



PERFORMANCE
REPORT
2016

hollows.org.nz



The Fred Hollows
Foundation NZ

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Entity information

Group entity	The Fred Hollows Foundation (NZ)
Nature of business	Registered Charity
Registered office & postal address	100 Carlton Gore Road, Newmarket, Auckland, 1023, New Zealand Private Bag 99909, Newmarket, Auckland, 1149, New Zealand
Telephone	+64 9 304 0524
Charities commission	CC23722
Date of incorporation	19 October 1992
Auditors	BDO Chartered Accountants
Solicitor	DLA Piper New Zealand

Board of Trustees

Craig Fisher (Chair)

Audit Partner, Chairman RSM NZ

Franceska Banga

Chief Executive, New Zealand
Venture Investment Fund Ltd
(resigned November 2016)

Dr Nick Mantell

Ophthalmologist, Eye Institute

Debbie Sorensen DCCT

CEO Pasifika Futures Ltd
Director Health Specialists Ltd

Kath Watson

CEO OMD New Zealand

Sir Maarten Wevers

Former Chief Executive, Department of the Prime Minister and Cabinet

Gordon Sanderson

Associate Professor of Ophthalmology,
Dunedin School of Medicine

Statement of Compliance and Responsibility for the year ended 31 December 2016

The Board accepts responsibility for the preparation of the annual financial statements and the judgements used in these financial statements.

The management (including the Executive Director and others directed by the Board) accepts responsibility for establishing and maintaining a system of internal controls designed to provide reasonable assurance as to the integrity and reliability of the Group's financial reporting.

It is the opinion of the Board and management that the annual financial statements for the financial year ended 31 December 2016 fairly reflects the financial position and operations of the organisation.

The Group's 2016 financial statements are authorised for issue by the Board.

Craig Fisher



Signature of Chair

17/05/2017

Date

Statement of Service Performance



Why do we exist?

Our vision

The Foundation works for a world where no one is needlessly blind or visually impaired.

Our goal

To end avoidable blindness and visual impairment in the Pacific.

Global goals

The Foundation works to support three key global health strategies in relation to eye care:

- The United Nations Sustainable Development Goals;
- The World Health Organisation Global Action Plan for Universal Eye Health 2014-2019;
- The World Health Organisation Global Action Plan for the Prevention and Control of Non-Communicable Diseases 2013-2020.

What do we do?

Our four pillars

The Foundation's work is guided by the following four pillars:



Restore and preserve sight

Cataracts, diabetic retinopathy and refractive error are the main causes of avoidable blindness in the Pacific. The Fred Hollows Foundation NZ works with local ministries of health in Fiji, Papua New Guinea and the Solomon Islands to deliver eye care services in dedicated national eye clinics. Eye care services are also provided via outreach teams in Vanuatu, Tonga, Samoa, and Kiribati.



Train and support workforce

The Pacific Eye Institute, based in Suva, Fiji, trains doctors and nurses from across the Pacific region in ophthalmology and eye care. A strong, locally-led workforce support program continues after graduation to support eye doctors and nurses when they return to work in their home countries.



Strengthen health systems

The Fred Hollows Foundation NZ works to integrate eye care into national primary health care systems, ensuring that everyone has access to quality eye care services. The Foundation also advocates to local ministries of health for the importance of specialised eye care workers and patient information systems, to improve the quality and effectiveness of holistic eye care services.



Innovation and research

The Foundation drives research and innovation to inform best practice eye care in the Pacific and increase local health care systems' understanding of their population's eye health needs. In order to improve eye health access, patient care and surgical procedures, The Foundation is continually investing in new and innovative ways to tackle the specific eye health challenges of Pacific Island nations.

Our programme strategy

The Foundation delivers targeted outputs in accordance with its programme strategy and budget. These outputs are designed to achieve clear short and long term outcomes that will enable The Foundation to achieve its vision. The Foundation maintains strong results management systems to ensure the successful monitoring and evaluation of results against the programme strategy, while also recognising the importance of partnerships and innovative approaches to producing successful results.

The table on the following page summarises the Foundation's strategic results measurement framework and highlights the key outputs and outcomes that are being delivered in order to reduce, and ultimately end, avoidable blindness in the Pacific.

Vision	Long term outcomes	Short term outcomes	Key outputs
End avoidable blindness and visual impairment in the Pacific	Sight restored and preserved.	Eye care services provided.	Ministries of Health supported to deliver eye care services at local hospitals through clinical support, equipment, and infrastructure.
			Outreaches conducted by the Pacific outreach team, the Mobile Eye Clinic team, and national outreach teams.
	Sufficient, skilled and active eye care workforce exists.	Doctors and nurses trained in eye care.	Scholarships provided for doctors and nurses to study post-graduate eye care.
			Post-graduate eye care courses delivered in partnership with local universities.
		Eye care workforce supported.	Continuing professional development workshops held and individual visits to graduates' clinics conducted.
			Graduates provided with equipment, medicines and consumables.
	Local health systems strengthened to provide universal access to quality eye care.	Increased effectiveness of local eye care coordination.	Local eye care coordinators and coordinating bodies are trained and supported.
		Increased national ownership of eye care systems.	Advocacy conducted to encourage the development and national endorsement of quality national eye health plans.
			Technical support provided for drafting national eye health plans and policies.
		Referral systems strengthened.	Basic eye care training provided to primary/ community health nurses/workers.
			Eye health promotion activities conducted.
		Health information systems strengthened.	Integration of eye indicators into national health monitoring systems supported.
			Integration of eye health information systems with national health information systems supported.
	Practice informed by evidence, research and innovation.	Increased understanding of eye health needs.	Research on ways to improve eye care services and access to those services conducted.
		Improved eye health access, responses and interventions.	National prevalence surveys and/or eye care assessments supported.
			New and innovative approaches to eye care services identified, tested and implemented.

What have we achieved in 2016?

The following table provides a summary of key achievements against the Foundation's long and short term outcomes:

Vision	Long term outcomes	Short term outcomes	Key 2016 achievements
End avoidable blindness and visual impairment in the Pacific	Sight restored and preserved.	Eye care services provided.	<ul style="list-style-type: none"> • 82,242 consultations* (9% increase from 2015). • 6,947 surgeries* (12% increase from 2015). • 12,561 pairs of spectacles dispensed*. <p><i>*Includes work conducted in FHFNZ-managed clinics and on FHFNZ-managed outreaches and programmes. Does not include the many more consultations, surgeries, spectacles dispensed and other crucial services provided by FHFNZ-trained eye doctors and nurses working across the Pacific.</i></p> <ul style="list-style-type: none"> • Ministries of Health supported to deliver eye care services in Fiji, Papua New Guinea, Solomon Islands and Timor-Leste. • 50 surgical outreaches conducted across Fiji, Papua New Guinea, Solomon Islands, Timor-Leste, Vanuatu, Samoa, Tonga, Federated States of Micronesia, and Kiribati. • 89 eye health screening outreaches conducted across Fiji, Solomon Islands, Papua New Guinea, and Vanuatu.
	Sufficient, skilled and active eye care workforce exists.	Doctors and nurses trained in eye care.	<ul style="list-style-type: none"> • 24 doctors and nurses awarded postgraduate qualifications in eye care: <ul style="list-style-type: none"> – 3 doctors graduated with a Masters of Medicine in Ophthalmology (3 female); – 12 nurses graduated with a Postgraduate Diploma in Eye Care (9 female; 3 male); – 6 nurses graduated with a Postgraduate Certificate in Diabetic Eye Care (4 female; 2 male); – 2 nurses graduate with a Masters of Community Eye Care (2 female). • All Pacific countries where FHFNZ operates now have ophthalmologists either trained or in training.
		Eye care workforce supported.	<ul style="list-style-type: none"> • 90% of active nurses received mentoring and workforce support in the last two years. • 53 FHFNZ graduates received individual workforce support visits including 47 eye nurses and six ophthalmologists in 2016. • 124 FHFNZ nurse graduates received some form of workforce support through either a clinic visit or continuing professional development workshop in 2016.

Vision	Long term outcomes	Short term outcomes	Key 2016 achievements
End avoidable blindness and visual impairment in the Pacific	Local health systems strengthened to provide universal access to quality eye care.	Increased effectiveness of local eye care coordination.	<ul style="list-style-type: none"> • An Ophthalmic Clinicians Association was formed in Papua New Guinea by eye nurses, for eye nurses. • FHFNZ continues to support the Prevention of Blindness Committee in Papua New Guinea, the most active eye committee in the Pacific. • Diabetic Retinopathy Coordinators have been appointed in Fiji, Solomon Islands and Kiribati to increase coordination and communication between eye care and non-communicable disease services in those countries. • Technical support has been provided to the existing Ministry of Health Eye Coordinators in Fiji, Solomon Islands and Samoa. • An FHFNZ nurse graduate provides eye coordination services to the Ministry of Health in Tonga.
		Increased national ownership of eye care systems.	<ul style="list-style-type: none"> • Eye health has been integrated into the Solomon Islands National Health Strategic Plan, a first for the Pacific. • A National Eye Health Strategy for Timor-Leste was finalised. • 77% of staff at the Regional Eye Centre in Solomon Islands are employed by the Solomon Islands' Government. • FHFNZ continues to work with Ministries of Health across the Pacific to increase national ownership of eye care programmes. • Fijian eye nurses trained by FHFNZ through Fiji National University have been recognised by the Fiji Nursing Council as specialists in their field. • 2 FHFNZ graduates have been appointed as lecturers to deliver the eye nurse curriculum at Fiji National University.
		Referral systems strengthened.	<ul style="list-style-type: none"> • 20 eye nurses trained to deliver Primary Eye Care courses to community health workers and nurses in Timor-Leste. These courses strengthen referral systems by educating community health nurses/workers on how to recognise and refer basic eye conditions. • 371 community health nurses/workers trained to recognise and refer cases of basic eye disease and/or diabetic retinopathy.
		Health information systems strengthened.	<ul style="list-style-type: none"> • Eye module developed to incorporate eye data into national health information systems in the Pacific.
	Practice informed by evidence, research and innovation.	Increased understanding of eye health needs.	<ul style="list-style-type: none"> • Rapid Assessments of Avoidable Blindness began in Papua New Guinea in collaboration with The National Department of Health and other stakeholders to better understand the prevalence of avoidable blindness across the country.
		Improved eye health access, responses and interventions.	<ul style="list-style-type: none"> • A comprehensive review of FHFNZ-supported research over the last ten years was conducted in order to inform the Foundation's new research strategy (to be implemented in 2017).



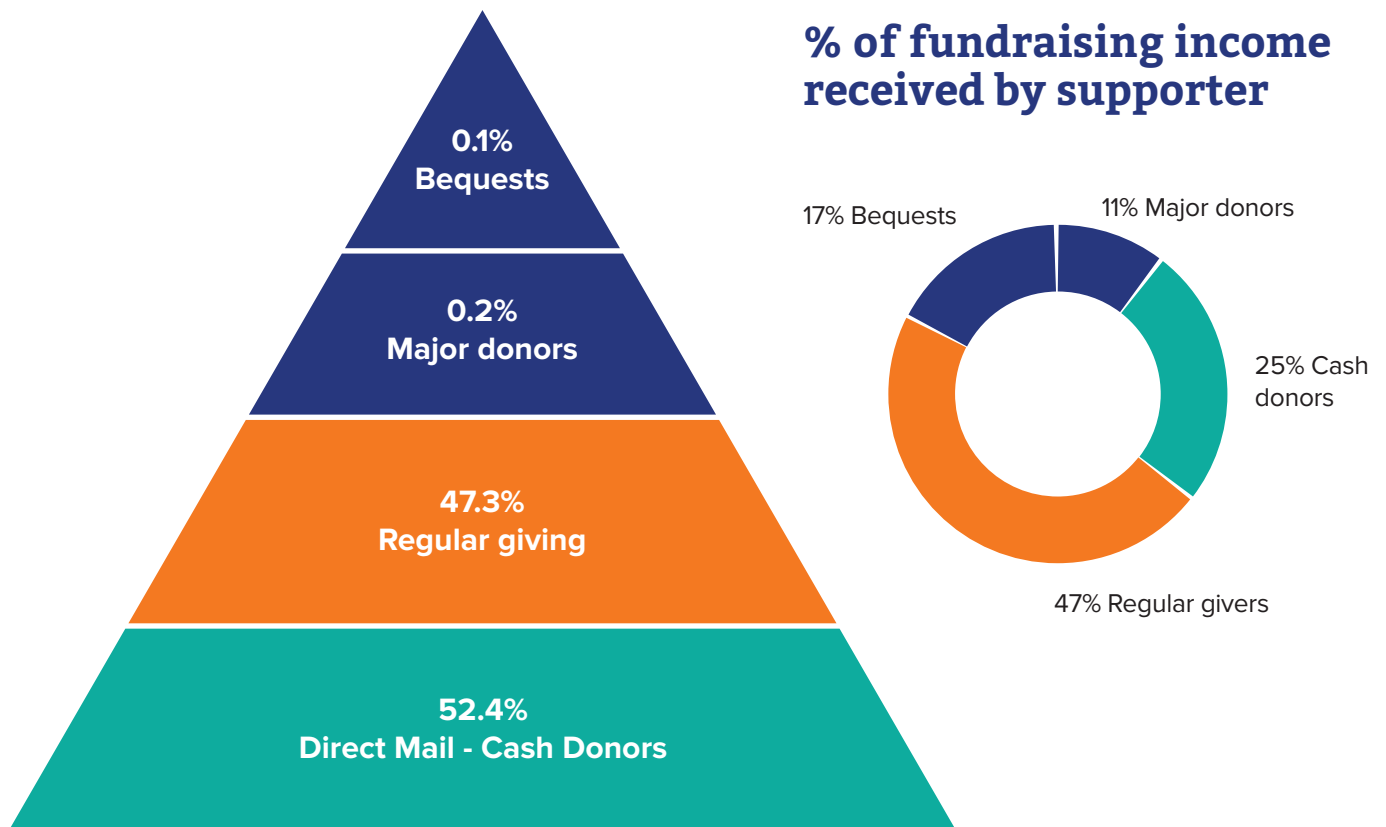
Mainstreaming crosscutting issues

The Fred Hollows Foundation NZ firmly believes that development organisations are better able to achieve their goals when they work collaboratively to address crosscutting issues like environmental sustainability and gender equality. The Foundation therefore actively seeks to conduct its activities in accordance with key global development strategies, such as the United Nations Sustainable Development Goals, and to maintain robust policies in relation to child protection; gender equality; anti-corruption and anti-fraud; environment; sustainable and ethical procurement; and counter-terrorism.

The aim is not only to ensure that the Foundation's programmes are helping those who need it most, but also that the Foundation maximises its positive impacts and mitigates against any unintended negative consequences in the communities where it works. A practical example of this philosophy is the Regional Eye Centre in the Solomon Islands. Not only does the centre provide sight-saving surgeries and treatments, it also runs 'off-the-grid', dramatically reducing the Foundation's carbon footprint and water use in the country. An environmentally sustainable approach to programme design is critical in the Pacific Islands, where the consequences of climate change are likely to be increasingly severe over the coming years.

A key practical component of the Foundation's cross-cutting policies is the collection and analysis of relevant data. For example, the Foundation maintains and reports anonymised clinical data disaggregated by age and gender where appropriate, and seeks to continually use this data to inform its programme strategy.

Foundation supporters and how they choose to donate

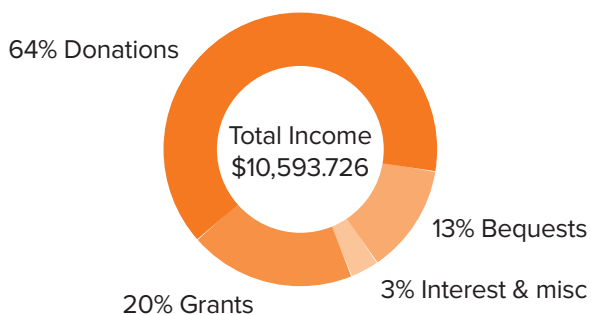


Main sources of entity's cash and resources

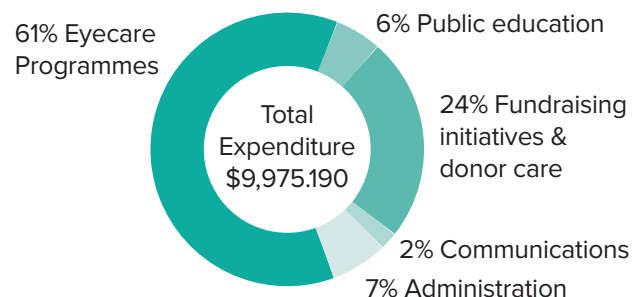
The Fred Hollows Foundation NZ has three key sources of income:

- Development partners and institutional donors which include The New Zealand Ministry of Foreign Affairs & Trade (MFAT), World Diabetes Foundation, The Queen Elizabeth Diamond Jubilee Trust, Light for the World, Counties Manukau District Health Board and The Fred Hollows Foundation [Australia];
- Corporate Supporters which include Mercy Hospital Dunedin, Ricoh, The Big Toe Foundation and Specsavers;
- Individual donors, trusts & foundations and community groups.

Where the money came from



Where the money went



What inspires our team?

- Ophthalmologist and outreach team leader, Dr Mundi Qalo, loves his job. On a typical day he and his team restore sight to as many as 35 people, not stopping until the very last person in the queue has been seen. And his reward is priceless. “Even if I work until late at night, I know that tomorrow I will have the reward of seeing families hugging, smiling and crying with joy.”
- Savelina Veamatahau is a nurse practitioner who graduated from the Pacific Eye Institute in 2010 with a Post Graduate Certificate in Diabetes Eye Care. “I enjoy everything about eye care – it’s great being able to concentrate on just one area and really doing it well. The most important part is that for those with blindness, they get the operation they need to improve. It makes me feel good.”
- “Giving someone back their sight is an unbelievable experience and I never tire of it. It feels pretty special, improving people’s lives. And often I see patients who have been blind for many years, and it’s a thrill restoring their sight to them.” Dr Claude Posala graduated from the Pacific Eye Institute in 2012 and was one of the first trained eye doctors to return to his home country, Solomon Islands.
- Dr Nola Pikacha is from the Solomon Islands and graduated from the Pacific Eye Institute in 2013. She’s the first female ophthalmologist for the country. “When the patch comes off, patients smile and look around. Sometimes I don’t speak to them, I just put my hand out and they shake it. You can see on their faces how grateful they are.”
- Dr John Szetu is the Programme Medical Director based in Honiara, Solomon Islands. “Restoring sight has so many good impacts on the economy of a country and the standard of living. I think what has been achieved has been great and I am very proud to be a part of that.”
- Eye Nurse Basil Aitip graduated with a Post Graduate Certificate in Diabetes Eye Care from the Pacific Eye Institute in 2015. “Helping people see again is what motivates me. No matter what the government does, I can see the result of my efforts. It’s a continuous development process for me. We learn new skills and techniques, not only for myself but for other team members. Sometimes it’s so hard I want to give up, but then I see someone get their sight back and it’s all worthwhile. I’ll always be an eye nurse. My training at the Pacific Eye Institute was so good and made me such a good nurse. I am lucky to have had the training.”
- In 2015, Dr Padwick Gallen was the first eye doctor from the Federated States of Micronesia to graduate from the Pacific Eye Institute. “Cataract surgery is such a rewarding operation. You operate today, and they can see tomorrow. The patients are so happy. They can see their children or grandchildren or great grandchildren again, and that is very inspiring.”

Thank you

The Group is extremely fortunate to enjoy the support of many wonderful individuals who donate to our fundraising appeals, make one-off donations or contribute to our regular giving programme. We are also grateful to the many individuals, trusts and foundations that contribute generously through donations and to the amazing people who have made a lasting impact by remembering The Fred Hollows Foundation NZ in their Will. We also give thanks to our community supporters who have hosted a variety of fundraising activities.

Executive Summary

Framework

The finance report reflects operations during the financial year ended 31 December 2016. The organisation is required to report under the newly released Public Benefit Entity Accounting Standards, Reduced Disclosure Regime (PBE Standards RDR) as a Tier 2 entity (having expenses greater than \$2 million and less than \$30 million), with specific notes and disclosures required.

Results

The 2016 financial year resulted in a surplus of \$529k against a budgeted deficit of \$458k, comprised the following:

Income

- Community & Corporate Support Income of \$8.2m from donations and bequests was ahead of budget by \$1.2m due to several large one-off bequests which were well in excess of historical averages.
- Grants of \$2.1m from Ministry of Foreign Affairs & Trade and other domestic and international Non-Government Organisations and Foundations were \$152k below budget.
- Income from interest, sale of goods & services (such as spectacles and patient fees) and other income of \$314k was above budget by \$149k.

Expenditure

- Administration costs of \$677k were over budget by \$40k with increased staffing requirements within FHFNZ.
- Community & Corporate Support costs (which includes Fundraising, Public Education & Communication expenses) of \$3.2m were \$841k under budget due to reduced acquisition initiatives.
- Programme costs of \$6.1m were \$770k under budget due to reduced costs in providing services across the regions.

Key facts

Total revenue of \$10.6 million, was 9.3% less than the 2015 revenue of \$11.6 million. Key facts are as follows:

- Bequests revenue showed an increase of \$833k over last year due to several significant unexpected bequests;
- Donations from individuals and corporates (excluding Bequests) showed an increase of \$867k over last year due to higher than anticipated revenues from successful campaigns such as Miracle Club, Face to Face and Tele fundraising;
- Grant income was \$2.7 million less than last year:
 - MFAT grant down by \$1.9 million on last year. In 2015, MFAT provided funding of \$1.3m specifically for the Honiara Regional Eye Clinic in Solomon Islands and \$1.9m for the Pacific Regional Blindness Prevention Programme. In 2016, MFAT provided funding of \$1.3m for the new 5 year Strengthening Pacific Eye Care Systems project;
 - Fred Hollows Foundation Australia grant was down by \$908k over last year as the 2015 funding was for the Timor-Leste eye clinic management which was completed in 2015;
 - Total Grant income received for the current year was primarily from Ministry of Foreign Affairs & Trade \$1.3 million, The Queen Elizabeth Diamond Jubilee Trust \$657k, World Diabetes Foundation \$114k.

Total expenditure of \$10 million, was 19.5% less than 2015 expenditure of \$12.4 million. Key components are as follows:

- Fundraising costs were \$118k less than last year due to reduced acquisition initiatives;
- Administration costs were \$41k more than last year. This includes increased costs for Auckland based office, staffing and facilities;
- Programme costs were \$2.3 million less than last year due to the completion of the Timor-Leste programme in 2015;
- The 2015 year included the expenditure associated with the construction of the Regional Eye Centre in Honiara.

Ratios

Cash reserves provides a coverage at 2.2 times the amount of our liabilities and our liquidity ratio is 2.7. FHFNZ is capable of meeting its obligations.

Statement of Comprehensive Revenue and Expenses

for the year ended 31 December 2016

	Note	2016	2015
Revenue			
Revenue from Non-Exchange Transactions	6	10,424,901	11,522,226
Revenue from Exchange Transactions	7	168,824	163,739
Total Revenue		\$10,593,726	\$11,685,965
Less Cost of Goods Sold			
Cost of Spectacles & Medical Supplies – Exchange Transactions		89,423	62,630
Total Cost of Goods Sold		\$89,423	\$62,630
Gross Surplus		\$10,504,303	\$11,623,336
Less Expenses			
Programme Expenses	8	6,093,435	8,429,253
Grants, Community & Corporate Support Expenses	9	3,204,329	3,321,922
Administration Expenses	10	677,426	636,584
Total Expenses		\$9,975,190	\$12,387,758
Total Surplus/(Deficit) for the Year		\$529,113	(\$764,424)
Other Comprehensive Revenue & Expenses		-	-
Total Consolidated Comprehensive Revenue & Expenses for the Year		\$529,113	(\$764,424)

Statement of Changes in Net Assets

for the year ended 31 December 2016

	Total Net Assets
Opening Balance 1 January 2015	4,637,598
Total Comprehensive Revenue & Expenses for the Year	(764,424)
Foreign Currency Translation Reserve	(1,611)
Closing Net Assets 31 December 2015	\$3,871,564
Opening Balance 1 January 2016	3,871,564
Total Comprehensive Revenue & Expenses for the Year	529,113
Foreign Currency Translation Reserve	(15,494)
Closing Net Assets 31 December 2016	\$4,385,183

Statement of Financial Position

for the year ended 31 December 2016

	Note	2016	2015
Current Assets			
Cash & Cash Equivalents	13	3,713,423	1,993,749
Investments	14	1,191,500	1,208,722
Prepayments from Exchange Transactions		164,688	109,821
GST Receivable		151,502	167,734
Inventory and Goods in Transit	15	432,444	171,404
Accounts Receivable from Exchange Transactions		2,546	-
Accounts Receivable from Non-Exchange Transactions		263,851	8,983
Total Current Assets		\$5,919,953	\$3,660,414
Non-Current Assets			
Property, Plant & Equipment	16	687,011	1,030,375
Total Non-Current Assets		\$687,011	\$1,030,375
Total Assets		\$6,606,964	\$4,690,790
Current Liabilities			
Trade Payables from Exchange Transactions		408,514	270,133
Other Payables & Accruals		254,971	148,358
Deferred Revenue from Non-Exchange Transactions	17	1,440,189	107,522
Employee Entitlements	20	118,108	156,679
Total Current Liabilities		\$2,221,781	\$682,692
Non-Current Liabilities			
Deferred Revenue from Non-Exchange Transactions	17	-	136,534
Total Non-Current Liabilities		-	\$136,534
Total Liabilities		\$2,221,781	\$819,226
Net Assets		\$4,385,183	\$3,871,564
Equity			
Accumulated Comprehensive Revenue & Expenses		4,385,183	3,871,564
Total Equity Attributable to Controlling Entity		\$4,385,183	\$3,871,564

Statement of Cashflows

for the year ended 31 December 2016

	Note	2016	2015
Cash Flow from Operating Activities			
Receipts from Non-Exchange Transactions		11,366,167	10,838,357
Receipts from Exchange Transactions		166,278	163,739
Payments to Suppliers & Employees		(10,174,097)	(11,803,819)
Net GST Received		16,233	17,998
Net Cash Flow from Operating Activities		\$1,374,582	(\$783,724)
Cash Flow from Investing Activities			
Purchase of Property, Plant & Equipment		(62,036)	(1,038,321)
Proceeds from Disposal of Property, Plant & Equipment		405,400	468,184
Movement in Investments		17,222	(9,179)
Net Cash Flow from Investing Activities		\$360,586	(\$579,316)
Foreign Currency Translation Reserve		(15,494)	(1,611)
Net Increase/(Decrease) in Cash Held		\$1,719,674	(\$1,364,651)
Cash at Beginning of Year		\$1,993,749	\$3,358,400
Cash at End of Year		\$3,713,423	\$1,993,749

Notes to the Accounts

for the year ended 31 December 2016

1. Reporting Entity

The Fred Hollows Foundation (NZ) (hereon referred to as 'FHFNZ') is a charitable trust incorporated under the Charitable Trusts Act 1957 and is a registered charity under the Charities Act 2005 (CC23722). FHFNZ is incorporated in New Zealand and is a Public Benefit Entity ('PBE') for the purpose of financial reporting in accordance with the Financial Reporting Act (2013).

FHFNZ and its subsidiary, The Fred Hollows Foundation NZ Pacific Eye Institute Limited (hereon referred to as 'FHFNZ-PEI') comprises 'the Group' within these consolidated financial statements. FHFNZ-PEI was incorporated as a Company limited by guarantee and not having a share capital in May 2009 under the Fiji Companies Act, 1983. The Company is incorporated and domiciled in the Republic of the Fiji Islands. The composition of the members and directors of FHFNZ-PEI have been set up by FHFNZ in order for FHFNZ to have control over FHFNZ-PEI. Accordingly FHFNZ-PEI is considered a subsidiary.

The Group exists to eliminate avoidable blindness primarily through providing eye health services and training eye health workers. The areas of operation for the Group is the Pacific Islands, Papua New Guinea and Timor-Leste.

These financial statements were authorised for issue by the Board on the date indicated on Page 3.

2. Effect of First-Time Adoption of PBE Standards on Accounting Policies and Disclosures

This is the first set of financial statements of FHFNZ that is presented in accordance with PBE standards having previously reported in accordance with NZ IFRS (PBE).

The accounting policies adopted in these financial statements are consistent with those of the previous financial year, except for instances when the accounting or reporting requirements of a PBE standard are different to requirements under NZ IFRS (PBE) which are as outlined below:

PBE IPSAS 1: Presentation of financial statements

There are minor differences between PBE IPSAS 1 and the equivalent NZ IFRS (PBE) standard. These differences have an effect on disclosure only. The main changes in disclosure resulting from the application of PBE IPSAS 1 are as follows:

Receivables from Exchange and Non-Exchange Transactions:

In the financial statements of the previous financial year, receivables were presented as a single total in the statement of financial position. However, PBE IPSAS 1 requires receivables from non-exchange transactions and receivables from exchange transactions to be presented separately in the statement of financial position. This requirement affected the presentation of both current and comparative receivable figures.

PBE IPSAS 2: Classification of cash and cash equivalents

Under PBE Standards, cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Term Deposits with a maturity date of three months or more were reallocated to "Investments" from "Cash and Cash Equivalents".

PBE IPSAS 2: Cashflow statements

A statement of cashflows has been prepared.

Notes to the Accounts

for the year ended 31 December 2016 *(continued)*

PBE IPSAS 23 - Revenue from non-exchange transactions

PBE IPSAS 23 prescribes the financial reporting requirements for revenue arising from non-exchange transactions. There is no equivalent financial reporting standard under NZ IFRS. The application of this standard affected the Group's accounting for funding and grants revenue.

In the previous financial year, grants received in relation to the provision of a service were recognised as revenue on the percentage of completion basis. However, PBE IPSAS 23 requires revenue from non-exchange transactions, such as grants, to be recognised as revenue as they are received, unless the grant meets the definition of and recognition criteria for a liability.

Non-exchange revenue from grants can only be deferred and recognised as a liability if there is a condition attached to the grant that requires an entity to use the grant as specified or return the grant if the entity does not perform as specified.

This requirement affected the presentation of both current and comparative revenue figures.

3. Basis of Preparation

3.1 Measurement basis

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

3.2 Statement of compliance

The consolidated financial statements have been prepared in accordance with New Zealand Generally Accepted Accounting Practice ("NZ GAAP"). The Group is a public benefit entity for the purpose of financial reporting and complies with the Public Benefit Entity Accounting Standards Reduced Disclosure Regime ("PBE Standards RDR") as appropriate for Tier 2 not-for-profit public benefit entities as it does not have public accountability and is not large (i.e.: does not have total expenses over \$30 million). All reduced disclosure regime exemptions have been adopted.

3.3 Functional & presentation currency

The consolidated financial statements are presented in New Zealand dollars (\$) which is the controlling entity's functional and Group's presentation currency, rounded to the nearest dollar.

There has been no change in the functional currency of the Group or any significant foreign operations of the Group during the year.

3.4 Basis of consolidation

Controlled Entities

Controlled entities are entities controlled by the Group, being where the Group has power to govern the financial and operating policies of another entity so as to benefit from that entity's activities. The financial statements of the Group's controlled entities, namely FHFNZ - PEI, are included in the consolidated financial statements.

Transactions Eliminated on Consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

Notes to the Accounts

for the year ended 31 December 2016 *(continued)*

Foreign Currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the exchange rate at that date. Exchange differences on foreign currency balances are recognised in the consolidated statement of comprehensive revenue and expenses.

Assets and liabilities of the subsidiary are translated at balance date at the closing rate. Revenue and expense items are translated at a weighted average of exchange rates over the financial period, as a surrogate for the spot rates at transaction dates. Exchange rate differences arising from these transactions are taken to the foreign currency translation reserve and recognised in the consolidated statement of changes in net assets.

4. Significant Judgements and Estimates

In the preparation of the Group's consolidated financial statements, management has made the following judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from those estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements that have had the most significant effects on the amounts recognised in the consolidated financial statements:

Operating Lease Commitments

The Group has entered into leases for offices, office equipment and residential apartments. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a substantial portion of the economic life of the equipment, that it does not retain all the significant risks and rewards of ownership of this equipment and accounts for the contracts as operating leases.

Assumptions and estimation uncertainties

The key assumptions concerning the future and other key sources of estimation at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Useful Lives and Residual Values

The useful lives and residual values of assets are assessed using the following indicators to inform potential future use and value from disposal:

- The condition of the asset;
- The nature of the asset, its susceptibility and adaptability to changes in technology and processes;
- The nature of the processes and the location in which the asset is deployed;
- Availability of funding to replace the asset;
- Changes in the market in relation to the asset.

Notes to the Accounts

for the year ended 31 December 2016 *(continued)*

Changes in Accounting Estimates

There have been no changes in accounting estimates for the current reporting period.

5. Significant Accounting Policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements and have been applied consistently by the Group, except as explained in Note 2, which addresses changes in accounting policies. Certain comparative amounts in the statement of comprehensive revenue and expenses have been reclassified and or represented as a result of changes in accounting policies.

5.1 Revenue

Revenue is recognised to the extent that it is probable that the economic benefit will flow to the Group and revenue can be reliably measured. Revenue is measured at the fair value of consideration received. The following specific recognition criteria must be met before revenue is recognised.

Revenue from Non-Exchange Transactions

Non-exchange transactions are those where the Group receives an inflow of resources (i.e. cash and other tangible or intangible items) but provides no (or nominal) direct consideration in return.

Donations

Revenue includes one off and regular donations and bequests from individuals, trusts, foundations and corporate entities. Donations from non-exchange revenue is recognised at the point at which cash is received.

Grants

Grants are recognised as income when it becomes receivable unless there is a liability to repay the grant if the requirements of the grant are not fulfilled. A liability is recognised to the extent that such conditions are unfulfilled at the end of the reporting period.

Bequests

Bequests are recognised in the statement of financial performance when they are received.

Other income

Revenue includes interest income and other one-off items. Interest revenue is accrued on a time basis, using the effective interest method. Other revenue is recognised when the cash is received.

As there are no conditions attached to the revenue, the funds are recognised in revenue immediately upon receipt.

Revenue from Exchange Transactions

Spectacle Sales

Revenue includes sales of spectacles, as and when required by the local Ministry of Health and is recognised at the point at which cash is received.

Notes to the Accounts

for the year ended 31 December 2016 *(continued)*

Patient fees

Revenue includes fees paid by patients, as and when required by the local Ministry of Health in exchange for services performed at the Group's clinics and is recognised at the point at which cash is received.

Resource local hospitals

Revenue includes sale of medical consumables to local hospitals, as and when required by the local Ministry of Health and is recognised at the point at which cash is received.

Other revenue

Revenue primarily comprises a payment by the Government of the Federated States of Micronesia for an outreach programme delivered in the current year. Revenue is recognised at the point at which cash is received.

5.2 Financial instruments

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the financial instrument.

Financial Assets

Financial assets within the scope of NFP PBE IPSAS 29 Financial Instruments: Recognition and Measurement are classified as financial assets at fair value through surplus or deficit, loans and receivables, held-to-maturity investments or available-for-sale financial assets.

The classifications of the financial assets are determined at initial recognition.

The categorisation determines subsequent measurement and whether any resulting income and expense is recognised in surplus or deficit or in other comprehensive revenue and expenses.

The Group's financial assets are classified as either financial assets at fair value through surplus or deficit, or loans and receivables.

The Group's financial assets include: cash and cash equivalents, short-term investments, receivables from non-exchange transactions, receivables from exchange transactions.

Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial recognition, these are measured at amortised cost using the effective interest method, less any allowance for impairment. The Group's cash and cash equivalents, short-term investments, receivables from non-exchange transactions and receivables from exchange transactions fall into this category of financial instruments.

Financial Liabilities

Financial liabilities include trade and other creditors (excluding GST and PAYE), employee entitlements, loans and borrowings and deferred income (in respect to grants whose conditions are yet to be complied with).

All financial liabilities are initially recognised at fair value (plus transaction costs for financial liabilities not at fair value through surplus or deficit) and are measured subsequently at amortised cost using the effective interest method except for financial liabilities at fair value through surplus or deficit.

5.3 Cash & cash equivalents

Cash & cash equivalents are short term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

Notes to the Accounts

for the year ended 31 December 2016 (*continued*)

5.4 Investments

Short term investments comprise term deposits which have a term of greater than three months and therefore do not fall into the category of cash and cash equivalents.

5.5 Inventory and goods in transit

Inventory comprises medical supplies and spectacles and is recognised at the lower of cost and net realisable value. The cost includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition.

Goods in Transit comprise inventory and Property, Plant & Equipment for which payment has been made in advance but which the risks and rewards of ownership have passed from the supplier to the purchaser.

5.6 Property plant & equipment

Plant & equipment are measured at cost less accumulated depreciation and impairment loss. When the asset is acquired through a non-exchange transaction, the cost is measured at its fair value at date of acquisition.

Depreciation is charged on a straight line basis over the useful life of the asset.

Computer Equipment	20% - 40%
Office Equipment and Furniture & Fittings	8.5% - 30%
Leasehold Improvements	16.66%
Medical Equipment	20% - 30%
Motor Vehicles	20% - 30%

Depreciation methods, useful lives, and residual values are reviewed at reporting date and adjusted if appropriate. The current year's annual review revealed some assets which have no future economic benefit. These assets have therefore been derecognised. Gains and losses on disposal of assets are taken into account in determining the operating result for the year.

5.7 Leases

Payments on operating lease agreements, where the lessor retains all of the risks and rewards of ownership of an asset, are recognised on a straight line basis over the lease term.

5.8 Trade payables

Trade payables are carried at amortised cost and due to their short term nature, they are not discounted. They represent liabilities for goods and services provided prior to the end of the financial year that are unpaid and when an obligation arises to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 to 60 days of recognition.

5.9 Accrued expenses

A liability is accrued for expenses incurred in the period estimated at the future cash outflows for the goods and services provided and yet to be billed.

Notes to the Accounts

for the year ended 31 December 2016 *(continued)*

5.10 Deferred revenue

Deferred Revenue is made up of grant and/or donation income tied to a specific purpose where there is a requirement to repay funds if that purpose is not met. A liability is recognised to the extent that such conditions are unfulfilled at the end of the reporting period. In the subsidiary, long term deferred revenue arises from funding received for the purchase of plant and equipment. Such donations and funding are treated as deferred income until such time the assets are acquired.

5.11 Employee benefits

Liabilities for salaries, annual leave and sick leave are recognised in surplus or deficit during the period in which the employee provided the related services. Liabilities are measured at the amounts expected to be paid when the liabilities are settled.

Employees of the Group become eligible for long service leave after a certain number of years of employment, depending on their contract. The liability for long service leave is recognised and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

5.12 Income tax

Due to its charitable nature, the Group is exempt from income tax.

5.13 Goods & Services Tax

Revenues, expenses and assets are recognised net of the amount of GST except for receivables and payables, which are stated with the amount of GST included.

The net amount of GST recoverable from or payable to the Inland Revenue Department is included as part of receivables or payables in the statement of financial position.

5.14 Impairment of non-financial assets

A financial asset not subsequently measured at fair value through surplus or deficit is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset, and that the loss event(s) had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a counterparty, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a counterparty or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, economic conditions that correlate with defaults or the disappearance of an active market for a security.

5.15 Equity

Equity is the community's interest in the Group, measured as the difference between total assets and total liabilities. Equity is made up of accumulated comprehensive revenue and expense.

Accumulated comprehensive revenue and expense is the Group's accumulated surplus or deficit since its formation, adjusted for transfers to/from specific reserves.

Notes to the Accounts

for the year ended 31 December 2016 (continued)

6. Revenue from Non-Exchange Transactions

	2016	2015
Community & Corporate Support		
Bequests	1,398,120	565,364
Donations > \$10,000	700,920	529,760
Corporate donations	54,493	56,295
Other donations < \$10,000	6,040,955	5,343,554
Total Community & Corporate Support Revenue	\$8,194,488	\$6,494,973
Grants		
Ministry of Foreign Affairs & Trade	1,303,560	3,198,033
The Queen Elizabeth Diamond Jubilee Trust	656,880	358,175
Fred Hollows Foundation Australia *	(162,297)	1,033,352
World Diabetes Foundation	113,839	101,687
Counties Manukau District Health Board	20,000	-
Other grants	153,395	97,437
Total Grants Revenue	\$2,085,376	\$4,788,683
Other		
Interest income	86,350	128,434
Other income	58,687	110,136
Total Other Revenue	\$145,037	\$238,570
Total Revenue from Non-Exchange Transactions	\$10,424,901	\$11,522,226

* Grants from Fred Hollows Foundation Australia (FHFA) for the current year were reduced by \$162k to reflect the underutilised funds received in 2015 for Timor-Leste which are required to be returned to FHFA. These are included in Other Payables and Accruals.

Notes to the Accounts

for the year ended 31 December 2016 (continued)

7. Revenue from Exchange Transactions

	2016	2015
Spectacle Sales	85,719	38,435
Patient Fees	5,334	9,423
Resource Local Hospitals	26,158	30,076
Other	51,614	85,804
Total Revenue from Exchange Transactions	\$168,824	\$163,739

8. Programme Expenses

	2016	2015
FHFNZ-PEI	2,708,174	2,879,235
Papua New Guinea	1,090,849	1,170,257
Timor Leste	139,382	1,176,001
Solomon Islands	573,431	557,350
Other	1,581,599	2,646,410
Total Programme Expenses	\$6,093,435	\$8,429,253

The FHFNZ eye care programmes restore sight through outreach and clinical service provision, including training of eye care workers, management support of eye care programmes and purchasing equipment for regional clinics. Any assets purchased for the establishment of FHFNZ programmes in the region are recorded as an expense in the year incurred as it is unlikely that these assets would ever be returned to FHFNZ with the exception of assets specifically purchased for use by FHFNZ-PEI. Any assets which are donated to the clinics and over which FHFNZ retains no ownership rights, are also recorded as an expense in the year of the donation.

9. Grants, Community & Corporate Support Expenses

	2016	2015
Fundraising	2,426,940	2,322,727
Public education	573,893	760,537
Communications	203,496	238,658
Total Grants, Community & Corporate Support Expenses	\$3,204,329	\$3,321,922

Notes to the Accounts

for the year ended 31 December 2016 (continued)

10. Administration Expenses

	2016	2015
Leasing & rental charges	123,188	119,155
Depreciation	20,869	28,848
Employee remuneration	264,124	244,707
Other operating expenses	269,245	243,874
Total Administration Expenses	\$677,426	\$636,584

Administration expenses comprise the expenses incurred in New Zealand only.

11. Auditors Remuneration

BDO Auckland and BDO Fiji Audit provide audit services to the Group on a fee basis. The total amount recognised as an audit expense is \$54,484 (2015: \$28,624). Non audit services were also provided by BDO Auckland in the current year.

12. Financial Assets Classified as Receivables

The Group considers evidence of impairment for financial assets measured at amortised cost at both a specific asset and collective level.

All individually significant assets are assessed for specific impairment. Those found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified.

Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics. In assessing collective impairment the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends. An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in surplus or deficit and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When an event occurring after the impairment was recognised causes the amount of impairment loss to decrease, the decrease in impairment loss is reversed through surplus or deficit.

Notes to the Accounts

for the year ended 31 December 2016 *(continued)*

13. Cash & Cash Equivalents

	2016	2015
Regions operating accounts	275,052	76,362
FHFNZ operating accounts	3,437,944	1,917,045
Petty cash	427	342
Total Cash & Cash Equivalents	\$3,713,423	\$1,993,749

14. Investments

	2016	2015
Term deposit accounts	1,191,500	1,208,722
Total Investments	\$1,191,500	\$1,208,722

15. Inventory & Goods in Transit

	2016	2015
Inventory	224,686	171,404
Goods in transit	207,758	-
Total Inventory & Goods in Transit	\$432,444	\$171,404

Notes to the Accounts

for the year ended 31 December 2016 (continued)

16. Property, Plant & Equipment

2016	Cost	Accumulated Depreciation	Net Book Value 2016
Computer equipment	75,989	(30,458)	45,531
Furniture & fittings	45,647	(14,883)	30,764
Leasehold improvements	95,472	(87,339)	8,133
Medical equipment	396,716	(287,147)	109,569
Motor vehicles	896,446	(414,296)	482,151
Office equipment	14,416	(3,552)	10,863
Total Property, Plant & Equipment	\$1,524,686	(\$837,676)	\$687,011

2015 (restated)	Cost	Accumulated Depreciation	Net Book Value 2015
Computer equipment	222,102	(164,873)	57,229
Furniture & fittings	68,794	(36,258)	32,536
Leasehold improvements	102,225	(89,778)	12,447
Medical equipment	946,043	(738,406)	207,636
Motor vehicles	989,866	(280,613)	709,252
Office equipment	46,410	(35,135)	11,274
Total Property, Plant & Equipment	\$2,375,438	(\$1,345,063)	\$1,030,375

Reconciliation of the Carrying Amount at the Beginning and end of the Period	2016	2015
Opening net book value	1,030,375	460,238
Additions	62,036	1,038,321
Disposals	(26,458)	(51,753)
Depreciation	(378,942)	(416,431)
Closing Net Book Value	\$687,011	\$1,030,375

Notes to the Accounts

for the year ended 31 December 2016 (continued)

17. Deferred Revenue

	2016	2015
Ministry of Foreign Affairs & Trade – Tied Funds	1,109,486	-
The Queen Elizabeth Diamond Jubilee Trust – Tied Funds	145,807	-
World Diabetes Foundation – Tied Funds	61,636	-
Fiji Water Foundation – Tied Funds for Prime Mover	102,366	107,522
Deferred Funding Assets – FHFNZ - PEI	20,894	136,534
Total Deferred Revenue	\$1,440,189	\$244,056

This is Reflected in the Statement of Financial Position as:	2016	2015
Current Liabilities (Deferred Revenue)	1,440,189	107,522
Non-Current Liabilities (Deferred Revenue)	-	136,534
Total Deferred Revenue	\$1,440,189	\$244,056

18. Leases

As at the reporting date, the Board of Trustees has entered into non-cancellable operating leases in respect of the organisation's leased office rental, office equipment and residential apartments.

FHFNZ operates from leased offices at Tower B, Level 6, 100 Carlton Gore Road, Newmarket, Auckland. In 2008 the lease for these offices was signed for a period of six years with the right of renewal. This was exercised a year early in 2013 with the current lease terminating on 31 October 2017.

FNFNZ leases a photocopier from Ricoh Finance. The lease expires in October 2017. A computer server and several items of computer hardware are leased from Premium Capital. These leases expire between January 2018 and March 2020.

FHFNZ-PEI leases a small number of residential apartment properties in Fiji which are used to provide accommodation for some employees. These leases expire between October 2017 and December 2018.

	2016	2015
No longer than one year	244,867	339,465
Later than one year but not longer than five years	219,720	147,606
Total Lease	\$464,587	\$487,071

Notes to the Accounts

for the year ended 31 December 2016 (continued)

19. Categories of Financial Assets and Liabilities

The carrying amount of financial instruments presented in the statement of financial position relate to the following categories of current assets and liabilities.

	2016	2015
Cash & cash equivalents	3,713,423	1,993,749
Investments	1,191,500	1,208,722
Receivables from exchange transactions	2,546	-
Receivables from non-exchange transactions	263,851	8,983
Total Financial Assets	\$5,171,320	\$3,211,454

	2016	2015
Trade payables from exchange transactions	663,484	418,491
Employee entitlements	118,108	156,679
Deferred revenue	1,440,189	107,522
Total Financial Assets	\$2,221,781	\$682,692

20. Employee Entitlements

	2016	2015
Holiday pay accrual	118,108	156,679
Total Employee Entitlement	\$118,108	\$156,679

21. Capital Commitments

There were no capital commitments at the reporting date (2015: \$nil).

22. Contingent Assets & Liabilities

There were no contingent assets or liabilities at the reporting date (2015: \$nil).

Notes to the Accounts

for the year ended 31 December 2016 (continued)

23. Related Party Note

FHFNZ operates under a trademark licence agreement with The Fred Hollows Foundation (Australia) (The Foundation). This agreement formalises the rights and obligations regarding the use of The Fred Hollows Foundation trademarks. FHFNZ has conducted operations within Timor-Leste on behalf of The Foundation. During the reporting period, FHFNZ has recognised income received from The Foundation to fund the Timor-Leste operations amounting to \$nil (2015: \$1,033,352).

24. Remuneration of Board Members

The Trustees of FHFNZ provide governance services on an honorary basis. Trustees have been reimbursed for travel expenses where they have attended meetings related to the Group activities.

25. Key Management Personnel

The key management personnel are classified as:

- Members of the governing body (Board of Trustees);
- Executive officers, responsible for reporting to the governing body.

No remuneration is paid to the members of the Board.

Executive officers which includes the Executive Director, are employed as employees on normal employment terms. The aggregate remuneration paid and the number of persons (measured in “fulltime-equivalents (FTE’s) for Executive Officers) receiving remuneration is as follows:

	2016		2015	
	Remuneration	FTE's	Remuneration	FTE's
Executive Officers	\$850,537	6.4	\$831,606	6.4

26. Bank Credit Facility

FHFNZ has a credit card facility with a limit of \$54,500. A term deposit of \$146,500 has a restriction on its withdrawal, this being the security held over the credit card facility and payroll. The outstanding balance of the facility as at 31 December 2016 is \$7,559 (2015: \$nil).

27. Reserves Policy

As a prudent financial governance approach, the Board has a policy of aiming to hold approximately six months of operating expenses in reserve. The express purpose of this reserve is to allow the organisation to accommodate any unexpected changes in funding and minimise the disruption to continuing to be able to provide its charitable works.

28. Going Concern

These financial statements have been prepared on a going concern basis. The Group currently enjoys the support of, and is reliant on funding from a variety of sources such as the New Zealand public, Government via the Ministry of Foreign Affairs and Trade and a variety of other funding bodies in order to carry out its charitable work. The Board believes that the Group will be able to meet its financial and regulatory obligations for the foreseeable future and that the going concern assumption adopted in the preparation of these financial statements is appropriate.

Notes to the Accounts

for the year ended 31 December 2016 *(continued)*

29. Post balance Sheet Events

The Board of Trustees and management are not aware of any other matters or circumstances since the end of the reporting period, not otherwise dealt with in these financial statements that have significantly or may significantly affect the operations of the Group (2015: \$nil).

30. Comparatives

Certain comparative figures have been reclassified to conform to the current financial year's presentation.

Independent Auditor's Report



BDO Auckland

INDEPENDENT AUDITOR'S REPORT TO THE TRUSTEES OF THE FRED HOLLOWS FOUNDATION (NZ)

Opinion

We have audited the consolidated financial statements of The Fred Hollows Foundation (NZ) and its subsidiaries ("the Group"), which comprise the statement of financial position as at 31 December 2016 and the statement of comprehensive revenue and expenses, statement of changes in net assets and statement of cashflows for the year then ended, and notes to the accounts, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Group as at 31 December 2016, and its financial performance and its cashflows for the year then ended in accordance with Public Benefit Entity Standards Reduced Disclosure Regime ("PBE Standards RDR") issued by the New Zealand Accounting Standards Board.

Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (New Zealand) ("ISAs (NZ)"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of the Group in accordance with Professional and Ethical Standard 1 (Revised) *Code of Ethics for Assurance Practitioners* issued by the New Zealand Auditing and Assurance Standards Board, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other than in our capacity as auditor we have no relationship with, or interests in, The Fred Hollows Foundation (NZ) or any of its subsidiaries.

Other Information

The Trustees are responsible for the other information contained with the performance report. The other information comprises the entity information, statement of compliance and responsibility, statement of service performance and the executive summary but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of audit opinion or assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Trustees' Responsibilities for the Consolidated Financial Statements

In preparing the consolidated financial statements, the Trustees are responsible on behalf of the Group for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Trustees either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are 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 ISAs (NZ) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with ISAs (NZ), we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of the use of the going concern basis of accounting by the Trustees and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

We communicate with the Trustees regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



BDO Auckland

Who we report to

This report is made solely to the Trustees, as a body. Our audit work has been undertaken so that we might state those matters which we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Trustees, as a body, for our audit work, for this report or for the opinions we have formed.

BDO Auckland

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17 May 2017



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