

Great Barrier Reef Foundation

ABN 82 090 616 443

Annual financial report for the year ended 31 December 2006

Great Barrier Reef Foundation ABN 82 090 616 443
Annual financial report - 31 December 2006

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Your Directors present their report on the Company comprising Great Barrier Reef Foundation (the Foundation) for the year ended 31 December 2006.

Directors

The following persons 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 Buchanan (director since 15/2/2005)
MA (Oxon) MBA

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

Stephen John Gillies (director since 11/4/2004; resigned 12/5/2006)
BBS

Peter James Isdale AM (Audit and Compliance Committee member) (director since 24/2/2004; resigned 12/5/2006)
BA (Hons), PhD MAICD, JP (C.Dec)

David Mark Lawson (Company secretary) (director since 24/2/2004)
JD, MA (Juris) (Oxon), BA

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

Don Pinel (Audit and Compliance Committee member) (director since 26/5/2004; resigned 1/11/06)
BE (Elec)

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

Michael John Roux (director since 24/2/2004)
BEc, MSIA, FSAICD

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

Phillip David Strachan (Chairman Audit and Compliance Committee) (director since 23/12/2003)
BCom, FCPA

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

Alastair Walton (director since 18/11/2004)
BEcon, MBA, CPA

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)

Brett Peter Riley (alternate for Don Pinel) (resigned 1/11/2006)

John Christopher Shuey (alternate for Stephen John Gillies) (resigned 12/05/2006)

Principal activities

The principal activity of the Foundation is to raise funds to support the provision of 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.

Review of operations

Operations for the year ended 31 December 2006 resulted in a profit of \$150,381 (2005: \$229,968 loss).

Overview

While the focus in 2005 was to establish the groundwork for the development of project partnerships and secure the revenue needs of Foundation operations, during the 2006 financial year there were significant increases of \$245,000 in tied grants and \$497,678 in untied revenue received from research partners, government contributions, project overheads, Chairman's Panel memberships, philanthropy grants and other miscellaneous donations which contributed to meeting the fixed overheads of managing the Foundation as well as enabling the Foundation to invest in the development of a strategic framework for future growth in fundraising opportunities, its fundraising capability and the scale of its core operations.

To meet these opportunities, the Foundation has developed a new three year business plan for the period 2006-2008. This plan will focus on the Foundation's four key target audiences of business, philanthropy, the general public and Government through Project Partnerships, the Chairman's Panel and the ZooX™ Fund. Together, these three fundraising mechanisms will contribute not only to a more secure future for the Foundation but also strong beginnings for the Foundation to have a more significant impact and assemble a robust track record.

Progress and Milestones

• Foundation Milestones

In November 2006 the Foundation deleted the word "Research" from its name, to become the Great Barrier Reef Foundation. This new name more accurately reflects the Foundation's broader charter to engage and educate its audiences in Reef based issues as well as its prime purpose of raising money for research.

In 2006, the Foundation's membership swelled from 15 to 42 members. Many of the new members of the Foundation have been recruited from the Chairman's Panel whose members and partners are invited by the Board to become members of the Foundation. The Foundation's objective is to have at least 50 members by the end of 2007.

• Business

Project Partnerships

In 2006 the Foundation focused its efforts on the further development and realisation of project partnerships with corporate and philanthropic investors. Rio Tinto Aluminium's landmark project, *Future Reef*, which with the University of Queensland is investigating the effect on coral reefs of the acidification of the oceans in response to increasing levels of CO₂ in the atmosphere, commenced in 2006 and both the research project and an extensive employee engagement program are now well under way. An ARC Linkage Grant secured late in 2006 has also added significantly to Rio Tinto Aluminium's project investment. This partnership has become the model for further successful partnerships with Australian corporations interested in supporting research targeting the major threats to the Great Barrier Reef's health.

In June 2006, the Foundation secured a second major partnership with the Commonwealth Bank of Australia (CBA) when the Bank agreed to fund the Tropical Marine Networks *Coral Futures* program for three years. *Coral Futures*, an educational program for Science and Marine Science undergraduates from Sydney, Queensland and James Cook Universities to attend "intensive" courses at the island research stations on the Reef, unites faculty members and students from all three campuses in field courses on six latitudes on the Reef. The experience and exposure that these intensive field trips offer, for both students and faculty, is unique in Australian tertiary education.

As part of this partnership, the Foundation was also invited to join the CBA's Awards Program as a Redemption Partner, whereby CBA's credit card holders may redeem loyalty points accumulated from purchases, the value of which the Bank will donate to the Foundation as cash. Opportunities like this to participate in programs which are already established, and which could help the Foundation to meet its resourcing needs, are invaluable and can easily be accommodated within the partnership structure for the benefit of both parties.

Chairman's Panel

Having launched the Chairman's Panel program in November 2005, the Foundation was successful in increasing the membership of the Panel to 21 members by 31 December 2006. The second annual meeting of the Panel on the Reef was held at Orpheus Island in June 2006. A further event was held for Panel members in Sydney in November 2006.

At the heart of the Chairman's Panel program is the chance to bring business and science together to discuss how research needs are identified, an agenda of the current and most pressing problems, and the most urgent needs for investment. Creating a forum for these discussions on the Reef itself has also opened the way for discussions about project partnerships with several of the Panel members.

Other opportunities to engage with Business

In 2006, the Foundation participated in presentations to a number of key forums including the Australian Leadership Forum, Earth Dialogues, the Trans Tasman Business Circle and the CEDA National Climate Change Forum. Project partnerships also provide opportunities for the Foundation to speak to an interested audience about its work. A good example is the Future Reef partnership which has, in its first year, yielded a number of opportunities to engage with large numbers of Rio Tinto Aluminium stakeholders through launch events, Rio Tinto publications, executive briefings and joint board initiatives.

- **Philanthropy and the General Public**

The Foundation spent much of 2006 developing a project fund of its own called the ZooX™ Fund. Started as a voluntary levy for the Reef paid by guests at Hayman Island Resort, the Fund has developed into a comprehensive vehicle for attracting donations from corporations, philanthropic trusts, governments and members of the general public who are concerned about the Reef and wish to contribute directly to the specific project research which the Foundation will commission with Fund proceeds.

A secondary objective is to enable the Foundation to become a grant maker for research in its own right in the longer term.

The Foundation also plans to refine its strategic approach to donors in the broader public market. This work will align with and, hopefully, add further vigour to the Foundation's ZooX™ Fund initiative.

The Foundation is monitoring the environmental philanthropy sectors both nationally and internationally and has been working to identify and target philanthropic bodies in the United States whose charter may encompass GBR research priorities and to develop a plan to engage at the institutional level of international environmental philanthropy.

A significant milestone in 2006 was a joint grant from the Myer Foundation and Ms Kerry Gardner to fund the development of a comprehensive strategy to communicate its role, mission and public positioning to the diverse audiences with which it now engages. This important work, completed in 2006, will underpin the Foundation's fundraising plans as it goes forward.

- **Government**

The Foundation has made it a priority to secure the Commonwealth Government's support and to ensure that the Government is well informed about its fundraising work and ambitions.

For the second year, the Foundation was the recipient of a \$70,000 grant from the Commonwealth Government which assisted in defraying its operating costs. Securing this ongoing support highlights government as the fourth key audience of the Foundation.

To acknowledge this support still further, the Foundation's Managing Director, Judy Stewart, was invited by the former Environment Minister, Senator the Hon Ian Campbell, to serve as a member of the interim Board of the Marine and Tropical Research Facility (MTSRF), a \$40m fund established under the Prime Minister's \$100m Commonwealth Environment Research Facility initiative. The MTSRF funds and coordinates cross disciplinary research for public good outcomes in securing the health of north Queensland's public environmental assets – particularly the Great Barrier Reef and its catchments, tropical rainforests, including the Wet Tropics World Heritage Area, and the Torres Strait. The principal task of this Board was to prepare Annual Research Plans for the Minister's approval.

The Foundation's Managing Director has also accepted an invitation to serve as a director of the Reef and Rainforest Research Centre (RRRC) which will administer the MTSRF Fund in the implementation of those Research Plans. In this way, the Foundation will remain closely involved with overseeing the current research agenda and the refinement of that agenda in future years. The Foundation is also seeking to become a major stakeholder in that facility as its channels fundraising initiatives through MTSRF and the Centre.

- **Pro Bono Services and Support**

To ensure that it responsibly and effectively manages this broad range of activity, the Foundation is assisted by a number of leading professional and service organisations and companies, on a pro bono basis, including:

Allens Arthur Robinson (Legal)

Booz Allen Hamilton (Consulting)

PricewaterhouseCoopers (Accounting)

Deloitte Touche Tohmatsu (Audit)

KPMG (Company Secretarial & Compliance)

Commonwealth Bank of Australia (Banking Services)

Cato Counsel (Public Relations)

The Foundation is indebted to its pro bono partners for the generous support they have given to the Foundation in the form of advice and service, which would be difficult to afford at commercial rates of remuneration. Their support can only add to the Foundation's reputation and its ability to meet the expectations of its stakeholders.

Matters subsequent to the end of the financial year

There has not arisen, in the interval between the end of the financial year and date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Foundation, to significantly affect the operations of the Foundation in future financial years.

Likely developments and expected results of operations

While the implementation of current project investments is ongoing, the Foundation continues to actively pursue new partnership opportunities with major Australian corporations interested in investing in Reef research. Past experience shows that these detailed negotiations take one to two years to bring to fruition. However, the Foundation is confident that at least two of the parties with whom it is currently negotiating will commit to projects in the 2007 year. It is also working to expand its current partnerships beyond their initial scope to encompass further opportunities.

The Foundation is also taking steps to engage with the national philanthropic sector. The broad aim continues to be the development of new partnerships that link the resources of business, government and philanthropy in support of targeted research on Australian reefs.

The Foundation's newest fundraising initiative is the ZooX™ Fund. This is expected to add depth to the Foundation's general fundraising capability, to connect a broader range of donors directly to Reef research projects and to equip the Foundation itself to become a significant project investor in its own right. It will also enable the Foundation to take steps to position itself more prominently to the general public and will become the principal tool in a new drive for general donations and bequests in 2007.

The Foundation has a well developed business plan for 2006 – 2008 and, with its fundraising efforts now concentrated across three targeted fundraising programs, is confident that it has the structure now in place to become a successful long term contributor to the effort to secure the future of the Reef.

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 meeting of directors		Meetings of Audit & Compliance Committee Audit	
	A	B	A	B
John Michael Schubert (Chairman)	5	5		
Ian Craig Buchanan	4	5		
Kerry Lee Gardner (director since 12/5/2006)	3	3		
Stephen John Gillies (resigned 12/5/2006)	1	2		
Peter James Isdale (resigned 12/5/2006)	2	3	1	2
David Mark Lawson	4	5		
John Francis Mulcahy (director since 12/5/2006)	1	2		
Don Pinel (resigned 1/11/06)	2	4	3	3
Russell Evan Reichelt	4	5		
Michael John Roux	1	5		
Judith Ann Stewart (Managing Director)	5	5		
Phillip David Strachan	3	5	4	4
Keith Henry Tuffley (director since 22/11/2006)	1	1		
Alastair Walton	1	5		
Peter Francis Young	4	5		
Clayton Neil Herbert (alternate for John Francis Mulcahy) (appointed 21/11/2006)	-	-	1	1
Brett Peter Riley (alternate for Don Pinel) (resigned 1/11/2006)	-	-		
John Christopher Shuey (alternate for Stephen John Gillies) (resigned 12/05/2006)	1	1		

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

Insurance of officers

During the financial year, the Foundation paid a premium of \$2,331 (2005: \$2,860) 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 require 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.

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 6.

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 2 (2005: 2). However, to meet the growth opportunities in the business of the Foundation over the last twelve months, the Foundation has been assisted by seven contractors who work on a regular but part time basis at the Foundation in the areas of marketing, media and public affairs, project management, event management, accounting services and research.

This report is made in accordance with a resolution of directors.

John Michael Schubert
Chairman

Judith Ann Stewart
Managing Director

Sydney
Date: 22 February 2007

Auditor's Independence Declaration

As lead auditor for the audit of Great Barrier Reef Foundation for the year ended 31 December 2006, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the *Corporations Act 2001* in relation to the audit;
and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of Great Barrier Reef Foundation during the year.

Matthew Sheerin
Partner
Deloitte Touche Tohmatsu

Brisbane
Date:

Great Barrier Reef Foundation ABN 82 090 616 443

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This financial report covers Great Barrier Reef Foundation as an individual entity. The financial report is presented in the Australian currency.

Great Barrier Reef Foundation is a company limited by guarantee, incorporated and domiciled in Australia. Its registered office and principal place of business is:

Great Barrier Reef Foundation
Level 20 307 Queen Street
BRISBANE QLD 2000.

Great Barrier Reef Foundation
Income statement
For the year ended 31 December 2006

	Notes	2006 \$	2005 \$
Revenue	2	1,142,731	400,053
Employee benefits and subcontractor expenses		(341,745)	(265,383)
Grants and donations		(370,000)	(118,303)
Travel and meeting expenses		(95,942)	(66,513)
Occupancy and office administration expenses		(44,967)	(48,486)
Marketing and promotional expenses		(110,094)	(42,621)
Other expenses		(34,719)	(38,639)
Depreciation and amortisation expense	3	(9,722)	(25,593)
Loss on disposal of fixed assets	3	(2,457)	(21,581)
Finance costs	3	(2,704)	(2,902)
Profit/(loss) before income tax		130,381	(229,968)
Income tax expense		<u> -</u>	<u> -</u>
Profit/(loss) attributable to members of Great Barrier Reef Foundation		<u>130,381</u>	<u>(229,968)</u>

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

Great Barrier Reef Foundation
Balance sheet
As at 31 December 2006

	Notes	2006 \$	2005 \$
ASSETS			
Current assets			
Cash and cash equivalents	4	148,252	131,662
Receivables	5	105,011	10,505
Other current assets	6	18,202	2,663
Total current assets		<u>271,465</u>	<u>144,830</u>
Non-current assets			
Property, plant and equipment	7	34,005	38,719
Total non-current assets		<u>34,005</u>	<u>38,719</u>
Total assets		<u>305,470</u>	<u>183,549</u>
LIABILITIES			
Current liabilities			
Payables	8	35,456	37,681
Interest bearing liabilities	9	8,849	15,914
Provisions	10	60,000	50,000
Total current liabilities		<u>104,305</u>	<u>103,595</u>
Non-current liabilities			
Interest bearing liabilities	11	10,206	19,376
Total non-current liabilities		<u>10,206</u>	<u>19,376</u>
Total liabilities		<u>114,511</u>	<u>122,971</u>
Net assets		<u>190,959</u>	<u>60,578</u>
EQUITY			
Retained profits	12(a)	190,959	60,578
Total equity		<u>190,959</u>	<u>60,578</u>

The above balance sheet should be read in conjunction with the accompanying notes.

**Great Barrier Reef Foundation
Statement of changes in equity
For the year ended 31 December 2006**

	2006 \$	2005 \$
Notes		
Total equity at the beginning of the financial year	<u>60,578</u>	<u>290,546</u>
Profit/(loss) for the year	<u>130,381</u>	<u>(229,968)</u>
Total equity at the end of the financial year	<u>190,959</u>	<u>60,578</u>

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

Great Barrier Reef Foundation
Cash flow statement
For the year ended 31 December 2006

	2006	2005
Notes	\$	\$
Cash flows from operating activities		
Grants and donations received	1,038,098	387,814
Employees	(339,557)	(228,446)
Grants paid (Inclusive of goods and services tax)	(370,000)	(94,886)
Payments to suppliers and employees (inclusive of goods and services tax)	(314,653)	(243,954)
Interest received	<u>10,167</u>	<u>1,735</u>
Net cash inflow from operating activities	15 <u><u>24,055</u></u>	<u><u>(177,737)</u></u>
Cash flows from investing activities		
Payments for property, plant and equipment (exclusive of goods and services tax)	(7,465)	(4,472)
Proceeds from sale of property, plant and equipment (exclusive of goods and services tax)	<u>-</u>	<u>100,712</u>
Net cash (outflow) from investing activities	<u><u>(7,465)</u></u>	<u><u>96,240</u></u>
Net increase (decrease) in cash and cash equivalents		
Cash and cash equivalents at the beginning of the financial year	<u>131,662</u>	<u>213,159</u>
Cash and cash equivalents at end of year	4 <u><u>148,252</u></u>	<u><u>131,662</u></u>

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

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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

This general purpose financial report has been prepared in accordance with Australian equivalents to International Financial Reporting Standards (AIFRSs), other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Statement of Compliance

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards. Compliance with AIFRSs ensures that the financial statements and notes comply with International Financial Reporting Standards (IFRSs).

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities (including derivative instruments) at fair value through profit or loss, certain classes of property, plant and equipment and investment property.

(b) 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.

(c) Income tax

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

(d) Leases

Leases of property, plant and equipment where the company has substantially all the risks and rewards of ownership are classified as finance leases (note 7). Finance leases are capitalised at the lease's inception at the lower of the fair value of the leased property and the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in other long term payables. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the finance balance outstanding. The interest element of 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 shorter of the asset's useful life and the lease term.

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 14). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases is recognised in income on a straight-line basis over the lease term

(e) Acquisitions 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.

(f) 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.

(g) Property, plant and equipment

Vessel and equipment is shown at fair value, based on periodic review by directors supported by at least triennial valuations by external independent valuers. Other property, plant and equipment is stated at historical cost less depreciation.

1 Summary of significant accounting policies (continued)

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

- Vessel	6 years
- Furniture, fittings and equipment	2-7 years

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement. When revalued assets are sold, it is company policy to transfer the amounts included in other reserves in respect of those assets to retained earnings.

(h) Trade and other payables

These amounts represent liabilities for goods and services provided to the company 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 company becomes obliged to make future payments resulting from the purchase of goods and services.

(i) Provisions

Provisions for legal claims and service warranties are recognised when: the company has a present legal or constructive obligation as a result of past events; it is more likely than not 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.

(j) Employee benefits

(i) *Wages and salaries, annual leave and sick leave*

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

(k) 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.

2 Revenue

	2006 \$	2005 \$
Grants received	300,000	105,000
Grants received - Project overheads	160,094	-
Government contributions	95,000	-
Research partner contributions	75,000	-
Donation - Chairman's Panel	267,320	104,795
Donations - Reef Levy	84,526	-
Royalties - Cause Related Marketing	47,290	43,077
Donations - Myer Foundation	50,000	-
Interest income	10,167	1,735
Donations - General	53,334	45,446
Donations - Foundation Benefactor	-	100,000
	<u>1,142,731</u>	<u>400,053</u>

3 Expenses

	2006 \$	2005 \$
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	<u>9,722</u>	<u>25,593</u>
Total depreciation	<u>9,722</u>	<u>25,593</u>
<i>Finance costs - net</i>		
Interest and finance charges paid/payable	<u>2,704</u>	<u>2,902</u>
Finance costs expensed	<u>2,704</u>	<u>2,902</u>
<i>Rental expense</i>		
Rent expense	<u>25,404</u>	<u>23,848</u>
Total rental expense relating to operating leases	<u>25,404</u>	<u>23,848</u>
<i>Disposal of assets</i>		
Loss on disposal of asset	<u>2,457</u>	<u>21,581</u>
	<u>2,457</u>	<u>21,581</u>

4 Current assets - Cash and cash equivalents

	2006 \$	2005 \$
Operating account	89,610	110,035
Public fund account	23,987	21,627
Project account	<u>34,655</u>	-
	<u>148,252</u>	<u>131,662</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 principle 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.

5 Current assets - Receivables

	2006 \$	2005 \$
Development fees receivable	66,000	-
Donations and royalties receivable	<u>39,011</u>	<u>10,505</u>
	<u>105,011</u>	<u>10,505</u>
	<u>105,011</u>	<u>10,505</u>

6 Current assets - Other current assets

	2006 \$	2005 \$
Deposits paid	18,202	1,993
Prepayments	<u>-</u>	<u>670</u>
	<u>18,202</u>	<u>2,663</u>

7 Non-current assets - Property, plant and equipment

	Plant and equipment \$	Leased plant & equipment \$	Vessel and equipment \$	Total \$
At 1 January 2005				
- Cost	37,243	25,619	251,495	314,357
Accumulated depreciation	<u>(30,809)</u>	<u>(876)</u>	<u>(116,495)</u>	<u>(148,180)</u>
Net book amount	<u>6,434</u>	<u>24,743</u>	<u>135,000</u>	<u>166,177</u>
Year ended 31 December 2005				
Opening net book amount	6,434	24,743	135,000	166,177
Additions	4,473	15,956	-	20,429
Disposals	(609)	-	(121,685)	(122,294)
Depreciation charge	<u>(3,953)</u>	<u>(8,325)</u>	<u>(13,315)</u>	<u>(25,593)</u>
Closing net book amount	<u>6,345</u>	<u>32,374</u>	<u>-</u>	<u>38,719</u>
At 31 December 2005				
Cost	24,389	41,575	-	65,964
Accumulated depreciation	<u>(18,044)</u>	<u>(9,201)</u>	<u>-</u>	<u>(27,245)</u>
Net book amount	<u>6,345</u>	<u>32,374</u>	<u>-</u>	<u>38,719</u>
	Plant and equipment \$	Leased plant & equipment \$	Total \$	
Year ended 31 December 2006				
Opening net book amount	6,345	32,374	38,719	
Additions	7,465	-	7,465	
Disposals	-	(2,457)	(2,457)	
Depreciation charge	<u>(2,743)</u>	<u>(6,979)</u>	<u>(9,722)</u>	
Closing net book amount	<u>11,067</u>	<u>22,938</u>	<u>34,005</u>	
At 31 December 2006				
Cost	31,854	35,498	67,352	
Accumulated depreciation	<u>(20,787)</u>	<u>(12,560)</u>	<u>(33,347)</u>	
Net book amount	<u>11,067</u>	<u>22,938</u>	<u>34,005</u>	

8 Current liabilities - Payables

	2006 \$	2005 \$
Account payables	23,612	6,820
Accrued expenses	-	8,250
Goods and services tax (GST) payable	2,900	5,855
Other payables	<u>8,944</u>	<u>16,756</u>
	<u>35,456</u>	<u>37,681</u>

9 Current liabilities - Interest bearing liabilities

	2006 \$	2005 \$
Secured		
NAB Business Visa card	-	5,292
CBA Mastercard	122	-
Lease liabilities (note 14)	<u>8,727</u>	<u>10,622</u>
Total secured current interest bearing borrowings	<u>8,849</u>	<u>15,914</u>
Total current interest bearing borrowings	<u>8,849</u>	<u>15,914</u>

10 Current liabilities - Provisions

	2006 \$	2005 \$
Provision for employee benefits	<u>60,000</u>	<u>50,000</u>
	<u>60,000</u>	<u>50,000</u>

Employee numbers

The number of full time employees at reporting date was 2 (2005: 2). However, to help her to meet the growth opportunities in the business of the Foundation over the last twelve months, the Foundation has been assisted by seven contractors who work on a regular but part time basis at the Foundation in the areas of marketing, media and public affairs, project management, event management, accounting services and research. Added to this capability is the wide range of pro bono advice to which the Foundation now has access through its pro bono partners.

11 Non-current liabilities - Interest bearing liabilities

	2006 \$	2005 \$
Lease liabilities (note 14)	<u>10,206</u>	<u>19,376</u>
Total non-current interest bearing liabilities	<u>10,206</u>	<u>19,376</u>

12 Retained profits

2006	2005
\$	\$

(a) Retained profits

Movements in retained profits were as follows:

	2006	2005
	\$	\$
Balance 1 January	60,578	250,606
Net profit/(loss) for the year	130,381	(229,968)
Net increase from Asset Revaluation Reserve	-	39,940
Balance 31 December	<u>190,959</u>	<u>60,578</u>

13 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the company, and its related practices:

	2006	2005
	\$	\$
Audit and review of financial reports and other audit work under the <i>Corporations Act 2001</i>	-	7,500
Total remuneration for audit services	<u>-</u>	<u>7,500</u>

Audit services in relation to the 2006 financial year will be provided on a pro bono basis.

14 Commitments

(a) Capital and other commitments

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

	2006	2005
	\$	\$
<i>Sponge Aquaculture</i>		
Within one year	-	50,000
<i>ARC Linkage</i>		
Within one year	-	10,000
<i>Future Reef Project - Rio Tinto Aluminium</i>		
Payable:		
Within one year	200,000	200,000
Later than one year but not later than five years	400,000	600,000
Later than five years	-	-
	<u>600,000</u>	<u>800,000</u>

14 Commitments (continued)

Coral Futures Project - Commonwealth Bank of Australia

Payable:

Within one year	100,000	-
Later than one year but not later than five years	100,000	-
	<u>200,000</u>	<u>-</u>

The above commitments for Rio Tinto Aluminium - Future Reef Project and Commonwealth Bank of Australia (CBA) - Coral Futures Project will be matched with grants receivable from Rio Tinto and CBA respectively.

	2006 \$	2005 \$
Commitments in relation to leases on the foundation premises at the reporting date but not recognised as liabilities, payable:		
Within one year	39,768	34,596
Later than one year but not later than five years	88,571	128,339
Later than five years	-	-
	<u>128,339</u>	<u>162,935</u>
Representing:		
Cancellable operating leases	-	-
Non-cancellable operating leases	128,339	162,935
Future finance charges on finance leases	-	-
	<u>128,339</u>	<u>162,935</u>

	2006 \$	2005 \$
Commitments in relation to finance leases are payable as follows:		
Within one year	9,184	12,256
Later than one year but not later than five years	10,377	20,676
Minimum lease payments	19,561	32,932
Future finance charges	(628)	(2,934)
Recognised as a liability	18,933	29,998
Representing lease liabilities:		
Current (note 9)	8,727	10,622
Non-current (note 11)	10,206	19,376
	<u>18,933</u>	<u>29,998</u>

The weighted average interest rate implicit in the leases is 5.5% (2005: 5.5%).

15 Reconciliation of profit after income tax to net cash inflow from operating activities

	2006	2005
	\$	\$
Profit for the year	130,381	(229,968)
Depreciation and amortisation	9,722	25,593
Net (gain) loss on sale of non-current assets	2,457	21,581
(Increase) decrease in other current assets	(15,539)	230
Decrease (increase) in grants and donations receivable	(94,506)	12,162
Increase (decrease) in lease liabilities	(11,065)	(9,889)
Increase in goods and services tax (GST) payable	(2,955)	11,345
Increase (decrease) in other payables	(14,440)	-
Increase (decrease) in other provisions	-	(8,791)
Net cash inflow from operating activities	<u>4,055</u>	<u>(177,737)</u>

16 Non-cash investing and financing activities

	2006	2005
	\$	\$
Acquisition of plant and equipment by means of finance leases	<u>-</u>	<u>15,956</u>
	<u>-</u>	<u>15,956</u>

In the directors' opinion:

- (a) the financial statements and notes set out on pages 7 to 21 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 company's financial position as at 31 December 2006 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

Dr John Michael Schubert
Chairman

Judith Ann Stewart
Managing Director

Sydney
Date: 22 February 2007

**Independent audit report to the members of
Great Barrier Reef Foundation**