

The Kokoda Track Foundation Limited

ABN 45 103 660 948

Annual report for the financial year ended
31 December 2012

The Kokoda Track Foundation Limited

Annual report for the financial year ended 31 December 2012

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The Kokoda Track Foundation

Chairman's Report

The Foundation commemorated the 70th Anniversary of the Kokoda Campaign with the launch of one of our most ambitious projects: the creation of *Kokoda College*, a state-of-the-art teacher-training facility to be built near Kokoda.

It highlighted another year of transition and steady growth for the Foundation, which saw us award our 1000th Fuzzy Wuzzy Angel scholarship and graduate 60 elementary and primary school teachers from our teacher-training program, while increasing our team, both in Australia and PNG, to enable us to deliver our increasing portfolio of programs.

Our growth – in both programs and administrative capacity – was consistent with our holistic approach to our work in helping to improve the education, health and livelihoods of the communities living in the Kokoda catchment area and more broadly in PNG.

We are particularly proud of the impact of our Fuzzy Wuzzy Angels Scholarship scheme, which has been a major contributor to the achievement of gender balance in the students attending schools along the Track.

The Fred Archer Leadership Scholarship Program is rapidly establishing itself as a keenly-sought and widely-respected national structure for identifying and fostering the next generation of PNG leaders.

The establishment of Kokoda College will enable us to make a quantum leap in our efforts to address the serious national shortage of elementary and primary teachers and community health workers. It will also provide a platform from which we can implement our longer-term strategies of providing vocational and skills training and a coordinated volunteer program supporting these programs.

We have raised the funds for the initial building stage of the College and we await formal approval on the title of the land donated by the villagers of Kou Kou, near Kokoda Plateau to commence building the campus.

The fundraising and planning for Kokoda College and the increased levels of sophistication in the programs that the Foundation now delivers have led to a marginal increase in administrative overheads compared to previous years but we are confident that this proportion will be reduced as the funds we have raised for the College are expended.

We have substantially extended our funding base and our partnerships during the year, while maintaining our core supporters, many of whom have been with us since the Foundation's journey began ten years ago.

We plan to further expand our administrative capacity in PNG so that we can build on our partnerships with government and corporations there and so that we can more efficiently and cost-effectively deliver our programs on the ground.

My sincere thanks to our Executive Director, Dr Gen Nelson, for her outstanding leadership and vision; to our dedicated staff in Australia and PNG for their tireless efforts; and to our board for its wisdom and guidance.

Our special thanks to all our supporters: you are our lifeblood. Please be assured that your contributions are genuinely changing lives for the better.

We look ahead to 2013 and beyond with excitement and confidence that our programs will continue to improve the lives of the people of our nearest neighbour.

Patrick Lindsay
Chairman
Sydney, 30 April 2013



The Kokoda Track Foundation

Executive Director's Report

2012 was a significant year for the Kokoda Track Foundation. We commemorated the 70th anniversary of the Kokoda Campaign and we also celebrated 10 years of working in Papua New Guinea and supporting the communities along and around the Kokoda Track. It was a time to reflect on the achievements and learnings that have taken place over the past decade as well as an opportunity to look to the future and lay plans for the next decade of the Foundation's activities in PNG.

The past year has seen an ongoing and sustained period of growth for the Foundation and we have expanded both our administrative base in Australia as well as our team in PNG. We have continued to invest in children's education and in improving the educational capacities of communities along the Kokoda Track and in the catchment region. In 2012, we awarded our 1,000th Fuzzy Wuzzy Angel scholarship – an initiative that has been enabling children from across the Kokoda Track region to get an education that they otherwise would not have had the opportunity to get. This year also saw us reach the important milestone of training over 60 elementary and primary teachers for the region – many of whom we have posted into the rural schools along the remote Kokoda Track – opening their doors for the very first time. For the first time ever, girls are now attending school in the same ratio as boys; and all children living along the Track now have access to an elementary school that is properly resourced and operated by a paid and qualified teacher.

In our other programs, we continued to improve the health outcomes and general livelihoods of communities across the catchment area by investing in training community health workers, opening and resourcing aid posts, distributing sustainable solar lighting across the entire Track, and fostering skills development, literacy and microbusiness initiatives across the region. As you will read about in this report, we are implementing our long-term strategy to train more community health workers – the cornerstone of the PNG rural health system – nurses, and midwives for our rural communities so that every village in our region has access to quality and affordable primary healthcare. This year we distributed 4,500 solar lights so that every adult living along the Track now has a sustainable source of lighting - literally Lighting Up The Track. This groundbreaking and yet relatively simple technology has had direct implications for our community's education and health outcomes as well as the safety of women and opportunities for social enterprise.

2012 saw significant progress towards our 70th Anniversary flagship project – the creation and construction of the Kokoda College. In partnership with The Trust Company and many other generous donors, we are on track for the construction of the Kokoda College in Kou Kou village in the second half of 2013 and the for the first intake of students in 2014. The Kokoda College will be a state-of-the-art facility offering training for elementary and primary teaching and community health work. The College will have the capacity to graduate enough teachers and health workers for the entire Kokoda catchment region within its first three years of operation – making a significant contribution to the urgent need for these professionals across the Central and Oro Provinces in PNG. Via this groundbreaking initiative our dedicated education and health experts, staff and volunteers are developing new, innovative, curricular for the College's Schools of Education and Health, thereby enabling learning programs and training opportunities of the highest quality and innovation which will be offered via the College.

More than ever before we appreciate the ongoing commitment of our donors, corporate partners, and volunteers. We continue to rely entirely on the generosity of the Australian and PNG business and philanthropic communities and the general public and we are so very appreciative of your ongoing support and assistance. Your contributions are changing lives.

It is with a hopeful outlook that I look to the year ahead with renewed passion and enthusiasm for what we can achieve. By continuing to harness the goodwill of the Australian and PNG communities and the desire of many corporate partners and philanthropists to adopt strategic outlooks and approaches to delivering aid and assistance to our nearest neighbor, there is much to be achieved. Partnerships are powerful and together we can seek real and lasting change and improved outcomes for our friends along the Kokoda Track and in PNG. *They were there for us during our darkest hour... now it's our turn to lend a hand.*

Genevieve Nelson
Executive Director
Sydney, 30 April 2013

Directors' Report

The directors of The Kokoda Track Foundation Limited submit herewith the annual financial report of the Foundation for the financial year ended 31 December 2012. In order to comply with the provisions of the Corporations Act 2001, the directors report as follows:

Information about the directors and senior management

The names and particulars of the directors of the company during or since the end of the financial year are:

| Name | Qualifications and experience |
|---------------------------|--|
| Mr Patrick Lindsay | Chairman, Kokoda Track Foundation Author Director – Lime Tree Productions Pty Limited |
| Dr Yahoo Serious | Hon DLitt. Hon Doctorate of Letters Actor, Producer, Director and Writer of feature films Director – Serious Productions Pty Limited |
| Mr Peter Robert Thomas | Bachelor of Commerce (University of Melbourne) Fellow of the Institute of Chartered Accountants Director – TFG International Pty Ltd Director – Indigenous Business Australia, The Australian Solar Institute Ltd, The Foundation for Alcohol Research and Education, CatholicCare, Bluearth Foundation |
| Dr Genevieve Fiona Nelson | BPsych (Hons) (University of Western Sydney) PhD in Educational and Cross Cultural Psychology (University of Western Sydney) Executive Director, Kokoda Track Foundation Adjunct Research Fellow, University of Western Sydney |
| Mr David Crichton Frecker | BA and LLM (Hons) (University of Sydney) Partner with Ashurst Australia Lawyers Director – Kula Gold Limited |
| Dr Stephen Leslie Wearing | PhD in the Nature of Ecotourism (Charles Sturt University) MTP (Research) (University of New South Wales) BTP (University of New South Wales) Associate Professor in Leisure, Sport and Tourism, Faculty of Business, University of Technology, Sydney Advisor to Youth Challenge Australia |
| Mr Graeme Austin Carroll | CEO of the RSL & Service Clubs Association Company secretary of RSL & Services Clubs Association, KYLC (Kokoda Youth Leadership Challenge) Benevolent Fund and Operation CARE Benevolent Fund |
| Mr Bernard Michael Egan | BA (Macquarie University) CPA ACIS ACSA Senior Financial Sector Specialist, Bank for International Settlements |
| Ms Elizabeth Jessie Carr | BA (Hons) (University of Western Australia) MPA (Harvard University) Chair Macular Degeneration Foundation; Non Executive Director Environmental Protection Authority (WA), The Safety, Return to Work and Support Board (NSW), Kambala School for Girls (NSW), St Marys Anglican Girls School (WA); and a Fellow of the Australian Institute of Company Directors |

The above named directors held office during the whole of the financial year and since the end of the financial year.

Directors' Report (continued)

Company Secretary

Mr Salman Haq, FCIS, CA, FCA (England and Wales), is the company secretary of The Kokoda Track Foundation Limited. He was appointed Secretary of the Kokoda Track Foundation Limited in August 2006.

Principal activities

The Foundation is an Australian philanthropic organisation which aims to repay the selfless help given to Australia during World War II by the "Fuzzy Wuzzy Angels" of Papua New Guinea by helping to improve the lives and futures of their descendants.

The principal business activities during the year were providing assistance to villages along the Kokoda Track in Papua New Guinea with their education and health care, programs to protect their environment, foster the growth of an eco-friendly trekking and tourism industry from which they can benefit, working to keep the story of Kokoda alive, and seeking to identify and foster the next generation of Papua New Guinea leaders.

The Foundation raises funds in Australia to develop, implement and evaluate its programs in education, health, community development and microbusinesses in the Kokoda Track catchment region in Papua New Guinea.

Review of operations

The Foundation's net surplus for the financial year was \$255,570 (2011: \$354,216). A review of the operations of the Foundation during the financial year and the results of those operations found that the Foundation continued to engage in its principal activity, the results of which are disclosed in the attached financial statements. The Foundation is a Deductible Gift Recipient and as such can accept tax deductible donations.

Changes in state of affairs

There was no significant change in the state of affairs of the Foundation during the financial year.

Subsequent events

There has not been any matter or circumstance occurring subsequent to the end of the financial year that has significantly affected, or may significantly affect, the operations of the Foundation, the results of those operations, or the state of affairs of the Foundation in future financial years.

Future developments

Disclosure of information regarding likely developments in the operations of the Foundation in future financial years is made in the Chairman's report.

Dividends

The Foundation is a not-for-profit organisation and pays no dividends.

Directors' Report (continued)

Directors' meetings

The following table sets out the number of directors' meetings held during the financial year and the number of meetings attended by each director (while they were a director). During the financial year, 5 meetings were held.

| Directors | Held | Attended |
|------------------|------|----------|
| Patrick Lindsay | 5 | 5 |
| Yahoo Serious | 5 | 5 |
| Peter Thomas | 5 | 5 |
| Genevieve Nelson | 5 | 5 |
| David Frecker | 5 | 5 |
| Stephen Wearing | 5 | 2 |
| Graeme Carroll | 5 | 1 |
| Bernard Egan | 5 | 4 |
| Elizabeth Carr | 5 | 5 |

Finance Audit & Risk Committee

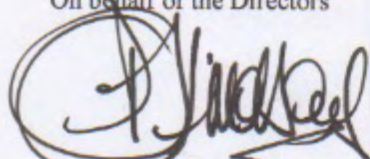
David Freckler
Bernie Egan
Peter Thomas

Auditor's independence declaration

The auditor's independence declaration is included on page 7 of the annual report.

This directors' report is signed in accordance with a resolution of directors made pursuant to s.298(2) of the Corporations Act 2001.

On behalf of the Directors



Patrick Lindsay
Chairman
Sydney, 30 April 2013

Board of Directors
The Kokoda Track Foundation Limited
Level 2, 189 Kent Street
Sydney NSW 2000

30 April 2013

Dear Board of Directors

The Kokoda Track Foundation Limited

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of The Kokoda Track Foundation Limited.

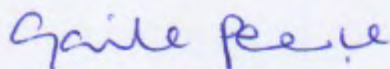
As lead audit partner for the audit of the financial statements of The Kokoda Track Foundation Limited for the financial year ended 31 December 2012, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



Gaile Pearce
Partner
Chartered Accountants

Independent Auditor's Report to the Members of The Kokoda Track Foundation Limited

We have audited the accompanying financial report of The Kokoda Track Foundation Limited which comprises the statement of financial position as at 31 December 2012, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 10 to 26. In addition, we have audited The Kokoda Track Foundation Limited's compliance with specific requirements of the Charitable Fundraising Act 1991 for the year ended 31 December 2012.

Directors' Responsibility for the Financial Report and for Compliance with the Charitable Fundraising Act 1991

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for compliance with the Charitable Fundraising Act 1991. The directors are also responsible for such internal control as the directors determine is necessary to enable compliance with requirements of the Charitable Fundraising Act 1991 and the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the company's compliance with specific requirements of the Charitable Fundraising Act 1991 and the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the entity has complied with specific requirements of the Charitable Fundraising Act 1991 and the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the company's compliance with specific requirements of the Charitable Fundraising Act 1991 and amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of non-compliance with specific requirements of the Charitable Fundraising Act 1991 and material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control, relevant to the company's compliance with the Charitable Fundraising Act 1991 and preparation of the financial report that gives a true and fair view, in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Inherent Limitations

Because of the inherent limitations of any compliance procedure, it is possible that fraud, error, or non-compliance with the Charitable Fundraising Act 1991 may occur and not be detected. An audit is not designed to detect all weaknesses in The Kokoda Track Foundation Limited compliance with the Charitable Fundraising Act 1991 as an audit is not performed continuously throughout the period and the tests are performed on a sample basis.

Any projection of the evaluation of compliance with the Charitable Fundraising Act 1991 to future periods is subject to the risk that the procedures, may become inadequate because of changes in conditions, or that the degree of compliance with them may deteriorate.

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

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of The Kokoda Track Foundation Limited, would be in the same terms if given to the directors as at the time of this auditor's report.

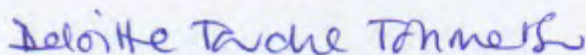
Basis for Qualified Opinion

Donations are a significant source of fundraising revenue for The Kokoda Track Foundation Limited. The Kokoda Track Foundation Limited has determined that it is impracticable to establish control over the collection of donations prior to entry into its financial records. Accordingly, as the evidence available to us regarding fundraising revenue from this source was limited, our audit procedures with respect to donations had to be restricted to the amounts recorded in the financial records. We therefore are unable to express an opinion whether revenue, from donations by The Kokoda Track Foundation Limited recorded, are complete.

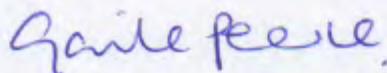
Qualified Opinion

In our opinion, except for the possible effects of the matter described in the Basis for Qualified Opinion paragraph,

- (a) the financial report of The Kokoda Track Foundation Limited is in accordance with the Corporations Act 2001, including:
- (i) giving a true and fair view of the company's financial position as at 31 December 2012 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards and the Corporations Regulations 2001;
- (b) the financial report agrees to the underlying financial records of The Kokoda Track Foundation Limited, that have been maintained, in all material respects, in accordance with the Charitable Fundraising Act 1991 and its regulations for the year ended 31 December 2012; and
- (c) monies received by The Kokoda Track Foundation Limited, as a result of fundraising appeals conducted during the year ended 31 December 2012, have been accounted for and applied, in all material respects, in accordance with the Charitable Fundraising Act 1991 and its regulations.



DELOITTE TOUCHE TOHMATSU



Gaile Pearce

Partner

Chartered Accountants

Sydney, 30 April 2013

Liability limited by a scheme approved under Professional Standards Legislation.

Member of Deloitte Touche Tohmatsu Limited

The Kokoda Track Foundation Limited

Directors' Declaration

The directors declare that:

- (a) in the directors' opinion, there are reasonable grounds to believe that the Foundation will be able to pay its debts as and when they become due and payable; and
- (b) in the directors' opinion, the attached financial statements and notes thereto are in accordance with the Corporations Act 2001, including compliance with accounting standards, and giving a true and fair view of the financial position and performance of the Foundation.

Signed in accordance with a resolution of the directors made pursuant to s.295(5) of the Corporations Act 2001.

On behalf of the Directors

A handwritten signature in black ink, appearing to read 'Patrick Lindsay', written over a large, faint circular watermark or stamp.

Patrick Lindsay
Chairman
Sydney, 30 April 2013

The Kokoda Track Foundation Limited

Declaration under the Charitable Fundraising Act

I, Patrick Lindsay, Chairman of the Board of Directors of The Kokoda Track Foundation Limited declare that in my opinion:

1. The financial statements give a true and fair view of all income and expenditure of the Foundation with respect to the fundraising appeals;
2. The statement of financial position gives a true and fair view of the status of affairs with respect to fundraising appeals.
3. The provisions of the Charitable Fundraising Act 1991 (NSW), the Regulations under the Act and the conditions attached to the authority have been complied with.
4. The internal controls exercised by the Foundation are appropriate and effective in accounting for all income received and applied by the Foundation from any of its fundraising appeals.



Patrick Lindsay
Chairman
Sydney, 30 April 2013

The Kokoda Track Foundation Limited

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The Kokoda Track Foundation Limited

Statement of Comprehensive Income for the financial year to 31 December 2012

| | <u>Note</u> | <u>2012</u> \$ | <u>2011</u> \$ |
|--|-------------|-------------------|-------------------|
| Income | | | |
| Donations & Grants | | | |
| Education Projects | | 615,666 | 544,237 |
| Health Projects | | 10,065 | 75,482 |
| Microbusiness Projects | | 32,812 | 6,395 |
| Community Development Projects | | 47,582 | 100,198 |
| General | | 304,907 | 153,349 |
| Ralph Honner Oration Dinner | | 64,295 | 51,706 |
| Other Income | | | |
| Membership | | 120 | 5,560 |
| Interest | | 9,562 | 12,604 |
| Total income | 7 | 1,085,009 | 949,531 |
| Expenses | | | |
| Project Outgoings | | | |
| Education | | 346,247 | 231,618 |
| Health | | 77,717 | 41,491 |
| Microbusiness | | 58,802 | 43,246 |
| Community Development | | 89,986 | 133,685 |
| Fundraising Outgoings | | | |
| General | | 32,296 | 17,142 |
| Ralph Honner Oration Dinner | | 28,674 | 28,022 |
| Other Outgoings | | | |
| Administration & General | | 67,084 | 52,026 |
| Employee Benefits | | 126,520 | 46,112 |
| Finance Expense | | 2,113 | 1,973 |
| Total expenses | 7 | 829,439 | 595,315 |
| Surplus for the year | | 255,570 | 354,216 |
| Other comprehensive income | | - | - |
| Total comprehensive income for the year | | 255,570 | 354,216 |

Notes to the financial statements are included on pages 17 to 26.

The Kokoda Track Foundation Limited

Statement of Financial Position as at 31 December 2012

| | Note | 31 December 2012 | 31 December 2011 |
|----------------------------------|-------------|-------------------------|-------------------------|
| | | \$ | \$ |
| Current assets | | | |
| Cash and cash equivalents | 10(a) | 962,386 | 678,484 |
| Trade and other receivables | 4 | 1,613 | 4,714 |
| Total current assets | | 963,999 | 683,198 |
| Non current assets | | | |
| Plant and Equipment | | 1,405 | - |
| Intangible Assets | 5 | 7,161 | - |
| Total non current assets | | 8,566 | - |
| Total assets | | 972,565 | 683,198 |
| Current liabilities | | | |
| Trade and other payables | 6 | 50,755 | 16,958 |
| Total current liabilities | | 50,755 | 16,958 |
| Total liabilities | | 50,755 | 16,958 |
| Net assets | | 921,810 | 666,240 |
| Accumulated funds | | | |
| Funds held | 7 | 921,810 | 666,240 |
| Total equity | | 921,810 | 666,240 |

Notes to the financial statements are included on pages 17 to 26.

The Kokoda Track Foundation Limited

Statement of Changes in Equity for the financial year ended 31 December 2012

| | Accumulated Funds \$ | Total \$ |
|------------------------------------|-------------------------------------|---------------------|
| Balance at 1 January 2011 | 312,024 | 312,024 |
| Surplus for the year | 354,216 | 354,216 |
| Balance at 31 December 2011 | 666,240 | 666,240 |
| Balance at 1 January 2012 | 666,240 | 666,240 |
| Surplus for the year | 255,570 | 255,570 |
| Balance at 31 December 2012 | 921,810 | 921,810 |

Notes to the financial statements are included on pages 17 to 26.

The Kokoda Track Foundation Limited

Statement of Cash Flows for the financial year ended 31 December 2012

| | Note | 2012 \$ | 2011 \$ |
|---|-------|------------|------------|
| Cash flows from operating activities | | | |
| Receipts from members, donors, fundraising activities | | 1,078,551 | 936,927 |
| Operating expenses | | (795,643) | (573,671) |
| Net cash provided by operating activities | 10(b) | 282,908 | 363,256 |
| Cash flows from investing activities | | | |
| Payments for Intangibles (Website) | | (8,568) | - |
| Interest received | | 9,562 | 12,604 |
| Net cash provided by investing activities | | 994 | 12,604 |
| Net increase in cash and cash equivalents | | 283,902 | 375,860 |
| Cash and cash equivalents at the beginning of the financial year | | 678,484 | 302,624 |
| Cash and cash equivalents at the end of the financial year | 10(a) | 962,386 | 678,484 |

Notes to the financial statements are included on pages 17 to 26.

The Kokoda Track Foundation Limited

Notes to the financial statements for the financial year ended 31 December 2012

1. General information

The Kokoda Track Foundation Limited (the Foundation) is an entity limited by guarantee, incorporated in Australia and operating in Australia.

The Kokoda Track Foundation Limited registered office and its principal place of business are as follows:

| Registered office | Principal place of business |
|----------------------|-----------------------------|
| Level 13 | Level 2 |
| 167 Macquarie Street | 189 Kent Street |
| SYDNEY NSW 2000 | SYDNEY NSW 2000 |

The Foundation is an Australian philanthropic organisation which aims to repay the selfless help given to Australia during World War II by the "Fuzzy Wuzzy Angels" of Papua New Guinea by helping to improve the lives and futures of their descendants.

The principal business activities during the year were providing assistance to villages along the Kokoda Track in Papua New Guinea with their education and health care, programs to protect their environment, foster the growth of an eco-friendly trekking and tourism industry from which they can benefit, working to keep the story of Kokoda alive, and seeking to identify and foster the next generation of Papua New Guinea leaders.

The Foundation raises funds in Australia to develop, implement and evaluate its programs in education, health, community development and microbusinesses in the Kokoda Track catchment region in Papua New Guinea.

2. Significant accounting policies

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with the Corporations Act 2001, Accounting Standards – Reduced Disclosure Regime and Interpretations, and complies with other requirements of the law. Accordingly, this 'general purpose financial report' has also been prepared to satisfy the directors' reporting requirements under the Charitable Fundraising Act 1991 (NSW).

Basis of preparation

The financial report has been prepared on the basis of historical cost. Cost is based on the fair values of the consideration given in exchange for assets. All amounts are presented in Australian dollars, unless otherwise noted.

Critical accounting judgements and key sources of estimation uncertainty

In the application of the Foundation's accounting policies, management is required to make judgments, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. 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 year in which the estimate is revised if the revision affects only that year, or in the year of the revision and future years if the revision affects both current and future years.

Early adoption of accounting standards

AASB 1053 'Application of Tiers of Australian Accounting Standards'

For the 2011 Financial Report the directors have elected under s.334(5) of the Corporations Act 2001 to apply AASB 1053 'Application of Tiers of Australian Accounting Standards' and AASB 2010-2 'Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements to implement its revised differential reporting regime', even though the Standards are not required to be applied until annual reporting periods beginning on or after 1 July 2013.

AASB 2010-2 makes amendments to each Standard and Interpretation indicating the disclosures not required to be made by 'Tier 2' entities or inserting 'RDR' paragraphs requiring simplified disclosures for Tier 2 entities. The adoption of these standards has resulted in significantly reduced disclosures, largely in respect of income tax, segments, impairment, related parties, share-based payments and financial instruments.

The Kokoda Track Foundation Limited

Notes to the financial statements for the financial year ended 31 December 2012

2. Significant accounting policies (continued)

Significant accounting policies

The following significant accounting policies have been adopted in the preparation and presentation of the financial report:

(a) **Foreign currency**

For the purpose of the financial statements, the results and financial position are expressed in Australian dollars, which is the functional currency of The Kokoda Track Foundation Limited and the presentation currency for the financial statements.

(b) **Revenue**

Revenue is measured at the fair value of the consideration received or receivable.

Donations

Donations and collections are recognised when control passes which is normally on receipt.

Other revenue

Other revenue is recognised when the right to receive the revenue has been established.

Interest

Interest is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

(c) **Income tax**

The foundation is income tax exempt pursuant to Section 50-5 of the Income Tax Assessment Act 1997.

(d) **Plant and Equipment**

Plant and equipment is stated at cost less accumulated depreciation and impairment. Cost includes expenditure that is directly attributable to the acquisition of the item. In the event that settlement of all or part of the purchase consideration is deferred, cost is determined by discounting the amounts payable in the future to their present value as at the date of acquisition.

Depreciation is calculated on a straight-line basis so as to write off the net cost or other revalued amount of each asset over its expected useful life to its estimated residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, with the effect of any changes recognised on a prospective basis.

The gain or loss arising on disposal or retirement of an item of plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

(e) **Intangible Assets**

Website development and other software costs

Costs incurred in developing website tools and other software which incorporate revenue generating capabilities are recognised as an 'intangible asset' where it is probable that future economic benefits will flow to the company and the cost of the item can be measured reliably. The expenditure capitalised comprises all directly attributable costs, including costs of materials, services, licences and direct labour. The development costs are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of the website over its estimated useful life.

(f) **Impairment of long-lived assets**

At each reporting date, the company reviews the carrying amounts of its assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the company estimates the recoverable amount of the cash-generating unit to which the asset belongs.

The Kokoda Track Foundation Limited

Notes to the financial statements for the financial year ended 31 December 2012

2. Significant accounting policies (continued)

(f) Impairment of long-lived assets (continued)

Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (cash-generating unit) is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at fair value, in which case the reversal of the impairment loss is treated as a revaluation increase.

(g) Financial assets

Other financial assets are classified as 'loans and receivables'.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant year. The effective interest rate is the rate that exactly discounts estimated future cash receipts (including all fees on funds paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset, or, where appropriate, a shorter year.

Loans and receivables

Trade receivables, loans, and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment.

Interest income is recognised by applying the effective interest rate.

(h) Financial instruments issued by the Foundation

Trade payables

Trade payables are initially measured at fair value, and are subsequently measured at amortised cost. Amortised cost is the initial amount payable less any repayments.

(i) Comparative figures

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

The Kokoda Track Foundation Limited

Notes to the financial statements for the financial year ended 31 December 2012

2. Significant accounting policies (continued)

(j) Standards and Interpretations issued not yet effective

At the date of authorisation of the financial statements, the Standards and Interpretations listed below were in issue but not yet effective. The potential impact of the new or revised Standards and Interpretations has not yet been determined.

Initial application of the following Standards which are expected to be applicable to the Foundation will not affect any of the amounts recognised in the financial report, but will change the disclosures presently made in relation to the company's financial report:

| Standard/Interpretation | Effective for annual reporting years beginning on or after | Expected to be initially applied in the financial year ending |
|---|---|--|
| • AASB 9 'Financial Instruments'(December 2009), AASB 2009-11 'Amendments to Australian Accounting Standards arising from AASB 9', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures' | 1 January 2015 | 31 December 2015 |
| • AASB 9 'Financial Instruments'(December 2010), AASB 2010-7 'Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)', AASB 2012-6 'Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures' | 1 January 2015 | 31 December 2015 |
| • AASB 5 'Non-current Assets Held for Sale and Discontinued Operations' | 1 July 2012 | 31 December 2013 |
| • AASB 7 'Financial Instruments: Disclosures' | 1 July 2012 | 31 December 2013 |
| • AASB 10 'Consolidated Financial Statements', AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards' | 1 January 2013 | 31 December 2013 |
| • AASB 11 'Joint Arrangements', AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards' | 1 January 2013 | 31 December 2013 |
| • AASB 12 'Disclosure of Interests in Other Entities', AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards' | 1 January 2013 | 31 December 2013 |

The Kokoda Track Foundation Limited

Notes to the financial statements for the financial year ended 31 December 2012

2. Significant accounting policies (continued)

(j) Standards and Interpretations issued not yet effective (continued)

| | | |
|--|----------------|------------------|
| • AASB 13 'Fair Value Measurement' and AASB 2011-8 'Amendments to Australian Accounting Standards arising from AASB 13' | 1 January 2013 | 31 December 2013 |
| • AASB 119 'Employee Benefits'(2011) and AASB 2011-10 'Amendments to Australian Accounting Standards arising from AASB 119 (2011)' | 1 January 2013 | 31 December 2013 |
| • AASB 120 'Accounting for Government Grants and Disclosure of Government Assistance' | 1 July 2012 | 31 December 2013 |
| • AASB 121 'The Effects of Changes in Foreign Exchange Rates' | 1 July 2012 | 31 December 2013 |
| • AASB 127 'Separate Financial Statements' (2011), AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards' | 1 January 2013 | 31 December 2013 |
| • AASB 128 'Investments in Associates and Joint Ventures'(2011), AASB 2011-7 'Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards' | 1 January 2013 | 31 December 2013 |
| • AASB 132 'Financial Instruments: Presentation' | 1 July 2012 | 31 December 2013 |
| • AASB 2011-4 'Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements' | 1 July 2013 | 31 December 2014 |
| • AASB 2011-9 'Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income' | 1 July 2012 | 31 December 2013 |
| • AASB 2012-2 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities' | 1 January 2013 | 31 December 2013 |
| • AASB 2012-3 'Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities' | 1 January 2014 | 31 December 2014 |
| • AASB 2012-5 'Amendments to Australian Accounting Standards arising from Annual Improvements 2009-2011 Cycle' | 1 January 2013 | 31 December 2013 |

The Kokoda Track Foundation Limited

Notes to the financial statements for the financial year ended 31 December 2012

2. Significant accounting policies (continued)

(j) Standards and Interpretations issued not yet effective (continued)

- AASB 2012-10 'Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments' 1 January 2013 31 December 2013

At the date of authorisation of the financial statements, the following IASB was also in issue but not effective, although an Australian equivalent Standard has not yet been issued:

- Investment Entities (Amendments to IFRS 10, IFRS 12 and IAS 27) 1 January 2014 31 December 2014

3. Key management personnel compensation

| | 2012 \$ | 2011 \$ |
|-------------------|------------|------------|
| Employee benefits | 120,000 | 113,088 |

4. Trade and other receivables

| | 2012 \$ | 2011 \$ |
|----------------|------------|------------|
| Sundry debtors | - | 3,101 |
| Prepayments | 1,613 | 1,613 |
| | 1,613 | 4,714 |

5. Intangible Assets

| | 2012 \$ | 2011 \$ |
|--|------------|------------|
| Website and other software development | 7,161 | - |
| | 7,161 | - |

6. Trade and other payables

| | 2012 \$ | 2011 \$ |
|-----------------------|------------|------------|
| Accrued expenses | 42,324 | 7,921 |
| Employee entitlements | 8,431 | 9,037 |
| | 50,755 | 16,958 |

The Kokoda Track Foundation Limited

Notes to the financial statements for the financial year ended 31 December 2012

7. Analysis of funds held

| | Education | Health | Community Development | Microbusiness | General (a) | Total |
|--|-----------|----------|--------------------------|---------------|----------------|-----------|
| | \$ | \$ | \$ | \$ | \$ | \$ |
| As at beginning of financial year | 352,613 | 33,991 | - | 10,993 | 268,643 | 666,240 |
| Donations for current year | 615,666 | 10,065 | 47,582 | 32,812 | 378,884 | 1,085,009 |
| Transfer from General Funds | - | 33,661 | 42,404 | 14,997 | (91,062) | - |
| | 968,279 | 77,717 | 89,986 | 58,802 | 556,465 | 1,751,249 |
| Distribution of funds for specific purpose | (346,247) | (77,717) | (89,986) | (58,802) | (256,687) | (829,439) |
| As at end of financial year | 622,032 | - | - | - | 299,778 | 921,810 |

Any surplus on a program is quarantined for use on the designated program for future years. The majority of donations received by the Foundation are received via direct credit to the Foundation's bank account or are received via credit card or cheque, with receipts issued for all donations received.

(a) Reconciliation of general funds held

| | 2012 \$ | 2011 \$ |
|---------------------------------------|------------|------------|
| As at beginning of the financial year | 268,643 | 244,959 |
| Income | | |
| General | 304,907 | 153,349 |
| Ralph Honner Oration Dinner | 64,295 | 51,706 |
| Other | 9,682 | 18,164 |
| | 378,884 | 223,219 |
| Transfer from general funds | (91,062) | (54,260) |
| Expenses | | |
| Ralph Honner Oration Dinner | (28,674) | (28,022) |
| Fundraising | (32,296) | (17,142) |
| Other | (195,717) | (100,111) |
| | (256,687) | (145,275) |
| As at end of financial year | 299,778 | 268,643 |

8. Members' guarantee

The Foundation is limited by guarantee. If the Foundation is wound up, the Constitution states that each member is required to contribute a maximum of \$10 each towards any outstanding obligations of the Foundation. At 31 December 2012, the number of members was 233 (31 December 2011: 239).

The Kokoda Track Foundation Limited

Notes to the financial statements for the financial year ended 31 December 2012

9. Segment information

The Foundation is a not for profit company which operated in one business segment in PNG and Australia and as such, no segment disclosure is deemed necessary.

10. Notes to the statement of cash flows

(a) Reconciliation of cash and cash equivalents

For the purposes of the statement of cash flows, cash and cash equivalents include cash on hand and in banks and investments in money market instruments, net of outstanding bank overdrafts. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows are reconciled to the related items in the statement of financial position as follows:

| | 2012 \$ | 2011 \$ |
|--------------|------------|------------|
| Cash at bank | 962,386 | 678,484 |

(b) Reconciliation of surplus for the year to net cash flows from operating activities

| | 2012 \$ | 2011 \$ |
|---|------------|------------|
| Surplus for the year | 255,570 | 354,216 |
| Interest income received and receivable | (9,562) | (12,604) |
| <i>Changes in net assets and liabilities:</i> | | |
| Decrease in assets: | | |
| Trade and other receivables | 3,104 | 16,053 |
| Increase in liabilities: | | |
| Trade and other payables | 33,797 | 5,591 |
| Net cash provided by operating activities | 282,909 | 363,256 |

11. Financial instruments

a) Categories of financial instruments

| | 2012 \$ | 2011 \$ |
|------------------------------|------------|------------|
| Financial assets | | |
| Trade and other receivables | 1,613 | 4,714 |
| Cash and cash equivalents | 962,386 | 678,484 |
| Financial liabilities | | |
| Trade and other payables | 50,755 | 16,958 |

The Kokoda Track Foundation Limited

Notes to the financial statements for the financial year ended 31 December 2012

11. Financial instruments (continued)

(b) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which income and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 2 to the financial statements.

12. Auditors remuneration

Deloitte Touche Tohmatsu is the auditor of the Company. Deloitte Touche Tohmatsu provides services to the Company on a pro-bono basis, as in previous years.

13. Approval of financial statements

The financial statements were approved by the board of directors and authorised for issue on 29 April 2013.

14. Additional information required under the Charitable Fundraising Act 1991

(a) Information and declarations to be furnished under the Charitable Fundraising Act 1991. Details of aggregate gross income and total expenses of fundraising.

| | 2012 \$ | 2011 \$ |
|--|------------------|----------------|
| Gross proceeds from fundraising | | |
| Special events and donations | 1,075,327 | 931,367 |
| | <hr/> | <hr/> |
| Direct costs of fundraising | | |
| Special events and donations | (60,970) | (45,164) |
| | <hr/> | <hr/> |
| Net surplus from fundraising | <u>1,014,357</u> | <u>886,203</u> |

(b) Fundraising conducted during the year ended 31 December 2012.

Special events – Ralph Honner Oration Dinner

The Kokoda Track Foundation Limited

Notes to the financial statements for the financial year ended 31 December 2012

14. Additional information required under the Charitable Fundraising Act 1991 (continued)

(c) Application of funds for charitable purposes

| | 2012 \$ | 2011 \$ |
|---|----------------|----------------|
| Net surplus from fundraising | 1,046,653 | 903,345 |
| This was applied to the charitable purposes in the following manner: | | |
| Expenditure on services | 572,752 | 450,040 |
| Expenditure on administration, marketing and indirect costs | 228,013 | 117,253 |
| Total operating expenditure | 800,765 | 567,293 |
| Surplus between fundraising and expenditure | 245,888 | 336,052 |
| The surplus of \$245,888 (31 December 2011: surplus of \$336,052) was increased by income from the following sources: | | |
| Membership fees | 120 | 5,560 |
| Interest received | 9,562 | 12,604 |
| Total income from other sources | 9,682 | 18,164 |
| Operating surplus | 255,570 | 354,216 |

(d) Comparison of certain monetary figures and percentage

| | Fundraising cost/ net surplus \$ | Gross income from fundraising \$ | 2012 % | 2011 % |
|--|---|--|-----------|-----------|
| Fundraising costs as % of gross income | 60,970 | 1,075,327 | 6 | 5 |
| Net surplus from fundraising as % of gross income from fundraising | 1,014,357 | 1,075,327 | 94 | 95 |
| | Total costs of services \$ | Total expenditure \$ | 2012 % | 2011 % |
| Cost of programs as % of total expenditure | 572,752 | 800,765 | 72 | 79 |
| | Total costs of services \$ | Total income received \$ | 2012 % | 2011 % |
| Cost of programs as % of income received | 572,752 | 1,085,009 | 53 | 47 |
| - Fundraising | | 1,075,327 | | |
| - Other income | | 9,682 | | |
| | | <u>1,085,009</u> | | |