

ADARA DEVELOPMENT

ADARA DEVELOPMENT (AUSTRALIA)

ADARA DEVELOPMENT (BERMUDA)

ADARA DEVELOPMENT (UK)

ADARA DEVELOPMENT (USA)

ADARA DEVELOPMENT (UGANDA)

COMBINED FINANCIAL REPORT 31 DECEMBER 2017

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ADARA DEVELOPMENT

COMBINED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2017

PRESENTED IN UNITED STATES DOLLARS (USD)

	Notes	2017 \$	2016 \$
Revenue from continuing operations			
Donations			
Core support		1,196,471	1,036,682
General restricted		896,864	428,759
Maternal Newborn Child Health		508,925	661,995
Remote Community Development		303,145	336,663
Grants			
Maternal Newborn Child Health		3,137	-
Other income		4,383	4,651
Total revenue		2,912,925	2,468,750
Expenses			
Programme costs			
Maternal Newborn Child Health	4	813,646	850,245
Remote Community Development	5	930,351	882,748
		1,743,997	1,732,993
Innovation, Learning & Evaluation		120,467	204,411
Core support	6	1,073,626	921,016
Total expenses		2,938,090	2,858,420
Net deficit for the year		(25,165)	(389,670)
Other comprehensive income			
Foreign currency translation gain		19,117	1,975
Total other comprehensive income for the year		19,117	1,975
Total comprehensive loss for the year		(6,048)	(387,695)

The above combined statement of profit or loss and other comprehensive income should be read in conjunction with the accompanying notes on pages 6 to 19.

ADARA DEVELOPMENT
COMBINED STATEMENT OF FINANCIAL POSITION
 FOR THE YEAR ENDED 31 DECEMBER 2017
 PRESENTED IN UNITED STATES DOLLARS (USD)

	Notes	2017 \$	2016 \$
Assets			
Current assets			
Cash and cash equivalents	7	526,914	557,766
Donations receivable			
Trade receivables and other current assets	8	44,751	31,824
Total current assets		571,665	589,590
Non-current assets			
Property, plant and equipment	9	11,240	17,657
Intangible assets	10	21,791	33,638
Other non-current assets		750	2,153
Total non-current assets		33,781	53,448
Total assets		605,446	643,038
Liabilities			
Current liabilities			
Trade and other payables	11	46,180	87,993
Employee benefits	12	86,598	70,068
Total current liabilities		132,778	158,061
Non-current liabilities			
Employee benefits	12	6,256	12,517
Total non-current liabilities		6,256	12,517
Total liabilities		139,034	170,578
Net assets		466,412	472,460
Accumulated funds			
Accumulated funds		520,944	546,109
Foreign currency translation reserve		(54,532)	(73,649)
Total accumulated funds		466,412	472,460

The above combined statement of financial position should be read in conjunction with the accompanying notes on pages 6 to 19.

ADARA DEVELOPMENT
COMBINED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2017
PRESENTED IN UNITED STATES DOLLARS (USD)

	Translation reserve \$	Accumulated surplus \$	Accumulated funds \$
Balance at 1 January 2016	(75,624)	935,779	860,155
Net deficit for the year	-	(389,670)	(389,670)
Other comprehensive income			
Foreign currency translation gain	1,975	-	1,975
Total comprehensive income / (loss) for the year	1,975	(389,670)	(387,695)
Balance at 31 December 2016	(73,649)	546,109	472,460
Balance at 1 January 2017	(73,649)	546,109	472,460
Net deficit for the year	-	(25,165)	(25,165)
Other comprehensive income			
Foreign currency translation gain	19,117	-	19,117
Total comprehensive income / (loss) for the year	19,117	(25,165)	(6,048)
Balance at 31 December 2017	(54,532)	520,944	466,412

The above combined statement of changes in equity should be read in conjunction with the accompanying notes on pages 6 to 19.

ADARA DEVELOPMENT
COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2017
PRESENTED IN UNITED STATES DOLLARS (USD)

	Notes	2017 \$	2016 \$
Cash flows from operating activities			
Cash received for Maternal Newborn Child Health programmes		506,242	675,918
Cash received for Remote Community Development programmes		302,762	336,662
Cash received for Innovation, Learning & Evaluation		5,146	-
Cash received for general programme support		889,068	419,845
Cash received for core support expenses		1,120,259	992,052
Other income received		903	4,400
Cash paid for Maternal Newborn Child Health programme expenses		(824,428)	(972,500)
Cash paid for Remote Community Development programme expenses		(945,288)	(987,203)
Cash paid for Innovation, Learning & Evaluation		(121,587)	(47,193)
Cash paid for core support expenses		(988,543)	(849,721)
Net cash used in operating activities	7(b)	<u>(55,466)</u>	<u>(427,740)</u>
Cash flows from investing activities			
Payment for property, plant and equipment		(2,382)	(5,876)
Payment for intangible assets		(950)	(7,732)
Proceeds from sale of assets		1,107	250
Net cash used in investing activities		<u>(2,225)</u>	<u>(13,358)</u>
Decrease in cash and cash equivalents		(57,691)	(441,097)
Foreign exchange differences		26,839	(3,716)
Cash and cash equivalents at beginning of year	7(a)	557,766	1,002,579
Cash and cash equivalents at end of year	7(a)	<u>526,914</u>	<u>557,766</u>

The above combined statement of cash flows should be read in conjunction with the accompanying notes on pages 6 to 19.

ADARA DEVELOPMENT
NOTES TO THE COMBINED FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2017

1 Reporting entity

Adara Development (the "Group") represents collectively a group of legal entities, which are not held by a separate parent entity. The legal entities, as entailed below, are under the decisions of their respective directors or trustees that have mutually agreed to operate under a common Memorandum of Understanding (MOU).

The Group's combined financial statements consist of Adara Development (Australia), Adara Development (Bermuda), Adara Development (UK), Adara Development (Uganda) and Adara Development (USA). For the purpose of presenting to the donors a combined view of the global not for profit activities conducted by the Group, a set of combined financial statements has been prepared which combines all of the assets, liabilities, expenses and contributions of the above named entities into a single set of combined financial statements. This aggregation does not meet the definition of a group as defined by *AASB 10 Consolidated Financial Statements*.

Adara Development (Australia) is a not for profit company limited by guarantee and domiciled in Australia. Adara Development (Australia) is registered under the *Australian Charities and Not-for-profits Commission Act 2012*.

Adara Development (Bermuda) is a not for profit entity domiciled in Bermuda. Adara Development (Bermuda) is registered under *The Charities Act 2014*.

Adara Development (UK) was constituted in the United Kingdom by the Trustees on 20 May 2002, as amended by a Supplementary Deed dated 3 June 2003, a second Supplementary Deed dated 21 June 2010, a third Supplementary Deed dated 18 February 2011 and a fourth Supplementary Deed dated 10 November 2015.

Adara Development (Uganda) was incorporated in Uganda on 13 July 2012 as a foreign NGO under *The Non-Governmental Organizations Registration Act, CAP.113*.

Adara Development (USA) is a not for profit company limited by guarantee and domiciled in the State of New York, United States. Adara Development (USA) is registered as a not-for-profit Corporation as defined by section 501 (c)(3) of the *Internal Revenue Code of 1986*.

2 Statement of preparation

(a) Statement of compliance

In the opinion of the directors and the trustees, the Group entities are not publicly accountable. The financial report of the Group has been drawn up as a special purpose financial report for distribution to the directors and the stakeholders, for the purpose of presenting a combined view of the financial position and performance of the entities comprising the Combined Adara Development Group as listed in Note 1.

The special purpose financial report has been prepared in accordance with the requirements of the recognition, measurement and disclosure requirements of all applicable Australian Accounting Standards - Reduced Disclosure Requirements ("AASB-RDR") adopted by the Australian Accounting Standards Board ("AASBs") except for *AASB 10 Consolidated Financial Statements*.

The financial statements were approved by the directors and trustees on 1 May 2018.

ADARA DEVELOPMENT

NOTES TO THE COMBINED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2017

2 Statement of preparation *(continued)*

(a) Statement of compliance *(continued)*

The following is a summary of the material accounting policies adopted by Adara Development in the preparation of the combined financial report. The accounting policies set out below have been applied consistently to all periods presented in the combined financial report unless otherwise stated.

The financial statements have been prepared by combining or aggregating the entities that comprise Adara Development as set out in Note 1. All inter-entity balances and transactions between the combining entities listed in Note 1, and any unrealised gains and losses on income and expenses arising from inter-company transactions, are eliminated in preparing the combined financial statements.

(b) Basis of measurement

These financial statements have been prepared on a going concern basis and are based on the historical cost basis.

(c) Use of accounting estimates and judgements

The preparation of a financial report requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. Actual results may differ from these estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period and future periods.

(d) Principles of preparing combined financial statements

The financial statements are prepared by combining or aggregating the entities that comprise Adara Development as set out in Note 1. All inter-entity balances and transactions between the combining entities listed in Note 1, and any unrealised gains and losses on income and expenses arising from inter-entity transactions, are eliminated in preparing the combined financial statements.

(e) Functional and presentation currency

These combined financial statements are presented in US dollars. The functional currency of Adara Development (Bermuda), Adara Development (USA) and Adara Development (UK) is US dollars. The functional currency of Adara Development (Australia) is Australian dollars and is translated to US dollars for the combined financial statements of Adara Development. The functional currency of Adara Development (Uganda) is Ugandan shillings and is translated to US dollars for the combined financial statements of Adara Development.

3 Summary of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements. Adara Development (comprising Adara Development (Australia), Adara Development (USA), Adara Development (UK), Adara Development (Bermuda) and Adara Development (Uganda)) changed the presentation of programme expenses and innovation, learning and evaluation costs and consolidated certain note lines to improve the reporting of the operations and programmes of the group.

ADARA DEVELOPMENT
NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

3 Summary of significant accounting policies (continued)

Comparative amounts were reclassified in the Statement of profit or Loss and Other Comprehensive Income, Statement of Financial Position and Statement of Cash Flows for consistency. There is no impact of these reclassifications on the net results, net financial position or net cash flows of the group.

(a) Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to Adara Development and the revenue can be reliably measured. Adara Development receives the majority of its income from donations which are recognised when received by Adara Development entities.

(b) Donated goods and services

Amounts relating to goods and services donated are included in the combined financial statements when Adara Development gains control, economic benefits are probable and the amount of the donation can be reliably measured.

Adara Development also receives pro-bono professional goods and services, as well as support from skilled volunteers during the financial year, which include legal and compliance support, audit services, medical equipment, volunteer services for events coordination, administration support and medical advisory. The value of these services was not recognised in the combined statement of comprehensive income as it cannot be reliably measured.

(c) Expenses

Expenses are presented by function in the combined statement of profit or loss and other comprehensive income.

(d) Income tax

No income tax is payable as the entities of the Adara Development are income tax exempt under the jurisdictions in which they operate.

(e) Non-derivative financial assets

Adara Development has the following non-derivative financial assets: cash and cash equivalents, and other current assets.

(i) Cash and cash equivalents

Adara Development considers all deposits with financial institutions that can be withdrawn without prior notice or penalty, and all term deposits with an original maturity of 90 days or less, as equivalent to cash.

(ii) Other current assets

Other current assets are initially recognised on the date that they are originated at fair value. Subsequent to initial recognition they are carried at amortised cost while prepayments are measured at cost. These amounts are non-interest bearing and unsecured.

ADARA DEVELOPMENT
NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

3 Summary of significant accounting policies (continued)

(f) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Adara Development and the cost of the item can be measured reliably.

The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred. Depreciation on the assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives as follows:

– Office equipment:	3 to 5 years
– Motor vehicles:	5 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable

(g) Intangible assets

Intangible assets include website development and software. The costs incurred in developing the website and the costs to enable the use of software, that will contribute to future period financial benefits through revenue generation and/or cost reduction, are capitalised to intangible assets. Costs capitalised include only external direct costs of materials and services.

Website development costs include only those costs directly attributable to the development phase. Software costs include only those costs directly attributable to the purchase of the software and costs directly attributable to the implementation and ongoing use of the software. Intangible assets are only recognised following completion of technical feasibility and where there is an intention and ability to use the asset.

Amortisation of website development and software is calculated on a straight line basis over the period of 4 years, commencing once the asset is in use, for the current and comparative period.

(h) Non-derivative financial liabilities

Adara Development has the following non-derivative financial liabilities: financial liabilities measured at amortised cost. Financial liabilities measured at amortised cost comprise trade and other payables. Trade and other payables represent liabilities for goods and services provided to Adara Development prior to the end of the financial year that are unpaid. These amounts are unsecured and are usually settled within 30 days of recognition.

(i) Employee benefits

(i) Short-term employee benefit obligations

The liabilities for salaries and wages, including non-monetary benefits and annual leave expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the undiscounted amounts expected to be paid when the liabilities are settled.

ADARA DEVELOPMENT

NOTES TO THE COMBINED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2017

3 Summary of significant accounting policies *(continued)*

(i) Employee benefits *(continued)*

(ii) Other long-term employee benefit obligations

The Group's net obligation in respect of long term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise.

(j) Foreign currency transactions

Foreign currency transactions are translated into the functional currency of each entity using the exchange rates prevailing at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions are recognised in the combined statement of comprehensive income under foreign exchange gains/losses. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction. Non-monetary items measured at fair value in the foreign currency are translated using the exchange rates at the date when the fair value is determined.

The results and financial position of operations that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at balance date,
- income and expenses and the combined statement of profit or loss and other comprehensive income are translated at average exchange rates, and
- all resulting exchange differences are recognised in other comprehensive income.

(k) New and revised accounting standards and interpretations

(i) Accounting standards and interpretations applicable for the first time

New and amended accounting standards applicable for the first time for the annual reporting period commencing 1 January 2017 did not have any impact on the current period or any prior period, and are not likely to affect future periods.

These are:

- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
- AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle

(ii) Accounting standards and interpretations issued but not yet effective

Various new and revised accounting standards and accounting interpretations have been published that are not mandatory for the reporting period ended 31 December 2017.

Adara Development (Australia) will apply the following standards in the period determined by the Australian Accounting Standards Board:

ADARA DEVELOPMENT

NOTES TO THE COMBINED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2017

3 Summary of significant accounting policies *(continued)*

(ii) Accounting standards and interpretations issued but not yet effective *(continued)*

- AASB 1058 Income of Not-for-Profit Entities is effective for annual reporting periods beginning on or after 1 January 2019. We have not yet assessed the impact of this standard on Adara Development (Australia).

- AASB 9 Financial Instruments, and the relevant amending standards. AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018. The initial application of the above standards is not expected to materially affect Adara Development (Australia)'s financial statements. At most, the application of these standards is expected to result in changes in the presentation and disclosure of information.

- Amendments to AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors from AASB 9, effective for annual reporting periods beginning on or after 1 January 2018. The initial application of the above standards is not expected to materially affect Adara Development (Australia)'s financial statements. At most, the application of these standards is expected to result in changes in the presentation and disclosure of information.

- Interpretation 22 Foreign Currency Transactions and Advance Consideration. This standard becomes applicable for annual reporting periods commencing on or after 1 January 2018. We have not yet assessed the impact of this standard on Adara Development (Australia).

- AASB 16 Leases. This standard becomes applicable for annual reporting periods commencing on or after 1 January 2019. Adara Development (Australia) has one lease that is currently being accounted for as an operating lease. It is expected that this lease will be brought onto the balance sheet. We have not yet quantified the impact.

- AASB 15 Revenue from Contracts with Customers. This standard becomes applicable for annual reporting periods commencing on or after 1 January 2019. We have not yet assessed the impact of this standard on Adara Development (Australia).

- AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities. This standard becomes applicable for annual reporting periods commencing on or after 1 January 2019. We have not yet assessed the impact of this standard on Adara Development (Australia).

- AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities. This standard becomes applicable for annual reporting periods commencing on or after 1 January 2019. We have not yet assessed the impact of this standard on Adara Development (Australia).

ADARA DEVELOPMENT

NOTES TO THE COMBINED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2017

4	Maternal infant child health	2017	2016
		\$	\$
	Kiwoko Hospital	542,425	649,537
	Other projects	10,260	-
	Programme support	260,961	200,708
		813,646	850,245
5	Remote Community Development programme costs	2017	2016
		\$	\$
	Adara Development Nepal - Adara Kids	177,334	196,215
	Adara Development Nepal - Humla	310,255	262,926
	Adara Development Nepal - Tibetan Medical Practitioner	21,513	16,275
	Ebenezer Boys	1,028	32,484
	Emergency responses - Nepal Earthquake	170,442	144,790
	Hands in Outreach	4,254	21,635
	Himalayan Children's Society	85,316	77,115
	Himalayan Medical Foundation	43,137	36,683
	The Himalayan Innovative Society	23,604	15,368
	The Women's Foundation	5,489	4,844
	Programme support	87,979	74,413
		930,351	882,748
6	Core support expenses	2017	2016
		\$	\$
	Depreciation and amortisation	28,144	28,055
	Employee related expenses	718,461	624,799
	Finance, governance and compliance	65,303	48,923
	IT and telecommunications	64,305	31,835
	Occupancy	80,562	72,019
	Office and other operating costs	14,993	25,349
	Partnerships, development and communications	38,876	35,407
	Travel	62,982	54,629
		1,073,626	921,016

Core support expenses, including administration expenses, are funded by Adara Advisors Pty. Limited ("Adara Advisors"), Adara Partners (Australia) Pty. Limited ("Adara Partners") and a small number of other Core Support Partners. This ensures that donations received from other donors are used for Adara programmes in Maternal Newborn Child Health, Remote Community Development, partner organisations, staff on the ground and other programme support including innovation, learning and evaluation activities.

ADARA DEVELOPMENT
NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

7 Cash and cash equivalents

(a) Cash and cash equivalents

	2017	2016
Cash at bank:	\$	\$
Core Support	40,440	32,789
General restricted	157,350	15,066
Maternal Newborn Child Health restricted	154,289	101,059
Remote Community Development restricted	174,835	408,852
Cash on hand	<u>526,914</u>	<u>557,766</u>

(b) Reconciliation of net surplus / (deficit) to net cash flows from operating activities

	2017	2016
	\$	\$
Net (deficit) for the year	(25,165)	(389,670)
Adjustments for non-cash income and expense items:		
Depreciation and amortisation expense	25,002	21,427
(Increase) in other current assets	(11,524)	(64,383)
(Increase) / decrease in trade creditors	(41,813)	6,501
Increase / (decrease) in employee benefits	10,269	(4,463)
(Increase) / decrease in other non-cash expenses	(12,235)	2,848
Net cash used in operating activities	<u>(55,466)</u>	<u>(427,740)</u>

8 Trade and other receivables

	2017	2016
	\$	\$
Other receivables	8,136	7,475
Prepayments	10,645	9,522
Trade receivables	25,970	14,827
	<u>44,751</u>	<u>31,824</u>

ADARA DEVELOPMENT
NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

9 Property, plant and equipment

Office equipment

	2017	2016
	\$	\$
Cost		
At the beginning of the financial year	41,954	38,983
Additions	3,194	20,286
Disposals	(3,120)	(13,886)
Exchange differences	492	(3,429)
At the end of the financial year	42,520	41,954
Accumulated Depreciation		
At the beginning of the financial year	25,182	24,460
Depreciation for the year	9,280	13,676
Disposals, accumulated depreciation	(2,805)	(9,709)
Exchange differences	281	(3,245)
At the end of the financial year	31,938	25,182
Net book value at the end of the financial year	10,582	16,772

Motor vehicles

	2017	2016
	\$	\$
Cost		
At the beginning of the financial year	9,348	9,846
Additions	-	9,350
Disposals	(8,133)	(8,695)
Exchange differences	(149)	(1,153)
At the end of the financial year	1,066	9,348
Accumulated Depreciation		
At the beginning of the financial year	8,463	8,907
Depreciation for the year	213	8,465
Disposals, accumulated depreciation	(8,133)	(7,764)
Exchange differences	(135)	(1,145)
At the end of the financial year	408	8,463
Net book value at the end of the financial year	658	885
Total net book value at the end of the financial year	11,240	17,657

ADARA DEVELOPMENT
NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

10 Intangible assets

Website

	2017	2016
	\$	\$
Cost		
At the beginning of the financial year	19,446	22,026
Additions	968	-
Exchange differences	1,556	(2,580)
At the end of the financial year	21,970	19,446
Accumulated Amortisation		
At the beginning of the financial year	17,643	15,552
Amortisation for the year	2,181	4,617
Exchange differences	1,328	(2,526)
At the end of the financial year	21,152	17,643
Net book value at the end of the financial year	818	1,803

Software

	2017	2016
	\$	\$
Cost		
At the beginning of the financial year	48,250	41,942
Additions	-	7,511
Exchange differences	3,865	(1,203)
At the end of the financial year	52,115	48,250
Accumulated Amortisation		
At the beginning of the financial year	16,415	6,040
Amortisation for the year	13,328	11,275
Exchange differences	1,399	(900)
At the end of the financial year	31,142	16,415
Net book value at the end of the financial year	20,973	31,835
Total net book value at the end of the financial year	21,791	33,638

ADARA DEVELOPMENT
NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

11	Trade and other payables	2017	2016
		\$	\$
	Accrued expenses	27,816	32,751
	Other payables	3,347	19,437
	Trade payables	15,017	35,805
		<u>46,180</u>	<u>87,993</u>
12	Employee benefits	2017	2016
		\$	\$
	Current		
	Annual leave	40,418	26,966
	Other employee accruals	36,145	32,447
	PAYG	6,531	5,826
	Superannuation	3,504	4,829
		<u>86,598</u>	<u>70,068</u>
	Non - current		
	Long service leave	6,256	12,517
		<u>6,256</u>	<u>12,517</u>

13 Related party transactions

(a) Directors' and Trustees' compensation

No amounts are payable by Adara Development entities to the directors or trustees of individual entities in Adara Development. The directors and trustees have given their services to Adara Development without charge.

(b) Transactions with director-related entities

The entities combined in this report form the Adara Development Group, as described in Note 1.

Adara Development is managed and administered by Adara Development (Australia). Adara Development (Australia) in its capacity as manager and administrator determines the projects in respect of which Adara Development is involved and is responsible for general management and operational decision-making in relation to all in-country programmes (including recruiting and managing global staff).

Adara Development received donations from the following related parties:

	2017	2016
	\$	\$
Adara Advisors Pty. Limited cash and in-kind donations	57,249	224,827
Adara Partners (Australia) Pty. Limited cash donations	1,052,558	728,960
	<u>1,109,807</u>	<u>953,787</u>

ADARA DEVELOPMENT

NOTES TO THE COMBINED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2017

13 Related party transactions *(continued)*

(b) Transactions with director-related entities *(continued)*

Adara Advisors Pty. Limited, solely owned by Audette Exel AO, is a financial services business established to be the principal provider of direct and indirect funding to Adara Development for core support costs and support for emergency project costs. Adara Advisors was established in 2007. It is the successor business to the first related party business, established in 1998 in Bermuda.

Adara Partners (Australia) Pty. Limited was established in 2015 to provide direct and indirect funding to Adara Development for core support costs and support for emergency project costs.

As at balance sheet date Adara Advisors Pty. Limited and its predecessor business together with Adara Partners (Australia) Pty. Limited had contributed \$9,980,244 (AUD 12,330,368) in total to Adara Development.

In addition to the donations from Adara Advisors Pty. Limited disclosed above, during the year donations of \$95,316 (2016: 22,077) were received by individual entities in the Adara Development group from members their Board of Directors or Trustees.

(c) Other key management personnel transactions

There were no other transactions between the Group and key management personnel.

14 Key management personnel remuneration

The key management personnel of Adara Development are its directors and trustees.

Adara Development (Australia) Audette Exel AO, Richard Deutsch, Laini Liberman, Richard Alan West, Susan Burns, Ilana Atlas

Adara Development (Bermuda) Audette Exel AO, Edith Conyers, Philippe Max Rouja

Adara Development (UK) Audette Exel AO, Andrew della Casa, Kate Vacher, Richard Houghton

Adara Development (USA) Audette Exel AO, Thomas Dickson, Derek Stapley, Thomas Glynn (resigned on 23 June,2017)

Adara Development (Uganda) Audette Exel AO, Susan Burns, Kenneth Finch

The directors and trustees receive no compensation for their services to the Adara Development Group entities as listed in Note 1.

15 Commitments

(ii) Commitments to Non Government Organisations

During the year Adara Development (Australia), Adara Development (USA), Adara Development (UK), Adara Development (Bermuda) and Adara Development (Uganda) entered into, or were obligated by, agreements with the following Non Government Organisations ("NGOs") in Nepal and Uganda.

The amounts committed to by Adara Development are as follows:

ADARA DEVELOPMENT
NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

15 **Commitments (continued)**

(ii) Commitments to Non Government Organisations (continued)

	Funding committed for January - December 2018	Agreement period from	Agreement period ending
	\$		
Adara Development Nepal - Humla	371,950	1 January 2014	Completion of project
Adara Development Nepal - Adara Kids	140,690	1 January 2014	Completion of project
Hands In Outreach	10,891	1 January 2017	31 December 2018
Himalayan Children's Society	133,960	1 January 2017	31 December 2018
Himalayan Medical Foundation	44,447	1 January 2017	31 December 2018
The Women's Foundation	9,166	1 January 2016	31 December 2018
Kiwoko Hospital	557,990	1 July 2016	31 December 2018

Adara Development reserves the right to refuse funding should any organisation fail to meet all terms and conditions as specified in the related agreements.

Funding commitments for subsequent periods are reviewed and updated on an annual basis.

Pledges have been provided by various donors, or cash is currently available, to provide sufficient funding for the commitments, outlined above, extending to the end of the agreement periods.

(i) Rental lease commitment

The future minimum rental commitments for Adara Development are as follows:

	2017	2016
	\$	\$
Due within 1 year	20,642	32,234
Due between 1 and 5 years	1,720	22,328
	22,362	54,562

16 **Auditors remuneration**

	2017	2016
	\$	\$
Audit services		
KPMG Australia:		
Audit and review of financial reports*	26,192	20,883
Somerbys (UK):		
Audit and review of financial reports	5,079	5,494
Grant Thornton (Uganda):		
Audit and review of financial reports	2,805	2,250
	34,076	28,627

ADARA DEVELOPMENT
NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2017

16 Auditors remuneration (continued)

**KPMG provides pro-bono professional audit services of Adara Development (Australia) and Adara Development (Bermuda), while an audit fee is charged for Adara Development (USA) and Adara Development.*

17 Events after the balance sheet date

In the interval between the end of the financial year and the date of this report, no transaction or event of a material or unusual nature likely to significantly affect the operations of the entity or the state of affairs of the entity in future years occurred.

18 Contingencies

As at 31 December 2017, Adara Development had no material contingent assets or liabilities.

19 Fundraising appeals conducted during the year

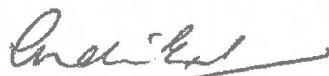
No fundraising appeals have been undertaken during the year.

**ADARA DEVELOPMENT
DIRECTORS' AND TRUSTEES' DECLARATION
FOR THE YEAR ENDED 31 DECEMBER 2017**

In the opinion of the directors and trustees of the entities in Adara Development, which is the combination of the following entities: Adara Development (Australia), Adara Development (Bermuda), Adara Development (UK), Adara Development (Uganda) and Adara Development (USA) (collectively the Group):

- (a) the individual entities listed in Note 1 are registered not-for-profit organisations while Adara Development is not a registered not-for-profit organisation;
- (b) the financial statements and notes that are set out on pages 2 to 19:
 - (i) present fairly the Group's financial position as at 31 December 2017 and its performance for the financial year ended on that date in accordance with the basis of preparation and accounting policies described in Note 2 and 3;
 - (ii) comply with Australian Accounting Standards (including the Australian Interpretations) to the extent described in Note 2;
- (c) there are reasonable grounds to believe that the Group will be able to pay their debts as and when they become due and payable;
- (d) the entities within Adara Development have kept accounting records as to correctly record and explain their transactions and financial position; and
- (e) the entities within Adara Development have kept their accounting records so that a true and fair financial report of Adara Development can be prepared from time to time.

Signed in accordance with a resolution of the directors and trustees:



Audette Exel-AO

Chair

1 May 2018

Dated


City



Independent Auditor's Report

To the Directors and Trustees of Adara Development

Opinion

We have audited the **Combined Financial Report** of Adara Development (*the Group*).

In our opinion, the accompanying Combined Financial Report presents fairly, in all material respects, the financial position of Adara Development as at 31 December 2017, and of its financial performance and its cash flows for the year then ended, in accordance with the accounting policies described in Note 1 to Note 3 to the financial statements.

The **Combined Financial Report** comprises:

- Combined statement of financial position as at 31 December 2017;
- Combined statement of profit or loss and other comprehensive income, Combined statement of changes in equity, and Combined statement of cash flows for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' and Trustees' Declaration.

The **Group** consists of Adara Development (Australia), Adara Development (Bermuda), Adara Development (UK), Adara Development (Uganda) and Adara Development (USA).

Basis for opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Combined Financial Report* section of our report.

We are independent of the Group in accordance with the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the *Combined Financial Report* in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Emphasis of matter – basis of preparation and restriction on use

We draw attention to Notes 1 to 3 to the Combined Financial Report, which describes the special purpose and combination basis of preparation. The Combined Financial Report has been prepared to meet the request of the Directors and Trustees of the entities within the Group to present a combined view of the global not for profit activities conducted by the Group.

As a result, the Combined Financial Report and this Auditor's Report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Our report is intended solely for the Directors and Trustees of the entities in the Group and should not be used by parties other than the Directors and Trustees of the entities in the Group. We disclaim any assumption of responsibility for any reliance on this report, or on the Combined Financial Report



to which it relates, to any person other than the Directors and Trustees of the entities within the Group or for any other purpose than that for which it was prepared.

Our audit report relates to the Combined Financial Report which will be published on the Australian website (www.adaragroup.org) (the website). Management is responsible for the integrity of the website. We have not been engaged to report on the integrity of the website. We also do not opine on any other information which may have been hyperlinked to/from the Combined Financial Report.

Other Information

Other Information is financial and non-financial information in Adara Development's annual reporting which is provided in addition to the Combined Financial Report and the Auditor's Report. The Directors and the Trustees are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors Report.

Our opinion on the Combined Financial Report does not cover the Other Information and, accordingly, we do not express any form of assurance conclusion thereon.

In connection with our audit of the Combined Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Combined Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of Management and Those Charged with Governance for the Combined Financial Report

Management are responsible for:

- the preparation and fair presentation of the Combined Financial Report and have determined that the basis of preparation described in Note 1 to the Combined Financial Report is appropriate to meet the needs of the Directors and the Trustees for the purpose of presenting a combined view of the global not for profit activities conducted by the Group;
- implementing necessary internal control to enable the preparation of Combined Financial Report that is free from material misstatement, whether due to fraud or error; and,
- assessing the Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group and Group's financial reporting process.



Auditor's responsibilities for the audit of the Combined Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Combined Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Combined Financial Report.

A further description of our responsibilities for the audit of the Combined Financial Report is located at the Auditing and Assurance Standards Board website at:

http://www.auasb.gov.au/auditors_files/ar3.pdf. This description forms part of our Auditor's Report.

KPMG

Sydney

1 May 2018