

Great Barrier Reef Foundation

ABN 82 090 616 443

Annual Report for the Year ended 31 December 2010

Great Barrier Reef Foundation ABN 82 090 616 443
Annual Report - 31 December 2010

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Directors' Report

Your Directors present their report on the Company comprising the Great Barrier Reef Foundation (the Foundation) for the year ended 31 December 2010.

Directors

The following individuals were directors of the Foundation during the financial year and up to the date of this report:

John Michael Schubert (Chairman) (director since 11/4/2001)
BCEng (Hons 1), PhD (Chem Eng), FIEAust, CPEng, FTS, FIChemE

Ian Craig Buchanan (director since 15/2/2005)
MA (Oxon) MBA

Michael Andrew Cameron (Chairman Audit and Compliance Committee since 15/11/2010) (director since 9/9/2010)
BBus, FCPA, FCA, FAICD

Geoffrey James Dixon (director since 11/3/2009)

Stephen Charles Fitzgerald (director since 25/11/2010)
BEcon

Kerry Lee Gardner (director since 12/5/2006)
Grad. Dip (Mkg)

Paul Fawcett Greenfield AO, (director since 21/12/2007)
BEcon Qld, BE (Hons) NSW, PhD NSW, FIE Aust, FTSE, FIChemEng, MAIChe

Amanda Therese McCluskey (director since 31/8/2009)
BEcon (Hons)

John Francis Mulcahy (director since 12/5/2006)
BE (First Class Hons), PhD (Civil Eng)

Russell Evan Reichelt (director since 31/8/2004)
BSc PhD, FAICD, FTSE

Michael John Roux (director since 24/2/2004)
BEc, PhD, FAICD, FTSE

Judith Ann Stewart (Managing Director) (director since 15/3/2004)
LLB, Grad Dip Bus Mgt

Phillip David Strachan (director since 23/12/2003)
BCom, FCPA

Keith Henry Tuffley (director since 22/11/2006)
BEc, LLM, Grad Dip Applied Fin and Invest

David John Turner (director since 28/7/2007)
FCA

Peter Francis Young (director since 18/11/2004)
BSc (Geology), MBA

Alternate Directors

Clayton Neil Herbert (alternate for John Mulcahy as a member of the Audit and Compliance Committee) (alternate director since 21/11/2006).

Isaac Alexander Fletcher (alternate for Keith Tuffley as a member of the Audit and Compliance Committee) (alternate director since 1/7/2007).

Company Secretary

Claire Louise Hanratty has been the Foundation's Company Secretary since 13 September 2008.

Principal activities

The principal activity of the Foundation is to raise funds to support research into and education about the environmental protection, enhancement, preservation and conservation of tropical reefs (especially the Great Barrier Reef) and adjoining coral coasts, for the benefit of the world community. There were no significant changes to the nature of the activities carried out by the Foundation during the year.

Dividends

The Foundation is a company limited by guarantee and is restricted from declaring any dividends.

Overview

During 2010 the Great Barrier Reef Foundation (the Foundation) achieved a major milestone in the work started in 2009 to explore how the Great Barrier Reef (the Reef) might be assisted to adapt to the climate-driven changes to the Reef environment, which the Foundation is convinced are now inevitable.

Responding to the findings of its earlier report into the cost of a catastrophic coral bleaching on the Reef to the Australian economy, alongside the Great Barrier Reef Marine Park Authority's disturbing prognosis that the outlook for the Reef in the face of climate change was "poor", the Foundation convened experts from its networks in Australian business, science and government and asked for their help.

Over a two-year period, more than 75 experts collaborated with the Foundation to develop a suite of projects including adaptation options for reef ecosystems affected by climate change and tools to equip decision makers to best deploy these options.

The culmination of this effort was a new research portfolio, endorsed by the Foundation's International Scientific Advisory Committee (ISAC), and released in late November 2010. Entitled "Resilient Coral Reefs successfully adapting to Climate Change", the portfolio provides, for the first time in the Foundation's history, a planned and prioritised approach to investment in high-priority Reef research.

There is no doubt that the involvement of the Foundation's partners, and the innovative framework for the activity they undertook, were fundamental to the Foundation's success in developing the concepts which feature in this new research plan. They demonstrate the value the Foundation can add, by drawing on its diverse networks to convene and lead such a collaborative, and very targeted, problem-solving process. Now more than ten years old, the Foundation takes pride in the relationships it has built with many leading Australian companies and professional services firms, especially through the Chairman's Panel and ZooX Ambassadors programs. Having had the confidence to invite them to participate in this important endeavour, it has demonstrated, time and again, the value which a shared effort of this kind can yield for the Reef.

Also important were the new relationships formed between Foundation staff, directors who joined in this process and many scientists from the Australian research community. Regular interactions at joint working group meetings made the Foundation more visible, more accessible and its role much better understood by the Reef research community. All of these relationships will be critical as the Foundation continues to carve out a niche in prioritising adaptation to climate change.

Both the originality and effectiveness of its collaborative approach were recognised by the Clinton Global Initiative (CGI) when the Foundation was invited to become its first Australian not-for-profit member in August 2010. At its Annual Meeting in New York in September, President Clinton chose to highlight the Foundation's work in developing the portfolio alongside an innovative funding strategy it has been developing with Goldman Sachs & Partners Australia. This recognition increased the Foundation's international profile and laid the groundwork for future efforts to fund projects from the portfolio from sources well beyond Australian shores.

Review of operations

The Foundation made an operating deficit of \$227,380 (2009: \$394,232 operating surplus). The operating deficit is reconciled to the movement in the restricted ZooX™ Fund reserve as follows:

	2010	2009
	\$	\$
Operating surplus/(deficit)	(227,380)	394,232
Movement in tied restricted funds for future research projects	<u>174,602</u>	<u>(123,479)</u>
	<u>(52,778)</u>	<u>270,753</u>

At year-end, \$213,599 (2009: \$388,201) is considered by the Board and management as being tied or restricted funds for application towards future research project commitments.

Science Investments in 2010

Research Portfolio

The Foundation's new research portfolio features projects from three distinct but interrelated areas –

1. *Attributes: Evaluating and communicating the Ecosystem at Risk.* These projects focus on measuring the impacts of climate change on the key attributes of coral reefs and the ecosystem in which they live;
2. *Solutions & Adaptation: Helping the Reef Ecosystem to Adapt.* This research identifies concepts, which could be applied to help coral reefs and associated communities, and industries adapt to the effects of climate change.
3. *Integration: Bridging Understanding, Decision Making and Action.* These projects bring together the outcomes of Attributes and Solutions & Adaptation research into tools to assist managers, users and policy makers to assess and communicate the state of the Reef and make appropriate decisions in response.

While the Foundation continues to commit monies from its ZooX Fund to support multi year project commitments which its ISAC has strongly supported in past years, the process of developing a comprehensive portfolio of new research tasks has also drawn heavily on the Foundation's available research funds in 2010.

Over the last twelve months, the Foundation has commissioned a large number of scientists and other experts to test the concepts developed by the working groups before committing to them as research tasks. All of this has been done with the oversight of the Foundation's ISAC and other sub-Committees that the Foundation has formed for governance purposes.

The Foundation has also used its project budget from the ZooX Fund to begin funding the early stages of some of the more promising concepts. A good example is the work begun by AIMS scientist, Dr Madeleine van Oppen, into the genetic tolerance and adaptability of coral reefs to climate change and the potential of assisted migration of coral species from northern to southern reefs on the Great Barrier Reef. This project is a strong practical example of what could be done in the event of the worst predictions in relation to warming waters coming to pass, and one which the Foundation has used to good effect in demonstrating that there are prospects for intervention.

Other

Investments continued into the genetic tolerance and adaptability of coral reefs to climate change, the impacts of water and light on coral health and the potential of assisted adaptation of coral species. While pre-dating the portfolio, the outcomes generated by much of this research provided valuable input into its overall design and development.

Also important to the Foundation is its long-standing support of Professor Ove Hoegh-Guldberg's Smart State Premier's Fellowship. Through its ZooX Fund, the Foundation is the largest contributor of cash into this four-year fellowship which is the Queensland Government's top science award and the centrepiece of its commitment to fund researchers and their projects. Three quarters of the way into the life of this important professional award, the Foundation is proud of Professor Hoegh-Guldberg's numerous achievements in the field of corals and climate change and staunch in its support of his ambitious research program.

Other Investments: eReefs and CReefs

eReefs

Early in 2010, the Foundation established a partnership with Telstra, the Queensland Government and CSIRO to fund a pilot for a new project called eReefs. eReefs is an integrated system of data, models and visualisation and reporting tools that, the Foundation believes, has the potential to transform Reef management. A dynamic interactive pilot was designed to demonstrate the potential of the much larger project, using real data and models provided by the Queensland Government, the State having elevated its interest in the impacts of water run-off from land onto the Reef in recent years. The pilot was completed by CSIRO and presented to the Board of the Foundation late in 2010. It will be a valuable presentation tool as the Foundation begins the large task on prospecting for a very significant investment over five years in this landmark project.

CReefs

Now in its final year, the partnership between the Foundation and BHP Billiton has funded CReefs Australia, the coral reef component of the Census of Marine Life. A 10-year global research undertaking, involving scientists and researchers in more than 80 countries, the Census is the first comprehensive survey of the diversity, distribution and abundance of marine life in the oceans. Over the course of the last four years, the Australian Institute of Marine Science has led nine expeditions of scientists to reefs at Lizard and Heron Islands on the Great Barrier Reef, and Western Australia's Ningaloo Reef, to sample and analyse coral reef biodiversity.

In 2010, CReefs Australia was recognised for its contribution to marine science with finalist status at several of Australia's premier science award programs. The most prestigious of these, the Australian Museum's Eureka Awards, recognises and rewards originality and excellence in scientific research and innovation. CReefs Australia joined an impressive shortlist of finalists in the environmental research category of the awards program.

Principal Beneficiaries

The principal beneficiaries of research expenditure by the Foundation in 2010 were:

- The Australian Institute of Marine Science (CReefs) - \$816,237
- CSIRO - \$276,336
- The University of Queensland - \$390,500
- James Cook University - \$20,346
- The Reef and Rainforest Research Centre - \$60,000
- The University of Tasmania - \$65,732

Foundation Programs: the Chairman's Panel and the ZooX Ambassadors Program

While the Foundation understands the critical importance of funding the highest priority science on the Reef, it also appreciates that without the interest and support of committed people - especially those in the companies which have dedicated resources to the Foundation's projects - it will struggle to be effective; it must have an ever-growing pool of committed individuals who believe in supporting the Foundation's work. In this sense, two Foundation programs are fundamental to its long-term success in achieving its mission.

The Chairman's Panel for Chief Executives, now in its fifth year, and the newer, three-year-old, ZooX Ambassadors Program for employees are, together, steadily increasing awareness in corporate Australia of both the value and vulnerability of the Great Barrier Reef and the work the Foundation is doing in its name.

The reach which the Panel program gives the Foundation into the uppermost echelons of Australia's business and research community, as well as the scope that it provides to both inform its members, and to learn about and understand their priorities, cannot be understated. These, once added to the funds the program raises for the Foundation's operations, have been critical to the Foundation's ability to operate and succeed in its goals.

The Chairman's Panel also plays an important role in how the Foundation is both portrayed and perceived. At the close of 2010, the Panel had 30 members from a range of prestigious ASX companies and national research organisations. This membership list has become an important part of the Foundation's "front window", informing at a glance those who have reason to do due diligence on it that it is well connected, well supported and held in high regard.

The ZooX Ambassador Program (ZAP), a companion program to the Chairman's Panel, is open to companies which make a substantial investment in Reef research through the Foundation's ZooX Fund. ZAP is widely acknowledged as a high quality program for companies wishing to more actively engage employees in corporate sustainability efforts. Each participating company, including BHP Billiton, KPMG, Telstra, Qantas, the Commonwealth Bank and Energetics, has made the program their own, shaping recruitment to the program, and the projects which result from it, to deliver strong outcomes for each of their businesses.

The program has a 76-strong alumni of ambassadors from courses conducted over the three years from 2008 – 2010. With three field trips taken to Heron Island Research Station in the last twelve months, its success, and that of the Chairman's Panel, means that the Foundation can engage personally with its most important corporate partners at Chief Executive level, and, depending on recruitment preferences for ZAP, with a wide variety of company representatives, leaders and emerging talent. This gives the Foundation a better grasp of how its corporate partners are structured, how they work and what works for them. Both programs feed important cash and in-kind resources into projects and to the Foundation's operating budget. Their continued growth is a very high priority for the Foundation in 2011.

Operations

In its Managing Director, General Manager and Chief Scientist, the Foundation now has a mature executive team, working with and complementing one another across the many areas of the Foundation's business.

In addition, the Foundation has been able to recruit a full time Research Portfolio Manager to support its extensive science and project base, as well as to help manage the demanding program of Board, committee and working group meetings which the Foundation organised over the past year.

Driving a high priority science agenda has become core business for the Foundation in recent years and, while its fundraising and development goals are paramount, their alignment with research tasks that have been identified, prioritised, reviewed and published under the Foundation's name is one way in which investors in research can have the assurance that their money is going to the most urgent need.

Past annual reports will show that the Foundation's operations grow in complexity - and impact - with each year that passes. It goes without saying that resources to fuel this growth are essential. Bringing new money into the research sector and still more importantly, driving a strategic approach to the way research planning is done, are huge undertakings that come at no small cost in dollars or expertise. With frequent changes in governments and ministries, the Foundation's engagement with government must be persistent and ongoing, especially as in many of the projects it now promotes, governments, State and national, will be necessary partners. While strong efforts were made before year's end to build relationships with critical decision makers in government, more will have to be done to secure funding from the new Gillard Government and the Queensland Government in 2011.

Critical to the integrity of the activity around the research framework, the development of the research plan and the Foundation's investment program for research on the Reef has been the role played by its International Scientific Advisory Committee (ISAC) led by Committee Chairman, Professor Paul Greenfield AO. The Foundation is dependent on, and indebted to this eminent group of institutional leaders for the efforts they make to ensure that it can defend, with absolute confidence, the projects in which it invests on behalf of its corporate and philanthropic investors and donors.

Pro bono services and support

The Foundation's reliance on advisors from Australia's leading professional and consulting firms has grown again in 2010. In the last twelve months, these firms and businesses have together provided pro bono services and support services valued at \$841,644.

Resources of this magnitude are well beyond the ability of the Foundation to find and fund on its own. The dedication of these resources, which are given willingly and, in some special cases, at short notice, is an extraordinary compliment to the Foundation and is testament to the commitment of these firms to service in their communities.

The Foundation realises that it is very fortunate to have assembled such a prestigious group of partners; their participation in the Foundation's annual program of activity, and the services they provide in support, are as important to the Foundation's brand and frontispiece - and its ability to operate - as its array of high profile funding partners and Chairman's Panel members. They provide a third and very strong arm of support to the Foundation and all thanks are due to this generous group - and the individuals who comprise it - for the long-standing and enthusiastically rendered services that have been made available to the Foundation at no cost.

The Australian firms and companies providing advice on this basis, or services and equipment, for which the Foundation would otherwise have to pay cash, include:

- Allens Arthur Robinson (Legal)
- Booz & Co (Consulting)
- Deloitte Touche Tohmatsu (Audit)
- Energetics (ZooX Ambassador Program Faculty and Support)
- Goldman Sachs & Partners (Portfolio Funding)
- KPMG (Company Secretarial & Compliance, Consulting)
- Kreab Gavin Anderson (Government Relations)
- PricewaterhouseCoopers (Accounting)
- Telstra (Telecommunications)

Benchmarking

The community naturally expects that not for profit organisations will be transparent regarding their operations and disclose the proportion of total revenue raised from donors, which is spent on administration, and fundraising costs.

To meet this expectation, the Foundation is committed to adopting and, wherever possible, exceeding industry best practice in its use of all of its donors' funds.

Accordingly, the Foundation regularly monitors two key metrics:

a) **The Proportion of Project Expenditure** which analyses the amount of funding which is directed to projects (i.e. those funds used directly to meeting the NFP's mission) rather than servicing the NFP's operating costs. Best practice guidance from the Fundraising Institute of Australia's Principles of Fundraising Practice suggests that this proportion should lie between 65% and 75%. For the 2010 year, the Foundation's Proportion of Project Expenditure to Total Expenditure was 69.2% (2009 74.3%).

b) **The Cost of Fundraising Ratio** measures the efficiency of funds used to raise each dollar of revenue received. The ratio is a proportion of fundraising and administration costs to total revenues. The Charitable Fundraising Act 1991 (NSW) places a statutory limit on the cost of fundraising ratio of less than 40% of the funds raised for any particular appeal. For the 2010 year the Foundation's Cost of Fundraising was 33.3% (2009 22.7%).

Notes:

1. When calculating these ratios, assumptions are made to apportion costs between "project expenditure" and "fundraising and administration" costs. The assumptions that the Foundation makes have been "pressure tested" for reasonableness. For instance, in the Foundation's case, project expenditure comprises research grants, costs associated with raising awareness and any advocacy costs. A distinction needs to be drawn between proposals and the initial "pitch" for funding and subsequent project development, research costs and project management costs. As a general rule, the Foundation characterises any costs incurred following a verbal commitment to fund as "project expenditure" rather than a 'cost of fundraising'.
2. Pro Bono services and support are excluded from all ratio calculations on the basis that this income and expenditure have a net effect (i.e. all pro bono income is also an expenditure item)
3. The Foundation is committed to maximising the funding available to achieve its core purposes and has implemented four ways to source operating overheads from outside project fundraising:
 - The Chairman's Panel: Member subscriptions to the Panel program are dedicated to meeting the operating costs of the Foundation;
 - The ZooX Fund: At least 85% of all funds that go into the ZooX Fund go directly to projects. The Register of Environmental Organisations recommends that environmental not-for-profits can allocate up to 15% of monies raised to meet the overheads;
 - Securing development and management fees to cover the overhead costs of project partnerships: for instance, under the Project Partnerships model, wherever possible, the Foundation agrees the payment of dedicated overheads for the project funds it raises. BHP Billiton and other project partners recognise the value that the Foundation management adds to the partnership returns and support the Foundation's work through additional investments in these costs;
 - Securing development and management fees to cover the investment of people and resources by the Foundation for major project partnerships.

Matters subsequent to the end of the financial year

Since late 2010, Queensland has been, and continues to be, severely and dramatically affected by natural disasters. Flooding in central and southeast Queensland between October 2010 and January 2011 saw 75% of the State declared a natural disaster zone.

More recently, the most severe and largest cyclone in living memory, Cyclone Yasi, took its toll on the area between Townsville and Cairns, wreaking a terrible toll on the communities of Tully, Cardwell and Mission Beach, while narrowly missing more densely populated areas to their north and south.

A national response effort is underway which, correctly, will focus first on the high human cost of the devastation. After that, the rebuilding of critical public infrastructure will dominate government business throughout 2011 and stretch the limits of the national and Queensland budgets.

Very little has been said about the effect that these weather events will have on the Great Barrier Reef – the World Heritage site that runs almost the full length of Queensland's coast. Government has already signalled that existing budget items will be cut. It is not yet clear how the Foundation's work will be affected by these decisions. What is clear however, is that the Foundation may have to put to the test the embryonic relationships it developed overseas in 2010 to good effect, while the domestic focus of finance is reconstruction.

Likely developments and expected results of operations

Having published its first portfolio of new research projects in 2010, the Foundation's primary focus must be on funding this important work as a matter of urgency. Two primary projects within the portfolio, eReefs, and the Reef Resilience Index project are the first projects for which the Foundation is currently prospecting for funding, both here and overseas. Sharing the lessons learned in developing the portfolio could become a further area of focus in 2011. The Foundation is already committed to reaching out to other coral dependent communities once the research plan is implemented. Beyond this, there is also scope to begin work on developing a second cache of concepts for refinement into a second portfolio of prioritised research questions.

Remuneration report

No Director of the Foundation has received or become entitled to receive a benefit, by reason of a contract made by the Foundation with the Director of a related company, other than in the case of the current Managing Director, whose remuneration is determined by the Board.

**Meetings of directors
Directors**

	Full meetings of directors		Meetings of Audit & Compliance Committee Audit	
	A	B	A	B
John Michael Schubert (Chairman)	4	4		
Ian Craig Buchanan	3	4		
Michael Andrew Cameron	2	2	1	2
Geoffrey James Dixon	3	4		
Paul Fawcett Greenfield	3	4		
Isaac Alexander Fletcher (alternate for Keith Henry Tuffley)			4	4
Kerry Lee Gardner	3	4		
Clayton Neil Herbert (alternate for John Francis Mulcahy)			4	4
Amanda Therese McCluskey	4	4		
John Francis Mulcahy	4	4		
Russell Evan Reichelt	3	4		
Michael John Roux	0	4		
Judith Ann Stewart (Managing Director)	4	4		
Phillip David Strachan	3	4		
Keith Henry Tuffley	4	4		
David John Turner	3	4	1	1
Peter Francis Young	2	4	2	2

A = Number of meetings attended

B = Number of meetings held during the time the director held office or was a member of the committee during the year

* = By invitation

Insurance of officers

During the financial year, the Foundation paid premiums of \$5,102 (2009: \$2,358) including stamp duty, a broker's fee and GST, to insure the Directors and Secretary and senior officers of the Foundation.

Proceedings on behalf of the Foundation

No proceedings have been brought or intervened in on behalf of the Foundation which requires the leave of the Court under section 237 of the *Corporations Act 2001*.

Indemnification of Officers and Auditor

Under section 66 of the Foundation's Constitution, the Foundation indemnifies each person who is or has been a Director or Secretary of the Foundation. The Indemnity relates to any liability (other than liability to the Foundation or related body corporate, pecuniary penalties or compensation orders and liability that did not arise out of conduct in good faith) which results directly or indirectly from facts or circumstances relating to service as a Director or Secretary of the Foundation and extends to the payment of legal costs described therein.

The Foundation has not otherwise during or since the financial year indemnified or agreed to indemnify an auditor of the Foundation or of any related body corporate against a liability incurred as such an auditor.

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 10.

Environmental regulation

The Foundation's operations are not subject to any significant environmental regulations under either Commonwealth or State legislation. However, the Board believes that the Foundation has adequate systems in place for the management of its environmental requirements and is not aware of any breach of those environmental requirements as they apply to the Foundation.

Employee numbers

The number of full time employees at reporting date was 4 (2009: 4). In addition to day to day requirements, the Foundation also runs initiatives which require additional resources on a regular but not full time basis. Three part time staff are employed in roles relating to science and accounting with one casual staff member in a support role. In addition, two contractors are also employed to provide expertise in specialist program delivery.

Members' Guarantee

The Foundation is a public company limited by guarantee. Members are nominated and determined in accordance with the Constitution. If the Foundation is wound up, the Constitution states that each member is required to contribute a maximum of \$10.00 towards meeting any outstanding obligations of the Foundation. As at 31 December 2010, the number of members was 79 (2009: 69).

State Government fundraising legislation requirements

Several state governments in Australia have specific licensing and reporting requirements implemented to inform and protect the interests of donors and regulate fundraising operations.

The Foundation holds the following licence in Queensland, the principal place of its operations:

- *Collections Act 1966, Certificate of Sanction Number: CP5118.*

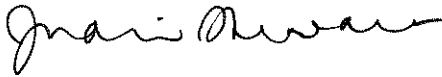
Commonwealth Regulation

Environmental organisations, including the Foundation, are required to comply with the requirements of the Commonwealth Department of Environment, Water, Heritage and the Arts and the Australian Taxation Office in order to remain on the Register of Environmental Organisations (REO). This register lists environmental organisations, like the Foundation, which are eligible to receive tax-deductible donations. This register was established under item 6.1.1 subsection 30 55(1) of the Income Tax Assessment Act 1997.

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



John Michael Schubert
Chairman



Judith Ann Stewart
Managing Director

Deloitte

Deloitte Touche Tohmatsu
A.B.N. 74 490 121 060

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The Board of Directors
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10 March 2011

Dear Board Members

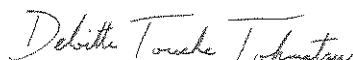
Great Barrier Reef Foundation

In accordance with section 307C of the Corporations Act 2001, I am pleased to provide the following declaration of independence to the directors of Great Barrier Reef Foundation.

As lead audit partner for the audit of the financial statements of Great Barrier Reef Foundation for the financial year ended 31 December 2010, I declare that to the best of my knowledge and belief, there have been no contraventions of:

- (i) the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- (ii) any applicable code of professional conduct in relation to the audit.

Yours sincerely



DELOITTE TOUCHE TOHMATSU



M G Sheerin
Partner
Chartered Accountants

Liability limited by a scheme approved under Professional Standards Legislation.

Corporate Governance Statement

Great Barrier Reef Foundation (the Foundation) is a not-for profit public company limited by guarantee, incorporated under the *Corporations Act 2001*. Ultimate responsibility for the governance of the Foundation rests with the Board of Directors. This governance statement outlines how the Board meets that responsibility.

The Board's primary role is to ensure that the Foundation's activities are directed towards achieving its mission; the raising and provision of funding to support research contributing to the environmental protection, enhancement, preservation and conservation of tropical reefs and adjoining coral coasts.

All members of the Board of Directors are appointed through the Constitution and are themselves members of the Company. Non-executive Directors serve in an honorary capacity and do not receive remuneration for their role. Directors and senior staff have formal duties under company law and are kept apprised of these, using professional advice when necessary. There are conflict-of-interest provisions in the Constitution and in company law, applicable to the directors, together with an internal protocol.

The Foundation's Constitution governs the regulations of meetings and proceedings of the Board of Directors, together with the procedures for appointment and replacement of directors. The Board regularly reviews the skills and experience necessary for its activities and currently considers it appropriate that there is the following mix: business management, ecological and scientific, financial, legal, marketing and philanthropic.

In addition to those matters required by the Constitution and company law, the Board's principal roles are to:

- approve the annual budget and audit
- receive and review regular and comprehensive financial and investment reports
- ensure risk-management analysis has been undertaken
- make final decisions with respect to research projects
- prepare and approve policy statements
- determine strategic and long-term objectives.

The Audit and Compliance Committee monitors the Foundation's financial activities and performance. The Audit and Compliance Committee may call on external advice from outside parties as required. It:

- reviews the accounts and assists in development of annual budgets and long-term projections
- provides strategic financial advice and support to management
- advises the Board on financial matters including property acquisition, the formation of policies and guidelines related to financial management and the monitoring of financial performance.

The Board delegates the day to day management of the Foundation to the Managing Director and oversees and monitors her performance in that regard.

The Board's limitation policy for the Managing Director provides that:

- the Board of Directors will provide clear directions of what is required of the Managing Director through identification of key performance indicators;
- in the fulfillment of the Managing Director's duties and responsibilities, the Managing Director will use her discretion so as to achieve the necessary outcomes in a professional, ethical, responsible and legal manner.

The process of evaluation of the Managing Director is ongoing, and a session on key performance indicators is held with the Chairman annually. The Board or its delegate conducts an annual performance review of the Managing Director. The remuneration and terms and conditions for the Managing Director are reviewed and approved by the Board after seeking professional advice. The Managing Director reviews and approves remuneration and conditions for other staff in the context of agreed parameters established by the Board.

Communication of the Foundation's affairs to members, supporters and the public is widely undertaken. There is direct communication through newsletters and the provision of the Annual Report to members. The Annual Report and full financial disclosure, together with the Foundation's Constitution, are available on the internet at www.barrierreef.org.

Great Barrier Reef Foundation ABN 82 090 616 443
Annual Report - 31 December 2010

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These financial statements of Great Barrier Reef Foundation as an individual entity. The financial statements are presented in the Australian currency.

The financial report was authorised for issue by the directors on 10 March 2011. The directors' have the power to amend and reissue the financial report.

Great Barrier Reef Foundation
Statement of comprehensive income
For the year ended 31 December 2010

	Notes	2010 \$	2009 \$
Revenue	3	3,592,627	3,740,285
Science investments		(1,383,940)	(1,531,405)
Employee benefits expense		(829,038)	(747,315)
Program marketing and delivery	4	(386,861)	(301,556)
Occupancy and administration expenses	4	(399,358)	(555,588)
Business development costs	4	(732,779)	(117,941)
Depreciation and amortisation expense		(28,414)	(25,653)
Superannuation		(56,401)	(56,564)
Loss on disposal of fixed assets		-	(3,652)
Finance costs		(3,216)	(6,380)
Operating surplus / (deficit) before income tax		(227,380)	394,231
Income tax expense		-	-
Profit for the year		(227,380)	394,231
Other comprehensive income		-	-
Operating surplus / (deficit) attributable to members of Great Barrier Reef Foundation		(227,380)	394,231

The above statement of comprehensive income should be read in conjunction with the accompanying notes.

Great Barrier Reef Foundation
Statement of financial position
As at 31 December 2010

	Notes	2010 \$	2009 \$
ASSETS			
Current assets			
Cash and cash equivalents	5	440,852	1,069,693
Trade and other receivables	7	408,092	78,596
Other current assets	8	<u>29,183</u>	<u>25,072</u>
Total current assets		<u>878,127</u>	<u>1,173,361</u>
Non-current assets			
Property, plant and equipment	9	93,653	117,540
Intangible assets	10	<u>21,883</u>	<u>21,462</u>
Total non-current assets		<u>115,536</u>	<u>139,002</u>
Total assets		<u>993,663</u>	<u>1,312,363</u>
LIABILITIES			
Current liabilities			
Trade and other payables	11	36,702	170,050
Borrowings	12	3,090	19,941
Provisions	13	<u>156,264</u>	<u>97,385</u>
Total current liabilities		<u>196,056</u>	<u>287,376</u>
Non-current liabilities			
Total non-current liabilities		<u>-</u>	<u>-</u>
Total liabilities		<u>196,056</u>	<u>287,376</u>
Net assets		<u>797,607</u>	<u>1,024,987</u>
FUNDS			
Restricted reserves	14(a)	363,599	538,201
Retained operating surplus	14(b)	<u>434,008</u>	<u>486,786</u>
Total funds		<u>797,607</u>	<u>1,024,987</u>

The above statement of financial position should be read in conjunction with the accompanying notes.

Great Barrier Reef Foundation
Statement of changes in equity
For the year ended 31 December 2010

	Notes	Restricted reserves \$	Retained operating surplus \$	Total equity \$
Balance at 1 January 2009		414,722	216,034	630,756
Profit for the year		<u>-</u>	<u>394,231</u>	<u>394,231</u>
Total comprehensive income for the year		<u>-</u>	<u>394,231</u>	<u>394,231</u>
Transfer to / (from) retained operating surplus to / (from) restricted reserves	14	<u>123,479</u>	<u>(123,479)</u>	<u>-</u>
Balance at 31 December 2009		<u>538,201</u>	<u>486,786</u>	<u>1,024,987</u>
Balance at 1 January 2010		538,201	486,786	1,024,987
Profit for the year		<u>-</u>	<u>(227,380)</u>	<u>(227,380)</u>
Total comprehensive income for the year		<u>-</u>	<u>(227,380)</u>	<u>(227,380)</u>
Transfer to / (from) retained operating surplus to / (from) restricted reserves	14	<u>(174,602)</u>	<u>174,602</u>	<u>-</u>
Balance at 31 December 2010		<u>363,599</u>	<u>434,008</u>	<u>797,607</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Great Barrier Reef Foundation
Statement of cash flows
For the year ended 31 December 2010

	2010	2009
Notes	\$	\$
Cash flows from operating activities		
Grants and donations received	2,547,007	3,393,350
Employment costs	(753,056)	(730,170)
Grants paid (inclusive of goods and services tax)	(1,514,004)	(1,404,468)
Payments to suppliers (inclusive of goods and services tax)	(911,739)	(693,593)
Interest received	<u>26,632</u>	<u>22,004</u>
Net cash (outflow) inflow from operating activities	<u>(605,160)</u>	<u>587,123</u>
Cash flows from investing activities		
Payments for property, plant and equipment (exclusive of goods and services tax)	(4,527)	(46,812)
Term deposit held as security for bank guarantee	<u>(910)</u>	-
Net cash (outflow) inflow from investing activities	<u>(5,437)</u>	<u>(46,812)</u>
Cash flows from financing activities		
Repayment of borrowings	<u>(18,244)</u>	<u>(25,196)</u>
Net cash inflow (outflow) from financing activities	<u>(18,244)</u>	<u>(25,196)</u>
Net increase (decrease) in cash and cash equivalents	(628,841)	515,115
Cash and cash equivalents at the beginning of the financial year	<u>1,069,693</u>	<u>554,578</u>
Cash and cash equivalents at end of year	5 <u>440,852</u>	<u>1,069,693</u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

Notes to the financial statements

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1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards - Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with Australian Accounting Standards - Reduced Disclosure Requirements

The financial statements of the Great Barrier Reef Foundation also comply with Australian Accounting Standards - Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

Early adoption of standards

The Foundation has elected to apply the following pronouncements to the annual reporting period beginning 1 January 2010:

- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*
- AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements*

This includes applying the revised pronouncement to the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. The adoption of AASB 1053 and AASB 2010-2 allowed the entity to remove a number of disclosures.

Historical cost convention

These financial statements have been prepared under the historical cost convention.

Financial statement presentation

The Foundation has applied the revised AASB 101 *Presentation of Financial Statements* which became effective on 1 January 2009.

(b) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns and duties and taxes paid. Revenue is recognised for the Foundation as follows:

(i) Interest

Interest revenue is recognised when the interest entitlement has been earned.

(ii) Donations

Income from donations is recognised at the earlier of when the donation is received or entitled to be received by the Foundation.

(iii) Corporate grants

Income from corporate grants is recognised when the grant is entitled to be received by the Foundation.

(iv) Royalties

Revenue from royalties is recognised when the royalty is earned.

(c) Government grants

Grants received from the government are recognised as revenue to the extent they have been received into the Foundation's bank account or are entitled to be received by the Foundation at year end.

(d) In kind donations

In kind donations are recognised as revenue when services have been provided to the Foundation on a pro-bono basis. These in kind donations are also recorded as a matching asset or expense depending on the nature of the services provided.

1 Summary of significant accounting policies (continued)

(e) Income tax

The Foundation is a tax exempt entity and is therefore not liable for income tax.

(f) Leases

Leases of property, plant and equipment where the Foundation, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases (note 9). Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases is depreciated over the asset's useful life.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Foundation as lessee are classified as operating leases (note 15). Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on a straight-line basis over the period of the lease.

Lease income from operating leases where the Foundation is a lessor is recognised in income on a straight-line basis over the lease term. The respective leased assets are included in the statement of financial position based on their nature.

(g) Acquisition of assets

The purchase method of accounting is used to account for all acquisitions of assets. Cost is measured as the fair value of the assets given, shares issued or liabilities incurred or assumed at the date of exchange plus costs directly attributable to the acquisition.

(h) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

(i) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. Bank overdrafts are shown within borrowings in current liabilities on the statement of financial position.

(j) Trade and other receivables

Trade and other receivables are recognised at cost, less provision for impairment.

Collectibility of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade and other receivables) is used when there is objective evidence that the Foundation will not be able to collect all amounts due according to the original terms of the receivables.

(k) Property, plant and equipment

Property, plant and equipment is stated at historical cost less depreciation.

Depreciation on assets is calculated using the straight line or diminishing value method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives.

1 Summary of significant accounting policies (continued)

Leasehold improvements are depreciated over the period of the estimated useful life using the straight-line method.

- Furniture and fittings	2-20 years
- Plant and equipment	2-10 years

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the statement of comprehensive income.

(l) Intangible assets

(i) Trademarks and licences

Trademarks and licences have a finite useful life and are carried at cost less accumulated amortisation and impairment losses. Amortisation is calculated using the straight-line method to allocate the cost of trademarks and licences over their estimated useful lives, which vary from 3 to 5 years.

(m) Trade and other payables

These amounts represent liabilities for goods and services provided to the Foundation prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

Trade payables and other accounts payable are recognised when the Foundation becomes obliged to make future payments resulting from the purchase of goods and services.

(n) Provisions

Provisions for legal claims and make good obligations are recognised when the Foundation has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(o) Employee benefits

(i) Wages, salaries and annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in provisions in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Other long-term employee benefit obligations

The liability for long service leave will be recognised when an employee has been in employment at the Foundation for 7 or more years. For the year ended 31 December 2010, no employees had completed 7 or more years of service.

(iii) Sick leave

Liabilities for non-accumulating sick leave are not recognised by the Foundation in its Annual Report.

(iv) Superannuation

The Foundation makes compulsory superannuation contributions in accordance with the Superannuation Guarantee Charge. Any superannuation accrued and not paid at balance date is recognised as a liability.

(p) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the Australian Taxation Office ("ATO"). In these circumstances, the GST recognised is part of the cost of acquisition of the asset or as part of the item of expense. Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, and payable to, the ATO is included as a current asset or liability in the Balance Sheet. Cash flows are included in the Statement of Cash Flows on a gross basis. The GST component of cash flows arising from investing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(q) New accounting standards and interpretations

The Foundation has not adopted any new accounting standards and interpretations published for the 31 December 2010 reporting period as they do not apply.

2 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

3 Revenue

	2010	2009
	\$	\$
Project partnership grants received	648,024	1,119,040
ZooX funds received	801,899	642,640
Pro-bono services	841,644	522,922
Donations - Chairman's Panel	431,950	537,500
Non ZooX donations	412,616	236,984
Royalties - Cause Related Marketing	49,833	41,789
Research partner contributions	350,000	210,000
Project overheads received	32,401	139,202
Interest income	24,260	21,315
Government contributions	-	200,000
Sub lease rental income	-	38,562
Other revenue	-	30,331
	<u>3,592,627</u>	<u>3,740,285</u>

4 Expenses

	2010	2009
	\$	\$
Profit before income tax includes the following specific expenses:		
<i>Program marketing and delivery</i>		
Pro-bono services	148,315	134,244
Expenses other than pro-bono services	<u>238,546</u>	<u>167,312</u>
	<u>386,861</u>	<u>301,556</u>
<i>Occupancy and administration expenses</i>		
Pro-bono services	212,752	321,896
Expenses other than pro-bono services	<u>186,606</u>	<u>233,692</u>
	<u>399,358</u>	<u>555,588</u>
<i>Business development costs</i>		
Pro-bono services	479,112	41,600
Expenses other than pro-bono services	<u>253,667</u>	<u>76,341</u>
	<u>732,779</u>	<u>117,941</u>

5 Current assets - Cash and cash equivalents

	2010	2009
	\$	\$
Operating account	111,843	99,286
Public fund account	226,019	244,203
Project account	<u>102,990</u>	<u>726,204</u>
	<u>440,852</u>	<u>1,069,693</u>

Public fund monies

The Foundation is registered as an Environmental Organisation under legislative requirements in the *Income Tax Assessment Act*.

One of the mandatory constitutional requirements of environmental organisations includes the establishment and maintenance of a public fund:

- to which gifts of money or property for its principal purpose are to be made; and
- to which any money received because of such gifts is to be credited; and
- that does not receive any other money or property.

The release of monies from the public fund account and the management of, and sale of, public fund assets must be authorised by the fund's management committee.

Project account

The project account is restricted for use of specific project income and expenditure. This includes monies received and relating to Project Partnership grants.

6 Assets subject to a Restriction

ZooX Fund

The Foundation has a policy of setting aside at least 85% of all ZooX™ funds received to be directly invested into coral reef research projects, specifically to address the climate change threat. There is generally a timing difference between receiving the ZooX funds and expending them. When ZooX funds are received and not expended in the year of receipt, the surplus amount is moved from retained earnings to the Restricted Funds Reserve at year end. Accordingly, the balance of the Restricted Fund Reserve represents an accumulation of ZooX funds received but not expended. In the years when the balance of the Restricted Fund Reserve increases there will be a positive effect on profit for the year. Conversely, in the years when the balance of the Restricted Fund Reserve decreases, there will be a negative effect on profit for the year. Over the long term, the position is neutral on the basis that all ZooX funds received (other than those allocated for occupancy and administration costs) are fully expended. As a result the Board and management consider the following cash assets to be restricted for application towards future research projects:

	2010	2009
	\$	\$
Committed ZooX™ project funds recognised as liabilities	-	1,100
Committed ZooX™ project funds not recognised as liabilities	213,599	387,201
Less Goods and Service Tax (GST) recoverable	<u>-</u>	<u>(100)</u>
Total restricted funds	<u>213,599</u>	<u>388,201</u>

6 Assets subject to a Restriction (continued)

Project Partnership

Funds received by project partnerships that are matched by expenditure to be incurred are considered to be restricted amounts to the extent that the amounts have not been expended.

	2010 \$	2009 \$
Committed project partnership grants recognised as liabilities	-	135,000
Total project partnership funds	-	135,000

Bequests

During the 2009 year the Foundation received a bequest from Sir Ian McFarlane. The board has resolved to separately invest these funds with the earnings to be used to fund an annual lecture. Accordingly, these funds have been allocated to a separate reserve and are considered to be restricted.

	2010 \$	2009 \$
Committed bequests recognised as reserves	150,000	150,000
Total bequested funds	150,000	150,000

Government Grants

Government grants that have been received that have specific conditions associated with them are considered to be restricted funds.

	2010 \$	2009 \$
Committed Government grants not recognised as a liability	-	200,000
Total government grant funds	-	200,000
Total assets subject to restriction	363,599	873,201

7 Current assets - Trade and other receivables

	2010 \$	2009 \$
Donations and royalties receivable	371,036	51,153
Interest receivable	387	2,759
	<u>371,423</u>	<u>53,912</u>
Goods and services tax (GST) receivable	11,075	-
Term deposit held as security	25,594	24,684
	<u>36,669</u>	<u>24,684</u>
	<u>408,092</u>	<u>78,596</u>

8 Current assets - Other current assets

	2010 \$	2009 \$
Deposits paid	17,960	16,694
Prepayments	<u>11,223</u>	<u>8,378</u>
	<u>29,183</u>	<u>25,072</u>

9 Non-current assets - Property, plant and equipment

	Plant and equipment \$	Leased plant & equipment \$	Artwork \$	Total \$
At 31 December 2009				
Cost	158,901	21,342	10,400	190,643
Accumulated depreciation	<u>(62,616)</u>	<u>(9,789)</u>	<u>(698)</u>	<u>(73,103)</u>
Net book amount	<u>96,285</u>	<u>11,553</u>	<u>9,702</u>	<u>117,540</u>
	Plant and equipment \$	Leased plant & equipment \$	Artwork \$	Total \$
Year ended 31 December 2010				
Opening net book amount	96,285	11,553	9,702	117,540
Additions	4,527	-	-	4,527
Disposals	-	-	-	-
Depreciation charge	<u>(26,145)</u>	<u>(1,299)</u>	<u>(970)</u>	<u>(28,414)</u>
Closing net book amount	<u>74,667</u>	<u>10,254</u>	<u>8,732</u>	<u>93,653</u>
At 31 December 2010				
Cost	163,428	21,342	10,400	195,170
Accumulated depreciation	<u>(88,761)</u>	<u>(11,088)</u>	<u>(1,668)</u>	<u>(101,517)</u>
Net book amount	<u>74,667</u>	<u>10,254</u>	<u>8,732</u>	<u>93,653</u>

10 Non-current assets - Intangible assets

	Trademarks at cost \$	Total \$
At 31 December 2009		
Cost	21,462	21,462
Net book amount	<u>21,462</u>	<u>21,462</u>
	Trademarks at cost \$	Total \$
Year ended 31 December 2010		
Opening net book amount	21,462	21,462
Additions	421	421
Closing net book amount	<u>21,883</u>	<u>21,883</u>
At 31 December 2010		
Cost	21,883	21,883
Net book amount	<u>21,883</u>	<u>21,883</u>

11 Current liabilities - Trade and other payables

	2010 \$	2009 \$
Account payables	35,993	28,567
Accrued expenses	709	-
Grants payable	-	135,000
Goods and services tax (GST) payable	-	6,483
	<u>36,702</u>	<u>170,050</u>

12 Current liabilities - Borrowings

	2010 \$	2009 \$
Credit card liabilities	3,090	2,491
Chattel mortgage liabilities	-	17,450
Total secured current borrowings	<u>3,090</u>	<u>19,941</u>
Total current borrowings	<u>3,090</u>	<u>19,941</u>

13 Current liabilities - Provisions

	2010 \$	2009 \$
Provision for employee benefits	156,264	97,385
	<u>156,264</u>	<u>97,385</u>

14 Funds

	2010	2009
	\$	\$
(a) Reserves		
Sir Ian MacFarlane Reserve	150,000	150,000
Restricted ZooX™ Fund reserve	<u>213,599</u>	<u>388,201</u>
	<u>363,599</u>	<u>538,201</u>

	2010	2009
	\$	\$
Movements in Ian MacFarlane Reserve:		
Balance 1 January	150,000	-
Transfer from retained operating surplus	-	150,000
Balance 31 December	<u>150,000</u>	<u>150,000</u>

Movements Restricted ZooX™ Funds reserve:		
Balance 1 January	388,201	414,722
Transfer to retained operating surplus	(730,516)	(407,865)
Transfer from retained operating surplus	555,914	381,344
Balance 31 December	<u>213,599</u>	<u>388,201</u>

(b) Retained operating surplus

Movements in retained operating surplus were as follows:

	2010	2009
	\$	\$
Balance 1 January	486,786	216,034
Net operating (deficit) / surplus for the year	(227,380)	394,231
Transfer to retained operating surplus from Restricted ZooX™ Funds reserve (note 14(a))	174,602	26,521
Transfer to Sir Ian McFarlane reserve from retained operating surplus (note 14(a))	-	(150,000)
Balance 31 December	<u>434,008</u>	<u>486,786</u>

15 Commitments

(a) Capital and other commitments

Grant expenditure contracted for at the reporting date but not recognised as liabilities is as follows:

	2010	2009
	\$	\$
ZooX™ Fund Projects Payable:	<u>938,831</u>	<u>754,967</u>

15 Commitments (continued)

	2010 \$	2009 \$
<i>Census of Coral Reefs Project - BHP Billiton</i>	-	648,024
Payable:	-	648,024

(b) Lease commitments: Foundation as lessee

	2010 \$	2009 \$
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	91,200	80,371
Later than one year but not later than five years	159,600	-
Later than five years	-	-
	250,800	80,371
Representing:		
Non-cancellable operating leases	250,800	80,371
	250,800	80,371

	2010 \$	2009 \$
Commitments in relation to finance leases and chattel mortgages are payable as follows:		
Within one year	-	17,450
Later than one year but not later than five years	-	-
Later than five years	-	-
Minimum lease payments	-	17,450

16 Related party transactions

(a) Key management personnel

	2010 \$	2009 \$
Key management personnel compensation	438,557	441,140

16 Related party transactions (continued)

(b) Other transactions with key management personnel or entities related to them

(i) Directors of Great Barrier Reef Foundation

Some of the directors are donors in their own right or are directors of companies which have donated monies to the Foundation or have received donated monies from the Foundation during the year.

Aggregate amounts of donations received from related parties of Great Barrier Reef Foundation:

	2010	2009
	\$	\$
Amounts recognised as revenue		
Grants and donations received	<u>2,124,118</u>	<u>2,063,028</u>
Amounts recognised as expense		
Grants and donations paid	<u>487,908</u>	<u>188,007</u>

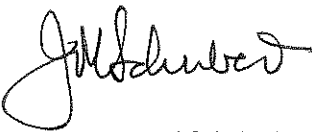
**Great Barrier Reef Foundation
Directors' Declaration
31 December 2010**

In the directors' opinion:

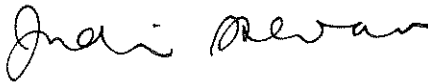
- (a) the financial statements and notes set out on pages 12 to 28 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of the Foundation's financial position as at 31 December 2010 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable, and

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

On behalf of the Directors



John Michael Schubert
Chairman



Judith Ann Stewart
Managing Director

Independent Auditor's Report to the Members of Great Barrier Reef Foundation

We have audited the accompanying financial report of Great Barrier Reef Foundation, which comprises the statement of financial position as at 31 December 2010, the statement of comprehensive income, the statement of cash flows and the statement of changes in equity for the year ended on that date, notes comprising a summary of significant accounting policies and other explanatory information, and the directors' declaration as set out on pages 12 to 29

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 and the *Corporations Act 2001* and for such internal control as the directors 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. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on 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.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*. We confirm that the independence declaration required by the *Corporations Act 2001*, which has been given to the directors of Great Barrier Reef Foundation on 10 March 2011, would be in the same terms if given to the directors as at the time of this auditor's report.

Deloitte.

Opinion

In our opinion, the financial report of Great Barrier Reef Foundation is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the company's financial position as at 31 December 2010 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards and the *Corporations Regulations 2001*.

Deloitte Touche Tohmatsu

DELOITTE TOUCHE TOHMATSU

M. Sheerin

M G Sheerin
Partner
Chartered Accountants
Brisbane, 10 March 2011