**WORLD EDUCATION AUSTRALIA LIMITED**

**ABN 39 106 279 225**

**FINANCIAL REPORT**
**FOR THE YEAR ENDED 30 JUNE 2012**

## WORLD EDUCATION AUSTRALIA LIMITED
## ABN 39 106 279 225

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## WORLD EDUCATION AUSTRALIA LIMITED
## ABN 39 106 279 225

## DIRECTORS' REPORT

Your directors present this report on the company, and its controlled entity World Education Australia Overseas Relief Fund (WEAORF), for the financial year ended 30 June 2012.

Below are listed the names of the company's directors in office throughout the financial year until the date of this report (unless otherwise stated), their specific roles, qualifications, and experience:

**Neild McIntosh** (Chairman); (Chair Nominations Committee, member Audit Committee, member Remuneration Committee); B.A. (Actuarial Studies), Master of International Social Development. Neild has extensive executive experience in business, and currently holds Non-Executive Director roles in the corporate and charitable sectors. Neild is on the board of equigroup, part-owned subsidiary of the Commonwealth Bank specialising in operating leases for technology equipment, and is a Vice President of Can Assist, a charity assisting cancer patients in NSW.

**Margaret Wright** (Treasurer); (Chair Audit Committee, member Nominations Committee) BCom, University of Otago, FCA. Margaret is a strategic advisor with a specific focus on IT and business. She is a former top-level executive, having run a major national consulting business for KPMG and as a CIO within Macquarie Bank. Margaret has worked in a wide variety of roles across a diverse range of industry groups from banking and finance to manufacturing and consulting. Margaret is on the Board of the National Breast Cancer Foundation.

**Pamela Ann Jonas**; (Chair Remuneration Committee, member Nominations Committee); B.A. (Hons), M.A. (Public Policy & Management). Pam has well over twenty years of experience in the fields of education, training, and employment policy. Her experience and expertise has been developed in the industry, education and community sectors and applied in a variety of leadership, management, research, and public policy positions.

**Gordon Cairns**; M.A. (Hons). Gordon has extensive experience as a senior executive, most recently as CEO of Lion Nathan Ltd. He now serves as a non-executive director of Westpac, Origin Energy, and Quick Service Restaurants, is Chairman of Origin Foundation, and acts as a senior advisor to McKinsey & Company and Greenhill Caliburn.

**Kathryn Jordan;** B.Com, LL.B, LL.M, appointed 8 June 2012. Kate is a corporate lawyer with extensive corporate advisory, commercial and M&A experience. She is Sydney Managing Partner of Clayton Utz, a leading law firm.

**David Kahler**; B.Sc, M.A., Ed.D. (U. Mass). David is an organisational development and training specialist with over 42 years relevant experience. He is Vice-President of World Education Inc. overseeing new program development and management in Europe.

**William Pigott**; M.B., B.S., formerly FRACP. Bill is a retired Physician, Medical Educationist and International Health practitioner, having taught at universities in Australia and overseas and worked in several capacities with the World Health Organisation, including as the WHO Representative in Nepal and in Cambodia.

# WORLD EDUCATION AUSTRALIA LIMITED

## ABN 39 106 279 225

## DIRECTORS' REPORT

**Guy Winship** (Managing Director and Chief Executive Officer); B.Soc.Sci., B.Com (Hons) Master of Town & Regional Planning. Guy is a rural banker and development practitioner with extensive international experience, having worked with and advised governments, central banks, NGOs and others in the areas of pro-poor banking and related institutional development and public policy throughout Africa and Asia.

**D James MacNeil** (Alternate Director); B.A., M.Ed., Ed. D, appointed 10 December 2010. James MacNeil is Vice President of World Education's Asia Division. He has 20 years' experience working on education, livelihoods development and natural resources management throughout South and Southeast Asia, and has lived and worked for 10 of those years in Thailand, Vietnam and India. Since 1999 he has worked with World Education providing technical assistance and managerial oversight on a range of educational, agricultural, and economic development projects throughout Asia.

# WORLD EDUCATION AUSTRALIA LIMITED
# ABN 39 106 279 225

## DIRECTORS' REPORT

The consolidated surplus for the year was $142,652. This comprises a surplus of $63,326 from World Education Australia Limited (WEAL) and a surplus of $79,326 from the controlled entity WEAORF.

The company is limited by guarantee, with the liability of each member in respect of liabilities of the company, as specified in the Constitution, being restricted to $10. During the year, membership of the company increased from 232 to 253.

The company is a Public Benevolent Institution approved by the Australian Taxation Office and enjoys tax exempt status. The NSW Office of Charities has authorised the company to fundraise under the Charitable Fundraising Act 1991. Authorisation (or reciprocal exemption) has also been obtained to raise funds in all other states and Territories. The company has received exemption from ASIC with regard to the primary requirements of an Australian Financial Services Licence.

The purpose of the controlled entity, WEAORF, is exclusively to provide relief to persons in a developing country certified as such by the Department of Foreign Affairs and Trade, and to raise funds for this by way of tax deductible donations. WEAORF, a Deductible Gift Recipient entity, approved as such by the Australian Taxation Office, continues to raise donations from the public. Funds held by WEAORF continue to be applied to the company's projects that are compatible with the purpose of WEAORF.

**Key Objectives**
The vision of the company and its controlled entity is a world without poverty, where people have access to resources and opportunities to improve their own lives. The mission of the company is to enable the poor in the Asia Pacific region to improve their income and to change their lives forever. This mission describes both the long term and short term objectives of the organisation.

**Strategy for achieving these objectives**
The company contributes to its poverty reduction objectives by working with its partners in both the Australian community and overseas to provide best practice technical assistance and project management services in a number of Asian and Pacific countries. Programs are designed to strengthen the capacity of local partners, catalyse community and national development, and contribute to individual growth.

In pursuit of the company's poverty reduction mission, a major internet-based program entitled Good Return was implemented during the 2010 financial year. Good Return facilitates small loans and loan guarantees from the Australian public to partner financial institutions at 0% interest targeting low income communities overseas. This micro-credit program integrates with the development and training operations of the company. Good Return is providing an increasingly significant component of the company's activities and resources, and this is likely to continue into the future.

There was no significant change to the activities of the consolidated group during the year. It continued to also design, manage and implement international development programs and provide technical assistance to the Australian Agency for International Development (AusAID), Asian Development Bank (ADB), and United Nations (UN) agencies during the financial year.

## DIRECTORS' REPORT

**Future plans**
The company will continue to provide resources aimed at reducing poverty, through the provision of low cost loan capital and loan guarantees, training, technical assistance and project management services targeted at low income communities in the Asia Pacific region. These development and poverty-reduction operations are planned to continue during the year and years ahead.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

The consolidated group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of the State of NSW.

**Director attendance at board meetings**

| | |
|---|---|
| Neild McIntosh | 4 (4) |
| David Kahler | 1 (4) |
| Margaret Wright | 4 (4) |
| Gordon Cairns | 4 (4) |
| Pamela Jonas | 1 (4) |
| William Pigott | 2 (4) |
| Guy Winship | 4 (4) |
| D James MacNeil | 4 (4) |
| Kathryn Jordan | 1 (1) |

**Auditor's Independence Declaration**

The auditor's independence declaration is on page 6.

Signed in accordance with a resolution of the board of directors:

**Director** ______________________
**Neild McIntosh (Chairman)**

**Director** ______________________
**Margaret Wright (Treasurer)**

**29 October 2012**

FOSTER RAFFAN
CHARTERED ACCOUNTANTS
BUSINESS, FINANCIAL & TAX ADVISORS

Partners:
Graeme J McLean
Vivien H Tang
G Douglas Wood

**WORLD EDUCATION AUSTRALIA LIMITED**
**ABN 39 106 279 225**

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## AUDITOR'S INDEPENDENCE DECLARATION

I declare, to the best of my knowledge and belief, that during the year ended 30 June 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.

Foster Raffan

**Foster Raffan**
**Chartered Accountants**

GDWood

**Partner: G D Wood, FCA**

**North Sydney**

**29 October 2012**

# WORLD EDUCATION AUSTRALIA LIMITED
# ABN 39 106 279 225

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

## FOR THE YEAR ENDED 30 JUNE 2012

| | Note | Consolidated Group 2012 $ | Consolidated Group 2011 $ |
|---|---|---|---|
| **REVENUE** | | | |
| Donations & gifts - monetary & non-monetary | 2a | 531,173 | 319,624 |
| Legacies & bequests | | - | - |
| Grants | 2b | 1,240,642 | 865,095 |
| Interest | | 57,670 | 14,676 |
| Other income | 2c | 264,363 | 126,723 |
| **TOTAL REVENUE** | | 2,093,848 | 1,326,118 |
| **EXPENSES** | | | |
| Overseas projects | | | |
| Funds to overseas projects | 3a | 867,245 | 588,236 |
| Other project costs | 3b | 518,487 | 384,931 |
| Domestic projects | 3c | 257,542 | 19,642 |
| Community education | 3d | 56,664 | 46,050 |
| Fundraising costs | | | |
| Public | 3e | 110,611 | 119,493 |
| Government, multilateral and private | 3f | 11,047 | 23,339 |
| Administration | 3g | 129,600 | 120,055 |
| **TOTAL EXPENSES** | | 1,951,196 | 1,301,746 |
| **Excess of revenue over expenses** | 4 | 142,652 | 24,372 |
| Income tax expense | 1c | - | - |
| **Surplus for the year** | | 142,652 | 24,372 |
| **Other Comprehensive Income** | | - | - |
| **TOTAL COMPREHENSIVE INCOME** | | 142,652 | 24,372 |

The accompanying notes form part of these financial statements.

# WORLD EDUCATION AUSTRALIA LIMITED
## ABN 39 106 279 225

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

## AS AT 30 JUNE 2012

| | Note | Consolidated Group 2012 $ | Consolidated Group 2011 $ |
|---|---|---|---|
| **ASSETS** | | | |
| **CURRENT ASSETS** | | | |
| Cash and cash equivalents | 6 | 1,319,030 | 1,465,872 |
| Loans | 8 | 138,114 | 116,135 |
| Trade and other receivables | 7 | 34,455 | 21,830 |
| Other current assets | 9 | 72,827 | 24,347 |
| **TOTAL CURRENT ASSETS** | | 1,564,426 | 1,628,184 |
| **NON-CURRENT ASSETS** | | | |
| Property, plant and equipment | 10 | 11,816 | 11,641 |
| Intangible assets | 11 | 41,758 | 80,412 |
| **TOTAL NON-CURRENT ASSETS** | | 53,574 | 92,053 |
| **TOTAL ASSETS** | | 1,618,000 | 1,720,237 |
| **LIABILITIES** | | | |
| **CURRENT LIABILITIES** | | | |
| Trade and other payables | 12 | 101,112 | 157,170 |
| Special purpose funding | 6 | 817,639 | 1,210,639 |
| Loans | 14 | 304,305 | 139,416 |
| Provisions | 13 | 40,275 | 31,603 |
| **TOTAL CURRENT LIABILITIES** | | 1,263,331 | 1,538,828 |
| **NON-CURRENT LIABILITIES** | | | |
| Provisions | 13 | 47,073 | 16,465 |
| **TOTAL NON-CURRENT LIABILITIES** | | 47,073 | 16,465 |
| **TOTAL LIABILITIES** | | 1,310,404 | 1,555,293 |
| **NET ASSETS** | | **307,596** | **164,944** |
| **EQUITY** | | | |
| Contributed equity | 16 | - | - |
| Reserve for designated purpose | 17 | 306,895 | 227,569 |
| Retained earnings | 24 | 701 | (62,625) |
| **TOTAL EQUITY** | | **307,596** | **164,944** |

The accompanying notes form part of these financial statements.

## WORLD EDUCATION AUSTRALIA LIMITED
## ABN 39 106 279 225

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

## FOR THE YEAR ENDED 30 JUNE 2012

| | Note | Retained Earnings | Reserve For Designated Purposes | Total |
|---|---|---|---|---|
| | | $ | $ | $ |
| **Consolidated Group** | | | | |
| **Balance at 1 July 2010** | | 107,577 | 32,995 | 140,572 |
| Excess of revenue over expenses | | 24,372 | - | 24,372 |
| Transfer (to)/ from reserve | 18 | (194,574) | 194,574 | - |
| **Balance at 30 June 2011** | | (62,625) | 227,569 | 164,944 |
| Excess of revenue over expenses | | 142,652 | - | 142,652 |
| Transfer (to)/ from reserve | 18 | (79,326) | 79,326 | - |
| **Balance at 30 June 2012** | | 701 | 306,895 | 307,596 |

The accompanying notes form part of these financial statements.

# WORLD EDUCATION AUSTRALIA LIMITED
## ABN 39 106 279 225

## CONSOLIDATED STATEMENT OF CASH FLOWS

## FOR THE YEAR ENDED 30 JUNE 2012

| | Note | Consolidated Group 2012 $ | Consolidated Group 2011 $ |
|---|---|---|---|
| **CASH FLOWS FROM OPERATING ACTIVITIES** | | | |
| Donations and grants | | 1,134,391 | 2,107,020 |
| Customers | | 206,951 | 259,439 |
| Suppliers and employees | | (1,665,867) | (1,069,763) |
| Interest | | 57,670 | 14,676 |
| **Net cash (used in) /provided by operating activities** | **18** | (266,855) | 1,311,372 |
| **CASH FLOWS FROM INVESTING ACTIVITIES** | | | |
| Furniture and equipment | **10** | (4,959) | (2,587) |
| Good Return software and web-site | **11** | (22,395) | (38,615) |
| Security deposit | **9** | (597) | (549) |
| **Net cash (used in) /provided by investing activities** | | (27,951) | (41,751) |
| **CASH FLOWS FROM FINANCING ACTIVITIES** | | | |
| Good Return - net loans received from the public | **14** | 164,889 | 107,632 |
| Good Return - net loans paid to microfinance institutions | **8** | (21,979) | (93,882) |
| Repayment of WEI loan | **9** | 5,595 | (69,936) |
| Repayment of equipment lease | **12** | (541) | (1,081) |
| **Net cash provided by/ (used in) financing activities** | | 147,964 | (57,267) |
| Net (decrease) / increase in cash held | | (146,842) | 1,212,354 |
| Cash at beginning of financial year | | 1,465,872 | 253,518 |
| Cash at end of financial year | **6** | 1,319,030 | 1,465,872 |

The accompanying notes form part of these financial statements.

# 1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Australian Accounting Interpretations, and other authoritative pronouncements of the Accounting Standards Board and the Corporations Act 2001.

The financial report covers the consolidated group of World Education Australia Limited and its controlled entity. World Education Australia Limited is an unlisted public company limited by guarantee, incorporated and domiciled in Australia.

The financial report has been prepared on an accruals basis and is based on historical costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The following is a summary of the material accounting policies adopted by the company and consolidated group in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

## (a) Principles of Consolidation

A controlled entity is any entity in respect of which World Education Australia Limited has the power to control the financial and operating policies so as to obtain benefits from its activities.

The only controlled entity is World Education Australia Overseas Relief Fund (WEAORF), a trust. It has a June financial year end. World Education Australia Limited is the trustee of WEAORF. There is no minority equity interest in WEAORF.

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of the controlled entity have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

## (b) Revenue recognition

Monetary donations are recognised as revenue when the money is received.
Donations and grants with reciprocal requirements are treated as unearned until expensed in terms of those requirements.

Non-monetary donations are recognised as revenue when the donated goods or services are received. The donated goods or services are accounted for at their market value. The market value of services donated by volunteers is based on relevant AusAID tables.

Revenue from the rendering of services (project fees) is recognised upon completion which, depending on the terms of the contract, can be in measured stages or only when the whole project is completed.

## NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2012

**(c) Income tax**

The Australian Taxation Office has endorsed the company, a charitable organisation, as being exempt from income tax.

**(d) Cash and cash equivalents**

Cash and cash equivalents includes cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

**(e) Receivables and work in progress**

All trade debtors are recognised when the obligation of the debtor to pay the amount arises.

Work in progress is valued at cost less any provision for anticipated future losses. Cost comprises variable costs, including salaries and donated services, relating to specific contracts.

**(f) Property, Plant and Equipment**

Each class of plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation and impairment losses.

**Plant and Equipment**

Plant and equipment are measured on the cost basis.

**Depreciation**

Depreciation of plant and equipment is calculated on the prime cost basis over its useful life to the company. The rates used range from 10% to 40%.

**(g) Intangible Assets**

The Good Return web-site and the software required to run it are classified as intangible assets. Intangible assets are carried at the cost of development less, where applicable, accumulated amortisation and impairment losses. Costs of development are capitalised only in respect of identifiable new modules that are expected to deliver future economic benefits that can be measured reliably. Costs include materials and services provided by third parties. Salaries and related costs of employees involved in the development are expensed as incurred. Expenditure during the research phase of the development to maintain and update developed modules is expensed as incurred. Development costs are amortised on a straight line basis over the period that they are expected to deliver future economic benefits from when they are ready for use.

**(h) Leases**

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the company, are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property and the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

**(i) Provisions**

Provisions are recognised when an entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

**(j) Good and services tax (GST)**

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. 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 in the statement of financial position are shown inclusive of GST.

**(k) Comparative figures**

Comparative figures have been adjusted to conform to changes in presentation for the current financial year where required by accounting standards or as a result of changes in accounting policy or presentation.

**(l) Foreign currency transactions and balances**

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the date of the transaction. Foreign currency balances are translated at the year end exchange rate. Exchange differences arising on the translation are recognised in the statement of comprehensive income to the extent they will be borne by the consolidated group.

**(m) Financial Instruments**

**Initial recognition and measurement**

Financial assets and financial liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the company commits itself to either purchase or sell the asset (ie trade date accounting is adopted). Financial instruments are initially measured at fair value plus transactions costs.

**Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

**Financial Liabilities**

Loans and payables are non-derivative financial liabilities and are subsequently measured at amortised cost.

**Impairment**

At the end of each reporting period, the company assesses whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in profit or loss. Also, any cumulative decline in cost previously recognised in other comprehensive income is reclassified to profit or loss at this point.

**Derecognition**

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are either discharged, cancelled or expired. The difference between the carrying value of the financial liability, which is extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

**(n) Impairment of Assets**

At the end of each reporting period, the entity reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is recognised in profit or loss.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of an assets class, the entity estimates the recoverable amount of the cash-generating unit to which the class of assets belong.

Where an impairment loss on a revalued asset is identified, this is recognised against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that class of asset.

**(o) Critical Accounting Estimates and Judgments**

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

**Impairment**

The recoverability of trade receivables and loans to microfinance institutions was reviewed by the directors and provisions for impairment made where they considered it necessary.

**(p) Economic Dependence**

The company is dependent on the philanthropy of businesses and individuals in the community to provide donations and grants for its causes.

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2012

| | | | Consolidated Group 2012 $ | Consolidated Group 2011 $ |
|---|---|---|---|---|
| | | **REVENUE** | | |
| **2.** | a | **Donation and gifts** | | |
| | | Monetary donations | 286,749 | 220,528 |
| | | Non-monetary donations | 244,424 | 99,096 |
| | | | 531,173 | 319,624 |

Monetary donations include $146,899 (2011: $105,640) received through the Good Return Program

| | | | | |
|---|---|---|---|---|
| | b | **Grants** | | |
| | | AusAID | 289,858 | 272,201 |
| | | Other Australian | 584,277 | 287,988 |
| | | Other Overseas | 366,507 | 304,906 |
| | | | 1,240,642 | 865,095 |
| | c | **Other income** | | |
| | | Project fees: | | |
| | | Good Return fees | 17,636 | 11,046 |
| | | Other overseas project fees | - | 66,569 |
| | | World Education Inc project fees | 246,203 | 21,342 |
| | | Foreign exchange (loss) / gain | (7,076) | 22,492 |
| | | Other income | 7,600 | 5,274 |
| | | | 264,363 | 126,723 |

# NOTES TO THE FINANCIAL STATEMENTS
# FOR THE YEAR ENDED 30 JUNE 2012

| | | Consolidated Group 2012 $ | Consolidated Group 2011 $ |
|---|---|---|---|
| **3** | **EXPENSES** | | |
| a | **Funds to overseas projects** | | |
| | Project staff costs - overseas | 273,520 | 278,566 |
| | Other costs | 479,100 | 304,877 |
| | Volunteers | 114,625 | 4,793 |
| | | 867,245 | 588,236 |
| b | **Other project costs** | | |
| | Project staff costs - in Australia | 309,067 | 234,354 |
| | Other costs | 120,563 | 78,382 |
| | Volunteers | 88,857 | 72,195 |
| | | 518,487 | 384,931 |
| c | **Domestic projects** | | |
| | Staff costs | 40,249 | 4,852 |
| | Other costs | 217,293 | 14,790 |
| | Volunteers | - | - |
| | | 257,542 | 19,642 |
| d | **Community education** | | |
| | Staff costs | 33,402 | 30,437 |
| | Other costs | 5,003 | 11,512 |
| | Volunteers | 18,259 | 4,101 |
| | | 56,664 | 46,050 |
| e | **Fundraising costs - public** | | |
| | Staff costs | 55,796 | 61,766 |
| | Other costs | 32,132 | 42,144 |
| | Volunteers | 22,683 | 15,583 |
| | | 110,611 | 119,493 |
| f | **Fundraising costs - government,** | | |
| | Staff costs | 9,318 | 20,989 |
| | Other costs | 1,729 | 2,350 |
| | Volunteers | - | - |
| | | 11,047 | 23,339 |
| g | **Administration** | | |
| | Staff costs | 36,994 | 27,155 |
| | Other costs | 92,606 | 90,474 |
| | Volunteers | - | 2,426 |
| | | 129,600 | 120,055 |

| | | Consolidated Group 2012 $ | Consolidated Group 2011 $ |
|---|---|---|---|
| **4** | **SURPLUS FOR THE YEAR** | | |
| | Surplus for the year before income tax expense has been determined after: | | |
| a | **Income** | | |
| | Net foreign exchange (loss) / gain | (7,076) | 22,492 |
| b | **Expenses** | | |
| | Depreciation and amortisation | 65,833 | 56,613 |
| | Remuneration of auditor: | | |
| | - audit | 16,000 | 21,500 |
| **5.** | **KEY MANAGEMENT PERSONNEL COMPENSATION** | | |
| | Short term benefits | 154,000 | 147,000 |
| **6.** | **CASH AND CASH EQUIVALENTS** | | |
| | Cash on hand | 198 | 50 |
| | Cash at bank - for the Good Return program | 376,651 | 95,867 |
| | - for other designated purposes | 817,639 | 1,210,639 |
| | - other | 124,542 | 159,316 |
| | | 1,319,030 | 1,465,872 |

Table of cash movements for designated purposes:

| Designated purposes | Cash available at beginning of year | Cash raised during the year | Interest | Cash disbursed during the year | Cash available at the end of the year |
|---|---|---|---|---|---|
| Good Return development: | | | | | |
| AusAID Innovations Fund | 150,000 | - | | (150,000) | - |
| AusAID annual allocation | 9,456 | 150,000 | | (139,858) | 19,598 |
| Skills For Life | 99,597 | 335,000 | | (342,039) | 92,558 |
| Infuse | 195,523 | 170,985 | | (366,508) | - |
| ConnectEd | 6,063 | 293,537 | | (246,205) | 53,395 |
| Education & Microfinance Expansion | 750,000 | 19,500 | | (213,784) | 555,716 |
| Small farmers livelihoods | - | 83,826 | | - | 83,826 |
| Other | - | 41,000 | | (28,454) | 12,546 |
| | 1,210,639 | 1,093,848 | - | (1,486,848) | 817,639 |
| Good Return - Net loans transactions | 95,867 | 285,500 | | (4,716) | 376,651 |
| **Total for designated purposes** | 1,306,506 | 1,379,348 | - | (1,491,564) | 1,194,290 |
| **Other cash movement** | 159,366 | 126,883 | 57,670 | (219,179) | 124,740 |
| | 1,465,872 | 1,506,231 | 57,670 | (1,710,743) | 1,319,030 |

Amounts indicated as cash raised and cash disbursed during the year for Good Return - Net loans transactions represents net cash balance movements with the program's public lenders.

| | Consolidated Group 2012 $ | Consolidated Group 2011 $ |
|---|---|---|
| **7. TRADE AND OTHER RECEIVABLES** | | |
| Trade debtors | 34,455 | 21,830 |

**Credit Risk – Trade Receivables**

The company's credit terms are 30 days. Overdue debts are pursued and monitored by management. They are assessed for impairment and provided for where specific circumstances indicate that the debt may not be paid in full to the company.

The company does not have any material credit risk exposure to any single receivable or group of receivables.

The following table details the company's trade receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided thereon.

The balances of receivables that are both overdue and not due are considered to be of high credit quality.

| | Total | Overdue and impaired | Overdue and not impaired | Not due, not impaired |
|---|---|---|---|---|
| **2012** | | | | |
| <30 days | 11,709 | - | - | 11,709 |
| 31-60 days | 22,746 | - | 22,746 | - |
| 61-90 days | 0 | - | - | - |
| | 34,455 | - | 22,746 | 11,709 |
| **2011** | | | | |
| <30 days | 10,112 | - | - | 10,112 |
| 31-60 days | 0 | - | - | - |
| 61-90 days | 11,718 | - | 11,718 | - |
| | 21,830 | - | 11,718 | 10,112 |

| | Consolidated Group 2012 $ | Consolidated Group 2011 $ |
|---|---|---|

## 8. LOANS

| | 2012 $ | 2011 $ |
|---|---|---|
| **Current** | | |
| Good Return - loan portfolio with microfinance institutions | 138,114 | 116,135 |

## 9. OTHER CURRENT ASSETS

| | 2012 $ | 2011 $ |
|---|---|---|
| Security deposits | 10,382 | 9,785 |
| Prepayment | 7,806 | 2,631 |
| GST receivable | 3,516 | - |
| Other receivables | 50,383 | 5,596 |
| Amount due by World Education Inc. | 740 | 6,335 |
| | 72,827 | 24,347 |

The security deposit is a term deposit that is security for the guarantee provided by the bank in respect of the premises occupied by the company.

## 10. PROPERTY, PLANT AND EQUIPMENT

| | 2012 $ | 2011 $ |
|---|---|---|
| **Office Furniture and equipment** | | |
| Cost | 49,431 | 44472 |
| Less accumulated depreciation | (37,615) | (32,831) |
| | 11,816 | 11,641 |
| Movement in written down value | | |
| Written down value at 1 July 2011 | 11,641 | 16,803 |
| Additions | 4,959 | 2,587 |
| Depreciation | (4,784) | (7,749) |
| Written down value at 30 June 2012 | 11,816 | 11,641 |

## 11. INTANGIBLE ASSETS

| | Consolidated Group 2012 $ | Consolidated Group 2011 $ |
|---|---|---|
| **Good Return software and web-site** | | |
| Cost | 202,120 | 179,725 |
| Less accumulated amortisation | (160,362) | (99,313) |
| | 41,758 | 80,412 |
| Movement in written down value | | |
| Written down value at 1 July 2011 | 80,412 | 90,661 |
| Additions | 22,395 | 38,615 |
| Amortisation | (61,049) | (48,864) |
| Written down value at 30 June 2012 | 41,758 | 80,412 |

It is too early in the life of the Good Return program to determine with an acceptable degree of certainty whether or not the recoverable amount (value in use) for the intangible assets exceeds the above carrying value.

## 12. TRADE AND OTHER PAYABLES

| | Consolidated Group 2012 $ | Consolidated Group 2011 $ |
|---|---|---|
| **Current** | | |
| Payroll liabilities | 4,621 | 10,834 |
| GST payable | - | 12,235 |
| Trade creditors | 77,520 | 112,055 |
| Accrued expenses | 18,971 | 21,505 |
| Hire purchase | - | 541 |
| | 101,112 | 157,170 |

| | Consolidated Group 2012 $ | Consolidated Group 2011 $ |
|---|---|---|
| **13. Provisions** | | |
| **Current** | | |
| Annual leave provision | 40,275 | 31,603 |
| **Non-Current** | | |
| Long service leave provision | 47,073 | 16,465 |
| **Provision for employee benefits** | | |
| Balance at the beginning of the year | 48,068 | 37,582 |
| Additional provision raised during the year | 68,342 | 43,955 |
| Amounts used | (29,062) | (33,469) |
| Balance at the end of the year | 87,348 | 48,068 |
| **14. LOANS** | | |
| **Current** | | |
| Good Return - loans from the public | 304,305 | 139,416 |

The Company has no financial liability in respect of Good Return loans from the public in the event of repayment default by microfinance partners.

## 15. CAPITAL COMMITMENTS

The company has a commitment to spend $30,000 (2011 $7,553) to further the refinement and development of the Good Return software.

## 16. CONTRIBUTED EQUITY

There is no contributed equity. The members registered undertake to contribute to the property of the company, if required, in the event that it is wound up. The liability of each member is limited to $10. There were 253 members at 30 June 2012 (2011: 232).

## 17. RESERVE FOR DESIGNATED PURPOSES

The excess of revenue over expenses from operations of the controlled entity, World Education Australia Overseas Relief Fund, is transferred to a Reserve for Designated Purposes to recognise that the net assets represented by this reserve cannot be used for any purpose other than providing relief to persons in a developing country certified as such by the Department of Foreign Affairs and Trade or, on winding up, must be transferred to some other fund qualifying under the Overseas Gift Fund Provisions of the Income Tax Assessment Act 1997.

| | Consolidated Group 2012 $ | Consolidated Group 2011 $ |
|---|---|---|

## 18. CASH FLOW INFORMATION

| | | |
|---|---|---|
| **Reconciliation of cash flow from operations** | | |
| Surplus | 142,652 | 24,372 |
| Non-cash flows in surplus: | | |
| Depreciation and amortisation | 65,833 | 56,613 |
| Leave provisions | 39,280 | 10,486 |
| Changes in Assets & Liabilities: | | |
| Receivables | (60,928) | 125,669 |
| Other current assets | (5,175) | 3,595 |
| Payables and accruals | (448,517) | 1,090,637 |
| **Cash flows (used in)/ provided from operations** | (266,855) | 1,311,372 |

## 19. RELATED PARTY DISCLOSURES

Transactions with the related party, World Education Inc (WEI), Boston, USA:

| | | |
|---|---|---|
| Repayment of loans to WEI | 80,784 | 137,061 |
| Fees paid to WEI for the services of WEI staff on company projects | 84,024 | 90,366 |

The managing director's remuneration is included in the disclosure relating to key employees (Note 5). No other directors receive any remuneration from the company. The directors make donations to the company on a personal basis.

## 20. FINANCIAL RISK MANAGEMENT

The company's financial instruments consist of deposits with banks, loans to microfinance institutions and accounts receivable and payable.

The totals for each category of financial instruments, measured in accordance with AASB 139, are as follows:

| | | |
|---|---|---|
| **Financial Assets** | | |
| Cash and cash equivalents | 1,319,030 | 1,465,872 |
| Receivables | 34,455 | 21,830 |
| Good Return loans portfolio with microfinance institutions | 138,114 | 116,135 |
| Total financial assets | 1,491,599 | 1,603,837 |
| **Financial Liabilities** | | |
| Trade and other payables | 96,491 | 133,560 |
| Good Return loans from the public | 304,305 | 139,416 |
| Total financial liabilities | 400,796 | 272,976 |

**Financial Risk Exposures and Management**

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk, foreign currency risk and market risk relating to interest rate risk.

a. **Credit Risk**

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss for the company.

The company's material credit risk exposures are receivables and cash deposited with banks.

There is no exposure to credit risk arising from Good Return loans as this risk is borne by the public lender.

The company's exposure to credit risk arising from trade receivables is dealt with in Note 7.

The company deposits cash only with major banks. At the year end all cash at bank was with Westpac Banking Corporation.

b. **Liquidity Risk**

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations in relation to financial liabilities. The company manages this risk by preparing regular cash flow forecasts and managing credit risks.

The table below reflects undiscounted financial liabilities and cash flows from financial assets that reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed.

**Financial liability and financial asset maturity analysis**

| | Within 1 year | 1 to 5 years | Over 5 years | Total |
|---|---|---|---|---|
| **Financial liabilities due for payment** | | | | |
| Trade and other payables | 96,491 | - | - | 96,491 |
| Loans | 304,305 | - | - | 304,305 |
| Total expected outflows | 400,796 | - | - | 400,796 |
| **Financial assets - cash flows realisable** | | | | |
| Cash and cash equivalents | 1,319,030 | - | - | 1,319,030 |
| Trade and other receivables | 34,455 | - | - | 34,455 |
| Loans | 138,114 | - | - | 138,114 |
| Total anticipated inflows | 1,491,599 | - | - | 1,491,599 |
| **Net inflow on financial instruments** | 1,090,803 | - | - | 1,090,803 |

The fair values of financial assets and financial liabilities are considered to be equal to their carrying values as presented in the statement of financial position.

## 21. CAPITAL MANAGEMENT

The directors control the capital of the entity to ensure that adequate cash flows are generated to fund its objectives. The objective is to maintain sufficient cash and cash equivalents to cover at least 3 months expenses. Risk management policies are approved and reviewed by the directors on a regular basis. These include credit risk policies and future cash flow requirements. The entity's capital consists of reserve and retained earnings.

## 22. COMPANY INFORMATION

The registered office and principal place of business of the company is:
Level 7, 1 Chandos Street
St Leonards NSW 2065

## 23. CONTROLLED ENTITY

World Education Australia Overseas Relief Fund (WEAORF) is a trust set up exclusively for the purpose of raising funds by donation for the provision of relief to persons in a developing country certified as such by the Department of Foreign Affairs and Trade. It It has Deductible Gift Recipient status.

The company is the trustee of WEAORF. As such, the company controls WEAORF because, in addition to wide powers it has as trustee, it has the power to appoint a new trustee and/or vary the trust deed, subject only to ensuring that the purpose of WEAORF is not changed and that, on winding up, the net assets of WEAORF are transferred to some other fund qualifying under the Overseas Gift Fund provisions of the Income Tax Assessment Act 1997.

The company, as trustee, has the power to allocate cash raised by WEAORF to projects that the company undertakes provided such projects fit the purpose of WEAORF.

## 24. PARENT COMPANY INFORMATION

The following information has been extracted from the books and records of the parent and has been prepared in accordance with Accounting Standards.

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| **STATEMENT OF FINANCIAL POSITION** | | |
| ASSETS | | |
| Current assets | 860,934 | 661,793 |
| TOTAL ASSETS | 914,508 | 753,846 |

| | 2012<br>$ | 2011<br>$ |
|---|---|---|
| LIABILITIES | | |
| Current liabilities | 913,807 | 816,471 |
| TOTAL LIABILITIES | 913,807 | 816,471 |
| | | |
| EQUITY | | |
| Issued capital | - | - |
| Retained earnings | 701 | (62,625) |
| | 701 | (62,625) |
| | | |
| **STATEMENT OF COMPREHENSIVE INCOME** | | |
| Total comprehensive income/(loss) | 63,326 | (170,202) |

The parent company acts as trustee of its controlled entity which is a trust and liabilities have been incurred on behalf of that trust in the parent company's capacity as trustee. To the extent that the trust is unable to meet any obligations, the parent company as trustee may be liable.

Liabilities incurred on behalf of the trust are not recognised in the financial statements of the parent company acting as trustee of the trust when it is not probable that the parent company will have to meet any of those trust liabilities from its own resources. When it is probable that the parent company will have to meet some trust liabilities, a provision for trust liabilities will be brought to account. In addition, the parent company as a trustee has a right to be indemnified out of trust assets for any obligation not met by the trust. Details of trust liabilities and offsetting right of indemnity are as follows:

Liabilities of the World Education Australia Overseas Relief Fund not recorded in the financial statements of the parent company were:

| | | |
|---|---|---|
| Rights to be indemnified from the trusts assets | 702,539 | 850,138 |

The assets of the trust, which lie behind the right of indemnity, are not directly available to meet any liabilities of the parent company acting in its own right. The assets of the trust were sufficient to discharge all liabilities of the trust at 30 June 2012 and 30 June 2011.

## WORLD EDUCATION AUSTRALIA LIMITED
## ABN 39 106 279 225

## DECLARATION REQUIRED BY CHARITABLE FUNDRAISING REGULATIONS 2008

I declare that, in my opinion:

the statement of comprehensive income gives a true and fair view of all income and expenditure of the company with respect to fundraising appeals;

the statement of financial position gives a true and fair view of the state of affairs of the company with respect to fundraising appeals;

the provisions of the Charitable Fundraising Act 1991, the regulations under that Act and the conditions attached to the authority have been complied with by the company for the year ended 30 June 2012; and

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.

**Guy Winship**
**Managing Director**

**29 October 2012**

**WORLD EDUCATION AUSTRALIA LIMITED**
**ABN 39 106 279 225**

## DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes as set out on pages 7 to 25, are in accordance with the

   (a) comply with Accounting Standards and the Corporations Act 2001; and

   (b) give a true and fair view of the financial position as at 30 June 2012 and of the performance for the year ended on that date of the company.

2. in the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors.

**Director** Neild McIntosh

**Neild McIntosh (Chairman)**

**Director**

**Margaret Wright (Treasurer)**

**29 October 2012**

FOSTER RAFFAN
CHARTERED ACCOUNTANTS
BUSINESS, FINANCIAL & TAX ADVISORS

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# WORLD EDUCATION AUSTRALIA LIMITED
# ABN 39 106 279 225

## INDEPENDENT AUDIT REPORT TO THE MEMBERS OF WORLD EDUCATION AUSTRALIA LIMITED

We have audited the accompanying financial report of World Education Australia Limited on pages 7 to 27, which comprises the consolidated statement of financial position as at 30 June 2012, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes 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 (including the Australian Accounting Interpretations) and the Corporations Act 2001 and for such internal control as they determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial statements are 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 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.

**Basis for Qualified Auditor's Opinion**

Donations are a significant source of revenue for the company. The company has determined that it is not practical to establish control over the collection of all types of donations prior to entry in the accounting records. Accordingly, as the evidence available to us regarding revenue from this source was limited, our audit procedures with respect to donations had to be restricted to the amounts recorded in the financial records. Therefore, we are unable to express an opinion on whether income from donations is complete.

WORLD EDUCATION AUSTRALIA LIMITED
ABN 39 106 279 225

# INDEPENDENT AUDIT REPORT TO THE MEMBERS OF WORLD EDUCATION AUSTRALIA LIMITED

**Qualified Auditor's Opinion**
In our opinion, except for the effect of such adjustments, if any, as might have been required had the limitation on our audit procedures referred to in the qualification paragraph not existed, the financial report of World Education Australia Limited is in accordance with the Corporations Act 2001, including:

(a) giving a true and fair view of the consolidated financial position as at 30 June 2012 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards and the Corporations Regulations 2001; and

complies with the requirements of the Australian Council for International Development's Code of Conduct Document.

We also report that:

(a) the financial report shows a true and fair view of the financial result of fundraising appeals conducted during the year except for the effects of such adjustments, if any, as might have been required had the limitation on our audit procedures referred to in the qualification paragraph not existed;

(b) the accounting and associated records have been properly kept during the year in accordance with the Charitable Fundraising Act 1991 and the Regulations;

(c) money received as a result of the fundraising appeals conducted during the year has been properly accounted for and applied in accordance with the Charitable Fundraising Act 1991 and regulations; and

(d) at the date of this report, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

Foster Raffan

**Foster Raffan**
**Chartered Accountants**

**G D Wood, FCA**
**Partner**

**North Sydney**

**29 October 2012**