

**OPERATION RESTORE HOPE
AUSTRALIA LIMITED
ABN 14 073 125 381**

**FINANCIAL REPORT
FOR THE YEAR ENDED
30 JUNE 2006**

**OPERATION RESTORE HOPE
AUSTRALIA LIMITED
ABN 14 073 125 381**

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**OPERATION RESTORE HOPE
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DIRECTORS' REPORT

Your Directors present their report on the Company for the financial year ended 30 June 2006.

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

Darryl Hodgkinson
Katherine Hodgkinson
Ann Collins
Wyben Briones
Graeme Mackinnon

The Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

The loss of the Company for the financial year after providing for income tax amounted to \$7,651.04.

A review of the operations of the Company during the financial year and the results of those operations found that

No significant changes in the Company's state of affairs occurred during the financial year.

The principal activities of the Company during the financial year were provision of plastic surgery and related subspecialty surgical and medical services to persons in developing countries.

No significant change in the nature of these activities occurred during the year.

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 and the result of those operations, or the state of affairs of the Company in future financial years.

Likely developments in the operations of the Company and the expected results of those operations in future financial years are as follows

The objects of the Company to provide plastic surgery and related subspecialty surgical and medical services to persons in developing countries will be continued. The Directors expect the objects of the Company to be continued successfully.

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 dividends were paid during the year.

The Directors do not recommend the payment of a dividend.

No options over issued shares or interests in the Company were granted during or since the end of the financial year and there were no options outstanding at the date of this report.

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 person has applied for leave of Court to bring proceedings on behalf of the Company or intervene in any proceedings to which the Company is a party for the purpose of taking responsibility on behalf of the Company for all or any part of those proceedings.

The Company was not a party to any such proceedings during the year.

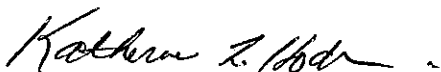
**OPERATION RESTORE HOPE
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DIRECTORS' REPORT

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 4.

Signed in accordance with a resolution of the Board of Directors



Katherine Hodgkinson
Director



Ann Collins
Director

Dated this 23 day of OCTOBER 2006

**OPERATION RESTORE HOPE
AUSTRALIA LIMITED
ABN 14 073 125 381**

**AUDITORS' INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF
OPERATION RESTORE HOPE
AUSTRALIA LIMITED**

We declare that, to the best of our knowledge and belief, during the year ended 30 June 2006 there have been

- (i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.

**CHARLES J GRACE & CO
Chartered Accountants**



**CHARLES JOHN GRACE
Partner**

109 PITT STREET SYDNEY NSW 2000

Dated this 27 day of OCTOBER 2006

**OPERATION RESTORE HOPE
AUSTRALIA LIMITED
ABN 14 073 125 381**

**INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006**

	Note	2006 \$	2005 \$
Revenue		70,870.87	53,160.28
Other expenses		(78,521.91)	(74,355.03)
Loss before income tax		<u>(7,651.04)</u>	<u>(21,194.75)</u>
Loss attributable to members of the Company		<u><u>(7,651.04)</u></u>	<u><u>(21,194.75)</u></u>

The accompanying notes form part of these financial statements.

**OPERATION RESTORE HOPE
AUSTRALIA LIMITED
ABN 14 073 125 381**

**BALANCE SHEET
AS AT 30 JUNE 2006**

	Note	2006 \$	2005 \$
CURRENT ASSETS			
Cash and cash equivalents	2	47,549.45	55,173.74
Trade and other receivables	3	2,920.77	2,947.52
TOTAL CURRENT ASSETS		50,470.22	58,121.26
TOTAL ASSETS		50,470.22	58,121.26
TOTAL LIABILITIES		-	-
NET ASSETS		50,470.22	58,121.26
EQUITY			
Retained earnings	4 5	50,470.22	58,121.26
TOTAL EQUITY		50,470.22	58,121.26

The accompanying notes form part of these financial statements.

**OPERATION RESTORE HOPE
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**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006**

	Note	Retained Profits \$	Total \$
Balance at 1 July 2004		79,316.01	79,316.01
Profit attributable to equity shareholders		(21,194.75)	(21,194.75)
Balance at 30 June 2005		<u>58,121.26</u>	<u>58,121.26</u>
Profit attributable to equity shareholders		(7,651.04)	(7,651.04)
Balance at 30 June 2006		<u><u>50,470.22</u></u>	<u><u>50,470.22</u></u>

The accompanying notes form part of these financial statements.

**OPERATION RESTORE HOPE
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**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006**

	2006 \$	2005 \$
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from donations and subscriptions	37,043.88	50,918.82
Payments to suppliers	(78,120.93)	(73,814.05)
Interest received	1,181.69	2,241.46
Borrowing costs paid	(374.23)	(573.80)
Grants received	32,645.30	-
Net cash provided by (used in) operating activities	<u>(7,624.29)</u>	<u>(21,227.57)</u>
Net increase (decrease) in cash held	(7,624.29)	(21,227.57)
Cash at beginning of year	<u>55,173.74</u>	<u>76,401.31</u>
Cash at end of year	<u><u>47,549.45</u></u>	<u><u>55,173.74</u></u>

The accompanying notes form part of these financial statements.

**OPERATION RESTORE HOPE
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**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

1 Statement of Significant Accounting Policies

This financial report has been prepared in accordance with the requirements of the Corporations Act 2001 for use by the Directors and members of the Company and is a special purpose financial report. The Directors have determined that the Company is not a reporting entity.

Operation Restore Hope Australia Limited is a company limited by guarantee, incorporated and domiciled in Australia.

Basis of Preparation

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

AASB 101:	Presentation of Financial Statements
AASB 107:	Cash Flow Statements
AASB 108:	Accounting Policies, Changes in Accounting Estimates and Errors
AASB 110:	Events after the Balance Sheet Date
AASB 118:	Revenue
AASB 132:	Financial Instruments: Disclosure and Presentation
AASB 1031:	Materiality

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

Reporting Basis and Conventions

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

The following is a summary of the material accounting policies adopted by the Company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

Financial Instruments

Recognition

Financial instruments are initially recognised at cost on the trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below

**OPERATION RESTORE HOPE
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ABN 14 073 125 381**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

Financial assets at fair value through profit and loss

A financial asset is classified in this category if it is acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Derivatives are also categorised as held for trading unless they are designated as hedges. Realised and unrealised gains and losses arising from changes in the fair value of these assets are included in the income statement in the period in which they arise.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Held to maturity investments

Held to maturity investments are non-derivative financial assets with fixed or determinable payments and fixed maturities. It is the company's intention to hold these investments to maturity. Any held to maturity investments held by the company are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Derivative instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in the income statement immediately unless the derivative is designated and effective as a hedging instrument, in which event, the timing of the recognition in the income statement depends on the nature of the hedge relationship.

**OPERATION RESTORE HOPE
AUSTRALIA LIMITED
ABN 14 073 125 381**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

Fair value

Fair values is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities including recent arm's length transactions, reference to similar instruments option pricing models.

Impairment

At each reporting date, the company assesses at each balance date whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the fair value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the income statement.

Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months, and bank overdrafts. Bank overdrafts are shown within short term borrowings in current liabilities on the balance sheet.

Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

All revenue is stated net of the amount of goods and services tax (GST).

Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Balance Sheet are shown inclusive of GST.

Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

**OPERATION RESTORE HOPE
AUSTRALIA LIMITED
ABN 14 073 125 381**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

Comparative Figures

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

Critical accounting estimates and judgments

The Directors evaluate estimates and judgements incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

**OPERATION RESTORE HOPE
AUSTRALIA LIMITED
ABN 14 073 125 381**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

	2006	2005
	\$	\$
2 Cash and Cash Equivalents		
Current		
Cash at Bank	46,982.61	54,771.77
Cash at Bank	566.84	401.97
	<u>47,549.45</u>	<u>55,173.74</u>
Reconciliation of cash		
Cash at the end of the financial year as shown in the cash flow statement is reconciled to items in the balance sheet as follows		
Cash at Bank	46,982.61	54,771.77
Cash at Bank	566.84	401.97
	<u>47,549.45</u>	<u>55,173.74</u>
3 Trade and Other Receivables		
Current		
Other Debtors	<u>2,920.77</u>	<u>2,947.52</u>
4 Members Guarantee		

The Company is limited by guarantee. If the Company is wound up, the Constitution states that each member is required to contribute a maximum of \$100.00 each towards meeting any outstanding obligations of the Company. At 30 June 2006 the number of members was 193 (2005: 58).

**OPERATION RESTORE HOPE
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ABN 14 073 125 381**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

	2006	2005
	\$	\$
<hr/>		
5 Retained Earnings		
Retained earnings at the beginning of the financial year	58,121.26	79,316.01
Net loss attributable to members of the Company	<u>(7,651.04)</u>	<u>(21,194.75)</u>
Retained earnings at the end of the financial year	<u><u>50,470.22</u></u>	<u><u>58,121.26</u></u>
6 Cash Flow Information		
Reconciliation of net cash provided by operating activities to profit after income tax		
Operating profit (loss) after income tax	(7,651.04)	(21,194.75)
Changes in assets and liabilities, net of the effects of purchase and disposals of subsidiaries		
(Increase) Decrease in current receivables	<u>26.75</u>	<u>(32.82)</u>
	<u><u>(7,624.29)</u></u>	<u><u>(21,227.57)</u></u>

7 Company Details

The registered office of the Company is

20 Manning Road
Double Bay NSW 2028

The principal place of business is

20 Manning Road
Double Bay NSW 2028

**OPERATION RESTORE HOPE
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ABN 14 073 125 381**

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 outlined 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 1 to 14 are in accordance with the Corporations Act 2001; and
 - (a) comply with Australian 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 financial position as at 30 June 2006 and of its performance for the year 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 debt as and when they become due and payable.

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



Katherine Hodgkinson
Director



Ann Collins
Director

Dated this 23 **day of** OCTOBER 2006

**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF OPERATION RESTORE HOPE
AUSTRALIA LIMITED
ABN 14 073 125 381**

Scope

The Special Purpose Financial Report and Directors' Responsibility

The financial report comprises the income statement, balance sheet, statement of changes in equity, cash flow statement, accompanying notes to the financial statements, and the Directors' declaration for Operation Restore Hope Australia Limited, for the year ended 30 June 2006.

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 special purpose 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 assumption 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 judgment, 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 as 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 Australian 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 for 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.

**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF OPERATION RESTORE HOPE
AUSTRALIA LIMITED
ABN 14 073 125 381**

Independence

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


In accordance with ASIC Class Order 05/83, we declare to the best of our knowledge and belief that the auditor's independence declaration set out on page 4 of the financial report has not changed as at the date of providing our audit opinion.

Audit Opinion

In our opinion, the financial report of Operation Restore Hope 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 2006 and of its performance for the year 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 Corporation Regulations 2001; and
- (b) other mandatory professional reporting requirements to the extent described in Note 1.

CHARLES J GRACE & CO
Chartered Accountants



CHARLES JOHN GRACE
Partner

109 PITT STREET SYDNEY NSW 2000

Dated this 27 day of OCTOBER 2006