

World Education Australia Limited

ABN 39 106 279 225

**FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2010**

WORLD EDUCATION AUSTRALIA LIMITED
ABN 39 106 279 225

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WORLD EDUCATION AUSTRALIA LIMITED
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DIRECTORS' REPORT

Your directors present this report on the company, and its controlled entity World Education Australia Overseas Relief Fund (WEAORF), for the financial year ended 30 June 2010.

Below are listed the names of the company's directors in office throughout the financial year until the date of this report (unless otherwise stated), their specific roles, qualifications, and experience:

Neild McIntosh (Chairman); B.A. (Actuarial Studies), M.A. (International Social Development), has extensive executive experience in the commercial sector. He currently works as a non-executive Director in the corporate sector and with charitable institutions.

David Kahler (Vice-Chairman); B.Sc, M.A., Ed.D. is an organisational development and training specialist with over 40 years of relevant experience. He is Vice-President of World Education Inc. overseeing new international program development and management in Asia and Latin America.

Margaret Wright, Director from 24 November 2009 (Treasurer); CA, University of Otago, is a strategic advisor in information technologies and business. She was formerly a partner of accounting firm KPMG and the IT executive of Macquarie Bank, and currently works in various roles in both the corporate and charitable sectors, including as a Director of the National Breast Cancer Foundation.

Gordon Cairns; M.A. (Hons) has extensive Australian and international experience as a senior executive, most recently as Chief Executive Officer of Lion Nathan Limited. Gordon now serves as a non-executive Director of Westpac Banking Corporation, Origin Energy and Opera Australia, and is on the advisory boards of CVC Asia Pacific, McKinsey Consulting, and the Centre for Independent Studies, a think tank.

Pamela Jonas; B.A. (Hons), M.A. (Public Policy & Management), is a researcher and teacher in the areas of education, training and employment policy. She has over 25 years' relevant experience in the education and community sectors, including as a non-executive Director.

William Pigott, M.B., B.S., is a retired Doctor and Fellow of the Royal Australasian College of Physicians. Dr Pigott is both an educationalist and international health practitioner, having taught medicine at various Australian universities and overseas. He was formerly the World Health Organisation Representative in Cambodia and Nepal.

Guy Winship (Chief Executive Officer), B.Soc.Sc., B.Com (Hons), M.Sc. (Town & Regional Planning) is a development practitioner with extensive international experience, having worked with and advised governments, financial institutions and others in the areas of development banking, microfinance, and public policy throughout Asia and Africa.

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The consolidated deficit for the year was \$71,659. This comprises a deficit of \$37,738 from World Education Australia Limited (WEAL) and a deficit of \$33,921 from the controlled entity WEORF.

The company is limited by guarantee, with the liability of each member in respect of liabilities of the company, as specified in the Constitution, being restricted to \$10. During the year, membership of the company increased from 208 to 221.

The company is a Public Benevolent Institution approved by the Australian Taxation Office and enjoys tax exempt status. The NSW Office of Charities has authorised the company to fundraise under the Charitable Fundraising Act 1991. Authorisation (or reciprocal exemption) has also been obtained to raise funds in all other states and Territories. The company has received exemption from ASIC with regard to the primary requirements of an Australian Financial Services Licence.

The purpose of the controlled entity, WEORF, is exclusively to provide relief to persons in a developing country certified as such by the Department of Foreign Affairs and Trade, and to raise funds for this by way of tax deductible donations. WEORF, a Deductible Gift Recipient entity approved as such by the Australian Taxation Office, continues to raise donations from the public. Funds held by WEORF continue to be applied to the company's projects that are compatible with the purpose of WEORF.

Key Objectives

The vision of the company is a world without poverty, where people have access to resources and opportunities to improve their own lives. The mission of the company is to enable the poor in the Asia Pacific region to improve their income and to change their lives forever. This mission describes both the long term and short term objectives of the organisation.

Strategy for achieving these objectives

The company contributes to its poverty reduction objectives by working with its partners in both the Australian community and overseas to provide best practice technical assistance and project management services in a number of Asian and Pacific countries. Programs are designed to strengthen the capacity of local partners, catalyse community and national development, and contribute to individual growth.

In pursuit of the company's poverty reduction mission, a major internet based program entitled Good Return was implemented during the financial year. Good Return intermediates small loans from the Australian public to partner financial institutions targeting low income communities both overseas and in Australia. This new micro-loan program integrates with many of the current development and training operations of the company. Good Return is expected to represent an increasingly important part of the company's activities and resources in the future.

There was no other significant change to the activities of the consolidated group during the year. It continued to design, manage and implement international development programs and provide technical assistance to the Australian Agency for International Development (AusAID), Asian Development Bank (ADB), and United Nations (UN) agencies during the financial year.

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DIRECTORS' REPORT

Future plans

The company will continue to provide resources aimed at reducing poverty, through training, technical assistance and project management services targeted at low income communities in the Asia Pacific region. These development and poverty-reduction operations are planned to continue during the year and years ahead.

The expected financial results from the operations of the Good Return program during the next fiscal year may differ materially from those reported during the current year. The reliance of the company on transaction fee income linked to the volume of funds raised through this and other programs may lead to short-term volatility in future consolidated results.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may affect the operations of the consolidated group, the results of those operations, or the state of affairs of the consolidated group in future financial years.

Going Concern

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 totalling USD \$150,000. The directors rely on this subordination and guarantee. Accordingly, the financial report has been prepared on a going concern basis.

The consolidated group's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of the State.

Director attendance at board meetings

Neild McIntosh	4 (4)
David Kahler	0 (4)
Margaret Wright	2 (2)
Gordon Cairns	4 (4)
Pamela Jonas	4 (4)
William Pigott	3 (4)
Guy Winship	4 (4)


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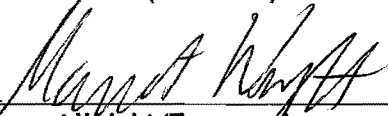
DIRECTORS' REPORT

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act 2001 is attached to this financial statements.

Signed in accordance with a resolution of the board of directors:

Director 
Neild McIntosh (Chairman)

Director 
Margaret Wright (Treasurer)

8 November 2010

**WORLD EDUCATION AUSTRALIA LIMITED
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DIRECTORS' REPORT

AUDITOR'S INDEPENDENCE DECLARATION

I declare, to the best of my knowledge and belief, that during the year ended 30 June 2010 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.

**Foster Raffan
Chartered Accountants**



Partner: George Raffan

North Sydney

8 November 2010

WORLD EDUCATION AUSTRALIA LIMITED
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CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated Group 2010 \$	Consolidated Group 2009 \$
REVENUE			
Donations & gifts - monetary & non-monetary	2a	255,324	376,940
Legacies & bequests		-	-
Grants:			
AusAID	2b	339,441	60,526
Other Australian		119,415	-
Other overseas		138,010	-
Investment income		10,204	13,266
Other income	2c	67,948	311,539
TOTAL REVENUE		930,342	762,271
EXPENSES			
Overseas projects			
Funds to overseas projects	3a	381,401	261,007
Other project costs	3b	386,773	229,515
Domestic projects	3c	7,779	-
Community education	3d	32,293	71,842
Fundraising costs			
Public	3e	67,605	65,438
Government, multilateral and private	3f	27,725	26,738
Administration	3g	98,425	96,970
TOTAL EXPENSES		1,002,001	751,510
Excess of revenue over expenses (shortfall) from continuing operations before income tax expense		(71,659)	10,761
Income tax (expense)/ benefit	1c	-	-
Excess of revenue over expenses (shortfall) from continuing operations after income tax expense		(71,659)	10,761

The accompanying notes form part of these financial statements.

WORLD EDUCATION AUSTRALIA LIMITED
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CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 30 JUNE 2010

	Note	Consolidated Group 2010 \$	Consolidated Group 2009 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	253,518	429,324
Financial assets		-	-
Trade and other receivables	7	132,557	17,501
Inventories	8	-	-
Other current assets	9	36,000	74,471
TOTAL CURRENT ASSETS		<u>422,075</u>	<u>521,296</u>
NON-CURRENT ASSETS			
Property, plant and equipment	10	16,803	16,863
Intangibles assets	11	90,661	78,264
Other - loans	12	22,253	-
TOTAL NON-CURRENT ASSETS		<u>129,717</u>	<u>95,127</u>
TOTAL ASSETS		<u>551,792</u>	<u>616,423</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	13	88,470	45,384
Special purpose funding	6	189,242	248,463
Provisions	14	23,027	25,782
TOTAL CURRENT LIABILITIES		<u>300,739</u>	<u>319,629</u>
NON-CURRENT LIABILITIES			
Trade and other payables	13	541	1,622
Provisions	14	14,555	-
Other - loans	15	95,385	82,941
TOTAL NON-CURRENT LIABILITIES		<u>110,481</u>	<u>84,563</u>
TOTAL LIABILITIES		<u>411,220</u>	<u>404,192</u>
NET ASSETS		<u>140,572</u>	<u>212,231</u>
EQUITY			
Contributed equity	17	-	-
Reserve for designated purpose	18	32,995	66,916
Accumulated (losses)/ gains		107,577	145,315
TOTAL EQUITY		<u>140,572</u>	<u>212,231</u>

The accompanying notes form part of these financial statements.

WORLD EDUCATION AUSTRALIA LIMITED
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CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 30 JUNE 2010

	Note	Retained Earnings \$	Reserve For Designated Purposes \$	Total \$
Consolidated Group				
Balance at 1 July 2008		25,130	176,340	201,470
Excess of revenue over expenses/ (shortfall)		10,761	-	10,761
Transfer (to)/ from reserve	18	109,424	(109,424)	-
Balance at 30 June 2009		145,315	66,916	212,231
Excess of revenue over expenses/ (shortfall)		(71,659)	-	(71,659)
Transfer (to)/ from reserve	18	33,921	(33,921)	-
Balance at 30 June 2010		107,577	32,995	140,572

The accompanying notes form part of these financial statements.

WORLD EDUCATION AUSTRALIA LIMITED
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CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010

	Note	Consolidated Group 2010 \$	Consolidated Group 2009 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Donations and grants		632,509	585,677
Customers		49,208	407,786
Suppliers and employees		(798,299)	(665,982)
Interest		10,204	13,265
Net cash provided by/ (used in) operating activities	19	(106,378)	340,746
CASH FLOWS FROM INVESTING ACTIVITIES			
Furniture and equipment		(5,617)	(64,623)
Good Return software and web-site		(52,470)	-
Security deposit		(451)	(535)
Net cash provided by/ (used in) investing activities		(58,538)	(65,158)
CASH FLOWS FROM FINANCING ACTIVITIES			
Good Return - net loans received from the public		31,784	-
Good Return - net loans paid to microfinance institutions		(22,253)	-
Repayment of related party loan - net		(19,340)	(79,707)
Repayment of equipment lease		(1,081)	-
Net cash provided by/ (used in) financing activities		(10,890)	(79,707)
Net increase/ (decrease) in cash held		(175,806)	195,881
Cash at beginning of financial year		429,324	233,443
Cash at end of financial year	6	253,518	429,324

The accompanying notes form part of these financial statements.

WORLD EDUCATION AUSTRALIA LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Australian Accounting Interpretations, and other authoritative pronouncements of the Accounting Standards Board and the Corporations Act 2001.

The financial report covers the consolidated group of World Education Australia Limited and its controlled entity. World Education Australia Limited is an unlisted public company limited by guarantee, incorporated and domiciled in Australia.

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 going concern basis of accounting has been adopted because the directors forecast that the company will be able to pay its debts as and when they fall due until at least 31 October 2011. In the event that there is not sufficient income from donations, consulting projects and the Good Return program to cover future expenses, the directors believe that they have the ability to reduce the company's expenses accordingly and, further, that they can rely on the commitment by World Education Inc in Boston USA to lend the company up to US\$150,000 and subordinate any amount due to them by the company to the claims of other creditors.

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

(a) Principles of Consolidation

A controlled entity is any entity in respect of which World Education Australia Limited has the power to control the financial and operating policies so as to obtain benefits from its activities.

The only controlled entity is World Education Australia Overseas Relief Fund (WEAORF), a trust. It has a June financial year end. World Education Australia Limited is the trustee of WEAORF. There is no minority equity interest in WEAORF.

All inter-company balances and transactions between entities in the consolidated group, including any unrealised profits or losses, have been eliminated on consolidation. Accounting policies of the controlled entity have been changed where necessary to ensure consistencies with those policies applied by the parent entity.

(b) Revenue recognition

Monetary donations are recognised as revenue when the money is received.

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Non-monetary donations are recognised as revenue when the donated goods or services are received. The donated goods or services are accounted for at their market value. The market value of services donated by volunteers is based on relevant AusAID tables.

Revenue from the rendering of services (project fees) is recognised upon completion which, depending on the terms of the contract, can be in measured stages or only when the whole project is completed.

(c) Income tax

The Australian Taxation Office has endorsed the company, a charitable organisation, as being exempt from income tax.

(d) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with banks, and other short-term highly liquid investments with original maturities of three months or less.

(e) Receivables and work in progress

All trade debtors are recognised when the obligation of the debtor to pay the amount arises.

Work in progress is valued at cost less any provision for anticipated future losses. Cost comprises variable costs, including salaries and donated services, relating to specific contracts.

(f) Property, Plant and Equipment

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

Plant and Equipment

Plant and equipment are measured on the cost basis.

Depreciation

Depreciation of plant and equipment is calculated on both the prime cost and diminishing value basis over their useful lives to the company. The rates used range from 7.5% on the diminishing balance basis to 40% on the prime cost basis.

(g) Intangible Assets

The Good Return web-site and the software required to run it are classified as intangible assets. Intangible assets are carried at the cost of development less, where applicable, accumulated amortisation and impairment losses. Costs of development are capitalised only in respect of identifiable new modules that are expected to deliver future economic benefits that can be measured reliably. Costs include materials and services provided by third parties. Salaries and related costs of employees involved in the development are expensed as incurred. Expenditure during the research phase of the development to maintain and update developed modules is expensed as incurred. Development costs are amortised on a straight line basis over the period that they are expected to deliver future economic benefits from when they are ready for use.

(h) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the company, are classified as finance leases.

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Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property and the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over the shorter of their estimated useful lives and the lease term.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(i) Provisions

Provisions are recognised when an entity has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured.

(j) Good 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 Taxation 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 statement of financial position are shown inclusive of GST.

(k) Comparative figures

Comparative figures have been adjusted to conform to changes in presentation for the current financial year where required by accounting standards or as a result of changes in accounting policy or presentation.

(l) Foreign currency transactions and balances

Foreign currency transactions are translated into Australian dollars using the exchange rates prevailing at the date of the transaction. Foreign currency balances are translated at the year end exchange rate. Exchange differences arising on the translation are recognised in the statement of comprehensive income.

	Consolidated Group	Consolidated Group
	2010	2009
	\$	\$
2. REVENUE		
a Donation and gifts		
Monetary donations	163,686	337,263
Non-monetary donations	91,638	39,677
	<u>255,324</u>	<u>376,940</u>
Monetary donations include \$20,674 (2009: Nil) received through the Good Return Program		
b Grants		
AusAID	339,441	60,526
Other Australian	119,415	-
Other Overseas	138,010	-
	<u>596,866</u>	<u>60,526</u>

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	Consolidated Group	Consolidated Group
	2010	2009
	\$	\$
c Other income		
Project fees:		
Good Return fees	2,523	-
AusAID project fees	-	41,940
Other Australian project fees	-	-
Other overseas project fees	49,235	252,299
World Education Inc project fees	-	43,984
Foreign exchange profit/ (loss)	9,922	(26,684)
Other income	6,268	-
	<u>67,948</u>	<u>311,539</u>
3 EXPENSES		
a Funds to overseas projects		
Project staff costs - overseas	146,566	140,789
Other costs	212,596	114,192
Volunteers	22,239	6,026
	<u>381,401</u>	<u>261,007</u>
b Other project costs		
Project staff costs - in Australia	249,087	181,837
Other costs	68,287	14,027
Volunteers	69,399	33,651
	<u>386,773</u>	<u>229,515</u>
c Domestic projects		
Staff costs	3,276	-
Other costs	4,503	-
Volunteers	-	-
	<u>7,779</u>	<u>-</u>
d Community education		
Staff costs	26,599	64,876
Other costs	5,694	6,966
Volunteers	-	-
	<u>32,293</u>	<u>71,842</u>
e Fundraising costs - public		
Staff costs	32,752	58,544
Other costs	34,853	6,894
Volunteers	-	-
	<u>67,605</u>	<u>65,438</u>

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	Consolidated Group	Consolidated Group
	2010	2009
	\$	\$
f Fundraising costs - government, multilateral and private		
Staff costs	25,089	25,278
Other costs	2,636	1,460
Volunteers	-	-
	<u>27,725</u>	<u>26,738</u>
g Administration		
Staff costs	19,033	15,547
Other costs	79,392	81,423
Volunteers	-	-
	<u>98,425</u>	<u>96,970</u>
4 SURPLUS FROM ORDINARY ACTIVITIES		
Profit from ordinary activities before income tax expense has been determined after:		
a Income		
Unrealised foreign exchange gain	9,922	-
b Expenses		
Depreciation and amortisation	45,750	14,350
Remuneration of auditor:		
- audit	9,591	8,000
- taxation services	-	-
- other services	-	1,500
5. KEY MANAGEMENT PERSONNEL COMPENSATION		
Salary	<u>132,555</u>	<u>110,988</u>
6. CASH AND CASH EQUIVALENTS		
Cash on hand	316	859
Cash at bank - for the Good Return program	30,588	-
- for other designated purposes	189,242	257,927
- other	33,372	170,538
	<u>253,518</u>	<u>429,324</u>

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Table of cash movements for designated purposes:

	Cash available at beginning of year	Cash raised during the year	Interest	Cash disbursed during the year	Cash available at the end of the year
Designated purposes					
Good Return development:					
Westpac Foundation	9,464			(9,464)	-
AusAID	248,463			(205,126)	43,337
AusAID Innovation Fund		100,800		(24,119)	76,681
Good Return operations		30,000		(30,000)	-
AusAID annual allocation		121,835		(110,196)	11,639
Accenture "Skills For Life"		125,000		(68,415)	56,585
Laos microfinance institution		22,000		(21,000)	1,000
	<u>257,927</u>	<u>399,635</u>	-	<u>(468,320)</u>	<u>189,242</u>
Good Return Training		2,450			2,450
Good Return loans transactions		52,042		(23,904)	28,138
Total for designated purposes	<u>257,927</u>	<u>454,127</u>	-	<u>(492,224)</u>	<u>219,830</u>
Other cash movement	<u>171,397</u>	<u>259,374</u>	<u>10,204</u>	<u>(407,287)</u>	<u>33,688</u>
	<u>429,324</u>	<u>713,501</u>	<u>10,204</u>	<u>(899,511)</u>	<u>253,518</u>

Consolidated Group	Consolidated Group
2010	2009
\$	\$

7. TRADE AND OTHER RECEIVABLES

Trade debtors

<u>132,557</u>	<u>17,501</u>
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Credit Risk – Trade Receivables

The company's credit terms are 30 days. Overdue debts are pursued and monitored by management. They are assessed for impairment and provided for where specific circumstances indicate that the debt may not be paid in full to the company.

The company does not have any material credit risk exposure to any single receivable or group of receivables.

The following table details the company's trade receivables exposed to credit risk (prior to collateral and other credit enhancements) with ageing analysis and impairment provided thereon.

The balances of receivables that remain within the initial trade terms (as detailed in the table) are considered to be of high credit quality.

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	Total	Overdue and Impaired	Overdue and not Impaired	Not due, not Impaired
2010				
<30 days	4,795	-		4,795
31-60 days	117,762	-	117,762	-
61-90 days	10,000	-	10,000	-
	<u>132,557</u>	<u>-</u>	<u>127,762</u>	<u>4,795</u>
2009				
<30 days	17,501	-	-	17,501
	<u>17,501</u>	<u>-</u>	<u>-</u>	<u>17,501</u>

	Consolidated Group 2010 \$	Consolidated Group 2009 \$
8 INVENTORIES		
Work in progress	<u>-</u>	<u>-</u>
9. OTHER CURRENT ASSETS		
Security deposits	9,236	8,785
Prepayment	6,226	4,102
GST receivable	5,188	-
Other receivables	15,350	61,584
	<u>36,000</u>	<u>74,471</u>

The security deposit is a term deposit that is security for the guarantee provided by the bank in respect of the premises occupied by the company.

10. PROPERTY, PLANT AND EQUIPMENT

Office Furniture and equipment

Cost 30 June 2008	37,582
Additions	10,638
Disposals	(11,952)
Cost 30 June 2009	<u>36,268</u>
Additions	5,617
Cost 30 June 2010	<u>41,885</u>

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NOTES TO THE FINANCIAL STATEMENTS
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Office Furniture and equipment

Accumulated depreciation 30 June 2008	21,366
Depreciation for the year	7,935
Disposals	<u>(9,896)</u>
Accumulated depreciation 30 June 2009	19,405
Depreciation for the year	<u>5,677</u>
Accumulated depreciation 30 June 2010	<u>25,082</u>

Office furniture and equipment	
Net book value 30 June 2008	<u>16,216</u>
Net book value 30 June 2009	<u>16,863</u>
Net book value 30 June 2010	<u>16,803</u>

11. INTANGIBLE ASSETS

Good Return software and web-site

Cost 30 June 2008	20,000
Additions	68,640
Cost 30 June 2009	<u>88,640</u>
Additions	52,470
Cost 30 June 2010	<u>141,110</u>

Accumulated amortisation 30 June 2008	3,961
Depreciation for the year	6,415
Accumulated amortisation 30 June 2009	<u>10,376</u>
Depreciation for the year	40,073
Accumulated amortisation 30 June 2010	<u>50,449</u>

Net book value 30 June 2008	<u>16,039</u>
Net book value 30 June 2009	<u>78,264</u>
Net book value 30 June 2010	<u>90,661</u>

It is too early in the life of the Good Return program to determine with an acceptable degree of certainty whether or not the recoverable amount (value in use) for the intangible assets exceeds the above carrying value.

12. OTHER - LOANS

Good Return - loans to microfinance institutions	<u>22,253</u>	<u>-</u>
--	---------------	----------

Consolidated Group	Consolidated Group
2010	2009
\$	\$

13. TRADE AND OTHER PAYABLES

Current

Payroll liabilities	9,855	7,801
GST payable	-	18,740
Trade creditors	48,818	9,262
Accrued expenses	28,716	8,500
Hire purchase	<u>1,081</u>	<u>1,081</u>
	<u>88,470</u>	<u>45,384</u>

Non-Current

Hire purchase	<u>541</u>	<u>1,622</u>
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WORLD EDUCATION AUSTRALIA LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

	Consolidated Group 2010 \$	Consolidated Group 2009 \$
14. Provisions		
Current		
Annual leave provision	<u>23,027</u>	<u>25,782</u>
Non-Current		
Long service leave provision	<u>14,555</u>	<u>-</u>
Provision for employee benefits		
Balance at the beginning of the year	25,782	12,799
Additional provision raised during the year	45,466	12,983
Amounts used	<u>(33,666)</u>	<u>-</u>
Balance at the end of the year	<u>37,582</u>	<u>25,782</u>
15. OTHER - LOANS		
World Education Inc.	63,601	82,941
Good Return - loans from the public	<u>31,784</u>	<u>-</u>
Total loans	<u>95,385</u>	<u>82,941</u>

The loan from World Education Inc. is unsecured, interest free and has been subordinated.

16. COMMITMENTS

The company has a commitment to spend \$31,589 to further the development of the Good Return software.

17. CONTRIBUTED EQUITY

There is no contributed equity. The members registered 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. There were 221 members at 30 June 2010 (2009: 208).

18. RESERVE FOR DESIGNATED PURPOSES

The excess of revenue over expenses from operations of the controlled entity, World Education Australia Overseas Relief Fund, is transferred to a Reserve for Designated Purposes to recognise that the net assets represented by this reserve cannot be used for any purpose other than providing relief to persons in a developing country certified as such by the Department of Foreign Affairs and Trade or, on winding up, must be transferred to some other fund qualifying under the Overseas Gift Fund Provisions of the Income Tax Assessment Act 1997.

WORLD EDUCATION AUSTRALIA LIMITED

**ABN 39 106 279 225
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

	Consolidated Group 2010 \$	Consolidated Group 2009 \$
19. CASH FLOW INFORMATION		
Reconciliation of cash flow from operations		
Surplus / (deficit)	(71,659)	10,761
Non-cash flows in surplus:		
Depreciation and amortisation	45,750	4,454
Leave provision	11,800	12,983
Changes in Assets & Liabilities:		
Receivables	(68,822)	35,672
Inventories	-	40,738
Other current assets	(2,124)	1,697
Payables and accruals	(21,323)	234,441
Cash flows from operations	6 (106,378)	340,746

20. RELATED PARTY DISCLOSURES

Transactions with the related party, World Education Inc (WEI), Boston, USA

Loans from WEI, interest free and subordinated per Note 1	-	-
Repayments of loans to WEI	112,838	149,613
Fees received from WEI for services provided by the company	-	64,562
Fees paid to WEI for the services of WEI staff on company projects	100,810	107,234

The managing director's remuneration is included in the disclosure relating to key employees. No other directors receive any remuneration from the company. The directors make donations to the company on a personal basis.

21. FINANCIAL RISK MANAGEMENT

The company's financial instruments consist of deposits with banks, loans to microfinance institutions and accounts receivable and payable.

The totals for each category of financial instruments, measured in accordance with AASB 139, are as follows:

Financial Assets

Cash and cash equivalents	253,518	429,324
Receivables	132,557	17,501
Loans to microfinance institutions for Good Return program	22,253	-
Total financial assets	408,328	446,825

Financial Liabilities

Trade and other payables	77,534	17,762
Related party loan	63,601	82,941
Loans from the public for Good Return program	31,784	-
Total financial liabilities	172,919	100,703

WORLD EDUCATION AUSTRALIA LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

Financial Risk Exposures and Management

The main risks the company is exposed to through its financial instruments are credit risk, liquidity risk, foreign currency risk and market risk relating to interest rate risk.

a. Credit Risk

Exposure to credit risk relating to financial assets arises from the potential non-performance by counterparties of contract obligations that could lead to a financial loss for the company.

The company's material credit risk exposures are receivables and cash deposited with banks.

The exposure to loans to microfinance institutions is not material now but will increase as the Good Return program becomes more successful.

The company's exposure to credit risk arising from trade receivables is dealt with in Note 7.

The company deposits cash only with major banks. At the year end all cash at bank was with Westpac Banking Corporation.

b. Liquidity Risk

Liquidity risk arises from the possibility that the company might encounter difficulty in settling its debts or otherwise meeting its obligations in relation to financial liabilities. The company manages this risk by preparing regular cash flow forecasts, managing credit risks and regularly updating its agreement with its related party, World Education Inc in Boston, to provide up to US\$150,000 extra funding if required and subordinate what it is owed to the claims of other creditors.

The table below reflects undiscounted financial liabilities and cash flows from financial assets that reflect management's expectation as to the timing of realisation. Actual timing may therefore differ from that disclosed.

Financial liability and financial asset maturity analysis

	Within 1 year	1 to 5 years	Over 5 years	Total
Financial liabilities due for payment				
Trade and other payables	77,534	-	-	77,534
Loans	31,784	63,601	-	95,385
Total expected outflows	<u>109,318</u>	<u>63,601</u>	<u>-</u>	<u>172,919</u>
Financial assets - cash flows realisable				
Cash and cash equivalents	253,518	-	-	253,518
Trade and other receivables	132,557	-	-	132,557
Loans	22,253	-	-	22,253
Total anticipated inflows	<u>408,328</u>	<u>-</u>	<u>-</u>	<u>408,328</u>
Net (outflow)/ inflow on financial instruments	<u>299,010</u>	<u>(63,601)</u>	<u>-</u>	<u>235,409</u>

WORLD EDUCATION AUSTRALIA LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

The fair values of financial assets and financial liabilities are considered to be equal to their carrying values as presented in the statement of financial position.

22. CAPITAL MANAGEMENT

The directors control the capital of the entity to ensure that adequate cash flows are generated to fund its objectives. The objective is to maintain sufficient cash and cash equivalents to cover at least 3 months expenses. Risk management policies are approved and reviewed by the directors on a regular basis. These include credit risk policies and future cash flow requirements. The entity's capital consists of reserve and retained earnings.

23. COMPANY INFORMATION

The registered office and principal place of business of the company is:
 Level 7, 1 Chandos Street
 St Leonards NSW 2065

24. CONTROLLED ENTITY

World Education Australia Overseas Relief Fund (WEAORF) is a trust set up exclusively for the purpose of raising funds by donation for the provision of relief to persons in a developing country certified as such by the Department of Foreign Affairs and Trade. It has Deductible Gift Recipient status.

The company is the trustee of WEAORF. As such, the company controls WEAORF because, in addition to wide powers it has as trustee, it has the power to appoint a new trustee and/or vary the trust deed, subject only to ensuring that the purpose of WEAORF is not changed and that, on winding up, the net assets of WEAORF are transferred to some other fund qualifying under the Overseas Gift Fund provisions of the Income Tax Assessment Act 1997.

The company, as trustee, has the power to allocate cash raised by WEAORF to projects that the company undertakes provided such projects fit the purpose of WEAORF.

The results of WEAORF's operations for the year ended 30 June 2010 and its financial position at that date are summarised in the income statement, balance sheet, changes in equity statement and notes below.

STATEMENT OF COMPREHENSIVE INCOME	2010	2009
	\$	\$
REVENUE		
Donations & gifts - monetary & non-monetary	162,858	336,282
Grants	119,415	-
Investment income	5,496	8,156
TOTAL REVENUE	<u>287,769</u>	<u>344,438</u>
EXPENSES		
WEAL projects	321,538	453,751
Administration	152	111
TOTAL EXPENSES	<u>321,690</u>	<u>453,862</u>
Excess/(shortfall) of revenue over expenses	<u>(33,921)</u>	<u>(109,424)</u>

WORLD EDUCATION AUSTRALIA LIMITED
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

CONTROLLED ENTITY
WORLD EDUCATION AUSTRALIA OVERSEAS RELIEF FUND

STATEMENT OF FINANCIAL POSITION	2010	2009
	\$	\$
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	219,144	100,338
Financial assets	-	-
Trade and other receivables	10,000	60,632
Inventories	-	-
Other current assets	20,665	-
TOTAL CURRENT ASSETS	<u>249,809</u>	<u>160,970</u>
NON-CURRENT ASSETS		
Property, plant and equipment	-	-
Other	-	-
TOTAL NON-CURRENT ASSETS	<u>-</u>	<u>-</u>
TOTAL ASSETS	<u>249,809</u>	<u>160,970</u>
LIABILITIES		
CURRENT LIABILITIES		
Trade and other payables	216,714	93,953
Provisions	-	-
TOTAL CURRENT LIABILITIES	<u>216,714</u>	<u>93,953</u>
NON-CURRENT LIABILITIES		
Payables	-	-
Provisions	-	-
Other - loans	-	-
TOTAL NON-CURRENT LIABILITIES	<u>-</u>	<u>-</u>
TOTAL LIABILITIES	<u>216,714</u>	<u>93,953</u>
NET ASSETS (LIABILITIES)	<u>33,095</u>	<u>67,017</u>
EQUITY		
Settled sum	100	100
Reserves	32,995	66,917
TOTAL EQUITY (DEFICIT)	<u>33,095</u>	<u>67,017</u>

WORLD EDUCATION AUSTRALIA LIMITED
ABN 39 106 279 225

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010

CONTROLLED ENTITY
WORLD EDUCATION AUSTRALIA OVERSEAS RELIEF FUND

STATEMENT OF CHANGES IN EQUITY

	Note	Capital \$	Retained Earnings \$	Reserve For Designated Purpose \$	Total \$
Controlled Entity					
Settlement sum		100	-	-	100
Excess of revenue over expenses/ (shortfall)		-	66,916	-	66,916
Transfer (to)/ from reserve		-	(66,916)	66,916	-
Balance at 30 June 2009		<u>100</u>	<u>-</u>	<u>66,916</u>	<u>67,016</u>
Excess of revenue over expenses/ (shortfall)		-	(33,921)	-	(33,921)
Transfer (to)/ from reserve		-	33,921	(33,921)	-
Balance at 30 June 2010		<u>100</u>	<u>-</u>	<u>32,995</u>	<u>33,095</u>

WORLD EDUCATION AUSTRALIA LIMITED
ABN 39 106 279 225

DECLARATION REQUIRED BY CHARITABLE FUNDRAISING REGULATIONS
2008

I declare that, in my opinion:

the statement of comprehensive income gives a true and fair view of all income and expenditure of the company with respect to fund raising appeals;

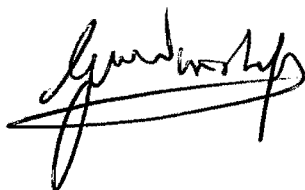
the statement of financial position gives a true and fair view of the state of affairs of the company with respect to fundraising appeals

the provisions of the Charitable Fundraising Act 1991, the regulations under that Act and the conditions attached to the authority have been complied with by the company for the year ended 30 June 2010; and

the internal controls exercised by the company are appropriate and effective in accounting for all income received and applied by the company from any of its fundraising appeals.

Guy Winship
Managing Director

8 November 2010

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

WORLD EDUCATION AUSTRALIA LIMITED
ABN 39 106 279 225

DIRECTORS' DECLARATION

The directors of the company declare that:

1. the financial statements and notes as set out on pages 7 to 24, are in accordance with the Corporations Act 2001:
 - (a) comply with Accounting Standards and the Corporations Act 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2010 and of the performance for the year ended on that date of the company.
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.

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

Director 
Neild McIntosh (Chairman)

Director 
Margaret Wright (Treasurer)

8 November 2010

**WORLD EDUCATION AUSTRALIA LIMITED
ABN 39 106 279 225**

**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF
WORLD EDUCATION AUSTRALIA LIMITED**

We have audited the accompanying financial report of World Education Australia Limited on pages 7 to 26, which comprises the consolidated statement of financial position as at 30 June 2010, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001 and for such internal control as they determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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 statements are 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 the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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 control. 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 complied with the independence requirements of the Corporations Act 2001.

Basis for Qualified Auditor's Opinion

Donations are a significant source of revenue for the company. The company has determined that it is not practical to establish control over the collection of all types of donations prior to entry in the accounting records. Accordingly, as the the evidence available to us regarding revenue from this source was limited, our audit procedures with respect to donations had to be restricted to the amounts recorded in the financial records. Therefore, we are unable to express an opinion on whether income from donations is complete.

**WORLD EDUCATION AUSTRALIA LIMITED
ABN 39 106 279 225**

**INDEPENDENT AUDIT REPORT
TO THE MEMBERS OF
WORLD EDUCATION AUSTRALIA LIMITED**

Qualified Auditor's Opinion

In our opinion, except for the effects of such adjustments, if any, as might have been required had the limitation on our audit procedures referred to in the qualification paragraph not existed, the financial report of World Education Australia Limited is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the consolidated entity's financial position as at 30 June 2010 and of its performance for the year ended on that date;
- (b) complying with Australian Accounting Standards and the Corporations Regulations 2001; and
- (c) complying with the requirements of the Australian Council of International Development's Code of Conduct Document.

We also report that:

- (a) the financial report show a true and fair view of the financial result of fundraising appeals conducted during the year except for the effects of such adjustments, if any, as might have been required had the limitation on our audit procedures referred to in the qualification paragraph not existed;
- (b) the accounting and associated records have been properly kept during the year in accordance with the Charitable Fundraising Act 1991 and the Regulations;
- (c) money received as a result of the fundraising appeals conducted during the year has been properly accounted for and applied in accordance with the Charitable Fundraising Act 1991 and regulations; and
- (d) at the date of this report, there are reasonable grounds to believe that the company will be able to pay its debts as and when they fall due.

Uncertainty Regarding the Adoption of the Going Concern Basis of Accounting and the Carrying Value of Intangible Assets

Without further qualification to the above opinion, we draw attention to:

- (a) Note 1 to the financial statements. The going concern basis of accounting has been adopted on the assumption that the directors will be able to reduce expenses if forecast income does not materialise and that World Education Inc will lend the company up to US\$150,000 which it will subordinate to the claims of other creditors.
- (b) Note 11 to the financial statements. It is too early in the life of the Good Return program to determine with an acceptable degree of certainty whether or not the recoverable amount (value in use) for the intangible assets developed for the program exceeds its carrying value and, therefore, whether or not a provision for impairment is required.


Foster Raffan
Chartered Accountants

North Sydney


George Raffan
Partner

8 November 2010

