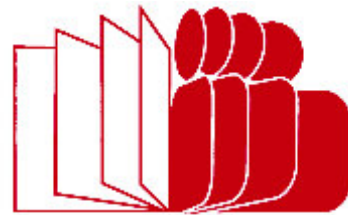


Annual Report 2004



World Education Australia

Engage, Educate, Inspire...



World Education Australia
Engage, Educate, Inspire...

World Education Australia works to reduce poverty in the Asia Pacific region through economic and social development programs designed to strengthen capacity, catalyse local communities and contribute to individual growth. World Education Australia is affiliated to the World Education, Inc. network, a 50-year old international NGO.



World Education staff member Shane Nichols delivering a training session to project staff in Cambodia

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World Education supports rural households in the dry zone of Sri Lanka through microfinance for income generation



The Livelihoods Development for Vulnerable Girls project provides economic options for young Cambodian women

Acknowledgement: The photographs appearing in this report have been provided courtesy of Peter Pigott, Guy Winship and Shane Nichols.

The directors and staff of World Education Australia Limited (WEAL) are pleased to present the first Annual Report of the company for the period ended 30th June 2004. The company was incorporated on 10 September 2003, and this is accordingly WEAL's first Annual Report, incorporating the audited Financial Statements.

WEAL's core objective is to improve the lives of the poor through economic and social development programs. In order to achieve this, WEAL works with partners in the Australian community to provide best-practice technical assistance and project management services on international development projects. This includes policy dialogue and advocacy where necessary and appropriate. During its first nine months, WEAL has grown rapidly and made considerable progress in developing its programs.

Program activities to date have largely comprised advisory and consulting activities, although WEAL's track record and institutional capacity are now such that it is increasingly managing its own development projects. WEAL has successfully built an institutional profile and track record with Australian international aid agencies, AusAID (the Australian government Agency for International Development) and other partners, establishing itself as a leading provider of microfinance, livelihoods, microenterprise, and related non-formal education (NFE) services to the Australian aid program.

Program activities during the period have been provided in a number of countries, including:

- **Cambodia** on the OPTIONS project, a United States Department of Labour and World Education, Inc. funded project aimed at reducing the vulnerability of girls to trafficking;

- **Nepal** on the Resunga Mahila Project, a USAID (United States Agency for International Development) funded integrated development program incorporating microfinance and adult literacy, with a focus on women;
- **Bangladesh** on the BRAC North West Expansion Project, an AusAID-funded rural microfinance project;
- **Sri Lanka** on the Sri Lanka Australia Natural Resources Management Project, a forestry and water development project, under contract to URS Australia Pty Ltd; and
- **Vietnam** on the Quang Ngai Rural Development Program, an integrated rural development project under contract to URS Australia Pty Ltd.

Significant progress has also been made on institutional development, including establishing office and support systems (accounting, financial, human resource, and IT systems), and engaging full-time, part-time and volunteer staff.

In the coming year we plan to focus on providing a wider range of program support in the developing countries in the Asia-Pacific region that we target. These are expected to be mainly AusAID-funded projects, but we also expect to work with USAID, the Asian Development Bank and private foundations. Further investment in developing systems and in building the capacity of the institution will continue in the coming period.



In Nepal World Education supports microfinance and literacy programs for groups of rural women



World Education strives to promote local autonomy by empowering partners to plan and implement their own programs for social and economic change

Directors' Report



Pamela Jonas

The directors present the financial report on the company for the period ended 30th June 2004.

The names of the directors in office at any time during or since the end of the year are:

- **Pamela Jonas** (appointed 10/09/2003) - Policy and Research Manager (Employment, Education and Training) of Group Training Australia (Victoria). Pam has over twenty years' experience in education, training and employment policy.
- **David Kahler** (appointed 10/09/2003) - Vice-President of World Education Inc. and an organisational development and training specialist. With over 30 years' relevant experience, David provides technical services to development projects in health, environmental education and employment-related education.
- **Guy Winship** (appointed 10/09/2003) - Senior Microfinance Advisor of World Education Inc., and CEO of World Education Australia. Guy has eighteen years' experience in international development throughout Africa and Asia, focusing on community development and rural banking.



David Kahler

The principal activities of the company during the financial year were the management and implementation of international aid activities. No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years. The loss of the company for the period amounted to \$26,954.

The ability of the company to continue as a going concern and meet its debts and commitments as and when they fall due is dependent upon the ongoing subordination of the loan from World Education Inc. and the guarantee by World Education Inc. to provide funds totaling \$239,164 which is the budget for the running expenses of the company, excluding the salary of the CEO who is on the payroll of World Education Inc., from 1 July 2004 to 31 October 2005. The directors rely on this subordination and guarantee. Accordingly, the financial report has been prepared on a going concern basis.

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a state or territory.

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the company.

No proceedings have been brought or intervened in on behalf of the company with leave of the Court under section 237 of the Corporations Act 2001. The company was not a party to any such proceedings during the year.

Foster Raffan was appointed auditor for the period ended 30th June 2004.

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

A handwritten signature in black ink, appearing to read 'Guy Winship', written over a horizontal line.

Guy Alan Winship
Director

A handwritten signature in black ink, appearing to read 'Pamela Ann Jonas', written over a horizontal line.

Pamela Ann Jonas
Director



Guy Winship

Dated this 25th day of November 2004

Statement of Financial Performance for the Period Ended 30 June 2004

| | Note | 2004 \$ | 2003 \$ |
|--|------|-----------------|------------|
| REVENUE | | | |
| Donations & Gifts – monetary & non-monetary | 2 | 54,699 | - |
| Legacies & Bequests | | - | - |
| Grants: | | | |
| AusAID | | - | - |
| Other Australian | | - | - |
| Other Overseas | | 43,670 | - |
| Investment Income | | 3 | - |
| Other Income | | 60,857 | - |
| Total Revenue | | <u>159,229</u> | <u>-</u> |
| EXPENSES | | | |
| Overseas Projects | | | |
| Funds to Overseas Projects | 3 | 58,256 | - |
| Other Project Costs | 4 | 47,720 | - |
| Domestic Projects | | - | - |
| Community Education | 5 | 1,906 | - |
| Fundraising Costs | | - | - |
| Administration | 6 | 80,687 | - |
| Total Expenses | | <u>188,569</u> | <u>-</u> |
| Net profit/(loss) from ordinary activities before income tax expense | 7 | (29,340) | - |
| Income tax (expense)/benefit relating to ordinary activities | 8 | 2,386 | - |
| Net profit/(loss) from ordinary activities after income tax expense/benefit | | <u>(26,954)</u> | <u>-</u> |

The accompanying notes form part of these financial statements

Statement of Financial Position As At 30 June 2004

| | Note | 2004 \$ | 2003 \$ |
|-------------------------------------|------|-----------------|------------|
| CURRENT ASSETS | | | |
| Cash | 9 | 4,910 | - |
| Receivables | 10 | 22,407 | - |
| Other | 11 | 4,254 | - |
| TOTAL CURRENT ASSETS | | <u>31,571</u> | <u>-</u> |
| NON-CURRENT ASSETS | | | |
| Property, Plant and Equipment | 12 | 13,215 | - |
| Deferred Tax Asset | 13 | 2,386 | - |
| TOTAL NON-CURRENT ASSETS | | <u>15,601</u> | <u>-</u> |
| TOTAL ASSETS | | <u>47,172</u> | <u>-</u> |
| CURRENT LIABILITIES | | | |
| Payables | 14 | 8,441 | - |
| TOTAL CURRENT LIABILITES | | <u>8,441</u> | <u>-</u> |
| NON-CURRENT LIABILITIES | | | |
| Loans | 15 | 65,685 | - |
| TOTAL NON-CURRENT LIABILITES | | <u>65,685</u> | <u>-</u> |
| TOTAL LIABILITES | | <u>74,126</u> | <u>-</u> |
| NET ASSETS/(LIABILITES) | | <u>(26,954)</u> | <u>-</u> |
| EQUITY | | | |
| Contributed Equity | 16 | | - |
| Reserves | | | - |
| Accumulated Losses | | (26,954) | - |
| TOTAL EQUITY | | <u>(26,954)</u> | <u>-</u> |

The accompanying notes form part of these financial statements

Statement of Cash Flows for the Period Ended 30 June 2004

| | Note | 2004 \$ | 2003 \$ |
|---|-------|------------|------------|
| CASH FLOW FROM OPERATING ACTIVITIES | | | |
| Donations and receipts from customers | | 82,321 | - |
| Payments to suppliers and employees | | (124,868) | - |
| Interest Received | | 3 | - |
| Net cash provided by (used in) operating activities | 17(b) | (42,544) | - |
| CASH FLOW FROM INVESTING ACTIVITIES | | | |
| Payment for property, plant and equipment | | (13,977) | - |
| Security Deposit | | (4,254) | - |
| Net cash provided by (used in) investing activities | | (18,231) | - |
| CASH FLOW FROM FINANCING ACTIVITIES | | | |
| Proceeds from borrowings | | 65,685 | - |
| Net cash provided by (used in) financing activities | | 4,910 | - |
| Net increase (decrease) in cash held | | | - |
| Cash at beginning of year | | - | - |
| Cash at end of year | 17(a) | 4,910 | - |

The accompanying notes form part of these financial statements

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

This financial report is a special purpose financial report prepared in order to satisfy the financial report preparation requirements of the Corporations Act 2001. The directors have determined that the company is not a reporting entity.

World Education Australia Limited is a company limited by guarantee, incorporated and domiciled in Australia.

The report has been prepared in accordance with the requirements of the Corporations Act 2001, and the following applicable Accounting Standards and Urgent Issues Group Consensus Views:

| | |
|------------|---|
| AASB 1002: | Events Occurring After Reporting Date |
| AASB 1018: | Statement of Financial Performance |
| AASB 1020: | Accounting for Income Tax (Tax-effect Accounting) |
| AASB 1031: | Materiality |
| AASB 1034: | Financial Report Presentation and Disclosures |
| AASB 1040: | Statement of Financial Position |

No other Accounting Standards, Urgent Issues Group Consensus Views or other authoritative pronouncements of the Australian Accounting Standards Board have been applied.

The report is also prepared on an accruals basis and is based on historic costs and does not take into account changing money values or, except where specifically stated, current valuations of non-current assets.

The ability of the company to continue as a going concern and meet its debts and commitments as and when they fall due is dependent upon the ongoing subordination of the loan from World Education Inc and the guarantee by World Education Inc to provide funds totaling \$239,164 which is the budget for the running expenses of the company, excluding the salary of the CEO who is on the payroll of World Education Inc, from 1 July 2004 to 31 October 2005. The directors rely on this subordination and guarantee. Accordingly, the financial report has been prepared on a going concern basis.

As this is the first year of operation, no comparatives are available. The following material accounting policies have been adopted in the preparation of this report:

a. Revenue

Revenue from monetary donations is recognised when the money is received.

Revenue from non-monetary donations is recognised when the donated goods or services are received. The donated goods or services are accounted for at their market value.

Revenue from the rendering of services is recognised upon the delivery of the service.

b. Income Tax

The company adopts the liability method of tax effect accounting whereby the income tax expense is based on the operating profit adjusted for any permanent differences.

Timing differences, which arise due to the different accounting periods in which items of revenue and expense are included in the determination of accounting profit and taxable income, are brought to account as either a provision for deferred income tax or as a future income tax benefit at the rate of income tax applicable to the period in which the benefit will be received or the liability will become payable.

Future income tax benefits are not brought to account unless realisation of the asset is assured beyond any reasonable doubt. Future income tax benefits in relation to tax losses are not brought to account unless there is virtual certainty of realisation of the benefit.

NOTE 1: STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT)

b. Income Tax (cont)

The amount of benefits brought to account or which may be realised in the future is based on the assumption that no adverse change will occur in income taxation legislation, and the anticipation that the company will derive sufficient future assessable income to enable the benefit to be realised and comply with the conditions of deductibility imposed by the law.

c. Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

Depreciation

All assets are depreciated on a straight line basis over their useful lives to the company.

d. Foreign Currency Transactions and Balances

Foreign currency transactions during the year are converted to Australian currency at the rates of exchange applicable at the dates of the transactions. Amounts receivable and payable in foreign currencies at balance date are converted at the rates of exchange ruling at that date.

The gains and losses from conversion of assets and liabilities, whether realised or unrealised, are included in profit from ordinary activities as they arise.

Gains and losses from speculative foreign currency transactions are brought to account in the profit from ordinary activities when the exchange rates change.

NOTE 2: DONATIONS & GIFTS

| | 2004 | 2003 |
|------------------------|---------------|-------------|
| | \$ | \$ |
| Monetary donations | 201 | - |
| Non-monetary donations | 54,498 | - |
| | <u>54,699</u> | <u>-</u> |

NOTE 3: FUNDS TO OVERSEAS PROJECTS

| | | |
|--------------------------------|---------------|----------|
| Project staff costs – overseas | 37,637 | - |
| Travel costs | 19,554 | - |
| Volunteers | 1,065 | - |
| | <u>58,256</u> | <u>-</u> |

NOTE 4: OTHER PROJECT COSTS

| | | |
|------------------------------------|---------------|----------|
| Project staff costs – in Australia | 29,136 | - |
| Volunteers | 18,584 | - |
| | <u>47,720</u> | <u>-</u> |

NOTE 5: COMMUNITY EDUCATION

| | | |
|-------------|--------------|----------|
| Staff costs | 464 | - |
| Materials | 181 | - |
| Volunteers | 1,261 | - |
| | <u>1,906</u> | <u>-</u> |

NOTE 6: ADMINISTRATION

| | | |
|--------------|---------------|----------|
| Direct costs | 41,387 | - |
| Staff costs | 7,193 | - |
| Volunteers | 32,108 | - |
| | <u>80,688</u> | <u>-</u> |

Notes to the Financial Statements for the Period Ended 30 June 2004 (cont)

| NOTE 7: PROFIT FROM ORDINARY ACTIVITIES | 2004 | 2003 |
|---|----------------|-------------|
| | \$ | \$ |
| Profit from ordinary activities before income tax expense has been determined after: | | |
| a. Expenses | | |
| Depreciation of plant and equipment | 763 | - |
| Unrealised foreign exchange loss | 2,956 | - |
| Formation expenses written off | 1,330 | - |
| NOTE 8: INCOME TAX EXPENSE | | |
| Prima facie tax payable/(receivable) on profit/(loss) from ordinary activities before income tax at 30% | (8,802) | - |
| Add tax effect of write off of formation expenses | 399 | - |
| Add tax effect of losses not accounted for as not certain that they will be recouped | 6,017 | - |
| | <u>(2,386)</u> | <u>-</u> |
| NOTE 9: CASH | | |
| Petty Cash | 222 | - |
| Cash at bank | 4,688 | - |
| | <u>4,910</u> | <u>-</u> |
| NOTE 10: RECEIVABLES | | |
| Trade Debtors | <u>22,407</u> | <u>-</u> |
| NOTE 11: OTHER CURRENT ASSETS | | |
| Security Deposits | <u>4,254</u> | <u>-</u> |
| NOTE 12: PROPERTY, PLANT AND EQUIPMENT | | |
| Plant and Equipment | | |
| Plant and equipment – at cost | 13,978 | - |
| Less accumulated depreciation | (763) | - |
| | <u>13,215</u> | <u>-</u> |
| NOTE 13: DEFERRED TAX ASSET | | |
| Future income tax benefit | <u>2,836</u> | <u>-</u> |
| NOTE 14: PAYABLES | | |
| Payroll Liabilities | 1,506 | - |
| GST Payable | 1,682 | - |
| Audit fee accrual | 5,000 | - |
| Cash at bank | 253 | - |
| | <u>8,441</u> | <u>-</u> |
| NOTE 15: LOANS | | |
| World Education Inc. | <u>65,685</u> | <u>-</u> |

This loan has been subordinated – see Note 1

NOTE 16: CONTRIBUTION EQUITY

There is no contributed equity. The members registered at the time undertake to contribute to the property of the company, if required, in the event that it is wound up. The liability of each member is limited to \$10.

NOTE 17: CASH FLOW INFORMATION

| | 2004 | 2003 |
|--|------|------|
| | \$ | \$ |

a. Reconciliation of Cash

Cash at end of financial year as shown in the statement of cash flows is reconciled to the following related item in the statement of financial position:

| | | |
|--------------|-------|---|
| Petty Cash | 223 | - |
| Cash at bank | 4,687 | - |
| | 4,910 | - |

b. Reconciliation of Cash Flow from Operations with Profit from Ordinary Activities after Income Tax

| | | |
|---|----------|---|
| Profit/(loss) from ordinary activities after income tax | (26,954) | - |
| Non-cash flows in profit from ordinary activities: | | |
| ▪ Depreciation | 763 | - |
| ▪ Tax benefit | (2,386) | - |
| Changes in assets and liabilities | | |
| ▪ Increase in receivables | (22,409) | - |
| ▪ Increase in payables | 8,442 | - |
| Cash flows from operations | (42,544) | - |

NOTE 18: TABLE OF CASH MOVEMENTS FOR DESIGNATED PURPOSES

There were no appeals nor other forms of fund raising for a designated purpose during the period.

NOTE 19: COMPANY INFORMATION

The registered office and principal place of business of the company is:

4/73 Albert Avenue
Chatswood NSW 2067

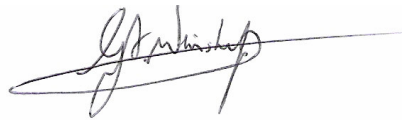
Directors' Declaration

The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

The directors of the company declare that:

1. The financial statements and notes, as set out on pages 3 to 8 are in accordance with the Corporations Act 2001:
 - a. comply with Accounting Standards as described in Note 1 to the financial statements and the Corporations Regulations 2001; and
 - b. give a true and fair view of the company's financial position as at 30 June 2004 and of its performance for the period ended on that date in accordance with the accounting policies described in Note 1 to the financial statements.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.
3. The financial statements are in accordance with the Australian Council for International Development's Code of Conduct Guidance Document.

This declaration is made in accordance with a resolution of the Board of Directors.



Directors

Guy Alan Winship



Pamela Ann Jonas

Dated this 25th day of November 2004

Independent Audit Report



FOSTER RAFFAN
CHARTERED ACCOUNTANTS
BUSINESS, FINANCIAL & TAX ADVISORS

Partners:
Graeme J McLean
George D D Raffan
G Douglas Wood

ABN 20 203 719 909
PO Box 629
North Sydney NSW 2059
Australia
Level 6, 8 West St
North Sydney NSW 2060
Tel: (02) 9956 7500
Fax: (02) 9956 7355
email@foster raffan.com.au
www.foster raffan.com.au

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF WORLD EDUCATION AUSTRALIA LIMITED

Scope

The financial report and directors' responsibility

The financial report comprises the statement of financial position, statement of financial performance, accompanying notes to the financial statements, and the directors' declaration for World Education Australia Limited (the company), for the period ended 30 June 2004.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report and have determined that the accounting policies used and described in Note 1 to the financial statements which form part of the financial report are appropriate to meet the requirements of the *Corporations Act 2001* and are appropriate to meet the needs of the members. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

The financial report has been prepared for distribution to members for the purpose of fulfilling the directors' financial reporting requirements under the *Corporations Act 2001*. We disclaim any assumptions of responsibility for any reliance on this report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the company. Our audit was conducted in accordance with Australian Auditing Standards, in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report is presented fairly in accordance with the accounting policies described in Note 1, so as to present a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows. These policies do not require the application of all Accounting Standards and other mandatory professional reporting requirements in Australia. No opinion is expressed as to whether the accounting policies used and described in Note 1, are appropriate to the needs of the members.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the *Corporations Act 2001*.

Emphasis of Matter

Without qualification to the opinion expressed below, attention is drawn to the following. The ability of the company to continue as a going concern and meet its debts and commitments as and when they fall due is dependent on the subordination and guarantee described in Note 1.



MEMBER OF THE
AUSTRALIAN ACCOUNTANTS ASSOCIATION



COVER OF
EXCELLENCE

Liability limited by the Accountants Scheme, approved under the Professional Standards Act 1994 (NSW).

WORLD EDUCATION AUSTRALIA LIMITED

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF WORLD EDUCATION AUSTRALIA LIMITED

Audit opinion

In our opinion, the financial report of World Education Australia Limited is in accordance with:

- a. the *Corporations Act 2001*, including:
 - i. giving a true and fair view of the company's financial position as at 30 June 2004 and of its performance for the period ended on that date in accordance with the accounting policies described in Note 1; and
 - ii. complying with Accounting Standards in Australia to the extent described in Note 1 and the *Corporations Regulations 2001*;
- b. other mandatory professional reporting requirements to the extent described in Note 1; and
- c. the requirements of the Australian Council of International Development's Code of Conduct Guidance Document.



Foster Raffan



George Raffan

Date 25 November 2004



World Education Australia
Engage, Educate, Inspire...

**World Education
Australia Limited**

ABN 39 106 279 225

4/73 Albert Avenue
Chatswood NSW 2067

PHONE:

(61 2) 9419 6911

FAX:

(61 2) 9419 6933

E-MAIL:

info@worlded.org.au

WEBSITE:

www.worlded.org.au



**World Education Australia Director Guy Winship with
beneficiaries of an Australian government-funded
microfinance project in North-West Bangladesh**