



CARE AUSTRALIA

ABN 46 003 380 890

# FINANCIAL REPORT

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For the year ended 30 June 2013

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## DIRECTORS' REPORT

The Directors submit their report for the year ended 30 June 2013.

### Board of Directors

The names of the Board Members in office during the financial year and until the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

<i>Chairman</i>	Harold Mitchell, AC
<i>Vice Chairman</i>	Christine O'Reilly
<i>Treasurer</i>	Bronwyn Morris
<i>Board Members</i>	Peter Debnam (appointed 8 March 2013)
	Colin Galbraith, AM
	Robert Glindemann, OAM
	Allan Griffiths
	William Guest
	Professor Stephen Howes
	Dr Peta Seaton
	Louise Watson

As at the date of this report, CARE Australia (the Company) had an Executive Committee; International Program and Operations Committee; Finance and Audit Committee; People Committee; Fundraising and Communications Committee, Committee for Transformational Change in CARE International, and Governance and Nominations Committee of the Board of Directors. Apart from the Executive Committee, the Chairman attends committee meetings at his discretion.

The members of the Executive Committee during the 2012-13 financial year were Mr Harold Mitchell (Chair), Mr. William Guest, Ms. Bronwyn Morris, Ms. Christine O'Reilly, and Professor Stephen Howes.

The members of the International Program and Operations Committee during the 2012-13 financial year were Professor Professor Stephen Howes (Chair), Ms. Christine O'Reilly, and Dr. Peta Seaton.

The members of the Finance and Audit Committee during the 2012-13 financial year were Ms. Bronwyn Morris (Chair), Mr. Allan Griffiths, Ms. Christine O'Reilly, Mr. Bob Glindemann and Mr. Colin Galbraith.

The People Committee did not meet during the 2012-13 financial year.

The members of the Fundraising and Communications (FaC) Committee during the 2012-13 financial year were Mr. William Guest (Chair), Mr. Bob Glindemann, Ms. Bronwyn Morris, Dr. Peta Seaton, Ms. Louise Watson, and Mr Peter Debnam (from 8 March 2013).

## Directors' Report Cont'd

The members of the Committee for Transformational Change in CARE International during the 2012-13 financial year were Mr Colin Galbraith (Chair), Mr Allan Griffiths, Mr Harold Mitchell and Ms Christine O'Reilly. This Committee met on a number of occasions during the year.

The members of the Governance and Nominations Committee during the 2012-13 financial year were Mr Harold Mitchell (Chair), Ms. Christine O'Reilly, Mr William Guest, and Mr. Colin Galbraith. This Committee met as required during the year.

### Meetings Attendance

The number of meetings of Directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each director was as follows:

Director	Board Meetings		Meetings of Committees							
			Executive		International Program & Operations		Finance & Audit		Fundraising & Communications	
	A	B	A	B	A	B	A	B	A	B
Harold Mitchell	4	4	3	3	-	-	-	-	-	-
Christine O'Reilly	4	3	3	2	3	2	4	3	-	-
Bronwyn Morris	4	4	3	3	-	-	4	4	3	3
Peter Debnam	1	1	-	-	-	-	-	-	1	1
Colin Galbraith	4	4	-	-	-	-	4	2	-	-
Robert Glindemann	4	4	-	-	-	-	4	4	3	3
Allan Griffiths	4	4	-	-	-	-	4	4	-	-
William Guest	4	3	3	2	-	-	-	-	3	3
Professor Stephen Howes	4	3	3	2	3	3	-	-	-	-
Dr Peta Seaton	4	4	-	-	3	3	-	-	3	3
Louise Watson	4	4	-	-	-	-	-	-	3	2

A – the number of meeting the Director was eligible to attend during the year

B – the number of meetings attended

### Principal Activities

The principal activities of the Company during the year were to manage humanitarian development and emergency aid programs and to promote improved living standards and the advancement of education among the world's poor. There was no significant change in the nature of these activities during the year.

## Directors' Report Cont'd

### Objectives

The objects of the Company as set out in the Constitution are:

- (a) to provide resources, disaster and emergency relief, technical assistance, training and self-help programs (as the Board considers appropriate to the needs and priorities of particular locations and communities):
  - (i) to relieve poverty, malnutrition, hunger, illness, illiteracy and discrimination; and
  - (ii) to strengthen the capacity for self-help and to provide economic opportunity;
- (b) to work with other autonomous national and international organisations having (or having objectives which include) similar objectives to those in article 2(a) of the Constitution;
- (c) to do all other things as may be incidental or ancillary to the attainment of these objects.

### Environmental Regulation

The Company's operations are not regulated by any significant environmental regulation or law of the Commonwealth or Australian Capital Territory.

### Operating Results

The operating result for the financial year ended 30 June 2013 was a surplus of \$1,051,639 (2012: surplus of \$297,391).

### Performance Measures

The Company measures its performance in many ways, including:

- Monitoring and evaluating individual projects and our overarching program.
- Compliance with donor requirements, including institutional accreditation by AusAID.
- Growth in income from the Australian public, AusAID and the Australian Government, CARE International members, foreign governments and overseas based organisations, and from investments.
- Monitoring the costs of fundraising and administration as a proportion of total income.

Management and the Board also monitor the Company's overall performance, from its implementation of the strategic plan through to the performance of the Company against the annual operating plan and financial budget.

### Review of Operations

The year has seen the continuation of delivery of development assistance programs in South Asia and South East Asia, the Middle East, the Pacific, Papua New Guinea and Africa.

Emergency assistance was provided to those affected by natural disasters and conflict in South Asia (Pakistan), Middle East (Jordan), South East Asia (Myanmar, Cambodia, Vietnam) and Africa (Ethiopia, Kenya, Djibouti, Somalia, Chad, Niger and Mali). Major fundraising appeals were launched to support

## Directors' Report Cont'd

affected populations across the Horn of Africa due to food insecurity, particularly Somalia, Ethiopia and Kenya, as well as in the Sahel, including Niger, Chad and Mali. Further support for reconstruction and development is still ongoing and will continue into the future for the Horn of Africa.

### Significant Changes in the State of Affairs

There were no significant changes in the state of affairs of the Company other than mentioned above.

### EMPLOYEES

As at 30 June 2013, the Company employed 130 staff (2012: 120 staff) on Australian contracts and 890 staff (2012: 878 staff) on contracts entered into in other countries including Cambodia, Laos, Myanmar, Papua New Guinea, Timor-Leste, Vanuatu and Vietnam.

### Matters Subsequent to the end of the Financial Year

There are no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect:

- i. the operations of the Company;
- ii. the results of those operations; or
- iii. the state of affairs of the Company.

### Indemnification and Insurance of Directors and Officers

During or since the financial year, the Company has paid premiums in respect of a contract insuring all the Directors and Officers of CARE Australia against costs incurred in defending proceedings for conduct involving a contravention of sections 182 or 183 of the *Corporations Act 2001*, as permitted by section 199B of the *Corporations Act 2001*.

The total amount of insurance contract premiums paid was \$14,000 (2012: \$13,660). This amount is declared in Note 18 to the financial statements.

### Dividends

The Company is prohibited by its constitution from declaring or paying any dividends.

### Likely Developments

Project operations are expected to continue in South East Asia, the Middle East and Pacific Regions, the Caribbean and Africa, supported by funding from the Australian public, Australian Government, CARE International members and multilateral sources.

### Auditor Independence

The Directors received a declaration of independence from the auditor of the Company which is attached to this report.

### Non-Audit Services

The Company's auditor, Ernst & Young did not provide any non-audit services during the reporting period.

## Directors' Report Cont'd

### Particulars of Directors

#### **CHAIRMAN**

**Harold Mitchell, A.C.**

Director since 2004

Founder, Mitchell & Partners; Executive Chairman, Aegis Media Pacific; Director, Melbourne Symphony Orchestra; Vice President, Tennis Australia; Chairman, Art Exhibitions Australia; Chairman, TVS University of Western Sydney's television service for Greater Sydney; Board member, New York Philharmonic; Chairman and Owner, Melbourne Rebels Rugby Union; Non-Executive Director, Crown Limited.

Formerly – President, Museums Board of Victoria; President, Asthma Foundation (Victoria); Chairman, National Gallery Australia; Board Member, Opera Australia Council; Director, Deakin Foundation; President, Melbourne International Festival of Arts, Chairman, Melbourne Recital Centre; Chairman, ThoroughVision.

Harold is also the Chair of the CARE Australia Executive Committee and Governance and Nominations Committee.

#### **VICE-CHAIRMAN**

**Christine O'Reilly**

Director since 2007

Director, CARE International, CSL Limited, Transurban Group, Energy Australia Limited and Baker IDI.

Formerly – Global Co-Head of Infrastructure Investment, Colonial First State Global Asset Management; Chief Executive Officer and Director, GasNet Australia Group; Director, Anglian Water Group, Electricity North West.

#### **TREASURER**

**Bronwyn Morris**

Director since 2007

Director, RACQ Limited; Director, Collins Foods Limited; Deputy Chair, Children's Health Foundation Queensland; Councillor, Queensland Division of the Australian Institute of Company Directors. President, The Brisbane Club.

Formerly – Director, Spotless Group Ltd; Director, Queensland Investment Corporation Ltd; Director, Brisbane Marketing; Director, Bond University; Chairman, Queensland Rail; Director, Colorado Group Ltd; Director, Queensland Office of Financial Supervision; Member, Australian Advisory Committee of Parsons Brinckerhoff; former partner of KPMG.

Bronwyn is also the Chair of the CARE Australia Finance and Audit Committee.

## Directors' Report Cont'd

### Particulars of Directors (continued)

#### **MEMBERS**

##### **Peter Debnam**

Director since 2013

Chairman, The Muscular Dystrophy Association of NSW; Chairman, Our Big Kitchen Limited; Director, Muscular Dystrophy Foundation Australia; Director, The Paraplegic and Quadriplegic Association of NSW; Director, Disability Sports Australia Limited; Director, PaddleNSW Inc; Director, Soils for Life Pty Ltd; Member of Sydney Legacy; Associate Member of North Bondi Surf Club.

Formerly – Member of the NSW Parliament, Shadow Minister & Leader of the Opposition.

##### **Colin Galbraith, AM**

Director since 2004

Special Adviser, Gresham Partners Limited; Chairman, BHP Billiton Community Trust; Director, Arrium Ltd; Director, Colonial Foundation; Trustee, Royal Melbourne Hospital Neuroscience Foundation.

Formerly - Director, Australian Institute of Company Directors; Director, Commonwealth Bank of Australia.

##### **Robert Glindemann, OAM**

Director since 2008

Deputy Chairman and Non-Executive Director of Navy Health Limited; Deputy Chair, Very Special Kids Foundation; Chairman, Australian Institute of Motor Sport Safety; Director, SecondBite; Director, East Timor Roofing Holdings Pty Ltd; Director, East Timor Roofing and Training UNIP LDA.

Formerly – Chair, RMS Logistics Pty Ltd; Director and Vice President, Confederation of Australian Motor Sport; Principal, PRO:NED Vic Pty Ltd; Past President, Rotary Club of Darwin and Rotary Club of Melbourne Inc.

##### **Allan Griffiths**

Director since 2008

Company Director.

Formerly - Managing Director, South East Asia, Aviva Asia Pte Ltd; Chief Executive Officer, Aviva Australia; Director, Financial Council of Australia.



## Directors' Report Cont'd

### Particulars of Directors (continued)

#### **William Guest**

Director since 2000

Director of Guest Group, Guest Hire, Guest Commercial, Suite Deals, Guest Interiors, Property 4 Retail and Guest Nominees.

Formerly - Director, Freedom Furniture Limited; Director, Melbourne Football Club; Managing Director, Andersons Furniture; Managing Director, Sofa Workshop.

Bill is also the Chair of the CARE Australia Fundraising and Communications Committee.

#### **Professor Professor Stephen Howes**

Director since 2012

Professor of Economics, Director, Development Policy Centre and Director, International and Development Economics graduate program, Crawford School of Public Policy, Australian National University.

Formerly – Chief Economist, Australian Agency for International Development; Lead Economist, World Bank in India; Director, Pacific Institute of Public Policy; Advisory Board Member, Asian Development Bank Institute

Stephen is also the Chair of the CARE Australia International Operations and Program Committee.

#### **Dr Peta Seaton**

Director since 2008

Director of Strategic Priorities, Office of the Premier of NSW; Deputy Chair, Bradman Foundation; Member UNSW Faculty of Science Advisory Council.

Formerly - Member of the NSW Parliament and Shadow Treasurer.

#### **Louise Watson**

Director since 2008

Managing Director and Principal, Symbol Strategic Communications; Communications Adviser to many of Australia's leading public companies.

Formerly - Chairman, Corporate and Finance, Edelman Public Relations in Australia; Non-Executive Director, Odyssey House and McGrath Foundation; Advisory Board Director, Grant Samuel & Associates; Committee Member, the Prime Minister's "Supermarket to Asia" Communications Working Group.

## Directors' Report Cont'd

### Particulars of Directors (continued)

#### *COMPANY SECRETARY*

##### **Gregory Brown**

Company Secretary since 2009. Prior to this, Greg held senior positions in the Commonwealth public sector, including Director Corporate Services and Chief Finance Officer at the Australian Film Commission and Chief Financial Officer at the Federal Court of Australia.

### Directors' Benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit, other than as disclosed in Note 18 to the financial statements.

Signed in accordance with a resolution of the Directors.

A handwritten signature in black ink, appearing to be "H. Mitchell".

Harold Mitchell AC  
Chair

A handwritten signature in blue ink, appearing to be "Bronwyn Morris".

Bronwyn Morris  
Treasurer

18 October 2013



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## Auditor's Independence Declaration to the Directors of CARE Australia

In relation to our audit of the financial report of CARE Australia for the financial year ended 30 June 2013, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the *Corporations Act 2001* or any applicable code of professional conduct.

*Ernst + Young*

Ernst & Young

*Ben Tansley*

Ben Tansley  
Partner  
18 October 2013

## Independent auditor's report to the members of CARE Australia

### Report on the financial report

We have audited the accompanying financial report of CARE Australia, which comprises the statement of financial position as at 30 June 2013, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes 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 controls as the directors determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error. In Note 2(b), the directors also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial statements comply with *International Financial Reporting Standards*.

#### ***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 about 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 judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

#### ***Independence***

In conducting our audit we have complied with the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report.

#### ***Opinion***

In our opinion:

- a. the financial report of CARE Australia is in accordance with the *Corporations Act 2001*, including:
  - i giving a true and fair view of the company's financial position as at 30 June 2013 and of its performance for the year ended on that date; and

- ii complying with Australian Accounting Standards and the *Corporations Regulations 2001*; and
- b. the financial report also complies with *International Financial Reporting Standards* as disclosed in Note 2(b).

## Reporting on Other Legal and Regulatory Requirements

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

1. the Charitable Fundraising Act 1991 (NSW) including:
  - i. the financial report of CARE Australia shows a true and fair view of the financial results of fundraising appeals for the year ended 30 June 2013;
  - ii. the financial report has been properly drawn up, and associated records of CARE Australia have been properly kept during the year ended 30 June 2013 in accordance with the Charitable Fundraising Act 1991 (NSW);
  - iii. money received as a result of fundraising appeals conducted during the year ended 30 June 2013, has been properly accounted for and applied in accordance with the Charitable Fundraising Act 1991 (NSW); and
  - iv. there are reasonable grounds to believe that CARE Australia will be able to pay its debts as and when they fall due.
2. the Charitable Collections Act 1946 (WA) including:
  - i. the financial report of CARE Australia shows a true and fair view of the financial results of fundraising appeals for the year ended 30 June 2013;
  - ii. the financial report and associated records of CARE Australia have been properly kept during the year in accordance with the Act and Regulations;
  - iii. money received as a result of fundraising appeals conducted during the year ended 30 June 2013, has been properly accounted for and applied in accordance with the Act and Regulations;
  - iv. as at the date of this statement there are reasonable grounds to believe that CARE Australia will be able to pay its debts as and when they fall due; and
  - v. based on our audit, we have not become aware of any matter that makes us believe that CARE Australia has not complied with the obligations imposed by the Act and Regulations.

*Ernst + Young*

Ernst & Young



Ben Tansley  
Partner  
Canberra  
18 October 2013

## DIRECTOR'S DECLARATION

In accordance with a resolution of the Directors of CARE Australia, we state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the Company are in accordance with the *Corporations Act 2001*, including:
  - (i) giving a true and fair view of the Company's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
  - (ii) complying with Australian Accounting Standards, and International Financial Reporting Standards issued by the International Accounting Standards Board and the *Corporations Regulations 2001*;
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable;
- (c) the provisions of the *Charitable Fundraising Act 1991 (New South Wales)* and the regulations under the Act and the conditions attached to the authority have been complied with;
- (d) the provisions of the *Charitable Fundraising Act 1946 (Western Australia)* and the regulations under the Act and the conditions attached to the authority have been complied with; and
- (e) the internal controls exercised by the Company are appropriate and effective in accounting for all income received and applied by the Company from any of its fundraising appeals.

On behalf of the Board



Harold Mitchell AC  
Chair



Bronwyn Morris  
Treasurer

18 October 2013

## STATEMENT OF COMPREHENSIVE INCOME

For the Year Ended 30 June 2013

		2013	2012
		\$	\$
<b>REVENUE</b>	<i>Note</i>		
Donations from the Australian public - cash		11,902,543	11,239,560
Donations from the Australian public - in kind		68,386	49,160
Bequests		689,209	564,824
Project grants from AusAID - cash		21,622,003	21,184,489
Project grants from other Australian organisations - cash	3	3,830,511	3,152,452
Project grants from other overseas organisations - cash	4	16,544,260	19,633,875
Investment income		808,205	730,125
Other income	5	1,604,515	1,239,588
<b>Total revenue</b>		<b>57,069,632</b>	<b>57,794,073</b>
<b>EXPENSES</b>			
Funds to international programs		43,988,440	47,346,201
Program support costs		2,455,535	2,256,452
Community education		1,822,561	1,269,977
Fundraising costs – Australian public		4,437,759	3,589,579
Fundraising costs – Government, multilateral and private		403,288	380,810
Accountability and administration		2,842,024	2,604,503
Non-monetary expenditure – Australian based		68,386	49,160
<b>Total expenses</b>	6	<b>56,017,993</b>	<b>57,496,682</b>
<b>NET SURPLUS</b>		<b>1,051,639</b>	<b>297,391</b>
Other comprehensive income		-	-
<b>Total comprehensive income for the period</b>		<b>1,051,639</b>	<b>297,391</b>

*The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes*

## STATEMENT OF FINANCIAL POSITION

As at 30 June 2013

	Note	2013 \$	2012 \$
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	7	21,997,842	24,506,052
Held to maturity investments		11,975,154	5,741,625
Prepayments		568,123	512,599
Trade and other receivables	9	4,689,048	8,299,044
<b>TOTAL CURRENT ASSETS</b>		<b>39,230,167</b>	<b>39,059,320</b>
<b>NON-CURRENT ASSETS</b>			
Property, plant and equipment	10	1,281,304	997,735
Investments	11	4,096,398	4,166,064
<b>TOTAL NON-CURRENT ASSETS</b>		<b>5,377,702</b>	<b>5,163,799</b>
<b>TOTAL ASSETS</b>		<b>44,607,869</b>	<b>44,223,119</b>
<b>CURRENT LIABILITIES</b>			
Trade and other payables	12	2,254,779	2,079,981
Provisions	13	2,994,182	2,482,233
Unexpended project funds	14	28,134,019	29,827,226
<b>TOTAL CURRENT LIABILITIES</b>		<b>33,382,980</b>	<b>34,389,440</b>
<b>NON-CURRENT LIABILITIES</b>			
Provisions	13	339,571	-
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>339,571</b>	<b>-</b>
<b>TOTAL LIABILITIES</b>		<b>33,722,551</b>	<b>34,389,440</b>
<b>NET ASSETS</b>		<b>10,885,318</b>	<b>9,833,679</b>
<b>EQUITY</b>			
Accumulated funds		10,885,318	9,833,679
<b>TOTAL EQUITY</b>		<b>10,885,318</b>	<b>9,833,679</b>

*The above Statement of Financial Position should be read in conjunction with the accompanying notes*



## STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2013

	<i>Accumulated Funds</i> \$
Balance at 1 July 2012	9,833,679
Net operating surplus for the year	1,051,639
Other comprehensive income for the year	-
Balance at 30 June 2013	<u>10,885,318</u>

For the year ended 30 June 2012

	<i>Accumulated Funds</i> \$
Balance at 1 July 2011	9,536,288
Net operating surplus for the year	297,391
Other comprehensive income for the year	-
Balance at 30 June 2012	<u>9,833,679</u>

*The above Statement of Changes in Equity should be read in conjunction with the accompanying notes*

## CASH FLOW STATEMENT

For the year ended 30 June 2013

	Note	2013 \$	2012 \$
<b>Cash flows from operating activities</b>			
General public donations		11,165,077	11,804,384
Grants and contract income (inclusive of GST)		51,517,536	40,394,085
Interest income		808,205	730,125
Other income		133,001	310,882
Payments to suppliers and employees (inclusive of GST)		(61,043,370)	(48,221,498)
<b>Net cash flows from operating activities</b>	<b>8</b>	<b>2,580,449</b>	<b>5,017,978</b>
<b>Cash flow from investing activities</b>			
Acquisition of property, plant and equipment		(637,764)	(462,189)
Proceeds from sale of property, plant and equipment		36,437	124,608
Acquisition of investments		(13,957,931)	(5,646,102)
Redemption of investments		7,982,362	1,279,652
<b>Net cash flows (used in) investing activities</b>		<b>(6,576,896)</b>	<b>(4,704,031)</b>
<b>Net increase/(decrease) in cash held</b>		<b>(3,996,447)</b>	<b>313,947</b>
Net foreign exchange differences		1,488,237	824,653
Cash at the beginning of the year		24,506,052	23,367,452
<b>Cash at the end of the year</b>	<b>7</b>	<b>21,997,842</b>	<b>24,506,052</b>

*The above Cash Flow Statement should be read in conjunction with the accompanying notes*

## NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2013

### Note 1 Corporate Information

The financial report of CARE Australia (the Company) for the year ended 30 June 2013 was authorised for issue in accordance with a resolution of the Directors dated 18 October 2013.

CARE Australia is a Company limited by guarantee incorporated in Australia.

National Office  
Ground Floor, Oracle Building  
243 Northbourne Avenue  
Lyneham ACT 2612  
Phone (02) 6279 0200  
Fax (02) 6257 1938

The nature of the operations and principal activities of the Company are described in the Directors' Report.

### Note 2 Summary of Significant Accounting Policies

#### *a. Basis of preparation*

The financial report is a single entity general purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. The financial report has been prepared on a historical cost basis, except investments held at fair value through profit or loss, which have been measured at fair value. The financial report has been prepared on the basis that CARE Australia is a not-for-profit entity.

The financial report is presented in Australian Dollars (\$).

#### *b. Statement of compliance*

The financial report complies with Australian Accounting Standards and International Financial Reporting Standards issued by the International Accounting Standards Board.

#### *c. New Accounting Standards and Interpretations*

##### (i) Changes in accounting policy and disclosures

The accounting policies adopted are consistent with those of the previous financial year.

##### (ii) Accounting Standards and Interpretations issued but not yet effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have not been adopted by the Company for the year ended 30 June 2013. The Company considers the adoption of these accounting standards will have no material impact on the financial report.

## Notes to the financial statements cont'd

### Note 2 Summary of significant accounting policies (continued)

#### *d. Cash and cash equivalents*

For the purposes of the Statement of Cash Flows, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 90 days from acquisition, net of any outstanding bank overdrafts.

#### *e. Held-to-maturity investments*

Non-derivative financial assets with fixed or determinable payments and fixed maturity exceeding 90 days from acquisition are classified as held-to-maturity when the organisation has the positive intention and ability to hold to maturity. In the case of CARE Australia, these financial instruments comprise term deposits. Investments intended to be held for an undefined period are not included in this classification.

#### *f. Revenue recognition*

##### *Grants, Contracts and Donations*

CARE Australia is a non-profit organisation and receives a principal part of its funds from grants, contracts and donations. The Company receives both unrestricted and restricted donations which are treated differently for the purposes of revenue recognition as follows:

##### *Unrestricted Donations (including Grants and Contracts)*

Unrestricted donations are received from donors who do not impose restrictions on the use of the funds. Consequently, there is no time restriction imposed as to when the funds can be used so the donations are recognised on receipt as revenue in the accounting records in accordance with *AASB 1004 Contributions*.

##### *Restricted Donations (including Grants and Contracts)*

Income received for restricted purposes is pledged with specific donor requirements as to what project the funds are to be spent on. As the donor funds may not be utilised until the project has been established, the income is initially recorded as a current liability under unexpended project funds and recognised as revenue when expended. Any unspent funds are available for use in future years subject to the directions of the donor.

##### *Interest Revenue*

Interest is recognised on an accrual basis when the Company has a right to receive the interest payment.

##### *Donated Goods*

Revenue in respect to donated goods is recognised at the time that the goods are supplied to our beneficiaries and where the value of the goods can be reliably estimated.

#### *g. Property, plant and equipment*

Plant and equipment is stated at cost less accumulated depreciation and any accumulated impairment loss. Depreciation is provided on a straight line basis at rates calculated to allocate the cost less estimated residual value at the end of the useful lives of the assets against revenue over those estimated useful lives to the Company.

## Notes to the financial statements cont'd

### Note 2 Summary of significant accounting policies (continued)

Major depreciation periods are:

	2013	2012
Plant and equipment	4-5 years	4-5 years
Computer systems	3-5 years	3-5 years
Motor vehicles	3-5 years	3-5 years
Leasehold improvements	the lease term	the lease term

#### *Impairment*

The carrying values of all assets are reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of an asset is the higher of its fair value less costs to sell, and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the Company was deprived of the asset, its value in use is taken to be its depreciated replacement cost.

#### *De-recognition and disposal*

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal. Any gain or loss on de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in revenue or expenses in the year the asset is derecognised.

#### **h. Income tax and other taxes**

The Company is exempt from income tax pursuant to Subdivision 50B of the *Income Tax Assessment Act, 1997*.

#### *Goods and Services Tax*

Revenues, expenses and assets are recognised net of the amount of GST except:

- where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

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

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

## Notes to the financial statements cont'd

### Note 2 Summary of significant accounting policies (continued)

#### *i. Employee benefits*

##### *Wages, salaries, superannuation, annual leave and sick leave*

Provision is made for employee entitlement benefits accumulated as a result of services rendered by employees up to the reporting date. Employee benefits expected to be settled within one year have been measured at their nominal amount based on remuneration rates which are expected to be paid when the liability is settled. Contributions are made by the Company to the Superannuation Funds nominated by employees and are charged as expenses when incurred.

##### *Long service leave*

The provision for long service leave is measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, the market yields as at the reporting date of national government bonds, which have terms to maturity approximating the terms of the related liability, are used.

#### *j. Liability of members*

The Company is incorporated under the *Corporations Act 2001* and is a Company limited by guarantee. As at 30 June 2013 there were 11 full members guaranteeing to contribute up to \$100 each in the event of the Company being wound up.

#### *k. Foreign currencies*

Both the functional and presentation currency of CARE Australia and its Country Offices is Australian dollars (\$).

##### *Translation of foreign currency transactions*

Funds transfers in foreign currencies are converted to local currency at the rate of exchange ruling at the date of the transaction. All other foreign currency transactions are translated using an average monthly exchange rate. Year-end cash balances in the Balance Sheet are translated at the spot rate at 30 June when applicable.

##### *Translation of accounts of overseas operations*

Amounts payable to and by CARE Australia that are outstanding at the balance date, that are denominated in foreign currencies, have been converted to local currency using rates of exchange ruling at the end of the financial year.

## Notes to the financial statements cont'd

### Note 2 Summary of significant accounting policies (continued)

All overseas country office operations are considered to be integrated, as each is financially and operationally dependent on CARE Australia. The accounts of overseas operations are translated by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance date with exchange differences being taken to the Statement of Comprehensive Income as revenue or expense.

#### *l. Leases*

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

Operating lease payments, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are included in the determination of the operating result in equal instalments over the lease term.

The cost of improvements to or in leasehold property is capitalised, disclosed as leasehold improvements, and amortised over the unexpired period of the lease or the estimated useful lives of the improvements, whichever is the shorter.

Financial leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values.

Capitalised leased assets are amortised over the shorter of the estimated useful life of the assets and the lease term. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

#### *m. Accumulated funds*

Accumulated funds are available for programs and support services in future financial periods.

#### *n. Trade and other payables*

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received. Trade liabilities are normally settled on 30 day terms.

#### *o. Unexpended project funds*

Income received for restricted purposes is recorded as a current liability under unexpended project funds with any unspent funds available for use in future years. The liability pertaining to each project would normally be settled over the contract term for that project, which may range from one month to three years.

## Notes to the financial statements cont'd

### Note 2 Summary of significant accounting policies (continued)

#### *p. Provisions*

Provisions are recognised when the Company has a legal or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of a past transaction or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

#### *q. Trade and other receivables*

##### *Trade Receivables*

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

##### *Other debtors and CARE International Members*

Other debtors, including CARE International Members are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when there is objective evidence that the collection of the full nominal amount is no longer probable. Payments from debtors and CARE International Members are normally settled within 60 days.

##### *Project Funds Receivable*

Project Funds Receivable represents amounts due to CARE Australia under project agreements where CARE Australia has pre-funded project expenditure. Amounts receivable are supported by project agreements and carried at nominal amounts due at balance date and are normally recovered within 3 months.

#### *r. Investments*

##### *Investments held at Fair Value through Profit or Loss*

Investments in Managed Funds are designated by the Company as fair value through profit or loss upon initial recognition, the rationale being the performance of these managed funds is evaluated on a fair value basis in accordance with the Board's investment strategy.

Gains or losses on managed funds designated at fair value through the statement of comprehensive income are recognised as revenue or expense. The methods to determine fair value are described in Note 19.



## Notes to the financial statements cont'd

### Note 2 Summary of significant accounting policies (continued)

#### s. Significant accounting judgments, estimates and assumptions

The preparation of the financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgments and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgments and estimates on historical experiences and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

Actual results may differ from estimates under different assumptions and conditions; however these will not materially affect the financial results or the financial position reported in future periods.

#### t. Make good provision

The lease agreement for the office premise in Canberra includes a make good clause. It is considered that the make good arrangement would be more likely to be exercised as it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably determined. In determining the fair value of the provision, assumptions and estimates are made in relation to discount rates, the expected cost to refurbish the leased space and the expected timing of those costs. The carrying amount of the provision is disclosed at Note 13. The provision will be reviewed annually.

## Notes to the financial statements cont'd

### Note 3 Project grants from other Australian organisations

	2013 \$	2012 \$
Other Australian Government departments and non-government organisations	3,320,705	2,798,423
Other Australian organisations	509,806	354,029
	<b><u>3,830,511</u></b>	<b><u>3,152,452</u></b>

### Note 4 Project grants from other overseas organisations

	2013 \$	2012 \$
CARE International members	10,884,541	14,747,860
Multilateral agencies	2,480,520	1,653,105
Foreign governments and overseas based organisations	3,179,199	3,232,910
	<b><u>16,544,260</u></b>	<b><u>19,633,875</u></b>

### Note 5 Other income

	2013 \$	2012 \$
Net foreign currency gain	1,271,025	834,687
Other income	133,001	310,882
Fair value gain on investments	188,295	-
Profit on sale of fixed assets	12,194	94,019
	<b><u>1,604,515</u></b>	<b><u>1,239,588</u></b>

### Note 6 Specific expenses for the year

	2013 \$	2012 \$
Depreciation expense	415,148	467,664
Lease expense	440,126	402,991
Asset impairment adjustment	47,316	12,732

## Notes to the financial statements cont'd

### Note 7 Cash and Cash Equivalents

	2013	2012
	\$	\$
Cash on hand	196,299	137,896
Cash at bank	21,527,989	23,057,016
Cash on deposit	-	1,070,174
International revolving fund	273,554	240,966
	<b>21,997,842</b>	<b>24,506,052</b>

### Note 8 Cash Flow Reconciliation

	2013	2012
	\$	\$
Reconciliation of net operating surplus to the net cash flows from operating activities:		
Net operating surplus	1,051,639	297,391
Depreciation and amortisation	415,148	467,664
Net (gain)/loss on investments designated at fair value through profit and loss	(188,295)	195,906
(Gain) on sale of property, plant and equipment	(12,194)	(94,019)
Asset write off and adjustments	47,316	13,312
Make good deferred asset	(132,512)	-
Net (gain)/loss on foreign exchange	(1,271,025)	(834,687)
<b>Changes in assets and liabilities</b>		
Decrease/(Increase) in receivables	3,609,996	(4,607,325)
Decrease/(Increase) in prepayments	(55,524)	245,132
Increase in payables	174,798	390,837
Increase in provisions	851,520	514,476
(Decrease)/Increase in unexpended project funds	(1,910,418)	8,429,291
Net cash flows from operating activities	<b>2,580,449</b>	<b>5,017,978</b>

### Note 9 Trade and Other Receivables

	2013	2012
	\$	\$
Trade receivables	3,635,082	7,050,132
CARE International Members	365,324	160,063
Project funds receivable	883,726	1,338,894
	<b>4,884,132</b>	<b>8,549,089</b>
Less provision for doubtful debts	(195,084)	(250,045)
Total trade and other receivables (net)	<b>4,689,048</b>	<b>8,299,044</b>

## Notes to the financial statements cont'd

### Note 9 Trade and other receivables (continued)

Movements in the provision for doubtful debts were as follows:

	2013 \$	2012 \$
As at 1 July	250,045	196,818
Charge for the year in the provision in respect to debtors	-	53,227
Reversal of the provision as debt was recovered during the year	(54,961)	-
As at 30 June	<u>195,084</u>	<u>250,045</u>

	2013 \$	2012 \$
Receivables are aged as follows:		
Not overdue	3,278,917	2,759,586
Overdue by:		
0 to 30 days	23,834	5,120,546
31 to 60 days	-	-
61 to 90 days	-	-
More than 90 days	1,581,381	668,957
Total receivables (gross)	<u>4,884,132</u>	<u>8,549,089</u>

### Note 10 Property, Plant and Equipment

	Leasehold Improvements \$	Plant & Equipment \$	Computer Systems \$	Motor Vehicles \$	Total \$
<b>At 1 July 2012</b>					
Cost	201,148	813,539	1,434,481	1,187,283	3,636,451
Accumulated depreciation and impairment	(128,901)	(552,735)	(996,366)	(960,714)	(2,638,716)
Net carrying amount	<u>72,247</u>	<u>260,804</u>	<u>438,115</u>	<u>226,569</u>	<u>997,735</u>
<b>Year ended 30 June 2013</b>					
At 1 July 2012, net of accumulated depreciation and impairment	72,247	260,804	438,115	226,569	997,735
Additions	418,112	65,019	198,049	89,096	770,276
Disposals	(471)	(456)	(2,516)	(20,800)	(24,243)
Impairment	-	(47,316)	-	-	(47,316)
Depreciation charge for the year	(52,532)	(89,039)	(213,030)	(60,547)	(415,148)
<b>At 30 June 2013, net of accumulated depreciation and impairment</b>	<u>437,356</u>	<u>189,012</u>	<u>420,618</u>	<u>234,318</u>	<u>1,281,304</u>
<b>At 30 June 2013</b>					
Cost	615,159	849,697	1,612,883	1,276,379	4,354,118
Accumulated depreciation and impairment	(177,803)	(660,685)	(1,192,265)	(1,042,061)	(3,072,814)
Net carrying amount	<u>437,356</u>	<u>189,012</u>	<u>420,618</u>	<u>234,318</u>	<u>1,281,304</u>

## Notes to the financial statements cont'd

### Note 10 Property, Plant and Equipment (continued)

	Leasehold Improvements \$	Plant & Equipment \$	Computer Systems \$	Motor Vehicles \$	Total \$
<b>At 1 July 2011</b>					
Cost	147,714	715,484	1,379,635	931,429	3,174,262
Accumulated depreciation and impairment	(96,981)	(450,913)	(757,038)	(822,221)	(2,127,153)
Net carrying amount	<b>50,733</b>	<b>264,571</b>	<b>622,597</b>	<b>109,208</b>	<b>1,047,109</b>
<b>Year ended 30 June 2012</b>					
At 1 July 2010, net of accumulated depreciation and impairment					
	<b>50,733</b>	<b>264,571</b>	<b>622,597</b>	<b>109,208</b>	<b>1,047,109</b>
Additions	53,434	98,055	54,846	255,854	462,189
Disposals	-	(3,611)	(6,634)	(22,032)	(32,277)
Other movement	1,723	(35)	(578)	-	1,110
Impairment	-	(12,732)	-	-	(12,732)
Depreciation charge for the year	(33,643)	(85,444)	(232,116)	(116,461)	(467,664)
<b>At 30 June 2012, net of accumulated depreciation and impairment</b>	<b>72,247</b>	<b>260,804</b>	<b>438,115</b>	<b>226,569</b>	<b>997,735</b>
<b>At 30 June 2012</b>					
Cost	201,148	813,539	1,434,481	1,187,283	3,636,451
Accumulated depreciation and impairment	(128,901)	(552,735)	(996,366)	(960,714)	(2,638,716)
Net carrying amount	<b>72,247</b>	<b>260,804</b>	<b>438,115</b>	<b>226,569</b>	<b>997,735</b>

### Note 11 Investments

	2013 \$	2012 \$
Investments – at fair value	4,096,398	4,166,064
	<b>4,096,398</b>	<b>4,166,064</b>

Investments at fair value consist of investments in unit trusts and therefore have no fixed maturity date. During the year ended 30 June 2013, the fair value of the investments increased by \$188,295 (2012: decrease \$195,906) based on the underlying valuations from the funds' investment manager. This was offset by the transfer of \$257,961 from unit trusts into held to maturity investments during 2013.

## Notes to the financial statements cont'd

### Note 12 Trade and Other Payables

	2013	2012
	\$	\$
<b>Current</b>		
Trade creditors	1,001,396	886,022
Accruals	178,444	143,827
Other creditors	382,405	204,707
GST payable	383,621	596,383
CARE International Members	280,955	222,163
Accrued salary payments	27,958	26,879
	<b>2,254,779</b>	<b>2,079,981</b>

### Note 13 Provisions

	2013	2012
	\$	\$
<b>Current</b>		
Employee benefits	2,712,303	2,449,426
Foreign income tax	17,787	19,633
Stuart Cameron Memorial Fund	13,174	13,174
Other provisions	250,918	-
	<b>2,994,182</b>	<b>2,482,233</b>
<b>Non-Current</b>		
Employee benefits	207,059	-
Make good provision	132,512	-
	<b>339,571</b>	-

### Note 14 Unexpended Project Funds

	2013	2012
	\$	\$
Unexpended project funds	28,134,019	29,827,226
	<b>28,134,019</b>	<b>29,827,226</b>

This represents the unexpended liability on contracts with a range of humanitarian organisations to perform activities as agreed in the contract where the donor has provided funds in a range of currencies including Australian Dollar (AUD), United States Dollars (USD), EURO and Great Britain Pounds. There are various foreign currency bank accounts that may create a natural hedge in certain circumstances. The AUD equivalents of cash, cash at bank or held to maturity investments in foreign currencies at year end is \$20,283,492 (2012: \$20,215,220). The remainder of the funds are held in AUD.

## Notes to the financial statements cont'd

### Note 15 Expenditure Commitments

	2013	2012
	\$	\$
Lease expenditure commitments		
Operating leases:		
Minimum lease payments		
- not later than one year	983,350	796,606
- later than one and not later than five years	1,973,515	677,079
- later than five years	-	-
	<b>2,956,865</b>	<b>1,473,685</b>

These leases relate to premises occupied by CARE Australia in Australia and in the countries in which it is based.

### Note 16 Remuneration of Auditors

Amounts received or due and receivable by Ernst & Young Australia for:	2013	2012
	\$	\$
An audit or review of the financial report of the Company	121,540	120,709
Other services in relation to the Company		
- USAID audits (reimbursed to CARE Australia by CARE USA)	-	74,766
	<b>121,540</b>	<b>195,475</b>

### Note 17 Key Management Personnel

#### a. Details of key management personnel

##### (i) Directors (non – executive)

<i>Chairman</i>	Harold Mitchell, A.C.
<i>Vice Chairman</i>	Christine O'Reilly
<i>Treasurer</i>	Bronwyn Morris
<i>Board Members</i>	Peter Debnam
	Colin Galbraith, A.M.
	Robert Glindemann, OAM
	Allan Griffiths
	William Guest
	Professor Stephen Howes
	Dr Peta Seaton
	Louise Watson

## Notes to the financial statements cont'd

### Note 17 Key Management Personnel (continued)

(ii) Executives

Julia Newton-Howes	Chief Executive
Greg Brown	Principal Executive – Corporate Services and Company Secretary
Andrew Buchanan	Principal Executive – Marketing and Communications
Andrew Rowell	Acting Principal Executive – International Programs
Robert Yallop	Principal Executive – International Operations

#### b. Compensation of Key Management Personnel

	2013 \$	2012 \$
Short term employee benefits	913,657	861,602
Post-employment benefits	81,098	77,544
	994,755	939,146

### Note 18 Related Party Transactions

#### Director transactions

The Directors did not receive any remuneration for their services. Expenses incurred by Directors on behalf of the Company are reimbursed on a cost only basis. An amount of \$14,000 (2012: \$13,660) was paid for Directors and Officers liability insurance.

#### Director-related entity transactions

During the year CARE Australia paid Guest Furniture Hire the amount of \$79,381 for office accommodation under a sub-lease arrangement. CARE Director W. Guest is a Director of Guests Group.



## Notes to the financial statements cont'd

### Note 19 Financial risk management objectives and policies

CARE's principal financial instruments comprise cash, held to maturity investments, receivables, payables and investments at fair value through profit or loss.

The main risks arising from the Company's financial instruments are interest rate risk, foreign currency risk, market risk, credit risk and liquidity risk. Different methods are used to measure and manage these risks. These include monitoring levels of exposure to interest rate and foreign exchange risk and assessments of market forecasts for interest rate, foreign exchange and equity prices. Monitoring of specific credit terms and ageing analysis is used to manage credit risk and budget reviews and cash flow forecasting assist with the management of liquidity risk.

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board reviews and agrees on policies for managing each of the risks identified above, which incorporates setting guidelines for trading in investments, managing foreign currency and interest rate risk, credit terms and future cash flow forecast projections.

CARE's Reserves Policy requires reserves to be maintained to safeguard the continued operations of CARE's operations. This policy balances the need to safeguard financial security whilst simultaneously ensuring flexibility in meeting the development and humanitarian challenges of operating in a dynamic global environment.

#### Risk Exposures and Responses

##### a. Interest rate risk

Interest rate risk arises from the possibility that changes in interest rates will affect future cash flows or the fair values of financial instruments. CARE's exposure to market interest rates relates primarily to cash held at bank and held to maturity investments (eg. term deposits).

At balance date, CARE had the following financial assets exposed to variable interest rate risk in AUD:

	<b>2013</b>	<b>2012</b>
	\$	\$
Financial assets		
Cash	6,220,378	6,429,760
Held to maturity investments	7,469,127	5,741,625
	<u>13,689,505</u>	<u>12,171,386</u>

CARE also had the following financial assets exposed to variable interest rate risk in USD:

	<b>2013</b>	<b>2012</b>
	\$	\$
Financial assets		
Held to maturity investments	4,506,027	-
	<u>4,506,027</u>	<u>-</u>

CARE constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions and the mix of fixed and variable interest rates.

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

## Notes to the financial statements cont'd

### Note 19 Financial Risk Management objectives and policies (continued)

At 30 June 2013, if interest rates had moved, as illustrated in the table below, with all other variables held constant, net surplus/(deficit) and equity would have been affected as follows:

<i>Judgements of reasonably possible movements</i>	Net surplus Higher / (Lower)		Equity Higher / (Lower)	
	2013 \$	2012 \$	2013 \$	2012 \$
Financial assets in AUD				
+ 0.5% (50 basis points)	68,448	121,714	68,448	121,714
- 1% (100 basis points)	(136,895)	(121,714)	(136,895)	(121,714)
Financial assets in USD				
+ 0.5% (50 basis points)	22,530	-	22,530	-
- 0% (0 basis points)	-	-	-	-

#### b. Foreign currency risk

As a result of significant operations in foreign countries, CARE's balance sheet can be affected significantly by movements in the USD/AUD exchange rates. CARE also has transactional currency exposures. Such exposure arises from funding received for projects and purchases made by Country Offices in currencies other than the functional currency, including USD and the local currency. A large proportion of costs are denominated in a currency other than CARE's functional currency of AUD.

Where the sources of funds are denominated in AUD, USD currency is purchased and transferred to Country Offices to fund foreign branches. To provide certainty in respect to the USD funds available to undertake projects, funds are normally exchanged to USD at the time of receipt by CARE.

In addition to having these funds in USD denominated accounts CARE also maintains bank accounts in Euro and local currencies, which at the reporting date were for AUD equivalent \$403,025 (2012: \$636,255). CARE has assessed that the foreign currency exposure to fluctuations in these non-USD denominated accounts is not material.

At 30 June 2013, CARE had the following exposure to USD foreign currency that is not hedged:

	2013 \$	2012 \$
Financial assets		
Cash	15,374,440	19,578,965
Held to maturity investments	4,506,027	-
Receivables	1,224,806	1,726,233
	<u>21,105,273</u>	<u>21,305,198</u>
Financial liabilities		
Payables	(243,753)	(2,477,402)
	<u>(243,753)</u>	<u>(2,477,402)</u>
Net exposure	<u>20,861,520</u>	<u>18,827,796</u>

## Notes to the financial statements cont'd

### Note 19 Financial risk management objectives and policies (continued)

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

At 30 June 2013, had the Australian Dollar moved, as illustrated in the table below, with all other variables held constant, net surplus and equity would have been affected as follows:

<i>Judgements of reasonably possible movements</i>	<b>Net surplus Higher / (Lower)</b>		<b>Equity Higher / (Lower)</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
AUD/USD +5%	(993,406)	(1,711,618)	(993,406)	(1,711,618)
AUD/USD – 10%	1,851,877	2,091,977	1,851,877	2,091,977

#### c. Market risk

Market risk is the risk that the fair value of equity securities held in the investment portfolio decreases. CARE manages this risk by periodically reviewing the asset allocation mix and outsourcing the management and administration of the investment portfolio to a professional investment advisor. The performance of the professional investment advisor is evaluated by the Finance and Audit Committee. Exposure at balance date is disclosed in Note 11.

The effect on the net surplus and equity as a result of a change in the fair value of the investment portfolio at 30 June 2013 due to a reasonable possible change in market indices, with all other variables held constant, is as follows:

<i>Judgements of reasonably possible movements</i>	<b>Net surplus Higher / (Lower)</b>		<b>Equity Higher / (Lower)</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>	<b>\$</b>
+ 10%	409,640	416,606	409,640	416,606
- 10%	(409,640)	(416,606)	(409,640)	(416,606)

#### d. Credit risk

Credit risk arises from the financial assets of CARE, which comprise cash and receivables. CARE's exposure to credit risk arises from potential default of the counter party, with a maximum exposure equal to the carrying amount of these instruments. Exposure at balance date is addressed in each applicable note.

CARE does not hold any credit derivatives to offset its credit exposure.

## Notes to the financial statements cont'd

### Note 19 Financial risk management objectives and policies (continued)

CARE trades only with recognised, creditworthy third parties, and as such collateral is not requested nor is it the CARE's policy to securitise its receivables. These parties are typically AUSAID, CARE member Partners, the United Nations, other foreign governments and multilaterals.

Receivable balances are monitored on an ongoing basis with the result that the CARE's exposure to bad debts is not significant.

There is minimum credit risk within CARE due to the nature of our donor partners and cash is spread amongst a number of financial institutions to minimise the risk of default of counterparties.

#### e. Liquidity risk

Liquidity risk is the risk that the Company will be unable to meet its payment obligations when they fall due under normal and stress circumstances. To limit this risk, management regularly monitors operational bank balances in relation to future funding needs, and transfers funds into or out of investment accounts as necessary. This function is performed by the finance team.

*Maturity analysis of financial liabilities based on management's expectation.*

The table below summarises the maturity profile of the financial liabilities at the end of the financial year, comprising trade creditors, accruals, other creditors, liabilities to CARE International Members and unexpended project funds:

	2013 \$	2012 \$
6 months or less	2,254,779	2,079,981
6-12 months	28,134,019	29,827,226
1-5 years	-	-
Over 5 years	-	-
Payables	<u>30,388,798</u>	<u>31,907,207</u>

#### f. Fair value of investments

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

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

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

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

## Notes to the financial statements cont'd

### Note 19 Financial risk management objectives and policies (continued)

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

	Year ended 30 June 2013				Year ended 30 June 2012			
	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3	Total
<i>Financial assets</i>	\$	\$	\$	\$	\$	\$	\$	\$
Investments at fair value through profit and loss								
		- 4,096,398		- 4,096,398		- 4,096,398		- 4,166,064
		- 4,096,398		- 4,096,398		- 4,096,398		- 4,166,064

The fair value is estimated based on the Fund Managers valuation model.

### Note 20 Contingencies

As at 30 June 2013 CARE did not have any contingent assets or liabilities (2012: Nil).

### Note 21 Information required by the NSW Charitable Fundraising Act 1991

#### Fundraising activities conducted

Direct Mail  
Telemarketing  
Face to Face Campaign  
Major Gifts Program  
Corporate Gifts  
Bequest Program  
Special Events  
Media awareness  
Community Service Announcements

For the purposes of the *NSW Charitable Fundraising Act 1991*, income from fundraising appeals did not exceed \$100,000 from the public of NSW in either 2012 or 2013, including appeals in which traders were engaged. "Traders" is a defined term under the Act and in this context relates to telemarketing and Face to Face campaigns.

**Note 21 Information required by the NSW Charitable Fundraising Act 1991  
 (continued)**

COMPARISON BY PERCENTAGE	2013 %	2012 %
Total Cost of Public Fundraising/Revenue from the Australian Public*	35	30
Net surplus from Fundraising/Revenue from the Australian Public	65	70
Proportion of net fundraising surplus spent on programs (International Programs <i>plus</i> Program Support and Community Education / Total Expenditure <i>minus</i> Public Fundraising costs)	94	95

\* The increase in the cost of fundraising ratio is due to a strategic Board decision to invest in donor acquisition. This enables CARE Australia to have greater funds available in the future for our important international aid and development work.

**Note 22 Events Subsequent to the Reporting Date**

There are no significant events subsequent to the reporting date.