

Great Barrier Reef Foundation

ABN 82 090 616 443

Annual Report for the Year ended 31 December 2008

Great Barrier Reef Foundation ABN 82 090 616 443
Annual Report - 31 December 2008

Contents

	Page
Directors' Report	1
Auditor's Independence Declaration	9
Corporate Governance Statement	10
Financial statements	11
Directors' Declaration	30
Independent Audit Report to the Members	31

Your Directors present their report on the Company comprising the Great Barrier Reef Foundation (the Foundation) for the year ended 31 December 2008.

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

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

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

David John Turner (Chairman Audit and Compliance Committee since 16/11/2007) (director since 28/7/2007)
FCA

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

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

Alastair Walton (director since 18/11/2004) (resigned 31/05/2008)
BEcon, MBA, CPA

Geoffrey James Dixon (director since 11/03/2009)

The abovenamed director's held office during the whole of the financial year and since the end of the financial year, except for:

Alastair Walton - resigned 31/05/2008

Geoff Dixon - appointed 11/03/2009

Alternate Directors

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

Company Secretary

Judith Stewart assumed the role of Company Secretary on 13 February 2008 following Rayne Gillam's resignation on 8 February 2008. The Foundation's General Manager, Claire Hanratty, assumed company secretarial responsibilities on 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.

Review of Results and Operations

As a not-for-profit organisation, the Foundation aims to achieve a small operating surplus each financial year while investing as much as possible directly into projects which address its core objectives.

**Great Barrier Reef Foundation
Directors' Report
31 December 2008
(continued)**

The Foundation made an operating deficit of \$144,845 (2007: operating surplus \$584,641). The operating deficit is reconciled to the movement in the restricted ZooX™ Fund reserve as follows:

	2008	2007
	\$	\$
Operating surplus/(deficit)	(144,845)	584,641
Movement in tied restricted funds for future research projects	<u>161,736</u>	<u>(576,458)</u>
Available for operations	<u>16,891</u>	<u>8,183</u>

At year end, \$414,722 (2007 \$576,458) is considered by the Board and management as being tied or restricted funds for application towards future research project commitments.

The Foundation achieves its mission through collaborative funding partnerships which align business, philanthropy and the science community.

The Foundation is now established as a significant portal for private investment in the GBR research sector. It has a strong track record in bringing Australian investors and science together, to confront key threats to the Reef and how they might be addressed. The threats on which the Foundation focuses include climate change, water quality and unsustainable fishing on the Reef.

2008 saw the Foundation's ZooX™ Fund move to the centre of both its operations and identity, marrying successfully with other Foundation programs to grow fundraising income for projects on the Reef by 33%.

This spike in annual fundraising income coincided with widespread public and political concern about the threat that climate change particularly poses to coral reefs. The Garnaut Climate Change Review, released in September, and the Australian Government's White Paper on climate change policy, published in December, served to highlight the scale of climate change as a threat to our own Great Barrier Reef.

Reflecting this, the Foundation elevated climate change to first priority as it developed a comprehensive new design framework through which projects are devised for investment by the ZooX Fund™, while invigorating the role that the International Scientific Advisory Committee (ISAC) performs in the Foundation's operations.

The ZooX™ Fund invested in eight projects in 2008. Several of these, developed using the new project design framework, are breaking ground in informing how climate change will be tackled on the Great Barrier Reef. One example is the study by Professor Ove Hoegh-Guldberg of the generic tolerance of zooxanthellae to climate change. This study considers whether some zooxanthellae have a greater tolerance to climate change than others and how such "super corals" might help the Great Barrier Reef to adapt to climate impacts.

Project Partnerships are also important features of the Foundation's investment portfolio. Rio Tinto Alcan and BHPBilliton remain the largest of the Foundation's investors in research on the Reef. Both companies have also invested in dedicated employee engagement initiatives, to align their research investments with their community and environment goals.

Also critical are key Foundation programs which have been structured to align science with investors needs. Foundation programs like the Chairman's Panel and the ZooX™ Ambassadors Program have enabled a broader range of the Foundation's investors to become involved more directly, and more personally, in the Reef's story, taking the opportunity to go to the Reef to learn "in situ" about the unique challenges it faces and the roles of science and society in addressing them.

Another feature of 2008 has been a more considered approach to generating income from the philanthropic sector. While historically, the Foundation has focused on its strong links to Australian business and the corporate sector, with more than 750 Prescribed Private Funds now established in Australia, the Foundation is committed to doing all it can to also persuade private donors and professional philanthropic bodies alike to support Reef based research at this time of great need.

To support this expansion of its programs and donor base, the resources on which the Foundation can call had to grow as well. Much of the Foundation's success is attributable to the structure it has established around its Board, Chairman's Panel, ISAC and management. As it enters its tenth year, the Foundation is well equipped to draw on an array of prestigious science partners and researchers, corporate and philanthropic investors and donors, advisors from Australia's leading professional and consulting firms, and its own stable of skilled personnel. All add to the Foundation's capacity to achieve both its mission and its investment mission.

ISAC: the Foundation and Science on the Reef

The Foundation wishes to acknowledge the contribution of Australia's scientific community, and particularly its ISAC, to its success in achieving its goals.

In ISAC, the Foundation assembles the most important and influential leaders of the Reef research and management sector at one table, around a shared purpose. The Committee comprises:

Professor Paul Greenfield AO, Vice Chancellor, University of the Queensland, Chairman
Dr Russell Reichelt, Executive Chairman, GBRMPA
Dr Ian Poiner, Chief Executive, Australian Institute of Marine Science
Professor Sandra Harding Vice Chancellor, James Cook University*
Dr Andrew Johnson, Group Executive, Environment, CSIRO*
Professor Ove Hoegh Guldberg, Director, Centre for Marine Studies, University of Queensland
*new in 2008

In 2008, ISAC deliberately drove a more strategic approach to project definition, demonstrated by a more focused research vision – understanding and maximising the resilience of reefs in the face of climate change - and a new project design Framework.

The Framework, which is now well resolved, underpins the Foundation's ongoing strategic business plan to become the portal for private investment into Reef based research.

The principal beneficiaries of Foundation funding for research in 2008 were:

- Australian Institute of Marine Science (CReefs) - \$914,040
- University of Queensland (Future Reef) - \$200,000
- James Cook University, the Universities of Queensland and Sydney and the Australian Museum (Coral Futures) - \$100,000
- Reef and Rainforest Research Centre (Reef Atlas)- \$360,000
- Oxford Economics - \$32,500

The ZooX™ Fund

Launched in February 2007, the ZooX™ Fund transformed the Foundation from a broker, moving funds from investor to research provider on a project by project basis, to grant maker. This transition has enabled the Foundation to be more demanding of the investments it makes and hastened the development of a more sophisticated science vision and framework to guide the development and delivery of its projects. The Fund continues to attract a range of donors from a pool of individuals, and the corporate and philanthropic sectors.

Science investments made by the Fund progressed well in 2008 and detailed reports were issued to investors on four major research initiatives in December 2008.

Features of these projects include:

- Each project has opened up new areas of research (the acidification research is a good example);
- Each has an "applied" focus, with the potential for results to be directly translated into management actions a defining project attribute;
- Each project features collaborations of scientists, in two of the three cases internationally, bringing best practice globally into local GBR project initiatives;
- While it is difficult to say that one project is more important than another, the science GBRF funds is recognised by established metrics as strong science. The lists of scientists authoring papers and the number of publications all attest, in formal terms, to the quality of the people and projects on whom and which the Foundation is focused;

The sum of the project parts and their application to management response planning is where the Foundation's effectiveness will be tested. The Directors are confident these projects will add directly to that response capability.

Project Partnerships

The science initiatives associated with the Foundation's two project partnerships delivered important results during 2008.

Future Reef, the partnership between the Foundation and Rio Tinto Alcan, completed its third year. Initial results from the ocean acidification research project funded by Future Reef and led by University of Queensland, were published on 27 October 2008 in the Proceedings of the National Academy of Sciences of the United States. The project continues in 2009 and further publications are expected.

The \$3.4 million BHP Billiton partnership, to support coral reef biodiversity through the CReefs project, celebrated its first anniversary in 2008 and was successfully reviewed. The global Census of Marine Life program, of which CReefs forms a part, announced initial findings in September 2008.

Foundation Programs

Foundation programs have been structured to bring science and investors together, in some cases for the first time, to explore the case for the Reef. Direct opportunities for the exchange of ideas and information include Foundation Board and ISAC meetings and events and Chairman's Panel meetings, which take place at least twice annually. There are also new opportunities emerging within the new ZooX™ Ambassadors Program. Much has been learned in these exchanges, on both sides.

For instance, the centrepiece of the Chairman's Panel program is the annual visit to the Reef by participating Chief Executives in company with leading scientists affiliated with the Foundation, for a direct briefing on the state of the Reef – this is a "behind the scenes" view of the Reef, informed directly by marine science, and delivered by its leadership.

The time taken by the Foundation to educate Panel members about the issues facing the Reef and the work of both science (research) and Government (policy and management) to address them has been well spent. It is from this group that most of the Foundation's investments have been recruited, especially in the ZooX™ Fund.

One driver of the ZooX™ Foundation programs have been structured to bring science and investors together, in some cases for the first time, to explore the case for the Reef. Fund's attractiveness in 2008 was the introduction of the ZooX™ Ambassadors Program (ZAP), an employee engagement program which enables corporate investors to engage their employees directly in their company's investment in Reef research, while creating a direct link to internal sustainability policies and aspirations.

The ZooX™ Ambassador Program has been designed to educate employees about the links between coral reefs, climate change and sustainability in business. A field trip to the Reef, with a program of structured education activities is central to the program.

Through the program, and the Australian companies who have committed to it, the Foundation can reach large numbers of Australians, to present the case for the Reef and how workplace practice can have an effect on its future.

The Chairman's Panel

Established for four years, the Chairman's Panel has 33 members from an array of prestigious ASX companies and national research organisations. New members of the Chairman's Panel in 2008 included:

- Mr Sol Trujillo, Chief Executive, Telstra
- Mr Michael Luscombe, Chief Executive Officer, Woolworths
- Prof. Sandra Harding, Vice Chancellor and President, James Cook University
- Mr Graeme John AO, Managing Director, Australia Post

Other changes to Chairman's Panel membership during the year included:

- Mr Dick Evans, Chief Executive, Rio Tinto Alcan, replaced Mr Oscar Groeneveld as Rio Tinto Alcan's representative
- Mr Stephen Fitzgerald, Co Chief Executive, Goldman Sachs JB Were, replaced Mr Keith Tuffley as Goldman Sachs JBWere's representative
- Mr Michael Smith, Chief Executive Officer, ANZ Banking Group, replaced Mr John McFarlane as ANZ's representative
- Mr John Bevan, Chief Executive Officer, Alumina Limited replaced Mr John Marlay as Alumina's representative
- Mr David Caspari, Managing Director, EDS, an HP Company, replaced Mr Chris Mitchell as EDS' representative

Philanthropy

The Foundation took steps to secure more revenue from its small but growing philanthropic donor base.

This includes donations from two long term supporters of the Foundation - a consortium called Pacific Coast Bananas ('Eco Bananas') of eco banana growers from Innisfail in Queensland and the Queensland Tissue Products group.

The Reef levy which is in place at Hayman Island resort has been a further important source of revenue to the ZooX™ Fund. Guests at the resort are asked to pay a levy of \$3.00 per room per night to support the research effort on the Reef. Mulpha International BHD, the owners of Hayman Island, have been generous long term supporters of the Foundation. The Foundation is grateful to them for introducing this initiative to their guests on its behalf.

The Myer Foundation and members of the Myer family have also remained prominent on the Foundations register of donors. Foundation director, Kerry Gardner and her husband, Mr Andrew Myer, have been strong champions of the work the Foundation is doing through ZooX™ and helped the Foundation with both advice and resources.

The Foundation also succeeded in attracting income from the trustees of Australia's Prescribed Private Funds and other family foundations which share with it an interest in the future of Australia's coral reefs. Their support has added significantly to the ZooX™ Fund balance.

Finally, the Foundation derives some of its revenues from the generous donations of a number of private donors, some of whom give without any public acknowledgement of their generosity. Their contributions all add to the ability of ZooX™, and the Foundation, to make a difference to the future of the Reef.

Government

Government, both State and Commonwealth, remains the most important investor in the Reef research sector; it has public stewardship of the Reef and its involvement penetrates deep into research and management on the reef.

The Government's imprimatur is essential to the Foundation's licence to operate. With this in mind, the Foundation focussed on building and maintaining its relationship with governments, State and Commonwealth, in 2008.

The Foundation's primary endorsement from the Commonwealth flows from its direct funding arrangement with the Department of Environment, Water, Heritage and the Arts. The Foundation successfully acquitted its third Grant instalment and received its fourth and final annual instalment of \$70,000, in 2008.

Operations

The Foundation strengthened its operating capabilities in 2008, with appointments to several new roles.

Claire Hanratty joined the Foundation staff in July as General Manager, taking over responsibility for the day-to-day operating activities of the Foundation, including finance, contracting and project partnerships.

The Foundation's appointment of Chief Scientific Officer, Dr. Eva Abal and Projects and Science Manager, Kate Moore, together provide a professional secretariat for the ISAC and high level and professional input to the project and proposal development process.

Pro bono services and support

To ensure that it responsibly and effectively manages its obligations, the Foundation continues to be assisted by pro bono advisers drawn from the leading ranks of Australia's professions and consultancies. They include:

- Allens Arthur Robinson (Legal)
- Booz & Co (Consulting)
- Deloitte Touche Tohmatsu (Audit)
- Gavin Anderson (Government Relations)
- KPMG (Company Secretarial & Compliance)
- PricewaterhouseCoopers (Accounting)

Services provided by these pro bono partners contribute directly to the Foundation's capability, while conserving precious cash resources. They assure all the Foundation's stakeholders that the business of the Foundation is conducted to the highest of professional standards, adding immeasurably to the Foundation's credibility and reputation.

Benchmarking

Cost of Fundraising

The community naturally expects that not for profit organisations (NFP's) will be transparent about 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 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 indicates the results of this proportion should lie between 65% and 75%.

For the 2008 year the Foundation's Proportion of Project Expenditure to Total Expenditure was 71%.

b) The Cost of Fundraising Ratio which 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 NSW Charitable Fundraising Act 1991 places a statutory limit on the cost of fundraising ratio of less than 40% of the funds raised for any particular appeal.

For the 2008 year the Foundation's Cost of Fundraising was 31%.

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" and the subsequent project development, research costs and project management costs. As a general rule, the Foundation characterises any costs incurred following verbal agreement as "project expenditure" rather than a "cost of fundraising".

The Foundation is committed to maximising the funding available to its core purposes and has implemented three 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;
- At least 85% of all funds that go into the ZooX™ Fund go directly to projects. The Register of Environmental Organisations recommends that environmental NFP's 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: From the outset, the Foundation has agreed dedicated overheads for the project funds it raises via the Project Partnerships model. Rio Tinto Alcan, 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 investment in these costs.

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

2009 will be the Foundation's tenth year of operation. This anniversary comes at a time when climate change continues to present a significant challenge to Australia, and particularly to the Reef.

Mindful of this, the Foundation will continue to focus on maintaining the Reef as the national face of climate change despite an increasingly crowded public agenda of concerns.

The ZooX™ Fund, as the Foundation's 'climate defence fund' is an important vehicle in this work and will remain the focus of the Foundation's fundraising activities.

The ZooX™ Fund's Research Vision and Framework, developed and overseen by the Foundation's International Science Advisory Committee in 2008, provides the Foundation with a rigorous process for identifying and prioritising its research investments. The coming year will see full implementation of the Framework, including the commissioning of two expert Working Groups.

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)	4	4	-	-
Ian Craig Buchanan	4	4	-	-
Paul Fawcett Greenfield	4	4	-	-
Isaac Alexander Fletcher (alternate for Keith Henry Tuffley)	-	-	3	4
Kerry Lee Gardner	3	4	-	-
Clayton Neil Herbert (alternate for John Francis Mulcahy)	-	-	4	4
John Francis Mulcahy	2	4	-	-
Russell Evan Reichelt	3	4	-	-
Michael John Roux	1	4	-	-
Judith Ann Stewart (Managing Director)	4	4	-	-
Phillip David Strachan	3	4	-	-
Keith Henry Tuffley	2	4	-	-
David John Turner	4	4	4	4
Alastair Walton (director until 31/05/08)	0	2	-	-
Peter Francis Young	4	4	-	-

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 \$2,358 (2007: \$2,331) 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 9.

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 5 (2007: 4). Because in addition to day-to-day requirements, the Foundation runs initiatives which require additional resources on a regular but not full time basis, 3 part time staff are employed in media and public affairs, science and marketing support roles.

Two contractors are also employed to provide expertise in marketing and 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 2008 the number of members was 69 (2007: 53).

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.*

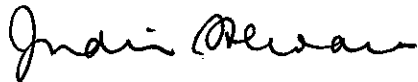
Commonwealth Regulation

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

Sydney
Date: 11 March 2009

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

Riverside Centre
Level 25
123 Eagle Street
Brisbane QLD 4000
GPO Box 1463
Brisbane QLD 4001
Australia

Tel: +61 (0) 7 3308 7000
Fax: +61 (0) 7 3308 7001
www.deloitte.com.au

The Board of Directors
Great Barrier Reef Foundation
1/9 Longland Street
NEWSTEAD QLD 4006

11 March 2009

Dear Board Members

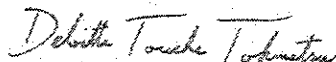
Great Barrier Reef Foundation

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 2008, 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

Member of
Deloitte Touche Tohmatsu

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
- oversee and direct the Managing Director
- 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 assist 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 has formally delegated responsibility for the Foundation's day-to-day operations and administration to the Managing Director.

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 2008

Contents

	Page
Financial statements	11
Financial report	
Income statement	12
Balance sheet	13
Statement of recognised income and expenses	14
Cash flow statement	15
Notes to the financial statements	16
Directors' Declaration	30
Independent Audit Report to the Members	31

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
1/9 Longland Street
Newstead, BRISBANE, QLD 4006.

Great Barrier Reef Foundation
Income statement
For the year ended 31 December 2008

	Notes	2008 \$	2007 \$
Revenue	3	2,856,759	2,683,111
Science investments		(1,631,775)	(1,013,906)
Employee benefits expense and consultant expenses		(750,647)	(582,913)
Program marketing and delivery		(266,391)	(285,066)
Occupancy and administration expenses		(218,556)	(124,743)
Business development costs		(100,800)	(73,955)
Depreciation and amortisation expense	4	(22,920)	(13,532)
Finance costs	4	(10,515)	(4,355)
Operating (deficit) / surplus before income tax		(144,845)	584,641
Income tax expense		-	-
Operating (deficit) / surplus attributable to members of Great Barrier Reef Foundation		<u>(144,845)</u>	<u>584,641</u>

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

Great Barrier Reef Foundation
Balance sheet
As at 31 December 2008

	Notes	2008 \$	2007 \$
ASSETS			
Current assets			
Cash and cash equivalents	5	554,578	1,472,881
Trade and other receivables	7	157,222	99,591
Other current assets	8	<u>28,563</u>	<u>14,562</u>
Total current assets		<u>740,363</u>	<u>1,587,034</u>
Non-current assets			
Property, plant and equipment	10	88,248	107,660
Intangible assets	11	5,740	2,240
Receivables	9	<u>22,800</u>	<u>22,800</u>
Total non-current assets		<u>116,788</u>	<u>132,700</u>
Total assets		<u>857,151</u>	<u>1,719,734</u>
LIABILITIES			
Current liabilities			
Trade and other payables	12	85,259	793,401
Borrowings	13	31,357	27,479
Provisions	14	<u>92,329</u>	<u>85,000</u>
Total current liabilities		<u>208,945</u>	<u>905,880</u>
Non-current liabilities			
Borrowings	15	<u>17,450</u>	<u>38,253</u>
Total non-current liabilities		<u>17,450</u>	<u>38,253</u>
Total liabilities		<u>226,395</u>	<u>944,133</u>
Net assets		<u>630,756</u>	<u>775,601</u>
FUNDS			
Restricted ZooX™ Fund reserve	17(a)	414,722	576,458
Retained operating surplus	17(b)	<u>216,034</u>	<u>199,143</u>
Total funds		<u>630,756</u>	<u>775,601</u>

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

Great Barrier Reef Foundation
Statement of recognised income and expenses
For the year ended 31 December 2008

Notes	2008 \$	2007 \$
Total equity at the beginning of the financial year	775,601	190,960
Operating (deficit) / surplus for the year	<u>(144,845)</u>	<u>584,641</u>
Total equity at the end of the financial year	<u>630,756</u>	<u>775,601</u>

The above statement of recognised income and expense should be read in conjunction with the accompanying notes.

Great Barrier Reef Foundation
Cash flow statement
For the year ended 31 December 2008

	2008	2007
Notes	\$	\$
Cash flows from operating activities		
Grants and donations received	2,948,650	2,832,509
Employment costs	(743,318)	(550,391)
Grants paid (inclusive of goods and services tax)	(2,502,540)	(532,364)
Payments to suppliers (inclusive of goods and services tax)	(653,393)	(389,776)
Interest received	<u>68,974</u>	<u>36,603</u>
Net cash (outflow) inflow from operating activities	21 <u>(881,627)</u>	<u>1,396,581</u>
Cash flows from investing activities		
Payments for property, plant and equipment (exclusive of goods and services tax)	(7,009)	(37,282)
Term deposit held as security for bank guarantee	<u>-</u>	<u>(22,800)</u>
Net cash (outflow) inflow from investing activities	<u>(7,009)</u>	<u>(60,082)</u>
Cash flows from financing activities		
Payments for other financial assets	<u>(29,667)</u>	<u>(11,870)</u>
Net cash inflow (outflow) from financing activities	<u>(29,667)</u>	<u>(11,870)</u>
Net increase (decrease) in cash and cash equivalents	(918,303)	1,324,629
Cash and cash equivalents at the beginning of the financial year	<u>1,472,881</u>	<u>148,252</u>
Cash and cash equivalents at end of year	5 <u>554,578</u>	<u>1,472,881</u>

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

Contents of the notes to the financial statements

		Page
1	Summary of significant accounting policies	17
2	Financial risk management	19
3	Revenue	21
4	Expenses	21
5	Current assets - Cash and cash equivalents	21
6	Assets subject to a Restriction	22
7	Current assets - Trade and other receivables	22
8	Current assets - Other current assets	23
9	Non-current assets - Loans and receivables	23
10	Non-current assets - Property, plant and equipment	23
11	Non-current assets - Intangible assets	24
12	Current liabilities - Trade and other payables	24
13	Current liabilities - Borrowings	24
14	Current liabilities - Provisions	25
15	Non-current liabilities - Borrowings	25
16	Contributed equity	25
17	Funds	25
18	Key management personnel disclosures	26
19	Remuneration of auditors	27
20	Commitments	27
21	Reconciliation of operating surplus after income tax to net cash inflow from operating activities	29
22	Non-cash investing and financing activities	29

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 Accounting Standards and Interpretations, the Corporations Act 2001, and complies with other requirements of the law.

Historical cost convention

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

(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) Income tax

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

(e) 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 10). 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 20). 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 where the Foundation is a lessor is recognised in income on a straight-line basis over the lease term.

(f) 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.

1 Summary of significant accounting policies (continued)

(g) 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 balance sheet.

(h) 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.

(i) 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.

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
- Leasehold improvements	40 years

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

(j) 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.

(k) 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.

(l) 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 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.

(ii) Long service leave

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 2008, 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.

1 Summary of significant accounting policies (continued)

(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.

(m) New accounting standards and interpretations

At the date of authorisation of the annual report, the Standards and Interpretations listed below were in issue but not yet effective.

Initial application of the following Standards and Interpretations is not expected to have any material impact on the financial report of the company:

(i) *AASB 101 Presentation of Financial Statements (revised September 2007)*
Effective for annual reporting periods beginning on or after 1 January 2009.

(ii) *AASB 123 Borrowing Costs (revised)*
Effective for annual reporting periods beginning on or after 1 January 2009.

(iii) *AASB 2008-2 Amendments to Australian Accounting Standards - Puttable Financial Instruments and Obligations arising on Liquidation*
Effective for annual reporting periods beginning on or after 1 January 2009.

(n) 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.

(o) Prior period adjustment

Expenditure on science investments was overstated in the income statement for the year ended 31 December 2007 by \$120,000. A liability was taken up in the prior year although there was no present legal obligation to recognise this liability. This had the effect of overstating grants payable by \$132,000, trade and other receivables by \$12,000 and understating the restricted fund reserve and operating surplus by \$120,000. The affected financial statement line items for the prior year have been restated.

2 Financial risk management

The Foundations's financial instruments comprise of cash and cash equivalents, term deposits, credit cards, chattel mortgages and finance lease liabilities. In addition the Foundation has various financial assets and liabilities including amounts receivable from donors and other contributors and amounts payable to trade and other creditors.

The main risks arising from the Foundation's financial instruments are market risk, credit risk and liquidity risk. The Foundation does not hold financial instruments denominated in foreign currencies and does not use derivative instruments to manage risks associated with its financial instruments.

The Foundation's policies for managing each of these risks are summarised below. The policies are subject to Board approval and are reviewed regularly.

2 Financial risk management (continued)

The Foundation holds the following financial instruments:

	2008 \$	2007 \$
Financial assets		
Cash and cash equivalents	554,578	1,472,881
Trade and other receivables	157,222	99,591
Loans and receivables	22,800	22,800
Other financial assets	<u>13,529</u>	<u>11,836</u>
	<u>748,129</u>	<u>1,607,108</u>
Financial liabilities		
Trade and other payable	85,259	793,401
Borrowings	<u>48,807</u>	<u>65,732</u>
	<u>134,066</u>	<u>859,133</u>

(a) Market risk

(i) Foreign exchange risk

The Foundation does not have any exposure to movements in foreign exchange rates that would affect the fair value of future cash flows.

(ii) Price risk

The Foundation does not have any exposure to price risk.

(iii) Interest rate risk

The Foundation's financial instruments will not vary with changes in market interest rates. Changes in market interest rates are not expected to have a material impact on the Foundation's future cash flows.

(b) Credit risk

The Foundation's credit risk is minimised by the Foundation having adopted a policy of dealing with only credit worthy individuals and entities. Receivable balances are monitored on a monthly basis to identify any potential delinquencies and if any delinquencies exist, the Foundation will actively move to mitigate this credit risk. Through adoption of this policy, the Foundation believes it will successfully mitigate any material credit risk.

(c) Liquidity risk

The Foundation has adopted a rigorous policy of monitoring and forecasting projected cash inflows and outflows. Given the economic uncertainty existing at balance date, the current policy will remain under continuous review and will be further enhanced if required. Sensitivity analysis and stress testing is used to identify any potential liquidity risk in advance. The Foundation believes this policy coupled with the advice of its independent panel of advisors is sufficient to ensure any material liquidity risk is mitigated.

3 Revenue

	2008 \$	2007 \$
Donation and memberships - Chairman's Panel	510,000	405,000
Donations - Other	237,572	70,255
Government contributions	70,000	70,000
Grant received	1,214,040	986,016
Project overheads received	145,702	94,300
Interest income	64,217	44,809
Other revenue	4,762	25,918
Research partner contributions	210,000	100,000
Royalties - Cause Related Marketing	47,930	43,701
Sub lease rental income	51,360	10,393
ZooX™ funds received	301,176	832,719
	<u>2,856,759</u>	<u>2,683,111</u>

4 Expenses

	2008 \$	2007 \$
Profit before income tax includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	<u>22,920</u>	<u>13,532</u>
Total depreciation	<u>22,920</u>	<u>13,532</u>
<i>Finance costs - net</i>		
Interest and finance charges paid/payable	<u>10,515</u>	<u>4,355</u>
Finance costs expensed	<u>10,515</u>	<u>4,355</u>
<i>Rental expense relating to operating leases</i>		
Rent expense	<u>140,240</u>	<u>46,365</u>
Total rental expense relating to operating leases	<u>140,240</u>	<u>46,365</u>

5 Current assets - Cash and cash equivalents

	2008 \$	2007 \$
Operating account	86,338	106,506
Public fund account	366,781	333,368
Project account	<u>101,459</u>	<u>1,033,007</u>
	<u>554,578</u>	<u>1,472,881</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

5 Current assets - Cash and cash equivalents (continued)

- 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.

6 Assets subject to a Restriction

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. As a result the Board and management consider the following cash assets to be restricted for application towards future research projects:

	2008 \$	2007 \$
Committed Project partnership grants recognised as liabilities	-	754,618
Committed ZooX™ project funds recognised as liabilities	35,508	-
Committed ZooX™ project funds not recognised as liabilities	417,436	528,000
Uncommitted ZooX™ project funds not recognised as liabilities	-	96,458
Less Goods and Service Tax (GST) recoverable	<u>(38,222)</u>	<u>(116,602)</u>
Total restricted funds	<u>414,722</u>	<u>1,262,474</u>

7 Current assets - Trade and other receivables

	2008 \$	2007 \$
Donations and royalties receivable	99,696	63,922
Interest receivable	3,449	8,206
Other receivables	8,000	8,972
Goods and services tax (GST) receivable	<u>46,077</u>	<u>18,491</u>
	<u>157,222</u>	<u>99,591</u>

(a) Past due but not impaired

As of 31 December 2008, trade receivables of \$38,500 (2007 - \$11,440) were past due but not impaired. These relate to a number of independent donors for whom there is no recent history of default. The ageing analysis of these trade receivables is as follows:

	2008 \$	2007
Up to 3 months	23,250	2,750
3 to 6 months	<u>15,250</u>	<u>8,690</u>
	<u>38,500</u>	<u>11,440</u>

8 Current assets - Other current assets

	2008 \$	2007 \$
Deposits paid	13,529	11,836
Prepayments	<u>15,034</u>	<u>2,726</u>
	<u>28,563</u>	<u>14,562</u>

9 Non-current assets - Loans and receivables

	2008 \$	2007 \$
Term deposit - held as security for bank guarantee	<u>22,800</u>	<u>22,800</u>

This term deposit is held as security for a bank guarantee over the lease of the head office premises.

10 Non-current assets - Property, plant and equipment

	Plant and equipment \$	Leased plant & equipment \$	Total \$
At 1 January 2007			
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>
Year ended 31 December 2007			
Opening net book amount	11,067	22,938	34,005
Additions	87,187	-	87,187
Depreciation charge	<u>(9,269)</u>	<u>(4,263)</u>	<u>(13,532)</u>
Closing net book amount	<u>88,985</u>	<u>18,675</u>	<u>107,660</u>
At 31 December 2007			
Cost	119,041	35,498	154,539
Accumulated depreciation	<u>(30,056)</u>	<u>(16,823)</u>	<u>(46,879)</u>
Net book amount	<u>88,985</u>	<u>18,675</u>	<u>107,660</u>
	Plant and equipment \$	Leased plant & equipment \$	Total \$
Year ended 31 December 2008			
Opening net book amount	88,985	18,675	107,660
Additions	3,508	-	3,508
Depreciation charge	<u>(19,767)</u>	<u>(3,153)</u>	<u>(22,920)</u>
Closing net book amount	<u>72,726</u>	<u>15,522</u>	<u>88,248</u>
At 31 December 2008			
Cost	122,549	35,498	158,047
Accumulated depreciation	<u>(49,823)</u>	<u>(19,976)</u>	<u>(69,799)</u>
Net book amount	<u>72,726</u>	<u>15,522</u>	<u>88,248</u>

11 Non-current assets - Intangible assets

	Trademarks at cost \$	Total \$
Year ended 31 December 2007		
Opening net book amount	-	-
Additions	2,240	2,240
Closing net book amount	<u>2,240</u>	<u>2,240</u>
At 31 December 2007		
Cost	<u>2,240</u>	<u>2,240</u>
Net book amount	<u>2,240</u>	<u>2,240</u>
	Trademarks at cost \$	Total \$
Year ended 31 December 2008		
Opening net book amount	2,240	2,240
Additions	3,500	3,500
Closing net book amount	<u>5,740</u>	<u>5,740</u>
At 31 December 2008		
Cost	<u>5,740</u>	<u>5,740</u>
Net book amount	<u>5,740</u>	<u>5,740</u>

12 Current liabilities - Trade and other payables

	2008 \$	2007 \$
Account payables	43,290	22,317
Income received in advance	40,258	-
Accrued expenses	1,711	-
Grants payable	-	754,618
Other payables	-	16,466
	<u>85,259</u>	<u>793,401</u>

13 Current liabilities - Borrowings

	2008 \$	2007 \$
Credit card liabilities	10,554	4,648
Lease liabilities (note 20)	3,339	6,867
Chattel mortgage liabilities (note 20)	17,464	15,964
Total secured current borrowings	<u>31,357</u>	<u>27,479</u>
Total current borrowings	<u>31,357</u>	<u>27,479</u>

14 Current liabilities - Provisions

	2008 \$	2007 \$
Provision for employee benefits	<u>92,329</u>	<u>85,000</u>
	<u>92,329</u>	<u>85,000</u>

Employee numbers

The number of full time employees at reporting date was 5 (2007: 4). Because in addition to day-to-day requirements, the Foundation runs initiatives which require additional resources on a regular but not full time basis, 3 part time staff are employed in media and public affairs, science and marketing support roles.

Two contractors are also employed to provide expertise in marketing and specialist program delivery.

While it is expected that all annual leave will be taken in the next 12 months, any leave not taken is expected to be negligible.

15 Non-current liabilities - Borrowings

	2008 \$	2007 \$
Secured		
Lease liabilities (note 20)	-	3,339
Chattel mortgage liabilities (note 20)	<u>17,450</u>	<u>34,914</u>
Total secured non-current borrowings	<u>17,450</u>	<u>38,253</u>
Total non-current borrowings	<u>17,450</u>	<u>38,253</u>

16 Contributed equity

Capital risk management

The Foundation's objectives when managing capital are to safeguard its ability to continue as a going concern, so that it can continue to provide benefits for its stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The Foundation manages its capital principally by limiting the distribution from the retained operating surplus and reserves. The Foundation will maintain sufficient retained operating surplus balances to ensure it can continue as a going concern. It does not put any reliance on its members in achieving its capital management objectives. When appropriate, the Foundation may borrow money to fund the purchase of fixed assets but does not have a policy of borrowing to meet operating costs.

17 Funds

	2008 \$	2007 \$
(a) Reserves		
Restricted ZooX™ Funds reserve	<u>414,722</u>	<u>576,458</u>
	<u>414,722</u>	<u>576,458</u>

17 Funds (continued)

	2008	2007
	\$	\$
Movements in Restricted ZooX™ Funds reserve:		
Balance 1 January	576,458	-
Transfer to retained operating surplus	(360,000)	-
Transfer from retained operating surplus	<u>198,264</u>	<u>576,458</u>
Balance 31 December	<u>414,722</u>	<u>576,458</u>

(b) Retained operating surplus

Movements in retained operating surplus were as follows:

	2008	2007
	\$	\$
Balance 1 January	199,143	190,960
Net operating (deficit) / surplus for the year	(144,845)	584,641
Transfer (to)/from retained operating surplus to Restricted ZooX™ Funds reserve (Note 17(a))	<u>161,736</u>	<u>(576,458)</u>
Balance 31 December	<u>216,034</u>	<u>199,143</u>

18 Key management personnel disclosures

(a) Directors

The following persons were directors of Great Barrier Reef Foundation during the financial year:

(i) Chairman - non-executive

John Michael Schubert

(ii) Executive director

Judith Ann Stewart, Managing Director

(iii) Non-executive directors

Ian Buchanan

Kerry Lee Gardner

Paul Fawcett Greenfield

John Francis Mulcahy

Russell Evan Reichelt

Michael John Roux

Phillip David Strachan

Keith Henry Tuffley

David John Turner

Alastair Walton

Peter Francis Young

18 Key management personnel disclosures (continued)

(b) Key management personnel compensation

	2008 \$	2007 \$
Short-term employee benefits	<u>249,400</u>	<u>225,000</u>

(c)

(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:

	2008 \$	2007 \$
Amounts recognised as revenue		
Grants and donations received	<u>1,777,515</u>	<u>1,339,876</u>
Amounts recognised as expense		
Grants and donations paid	<u>300,000</u>	<u>-</u>

19 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditor of the Foundation, its related practices and non-related audit firms:

Audit services in relation to the 2007 and 2008 financial years are provided on a pro bono basis.

20 Commitments

(a) Capital and other commitments

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

	2008 \$	2007 \$
<i>ZooX™ Fund Projects</i>		
Payable:		
Within one year	471,265	297,000
Later than one year but not later than five years	750,000	99,000
Later than five years	<u>-</u>	<u>-</u>
	<u>1,221,265</u>	<u>396,000</u>
<i>Census of Coral Reefs Project - BHP Billiton</i>		
Payable:		
Within one year	984,040	1,005,444
Later than one year but not later than five years	648,024	1,795,270
Later than five years	<u>-</u>	<u>-</u>
	<u>1,632,064</u>	<u>2,800,714</u>

20 Commitments (continued)

Future Reef Project - Rio Tinto Alcan

Payable:

Within one year	135,000	220,000
Later than one year but not later than five years	-	220,000
Later than five years	-	-
	135,000	440,000
	2008	2007
	\$	\$

Coral Futures Project - Commonwealth Bank of Australia

Payable:

Within one year	-	110,000
Later than one year but not later than five years	-	-
Later than five years	-	-
	-	110,000

The above commitments for *Rio Tinto Alcan - Future Reef Project* and *Commonwealth Bank of Australia (CBA) - Coral Futures Project* and *BHP Billiton (BHPB) Census of Coral Reefs Project* will be matched with grants receivable from Rio Tinto, CBA and BHPB respectively.

	2008	2007
	\$	\$
Commitments in relation to leases contracted for at the reporting date but not recognised as liabilities, payable:		
Within one year	155,282	158,621
Later than one year but not later than five years	80,371	259,217
Later than five years	-	-
	235,653	417,838
Representing:		
Non-cancellable operating leases	235,653	417,838
	235,653	417,838
	2008	2007
	\$	\$

Commitments in relation to finance leases and chattel mortgages are payable as follows:

Within one year	20,803	25,114
Later than one year but not later than five years	17,450	42,079
Later than five years	-	-
Minimum lease payments	38,253	67,193

Representing lease liabilities and chattel mortgages:

Current (note 13)	20,803	25,114
Non-current (note 15)	17,450	42,079
	38,253	67,193

The weighted average interest rate implicit in the leases is 8.4% (2007: 8.4%).

21 Reconciliation of operating surplus after income tax to net cash inflow from operating activities

	2008	2007
	\$	\$
Operating surplus/(deficit) for the year	(144,845)	584,641
Depreciation and amortisation	22,920	13,532
Expenditure incurred on assets financed under lease/hire purchase	6,837	1,877
Change in operating assets and liabilities:		
Decrease (increase) in receivables	(57,631)	58,001
Decrease (increase) in other current assets	(14,001)	(48,942)
Increase (decrease) in payables	(708,142)	750,423
Increase (decrease) in borrowings	5,906	4,526
Increase (decrease) in provisions	7,329	32,523
Net cash (outflow) inflow from operating activities	<u>(881,627)</u>	<u>1,396,581</u>

22 Non-cash investing and financing activities

	2008	2007
	\$	\$
Acquisition of plant and equipment by means of finance leases	<u>-</u>	<u>47,404</u>
	<u>-</u>	<u>47,404</u>

In the directors' opinion:

- (a) the financial statements and notes set out on pages 10 to 29 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 2008 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 Foundation 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

Sydney
Date: 2009

**Independent Audit Report to the Members of
Great Barrier Reef Foundation**