

ADARA DEVELOPMENT

ADARA DEVELOPMENT (AUSTRALIA)

ADARA DEVELOPMENT (BERMUDA)

ADARA DEVELOPMENT (UK)

ADARA DEVELOPMENT (USA)

ADARA DEVELOPMENT (UGANDA)

COMBINED FINANCIAL REPORT 31 DECEMBER 2016

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ADARA DEVELOPMENT

COMBINED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2016

PRESENTED IN UNITED STATES DOLLARS (USD)

	Notes	2016 \$	2015 \$
Revenue from continuing operations			
Donations			
Uganda restricted		661,995	777,631
Nepal restricted		336,663	910,805
General unrestricted		428,759	334,306
Core support		1,036,682	1,011,010
Other income	4	4,651	5,624
Total revenue		2,468,750	3,039,376
Expense			
Maternal infant child health	5	788,509	742,260
Children at risk	6	255,178	307,283
Rural and remote community development	7	408,367	391,199
Emergency response - Nepal earthquake		144,790	180,565
General management in country		136,149	117,153
Research and Knowledge Sharing		204,411	162,055
Core support	8	921,016	925,131
Total expenses		2,858,420	2,825,646
Net (deficit)/surplus for the year		(389,670)	213,730
Other comprehensive income			
Foreign currency translation gain/(loss)		1,975	(43,750)
Other comprehensive income/(loss) for the year		1,975	(43,750)
Total comprehensive (loss)/income for the year		(387,695)	169,980

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

ADARA DEVELOPMENT
COMBINED STATEMENT OF FINANCIAL POSITION
FOR THE YEAR ENDED 31 DECEMBER 2016
PRESENTED IN UNITED STATES DOLLARS (USD)

	Notes	2016 \$	2015 \$
Assets			
Current assets			
Cash and cash equivalents	9	557,766	1,002,579
Trade receivables and other current assets	10	<u>31,824</u>	<u>35,489</u>
Total current assets		589,590	1,038,068
Non-current assets			
Property, plant and equipment	11	17,657	15,462
Intangible assets	12	33,638	42,376
Other non-current assets		<u>2,153</u>	<u>3,243</u>
Total non-current assets		53,448	61,081
Total assets		<u>643,038</u>	<u>1,099,149</u>
Liabilities			
Current liabilities			
Trade and other payables	13	41,655	136,055
Employee benefits	14	70,068	89,118
Other liabilities		<u>46,338</u>	<u>405</u>
Total current liabilities		158,061	225,578
Non-current liabilities			
Employee benefits	14	<u>12,517</u>	<u>13,416</u>
Total non-current liabilities		12,517	13,416
Total liabilities		<u>170,578</u>	<u>238,994</u>
Net assets		<u>472,460</u>	<u>860,155</u>
Accumulated funds			
Accumulated funds		546,109	935,778
Foreign currency translation reserve		<u>(73,649)</u>	<u>(75,623)</u>
Total accumulated funds		<u>472,460</u>	<u>860,155</u>

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

ADARA DEVELOPMENT
COMBINED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2016
PRESENTED IN UNITED STATES DOLLARS (USD)

	Translation reserve \$	Accumulated surplus \$	Accumulated funds \$
Balance at 1 January 2015	(31,874)	732,219	700,345
Net surplus for the year	-	203,560	203,560
Other comprehensive income			
Foreign currency translation gain/(loss)	(43,750)	-	(43,750)
Total comprehensive (loss)/income for the year	(43,750)	203,560	159,810
Balance at 31 December 2015	(75,624)	935,779	860,155
Balance at 1 January 2016	(75,624)	935,779	860,155
Net surplus for the year	-	(389,670)	(389,670)
Other comprehensive income			
Foreign currency translation gain/(loss)	1,975	-	1,975
Total comprehensive income / (loss) for the year	1,975	(389,670)	(387,695)
Balance at 31 December 2016	(73,649)	546,109	472,460

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

ADARA DEVELOPMENT
COMBINED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2016
PRESENTED IN UNITED STATES DOLLARS (USD)

	Notes	2016 \$	2015 \$
Cash flows from operating activities			
Cash received for Uganda projects		675,918	772,919
Cash received for Nepal projects		336,662	940,523
Cash received for general project expenses		419,845	333,806
Cash received for core support expenses		992,052	960,253
Other income received		4,400	5,397
Cash paid for Uganda project expenses		(972,500)	(901,956)
Cash paid for Nepal project expenses		(987,203)	(979,410)
Cash paid for Research and Knowledge Sharing		(47,193)	-
Cash paid for core support expenses		(849,721)	(857,866)
Net cash used in operating activities	9(b)	<u>(427,740)</u>	<u>273,666</u>
Cash flows from investing activities			
Payment for property, plant and equipment		(5,876)	(10,064)
Payment for intangible assets		(7,732)	(34,124)
Proceeds from sale of assets		250	600
Net cash used in investing activities		<u>(13,358)</u>	<u>(43,588)</u>
Cash flows from financing activities			
Loans repaid to related parties		-	-
Net cash used in financing activities		<u>-</u>	<u>-</u>
(Decrease)/Increase in cash and cash equivalents		(441,097)	230,078
Foreign exchange differences		(3,716)	(71,269)
Cash and cash equivalents at beginning of year	9(a)	1,002,579	843,770
Cash and cash equivalents at end of year	9(a)	<u>557,766</u>	<u>1,002,579</u>

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

ADARA DEVELOPMENT

NOTES TO THE COMBINED FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2016

1 Reporting entity

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

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

Adara Development (Australia) is a not for profit company limited by guarantee. Adara Development (Australia) was registered under the *Corporations Act 2001 (Australia)* on 27 May 2008 and is now regulated under the *Australian Charities and Not-for-profits Commission Act 2012*.

Adara Development (Bermuda) was established by way of Trust Deed dated 18 August 1998, as amended. The entity is registered as a charitable organisation under The Charities Act, 2014 (Bermuda).

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

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

Adara Development (USA) was incorporated in August 2009 in the State of New York, and began operations on 1 January 2011. On 26 May 2011, it was designated as a not-for-profit Corporation as defined by section 501(c)(3) of the Internal Revenue Code of 1986.

Adara Development was formerly known as The Global ISIS Foundation. The change of name was formalised on 28 November 2014.

ADARA DEVELOPMENT

NOTES TO THE COMBINED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2016

2 Basis of preparation

(a) Statement of compliance

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

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

The financial statements were approved by the directors and trustees on 27 April 2017.

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

Certain comparatives amounts in the combined statement of comprehensive income and notes have been reclassified to conform to the current year's presentation.

(b) Basis of measurement

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

(c) Use of accounting estimates and judgements

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

(d) Principles of preparing combined financial statements

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

ADARA DEVELOPMENT

NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)

FOR THE YEAR ENDED 31 DECEMBER 2016

2 Basis of preparation (continued)

(e) Functional and presentation currency

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

3 Summary of significant accounting policies

(a) Foreign currency transactions

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

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

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

(b) Revenue recognition

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

ADARA DEVELOPMENT

NOTES TO THE COMBINED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2016

3 Summary of significant accounting policies *(continued)*

(c) Donated goods and services

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

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

(d) Expenses

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

(e) Income tax

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

(f) Non-derivative financial assets

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

(i) Cash and cash equivalents

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

(ii) Other current assets

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

(g) Property, plant and equipment

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

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

ADARA DEVELOPMENT
NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

3 Summary of significant accounting policies (continued)

(g) Property, plant and equipment (continued)

- Motor vehicles: 3 to 5 years
- Plant and equipment: 2 to 10 years

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

(h) Intangible assets

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

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

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

(i) Non-derivative financial liabilities

Adara Development has the following non-derivative financial liabilities: financial liabilities measured at amortised cost. Financial liabilities measured at amortised cost comprise trade and other payables.

(i) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to Adara Development prior to the end of the financial year that are unpaid. These amounts are unsecured and are usually settled within 30 days of recognition.

(j) Employee benefits

(i) Short-term employee benefit obligations

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

ADARA DEVELOPMENT

NOTES TO THE COMBINED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2016

3 Summary of significant accounting policies *(continued)*

(ii) Other long-term employee benefit obligations

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

(k) New and revised accounting standards and interpretations

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

New and amended accounting standards applicable for the first time for the annual reporting period commencing 1 January 2016 did not have any impact on the current period or any prior period, and are not likely to affect future periods. These are:

- Amendments to AASB 7 *Financial Instruments: Disclosures* and AASB 137 *Provisions, Contingent Liabilities and Contingent Assets* from AASB 2015-1 *Amendments to Australian Accounting Standards - Annual Improvements to Australian Accounting Standards 2012-2014 Cycle*.

'- Amendments to AASB 116 *Property, Plant and Equipment* and IAS 38 *Intangible Assets*, from the *Clarification of Acceptable Methods of Depreciation and Amortisation*.

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

Various new and revised accounting standards and accounting interpretations have been published that are not mandatory for the reporting period ended 31 December 2016. Adara Development will apply the following standards in the period determined by the Australian Accounting Standards Board:

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

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

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

- AASB 16 *Leases*. This standard becomes applicable for annual reporting periods commencing on or after 1 January 2019. Adara Development has two leases that are currently being accounted for as operating leases. It is expected that these will be brought onto the balance sheet. We have not yet quantified the impact.

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

NOTES TO THE COMBINED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2016

4	Other income	2016	2015
		\$	\$
	Interest income	3,589	5,624
	Other income	1,062	-
		4,651	5,624
5	Maternal infant child health	2016	2015
		\$	\$
	Kiwoko Hospital	649,538	581,327
	Medical advisory costs	138,971	160,933
		788,509	742,260
6	Children at risk	2016	2015
		\$	\$
	Adara Development (Nepal) - Adara Kids	196,215	236,493
	Ebenezer Boys project	32,484	44,392
	Hands in Outreach Projects	21,635	21,657
	The Women's Foundation	4,844	4,741
		255,178	307,283
7	Rural and remote community development	2016	2015
		\$	\$
	Adara Development Nepal - Humla Programme	262,926	250,645
	Adara Development Nepal - Tibetan Medicine Practitioner	16,275	16,705
	Himalayan Children's Society	77,115	68,116
	Himalayan Medical Foundation	36,683	38,081
	The Himalayan Innovative Society	15,368	17,652
		408,367	391,199
8	Core support expenses	2016	2015
		\$	\$
	Employee related expenses	624,799	613,513
	Occupancy	72,019	76,566
	Finance, governance and compliance	43,057	47,689
	Partnerships, development and communications	35,407	38,410
	Travel	54,631	63,583
	IT and telecommunications	31,835	35,225
	Depreciation and amortisation	28,055	18,756
	Office and other operating costs	19,809	21,405
	Financial fees and charges	5,864	11,276
	Foreign exchange gains and losses	5,540	(1,292)
		921,016	925,131

ADARA DEVELOPMENT

NOTES TO THE COMBINED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2016

8 Core support expenses *(continued)*

Core support expenses, including administration expenses, are funded by Adara Advisors Pty. Limited ("Adara Advisors"), Adara Partners (Australia) Pty. Limited ("Adara Partners") and a small number of other Core Support Partners (Note 15). This ensures that 100% of the donations received from other donors are used for Adara projects in Nepal and Uganda, partner organisations, staff on the ground and specialist managers working in the USA for research, medical advisory and equipment collection programmes.

9 Cash and cash equivalents

(a) Cash and cash equivalents

	2016	2015
Cash at bank:	\$	\$
- Uganda	101,059	197,751
- Nepal	408,852	649,779
- General	15,066	21,832
- Core Support	32,789	133,217
Cash on hand	<u>557,766</u>	<u>1,002,579</u>

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

	2016	2015
	\$	\$
Net (deficit)/surplus for the year	(389,670)	213,730
Adjustments for non-cash income and expense items:		
Depreciation and amortisation expense	21,427	19,121
Foreign exchange losses	—	17,936
Changes in other current assets	(64,383)	(7,979)
Changes in trade creditors	6,501	35,129
Changes in employee benefits	(4,463)	(2,753)
Changes in other liabilities	2,848	(1,518)
Net cash used in operating activities	<u>(427,740)</u>	<u>273,666</u>

10 Other current assets

	2016	2015
	\$	\$
Trade receivables	14,827	-
Prepayments	9,522	15,320
Other receivables	7,475	20,169
	<u>31,824</u>	<u>35,489</u>

ADARA DEVELOPMENT
NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

11 Property, plant and equipment

	Motor Vehicles	Plant & Equipment	Total
	\$	\$	\$
Cost			
Balance at 1 January, 2015	9,846	31,845	41,691
Additions	-	10,064	10,064
Disposals	-	(2,926)	(2,926)
Exchange differences	-	-	-
Balance at 31 December, 2015	9,846	38,983	48,829
Accumulated Depreciation			
Balance at 1 January, 2015	6,827	18,987	25,814
Depreciation for the year	1,806	6,938	8,744
Disposals, accumulated depreciation	-	(2,542)	(2,542)
Exchange differences	274	1,077	1,351
Balance at 31 December, 2015	8,907	24,460	33,367
Carrying amounts			
At 1 January, 2015	3,019	12,858	15,877
At 31 December, 2015	939	14,523	15,462
Cost			
Balance at 1 January, 2016	9,846	38,983	48,829
Additions	9,350	20,286	29,636
Disposals	(8,695)	(13,886)	(22,581)
Exchange differences	(1,153)	(3,429)	(4,582)
Balance at 31 December, 2016	9,348	41,954	51,302
Accumulated Depreciation			
Balance at 1 January, 2016	8,907	24,460	33,367
Depreciation for the year	8,465	13,676	22,141
Disposals, accumulated depreciation	(7,764)	(9,709)	(17,473)
Exchange differences	(1,145)	(3,245)	(4,390)
Balance at 31 December, 2016	8,463	25,182	33,645
Carrying amounts			
At 1 January, 2016	939	14,523	15,462
At 31 December, 2016	885	16,772	17,657

ADARA DEVELOPMENT

NOTES TO THE COMBINED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2016

12 Intangible assets

	Website \$	Software \$	Total \$
Cost			
Balance at 1 January, 2015	22,026	7,818	29,844
Additions	-	34,124	34,124
Disposals	-	-	-
Exchange differences	-	-	-
Balance at 31 December, 2015	22,026	41,942	63,968
Accumulated Amortisation			
Balance at 1 January, 2015	9,166	61	9,227
Amortisation for the year	5,137	5,295	10,432
Disposals, accumulated amortisation	-	-	-
Exchange differences	1,249	684	1,933
Balance at 31 December, 2015	15,552	6,040	21,592
Carrying amounts			
At 1 January, 2015	12,860	7,757	20,617
At 31 December, 2015	6,474	35,902	42,376
Cost			
Balance at 1 January, 2016	22,026	41,942	63,968
Additions	-	7,511	7,511
Disposals	-	-	-
Exchange differences	(2,580)	(1,203)	(3,783)
Balance at 31 December, 2016	19,446	48,250	67,696
Accumulated Amortisation			
Balance at 1 January, 2016	15,552	6,040	21,592
Amortisation for the year	4,617	11,275	15,892
Disposals, accumulated amortisation	-	-	-
Exchange differences	(2,526)	(900)	(3,426)
Balance at 31 December, 2016	17,643	16,415	34,058
Carrying amounts			
At 1 January, 2016	6,474	35,902	42,376
At 31 December, 2016	1,803	31,835	33,638

ADARA DEVELOPMENT
NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

13	Trade and other payables	2016	2015
		\$	\$
	Trade payables	35,805	11,003
	Other payables	5,850	125,052
		41,655	136,055
14	Employee benefits	2016	2015
		\$	\$
	Current		
	Annual leave and other employee benefits	59,413	79,218
	Other employee accruals	10,655	9,900
		70,068	89,118
	Non - current		
	Long service leave	12,517	13,416
		12,517	13,416

ADARA DEVELOPMENT
NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

15 Related party transactions

Transactions with director-related entities

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

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

Adara Development has received donations from the following related parties:

	2016	2015
	\$	\$
Adara Advisors Pty. Limited cash and in-kind donations	224,827	737,670
Adara Partners (Australia) Pty. Limited cash donations	728,960	-
Total from Adara businesses	953,787	737,670

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

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

As at balance sheet date Adara Advisors and its predecessor business together with Adara Partners (Australia) had contributed \$8,644,372 (AUD 10,584,928) in total to Adara Development.

In addition to the donations from Adara Advisors disclosed above, during the year donations of \$22,077 (2015: \$296,659) were received by individual entities in the Adara Development from members their Board of Directors or Trustees.

Other key management personnel transactions

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

16 Remuneration of directors and trustees

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

ADARA DEVELOPMENT
NOTES TO THE COMBINED FINANCIAL STATEMENTS (continued)
FOR THE YEAR ENDED 31 DECEMBER 2016

16 Remuneration of directors and trustees (continued)

Key management personnel

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

Adara Development (Australia)	Audette Exel, Richard Deutsch, Laini Liberman, Richard Alan West, Susan Burns, Ilana Atlas
Adara Development (Bermuda)	Audette Exel, Edith Conyers, Philippe Max Rouja
Adara Development (UK)	Audette Exel, Andrew della Casa, James Rice (resigned 22nd February 2016), Kate Vacher, Richard Houghton
Adara Development (USA)	Audette Exel, Thomas Dickson, Derek Stapley, Thomas Glynn, Victor Khosla (resigned 15 January 2016)
Adara Development (Uganda)	Audette Exel, Susan Burns, Kenneth Finch

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

17 Commitments

(i) Rental lease commitment

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

	2016	2015
	\$	\$
Due within 1 year	32,234	77,002
Due between 1 and 5 years	22,328	73,884
	<u>54,562</u>	<u>150,886</u>

(ii) Commitments to Non Government Organisations

During the year Adara Development entered into, or was obligated by, agreements with the following Non Government Organisations ("NGOs") in Nepal and Uganda:

	Outstanding commitment at 31 December 2016	Funding committed for January - December 2017	Agreement period from	Agreement period ending
	\$	\$		
Adara Development (Nepal) - Humla Programme	-	333,053	1 January 2014	Completion of project
Adara Development (Nepal) - Adara Kids Hands In Outreach	-	177,875	1 January 2014	Completion of project
Himalayan Children Society	-	4,294	1 January 2017	31 December 2018
Himalayan Medical Foundation	-	84,026	1 January 2017	31 December 2018
	-	40,557	1 January 2017	31 December 2018

ADARA DEVELOPMENT

NOTES TO THE COMBINED FINANCIAL STATEMENTS *(continued)*

FOR THE YEAR ENDED 31 DECEMBER 2016

17 Commitments *(continued)*

(ii) Commitments to Non Government Organisations *(continued)*

	Outstanding commitment at 31 December 2016	Funding committed from 1 January 2017	Agreement period from	Agreement period ending
	\$	\$		
The Himalayan Innovative Society		24,712	1 January 2016	31 December 2017
Women's Foundation	-	5,486	1 January 2016	31 December 2018
Kiwoko Hospital	35,139	559,293	1 July 2016	31 December 2018

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

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

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

18 Auditors remuneration

	2016	2015
Audit services	\$	\$
KPMG Australia:		
Audit and review of financial reports*	20,883	20,545
Somerbys (UK):		
Audit and review of financial reports	5,494	7,000
Grant Thornton (Uganda):		
Audit and review of financial reports	2,250	2,663
	<u>28,627</u>	<u>30,208</u>

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

19 Events after the balance sheet date

Subsequent to year end, Adara Development (Australia) has recruited a new CEO, Deborah Lester, who will commence when the outgoing CEO, Susan Biggs, steps down in early June 2017.

No other transaction or event of a material or unusual nature likely to significantly affect the operations of Adara Development or the state of affairs of Adara Development in future years occurred in the interval between the end of the financial year and the date of this report.

20 Contingencies

As at 31 December 2016, Adara Development had no material contingent assets or liabilities.

ADARA DEVELOPMENT
DIRECTORS' AND TRUSTEES' DECLARATION
FOR THE YEAR ENDED 31 DECEMBER 2016

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

- (a) the individual entities listed in Note 1 are registered not-for-profit organisations while Adara Development is not a registered not-for-profit organisation;
- (b) the financial statements and notes that are set out on pages 2 to 19:
 - (i) present fairly the Group's financial position as at 31 December 2016 and its performance for the financial year ended on that date in accordance with the basis of preparation and accounting policies described in Note 2 and 3;
 - (ii) comply with Australian Accounting Standards (including the Australian interpretations) to the extent described in Note 2;
- (c) there are reasonable grounds to believe that the Group will be able to pay their debts as and when they become due and payable;

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



Audette Exel
Chair

27 April 2017
Dated

Sydney
City



Independent Auditor's Report

To the Directors and Trustees of Adara Development

Opinion

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

In our opinion, the accompanying Combined Financial Report presents fairly, in all material respects, the financial position of Adara Development as at 31 December 2016, and of its financial performance and its cash flows for the year then ended, in accordance with the accounting policies described in Notes 1 to 3 to the financial statements.

The **Combined Financial Report** comprises:

- Combined statement of financial position as at 31 December 2016
- Combined statement of profit or loss and other comprehensive income, Combined statement of changes in equity, and Combined statement of cash flows for the year then ended
- Notes including a summary of significant accounting policies
- Directors' and Trustees' Declaration.

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

Basis for opinion

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

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

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

Emphasis of matter – basis of preparation and restriction on use

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

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

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



Group or for any other purpose than that for which it was prepared.

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

Other Information

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

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

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

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

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

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

Management are responsible for:

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

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



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

Our objective is:

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

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

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

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

http://www.auasb.gov.au/auditors_files/ar7.pdf. This description forms part of our Auditor's Report.

KPMG

Sydney
27 April 2017