

ADARA DEVELOPMENT

ADARA DEVELOPMENT (AUSTRALIA)
ADARA DEVELOPMENT (BERMUDA)
ADARA DEVELOPMENT (UK)
ADARA DEVELOPMENT (USA)
ADARA DEVELOPMENT (UGANDA)

COMBINED FINANCIAL STATEMENTS

31 December 2019

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Adara Development

Statement of profit or loss and other comprehensive income

For the year ended 31 December 2019

Presented in United States Dollars (USD)

	Notes	2019 \$	2018 \$
Revenue from continuing operations			
Donations			
Core support restricted		1,324,068	1,078,613
General unrestricted		842,406	805,857
Maternal Newborn Child Health restricted		454,281	475,963
Remote Community Development restricted		687,378	560,645
Grants			
Maternal Newborn Child Health restricted		143,911	14,528
Other income		15,208	27,573
Non-monetary income		-	79,618
Total revenue		3,467,252	3,042,797
Expenses			
Programme costs			
Maternal Newborn Child Health	4	1,331,575	1,117,178
Remote Community Development	5	920,620	872,121
Innovation, Learning & Evaluation		152,887	123,997
Total Programme costs		2,405,082	2,113,296
Core support	6	1,036,543	1,045,741
Total Expenses		3,441,625	3,159,037
Net surplus/(deficit) for the year		25,627	(116,240)
Other comprehensive income			
Foreign currency translation gain/(loss)		(17,825)	(18,458)
Other comprehensive income/(loss) for the year		(17,825)	(18,458)
Total comprehensive surplus/(deficit) for the year		7,802	(134,698)

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 20.

Adara Development

Combined statement of financial position

As at 31 December 2019

Presented in United States Dollars (USD)

	Notes	2019 \$	2018 \$
Assets			
Current assets			
Cash and cash equivalents	7	494,037	571,931
Trade and other current assets	8	98,223	49,629
Total current assets		<u>592,260</u>	<u>621,560</u>
Non-current assets			
Property, plant and equipment	9	81,870	59,122
Intangible assets	10	5,095	11,585
Other non-current assets		750	750
Total non-current assets		<u>87,715</u>	<u>71,457</u>
Total assets		<u>679,975</u>	<u>693,017</u>
Liabilities			
Current liabilities			
Trade and other payables	11	67,763	76,376
Deferred revenue		58,786	140,142
Employee benefits	12	129,694	114,525
Total current liabilities		<u>256,243</u>	<u>331,043</u>
Non-current liabilities			
Employee benefits	12	18,300	10,613
Lease Liability		46,269	-
Total non-current liabilities		<u>64,569</u>	<u>10,613</u>
Total liabilities		<u>320,812</u>	<u>341,656</u>
Net Assets		<u>359,163</u>	<u>351,361</u>
Accumulated funds			
Retained Earnings/(accumulated losses)		449,978	424,351
Foreign currency translation reserve		(90,815)	(72,990)
Total accumulated funds		<u>359,163</u>	<u>351,361</u>

The above combined statement of financial position should be read in conjunction with the accompanying notes on pages 6 to 20.

Adara Development

Combined statement of changes in equity

For the year ended 31 December 2019

Presented in United States Dollars (USD)

	Translation reserve	Accumulated surplus	Accumulated funds
	\$	\$	\$
As at 1 January 2018	(54,532)	520,944	466,412
Net deficit for the year	-	(116,240)	(116,240)
Other comprehensive income	-	-	-
Foreign currency translation gain/(loss)	(18,458)	-	(18,458)
Total comprehensive surplus/(deficit) for the period	(18,458)	(116,240)	(134,698)
Adara Development (Australia) Foreign Operation in Nepal	-	19,647	19,647
As at 31 December 2018	(72,990)	424,351	351,361
As at 1 January 2019	(72,990)	424,351	351,361
Net surplus / (deficit) for the year	-	25,627	25,627
Other comprehensive income	-	-	-
Foreign currency translation gain/(loss)	(17,825)	-	(17,825)
Total comprehensive surplus/(deficit) for the period	(17,825)	25,627	7,802
As at 31 December 2019	(90,815)	449,978	359,163

The above combined statement of changes in equity should be read in conjunction with the accompanying notes on pages 6 to 20.

Adara Development

Combined statement of cash flows

For the year ended 31 December 2019
Presented in United States Dollars (USD)

	2019	2018
Notes	\$	\$
Cash flows from operating activities		
Cash received for Maternal Newborn Child Health programmes	599,209	542,950
Cash received for Remote Community Development programmes	686,367	640,470
Cash received for general programme support	818,291	815,628
Cash received for core support expenses	1,260,481	964,113
Other income received	3,142	27,572
Cash paid for Maternal Newborn Child Health programme expenses	(1,112,597)	(941,675)
Cash paid for Remote Community Development programme expenses	(1,181,707)	(974,343)
Cash paid for Innovation, Learning & Evaluation	(154,388)	(95,103)
Cash paid for core support expenses	(983,608)	(892,300)
Net cash flows (used in)/from operating activities	7 <u>(64,810)</u>	<u>87,312</u>
Cash flows from investing activities		
Payment for property, plant and equipment	(10,072)	(5,622)
Payment for intangible assets	(2,086)	(4,729)
Proceeds from sale of assets	54	(6,380)
Net cash flows used in investing activities	<u>(12,104)</u>	<u>(16,731)</u>
Net (decrease)/increase in cash and cash equivalents	<u>(76,914)</u>	<u>70,581</u>
Foreign exchange differences	(980)	(25,564)
Cash and cash equivalents at beginning of year	7 571,931	526,914
Cash and cash equivalents at end of year	7 <u><u>494,037</u></u>	<u><u>571,931</u></u>

The above combined statement of cash flows should be read in conjunction with the accompanying notes on pages 6 to 20.

Adara Development

Notes to the financial statements

For the year ended 31 December 2019

1. Reporting entity

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

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

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

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

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

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

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.

2. Statement of preparation

2.1 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 financial report has been prepared in accordance with the requirements of the recognition and measurement of all applicable Australian Accounting Standards adopted by the Australian Accounting Standards Board ("AASBs") except for *AASB 10 Consolidated Financial Statements*. The main users of the financial report include, but are not limited to: the general public, our current and potential investors and donors, suppliers, management and employees.

The financial statements were approved by the directors and trustees on 28 April 2020.

The following is a summary of the material accounting policies adopted by the Group 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.

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Notes to the financial statements (continued)

For the year ended 31 December 2019

2. Statement of preparation (continued)

2.2 Basis of measurement

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

Adara Development (the "Group") represents collectively a group of legal entities, which are not held by a separate parent entity. The legal entities - Adara Development (Australia), Adara Development (Bermuda), Adara Development (UK), Adara Development (Uganda) and Adara Development (USA) - are under the decisions of their respective directors or trustees that have mutually agreed to operate under a common Memorandum of Understanding (MOU). The MOU supports the transfer of funds between Adara Development entities in order to meet programme and administration costs.

2.3 Use of accounting estimates and judgments

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.

2.4 Principles of preparing combined financial statements

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

2.5 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 the Group. The functional currency of Adara Development (Uganda) is Ugandan shillings and is translated to US dollars for the combined financial statements of the Group.

3. Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Revenue recognition

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

IFRS 15 Revenue from contracts with customers - For periods beginning 1 January 2018

This standard replaces IAS 11 Construction Contracts, IAS 18 Revenue, IFRIC 13 Customer Loyalty Programmes, IFRIC 15 Agreements for the Construction of Real Estate, IFRIC 18 Transfer of Assets from Customers and SIC-31 Revenue - Barter of Transactions Involving Advertising Service.

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Notes to the financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting policies (continued)

a) Revenue recognition (continued)

IFRS 15 Revenue from contracts with customers (continued)

The standard contains a single model that applies to contracts with customers and two approaches to recognising revenue: at a point in time or over time. The model features a contract-based five-step analysis of transactions to determine whether, how much and when revenue is recognised.

Adara Development Group has initially applied IFRS 15, including any consequential amendments to other standards, from 1 January 2018.

The adoption of this standard did not have a significant impact on the Group's financial statements.

b) Donated goods and services

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

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

c) Expenses

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

d) Income tax

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

e) Non-derivative financial assets

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

(i) Cash and cash equivalents

The Group 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.

f) Property, plant and equipment

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

Adara Development

Notes to the financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting policies (continued)

f) Property, plant and equipment (continued)

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

Office equipment	3 to 5 years
Motor vehicles	5 years

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

g) Intangible assets

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

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

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

h) Non-derivative financial liabilities

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

i) Employee benefits

(i) Short-term employee benefit obligations

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

(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. Re-measurements are recognised in profit or loss in the period in which they arise.

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Notes to the financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting policies (continued)

j) Foreign currency translation

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 statement of profit or loss and other comprehensive income are translated at average exchange rates, and
- all resulting exchange differences are recognised in other comprehensive income.

k) IFRS 9- Financial Instruments

(i) Recognition and derecognition

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

Financial assets are derecognised when the contractual rights to the cash flows from the financial asset expire, or when the financial asset and substantially all the risks and rewards are transferred.

A financial liability is derecognised when it is extinguished, discharged, cancelled or expires.

(ii) Classification and measurement of financial assets and financial liabilities

IFRS 9 contains three principal classification categories for financial assets: measured at amortised cost, Fair Value through Other Comprehensive Income (FVOCI) and Fair Value Through the Statement of Profit or Loss (FVTPL). The classification of financial assets under IFRS 9 is generally based on the business model in which a financial asset is managed and its contractual cash flow characteristics. IFRS 9 eliminates the previous IFRS 139 categories of held to maturity, loans and receivables and available for sale. Under IFRS 9, derivatives embedded in contracts where the host is a financial asset in the scope of the standard are never separated. Instead, the hybrid financial instrument as a whole is assessed for classification.

IFRS 9 was adopted 1 January 2018 and has not had a significant effect on Adara Development Group's accounting policies related to financial assets and liabilities.

The following table and the accompanying notes below explain the measurement categories under IFRS 9 for each class of Adara Development Group's financial assets and liabilities as at 31 December 2019.

<i>In dollars</i>	Classification under IFRS 9
Financial assets	
Cash and cash equivalents	Financial asset at Amortised Cost
Trade and other receivables	Financial asset at Amortised Cost
Financial liabilities	
Trade and other payables	Financial liabilities at Amortised Cost

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Notes to the financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting policies (continued)

k) IFRS 9- Financial Instruments (continued)

(iii) Impairment of financial assets

IFRS 9 replaces the 'incurred loss' model in IFRS 139 with an 'expected credit loss' (ECL) model. The new impairment model applies to financial assets measured at amortised cost, contract assets and debt investments at FVOCI, but not to investments in equity instruments. Under IFRS 9, credit losses are recognised earlier than under IFRS 139.

For assets in the scope of the IFRS 9 impairment model, impairment losses are generally expected to increase and become more volatile. Adara Development has determined that there has been no impairment requirements as at 31 December 2019 which require an additional allowance for impairment.

l) New and revised accounting standards and interpretations

The Group has applied IFRS 16 using the modified retrospective approach and therefore comparative information has not been restated and continues to be reported under IAS 17.

The details of the accounting policy for leases under IAS 17 is disclosed separately below as it is different to the accounting policy for leases under IFRS 16, and the impact of changes is disclosed under note above.

A. Policy applicable from 1 January 2019 under IFRS 16

At inception of a contract, the Group assessed whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control as identified asset, the Group assesses whether:

- The contract involves the use of an identified asset - this may be explicitly or implicitly and should be physically distinct or represent substantially all of the capacity of a physically distinct asset.
- The Group has the right to obtain substantially all of the economic benefits from the use of the asset throughout the period of use; and
- The Group has the rights to direct the use of the asset. The Group has this right when it has the decision-making rights that are most relevant to changing how and for what purpose the asset is used. In rare cases where the decision about how and for what purpose the asset is used is predetermined, the Group has the right to direct the use of the asset if either:
 - It has the right to operate the asset; or
 - It designed the asset in a way that predetermines how and for what purpose it will be used.

This policy is applied to contracts entered into, or changed, on or after 1 January 2019.

As a lessee:

The Group recognised a right-to-use asset and a lease liability at the lease commencement date. The right-of-use asset is measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-to-use asset or the end of the lease term. The estimated useful life is determined on the same basis as those of property and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability.

Adara Development

Notes to the financial statements (continued)

For the year ended 31 December 2019

3. Significant accounting policies (continued)

I) New and revised accounting standards and interpretations (continued)

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, the Group's incremental borrowing rate. Generally, the Group uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise the following:

- Fixed payments;
- Amounts expected to be payable under a residual value guarantee; and
- The exercise price under a purchase option that the Group is reasonable certain to exercise, lease payments in an option renewal period if the group is reasonably certain to exercise an extension option, and penalties for early termination unless the Group is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest rate method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate or a change in the afore-mentioned options exercisable. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset, or it is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

Short-term leases and leases of low-value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for the short-term leases. The Group recognises lease payments associated with these leases as an expense on a straight-line basis over the lease term.

B. Policy applicable before 1 January 2019 under IAS 17

For contracts entered into before 1 January 2019, the Group determined whether the arrangement was or contained a lease based on the assessment of whether:

- Fulfilment of the arrangement was dependent on the use of a specific asset or assets; and
- The arrangement had conveyed a right to use the asset. An arrangement conveyed the right to use the asset if one of the following criteria was met:
 - The purchaser had the ability or right to operate the asset while obtaining or controlling more than an insignificant amount of the output;
 - The purchaser had the ability or right to control physical access to the asset while obtaining or controlling more than an insignificant amount of the output, or
 - Facts and circumstances indicated that it was remote that other parties would take more than an insignificant amount of the output, and the price per unit was neither fixed per unit of output nor equal to the current market price per unit of output.

As a lessee:

In the comparative period, the Group was a lessee to operating leases only and assets held under these leases were not recognised in the Company's Statement of Financial Position. Payments made under operating leases were recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received were recognised as an integral part of the total lease expense, over the term of the lease.

Adara Development

Notes to the financial statements (continued)

For the year ended 31 December 2019

4. Maternal Newborn Child Health programme costs

	2019	2018
	\$	\$
Kiwoko Hospital	792,660	680,583
Early childhood intervention for infants at high-risk	9,657	14,959
Hospital to Home	127,981	4,820
Safe Bubble CPAP	13,067	-
Building capacity in newborn health services	7,486	15,228
Programme support	380,724	401,588
	<u>1,331,575</u>	<u>1,117,178</u>

5. Remote Community Development programme costs

	2019	2018
	\$	\$
Adara Development Nepal - Adara Kids	34,635	120,227
Adara Development Nepal - Humla	317,153	296,743
Adara Development Nepal - Tibetan Medicine Practitioner	20,614	22,935
Adara Development Nepal - Ghyangfedi	138,781	81,955
Hands in Outreach	11,173	8,896
Himalayan Childrens Society	119,808	121,258
Himalayan Medical Foundation	41,542	40,778
The Himalayan Innovative Society	29,231	28,584
The Womens Foundation	5,426	8,387
Programme support	202,257	142,358
	<u>920,620</u>	<u>872,121</u>

6. Core support

	2019	2018
	\$	\$
Depreciation and amortisation	55,695	36,407
Employee related expenses	670,157	674,957
Finance, governance and compliance	51,618	63,855
IT and telecommunications	82,595	104,202
Occupancy	64,160	83,045
Office and other operating costs	13,815	22,118
Partnerships, development and communications	46,475	39,073
Travel	51,480	25,877
Foreign exchange gains/(losses)	548	(3,793)
	<u>1,036,543</u>	<u>1,045,741</u>

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

Adara Development

Notes to the financial statements (continued)

For the year ended 31 December 2019

7. Cash and cash equivalents

7.1 Cash and cash equivalents

	<u>2019</u>	<u>2018</u>
	\$	\$
Cash at bank and on hand:		
Core Support	64,826	46,168
General Restricted	109,051	96,890
Maternal Newborn Child Health Restricted	81,478	174,174
Remote Community Development Restricted	238,682	254,699
	<u>494,037</u>	<u>571,931</u>

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

	<u>2019</u>	<u>2018</u>
	\$	\$
Net profit for the year	25,627	(116,240)
Adjustments for non-cash income and expense items:		
Depreciation and amortisation expense	18,708	19,271
(Increase) / decrease in other current assets	(48,594)	(4,878)
Increase / (decrease) in trade creditors	(8,613)	30,196
Increase / (decrease) in employee benefits	22,856	32,284
Increase / (decrease) in other non-cash expenses	(74,794)	126,679
Net cash (used in)/from operating activities	<u>(64,810)</u>	<u>87,312</u>

8. Trade and other current assets

	<u>2019</u>	<u>2018</u>
	\$	\$
Other receivables	35,219	24,158
Prepayments	28,210	12,151
Trade receivables	34,794	13,320
	<u>98,223</u>	<u>49,629</u>

9. Property, plant and equipment

	<u>2019</u>	<u>2018</u>
	\$	\$
Office Equipment		
Cost		
At the beginning of the financial year	47,457	42,520
Additions	10,173	9,227
Disposals	(5,532)	(2,751)
Exchange differences	198	(1,539)
At the end of the financial year	<u>52,296</u>	<u>47,457</u>

Adara Development

Notes to the financial statements (continued)

For the year ended 31 December 2019

9. Property, plant and equipment (continued)

	2019	2018
Office Equipment	\$	\$
Accumulated Depreciation		
At the beginning of the financial year	34,964	31,938
Depreciation charge for the year	9,971	6,567
Disposals	(5,521)	(2,565)
Exchange differences	144	(976)
At the end of the financial year	39,558	34,964
Net book value at the end of the financial year	12,738	12,493
	2019	2018
Motor vehicles	\$	\$
Cost		
At the beginning of the financial year	1,043	1,066
Exchange differences	17	(23)
At the end of the financial year	1,060	1,043
Accumulated Depreciation		
At the beginning of the financial year	607	408
Depreciation charge for the year	212	208
Exchange differences	11	(9)
At the end of the financial year	830	607
Net book value at the end of the financial year	230	436
	2019	2018
Right of Use Asset	\$	\$
Cost		
At the beginning of the financial year	-	-
Additions	62,752	-
At the end of the financial year	62,752	-
Accumulated Depreciation		
At the beginning of the financial year	-	-
Depreciation charge for the year	19,174	-
At the end of the financial year	19,174	-
Net book value at the end of the financial year	43,578	-

Adara Development

Notes to the financial statements (continued)

For the year ended 31 December 2019

9. Property, plant and equipment (continued)

	2019	2018
	\$	\$
Medical Equipment		
Cost		
At the beginning of the financial year	63,856	-
Additions	-	82,726
Exchange differences	1,070	(18,870)
At the end of the financial year	64,926	63,856
Accumulated Depreciation		
At the beginning of the financial year	17,663	-
Depreciation charge for the year	21,642	17,806
Exchange differences	297	(143)
At the end of the financial year	39,602	17,663
Net book value at the end of the financial year	25,324	46,193
Total net book value at the end of the financial year	81,870	59,122

10. Intangible assets

	2019	2018
	\$	\$
Website		
Cost		
At the beginning of the financial year	19,795	21,970
Exchange differences	(107)	(2,175)
At the end of the financial year	19,688	19,795
Accumulated Amortisation		
At the beginning of the financial year	19,304	21,152
Amortisation for the year	217	246
Exchange differences	(105)	(2,094)
At the end of the financial year	19,416	19,304
Net book value at the end of the financial year	272	491

Adara Development

Notes to the financial statements (continued)

For the year ended 31 December 2019

10. Intangible assets (continued)

	2019	2018
	\$	\$
Software		
Cost		
At the beginning of the financial year	51,403	52,115
Additions	2,098	4,448
Exchange differences	(280)	(5,160)
At the end of the financial year	53,221	51,403
Accumulated Amortisation		
At the beginning of the financial year	40,309	31,142
Amortisation for the year	8,308	12,250
Exchange differences	(219)	(3,083)
At the end of the financial year	48,398	40,309
Net book value at the end of the financial year	4,823	11,094
Total net book value at the end of the financial year	5,095	11,585

11. Trade and other payables

	2019	2018
	\$	\$
Accrued expenses	25,735	30,350
Other payables	-	4,889
Trade payables	42,028	41,137
	67,763	76,376

12. Employee benefits

	2019	2018
	\$	\$
Current		
Annual leave	64,874	52,059
Other employee accruals	43,872	46,625
PAYG	9,760	7,568
Superannuation/NSSF	5,177	4,796
Sick leave liability	6,011	3,477
	129,694	114,525
Non-current		
Long service leave	18,300	10,613
	18,300	10,613

Adara Development

Notes to the financial statements (continued)

For the year ended 31 December 2019

13. Related party transactions

a) Directors' and Trustees' compensation

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

b) Transactions with director-related entities

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

The Group 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 the Group 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).

Additionally, Remote Community Development and Innovation, Learning and Evaluation Nepal programme support is paid to Adara Development (Australia)'s foreign operation in Nepal (INGO). In 2019, Adara Development (the "Group") transferred \$884,928 (2018: \$788,831) to the INGO.

The Group has received donations from the following related parties:

	2019	2018
	\$	\$
Adara Advisors Pty. Limited cash and in-kind donations	58,896	105,975
Adara Partners (Australia) Pty. Limited cash donations	1,255,172	962,638
	<u>1,314,068</u>	<u>1,068,613</u>

Adara Advisors Pty. Limited, solely owned by Audette Evelyn Exel AO, is a financial services business established to be the principal provider of direct and indirect funding to the Group for core support costs and support for emergency project costs. Adara Advisors Pty. Limited was established in 2006. It is the successor business to the first related party business, established in 1998 in Bermuda.

Adara Partners (Australia) Pty. Limited was established in 2014 to provide direct and indirect funding to the Group for core support costs and support for emergency project costs.

As at balance sheet date Adara Advisors Pty. Limited and its predecessor business together with Adara Partners (Australia) Pty. Limited had contributed \$12,362,925 (AUD15,649,157) in total to the Group.

In addition to the donations from Adara Advisors Pty. Limited and Adara Partners (Australia) Pty. Limited disclosed above, during the year donations of \$9,616 (2018: \$53,409) were received by individual entities in the Group from their Board of Directors or Trustees.

c) Other key management personnel transactions

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

14. Key management personnel remuneration

The key management personnel of the Group are its directors and trustees.

Adara Development

Notes to the financial statements (continued)

For the year ended 31 December 2019

14. Key management personnel remuneration (continued)

Adara Development (Australia)	Audette Evelyn Exel AO, Richard Deutsch, Laini Liberman, Richard Alan West, Susan Burns, Ilana Atlas, Andrea McCormick
Adara Development (Bermuda)	Audette Evelyn Exel AO, Edith Conyers, Philippe Max Rouja
Adara Development (UK)	Audette Evelyn Exel AO, Andrew della Casa, Kate Vacher, Richard Houghton
Adara Development (USA)	Audette Evelyn Exel AO, Thomas Dickson, Derek Stapley, Thomas Glynn (appointed 15th October 2019)
Adara Development (Uganda)	Audette Evelyn Exel AO, Susan Burns, Kenneth Finch

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

15. Commitments

a) Commitments to Non-Government Organisations

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

The amounts committed to by Adara Development are as follows:

	Funding committed for January - December 2019	Agreement period from	Agreement period ending
	USD		
Adara Development Nepal	651,080	25 November 2014	Completion of project
The Himalayan Innovative Society	34,591	1 January 2018	31 December 2020
Himalayan Medical Foundation	43,757	1 January 2018	31 December 2020
Hands in Outreach	12,000	1 January 2018	31 December 2020
Himalayan Childrens Society	127,171	1 January 2018	31 December 2020
The Womens Foundation	6,197	1 January 2018	31 December 2020
Kiwoko Hospital	735,240	1 January 2018	31 December 2020
Total	<u>1,610,036</u>		

The Group 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.

Commitments will be met by current funds available and restricted donations received during the year.

Adara Development

Notes to the financial statements (continued)

For the year ended 31 December 2019

16. Auditors' remuneration

	2019	2018
	\$	\$
Audit services		
HLB Mann Judd:		
Audit and review of the financial report*	-	-
KPMG Australia:		
Audit and review of financial reports	-	23,832
Somerbys (UK):		
Audit and review of financial reports	4,201	4,975
Markhouse Partners Uganda:		
Audit and review of financial reports	2,039	2,024
	<u>6,240</u>	<u>30,831</u>

*There has been no expense or accrual recognised in the financial report of Adara Development as the audit service is provided without charge by the auditors, HLB Mann Judd.

17. Events after the balance sheet date

COVID-19

Notwithstanding the unfolding situation relating to COVID-19 (coronavirus) in Australia and around the world, each entity within the Adara Group, is committed to ensuring our important work is not impacted, our income from donors does not diminish and the Adara businesses can continue to meet their obligation of donating sufficient funds to cover the core support and emergency funding costs of Adara Development. The Adara Group has three guiding principles in relation to the management of COVID-19:

1. The safety of Adara employees, our partners and communities
2. Serving our business clients and running our programme work at the highest standards
3. Doing our part to slow community spread of the virus

The Adara Group's specifically appointed Incident Committee is managing all risks via our formalised risk management process and the Adara staff have protocols in place in line with those recommended by relevant public health bodies.

As we face this challenge of global proportions, working with communities in poverty in the developing world is more important than ever. They are particularly vulnerable to the coronavirus and we are committed to working with them to ensure they are prepared and supported. We will redouble our efforts to ensure our teams and the communities we partner with are safe and prepared.

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

18. Contingencies

As at 31 December 2019, the Group had no material contingent assets or liabilities.

19. Fundraising appeals conducted during the year


No fundraising appeals have been undertaken during the year.

Directors and Trustees' declaration

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

- (a) the individual entities listed in Note 1 are registered not-for-profit organisations while the Group is not a registered not-for-profit organisation;
- (b) the financial statements and notes that are set out on pages 2 to 20:
 - (i) present fairly the Group's financial position as at 31 December 2019 and its performance for the financial year ended on that date in accordance with the basis of preparation and accounting policies described in Note 2 and 3;
 - (ii) comply with Australian Accounting Standards (including the Australian interpretations) to the extent described in Note 2;
- (c) there are reasonable grounds to believe that the Group will be able to pay their debts as and when they become due and payable;
- (d) the entities within the Group have kept accounting records as to correctly record and explain their transactions and financial position; and
- (e) the entities within the Group have kept their accounting records so that a true and fair financial report of the Group can be prepared from time to time.

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



Audette Evelyn Exel AO
Chair
28 April 2020

Independent Auditor's Report to the Directors and Trustees of Adara Development

REPORT ON THE AUDIT OF THE FINANCIAL REPORT

Opinion

We have audited the combined financial report of Adara Development ("the Group"), which comprises the combined statement of financial position as at 31 December 2019, the combined statement of profit or loss and other comprehensive income, the combined statement of changes in equity and the combined statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, and the declaration by Directors and Trustees.

In our opinion, the accompanying combined financial report presents fairly, in all material aspects, the financial position of the Group as at 31 December 2019, and its financial performance and its cash flow for the year then ended in accordance with the accounting policies described in Note 3 of the financial statements.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Group in accordance with the auditor independence 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 financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

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

Emphasis of Matter – Basis of Preparation

We draw attention to Note 1 and Note 2 to the combined financial report, which describe the basis of preparation. The financial report has been prepared to assist the Group meet the needs of the Directors and Trustees of the entities within the Group. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Emphasis of Matter – Events after balance sheet date

We draw attention to Note 17 to the financial statements, which describes the uncertainties and possible effects on the Group arising from its management of the on-going issues related to COVID-19. Our opinion is not modified in respect of this matter.

Information Other than the Financial Report and Auditor's Report Thereon

The Directors and Trustees are responsible for the other information. The other information comprises the information included in the Group's annual report for the year ended 31 December 2019, but does not include the financial report and our auditor's report thereon.

Our opinion on the financial report does not cover the other information and accordingly we do not express any form of assurance conclusion thereon.

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HLB Mann Judd (SE Qld Partnership)

Level 15, 66 Eagle Street, Brisbane QLD 4000 | GPO Box 5225 Brisbane QLD 4001

T: +61 (0)7 3001 8800 F: +61 (0)7 3221 0812 E: infobne@hlbqld.com.au

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In connection with our audit of the financial report, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors and Trustees for the Financial Report

Management is responsible for the preparation and fair presentation of the financial report in accordance with the accounting policies described in Note 3 of the financial statements and for such internal control as management determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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

The Directors and Trustees are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Financial Report

Our objectives are to obtain reasonable assurance about whether the 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 and 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 financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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



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

HLB Mann Judd

**HLB Mann Judd
Chartered Accountants**

Brisbane, Queensland
28 April 2020