



ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED

30 JUNE 2007

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OXFAM AUSTRALIA
ABN 18 055 208 636
AND CONTROLLED ENTITIES

Corporate Information

ABN 18 055 208 636

This annual report covers both Oxfam Australia as an individual entity and the consolidated entity comprising Oxfam Australia and its subsidiary, Oxfam Australia Trading Pty Ltd. The Group's functional and presentation currency is AUD (\$)

A description of the Group's operations and of its principal activities is included in the review of operations and activities in the Directors' report on pages 4 to 8. The Directors' Report is not part of the financial statements.

Directors

Michael Henry	Chair (non-executive)
Marian Louise Redmond	Deputy Chair (non-executive)
Ian Robert Anderson	Honorary Treasurer (non-executive)
Ross Allan	Director (non-executive)
Dennis Altman	Director (non-executive)
Trish Cowcher	Director (non-executive)
Adrienne Farago	Director (non-executive)
Elizabeth Hobbin	Director (non-executive)
Jane Hutchison	Director (non-executive)
Judith Ann Mitchell	Director (non-executive)
Mandy Nearhos	Director (non-executive)
Caroline Thomas	Director (non-executive)
Kim Watkins	Director (non-executive)

Company Secretary

Craig Barry

Executive Director

Andrew Hewett

Registered Office and Principal place of business

132 - 138 Leicester St,
Carlton, Australia
Phone: +61 3 9289 9444

Solicitors

Corrs Chambers Westgarth
600 Bourke St
Melbourne, Australia

Bankers

Westpac Banking Corporation
360 Collins St
Melbourne, Australia

Auditors

Ernst & Young
8 Exhibition St
Melbourne, Australia

OXFAM AUSTRALIA
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Directors' Report

Your Directors submit their report for the year ended 30 June 2007.

DIRECTORS

The names and details of the Directors in office during the financial year and to the date of this report are as follows. Directors were in office for this entire period unless otherwise stated.

Names, qualifications, experience, and special responsibilities

Michael Henry
(Chair)
B.Sc, B.Ed, PhD

Michael is Managing Director of the Strategy Shop, a strategic management consultancy. He was the National Director of Community Aid Abroad from 1985-87. He was elected to the Board in 2004 and is a member of the Board Finance & Audit Group and the Board Governance Committee. Michael was elected Chair of the Board in 2006 and also serves on the Board of Oxfam International.

Marian Louise Redmond
(Deputy Chair)
B.Soc.Stud, B.A. (Hons), Dip.Ed, M.A.

Louise is the Executive Director of Positive Outcomes, a firm that advises on corporate social responsibility strategies and programs. Louise joined the Board in 2003 and is a member of the Board Finance and Audit Group.

Ian Robert Anderson
(Honorary Treasurer)
PhD., M.Litt, FCA, CPA,
FHKICPA, AM

Ian was co-opted to the Board in 2003. Trained as a Chartered Accountant, Ian was founder Chair of Oxfam Hong Kong in 1988 and a member of its Board until 2003. From 1999 - 2003 he was also the Chair of the Board of Oxfam International. Ian has been a member of the Board Finance and Audit Group since 2002 and, as Treasurer, is Chair of the group. Ian is also a member of the Oxfam Australia Trading Pty Ltd Board.

Ross Allan
Dip QS

Ross is a retired consultant who specialised in the management of financial and planning aspects of shopping centre developments. Ross was elected to the Board in 2004 and is a member of the Board Finance & Audit Group. He is also on the Board of Oxfam Australia Trading Pty Ltd.

Dennis Altman
MA, FASSA

Dennis is a Professor of Politics at Latrobe University and has been involved with the development of Australia's HIV/AIDS policies since 1989. He is a member of the Governing Council of the International Aids Society. Dennis was elected to the Board in December 2006 and is a member of the Governance Committee.

Trish Cowcher
BA

Trish has a Degree in Politics and International Studies and works as an Electorate Officer for a Member of the Legislative Council in Western Australia. . She was a Board member from 1998-2001. Trish was re-elected to the Board in 2004 and is a member of the Board Community Reference Committee. She is currently a member of the Board Governance Committee.

Adrienne Farago
B.T.R.P., M.U.P

Adrienne is currently the Chief Executive Officer of the Natural Resources Management Board (NT). She was the Director of Overseas and Indigenous Australia Program at Oxfam Community Aid Abroad from 1998-2002. Adrienne was elected to the Board in 2004 and is a member of the Board Governance Committee.

Elizabeth Hobbin
PSM, MB, BS, DPH, FRACP

Elizabeth is a retired consultant physician in geriatric medicine. Elizabeth was elected to the Board in 2004 and is a member of the Board Community Reference Committee.

Jane Hutchison
Assoc Dip Ag, BA (Hons) PhD

Jane teaches politics and international studies at Murdoch University. Jane was elected to the Board in 2004. She is a member of the Board Governance Committee.

David Langmore
B.Sc., Dip Ed, Dip T and RP

David joined the Board in October 2002 and is a strategic planning consultant. He resigned his position on the Board in December 2006.

Catherine McNaughton
B.T.R.P. (Hons), MA

Catherine joined the Board in October 2002. Catherine is a transport campaigner with Environment Victoria. Catherine stepped down as a member of the Board in December 2006.

Judith Ann Mitchell
BA, MA, PhD, Grad Dip HSS

Judith is an educational consultant and has been on the Board since 1996. In 2006, Judith stepped down as Chair of the Oxfam Australia Board and as a member of the Oxfam International Board. Judith is a member of the Board of Oxfam Australia Trading Pty Ltd. Australia and is currently the Chair of the Board Governance Committee.

Mandy Nearhos
BSc, Grad Dip Sc, MACS

Mandy is an IT business analyst and General Manager of an IT consultancy company. Mandy was elected in 2002 and is also on the Board of Oxfam Australia Trading Pty Ltd.

Jeannette O'Keefe
BA

Jeannette is a human resources practitioner and industrial advocate. Jeanette was elected to the Board in 2002 and resigned in December 2006.

Caroline Thomas

Caroline is a marketing communications consultant and was elected to the Board in December 2006. Caroline is also a member of the Board Community Reference Committee.

Kim Watkins

Kim was co-opted to the board in September 2007.

The Board of Directors of Oxfam Australia consists of 10 Directors being those persons successful in the biennial elections conducted by the Company amongst the Ordinary Members and up to 4 co-opted Members.

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Directors' Report (cont)

BOARD STAFF PARTICIPANT

Cameron Wiseman

Cameron was elected as the staff participant on the Board in 2004 and stepped down in 2006. He is Oxfam Australia's Corporate Relationships Fundraiser, based in the national office in Melbourne.

Felicia Yeow

Felicia was elected the staff participant on the board at the end of 2006 but stepped down in 2007 when she left the organisation. Felicia was the Program Support Manager, based in Melbourne.

Colin Collet Van Rooyen

Colin was elected as the staff participant on the Board in 2007. He is the South Africa Country Representative and is based in our Durban office in South Africa.

COMPANY SECRETARY

Craig Barry

B.A., B.BusAcc, A.S.A.

Craig has been the company secretary of Oxfam Australia since 2004 and is the Director of Finance and Information Systems. Prior to holding this position he was the Manager of Administration and Accounting Services with the Melbourne Exhibition and Convention Centre. He has also served as a Director at Tenant's Union Victoria and at the World Congress Centre Super Fund.

CORPORATE STRUCTURE

Oxfam Australia is an income tax exempt charitable organisation, incorporated as a company limited by guarantee and domiciled in Australia. Oxfam Australia has prepared consolidated financial reports incorporating the entity that it controlled during the financial year.

PRINCIPAL ACTIVITIES

The principal activities during the year of the entities within the Group were to:

- Raise funds from the Australian Community, Government and Institutional Donors for the purpose of initiating and managing human development and humanitarian relief programmes overseas and in Australia. The programmes contribute to enabling poor and marginalised peoples to:

- control their own development;
- have access to a sustainable livelihood
- have access to social services
- have an effective voice in decisions
- be safe from conflict and disaster
- have equal rights and status

- Sell Fair Trade certified crafts, jewellery, foods and other products sourced primarily from small scale farmers and artisans in developing countries.

OPERATING AND FINANCIAL REVIEW

Group Overview

Oxfam Australia

Oxfam Australia began as Food for Peace in Melbourne in 1953. In 1962 the name was changed to Community Aid Abroad and the first full time Director was appointed. The Australian Freedom From Hunger Campaign which was founded in 1961 merged with Community Aid Abroad in 1992. Community Aid Abroad has been a member of the Oxfam International confederation since its formation in 1995 and in 2001 changed its legal name to Oxfam Australia. Today the organisation is a secular, independent, non government, not-for-profit organisation working in 27 countries around the world.

Oxfam Australia Trading Pty Ltd

Oxfam Australia Trading Pty Ltd is a fully owned subsidiary of Oxfam Australia. It is a Fair Trade Organisation providing better trading conditions and capacity building support for marginalised producers. Oxfam Australia Trading Pty Ltd operates an online shop, a mail order catalogue and 14 stores around the country.

Performance Indicators

Management and the Board monitor the Group's overall performance, from the implementation of the organisation's vision and strategic plan through to the performance of the Group against operating plans and financial budgets.

The Board, together with management, have identified key performance indicators (KPIs) that are used to monitor performance. Management monitors KPIs on a regular basis. Directors receive the KPIs for review prior to each Board meeting.

The three principal KPIs for Oxfam Australia are:

Program Investment Ratio:	Program expenditure as a percentage of total expenditure
Cost of Fundraising Ratio:	Fundraising expenditure as a percentage of total community support income
Administration Ratio:	Administration costs as a percentage of total income

In addition there are other accountability measures that the Board monitors, including reserves levels, levels of grant income in comparison to community support income and the breakdown of program costs between direct program costs, program support and program management.

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Directors' Report (cont)

Operating Results

Total revenue for the continuing operations of the Group decreased in 2007 by \$8,646,724 to \$63,387,071. This is a result the much stronger than anticipated Community Support income, a reduction in the funds drawn down from the Oxfam International Tsunami Fund and reduced investment income because of the divestment of International Development Support Services Pty Ltd (IDSS) in 2006 (all of which are discussed further in the Oxfam Australia results).

There was also a decrease in total expenditure for the continuing operations of the Group from \$62,046,184 in 2006 to \$57,307,579 in 2007, primarily as a result of a reduction in spending on the Tsunami response.

As a result, whilst the Group recognised a significant surplus in 2007 of \$6,079,493 it was down on the 2006 surplus of \$9,987,611, inclusive of a one-time dividend on the sale of IDSS.

Oxfam Australia

As mentioned above, Oxfam Australia total revenue decreased by \$8,870,517 in 2007. The Tsunami Response program continues, however the scale of program has reduced since the initial response and consequently the draw down of funds from the Oxfam International Tsunami Fund (OITF) has dropped. In addition, the draw down this year was significantly less than anticipated due to ongoing security concerns in Sri Lanka which for much of the year that made program delivery difficult.

A one off recognition of a distribution of retained profits from IDSS to the parent prior to the divestment of the subsidiary in 2006 also accounted for the decrease in revenues in 2007.

However, Community Support Income continued to grow in 2007. The growth has been across a number of income lines, but is particularly due to the continued success of Oxfam Unwrapped and Oxfam Trailwalker.

Program Expenditure decreased by \$6,997,815 in 2007, again this is primarily due to decreased spending on the Tsunami Response program.

Consequently, Oxfam Australia realised a surplus of \$6,945,733 and achieved the following results with regards to the three main KPIs:

	<u>2007</u>	<u>2006</u>
Program Investment Ratio:	76.0%	81.4%
Cost of Fundraising Ratio:	21.0%	22.2%
Administration Ratio:	6.3%	4.1%

The reduction in the Program Investment ratio is attributable to reduced spending on the Tsunami Response but is still in line with the Board targets. The increase in the Administration Ratio is attributable to the reduced draw down on funds from the OITF and some non-capitalised expenses related to the relocation of the National Office that increased Administration costs. 2007 has seen the Cost of Fundraising Ratio continue to remain lower than the board target of 25%. As mentioned above, there has been substantial growth in Community Support Income across a number of income lines while the costs incurred to raise these funds have remained fairly stable.

Oxfam Australia Trading Pty Ltd

The 2007 financial year was another difficult year for Oxfam Australia Trading Pty Ltd (OAT) resulting in a loss of \$866,240 (2006: \$422,794 loss).

Although total revenue increased by \$264,821 to \$9,035,799, total expenditure increased by \$708,267. This is partially due to stock write offs as a result of variances discovered during stocktakes. It is not anticipated that stock variations will reoccur as significant measures are being taken to ensure improvement in stock handling and reporting procedures. Delays in the opening of new shops also contributed to the loss. More positively, OAT shops were a very significant outlet for Oxfam Unwrapped.

The Boards of Oxfam Australia and OAT have responded to the situation and a strategic plan for 2007 - 2010 has been approved. As a part of the plan, Oxfam Australia will provide a capital injection of \$2.7m and a loan facility of \$1m to assist in the funding of new shop openings and the additional stock purchases that will be required. In addition, the boards have agreed to integrate more fully the governance and management functions of OAT with those of the parent entity.

Consequently, the foundations are in place to return the company to profitability, and through its Fair Trade operations, make a positive contribution to Oxfam's goals.

Liquidity

There was an increase in cash and cash equivalents in the year of \$2,702,311 to \$9,114,725 (2006: \$6,412,414). This is primarily due to a fall in the "Payments to Projects" because of the reduced spending on the Tsunami Response program and funds received through the sale of the George St property.

Capital expenditure

Oxfam Australia made considerable investment in its capital infrastructure during 2006 when it purchased a new property for its National Office. In 2007, the renovations of the property continued with \$3.8m being spent. In addition \$0.34m was spent on furniture to fit out the new office. This capital expenditure however is somewhat offset by the \$2.05m received for the sale of the George St premises. Furthermore furniture from the George St premises will be relocated and reused in the state offices. The Directors are grateful to all the in-kind providers of equipment and services relating to the new premises.

Risk Management

The Group takes a proactive approach to risk management. The Board is responsible for ensuring that risks, and also opportunities, are identified and managed on a timely basis. Consequently in 2007 a Risk and Assurance Manager was appointed who is implementing programs to further enhance the Group's risk management strategies - for example the introduction of an internal audit function.

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Directors' Report (cont)

Risk Management (cont)

To ensure that all Board members are a part of this process, there is no separate risk management committee. To the extent that risk management cannot be covered by the Board Audit and Finance Group's mandate, Board sub-committees are convened in response to issues and risks identified by the Board as a whole, and the sub-committee further examines the issues and reports back to the Board.

The Board has mechanisms in place to ensure that management's objectives and activities are aligned with the risks identified, including the following:

- Board approval of an organisational strategic plan, which encompasses the Group's vision, mission and strategy statements, designed to meet stakeholders' needs and manage business risks.
- Implementation of operating plans, regional strategic plans and Board approved budgets together with Board monitoring of progress against these budgets, including the establishment and monitoring of KPIs of both a financial and non-financial nature.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

On 15 September 2006, Oxfam Australia's George St property, with a carrying amount of \$789,216, was sold for \$2,051,000 and on 29 May 2007 the National Office moved into the new premises at Leicester Street in Carlton.

SIGNIFICANT EVENTS AFTER THE BALANCE DATE

As mentioned above, in August 2007 the Oxfam Australia Board approved a capital injection of \$2.7m into Oxfam Australia Trading Pty Ltd and a continuation of a \$1m loan facility from the parent.

LIKELY DEVELOPMENTS AND EXPECTED RESULTS

Over recent years, Oxfam Australia has generated significant surpluses and as a consequence the level of reserves exceeds what is required by the organisation's Reserves Policy (please refer to Note 26 of the Financial Statements for an outline of the policy). As a result of the excess of reserves, the Directors have approved a deficit budget for 2008. This deficit will, early in the life of the new strategic plan, fund the investments needed to achieve its ambitious and challenging targets.

The main two areas of investment are;

- Setting the administrative infrastructure in place to support the growth
- Implementing the fundraising campaigns that will allow the income to grow considerably in latter years.

Excess reserves will also fund the work of the newly established Research Unit and some of the additional activities of the Youth Engagement Program.

After a decrease in Program Expenditure in 2007 due to the reduced spending on the Tsunami Response, the Directors expect the Program Expenditure to return to previous levels and increase by \$10.93m compared to 2007 results.

Community Support Income will grow only slightly in 2008 in the wake of the significant growth experienced in 2006 and 2007 as the foundations for growth in later years are laid.

INDEMNIFICATION AND INSURANCE OF DIRECTORS AND OFFICERS

The company has paid premiums in respect of a contract insuring all the Directors and officers of the economic entity against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in their respective capacities, other than conduct involving wilful breach of duty in relation to the company. The amount of the premium was \$3,815.

REMUNERATION REPORT AND SENIOR MANAGEMENT AS DIRECTORS OF OXFAM AUSTRALIA TRADING PTY LTD

The remuneration report for the Group can be found in note 24 of the financial report.

The Directors of the controlled entities or parent entity serve voluntarily and do not receive any remuneration for their services as Directors.

Remuneration relates to employees of Oxfam Australia who are Directors of the controlled entities by virtue of their position with Oxfam Australia.

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Directors' Report (cont)

DIRECTORS' MEETINGS

The number of meetings of directors (including meetings of committees of Directors) held during the year and the number of meetings attended by each Director were as follows:

Number of meetings held:	Directors' Meetings	Finance & Audit Committee	Governance Committee	Community Reference Committee
	4	5	7	7
	Attended *	Attended *	Attended*	Attended
Michael Henry (Chair)	4 (4)	2 (5)	3 (4)	5 (5)
Marian Louise Redmond (Deputy Chair)	4 (4)	2 (2)		
Ian Robert Anderson (Honorary Treasurer)	2 (4)	4 (5)		
Dennis Altman	3 (3)		2 (3)	
Ross Allan	4 (4)	3 (5)		
Trish Cowcher	4 (4)		3 (4)	7 (7)
Adrienne Farago	4 (4)		7 (7)	
Elizabeth Hobbin	4 (4)			7 (7)
Jane Hutchison	4 (4)		7 (7)	
David Langmore	1 (2)			1 (2)
Catherine McNaughton	1 (2)			
Judith Ann Mitchell	4 (4)	2 (3)	7 (7)	
Mandy Nearhos	4 (4)			2 (2)
Jeannette O'Keefe	0 (2)			0 (2)
Caroline Thomas	3 (3)			5 (5)
Colin Collett Van Rooyen	2 (2)		2 (2)	
Kim Watkins	0 (0)			
Cameron Wiseman	1 (1)			
Felicia Yeow	1 (1)			

* (Meetings Eligible to Attend are in brackets)

Committee Membership

As at the date of this report, the company had a Finance and Audit Group, a Community Reference Committee, and a Governance Committee.

Members acting on the committees of the Board during the year were:

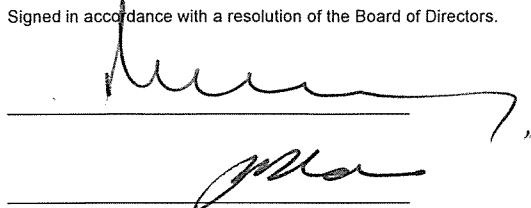
Finance & Audit	Community Reference	Governance
I Anderson (c)	T Cowcher (c)	J Mitchell (c)
J Mitchell (r)	E Hobbin	M Henry (r)
M L Redmond	M Henry	A Farago
R Allan	C Thomas	T Cowcher (r)
M Henry (r)	D Langmore (r)	J Hutchison
S Unantenne @ (r)	J O'Keefe (r)	D Altman
M Pryn @	M Nearhos (r)	C Collett van Rooyen

(c) designates the chair of the committee
 (r) resigned from the committee in 2007
 @ honorary independent members of the committee and non-director

NON-AUDIT SERVICES

During the 2007 financial year, the Group's auditor, Ernst & Young did not provide any non-audit services.

Signed in accordance with a resolution of the Board of Directors.



Michael Henry
 Chair

Ian R. Anderson
 Honorary Treasurer

Melbourne, 19 October 2007

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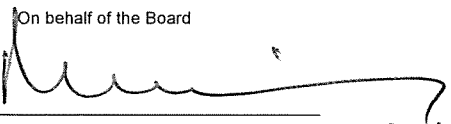
Directors' Declaration


In accordance with a resolution of the Directors of Oxfam Australia, we state that:

In the opinion of the Directors:

- (a) the financial statements and notes of the company and the consolidated entity are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's and consolidated entity's financial position as at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Accounting Standards and Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

On behalf of the Board





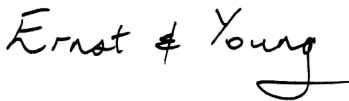
Michael Henry
Chair

Ian R. Anderson
Honorary Treasurer

Melbourne, 19 October 2007

Auditor's Independence Declaration to the Directors of Oxfam Australia

In relation to our audit of the financial report of Oxfam Australia for the financial year ended 30 June 2007, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.



Ernst & Young



Stuart Painter
Partner
19 October 2007

Independent auditor's report to the members of Oxfam Australia

We have audited the accompanying financial report of Oxfam Australia, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration of the consolidated entity comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report 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 entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Auditor's Opinion

In our opinion:

1. the financial report of Oxfam Australia is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the financial position of Oxfam Australia and the consolidated entity at 30 June 2007 and of their performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

Ernst & Young

Ernst & Young

Painter

Stuart Painter
Partner
19 October 2007

OXFAM AUSTRALIA
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Income Statement
FOR THE YEAR ENDED 30 JUNE 2007

	<u>Note</u>	<u>Consolidated</u>		<u>Parent Entity</u>	
		2007 \$	2006 \$	2007 \$	2006 \$
Continuing operations					
Community support income	4 (a)	38,028,722	32,666,686	38,028,722	32,666,686
Oxfam International tsunami fund income		2,987,320	12,627,623	2,987,320	12,627,623
Grants (government & non-government)	4 (b)	9,854,238	9,944,894	9,854,238	9,944,894
Sale of goods		8,838,744	8,563,835	-	-
Investment income	4 (c)	1,271,018	6,864,600	1,255,100	6,843,276
Other operating income	4 (d)	2,407,030	1,366,157	2,389,356	1,302,773
Total revenues		63,387,071	72,033,795	54,514,735	63,385,252
Program costs	4 (e)	36,145,977	43,143,792	36,145,977	43,143,792
Fundraising expenses		7,965,685	7,244,071	7,965,685	7,244,071
Cost of goods sold and services provided		3,831,345	3,587,657	-	-
Administration costs	4 (f)	9,156,410	7,919,932	3,457,341	2,586,984
Finance costs	4(g)	208,162	150,732	-	-
Total expenses		57,307,579	62,046,184	47,569,003	52,974,847
Net surplus from continuing operations		6,079,493	9,987,611	6,945,733	10,410,405
Discontinued operations					
Profit/Gain from divestment of IDSS		0	2,870,238	0	2,870,238
Net surplus for the period		6,079,493	12,857,849	6,945,733	13,280,643

The accompanying notes form part of these financial statements.

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Balance Sheet

FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
ASSETS					
Current Assets					
Cash and cash equivalents	5	9,114,725	6,412,414	9,010,406	6,362,784
Trade and other receivables	6	6,105,126	1,969,995	6,016,911	1,947,866
Inventories	7	3,512,606	2,601,557	-	-
Investments held to maturity and available for sale	8	19,776,337	19,600,141	19,776,337	19,600,141
Prepayments		540,669	598,236	210,786	400,641
Total Current Assets		39,049,463	31,182,343	35,014,440	28,311,432
Non-Current Assets					
Other financial assets	9	-	5,577	750,000	355,577
Other assets	10	32,515	10,750	32,527	10,762
Property, plant & equipment	11	10,206,176	6,795,786	8,744,548	5,654,852
Investment property	12	141,600	144,749	-	-
Total Non-Current Assets		10,380,291	6,956,862	9,527,075	6,021,191
TOTAL ASSETS		49,429,754	38,139,205	44,541,515	34,332,623
LIABILITIES					
Current Liabilities					
Trade and other payables	13	11,862,753	6,284,855	10,666,449	5,989,159
Interest bearing liabilities	14	1,501,347	511,812	-	-
Provisions	15	1,608,442	1,324,947	1,350,537	1,095,758
Oxfam International tsunami funds - held in trust	16	2,039,971	3,780,776	2,039,971	3,780,776
Total Current Liabilities		17,012,513	11,902,390	14,056,957	10,865,693
Non-Current Liabilities					
Interest bearing liabilities	14	1,308,840	1,300,000	-	-
Provisions	15	897,681	805,588	502,857	430,962
Total Non-Current Liabilities		2,206,521	2,105,588	502,857	430,962
TOTAL LIABILITIES		19,219,034	14,007,978	14,559,814	11,296,655
NET ASSETS		30,210,720	24,131,227	29,981,701	23,035,968
ACCUMULATED FUNDS					
Retained surplus		30,127,720	24,048,227	29,898,701	22,952,968
Reserves		83,000	83,000	83,000	83,000
TOTAL ACCUMULATED FUNDS		30,210,720	24,131,227	29,981,701	23,035,968

The accompanying notes form part of these financial statements.

OXFAM AUSTRALIA
ABN 18 055 208 636
AND CONTROLLED ENTITIES

Statement of Cash Flows
FOR THE YEAR ENDED 30 JUNE 2007

	Note	Consolidated		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES					
Receipts from customers		8,952,578	8,780,352	-	-
Receipts from donors and Government		45,173,797	49,107,384	45,095,643	49,185,540
Payments to suppliers and employees		(23,986,451)	(21,734,947)	(14,339,825)	(12,792,050)
Payments to projects		(27,804,609)	(36,653,404)	(27,804,609)	(36,653,404)
Interest received		1,257,218	937,138	1,255,100	929,614
Interest and other costs of finance paid		(208,162)	(150,732)	-	-
Net cash provided by/(used in) operating activities:	5(b)	<u>3,384,372</u>	<u>285,791</u>	<u>4,206,310</u>	<u>669,700</u>
CASH FLOW FROM INVESTING ACTIVITIES					
Proceeds from sale of property, plant & equipment		1,156,557	15,288	1,156,557	-
Proceeds on acquisition of EIT		1,197,586	-	1,197,586	-
Payment for purchase of property, plant & equipment		(3,855,418)	(4,666,213)	(3,342,212)	(4,452,799)
Payment for investments		(176,196)	3,813,638	(176,196)	3,463,638
Proceeds on disposal of subsidiary, net of cash disposed		-	309,741	-	309,741
Net cash provided by/(used in) investing activities:		<u>(1,677,471)</u>	<u>(527,546)</u>	<u>(1,164,265)</u>	<u>(679,420)</u>
CASH FLOW FROM FINANCING ACTIVITIES					
Proceeds from borrowings		1,000,885	-	-	-
Repayment of borrowings		-	(266,193)	-	-
Donations paid		-	-	-	-
Related party loan account		-	1,872	(394,423)	-
Net cash provided by/(used in) financing activities:		<u>1,000,885</u>	<u>(264,321)</u>	<u>(394,423)</u>	<u>-</u>
Net increase in cash and cash equivalents		2,707,786	(506,076)	2,647,622	(9,720)
Cash at 1 July 2006		6,412,414	15,478,094	6,362,784	6,372,504
Net foreign exchange differences		(5,475)	-	-	-
Less Cash at 1 July 2005 from IDSS Pty Ltd		-	(8,559,604)	-	-
Cash at 30 June 2007	5(a)	<u>9,114,725</u>	<u>6,412,414</u>	<u>9,010,406</u>	<u>6,362,784</u>

The accompanying notes form part of these financial statements.

OXFAM AUSTRALIA
 ABN 18 055 208 636
 AND CONTROLLED ENTITIES

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2007

CONSOLIDATED

	<u>Note</u>	<u>Retained Surplus</u> \$	<u>Capital Reserve</u> \$	<u>International Crisis</u> <u>Fund</u> \$	<u>Total</u> \$
At 1 July 2005		17,007,054		83,000	17,090,054
Transitional transfer from reserves to retained profits		(5,816,676)			(5,816,676)
Profit for the year		12,857,849			12,857,849
At 30 June 2006		24,048,227	-	83,000	24,131,227
Profit for the year		6,079,493			6,079,493
At 30 June 2007		30,127,720	-	83,000	30,210,720

PARENT

	<u>Note</u>	<u>Retained Surplus</u> \$	<u>Capital Reserves</u> \$	<u>International Crisis</u> <u>Fund</u>	<u>Total</u> \$
At 1 July 2005		9,672,325		83,000	9,755,325
Profit for the year		13,280,643			13,280,643
At 30 June 2006		22,952,968	-	83,000	23,035,968
Profit for the year		6,945,733	-		6,945,733
At 30 June 2007		29,898,701	-	83,000	29,981,701

The accompanying notes form part of these financial statements.

OXFAM AUSTRALIA
ABN 18 055 208 636
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Notes To The Financial Statements

FOR THE YEAR ENDED 30 JUNE 2007

NOTE 1 - CORPORATE INFORMATION

The financial report of Oxfam Australia for the year ended 30th June 2007 was authorised for issue in accordance with a resolution of the directors on October 19th 2007.

Oxfam Australia is a public company limited by guarantee. It is an income tax exempt charitable organisation, incorporated and domiciled in Australia. The registered office of Oxfam Australia is 132 Leicester Street, Victoria, 3053.

The nature of the operations and principal activities of the Group are described in Note 3.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial report is a general-purpose financial report which has been prepared in accordance with the requirements of the *Corporations Act 2001* and Australian Accounting Standards. Other mandatory professional reporting requirements (Urgent Issues Group Consensus Views) have also been complied with.

The financial report has been prepared in accordance with the historical cost convention. The report is presented in Australian dollars and is rounded to the nearest dollar.

(b) Statement of compliance

Except for the amendments to AASB 101 *Presentation of Financial Statements*, which the Group has early adopted, Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective have been adopted by the Group for the annual reporting period ending 30 June 2007. These are outlined in the table below.

Reference	Title	Nature of change to accounting policy	Application date of standard	Impact on Group Financial Report	Application for Group
AASB 2005-10	Amendments to Australian Accounting Standards [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]	Amendments arise from the release in August 2005 of AASB 7 <i>Financial Instruments: Disclosures</i>	1 January 2007	AASB 7 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However, the amendments will result in changes to the financial instrument disclosures included in the Group's financial report.	1 July 2007
AASB 2007-3	Amendments to Australian Accounting Standards arising from AASB 8 [AASB 5, AASB 6, AASB 102, AASB 107, AASB 119, AASB 127, AASB 134, AASB 136, AASB 1023 & AASB 1038]	Amending standard issued as a consequence of AASB 8: <i>Operating Segments</i>	1 January 2009	AASB 8 is a disclosure standard so will have no direct impact on the amounts included in the Group's financial statements. However the standard is expected to have an impact on the Group's segment disclosures as segment information included in internal management reports is more detailed than that currently reported under AASB 114 Segment Reporting.	1 July 2009

OXFAM AUSTRALIA
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Notes To The Financial Statements (cont)
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

AASB 2007-5	Amendments to Australian Accounting Standard – Inventories Held for Distribution by Not-for-Profit Entities [AASB 102]	This Standard makes amendments to AASB 102 Inventories.	1 July 2007	This amendment only relates to Inventories held for distribution and as such is not expected to have any impact on the Group's financial report.	1 July 2007
AASB 2007-7	Amendments to Australian Accounting Standards [AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 & AASB 128]	Amending standards for wording errors, discrepancies and inconsistencies.	1 July 2007	The amendments are minor and do not affect the recognition, measurement or disclosure requirements of the standards. Therefore the amendments are not expected to have any impact on the Group's financial report.	1 July 2007
AASB 7	Financial Instruments: Disclosures	New standard replacing disclosure requirements of AASB 130 Disclosures in the Financial Statements of Banks and Similar Financial Institutions and AASB 132 Financial Instruments: Disclosure and Presentation.	01-Jan-07	Refer to AASB 2005-10 above.	1 July 2007
AASB 8	Operating Segments	New standard replacing AASB 114 Segment Reporting, which adopts a management approach to segment	01-Jan-09	Refer to AASB 2007-3 above.	1 July 2007

* Application date is for the annual reporting periods beginning on or after the date shown in the above table.

(b) Statement of compliance (cont)

The following amendments are not applicable to Oxfam Australia and therefore have no impact.

Amendment	Affected Standard(s)
2007-1	Amending standard issued as a consequence of AASB Interpretation 11 <i>AASB 2 - Group and Treasury Share Transactions</i>
2007-2	Amending standard issued as a consequence of AASB Interpretation 12 <i>Service Concession Arrangements</i> .
2007-3	Amending standard issued as a consequence of revisions to <i>AASB 123 Borrowing Costs</i> . These amendments relate to qualifying assets which are not applicable to Oxfam Australia
AASB 123	<i>Borrowing Costs</i>
AASB Int. 10	<i>Interim Financial Reporting and Impairment</i>
AASB Int. 11	<i>Group and Treasury Share Transactions</i>
AASB Int. 12	<i>Service Concession Arrangements</i>

(c) Basis of consolidation

The consolidated financial statements comprise the accounts of Oxfam Australia (the parent company) and all of its controlled entities as at 30 June each year (the Group).

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and cease to be consolidated from the date on which control is transferred out of the group

The financial statements of subsidiaries are prepared for the same reporting period as the parent company, using consistent accounting policies.

All intercompany balances and unrealised profits from transactions between Group companies have been eliminated on consolidation.

Notes To The Financial Statements (cont)
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(d) Significant accounting judgements

In the process of applying the Group's accounting policies, management has made the following judgements,

which have the most significant effect on the amounts recognised in the financial statement:

Operating Lease Commitments - Group as Lessor

The entity has entered into commercial property leases on its investment property portfolio. The entity has determined that it retains all the significant risks and rewards of ownership of these properties and has thus classified the leases as operating leases.

(e) 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 following specific recognition criteria must also be met before revenue is recognised:

- (a) *Grant Income*
Grants received from government and non-government organisations are recognised as income as they are expended on the program to which they relate. Unexpended grants are recognised as liabilities to reflect the obligation to repay any unspent portion of grants at the completion of the program.
- (b) *Community Support Income*
Community Support Income is recognised when control over that income has been obtained.
- (c) *Rendering of Services*
Where the contract outcome can be reliably measured, control of a right to be compensated for the services has been obtained and the stage of completion can be reliably measured. Where the contract outcome cannot be reliably measured, revenue is recognised only to the extent that costs have been incurred.
- (d) *Sale of Goods*
Revenue is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the costs incurred or to be incurred in respect of the transaction can be measured reliably. Risks and rewards of ownership are considered passed to the buyer at the time of delivery to the customer. With Mail Order it is on issue of dispatch advice making stock unavailable for sale to others, given stock is on hand.
- (e) *Interest*
Revenue is recognised when the Group's right to receive payment is established.

(e) Revenue Recognition (cont)

- (f) *Dividends*
Revenue is recognised when the Group's right to receive the payment is established.
- (g) *Rental Income*
Rental income from investment properties is accounted for on a straight-line basis over the lease term.

(f) Government Grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with.

When the grant relates to an expense item, it is recognised as income over the periods necessary to match the grant on a systematic basis to the costs that it is intended to compensate.

(g) Borrowing Costs

Borrowing costs are recognised as an expense when incurred.

(h) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Notes To The Financial Statements (cont)
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(h) Leases (cont)

- (a) *Group as a Lessee*
Operating Leases
Operating lease payments are recognised as an expense in the income statement on a straight-line basis over the lease term. Lease incentives are recognised in the income statement as an integral part of the total lease expense.
- (b) *Group as a Lessor*
Leases in which the Group retains substantially all the risks and benefits of ownership of the leased asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as rental income.

(i) Cash and cash equivalents

Cash and short-term deposits in the balance sheet comprise cash at bank and in hand and short-term deposits with an original maturity of three months or less.

For the purposes of the Cash Flow Statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(j) Trade and other receivables

Trade receivables, which generally have 30-90 day terms, are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. Collectibility of trade receivables is reviewed on an ongoing basis. Debts that are known to be uncollectible are written off when identified. An allowance for doubtful debts is raised when there is objective evidence that the group will not be able to collect the debt.

(k) Inventories

Inventories are valued at the lower of cost and net realisable value. Costs incurred in bringing each product to its present location and condition are accounted for as follows:

Finished goods and work-in-progress - cost of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity but excluding borrowing costs.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and the estimated costs necessary to make the sale.

(l) Derivative financial instruments

The consolidated entity enters into forward exchange contracts where it agrees to buy specific amounts of foreign currencies in the future at a predetermined exchange rate. The forward exchange contracts are usually for no longer than 12 months.

Forward exchange contracts are recognised at the date the contract is entered. Exchange gains or losses on forward exchange contracts are charged to the profit and loss account.

(m) Foreign Currency Transactions and Balances

Both the functional and presentation currency of Oxfam Australia and its subsidiaries is Australian dollars (\$).

Transactions in foreign currencies are initially recorded in the functional currency by applying the exchange rates ruling at the date of the transaction. Monetary assets and liabilities denominated in foreign currencies are retranslated at the rate of exchange ruling at the balance sheet date.

All exchange differences in the consolidated report are taken to profit or loss.

Advance payments are made to overseas suppliers upon placement of an order by Oxfam Australia Trading Pty Ltd. Orders are mostly placed in a foreign currency and the advance payments are made in this same currency. Upon transit of the stock the balance of the payment is made. The stock is costed at the weighted average of the cost in Australian dollars of the advance and the final payment.

(n) Income Taxes

Oxfam Australia and its subsidiary Oxfam Australia Trading Pty Ltd, being charitable organisations have applied for and gained exemption from Income Tax. This exemption will remain in force unless there is any change to the legislation, ownership of the company or its constituent documents or activities.

Notes To The Financial Statements (cont)
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(o) Other Taxes

Revenues, expenses and assets are recognised net of the amount of GST except:

- (i) when the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- (ii) receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

Cash flows are included in the Cash Flow Statement on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority are classified as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to, the taxation authority.

(p) Property, Plant & Equipment

Plant and Equipment are stated at cost less accumulated depreciation and any accumulated impairment losses. Such cost includes the cost of replacing parts that are eligible for capitalisation when the cost of replacing the parts is incurred. Similarly, when each major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement cost only if it is eligible for capitalisation.

Land and buildings are stated at cost less accumulated depreciation on buildings.

Depreciation is calculated on a straight-line basis over the estimated useful life of the assets as follows:

Buildings	40 years
Investment properties	40 years
Leasehold improvements	5 years
Plant and equipment	3 - 5 years

The assets' residual values, useful lives and amortisation methods are reviewed and adjusted if appropriate at each financial year end.

(i) Impairments

The carrying value of plant and equipment is reviewed for impairment at each reporting date, with recoverable amount being estimated when events or changes in circumstances indicate that the carrying value may be impaired.

The recoverable amount of plant and equipment is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

For an asset that does not generate largely independent cash inflows, recoverable amount is determined for the cash-generating unit to which the asset belongs, unless the asset's value in use can be estimated to be close to its fair value.

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its estimated recoverable amount. The asset or cash-generating unit is then written down to its recoverable amount.

Impairment losses are recognised in the income statement.

(ii) Derecognition and disposal

An item of property, plant and equipment is recognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is recognised.

Notes To The Financial Statements (cont)
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(q) Investment Properties

Investment properties are measured initially at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met; and excludes the costs of day-to-day servicing of an investment property.

Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation, commencement of an operating lease to another party or ending of construction or development. Transfers are made from investment property when, and only when, there is a change in use, evidenced by commencement of owner-occupation or commencement of development with a view to sale.

(r) Investments and other financial assets

Financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are classified as either financial assets at fair value through profit or loss, loans and receivables, held-to-maturity investments, or available-for-sale investments, as appropriate. When financial assets are recognised initially, they are measured at fair value, plus, in the case of investments not at fair value through profit or loss, directly attributable transaction costs. The Group determines the classification of its financial assets at initial recognition and, when allowed and appropriate, re-evaluates this designation at each financial year-end.

All regular way purchases and sales of financial assets are recognised on the trade date i.e. the date that the Group commits to purchase the asset. Regular way purchases or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place.

(i) Financial assets at fair value through profit or loss

Financial assets classified as held for trading are included in the category 'financial assets at fair value through profit or loss'. Financial assets are classified as held for trading if they are acquired for the purpose of selling in the near term. Derivatives are also classified as held for trading unless they are designated as effective hedging instruments. Gains or losses on investments held for trading are recognised in profit or loss.

(ii) Held-to-maturity investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold to maturity. Investments intended to be held for an undefined period are not included in this classification. Investments that are intended to be held to maturity, such as bank bills, are subsequently measured at amortised cost. This cost is computed as the amount initially recognised minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between the initially recognised amount and the maturity amount. This calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate, transaction costs and all other premiums and discounts. For investments carried at amortised cost, gains and losses are recognised as profit or loss when the investments are derecognised or impaired, as well as through the amortisation process.

(iii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are carried at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loan and receivables are derecognised or impaired, as well as through the amortisation process.

(iv) Available-for-sale investments

Available-for-sale investments are those non-derivative financial assets that are designated as available-for-sale or are not classified as any of the three preceding categories. After initial recognition available-for-sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in profit or loss.

The fair value investments that are actively traded in organised financial markets is determined by reference to quoted market bid prices at the close of business on balance sheet date. For investments with no active market, fair value is determined using valuation techniques. Such techniques include using recent arms' length market transactions; reference to the current market value of another instrument that is substantially the same; discounted cash flow analysis and option pricing models.

Notes To The Financial Statements (cont)
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(s) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Impairment losses relating to continuing operations are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at a revalued amount (in which case the impairment loss is treated as a revaluation decrease).

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(t) Trade and Other Payables

Trade payables and other payables are carried at amortised costs and represent liabilities for goods and services provided to the Group prior to the end of the financial year that are unpaid and arise when the Group becomes obliged to make future payments in respect of the purchase of these goods and services.

(u) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at cost, being the fair value of the consideration received less directly attributable borrowing costs. After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method.

Gains and losses are recognised in profit or loss when the liabilities are derecognised.

(v) Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

When the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement net of any reimbursement.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects the risks specific to the liability.

When discounting is used, the increase in the provisions due to the passage of time is recognised as a finance cost.

(w) Employee Benefits

Provision is made for employee benefits accumulated as a result of employees rendering services up to reporting date. These benefits include wages, salaries, annual leave and long service leave.

- (i) Wages, salaries, annual leave and sick leave*
Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and are measured at the rates paid or payable.

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Notes To The Financial Statements (cont)
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont)

(w) Employee Benefits (cont)

(ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturity and currencies that match, as closely as possible, the estimated future cash outflows

(iii) Superannuation

Contributions are made by the Group to an employee superannuation fund and are charged as expenses when incurred. The Group has no legal obligation to cover any shortfall in the fund's obligation to provide benefits to employees upon retirement.

NOTE 3 - SEGMENT INFORMATION

The Group's segment reporting format is business segments as the Group's risks are predominantly affected by differences in the products and services supplied.

Though the Group operates in Australia and certain developing countries, separate information on the results and financial position of geographic segments is not considered to enhance the usefulness of the financial information provided to the readers of these financial statements and therefore have not been separately disclosed in these statements.

The operating businesses are organised and managed separately according to the nature of the products and services provided, with each segment representing a strategic business unit specialising in different products and services.

The development and humanitarian relief segment initiates and manages programmes in Australia and overseas. The programmes contribute to enabling poor and marginalised peoples to:

- control their own development;
- have access to a sustainable livelihood;
- have access to social services;
- have an effective voice in decisions;
- be safe from conflict and disaster;
- have equal rights and status

The retail segment sells crafts, jewellery, foods and other products sourced primarily from small scale farmers and artisans in developing countries.

The following tables present revenue and profit information and certain assets and liability information regarding business segments for the years ended 30 June 2006 and 30 June 2007.

	Continued Operations		
	Development & Humanitarian Relief	Retail	Total
	\$	\$	\$
Year ended 30 June 2007			
Revenue			
Community Support & Grant Income	50,706,816	-	50,706,816
Sale of goods & services to external customers	-	9,002,207	9,002,207
Other revenues from external customers	2,389,356	17,674	2,407,030
Inter-segment sales	163,463	-	163,463
Total segment revenue	<u>53,259,635</u>	<u>9,019,881</u>	62,279,516
Inter-segment elimination			(163,463)
Non-segment revenues			
- Interest revenue			1,271,018
Total consolidated revenue			<u>63,387,071</u>
Results			
Segment results	6,945,733	(658,078)	6,287,655
Inter-segment elimination (retained profits distribution)			-
Finance Costs			(208,162)
Net surplus for the period			<u>6,079,493</u>
Assets and liabilities			
Segment assets	44,541,503	5,638,251	50,179,754
Investment in subsidiary	12	-	12
Inter-segment elimination			(750,012)
Total assets			<u>49,429,754</u>
Segment liabilities	14,559,814	5,409,220	19,969,034
			(750,000)
Total liabilities			<u>19,219,034</u>
Other segment information			
Capital Expenditure	4,170,551	-	4,170,551
Depreciation	252,516	-	252,516
Cash flow information			
Net cash flows from operating activities	4,206,310	(900,092)	3,384,372
Net cash flows from investing activities	(1,164,265)	(513,207)	(1,677,471)
Net cash flows from financing activities	(394,423)	1,395,308	1,000,885

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NOTE 3 - SEGMENT INFORMATION (cont)

Continued Operations			Discontinued Ops		
Development & Humanitarian Relief	Retail	Total	Development & Humanitarian Relief	Total Operations	
\$	\$	\$	\$	\$	

Year ended 30 June 2006

Revenue

Community Support & Grant Income	55,137,465	-	55,137,465	-	55,137,465
Sale of goods & services to external customers	-	8,665,573	8,665,573	4,718,026	13,383,599
Other revenues from external customers	7,216,435	77,184	7,293,619	-	7,293,619
Inter-segment sales	101,738	20,697	122,435	-	122,435
Total segment revenue	<u>62,455,638</u>	<u>8,763,454</u>	<u>71,219,092</u>	4,718,026	75,937,118
Inter-segment elimination			(122,435)	-	(122,435)
Non-segment revenues					
- Interest revenue			937,138	83,050	1,020,188
Total consolidated revenue			<u>72,033,795</u>	4,801,076	76,834,871

Results

Segment results	10,410,405	(272,062)	10,138,343	344,953	10,483,296
Profit from divestment of IDSS Pty Ltd			-	2,525,285	2,525,285
Finance Costs			(150,732)	-	(150,732)
Net surplus for the period			<u>9,987,611</u>	2,870,238	12,857,849

Assets and liabilities

Segment assets	34,332,611	4,238,782	38,571,393	-	38,571,393
Investment in subsidiary	12	-	12	-	12
Inter-segment elimination			(432,200)		(432,200)
Total assets			<u>38,139,205</u>	-	38,139,205
Segment liabilities	11,296,655	3,143,511	14,440,166	-	14,440,166
Inter-segment elimination			(432,188)		(432,188)
Total liabilities			<u>14,007,978</u>	-	14,007,978

Other segment information

Capital Expenditure	4,452,799	258,415	4,711,214	-	4,711,214
Depreciation	(348,090)	(170,143)	(518,233)	-	(518,233)

Cash flow information

Net cash flows from operating activities	669,700	(305,753)	363,947	-	363,947
Net cash flows from investing activities	(989,161)	(198,127)	(1,187,288)	309,741	(877,547)
Net cash flows from financing activities	-	85,679	85,679	-	85,679

NOTE 4 - REVENUES AND EXPENSES

Revenue and Expenses from Continuing Operations

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
(a) Community Support Income				
- Donations and gifts	37,212,473	32,105,061	37,212,473	32,105,061
- Legacies and bequests	816,249	561,625	816,249	561,625
	<u>38,028,722</u>	<u>32,666,686</u>	<u>38,028,722</u>	<u>32,666,686</u>
(b) Grants				
- Australian government grants (AusAID)	5,008,455	5,377,104	5,008,455	5,377,104
- Australian government grants (other)	1,060,735	490,023	1,060,735	490,023
- Non government Australian grants	483	141,343	483	141,343
- Non government overseas grants	3,784,565	3,936,424	3,784,565	3,936,424
	<u>9,854,238</u>	<u>9,944,894</u>	<u>9,854,238</u>	<u>9,944,894</u>
(c) Investment Income				
- Contribution of retained earnings from discontinued operations	-	5,913,662	-	5,913,662
- Rental Income	13,800	13,800	-	-
- Interest received or receivable	1,257,218	937,138	1,255,100	929,614
	<u>1,271,018</u>	<u>6,864,600</u>	<u>1,255,100</u>	<u>6,843,276</u>
(d) Other Operating Income				
- Foreign currency transaction gains	-	19,378	-	19,378
- Other income	2,407,030	1,346,779	2,389,356	1,283,395
	<u>2,407,030</u>	<u>1,366,157</u>	<u>2,389,356</u>	<u>1,302,773</u>

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NOTE 4 - REVENUES AND EXPENSES (cont)

Revenue and Expenses from Continuing Operations (continued)

	<u>Consolidated</u>		<u>Parent Entity</u>	
	2007	2006	2007	2006
	\$	\$	\$	\$
(e) Program costs				
- Funds to overseas programs	24,931,598	33,955,252	24,931,598	33,955,252
- Domestic program	2,370,447	1,525,430	2,370,447	1,525,430
- Other project costs	4,676,592	3,608,965	4,676,592	3,608,965
- Public policy and education program	4,167,340	4,054,145	4,167,340	4,054,145
	<u>36,145,977</u>	<u>43,143,792</u>	<u>36,145,977</u>	<u>43,143,792</u>
(f) Administration costs				
- Depreciation of:				
Building	35,242	44,172	35,242	25,044
Plant and equipment	217,274	474,061	217,274	323,046
- Loss on disposal of fixed assets	16,041	21,343	16,041	-
- Amortisation of leasehold improvements	49,503	49,686	-	-
- Lease payments - operating leases	1,444,984	1,164,623	211,882	156,503
- Administration staff costs				
Salaries	4,214,419	3,505,755	1,408,394	1,055,610
Superannuation	371,014	323,678	136,343	102,124
- Bank Charges	375,481	366,581	302,065	299,459
- Insurance	245,710	199,933	177,454	134,303
- Foreign currency transaction (gains)/losses	245,173	20,536	239,698	17,809
- Other operating costs	1,941,569	1,749,564	712,948	473,086
	<u>9,156,410</u>	<u>7,919,932</u>	<u>3,457,341</u>	<u>2,586,984</u>
(g) Finance costs				
- Bank loans and overdrafts	208,162	150,732	-	-
	<u>208,162</u>	<u>150,732</u>	<u>-</u>	<u>-</u>

NOTE 5 - CASH AND CASH EQUIVALENTS

Cash at bank earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group, and earn interest at the respective short-term deposit rates.

The fair value of cash and cash equivalents is \$9,010,406 (2006: \$6,412,414).

(a) **Reconciliation of cash**

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise the following at 30 June.

	<u>Consolidated</u>		<u>Parent Entity</u>	
	2007	2006	2007	2006
	\$	\$	\$	\$
Cash at bank and in hand	9,105,416	5,576,787	9,001,097	5,527,157
Short-term deposits	9,309	835,627	9,309	835,627
	<u>9,114,725</u>	<u>6,412,414</u>	<u>9,010,406</u>	<u>6,362,784</u>

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NOTE 5 - CASH AND CASH EQUIVALENTS (cont)

(b) **Reconciliation of net profit to net cash flows from operations**

	<u>Consolidated</u>		<u>Parent Entity</u>	
	2007	2006	2007	2006
	\$	\$	\$	\$
Surplus	6,079,493	12,857,849	6,945,733	13,280,643
<i>Adjustments for:</i>				
- Depreciation	504,216	567,919	252,516	348,090
- Loss/(Gains) on sale of plant & equipment	(1,193,624)	21,343	(1,197,586)	-
- Loss/(Gains) on acquisition on subsidiary	(1,156,556)	-	(1,156,556)	-
- Loss/(Gains) on Foreign Exchange	5,475	2,727	-	-
- Make Good Costs	(25,000)	(45,000)	-	-
<i>Changes in assets and liabilities:</i>				
- Transfer of software from prepayment to fixed asset provision	-	-	-	-
- Increase in advance project fees	-	-	-	-
- (Increase) / decrease in receivables	(4,152,867)	(1,233,376)	(4,090,813)	(1,250,640)
- (Increase) / decrease in prepayments/other	207,407	263,854	189,855	(310,305)
- (Increase) / decrease in inventories	(1,060,889)	(334,880)	-	-
- (Decrease) / increase in trade creditors and accruals	5,498,779	1,933	4,677,290	326,052
- (Decrease) / increase in provisions	340,588	281,026	326,675	295,308
- (Decrease) / increase in OITF	(1,740,804)	(12,019,448)	(1,740,804)	(12,019,448)
- Decrease / (increase) in work in progress	-	-	-	-
- (Decrease) / increase in other liabilities	78,154	(78,156)	-	-
Net cash flow from operations	<u>3,384,372</u>	<u>285,791</u>	<u>4,206,310</u>	<u>669,700</u>

NOTE 6 - TRADE AND OTHER RECEIVABLES (CURRENT)

		<u>Consolidated</u>		<u>Parent Entity</u>	
		2007	2006	2007	2006
		\$	\$	\$	\$
Trade receivables and other receivables	(i)	1,116,292	438,234	1,028,077	412,073
		<u>1,116,292</u>	<u>438,234</u>	<u>1,028,077</u>	<u>412,073</u>
Non-hedging foreign currency receivable	(ii)	4,988,834	1,527,731	4,988,834	1,527,731
Related party receivables:	(iii)				
- Wholly Owned Entities		-	-	-	4,032
- Overseas Employees		-	4,030	-	4,030
		<u>6,105,126</u>	<u>1,969,995</u>	<u>6,016,911</u>	<u>1,947,866</u>

(i) Trade receivables are non-interest bearing and are generally 30 - 60 day terms. An allowance for doubtful debts is made when there is objective evidence that a trade receivable is impaired..

(ii) Non-hedging foreign currency receivable represents the net receivable arising from a foreign exchange forward contract. Under the contracts the following are expected to be received:

USD\$183,015.62 on the 23rd November 2007 at a fixed exchange rate of A\$1.00:US\$0.7800
USD\$750,000.00 on the 20th December 2007 at a fixed exchange rate of A\$1.00:US\$0.7902
USD\$1,500,000.00 on the 15th of April 2008 at a fixed exchange rate of A\$1.00:US\$0.8202
ZAR 7,197,281.14 on the 15th of April 2008 at a fixed exchange rate of A\$1.00:ZAR 6.0504 (South African Rand)
ZAR 153,485.95 on the 7th of August 2007 at a fixed exchange rate of A\$1.00:ZAR 5.856 (South African Rand)
LKR 16,926,431.33 on the 30th of October 2007 at a fixed exchange rate of A\$1.00:LKR80.22 (Sri Lanka Rupee)
LKR 61,537,500 on the 23rd of November 2007 at a fixed exchange rate of A\$1.00:LKR81.25 (Sri Lanka Rupee)

(iii) For terms and conditions relating to related party receivables refer to note 20.

NOTE 7 - INVENTORIES

		<u>Consolidated</u>		<u>Parent Entity</u>	
		2007	2006	2007	2006
		\$	\$	\$	\$
Finished Goods	(i)	3,512,606	2,601,557	-	-
Work in Progress		-	-	-	-
Total inventories		<u>3,512,606</u>	<u>2,601,557</u>	<u>-</u>	<u>-</u>

(i) Inventories are held at the lower of cost and net realisable value

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NOTE 8 - INVESTMENTS HELD TO MATURITY AND AVAILABLE FOR SALE

		<u>Consolidated</u>		<u>Parent Entity</u>	
		2007	2006	2007	2006
		\$	\$	\$	\$
Current					
Short Term Deposits	(i)	19,776,337	19,600,141	19,776,337	19,600,141
		<u>19,776,337</u>	<u>19,600,141</u>	<u>19,776,337</u>	<u>19,600,141</u>

(i) Short-term deposits are made for varying periods of between three and twelve months, depending on the short-term future cash requirements of the Group, and earn interest at the respective short-term deposit rates.

NOTE 9 - OTHER FINANCIAL ASSETS (NON-CURRENT)

		<u>Consolidated</u>		<u>Parent Entity</u>	
		2007	2006	2007	2006
		\$	\$	\$	\$
Related party loans:	(i)				
- Wholly owned entities		-	-	750,000	350,000
- Overseas employees		-	5,577	-	5,577
		<u>-</u>	<u>5,577</u>	<u>750,000</u>	<u>355,577</u>

(i) For terms and conditions relating to related party receivables refer to note 23.

NOTE 10 - OTHER ASSETS (NON-CURRENT)

		<u>Consolidated</u>		<u>Parent Entity</u>	
		2007	2006	2007	2006
		\$	\$	\$	\$
At cost					
Shares in controlled entities	(i)	-	-	12	12
Shares - listed	(ii) (iii)	2,315	550	2,315	550
Shares - unlisted	(iii)	30,200	10,200	30,200	10,200
		<u>32,515</u>	<u>10,750</u>	<u>32,527</u>	<u>10,762</u>

(i) For details of equity investments in controlled entities refer to note 21.

(ii) The quoted market value at balance date of the shares listed on a prescribed stock exchange:

Shares	7,143	4,417	7,143	4,417
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(iii) Listed and unlisted shares are measured at cost and classed as other non-current assets as they are held for advocacy purposes rather than for trading purposes.

NOTE 11 - PROPERTY, PLANT & EQUIPMENT

Year ended 30 June 2007

	<u>Consolidated</u>			<u>Parent Entity</u>		
	<i>Freehold, land and buildings</i>	<i>Plant and equipment</i>	<i>Total</i>	<i>Freehold, land and buildings</i>	<i>Plant and equipment</i>	<i>Total</i>
	\$	\$	\$	\$	\$	\$
At 1 July 2006, net of accumulated depreciation and impairment	5,900,531	895,255	6,795,786	5,152,662	502,190	5,654,852
Additions	3,831,043	912,715	4,743,758	3,831,043	339,508	4,170,551
Disposals	(789,216)	(68,131)	(857,347)	(789,216)	(64,169)	(853,385)
Impairment	-	-	-	-	-	-
Depreciation charge for the year	(26,184)	(449,837)	(476,021)	(10,197)	(217,273)	(227,470)
At 30 June 2007, net of accumulated depreciation and impairment	<u>8,916,174</u>	<u>1,290,002</u>	<u>10,206,176</u>	<u>8,184,292</u>	<u>560,256</u>	<u>8,744,548</u>

At 1 July 2006

At cost	6,341,686	5,073,213	11,414,899	5,365,225	3,419,606	8,784,831
Accumulated depreciation and impairment	(441,155)	(4,177,958)	(4,619,113)	(212,563)	(2,917,416)	(3,129,979)
Net carrying amount	<u>5,900,531</u>	<u>895,255</u>	<u>6,795,786</u>	<u>5,152,662</u>	<u>502,190</u>	<u>5,654,852</u>

At 30 June 2007

At cost	9,170,931	3,499,144	12,670,075	8,194,489	1,272,330	9,466,819
Accumulated depreciation and impairment	(254,757)	(2,209,142)	(2,463,899)	(10,197)	(712,074)	(722,271)
Net carrying amount	<u>8,916,174</u>	<u>1,290,002</u>	<u>10,206,176</u>	<u>8,184,292</u>	<u>560,256</u>	<u>8,744,548</u>

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NOTE 11 - PROPERTY, PLANT & EQUIPMENT (cont)

Year ended 30 June 2006

	<i>Freehold, land and buildings</i>	<u>Consolidated</u> <i>Plant and equipment</i>	<i>Total</i>	<i>Freehold, land and buildings</i>	<u>Parent Entity</u> <i>Plant and equipment</i>	<i>Total</i>
	\$	\$	\$	\$	\$	\$
At 1 July 2005, net of accumulated depreciation and impairment	1,577,710	1,190,378	2,768,088	814,260	735,883	1,550,143
Additions	2,065	345,703	347,768	-	89,353	89,353
Additions (capital works in progress)	4,363,446	-	4,363,446	4,363,446	-	4,363,446
Disposals	(1,534)	(117,079)	(118,613)	-	-	-
Depreciation charge for the year	(41,156)	(523,747)	(564,903)	(25,044)	(323,046)	(348,090)
At 30 June 2006, net of accumulated depreciation and impairment	<u>5,900,531</u>	<u>895,255</u>	<u>6,795,786</u>	<u>5,152,662</u>	<u>502,190</u>	<u>5,654,852</u>

At 1 July 2005

At cost	1,978,332	4,923,642	6,901,974	1,001,779	3,330,252	4,332,031
Accumulated depreciation and impairment	(400,622)	(3,815,245)	(4,215,867)	(187,519)	(2,594,369)	(2,781,888)
Net carrying amount	<u>1,577,710</u>	<u>1,108,397</u>	<u>2,686,107</u>	<u>814,260</u>	<u>735,883</u>	<u>1,550,143</u>

At 30 June 2006

At cost	6,341,686	5,073,213	11,414,899	5,365,225	3,419,606	8,784,831
Accumulated depreciation and impairment	(441,155)	(4,177,958)	(4,619,113)	(212,563)	(2,917,416)	(3,129,979)
Net carrying amount	<u>5,900,531</u>	<u>895,255</u>	<u>6,795,786</u>	<u>5,152,662</u>	<u>502,190</u>	<u>5,654,852</u>

NOTE 12 - INVESTMENT PROPERTIES

	<u>Consolidated</u>		<u>Parent Entity</u>	
	2007	2006	2007	2006
	\$	\$	\$	\$
At 1 July, net of accumulated depreciation and impairment	144,749	147,765	-	-
Additions	-	-	-	-
Depreciation charge for the year	(3,149)	(3,016)	-	-
At 30 June, net of accumulated depreciation and impairment	<u>141,600</u>	<u>144,749</u>	<u>-</u>	<u>-</u>

As is consistent with plant, property and equipment, the Group has opted to use the cost model rather than the revaluation model when measuring investment properties. The investment property measured above forms part of the freehold land and building at Athol Park, South Australia that is leased out to tenants. The valuation of the Athol Park property referred to in note 12 includes the leased portion of the property. The investment property was revalued at fair value on 30 June 2007 at \$325,000.

Fair value represents that amount at which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction at the valuation date.

The investment property is leased on a month by month basis. Therefore, there is no contingent commitment in relation to the rental of these properties.

NOTE 13 - TRADE AND OTHER PAYABLES (CURRENT)

	<u>Consolidated</u>		<u>Parent Entity</u>	
	2007	2006	2007	2006
	\$	\$	\$	\$
Trade payables (i)	782,195	170,749	-	-
Other payables and accrued expenses (ii)	3,434,483	1,989,448	3,020,374	1,864,501
Income received in advance	-	-	-	-
Unexpended grant income	2,451,995	2,607,960	2,451,995	2,607,960
Interest payable (iii)	-	-	-	-
Non-hedging foreign currency payable (iv)	5,194,080	1,516,698	5,194,080	1,516,698
	<u>11,862,753</u>	<u>6,284,855</u>	<u>10,666,449</u>	<u>5,989,159</u>

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NOTE 13 - TRADE AND OTHER PAYABLES (CURRENT)(cont)

- (i) Trade payables are non-interest bearing and are normally settled on 60 day terms
- (ii) Other payables are non-interest bearing and have average terms ranging from 30 days to 6 months.
- (iii) Interest payable is normally settled monthly throughout the financial year
- (iv) Non-hedging foreign currency payable represents the net payable arising from a foreign exchange forward contract. Under the contracts the following are expected to be paid:
- USD\$183,015.62 on the 23rd November 2007 at a fixed exchange rate of A\$1.00:US\$0.7800
 - USD\$750,000.00 on the 20th December 2007 at a fixed exchange rate of A\$1.00:US\$0.7902
 - USD\$1,500,000.00 on the 15th of April 2008 at a fixed exchange rate of A\$1.00:US\$0.8202
 - ZAR 7,197,281.14 on the 15th of April 2008 at a fixed exchange rate of A\$1.00:ZAR 6.0504
 - ZAR 153,485.95 on the 7th of August 2007 at a fixed exchange rate of A\$1.00:ZAR 5.856
 - LKR 16,926,431.33 on the 30th of October 2007 at a fixed exchange rate of A\$1.00:LKR80.22
 - LKR 61,537,500 on the 23rd of November 2007 at a fixed exchange rate of A\$1.00:LKR81.25

Information regarding the effective interest rate and credit risk of current payables is set out in note 18.

NOTE 14 - INTEREST-BEARING LOANS AND BORROWINGS

	<u>Consolidated</u>		<u>Parent Entity</u>	
	2007 \$	2006 \$	2007 \$	2006 \$
Current				
Secured bank overdraft	1,500,327	506,590	-	-
Other unsecured loans	-	5,222	-	-
Finance lease	1,020			
	<u>1,501,347</u>	<u>511,812</u>	<u>-</u>	<u>-</u>
Non-current				
Unsecured loans from related parties	-	-	-	-
Secured bank loan	1,300,000	1,300,000	-	-
Finance lease	8,840			
	<u>1,308,840</u>	<u>1,300,000</u>	<u>-</u>	<u>-</u>

Borrowing facilities

Oxfam Australia Trading Pty Ltd has a multi option borrowing facility for \$3,000,000 (2006: \$3,000,000). The facility is split into two components:

\$1,500,000 bank overdraft

The bank overdraft facilities are secured and may be drawn down at any time and is repayable every 5 months. It is largely used for seasonal borrowing for the purchase of Christmas stock.

\$1,500,000 bank loan

The bank loan is secured and is repayable in full on 15 April 2009.

Both of the above facilities are secured by a mortgage over the Athol Park property, and a bank guarantee for \$216,300.

Related party loans

Oxfam Australia has made a loan facility available to Oxfam Australia Trading Pty Ltd for \$1,000,000 (2006: \$1,000,000). The loan is unsecured and has no set date of repayment. It is to be used primarily to cover the fit out costs of new stores.

Financing facilities available

At reporting date, the following financing facilities had been negotiated and were available:

	<u>Consolidated</u>		<u>Parent Entity</u>	
	2007 \$	2006 \$	2007 \$	2006 \$
Total facilities				
- Bank Overdraft	1,500,000	1,500,000	-	-
- Bank Loan	1,500,000	1,500,000	-	-
Facilities used at balance date				
- Bank Overdraft	1,500,327	506,590	-	-
- Bank Loan	1,300,000	1,300,000	-	-
Facilities unused at balance date				
- Bank Overdraft	(327)	993,410	-	-
- Bank Loan	200,000	200,000	-	-

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Notes To The Financial Statements (cont)
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 14 - INTEREST-BEARING LOANS AND BORROWINGS (cont)

Assets pledged as security

The carrying amounts of assets pledged as security for current and non-current bearing liabilities

	Note	Consolidated		Parent Entity	
		2007	2006	2007	2006
		\$	\$	\$	\$
Non Current					
<i>Mortgage</i>					
Freehold land and buildings	11	731,882	747,869	-	-
Investment Property	12	141,600	144,749	-	-
Total assets pledged as security		<u>873,482</u>	<u>892,618</u>	<u>-</u>	<u>-</u>

NOTE 15 - PROVISIONS

Consolidated

	Make good provision	Long service leave	Annual leave	Total
	\$	\$	\$	\$
At 1 July 2006	255,000	1,083,688	791,847	2,130,535
Net changes during the year	35,000	215,132	125,454	375,586
At 30 June 2007	<u>290,000</u>	<u>1,298,820</u>	<u>917,301</u>	<u>2,506,121</u>
Current 2006		533,100	791,847	1,324,947
Non-current 2006	255,000	550,588		805,588
	<u>255,000</u>	<u>1,083,688</u>	<u>791,847</u>	<u>2,130,535</u>
Current 2007		691,139	917,301	1,608,440
Non-current 2007	290,000	607,681		897,681
	<u>290,000</u>	<u>1,298,820</u>	<u>917,301</u>	<u>2,506,121</u>

Parent

	Make good provision	Long service leave	Annual leave	Total
	\$	\$	\$	\$
At 1 July 2006	-	845,549	681,171	1,526,720
Net changes during the year	-	209,530	117,144	326,674
At 30 June 2007	<u>-</u>	<u>1,055,079</u>	<u>798,315</u>	<u>1,853,394</u>
Current 2006		414,587	681,171	1,095,758
Non-current 2006	-	430,962	-	430,962
	<u>-</u>	<u>845,549</u>	<u>681,171</u>	<u>1,526,720</u>
Current 2007		552,222	798,315	1,350,537
Non-current 2007	-	502,857		502,857
	<u>-</u>	<u>1,055,079</u>	<u>798,315</u>	<u>1,853,394</u>

Make good provision

In accordance with the lease agreements with shop landlords, Oxfam Australia Trading Pty Ltd must restore the leased premises to its original condition upon expiry of the leases.

NOTE 17 - OXFAM INTERNATIONAL TSUNAMI FUNDS (OITF) - HELD IN TRUST

After the Tsunami that occurred in South East Asia on Boxing Day 2004, each affiliate of Oxfam International raised funds for the response and holds the funds in trust for the Oxfam International Tsunami Fund. Oxfam Australia has recognised a liability which represents the funds it raised for the response. As Oxfam Australia has implemented its program work in affected areas it has been able to draw on the funds from the liability. It is at this point the funds are recognised as income and expense items.

	Consolidated		Parent Entity	
	2007	2006	2007	2006
	\$	\$	\$	\$
Balance at start of financial year	3,780,776	15,800,225	3,780,776	15,800,225
Funds raised by Oxfam Australia on behalf of OITF	47,791	167,228	47,791	167,228
Funds transferred from other Oxfams	1,055,140	-	1,055,140	-
Interest received on funds	143,585	440,946	143,585	440,946
Fundraising expenses	-	-	-	-
Overheads/Administration	(i) (245,039)	(221,963)	(245,039)	(221,963)
Program Expense	(i) (2,742,281)	(12,405,660)	(2,742,281)	(12,405,660)
TOTAL OITF - HELD IN TRUST	<u>2,039,972</u>	<u>3,780,776</u>	<u>2,039,972</u>	<u>3,780,776</u>

Oxfam Australia has recognised the Oxfam International Tsunami Fund as a current liability. It is expected that the balance of the fund will be used during the course of 2007/08 in its program work in the affected areas. This however is subject to many factors. Any funds remaining unspent at June 30th will roll over into the following financial year.

- (i) These funds equate to the amount recognised as Oxfam International Tsunami Fund revenue in the Income Statement. The same amount forms part of the program costs. 245,039
2,742,281

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Notes To The Financial Statements (cont)
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NOTE 18 - FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group's principal financial instruments, other than derivatives, comprise bank loans and overdrafts, cash and short term deposits.

The main purpose of the financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations. The Group also enters into derivative transactions - predominantly forward exchange contracts. The purpose is to manage the currency risks arising from the Group's operations and its sources of finance. It is, and has been throughout the period under review, the Group's policy that no trading in financial instruments shall be undertaken. The main risks arising from the Group's financial instruments are cash flow interest rate risk, liquidity risk, foreign currency risk and credit risk.

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

Cash flow interest rate risk

The Group is subject to normal commercial interest rate fluctuations on its bank accounts and money market instruments. The Group's exposure to the risks of changes in market interest rates relates primarily to interest bearing assets along with variable rate bank loans and overdrafts. Exposure to interest rate risks and the effective interest rates of financial instruments and financial liabilities at the year end can be seen in the interest rate risk table of note 21.

Foreign currency risk

The Oxfam Australia Group has transactional currency exposures. Such exposure arises from operational activities in a number of countries transacting in currencies other than the Group's functional currency.

Oxfam Australia has entered into a number of forward exchange currency contracts at reporting date. Their purpose is to limit the Group's exposure and protect against the possibility of loss from future exchange rate fluctuations.

Credit risk

The Oxfam Australia Group trades only with recognised, creditworthy third parties.

It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures.

In addition, receivable balances are monitored on an on-going basis with the result that the Group's exposure to bad debts is not significant

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and available for sale financial assets, the Group's exposure to credit risk arises from default of the counter party, with a maximum exposure equal to the carrying value amount of these instruments.

Liquidity risk

The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of bank overdrafts and bank loans.

Prudent liquidity risk management implies maintaining sufficient cash, the availability of funding through an adequate amount of committed credit facilities and the ability to access invested funds at short notice.

NOTE 19 - FINANCIAL INSTRUMENTS

Fair Values

Set out below is a comparison by category of carrying amounts and fair values of all of the Group's financial instruments recognised in the financial statements.

Market values have been used to determine the fair value of listed available-for-sale investments.

The fair value of derivatives and borrowing have been calculated by discounting the expected future cash flows at prevailing interest rates. The values of loan notes and other financial assets have been calculated using market interest rates.

Consolidated

	<u>Carrying Amount</u>		<u>Fair Value</u>	
	2007	2006	2007	2006
	\$	\$	\$	\$
Financial Assets				
Cash	9,105,416	5,576,787	9,105,416	5,576,787
Short term deposits	9,309	835,627	9,309	835,627
Held to maturity investments	19,776,337	19,600,141	19,776,337	19,600,141
Trade and other receivables	1,116,292	438,234	1,116,292	438,234
Forward currency contracts	4,988,834	1,527,731	4,988,834	1,527,731
Financial Liabilities				
Trade and other payables	4,216,678	2,160,197	4,216,678	2,160,197
Forward currency contracts	5,194,080	1,516,698	5,194,080	1,516,698
Unsecured loans	-	5,222	-	5,222
Bank overdraft	1,500,327	506,590	1,500,327	506,590
Bank loan	1,300,000	1,300,000	1,300,000	1,300,000

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Notes To The Financial Statements (cont)
 FOR THE YEAR ENDED 30 JUNE 2007

NOTE 19 - FINANCIAL INSTRUMENTS (cont)

Parent

	<u>Carrying Amount</u> 2007 \$	<u>Carrying Amount</u> 2006 \$	<u>Fair Value</u> 2007 \$	<u>Fair Value</u> 2006 \$
Financial Assets				
Cash	9,001,097	5,527,157	9,001,097	5,527,157
Short term deposits	9,309	835,627	9,309	835,627
Held to maturity investments	19,776,337	19,600,141	19,776,337	19,600,141
Trade and other receivables	1,028,077	412,073	1,028,077	412,073
Forward currency contracts	4,988,834	1,527,731	4,988,834	1,527,731
Financial Liabilities				
Trade and other payables	3,020,374	1,864,501	3,020,374	1,864,501
Forward currency contracts	5,194,080	1,516,698	5,194,080	1,516,698

Interest rate risk

The following table sets out the carrying amount, by maturity of the financial instruments exposed to interest rate risk

Consolidated

Year ended 30 June 2007	< 1 year \$	1 to < 5 years \$	> 5 years \$	Total \$	Weighted average effective interest rate %
Financial Assets					
<i>Floating rate</i>					
Cash	9,105,416			9,105,416	5.11%
Short term deposits	9,309			9,309	5.75%
Financial Liabilities					
<i>Floating rate</i>					
Bank overdraft	1,500,327			1,500,327	7.75%
Bank loan		1,300,000		1,300,000	6.07%

Year ended 30 June 2006	< 1 year \$	1 to < 5 years \$	> 5 years \$	Total \$	Weighted average effective interest rate %
Financial Assets					
<i>Floating rate</i>					
Cash	5,576,787			5,576,787	5.11%
Short term deposits	835,627			835,627	5.71%
Financial Liabilities					
<i>Floating rate</i>					
Bank overdraft	511,812			511,812	7.75%
Bank loan		1,300,000		1,300,000	6.07%

Parent Entity

Year ended 30 June 2007	< 1 year \$	1 to < 5 years \$	> 5 years \$	Total \$	Weighted average effective interest rate %
Financial Assets					
<i>Floating rate</i>					
Cash	9,001,097			9,001,097	5.11%
Short term deposits	9,309			9,309	5.71%

Year ended 30 June 2006	< 1 year \$	1 to < 5 years \$	> 5 years \$	Total \$	Weighted average effective interest rate %
Financial Assets					
<i>Floating rate</i>					
Cash	5,527,157			5,527,157	5.11%
Short term deposits	835,627			835,627	5.71%

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Notes To The Financial Statements (cont)
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 20 - COMMITMENTS AND CONTINGENCIES

Operating lease commitments - Group as a lessee

The Group has entered into a number of commercial leases. Oxfam Australia (the parent entity) has entered into a number of leases for IT equipment. The leases are for three years with no renewal option included in the contracts. Oxfam Australia also has a number of leases for state office premises. These leases range in life from between 12 months and 3 years with renewal terms included in the contracts.

Oxfam Australia Trading Pty Ltd has entered into leases for shop premises. These leases have an average life of between 4 and 10 years with renewal terms included in the contracts. There are no restrictions placed upon the lessee by entering into any of these leases.

Commitments contracted for at reporting date but not recognised as liabilities are as follows:

	<u>Consolidated</u>		<u>Parent Entity</u>	
	2007	2006	2007	2006
	\$	\$	\$	\$
Payable				
- not later than one year	1,249,212	1,286,342	252,709	191,652
- later than one year but not later than five years	2,376,207	2,513,933	160,780	135,990
- later than five years	379,671	271,927	206,156	-
	4,005,090	4,072,202	619,645	327,642

Operating lease commitments - Group as lessor

Oxfam Australia Trading Pty Ltd leases a portion of its Athol Park property. The lease is on a month by month basis , therefore there is no contingent commitment in relation to the rental of these properties.

Capital commitments

At 30 June 2007, Oxfam Australia has not committed to any additional capital commitments in relation to the completion of the Leicester St office facilities.

Expenditure committed but not contracted for at reporting date and not recognised as liabilities are as follows

	<u>Consolidated</u>		<u>Parent Entity</u>	
	2007	2006	2007	2006
	\$	\$	\$	\$
Payable				
- not later than one year	-	3,507,404	-	3,507,404
- later than one year but not later than five years	-	-	-	-
- later than five years	-	-	-	-
	-	3,507,404	-	3,507,404

Guarantees

The Group has the following guarantees at 30 June 2007

- (i) Bank guarantee of \$216,300 in favour of Bendigo Bank as security over the bank loan
- (ii) Bank guarantee of \$230,000 in favour of the purchaser of IDSS Pty Ltd in relation to the fulfilment of third party contracts
- (iii) Bank guarantee of \$18,072 in favour of the lease vendor of the NSW state office as security in case of default
- (iv) Bank guarantees totalling \$164,896 held by lease vendors of retail sites as security in case of default.
- (v) Bank guarantee of \$9,000 held by Australia Post in relation to a delivery contract for the Mail Order division of Oxfam Australia Trading Pty Ltd as security for the postage account

Program Expenditure

The parent entity has issued approvals to its project partners in developing countries for the funding of core projects, many of which have either not been commenced or are in progress at 30 June 2007. However, there is no legal commitment as all approvals are issued "subject to availability of funds".

Superannuation Commitments

A Superannuation Plan has been established by the parent entity for the provision of benefits to employees of the Consolidated on retirement or death. Benefits provided under the plan are based on contributions for each employee. Employees voluntarily contribute various percentages of their gross income and the company also contributes at the rate of 2% of the employee's gross income in respect of participating employees. Contributions by the Company of up to 9% of employee's gross income are legally enforceable in Australia.

Contingent Assets

A substantial bequest has been granted to Oxfam Australia that is being challenged by the executors. Oxfam Australia is confident of a favourable outcome, however given the uncertainty, the bequest has not been recognised in the accounts.

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Notes To The Financial Statements (cont)
FOR THE YEAR ENDED 30 JUNE 2007

NOTE 21 - RELATED PARTY DISCLOSURES

The consolidated financial statements include the financial statements of Oxfam Australia and the subsidiaries listed in the following table.

Name	Country of Incorporation	% Equity Interest		Investment	
		2007	2006	2007	2006
Oxfam Australia Trading Pty Ltd	Australia	100	100	12	12
				<u>12</u>	<u>12</u>

Oxfam Australia is the ultimate parent company, incorporated in Australia.

The following table provides the total amount of transactions that were entered into with related parties for the relevant financial year (for information regarding outstanding balances at year-end, refer to note 7 and note 14):

Related Party		Sales to related parties \$	Purchases from related parties \$	Amounts owed by related parties \$	Amounts owed to related parties \$
Oxfam Australia					
Subsidiary:					
Oxfam Australia Trading Pty Ltd	2007	163,463	-	868,938	-
Oxfam Australia Trading Pty Ltd	2006	101,738	20,697	432,188	-
Employees:					
A Ullatil	2007	-	-	-	-
	2006	-	-	5,702	-
P Mohanty	2007	-	-	-	-
	2006	-	-	3,905	-

Terms and conditions of transactions with related parties

Sales to and purchases from related parties are made in arm's length transactions both at normal market prices and on normal commercial terms.

Outstanding trade balances at year-end are unsecured, interest free and settlement occurs in cash. There have been no guarantees provided or received for any related party receivables or payables.

Oxfam Australia has made a loan facility available to Oxfam Australia Trading Pty Ltd for \$1,000,000. The loan is unsecured and has no set date of repayment. Interest is paid monthly in arrears and is calculated using the average outstanding balance for the month and the interest rate charged is what Oxfam Australia would have received had the funds remained invested in the short-term deposits.

For the year ended 30 June 2007, the Group has not made any allowance for doubtful debts relating to amounts owed by related parties as the payment history has been excellent. An impairment assessment is undertaken each financial year by examining the financial position of the related party and the market in which the related party operates to determine whether there is objective evidence that a related party receivable is impaired. When such objective evidence exists, the Group recognises an allowance for the impairment loss.

NOTE 22 - EVENTS AFTER THE BALANCE SHEET DATE

The directors have reduced the loan facility available to Oxfam Trading to one million dollars and have approved a 2.7 million capital injection to Oxfam Trading post balance date.

NOTE 23 - AUDITORS' REMUNERATION

The auditor of Oxfam Australia is Ernst & Young

	<u>Consolidated</u>		<u>Parent Entity</u>	
	2007 \$	2006 \$	2007 \$	2006 \$
Amounts received or due and receivable by Ernst & Young (Australia) for:				
- auditing or review of the financial report of the entity and any other entity in the consolidated group	85,501	87,128	56,000	56,000
- other services in relation to the entity and any other entity in the consolidated group				
assurance related	1,545	5,350	1,545	5,350
IFRS impact assessment	-	11,500	-	9,500
other services	-	64,273	-	64,273
	<u>87,046</u>	<u>168,251</u>	<u>57,545</u>	<u>135,123</u>

Notes To The Financial Statements (cont)
 FOR THE YEAR ENDED 30 JUNE 2007

NOTE 24 - DIRECTOR AND EXECUTIVE DISCLOSURES

(a) Details of Directors and Executives

(i) Directors

Michael Henry	Chair (non-executive)
Ian Robert Anderson	Honorary Treasurer (non-executive)
Marian Louise Redmond	Deputy Chair (non-executive)
Ross Allan	Director (non-executive)
Dennis Altman	Director (non-executive)
Trish Cowcher	Director (non-executive)
Adrienne Farago	Director (non-executive)
Elizabeth Hobbin	Director (non-executive)
Jane Hutchison	Director (non-executive)
Judith Ann Mitchell	Director (non-executive)
Mandy Nearhos	Director (non-executive)
Caroline Thomas	Director (non-executive)
Kim Watkins	Director (non-executive)

(ii) Executives

Andrew Hewett	Executive Director
Craig Barry	Director of Finance and Information Systems
Lorraine Carouso	Oxfam Australia Trading Pty Ltd - Chief Executive Officer
Mark Clisby	Director of Organisational Development & Human Resources
James Ensor	Director of Public Policy and Outreach
Penny Gorman	Director of Marketing and Fundraising
Alexia Huxley	Director of International Program Section
Chris Roche	Director of Development Effectiveness

All of the aforementioned executives are not members of the Oxfam Australia Board.

(b) Compensation of Key Management Personnel

The Directors of the controlled entities or parent entity serve voluntarily and do not receive any remuneration for their services as Directors.

Remuneration relates to employees of Oxfam Australia who are Directors of the controlled entities by virtue of their position with Oxfam Australia.

(i) Executive Compensation Policy

The performance of the Group depends upon the quality and commitment of its senior management. To prosper, the Group must attract, motivate and retain highly skilled and committed executives but keeping in mind the place of the Group in the not-for-profit sector.

To this end, the Group takes into account the following key considerations:

- satisfactory annual reviews of performance
- relevant comparative remuneration
- independent advice

Executive remuneration is reviewed every three years to coincide with the Enterprise Bargaining Agreement negotiations for staff remunerations. At this time a Remuneration Committee of the Board of Directors is established. The committee are responsible for reviewing the compensation arrangements of the key executives and bringing proposals regarding the remuneration to the full Board for consideration.

(ii) Compensation structure

In determining the level of executive remuneration, the Remuneration Committee engaged an external consultant to provide independent advice in the form of a written report detailing market levels of remuneration for comparable executive roles.

The remunerations of the executives who receive the highest remuneration for the year ended 30 June 2007 are tabled below:

	2007	2006
\$90,000-\$99,999	1	1
\$100,000-\$109,999		5
\$110,000-\$119,999	1	
\$120,000-\$129,999	4	1
\$130,000-\$139,999		
\$140,000-\$149,999	2	

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Notes To The Financial Statements (cont)
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NOTE 24 - DIRECTOR AND EXECUTIVE DISCLOSURES (cont)

Remuneration paid to Directors of subsidiaries by virtue of their positions in the parent entity is detailed below.

	<u>Consolidated</u>		<u>Parent Entity</u>	
	2007	2006	2007	2006
	\$	\$	\$	\$
Income paid or payable to Directors of subsidiaries as a result of their position with the parent entity	263,548	217,441	-	-
Income paid or payable to all Directors of the parent entity by the parent entity and any related parties.	-	-	-	-

The following executives have positions as Directors on the Boards of subsidiary entities:

	2007	2006
Oxfam Australia Trading Pty Ltd	A Hewett C Barry	A Hewett C Barry

NOTE 25 - GOVERNANCE AND ACCOUNTABILITY

Oxfam Australia is an accredited signatory to the Australian Council For International Development (ACFID) Code of Conduct for Non Government Development Organisations (NGDOs). This Code of Conduct defines standards of governance, management, financial control and reporting with which NGDOs should comply and identifies mechanisms to ensure accountability in NGDOs use of public monies.

NOTE 26 - RESERVES (RETAINED SURPLUS) POLICY

As determined by the Board, it is Oxfam Australia's policy to retain only sufficient reserves to safeguard the continuity of its operations. Reserves policy seeks to strike a balance between spending on the organisation's development and humanitarian relief purposes and maintaining the minimum level of resources necessary to ensure uninterrupted operations.

The reserves at 30 June 2007 fall into two categories.

- Designated Unrestricted Funds: these are unrestricted funds which have been allocated by the Board for specific purposes and which are as a result not immediately available for general usage.

The specific purposes are as follows:

- To ensure the continuity of operations in the event of a temporary downturn in income.
- To recognise that a portion of reserves is invested in the organisation's fixed assets and is not therefore available for other purposes.
- To ensure that we have sufficient liquidity to cover short term fluctuations in revenue/expenditure. The organisation must have working capital.
- To fund the International Crisis Fund Reserve to enable a rapid response to emergency situations.

- General Unrestricted Funds: these represent funds which are available for the general purposes of the organisation.

The Board of Oxfam Australia reviews the level of reserves held periodically. At the last review it was agreed that the level of unrestricted reserves should be reduced to accord with the Board approved policy level. This will be built into expenditure plans for the coming years and by 2009 we expect that reserves will be at their optimum level.