
| Grants | | | |
| -AusAID | | 3,795,342 | 3,078,247 |
| -Other Australian | 5 | 20,651 | 56,709 |
| -Other overseas | | 3,038,286 | 2,645,703 |
| Investment income | 6 | 68,226 | 116,460 |
| Other income | 7 | 900,213 | 247,841 |
| International political or religious adherence promotion program revenue | | - | - |
| Total revenue | | 11,294,137 | 9,809,666 |
| EXPENDITURE | | | |
| International Aid and Development Programs Expenditure | | | |
| International programs | | | |
| -Funds to international programs | 8 | 6,965,135 | 5,763,832 |
| -Program support costs | 8 | 767,290 | 780,691 |
| Community education | 8 | 637,131 | 694,033 |
| Fundraising costs | | | |
| -Public | | 1,999,432 | 2,179,117 |
| -Government, multilateral & private | | 69,045 | 69,110 |
| Accountability and administration | 9 | 874,602 | 961,185 |
| Non-monetary expenditure | 4 | 129,306 | 219,413 |
| Total International Aid and Development Programs Expenditure | | 11,441,941 | 10,667,381 |
| International political or religious adherence promotion program expenditure | | - | - |
| Domestic programs expenditure | | - | - |
| Total expenditure | | 11,441,941 | 10,667,381 |
| Excess/(Shortfall) of revenue over expenditure | | (147,804) | (857,715) |
| Other comprehensive income | | - | - |
| Total comprehensive income/(loss) | | (147,804) | (857,715) |

The Statement of Comprehensive Income is to be read in conjunction with the notes to the financial statements set out on pages 11 – 29.

ActionAid Australia

Statement of Changes in Equity

For the year ended 31 December 2012

| | Note | Retained earnings | Restricted funds reserves | Unrestricted funds reserves | Total undistributed funds |
|--|------|--------------------------|----------------------------------|------------------------------------|----------------------------------|
| Opening balance at 1 January 2011 | | 2,322,033 | 849,849 | 50,000 | 3,221,882 |
| Excess of expenditure over revenue | | (857,715) | - | - | (857,715) |
| Total comprehensive income | | (857,715) | - | - | (857,715) |
| Other amounts transferred to/(from) reserves | 11 | (123,513) | 123,513 | - | - |
| Closing balance at 31 December 2011 | | 1,340,805 | 973,362 | 50,000 | 2,364,167 |
| | | Retained earnings | Restricted funds reserves | Unrestricted funds reserves | Total undistributed funds |
| Opening balance at 1 January 2012 | | 1,340,805 | 973,362 | 50,000 | 2,364,167 |
| Excess of expenditure over revenue | | (147,804) | - | - | (147,804) |
| Total comprehensive income | | (147,804) | - | - | (147,804) |
| Other amounts transferred to/(from) reserves | 11 | 168,843 | (168,843) | - | - |
| Closing balance at 31 December 2012 | | 1,361,844 | 804,519 | 50,000 | 2,216,363 |

During the year ended 31 December 2012, ActionAid Australia had no transactions in the following categories specified in the ACFID Code of Conduct: adjustments or changes in equity due to adoptions of new accounting standards, changes in equity from changes in asset fair value transactions, or other.

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out on pages 11 - 29.

ActionAid Australia

Statement of Financial Position

As at 31 December 2012

| | Note | 31 December 2012 \$ | 31 December 2011 \$ |
|----------------------------------|------|---------------------------|---------------------------|
| ASSETS | | | |
| Current assets | | | |
| Cash and cash equivalents | 14 | 4,442,979 | 8,070,732 |
| Trade and other receivables | 15 | 446,530 | 227,604 |
| Total current assets | | <u>4,889,509</u> | <u>8,298,336</u> |
| Non-current assets | | | |
| Property, plant and equipment | 16 | 575,113 | 609,438 |
| Total non-current assets | | <u>575,113</u> | <u>609,438</u> |
| Total assets | | <u>5,464,622</u> | <u>8,907,774</u> |
| LIABILITIES | | | |
| Current liabilities | | | |
| Trade and other payables | 17 | 290,475 | 292,950 |
| Borrowings | 18 | 83,836 | - |
| Provisions - employee benefits | 19 | 143,700 | 110,448 |
| Other | | | |
| -Deferred revenue | 20 | 2,366,875 | 6,113,254 |
| Total current liabilities | | <u>2,884,886</u> | <u>6,516,652</u> |
| Non-current liabilities | | | |
| Borrowings | 18 | 318,579 | - |
| Provisions - employee benefits | 19 | 44,794 | 26,955 |
| Non-current liabilities | | <u>363,373</u> | <u>26,955</u> |
| Total liabilities | | <u>3,248,259</u> | <u>6,543,607</u> |
| Net assets | | <u>2,216,363</u> | <u>2,364,167</u> |
| EQUITY | | | |
| Restricted funds reserves | | 804,519 | 973,362 |
| Unrestricted funds reserves | | 50,000 | 50,000 |
| Retained earnings | | 1,361,844 | 1,340,805 |
| Total equity | | <u>2,216,363</u> | <u>2,364,167</u> |

The Statement Financial Position is to be read in conjunction with the notes to the financial statements set out on pages 11 - 29.

At 31 December 2012, ActionAid Australia had no balances in the following categories specified in the ACFID Code of Conduct: inventories, assets held for sale, other financial assets, non-current trade and other receivables, investment property, intangibles, other non-current asset, current tax liabilities, other financial liabilities or other non-current liabilities.

ActionAid Australia

Statement of Cash Flows

For the year ended 31 December 2012

| | Note | Year ended 31 December 2012 | Year ended 31 December 2011 |
|--|-----------|-----------------------------------|-----------------------------------|
| | | \$ | \$ |
| Cash flows from operating activities | | | |
| Cash receipts from appeals, donations & fundraising activities | | 3,342,113 | 3,445,293 |
| Cash receipts from AusAID grants | | 3,642,254 | 2,936,997 |
| Cash receipts from other grants | | (203,241) | 5,417,807 |
| Proceeds from other activities | | 900,604 | 247,300 |
| Interest received | | 68,226 | 116,460 |
| Cash payments to suppliers and employees | | (3,608,037) | (3,954,837) |
| Cash payments for project expenditure | | (8,369,555) | (7,238,557) |
| Net cash provided by operating activities | 22 | <u>(4,227,636)</u> | <u>970,463</u> |
| Cash flows from investing activities | | | |
| Proceeds from sale of non-current assets | | - | 21,000 |
| Proceeds from investment in term deposit | | 200,000 | - |
| Payments for property, plant and equipment | | (2,532) | (35,222) |
| Net cash provided by/(used in) investing activities | | <u>197,468</u> | <u>(14,222)</u> |
| Cash flows from financing activities | | | |
| Proceeds from borrowings | | 402,415 | - |
| Repayment of borrowings | | - | - |
| Net cash provided by/(used in) financing activities | | <u>402,415</u> | <u>-</u> |
| Net increase in cash and cash equivalents | | (3,627,753) | 956,241 |
| Cash and cash equivalents at beginning of period | | <u>8,070,732</u> | <u>7,114,491</u> |
| Cash and cash equivalents at 31 December | 14 | <u>4,442,979</u> | <u>8,070,732</u> |

The Statement of Cash Flow is to be read in conjunction with the notes to the financial statement set out on pages 11 - 29

ActionAid Australia

Notes to the financial statements

For the year ended 31 December 2012

1 Reporting entity

ActionAid Australia (formerly Austcare) is a not-for-profit company incorporated and domiciled in Australia as a company limited by guarantee. In accordance with the constitution of ActionAid Australia ("the Company"), every member of the Company undertakes to contribute an amount limited to \$50 per member in the event of the winding up of the Company.

The Company is primarily involved in ending the poverty and injustice experienced by poor, excluded and vulnerable people.

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 (AASBs) (including Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. The financial statements do not comply with International Financial Reporting Standards (IFRSs) as the Company has adopted the exemptions allowed for not-for-profit organisations under AASB 101 Presentation of Financial Statements.

The financial report has also been prepared in accordance with the requirements set out in the Australian Council for International Development (ACFID) Code of Conduct. For further information on the Code please refer to the ACFID Code of Conduct Guidance Document available at www.acfid.asn.au.

The financial statements were approved by the Board of Directors on 11th April 2013.

(b) Basis of measurement

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

(c) Functional and presentation currency

The 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 on-going basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

ActionAid Australia

Notes to the financial statements

For the year ended 31 December 2012

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in the financial statements. Certain comparative amounts have been reclassified to conform with the current year's presentation.

(a) Foreign currency

Transactions in foreign currencies are translated at the foreign exchange rate ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies at the reporting date are translated to Australian dollars at the foreign exchange rate ruling at that date. Foreign exchange gains or losses are recognised in the Accountability and Administration line item of the Statement of Comprehensive Income, apart from foreign exchange gains or losses on restricted funds which are applied to those funds where contractually required.

(b) Property, plant and equipment

(i) Owned assets

Items of property plant and equipment are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy (c)). Where items within a class of property, plant and equipment have different useful lives, they are accounted for as separate items of property, plant and equipment.

(ii) Depreciation

Depreciation is charged on a straight line basis for all depreciable assets except furniture and fittings purchased on or before 30 June 2007, which are depreciated on a diminishing value basis over their estimated useful lives. Land is not depreciated. Depreciation rates applied range from 2.5% for buildings to 33.3% for computer equipment and software.

(c) Financial instruments

(i) Non-derivative financial assets

The Company initially recognises loans and receivables on the date that they are originated.

The Company 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 in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company 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 Company has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

The Company classifies non-derivative financial assets into loans and receivables category.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents and, trade and other receivables.

ActionAid Australia

Notes to the financial statements

For the year ended 31 December 2012

3 Significant accounting policies (continued)

(c) Financial instruments (continued)

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments.

ii) Non-derivative financial liabilities

Financial liabilities are recognised initially on the trade date at which the Company becomes a party to the contractual provisions of the instrument.

The Company derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Financial liabilities are recognised initially at fair value less any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

Other financial liabilities comprise trade and other payables and loans and borrowings.

(d) Impairment

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

An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount. Impairment losses are recognised in the Statement of Comprehensive Income unless an asset has previously been re-valued, in which case the impairment loss is recognised as a reversal to the extent of the previous revaluation with any excess recognised through profit or loss.

The recoverable amount is the greater of fair value less costs to sell and value in use.

Calculation of recoverable amount

The recoverable amount of the Company's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e., the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed. Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effects of conditions existing at each reporting date.

ActionAid Australia

Notes to the financial statements

For the year ended 31 December 2012

3 Significant accounting policies (continued)

(d) Impairment (continued)

The recoverable amount of the Company's other assets is the greater of their net selling price and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

Reversals of impairment

An impairment loss in respect of a receivable carried at amortised cost is reversed if the subsequent increase in recoverable amount can be related objectively to an event occurring after the impairment loss was recognised.

An impairment loss in respect of other assets is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

(e) Employee Benefits

(i) Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the Statement of Comprehensive Income as incurred.

(ii) Long-term service benefits

The Company's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the reporting date which have maturity dates approximating to the terms of the Company's obligations.

(iii) Wages, salaries, annual leave, sick leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Company expects to pay as at reporting date including related on-costs, such as workers compensation insurance.

(f) Revenue recognition

Appeals and donations

ActionAid Australia is a non-profit organisation and receives significant income from donations. These amounts by their nature can only be recognised when they are received. Donations are recorded as income when they are received, though restricted donations are transferred to restricted reserves in accordance with the accounting policy outlined in Note 3(j) below.

AusAID & Other Government Grants

The Company receives Federal Government funding for various programs. Grant income is recognised when there is a non-reciprocal transfer, as required by AASB 1004. A non-reciprocal transfer of grants occurs only when the conditions set out in the grant agreement have been met. Funds received in advance of conditions being met are deferred and taken to income as the related expenses are incurred and conditions are met.

ActionAid Australia

Notes to the financial statements

For the year ended 31 December 2012

3 Significant accounting policies (continued)

(f) Revenue recognition (continued)

Interest revenue

Interest is recognised as it is accrued, taking into account the effective yield on financial assets. Interest earned on AusAID grants is used to meet the obligations set out in the grant agreements.

Non-monetary donations and gifts

The value of volunteer services has been calculated in accordance with AusAID guidelines, by recording actual volunteer time donated and valuing it at rates provided by AusAID.

In-kind contributions, being non-reciprocal transfers, are calculated by reference to the fair value of the assets received when the Company gains control of the contribution, or the commercial value of services provided.

Volunteer and in-kind contributions have been included in the Company's Statement of Comprehensive Income as non-monetary donation and gift revenue and as a corresponding amount of non-monetary expenditure in the same financial year, thereby resulting in a net financial impact of zero. A breakdown of the value of volunteer and in-kind contributions is disclosed in Note 4.

(g) Income tax

The Company is a registered charity and is exempt from income tax under s50-5 of the Income Tax Assessment Act 1997.

(h) Goods and Services Tax

Revenue, expenses and property, plant and equipment are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the Statement of Cash Flows on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(i) Classification of expenses

Expenses have been classified in accordance with the format specified in the ACFID Code of Conduct for Non-Government Development Organisations.

(j) Reserves

Restricted Funds Reserve

Donations received for a specific purpose not yet disbursed for that purpose are transferred to restricted reserves, net of collection costs. Disbursements made to projects from restricted funds collected in prior periods are transferred out of reserves. The net transfer to/from restricted reserves is shown in the Statement of Changes in Equity. The gross transfers to/from restricted reserves are disclosed in Note 11.

ActionAid Australia

Notes to the financial statements

For the year ended 31 December 2012

3 Significant accounting policies (continued)

(j) Reserves (continued)

Unrestricted Funds Reserve

The Directors may decide to transfer surplus legacies and bequests and other donations received for the general work of ActionAid Australia to the unrestricted funds reserve. The net transfer to/from unrestricted reserves is shown in the Statement of Changes in Equity. The gross transfers to/from unrestricted reserves are disclosed in Note 12.

(k) Net financing costs

Interest revenue is recognised in the Statement of Comprehensive Income as it accrues, using the effective interest method, net of any withholding tax. Interest earned on AusAID grants is deferred and taken to income as grant-related expenses are incurred and obligations are met.

(l) 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 January 2012, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Company, except for AASB 9 Financial Instruments, which becomes mandatory for the Company's 2013 financial statements and could change the classification and measurement of financial assets. The Company does not plan to adopt this standard early and the extent of the impact has not been determined.

ActionAid Australia
Notes to the financial statements

For the year ended 31 December 2012

| | Year ended 31 December 2012 | Year ended 31 December 2011 |
|---|-----------------------------------|-----------------------------------|
| | \$ | \$ |
| 4 Non-monetary donations and gifts | | |
| Volunteer services donated by Australians for the delivery of overseas development projects and community education | 43,967 | 93,195 |
| Administration, fundraising and other volunteer services | 76,577 | 92,495 |
| In-kind contribution of services by legal firms (Sparke Helmore, DLA Phillips Fox, Williamson Legal and Minter Ellison) | 8,762 | 33,723 |
| | <hr/> | <hr/> |
| Total non-monetary donations and gifts | <u>129,306</u> | <u>219,413</u> |
| 5 Other Australian Grants | | |
| Other Australia Grants | <u>20,651</u> | <u>56,709</u> |
| Total other Australian grant income | <u>20,651</u> | <u>56,709</u> |
| 6 Investment income | | |
| Interest income | <u>68,226</u> | <u>116,460</u> |
| 7 Other income | | |
| Membership subscriptions | 791 | 764 |
| Funds from ActionAid International | 899,367 | 214,364 |
| Other income | <u>55</u> | <u>32,713</u> |
| Total income from other activities | <u>900,213</u> | <u>247,841</u> |

ActionAid Australia
Notes to the financial statements

For the year ended 31 December 2012

8 International Programs and Community Education Expenditure

| Program | Country/Region | Total Disbursed | AusAID | Other |
|---|----------------|---|---|------------------|
| Community Resilience & Livelihoods | Bangladesh | 14,888 | - | 14,888 |
| Community Resilience & Livelihoods | Cambodia | 226,539 | 67,295 | 159,244 |
| Human Security During Conflicts & Emergencies | Cambodia | 11,088 | 11,088 | - |
| Education | Cambodia | 102,389 | - | 102,389 |
| Food Rights | Cambodia | 14,869 | 14,869 | |
| Human Security During Conflicts & Emergencies | Haiti | 2,000 | | 2,000 |
| Community Resilience & Livelihoods | Indonesia | 2,903,846 | - | 2,903,846 |
| Food rights | Kenya/Uganda | 1,243,722 | 1,243,722 | - |
| Human Security During Conflicts & Emergencies | Kenya | 100,868 | 80,542 | 20,326 |
| Governance | Myanmar | 50,877 | - | 50,877 |
| Community Resilience & Livelihoods | oPt* | 1,435,942 | 1,382,806 | 53,136 |
| Youth mobilisation and governance | oPt* | 31,066 | - | 31,066 |
| Women empowerment | oPt* | 289,411 | 283,714 | 5,697 |
| Human Security During Conflicts & Emergencies | Pakistan | 135,139 | (2,703) | 137,842 |
| Water and Sanitation | Malawi | 67,265 | | 67,265 |
| Community Resilience & Livelihoods | Uganda | 196,152 | - | 196,152 |
| Food Rights | Uganda | 119,872 | 119,872 | |
| Water & Sanitation | Zimbabwe | 19,202 | | 19,202 |
| Year ended 31 December 2012 | | <u>6,965,135</u> | <u>3,201,205</u> | <u>3,763,930</u> |
| Year ended 31 December 2011 | | <u>5,763,832</u> | <u>2,447,565</u> | <u>3,316,267</u> |
| * occupied Palestinian territories | | | | |
| | | Year ended 31 December 2012 \$ | Year ended 31 December 2011 \$ | |

Other Overseas Project Costs

| | | |
|---------------------------------------|----------------|----------------|
| Project Monitoring and Administration | <u>767,290</u> | <u>780,691</u> |
|---------------------------------------|----------------|----------------|

Community Education

| | | |
|--|----------------|----------------|
| 1GOAL: Education for All (AusAID-funded) | - | 26,666 |
| Other community education activities | <u>637,131</u> | <u>667,367</u> |
| | <u>637,131</u> | <u>694,033</u> |

ActionAid Australia
Notes to the financial statements

For the year ended 31 December 2012

| | Year ended 31 December 2012 | Year ended 31 December 2011 |
|--|-----------------------------------|-----------------------------------|
| 9 Accountability and administration expenses | \$ | \$ |
| Accountability and administration expenses | 879,153 | 963,898 |
| Foreign exchange losses/(gains) | (4,551) | (2,713) |
| Total accountability and administration expenses | <u>874,602</u> | <u>961,185</u> |
| 10 Personnel expenses | | |
| Salaries, wages and allowances | 2,611,057 | 2,533,084 |
| Superannuation | 190,293 | 185,459 |
| Increase/(decrease) in liability for annual leave and long-service leave | 51,091 | 22,346 |
| Other associated personnel expenses | 20,446 | 21,212 |
| Total personnel expenses | <u>2,872,887</u> | <u>2,762,101</u> |
| 11 Transfers to/(from) Restricted Reserves | | |
| Transfers in | | |
| Restricted funds raised | 340,701 | 749,393 |
| Transfer from retained earnings | - | - |
| Total transfers in | <u>340,701</u> | <u>749,393</u> |
| Transfers out | | |
| Other restricted funds used | 488,498 | 567,193 |
| Restricted funds transfer to grant (other grant) | 21,046 | 58,687 |
| Total transfers out | <u>509,544</u> | <u>625,880</u> |
| Net transfers from restricted reserves | <u>(168,843)</u> | <u>123,513</u> |

ActionAid Australia
Notes to the financial statements

For the year ended 31 December 2012

| | Year ended 31 December 2012 | Year ended 31 December 2011 |
|--|-----------------------------------|-----------------------------------|
| 12 Transfers to/(from) Unrestricted Reserves | \$ | \$ |
| Net transfers from unrestricted reserves | - | - |
| | - | - |
| 13 Auditors' remuneration | | |
| Audit services | | |
| Auditors of the Company | | |
| <i>KPMG Australia</i> | | |
| Audit and review of financial reports | 32,000 | 32,000 |
| 14 Cash and cash equivalents | | |
| Cash at bank | 1,334,819 | 4,943,337 |
| Cash at deposit | 3,108,160 | 3,127,395 |
| Cash and cash equivalents in the Statement of Cash Flows | 4,442,979 | 8,070,732 |
| The Company's exposure to interest rate risk and a sensitivity analysis for financial assets and liabilities are disclosed in Note 27. | | |
| 15 Trade and other receivables | | |
| Trade receivables | 150 | 541 |
| Travel advances | 11,708 | 7,569 |
| ActionAid International Intercompany | 418,460 | - |
| Prepayments | 16,212 | 19,494 |
| Investment in term deposit | - | 200,000 |
| | 446,530 | 227,604 |

ActionAid Australia

Notes to the financial statements

For the year ended 31 December 2012
16 Plant and equipment

| | Land and Buildings \$ | Motor Vehicles \$ | Computers & IT Equipment \$ | Furniture and fixtures \$ | Total \$ |
|--------------------------------------|-----------------------------|-------------------------|-----------------------------------|---------------------------------|-------------|
| Cost | | | | | |
| Balance at 1 January 2011 | 660,000 | 33,608 | 134,581 | 106,973 | 935,162 |
| Acquisitions | - | 34,522 | 700 | - | 35,222 |
| Disposals | - | (33,608) | - | - | (33,608) |
| Balance at 31 December 2011 | 660,000 | 34,522 | 135,281 | 106,973 | 936,776 |
| Balance at 1 January 2012 | 660,000 | 34,522 | 135,281 | 106,973 | 936,776 |
| Acquisitions | - | - | 2,532 | - | 2,532 |
| Disposals | - | - | - | - | - |
| Balance at 31 December 2012 | 660,000 | 34,522 | 137,813 | 106,973 | 939,308 |
| Depreciation and amortisation | | | | | |
| Balance at 1 January 2011 | 127,185 | 15,589 | 96,019 | 67,710 | 306,503 |
| Depreciation charge for the period | 7,719 | 6,748 | 16,672 | 10,614 | 41,753 |
| Disposals | - | (20,918) | - | - | (20,918) |
| Balance at 31 December 2011 | 134,904 | 1,419 | 112,691 | 78,324 | 327,338 |
| Balance at 1 January 2012 | 134,904 | 1,419 | 112,691 | 78,324 | 327,338 |
| Depreciation charge for the period | 7,719 | 6,904 | 14,551 | 7,683 | 36,857 |
| Disposals | - | - | - | - | - |
| Balance at 31 December 2012 | 142,623 | 8,323 | 127,242 | 86,007 | 364,195 |
| Carrying amounts | | | | | |
| At 1 January 2011 | 532,815 | 18,019 | 38,562 | 39,263 | 628,659 |
| At 31 December 2011 | 525,096 | 33,103 | 22,590 | 28,649 | 609,438 |
| At 1 January 2012 | 525,096 | 33,103 | 22,590 | 28,649 | 609,438 |
| At 31 December 2012 | 517,377 | 26,199 | 10,571 | 20,966 | 575,113 |

Valuations of land and buildings

The independent valuation of freehold land and buildings carried out as at 12 January 2012 on the basis of open market values for existing use resulted in a valuation of freehold land and buildings of \$2,400,000. The valuation company was Woodbury Bell Pty Limited.

ActionAid Australia

Notes to the financial statements

For the year ended 31 December 2012

| | 31 December 2012 \$ | 31 December 2011 \$ |
|---|---------------------------|---------------------------|
| 17 Trade and other payables | | |
| Trade payables | 264,808 | 147,016 |
| ActionAid International Intercompany | - | 122,108 |
| Accruals | 25,667 | 23,826 |
| | <u>290,475</u> | <u>292,950</u> |
| 18 Borrowings | | |
| Non-current liabilities | | |
| Secured bank loan – variable rate | 318,579 | - |
| Current liabilities | | |
| Secured bank loan – variable rate | 83,836 | - |
| | <u>402,415</u> | <u>-</u> |
| <p>The secured bank loan has a facility limit of \$1,000,000 and is secured over the commercial property with a carrying amount of \$517,377(2011: \$525,096). The interest rate applicable to the loan at 31 December 2012 is 6.75%.</p> | | |
| 19 Provisions - employee benefits | | |
| Current | | |
| Liability for annual leave | <u>143,700</u> | <u>110,448</u> |
| Non-Current | | |
| Liability for long service leave | <u>44,794</u> | <u>26,955</u> |
| 20 Deferred revenue | | |
| AusAID grants | 1,981,276 | 2,465,477 |
| Other grants | 385,599 | 3,647,777 |
| | <u>2,366,875</u> | <u>6,113,254</u> |
| 21 Commitments | | |
| Operating lease payable commitments | | |
| Future non-cancellable operating lease/rentals of plant and equipment not provided for in the financial statements and payable: | | |
| Within one year | 4,080 | 4,080 |
| One year or later and no later than five years | 8,255 | 12,332 |
| | <u>12,335</u> | <u>16,412</u> |

ActionAid Australia

Notes to the financial statements

For the year ended 31 December 2012

| | 31 December 2012 \$ | 31 December 2011 \$ |
|---|---------------------------|---------------------------|
| 22 Reconciliation of cash flows from operating activities | | |
| Cash flows from operating activities | | |
| Surplus for the period | (147,804) | (857,715) |
| Adjustments for: | | |
| Depreciation | 36,857 | 41,753 |
| Gain on sale of property, plant and equipment | - | (8,310) |
| Operating surplus before changes in working capital and provisions | <u>(110,947)</u> | <u>(824,272)</u> |
| (Increase)/decrease in trade and other receivables | (418,926) | 5,623 |
| Increase in employee benefits | 51,091 | 22,348 |
| Increase/(decrease) in trade and other payables | (3,748,854) | 1,766,764 |
| Cash used in operations | <u>(4,116,689)</u> | <u>1,794,735</u> |
| Net cash from operating activities | <u><u>(4,227,636)</u></u> | <u><u>970,463</u></u> |

23 Members' Undertaking

ActionAid Australia is a Company limited by guarantee, and was incorporated on 8 June 1978. In the event of the Company being wound up every member of the Company undertakes to contribute an amount of \$50. As at 31 December 2012, the Company had 40 Ordinary Members, 7 of which were life members (All members were individual members).

24 Table of cash movements for designated purposes

Projects for which funds raised during the reporting period were more than 10% of the total income of \$11,294,137.

| Project/purpose | Cash available at 1 January 2012 | Cash raised during the period | Cash disbursed during the period | Cash available at 31 December 2012 |
|--|--|-------------------------------------|---|--|
| Australia Africa Community Engagement Scheme (AACES) | 257,713 | 1,750,000 | 1,507,628 | 500,085 |
| Total for other non-designated purposes | <u>7,813,019</u> | <u>6,602,371</u> | <u>10,472,496</u> | <u>3,942,894</u> |
| Total | <u>8,070,732</u> | <u>8,352,371</u> | <u>11,980,124</u> | <u>4,442,979</u> |

Of the cash available at balance date for all other purposes of \$3,942,894 an amount of \$2,671,309 is committed to funding a specific project or to be used for a designated purpose.

ActionAid Australia

Notes to the financial statements

For the year ended 31 December 2012

25 Fundraising appeals conducted during the year

- (a) Fundraising appeals conducted during the year included mail appeals, telephone appeals, face-to-face appeals and various other sundry fundraising projects and general receiving of indirectly solicited donations and bequests. ActionAid Australia commenced a child sponsorship program in June 2009.
- (b) In accordance with section 20 of the Charitable Fundraising (NSW) Act 1991, monies received in the course of fundraising appeals are applied according to the objects or purposes of the appeal net of proper and appropriate expenses. In some circumstances appeal funds are not always expended in the year they are collected and therefore the balance of undistributed funds at the end of the year being \$2,216,363 (31 December 2011: \$2,364,167) includes amounts to be applied to meet the purpose and objective of specific appeals.

| | Year ended 31 December 2012 \$ | Year ended 31 December 2011 \$ |
|--|---|---|
| (c) Results of fundraising appeals | | |
| Gross proceeds from fundraising appeals | 3,342,113 | 3,445,293 |
| Less: Direct fundraising costs | (1,272,914) | (1,489,704) |
| Net surplus - public fundraising appeals | 2,069,199 | 1,955,589 |
| Government, multilateral & corporate grants | 6,854,279 | 5,780,659 |
| Less: fundraising cost | (69,045) | (69,110) |
| Net surplus - govt, multilateral & corporate | 6,785,234 | 5,711,549 |
| Other income | 968,439 | 364,301 |
| Total revenue net of direct fundraising costs | 9,822,872 | 8,031,439 |
| (d) Application of net surplus obtained from fundraising appeals | | |
| Distributions | 8,369,556 | 7,238,556 |
| Fundraising costs – indirect | 726,518 | 689,413 |
| Administration expenses | 874,602 | 961,185 |
| Add: Non-distributed funds at end of the period | 2,216,363 | 2,364,167 |
| Less: Non-distributed funds at beginning of period | (2,364,167) | (3,221,882) |
| | 9,822,872 | 8,031,439 |
| (e) Fundraising conducted jointly with traders | | |
| During the year, ActionAid Australia engaged the services of five traders for the purposes of face-to-face fundraising and telephone appeals. Most of the donation income secured by the traders will be received and recognised in future periods and not in the period in which the cost of securing the income is incurred. | | |
| Revenue raised as a result of traders | 1,446,699 | 993,665 |
| Total payments to traders (excluding GST) | (945,327) | (1,017,009) |
| Net revenue raised | 501,372 | (23,344) |

ActionAid Australia

Notes to the financial statements

For the year ended 31 December 2012

25 Fundraising appeals conducted during the year (continued)

(f) Comparisons of certain monetary figures and percentages

| | Year ended 31 December 2012 | | Year ended 31 December 2011 | |
|--|--------------------------------|----|--------------------------------|----|
| | \$ | % | \$ | % |
| Direct cost of fundraising/ Gross income from fundraising | 1,272,914/ 3,342,113 | 38 | 1,489,704/ 3,445,293 | 43 |
| Net surplus from fundraising/ Gross income from fundraising | 2,069,199/ 3,342,113 | 62 | 1,995,589/ 3,445,293 | 57 |
| Total projects funded/ Total expenditure | 8,369,556/ 11,312,635 | 74 | 7,238,556/ 10,447,968 | 69 |
| Total projects funded/ Total income less transfer to reserves | 8,369,556/ 11,333,674 | 74 | 7,238,556/ 9,466,740 | 76 |

26 Key management personnel

The following were key management personnel of the Company at any time during the reporting period, and unless otherwise indicated were key management personnel for the entire period:

Non-executive directors

| | | |
|--------------------------|-------------------------------------|---------------------------------|
| The Hon. John Dowd AO QC | Bill Armstrong AO (to 16 May 2012) | Sonia Zavesky |
| Tuong Quang Luu AO | Maree Blake (from 22 November 2012) | Nicola Davies (to 9 April 2012) |
| Margaret Alston | Gordon Weiss | James Pyne |
| Susan Brennan | Thomas O'Connor (from 17 May 2012) | |

Executives

| | |
|--------------------|------------------------------------|
| Archie Law | Executive Director |
| Palash Roy | Head of Finance and Administration |
| Morgane Daumarie | Head of HROD |
| Catherine Esposito | Head of Programs |
| Maeva Freeman | Head of Fundraising |
| Mark Chenery | Head of Community Engagement |
| Frederique Blank | Executive Projects Manager |

Transactions with key management personnel

The directors did not receive any remuneration or superannuation benefits during the period other than professional indemnity insurance paid on their behalf by the Company.

In addition to a salary, the Company also provides non-cash benefits to some key management personnel, and contributes to a post-employment defined contribution superannuation fund on their behalf.

Below are the details of executive remuneration during the year ended 31 December 2012:

| | Salary payments | <u>Short Term</u> Bonus | Non- monetary | <u>Post Employment</u> Superannuation | <u>Total</u> |
|-------------------|--------------------|----------------------------|------------------|--|--------------|
| Executive Payment | 716,753 | - | 14,386 | 64,508 | 795,647 |
| | 716,753 | - | 14,386 | 64,508 | 795,647 |

ActionAid Australia

Notes to the financial statements

For the year ended 31 December 2012

26 Key management personnel (continued)

Other transactions with the Company

No director has entered into a material contract or transaction with the Company since the end of the previous year and there were no material contracts or transactions involving directors' interests subsisting at period-end.

27 Financial risk management

Exposure to credit risk, liquidity risk, currency risk and interest rate risk arises in the normal course of the Company's business.

(a) Credit risk

Credit risk is the risk of financial loss to the Company from the failure of a counterparty to settle its financial or contractual obligations as and when they fall due.

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

| | Note | Carrying amount | |
|---------------------------|------|------------------|------------------|
| | | 31 December 2012 | 31 December 2011 |
| Cash and cash equivalents | 14 | 4,442,979 | 8,070,732 |
| | | <u>4,442,979</u> | <u>8,070,732</u> |

The Company's exposure to credit risk for trade receivables at the reporting date by type of donor was none.

Credit risk on financial assets is minimised by dealing with recognised financial institutions and related parties with acceptable credit ratings. No impairment allowance is necessary in respect of trade receivables as all trade receivables at 31 December 2012 had been settled in full at the date of this report.

(b) Liquidity risk

Liquidity risk is the risk that the Company will not be able to meet its financial obligations as and when they fall due. The Company'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 and risking damage to the Company's reputation.

The Company monitors cash flow requirements and optimises its cash return on investments. Typically the Company ensures that it has sufficient cash on demand to meet expected operational expenses for a period of at least 60 days, excluding potential impact of extreme circumstances that cannot be reasonably predicted, such as natural disasters.

The total financial liability consists of trade and other payables of \$264,808 (31 December 2011: \$147,016), Australian government grants not yet spent of \$1,981,276 (31 December 2011: \$2,465,477), \$385,599 of other grants not yet spent (31 December 2011: \$3,647,777) and \$402,415 (31 December 2011: nil) of borrowings. All trade and other payables are settled within 2 months or less, with the exception of grants not yet spent that are spent over the duration of individual projects and borrowings to be paid over the year.

ActionAid Australia

Notes to the financial statements

For the year ended 31 December 2012

27 Financial risk management (continued)

(c) Currency risk

The Company is exposed to currency risk on program expenses that are denominated in a currency other than the Australian Dollar (AUD); however agreements with implementing partners are denominated in the same currency as donor agreements to minimise the currency risk. The Company is also exposed to currency risk on cash and financial instruments that are held in the Company's offices in Palestine and Indonesia.

The Company's exposure to foreign currency risk at balance date was as follows, based on notional amounts (in AUD). The currencies to which the Company was exposed at balance date (or at 31 December 2012) were United States Dollars (USD), Indonesian Rupiahs (IDR), and Israeli Shekels (ILS).

| 31 December 2012 | USD | IDR | ILS |
|---------------------------|------------------|------------------|---------------|
| Cash and cash equivalents | 459,205 | 368,879 | 11,600 |
| Trade receivables | | | 11,233 |
| Trade payables | | | 62,772 |
| Net exposure | <u>459,205</u> | <u>368,879</u> | <u>85,605</u> |
| 31 December 2011 | USD | IDR | ILS |
| Cash and cash equivalents | 1,721,396 | 2,825,502 | 25,226 |
| Trade receivables | | 4,016 | - |
| Trade payables | (35,490) | (8,883) | - |
| Net exposure | <u>1,685,906</u> | <u>2,820,635</u> | <u>25,226</u> |

The following significant exchange rates applied at balance date:

| 31 December 2012 | USD | IDR | ILS |
|--------------------------|------------|------------|------------|
| Reporting date spot rate | 1.0384 | 10,008 | 3.86326 |
| 31 December 2011 | USD | IDR | ILS |
| Reporting date spot rate | 1.0156 | 9,293 | 3.8747 |

Sensitivity analysis

A 10 percent strengthening of the Australian dollar against the following currencies at 31 December 2012 would have decreased (increased) the surplus for the period by the amounts shown below (in AUD). This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 31 December 2011.

| 31 December 2012 | USD | IDR | ILS |
|--------------------------------|------------|------------|------------|
| Decrease (increase) to surplus | 41,746 | 33,534 | 7,782 |
| 31 December 2011 | USD | IDR | ILS |
| Decrease (increase) to surplus | 153,264 | 256,421 | 2,293 |

A 10 percent weakening of the Australian dollar against the above currencies at 31 December 2012 would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

ActionAid Australia

Notes to the financial statements

For the year ended 31 December 2012

27 Financial risk management (continued)

(d) Interest rate risk

The Company's exposure to interest rate risk for classes of financial assets and financial liabilities is as follows:

Financial assets

Cash balances and cash investments totalling \$4,442,979 (31 December 2011: \$8,070,732) are subject to floating interest rates and fixed rates for periods not exceeding 90 days. The weighted average interest rate at balance date was 3.19% pa (31 December 2011: 2.38% pa). Of this amount \$838,710 (31 December 2011: \$4,572,200) was non-interest bearing.

Financial liabilities

Of the creditors and unacquired grants of \$2,313,829 (31 December 2011: \$6,382,376), interest earned on \$1,981,276 (31 December 2011: \$2,465,477) is used to meet the obligations set out in grant agreements.

Sensitivity analysis

In managing interest rate risks the Company aims to reduce the impact of short-term fluctuations on the Company's earnings. Over the longer-term, however, permanent changes in interest rates would have an impact on the Company's earnings and interest expenses.

A change of 100 basis points in interest rates at the reporting date would increase (decrease) per annum interest earned by the amounts shown below. The analysis is performed on the same basis for 31 December 2011.

| | 100bp increase | 100bp decrease |
|---------------------------|-----------------------|-----------------------|
| | \$ | \$ |
| 31 December 2012 | | |
| Cash and cash equivalents | 177,693 | (105,945) |
| 31 December 2011 | | |
| Cash and cash equivalents | 219,940 | (150,264) |

A change of 100 basis points in interest rates at the reporting date would increase (decrease) per annum interest costs by the amounts shown below. The analysis is performed on the same basis for 31 December 2011.

| | 100bp increase | 100bp decrease |
|---------------------------|-----------------------|-----------------------|
| | \$ | \$ |
| 31 December 2012 | | |
| Cash and cash equivalents | 31,187 | (23,139) |
| 31 December 2011 | | |
| Cash and cash equivalents | - | - |

ActionAid Australia

Notes to the financial statements

For the year ended 31 December 2012

27 Financial risk management (continued)

Fair values

The carrying amounts shown in the Statement of Financial Position for cash and cash equivalents, trade and other receivables, loans to related parties, other assets, and trade and other payables approximate net fair value.

| | Note | Effective interest rate | Total | 6 months or less | 6-12 months | 1-2 Years | 2-5 years | More than 5 years |
|---------------------------|------|-------------------------|-----------|------------------|-------------|-----------|-----------|-------------------|
| | | \$ | \$ | \$ | \$ | \$ | \$ | \$ |
| 31 December 2012 | | | | | | | | |
| Cash and cash equivalents | 14 | 3.19% | 4,442,979 | 4,442,979 | - | - | - | - |
| 31 December 2011 | | | | | | | | |
| Cash and cash equivalents | 14 | 2.38% | 8,070,732 | 8,070,732 | - | - | - | - |

28 Subsequent events

There has not arisen in the interval between the end of the 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 Company, the results of those operations, or the state of affairs of the Company, in future financial years

29 Related party transactions

The company entered in to following related party transaction with ActionAid International relating to fund transfer for sponsorship programs and fund received for fundraising investments. There has not been any fixed arrangement for the outstanding cash settlement.

| | Year ended 31 December 2012 | Year ended 31 December 2011 |
|---|-----------------------------------|-----------------------------------|
| | \$ | \$ |
| ActionAid International (balance outstanding) | 418,460 | 122,108 |

30 Company Details

Principal Place of Business

69-71 Parramatta Road
Camperdown
New South Wales 2050

Postal Address

Locked Bag 5515
Camperdown
New South Wales 1450


ActionAid Australia Director's Declaration

In the opinion of the directors of ActionAid Australia:

- (a) the financial statements and notes set out on pages 7 to 28 are in accordance with the Corporations Act 2001 including;
 - (i) giving a true and fair view of the financial position of the Company as at 31 December 2012, and of its performance, for the financial year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and Corporations Regulations 2001; and
 - (iii) complying with the ACFID Code of Conduct for non-governmental development organisations; 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.

Dated at Sydney this 11th day of April 2013

Signed in accordance with a resolution of the Directors:



The Hon. John Dowd AO QC
President



Sonia Zavesky
Director

ActionAid Australia

Declaration by Executive Director In Respect of Fundraising Appeals

I, Archie Law, Executive Director of ActionAid Australia declare that, in my opinion:

- a the Statement of Comprehensive Income gives a true and fair view of all income and expenditure of ActionAid Australia with respect to fundraising appeal activities for the year ended 31 December 2012;
- b the Statement of Financial Position gives a true and fair view of the state of affairs with respect to fundraising appeal activities as at 31 December 2012;
- c the provisions of the Charitable Fundraising Act (NSW) 1991 and Regulations and the conditions attached to the authority have been complied with for the year ended 31 December 2012; and
- d the internal controls exercised by ActionAid Australia are appropriate and effective in accounting for all income received and applied from any fundraising appeals.

Dated at Sydney this 11th day of April 2013

Signed in accordance with a resolution of the Directors:



Archie Law
Executive Director



Independent auditor's report to the members of ActionAid Australia

We have audited the accompanying financial report of ActionAid Australia (the company) which comprises the statement of financial position as at 31 December 2012, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes 1 to 30 comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration.

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. Those 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 financial position and of its performance.

In addition, our audit report has also been prepared for the members of the company in accordance with Section 24(2) of the Charitable Fundraising (NSW) Act 1991. Accordingly we have performed additional work beyond that which is performed in our capacity as auditors pursuant to the *Corporations Act 2001*. These additional procedures included obtaining an understanding of the internal control structure for fundraising appeal activities and examination, on a test basis, of evidence supporting compliance with the accounting and associated record keeping requirements for fundraising appeal activities pursuant to the Charitable Fundraising (NSW) Act 1991 and Regulations.

It should be noted that the accounting records and data relied upon for reporting on fundraising appeal activities are not continuously audited and do not necessarily reflect after the event accounting adjustments and the normal year end financial adjustments for such matters as accruals, prepayments, provisioning and valuations necessary for year end financial report preparation.



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

Independence

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

Auditor's opinion pursuant to the Corporations Act 2001

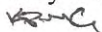
In our opinion, the financial report of ActionAid Australia is in accordance with:

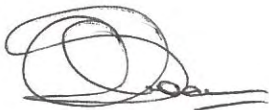
- a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 31 December 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

Audit opinion pursuant to the Charitable Fundraising (NSW) Act 1991

In our opinion:


- a) the financial report gives a true and fair view of the financial result of fundraising appeal activities for the financial year ended 31 December 2012;
- b) the financial report has been properly drawn up, and the associated records have been properly kept for the period from 1 January 2012 to 31 December 2012, in accordance with the Charitable Fundraising (NSW) Act 1991 and Regulations;
- c) money received as a result of fundraising appeal activities conducted during the period from 1 January 2012 to 31 December 2012 has been properly accounted for and applied in accordance with the Charitable Fundraising (NSW) Act 1991 and Regulations; and
- d) there are reasonable grounds to believe that ActionAid Australia will be able to pay its debts as and when they fall due.


KPMG



Cameron Roan
Partner

Sydney


11 April 2013