

Annual Financial Report | Year End December 2007
Finding and funding solutions to sustain the Great Barrier Reef



Great Barrier Reef Foundation ABN 82 090 616 443
Annual Report - 31 December 2007

Contents

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

Your Directors present their report on the Company comprising Great Barrier Reef Foundation (the Foundation) for the year ended 31 December 2007.

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

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

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

David Mark Lawson (Company secretary until 22/8/07) (director since 24/2/2004) (resigned 22/8/2007)
JD, MA (Juris) (Oxon), BA

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 (Chairman Audit and Compliance Committee until 13/11/2007) (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

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).

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

Company Secretary

David Mark Lawson resigned as company secretary on 22/8/2007. The Foundation's Chief Financial Officer, Rayne Gillam, was subsequently appointed to this role until 18/1/2008. Judith Ann Stewart was appointed to this role on 18/1/2008.

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 Results and Operations

As a not-for-profit organisation, the Foundation aims to achieve a small operating surplus each financial year and to invest as much as possible directly into coral reef research projects.

The Foundation achieved an operating surplus of \$464,641 (2006: \$130,382) of which \$456,458 (2006: \$nil) is considered by the Board and management as being tied or restricted funds for application towards future research project commitments.

The principal beneficiaries of Foundation funding in 2007 were the University of Queensland, James Cook University, Sydney University and the Australian Museum.

Overview

Established in 1999, the Great Barrier Reef Foundation is Australia's pre-eminent independent fundraiser for coral reef research, providing a "way in" for those in the private sector who share its concerns for the Reef and who wish to invest in projects that address them.

Climate change emerged definitively in 2007 as the most important and imminent threat to the Great Barrier Reef. Recent predictions that global temperatures will rise by at least 2 degrees celcius by 2050, present a future in which corals are likely to become increasingly rare on reef systems.

The Foundation has established a number of initiatives to increase urgently needed private investment in research which will address this and other threats. It works with its partners to develop strategic projects, attracting funding through large scale Project Partnerships and the ZooX™ Fund.

Project Partnerships

The development of flagship Project Partnerships in which corporations invest in discrete science projects and programs has been an important focus for the Foundation since 2004. The Foundation is proud of the milestones reached in 2007.

In August 2007, the Foundation launched a \$3.4 million partnership with BHP Billiton to support coral reef biodiversity research through the CReefs project. CReefs is the coral reef component of the Census of Marine Life, a global ten-year research project aimed at furthering our understanding of marine biodiversity.

Future Reef, the first of the Foundation's project partnerships with Rio Tinto Alcan, entered its third year in 2007. Despite the loss of much of the experiment when fire caused widespread damage to Heron Island Research Station in March 2007, the first significant findings of Future Reef are expected to be published in scientific literature in 2008.

2007 was the Commonwealth Bank's second year of support for the Tropical Marine Network's Coral Futures intensive courses. This program sees 100 undergraduates each year from Sydney, James Cook and Queensland Universities experience learning in the field on three different latitudes on the Reef with an elite cross-university faculty of teachers. The experience and exposure that these intensive field trips offer, for both students and faculty, is unique in Australian tertiary education.

The Foundation has also partnered with BP on a public awareness campaign for the Reef and the ZooX Fund. This is based on an interactive display and live aquarium in a dedicated booth called Reef Zone at its Stapylton Travel Centre on the Brisbane to Gold Coast Highway. This aligns with a larger campaign at the centre for other sustainability initiatives.

The ZooX™ Fund

Launched in February 2007, the ZooX™ Fund provides a way for philanthropists, Trusts and Foundations, companies, their staff and customers, and the general public to act on their concerns about the effects of climate change on the Great Barrier Reef.

In the first instance, the ZooX™ Fund has supported the Risk, Resilience and Response Atlas (the Atlas) – a comprehensive "mapping" of the levels of risk and resilience within the Reef coral network, that not only focuses on the effects of climate change, but also on other risks such as declining water quality.

Researchers and the Great Barrier Reef's managers will use these maps to isolate and compare a range of key indicators for resilience, such as sea surface temperature and water clarity. Information from the Atlas will inform the response plan which will be needed to prioritise those corals and reefs which are most valuable, those which are more resilient and those which have the best chance of survival in a warming world.

The Foundation is partnering with EDS to establish a dedicated and independent data repository for the Atlas. Housed at the Australian Institute of Marine Science, it will make data collected in diverse projects under the Atlas umbrella freely available to all researchers.

The Chairman's Panel

Launched in 2005 as a program to raise untied operational funding for the Foundation, the Chairman's Panel has, in four years, proved to be a highly successful education and engagement program for business leaders keen to know more about environmental impacts on the reef.

It has also developed into a fruitful source of new funding opportunities for the Foundation. Having assembled this prestigious group, and taken it to various sites on the Reef to see the effects of human activity for themselves, we now have a cohort of Panel members well informed about the Reef's particular vulnerabilities. Marrying the issues which threaten the Reef's future with the needs of business to meet a range of stakeholder expectations has shaped the content of the Chairman's Panel program over the last twelve months.

Recruitment for the Chairman's Panel continued throughout 2007 and the Panel now has 29 members. Its new members are:

Geoff Dixon - Chief Executive Officer, Qantas
Kerry Gardner - Director, Great Barrier Reef Foundation
Paul Greenfield AO - Vice Chancellor, University of Queensland
Matthew Grounds - Joint Head of Investment Banking, UBS
Gerry Hueston - President, BP Australia
Michael Ihlein - Chief Executive Officer, Brambles
Tim Jackson - Chief Executive Officer, Booz Allen Hamilton
Nic Lyons - Chief Executive Officer, GPT Group
John Marlay - Chief Executive Officer, Alumina Limited
James Packer - Chairman, Publishing and Broadcasting Limited
Keith Tuffley - Managing Director Investment Banking Division, Goldman Sachs

Philanthropy

The Foundation has begun to cultivate relationships with key members of the national philanthropic sector. In practical terms, the ZooX Fund has made engagement with the philanthropic community more achievable while positioning the Foundation as a grant maker for research in its own right. To mirror this development, a comprehensive strategy for philanthropy was developed in 2007 by Melbourne consultants, Philanthropy Squared.

Philanthropy can act on or drive new initiatives where sometimes government or business can or will not. Appreciating this distinction, the Foundation is keen to work with and as part of Australia's growing philanthropic community.

Government

The Australian Government has, for the third year, made a \$70,000 grant to the Foundation to assist it in defraying its operating costs. The Foundation is grateful for this continuing recognition and support and looks forward to engaging with the new Australian Government. The Foundation is determined to keep government informed on its progress and achievements and towards this end the Board hosted a cocktail function at Parliament House Canberra in March 2008 to meet the Minister for Environment, Heritage and the Arts, Mr Peter Garrett AM MP and other key parliamentary figures.

Australia's Scientific Community

The Great Barrier Reef Foundation wishes to acknowledge the enormous contribution of Australia's scientific community to public good research on the Great Barrier Reef in general and to the achievement of the Foundation's objectives in particular. Without their expertise and dedication it would be impossible for the Foundation to achieve its mission. The Foundation looks forward to a continuing close and productive relationship with the sector.

ISAC: the Foundation and Science on the Reef

There is no question that it is science that positions GBRF in relation to business, government and philanthropy; direct access to the latest science is a key capability of the Foundation, and must continue to be. The Foundation's purpose is to raise funds from private sources to fund scientific research into the threats to the Reef, so that it can be best managed. Equally, the Foundation needs the support of the institutions to deliver on those investments. Their cooperation and involvement in the long term is critical to both its brokering and delivery capability.

Since its establishment in 1999, the Foundation has had an International Scientific Advisory Committee (ISAC). ISAC's primary purpose has been to provide advice to the Board and management of the Foundation. It links the Foundation to key Reef institutions and gives it access to those with responsibility for setting the research agenda for the sector. A third important attribute of ISAC is the credibility it gives the Foundation as it prospectus for investments, ensuring that they are directed to the highest priority projects on the Reef.

2007 saw the Foundation re - evaluate how it works with the science sector. This has been driven by the threat that climate change presents to the Reef, the opportunities which 2008's designation as International Year of the Reef (IYOR) present and the recent appointment of Foundation director and ISAC Chair, Dr Russell Reichelt, as the Executive Chairman of Great Barrier Reef Marine Park Authority (GBRMPA).

In his ISAC capacity, Dr Reichelt generously shared with the Foundation his encyclopedic understanding of life on the Reef - the managers, policy, the research sector, projects past, present and future and Reef science issues. Dr Reichelt resigned as Chairman of the ISAC in November 2007 but will remain on the Committee and the Foundation's Board of Directors, bringing valuable perspectives to both from his new role.

The Foundation welcomes a new ISAC Chairman, Professor Paul Greenfield AO, who has recently taken up his appointment as Vice Chancellor of the University of Queensland. Professor Greenfield has also become a Director of the Foundation.

Meeting the challenges of growth

As the Foundation's opportunities have multiplied, so too have its internal resourcing needs. Working closely with pro bono strategy consultants, Booz Allen Hamilton, first steps towards resolving these needs were taken early in 2007 with the expansion of the Foundation's full time staff from two to four. Six regular consultants also provided support to management. Recruitment of additional staff was a priority for the Foundation throughout 2007.

To accommodate a growing team under one roof, the Foundation relocated in October from its small city office to larger premises at Newstead, three kilometres from the Brisbane CBD.

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 Allen Hamilton (Consulting)
Commonwealth Bank of Australia (Banking Services)
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 in the best of hands, adding immeasurably to its reputation and credibility.

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. Both the Board and Audit Committee of the Foundation have spent time in the last twelve months working with its pro bono accountants, PricewaterhouseCoopers, to analyse industry benchmarks and test the Foundation's performance against them.

To evidence this commitment to best practice, the Foundation has already implemented three ways to source operating overheads from outside project fundraising:

1. The Chairman's Panel: Member subscriptions to the Panel program are dedicated to meeting the operating costs of the Foundation. The program was designed with this objective in mind;
2. At least 85% of all funds that go into the ZooX Fund go directly to projects: Government guidelines for the Fund specifically allow the Foundation to deduct up to 15% of monies raised to meet the overhead component of fundraising;
3. 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.

By doing this, the Foundation has maximised the proportion of donors' funds actually reaching the Reef.

Background

In analysing the cost of fundraising of a NFP, there are two commonly accepted measures: The Proportion of Project Expenditure to Total Expenditure 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. The Cost of Fundraising Ratio measures the efficiency of funds used to raise each dollar of revenue received.

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'.

For the year ended 31 December 2007, the Foundation invested 59 cents in each dollar raised into coral reef research projects. When taken with commitments not yet contracted, this figure rises to 66 cents in each dollar. The Fundraising Institute of Australia's code of conduct recommends that project costs of between 65% and 75% would be regarded as acceptable.

Meanwhile, the Cost of Fundraising Ratio improved to 34% in 2007 from 43% in the previous year.

The ratios are also directly influenced by the following more general factors:

- The age of the Foundation – fundraising costs are generally less for longer established organisations with high public recognition and established long term donor relations and bequests. GBRF was established only in 1999, significantly restructured in 2005 and has invested in strategic planning initiatives to streamline its direction and operations over the last 2-3 years. As a result, relative fundraising and administration costs can be expected to reduce over time as the Foundation grows;
- The type of activity or field in which the organisation operates has a direct cost impact:- costs are higher for organisations involved in advocacy, public safety and environmental issues;
- Significant educational and public awareness components add to costs; there has been a significant shift in public knowledge about climate change as a threat to the Reef only over the last twelve months;
- The proportion of income received from recurring sources also reduces the costs of fundraising – the Foundation's progress in securing income streams in the last 2-3 years from the Hayman Reef levy, the Chairman's Panel program and other similar initiatives will yield cost benefits as they mature further;
- It is well recognised that larger organisations can take advantage of economies of scale. The Foundation has a considerable way to go before it can realise these economies;
- Activities designed to attract the 'commercial' dollar are generally high cost, low return whilst those seeking 'charitable' or 'gift' dollar are generally low cost, high return. Until 2007, the Foundation focused its fundraising revenue streams solely on corporate partnerships. The Foundation's new plan to shift its fundraising focus to the ZooX Fund was one way of achieving efficiencies of scale.

The comparison of ratios over time will give an ever improving indication of the Foundation's lifecycle, growth and progress. The Foundation's Board is committed to bringing the cost of fundraising below industry best practice so that all donors are assured that monies raised are worked as hard as possible in the interests of the Reef.

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

Having become the principal focus of the Foundation's fundraising efforts, climate change is likely to continue to be so for the foreseeable future. This should generate significant funding opportunities for the ZooX Fund and the projects it supports. The Project Partnership platform will continue to be available for larger investors.

2008 has been designated the International Year of the Reef (IYOR), acknowledging a decade of science and research since the first mass bleaching event was experienced in 1998 across the world's coral reefs. IYOR will provide important context for new initiatives designed to attract resources into climate based research on the Reef.

To meet these opportunities and manage the growing portfolio of relationships on which they rely, the Foundation will continue to actively recruit for full and part time staff in 2008. The Foundation will offer an employee engagement program to its corporate partners in 2008 linked directly to project investments in the ZooX™ Fund and Project Partnerships. The new ISAC structure will be an obvious complement to the broader grant-making mandate of ZooX. The Foundation is committed to funding the highest priority, and most important projects on the Reef; the crystallisation of a prospectus of these projects for investors will be an immediate priority for the ISAC.

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	3	4		
Paul Greenfield Fawcett (director since 21/12/07)	0	0		
Isaac Alexander Fletcher (alternate for Keith Henry Tuffley) (director since 1/7/07)			2	2
Kerry Lee Gardner	4	4		
Clayton Neil Herbert (alternate for John Francis Mulcahy)			4	4
David Mark Lawson (director until 22/8/07)	3	3		
John Francis Mulcahy	1	4		
Russell Evan Reichelt	4	4		
Michael John Roux	1	4		
Judith Ann Stewart (Managing Director)	4	4		
Phillip David Strachan	3	4	3	3
Keith Henry Tuffley	2	4		
David John Turner (director since 28/7/07)	2	2	1	1
Alastair Walton	0	4		
Peter Francis Young	2	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 \$2,331 (2006: \$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 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.

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 4 (2006: 2). To meet opportunities over the last twelve months, they have been assisted by six contractors who worked on a regular but part time basis at the Foundation in the areas of marketing, media and public affairs, project management, event management and research.

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 2007 the number of members was 53 (2006: 42).

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 as it is the principal place of its operations:

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

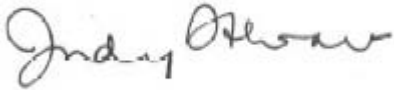
Commonwealth Regulation

Environmental organisations, including the Foundation are required to comply with the requirements of the Commonwealth Department of Environment, Water, Heritage and the Australian Taxation Office in order to remain on the Register of Environmental Organisations (REO). This register lists environmental organisations 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 directors.



John Michael Schubert
Chairman



Judith Ann Stewart
Managing Director

Sydney
Date: 23 April 2008

The Board of Directors
Great Barrier Reef Foundation
Level 20, 307 Queen Street
BRISBANE QLD 4000

23 April 2008

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 2007, 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



Matthew Sheerin
Partner
Chartered Accountants

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. Non-executive Directors serve in an honorary capacity and do not receive remuneration for their role. However, out-of-pocket expenses may be paid for travel, accommodation and communications to enable them to fulfil their duties. 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; philanthropic.

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

- review the accounts and assist in development of annual budgets and long-term projections
- provide strategic financial advice and support to management
- advise 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 his/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 key policies and 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 2007

Contents

	Page
Financial report	
Income statement	12
Balance sheet	13
Statement of changes in equity	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 QLD 4006.

Great Barrier Reef Foundation
Income statement
For the year ended 31 December 2007

	Notes	2007 \$	2006 \$
Revenue	3	2,683,111	1,142,731
Grants, project development and management expenses		(1,133,906)	(370,000)
Employee benefits expense and subcontractor expenses		(582,913)	(341,982)
ZooX™ Fund start up expenses		(164,536)	-
Occupancy and office administration expenses		(124,743)	(71,430)
Marketing and promotional expenses		(120,530)	(114,041)
Travel and meeting expenses		(73,955)	(100,013)
Depreciation and amortisation expense	4	(13,532)	(9,722)
Finance costs	4	(4,355)	(2,704)
Loss on disposal of fixed assets	4	-	(2,457)
Operating surplus/(loss) before income tax		464,641	130,382
Income tax expense		-	-
Operating surplus attributable to members of Great Barrier Reef Foundation		464,641	130,382

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

Great Barrier Reef Foundation
Balance sheet
As at 31 December 2007

	Notes	2007 \$	2006 \$
ASSETS			
Current assets			
Cash and cash equivalents	5	1,472,881	148,252
Receivables	7	111,591	105,011
Other current assets	8	<u>14,562</u>	<u>18,202</u>
Total current assets		<u>1,599,034</u>	<u>271,465</u>
Non-current assets			
Property, plant and equipment	10	107,660	34,005
Intangible assets	11	2,240	-
Receivables	9	<u>22,800</u>	-
Total non-current assets		<u>132,700</u>	<u>34,005</u>
Total assets		<u>1,731,734</u>	<u>305,470</u>
LIABILITIES			
Current liabilities			
Payables	12	925,401	35,455
Interest bearing liabilities	13	27,479	8,849
Provisions	14	<u>85,000</u>	<u>60,000</u>
		<u>1,037,880</u>	<u>104,304</u>
Total current liabilities		<u>1,037,880</u>	<u>104,304</u>
Non-current liabilities			
Interest bearing liabilities	15	<u>38,253</u>	10,206
Total non-current liabilities		<u>38,253</u>	<u>10,206</u>
Total liabilities		<u>1,076,133</u>	<u>114,510</u>
Net assets		<u>655,601</u>	<u>190,960</u>
FUNDS			
Restricted ZooX™ Fund reserve	16(a)	456,458	-
Retained operating surplus	16(b)	<u>199,143</u>	<u>190,960</u>
Total funds		<u>655,601</u>	<u>190,960</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 2007

	2007	2006
Notes	\$	\$
Total equity at the beginning of the financial year	190,960	60,578
Operating surplus for the year	<u>464,641</u>	<u>130,382</u>
Total equity at the end of the financial year	<u>655,601</u>	<u>190,960</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 2007

	2007	2006
Notes	\$	\$
Cash flows from operating activities		
Grants and donations received	2,832,509	1,038,098
Employment costs	(550,391)	(339,557)
Grants paid (inclusive of goods and services tax)	(532,364)	(370,000)
Payments to suppliers (inclusive of goods and services tax)	(389,776)	(314,653)
Interest received	<u>36,603</u>	<u>10,167</u>
Net cash (outflow) inflow from operating activities	20 <u>1,396,581</u>	<u>24,055</u>
Cash flows from investing activities		
Payments for property, plant and equipment (exclusive of goods and services tax)	(37,282)	(7,465)
Term deposit held as security for bank guarantee	(22,800)	-
Payments for other financial assets	<u>(11,870)</u>	<u>-</u>
Net cash (outflow) inflow from investing activities	<u>(71,952)</u>	<u>(7,465)</u>
Net increase (decrease) in cash and cash equivalents		
	1,324,629	16,590
Cash and cash equivalents at the beginning of the financial year	<u>148,252</u>	<u>131,662</u>
Cash and cash equivalents at end of year	5 <u>1,472,881</u>	<u>148,252</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	20
4	Expenses	20
5	Current assets - Cash and cash equivalents	21
6	Assets subject to a Restriction	21
7	Current assets - Receivables	21
8	Current assets - Other current assets	22
9	Non-current assets - Loans and receivables	22
10	Non-current assets - Property, plant and equipment	23
11	Non-current assets - Intangible assets	23
12	Current liabilities - Payables	24
13	Current liabilities - Interest bearing liabilities	24
14	Current liabilities - Provisions	24
15	Non-current liabilities - Interest bearing liabilities	24
16	Funds	25
17	Key management personnel disclosures	26
18	Remuneration of auditors	27
19	Commitments	27
20	Reconciliation of operating surplus after income tax to net cash inflow from operating activities	29
21	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 Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

Compliance with IFRS

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 (IFRS).

Historical cost convention

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

No new AIFRS accounting standards, which have been released during the year, have affected the disclosures of the Foundation.

(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 and corporate grants*

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

(iii) *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 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 not transferred to the Foundation as lessee are classified as operating leases (note 19). 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.

1 Summary of significant accounting policies (continued)

(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.

(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.

(h) 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.

- 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.

(i) 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.

(j) 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.

(k) 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.

(l) 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 Financial risk management

The Foundation'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 interest rate risk, liquidity risk, credit risk and market price 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.

(a) Financial risk management – objectives and policies

Interest rate risk

The Foundation is exposed to interest rate fluctuations on its cash at bank and cash on deposit and on fixed interest securities included in its term deposit. The Foundation actively monitors interest rates for cash at bank and on deposit to maximise interest income. The Foundation accepts the risk in relation to fixed interest securities as they are held to generate income on surplus funds.

Liquidity risk

The Foundation manages liquidity risk by monitoring forecast cash flows and ensuring that adequate liquid funds are maintained to meet committed operating expenditure and research project milestones as they arise. Due to the nature of the not-for-profit organisations, the Foundation continues to rely on the conversion of uncommitted income sources including donations to meet the Foundation's reasonable operating costs.

Credit risk

The Foundation is exposed to two sources of credit risk – amounts receivable and counterparty risk in respect of funds deposited with bank and other financial institutions.

The majority of amounts receivable are due from Chairman Panel members, businesses that collect donations on our behalf such as the ZooX Reef Levy on Hayman Island and Cause Related Marketing partners. All arrangements to remit donations and royalties are subject to letters of agreements and any amounts outstanding beyond a reasonable period are followed up.

Funds are deposited only with those banks and financial institutions approved by the Board. At the reporting date, the Foundation does not have any material credit risk exposures to any single receivable or group of receivables or any bank or financial institution.

(b) Fair values

Carrying amounts of financial assets and liabilities recorded in the financial statements represent their net fair values, as determined in accordance with the accounting policies disclosed in Note 1 to the financial statements.

(c) Interest rate risk

The carrying amount, by maturity, of the financial instruments exposed to interest rate risk as at reporting date are set out in notes 9 and 15.

3 Revenue

	2007	2006
	\$	\$
Donation and memberships - Chairman's Panel	405,000	267,320
Donations - Other	70,255	53,334
Donations - Reef Levy	87,699	84,526
Government contributions	70,000	95,000
Grant received	986,016	350,000
Grants received - Project overheads	94,300	160,094
Interest income	44,809	10,167
Other revenue	25,918	-
Research partner contributions	100,000	75,000
Royalties - Cause Related Marketing	43,701	47,290
Sub lease rental income	10,393	-
ZooX™ funds received	745,020	-
	2,683,111	1,142,731

4 Expenses

	2007	2006
	\$	\$
Operating surplus includes the following specific expenses:		
<i>Depreciation</i>		
Plant and equipment	13,532	9,722
Total depreciation	13,532	9,722
<i>Finance costs - net</i>		
Interest and finance charges paid/payable	4,355	2,704
Finance costs expensed	4,355	2,704
<i>Rental expense</i>		
Rent expense	46,365	25,404
Total rental expense relating to operating leases	46,365	25,404
<i>Disposal of assets</i>		
Loss on disposal of asset	-	2,457
	-	2,457

5 Current assets - Cash and cash equivalents

	2007	2006
	\$	\$
Operating account	106,506	89,610
Public fund account	333,368	23,987
Project account	1,033,007	34,655
	1,472,881	148,252

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.

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 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:

	2007	2006
	\$	\$
Committed Project partnership grants recognised as liabilities	754,618	-
Committed ZooX™ project funds recognised as liabilities	132,000	-
Committed ZooX™ project funds not recognised as liabilities	396,000	-
Uncommitted ZooX™ project funds not recognised as liabilities	96,458	-
Less Goods and Service Tax (GST) recoverable	(116,602)	-
Total restricted funds	1,262,474	-

7 Current assets - Receivables

	2007	2006
	\$	\$
Development fees receivable	-	66,000
Donations and royalties receivable	63,922	39,011
Interest receivable	8,206	-
Other receivables	8,972	-
Goods and services tax (GST) receivable	30,491	-
	111,591	105,011

8 Current assets - Other current assets

	2007 \$	2006 \$
Deposits paid	11,836	18,202
Prepayments	<u>2,726</u>	<u>-</u>
	<u>14,562</u>	<u>18,202</u>

9 Non-current assets - Loans and receivables

	2007 \$	2006 \$
Term deposit - held as security for bank guarantee	<u>22,800</u>	<u>-</u>

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

(a) Interest rate risk

The Foundation's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following tables.

	Floating interest rate \$	Fixed interest maturing in 1 year or less \$	Non- interest bearing \$	Total \$
2007				
Cash at bank	1,472,881	-	-	1,472,881
Term deposit	-	22,800	-	22,800
Receivables	-	-	111,591	111,591
	<u>1,472,881</u>	<u>22,800</u>	<u>111,591</u>	<u>1,607,272</u>

Weighted average interest rate	<u>6.35%</u>	<u>6.55%</u>	<u>- %</u>
--------------------------------	--------------	--------------	------------

	Floating interest rate \$	Fixed interest maturing in 1 year or less \$	Non- interest bearing \$	Total \$
2006				
Cash at bank	148,252	-	-	148,252
Term deposit	-	-	-	-
Receivables	-	-	105,011	105,011
	<u>148,252</u>	<u>-</u>	<u>105,011</u>	<u>253,263</u>

Weighted average interest rate	<u>0.08%</u>	<u>- %</u>
--------------------------------	--------------	------------

10 Non-current assets - Property, plant and equipment

	Plant and equipment \$	Leased plant & equipment \$	Total \$
At 1 January 2006			
Cost	24,389	41,575	65,964
Accumulated depreciation	(18,044)	(9,201)	(27,245)
Net book amount	<u>6,345</u>	<u>32,374</u>	<u>38,719</u>
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	(2,743)	(6,979)	(9,722)
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	(20,787)	(12,560)	(33,347)
Net book amount	<u>11,067</u>	<u>22,938</u>	<u>34,005</u>
	Plant and equipment \$	Leased plant & equipment \$	Total \$
Year ended 31 December 2007			
Opening net book amount	11,067	22,938	34,005
Additions	87,187	-	87,187
Disposals	-	-	-
Depreciation charge	(9,269)	(4,263)	(13,532)
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	(30,056)	(16,823)	(46,879)
Net book amount	<u>88,985</u>	<u>18,675</u>	<u>107,660</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>

12 Current liabilities - Payables

Notes	2007 \$	2006 \$
Account payables	22,317	23,611
Grants payable	886,618	-
Goods and services tax (GST) payable	-	2,900
Other payables	16,466	8,944
	<u>925,401</u>	<u>35,455</u>

13 Current liabilities - Interest bearing liabilities

	2007 \$	2006 \$
Credit card liabilities	4,648	122
Lease liabilities (note 19)	6,867	8,727
Chattel mortgage liabilities (note 19)	15,964	-
Total secured current interest bearing borrowings	<u>27,479</u>	<u>8,849</u>
 Total current interest bearing borrowings	 <u>27,479</u>	 <u>8,849</u>

14 Current liabilities - Provisions

	2007 \$	2006 \$
Provision for employee benefits	<u>85,000</u>	60,000
	<u>85,000</u>	<u>60,000</u>

Employee numbers

The number of full time employees at reporting date was 4 (2006: 2). However, to help the Foundation to meet the growth opportunities in the business of the Foundation over the last twelve months, the Foundation has been assisted by six 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.

15 Non-current liabilities - Interest bearing liabilities

	2007 \$	2006 \$
Secured		
Lease liabilities (note 19)	3,339	10,206
Chattel mortgage liabilities (note 19)	34,914	-
Total secured non-current interest bearing borrowings	<u>38,253</u>	<u>10,206</u>
 Total non-current interest bearing liabilities	 <u>38,253</u>	 <u>10,206</u>

15 Non-current liabilities - Interest bearing liabilities (continued)

(a) Interest rate risk

The following table sets out the Foundation's exposure to interest rate risk and the effective weighted average interest rate by maturity periods.

2007	Floating interest rate	Fixed interest maturing in 1 year or less	Fixed interest maturing in over 1 to 2 years	Fixed interest maturing in over 2 to 3 years	Non interest bearing	Total
	\$	\$	\$	\$	\$	\$
Payables	-	-	-	-	925,401	925,401
Credit cards	4,648	-	-	-	-	4,648
Lease liabilities	-	6,867	3,339	-	-	10,206
Chattel mortgage liabilities	-	15,964	17,464	17,450	-	50,878
	<u>4,648</u>	<u>22,831</u>	<u>20,803</u>	<u>17,450</u>	<u>925,401</u>	<u>991,133</u>
Weighted average interest rate	13.99%	7.96%	8.46%	9.02%	-	%

2006	Floating interest rate	Fixed interest maturing in 1 year or less	Fixed interest maturing in over 1 to 2 years	Fixed interest maturing in over 2 to 3 years	Non interest bearing	Total
	\$	\$	\$	\$	\$	\$
Payables	-	-	-	-	35,455	35,455
Credit cards	122	-	-	-	-	122
Lease liabilities	-	8,727	6,867	3,339	-	18,933
Chattel mortgage liabilities	-	-	-	-	-	-
	<u>122</u>	<u>8,727</u>	<u>6,867</u>	<u>3,339</u>	<u>35,455</u>	<u>54,510</u>
Weighted average interest rate	13.99%	5.50%	5.50%	5.50%	-	%

16 Funds

	2007	2006
	\$	\$
(a) Reserves		
Restricted ZooX™ Funds reserve	<u>456,458</u>	-
	<u>456,458</u>	-

16 Funds (continued)

	2007	2006
	\$	\$
Movements in Restricted ZooX™ Funds reserve:		
Balance 1 January	-	-
Transfer from retained profits	<u>456,458</u>	<u>-</u>
Balance 31 December	<u>456,458</u>	<u>-</u>

(b) Operating surplus

Movements in operating surplus were as follows:

	2007	2006
	\$	\$
Balance 1 January	190,960	60,578
Net operating surplus for the year	464,641	130,382
Transfer from retained earnings to Restricted ZooX™ Fund reserve	<u>(456,458)</u>	<u>-</u>
Balance 31 December	<u>199,143</u>	<u>190,960</u>

17 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 (appointed 21/12/07)

David Mark Lawson (resigned 22/8/07)

John Francis Mulcahy

Russell Evan Reichelt

Michael John Roux

Phillip David Strachan

Keith Henry Tuffley

David John Turner (appointed 28/7/07)

Peter Francis Young

Alastair Walton

17 Key management personnel disclosures (continued)

(b) Key management personnel compensation

	2007 \$	2006 \$
Short-term employee benefits	225,000	175,000

(c) Other transactions with key management personnel

(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 during the year.

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

	2007 \$	2006 \$
Amounts recognised as revenue		
Grants and donations received	1,339,876	580,524

18 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 2006 and 2007 financial years are provided on a pro bono basis.

19 Commitments

(a) Capital and other commitments

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

	2007 \$	2006 \$
<i>ZooX™ Fund Projects</i>		
Payable:		
Within one year	297,000	-
Later than one year but not later than five years	99,000	-
Later than five years	-	-
	396,000	-
 <i>Census of Coral Reefs Project - BHP Billiton</i>		
Payable:		
Within one year	1,005,444	-
Later than one year but not later than five years	1,795,270	-
Later than five years	-	-
	2,800,714	-

19 Commitments (continued)

Future Reef Project - Rio Tinto Alcan

Payable:

Within one year	220,000	200,000
Later than one year but not later than five years	220,000	400,000
Later than five years	-	-
	440,000	600,000

Coral Futures Project - Commonwealth Bank of Australia

Payable:

Within one year	110,000	100,000
Later than one year but not later than five years	-	100,000
Later than five years	-	-
	110,000	200,000

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.

2007	2006
\$	\$

Commitments in relation to leases on the Foundation premises contracted for at the reporting date but not recognised as liabilities, payable:

Within one year	158,621	39,768
Later than one year but not later than five years	259,217	88,571
Later than five years	-	-
	417,838	128,339

Representing:

Non-cancellable operating leases	417,838	128,339
	417,838	128,339

2007	2006
\$	\$

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

Within one year	25,114	9,184
Later than one year but not later than five years	42,079	10,377
Later than five years	-	-
Minimum lease payments	67,193	19,561

Future finance charges

Recognised as a liability	-	(628)
	67,193	18,933

Representing lease liabilities and chattel mortgages:

Current (note 13)	25,114	8,727
Non-current (note 15)	42,079	10,206
	67,193	18,933

The weighted average interest rate implicit in the leases is 8.4% (2006: 5.5%).

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

	2007	2006
	\$	\$
Operating surplus for the year	464,641	130,382
Depreciation and amortisation	13,532	9,722
Net (gain) loss on sale of non-current assets	-	2,457
Expenditure incurred on assets financed under lease/hire purchase	1,877	-
Decrease (Increase) in receivables	46,001	(94,506)
Decrease (Increase) in other current assets	(48,942)	(15,539)
Increase (decrease) in payables	882,423	2,605
Increase (decrease) in interest bearing liabilities	4,526	(11,065)
Increase (decrease) in provisions	32,523	-
Net cash (outflow) inflow from operating activities	1,396,581	24,056

21 Non-cash investing and financing activities

	2007	2006
	\$	\$
Acquisition of plant and equipment by means of finance leases	47,404	-
	47,404	-

In the directors' opinion:

- (a) the financial statements and notes set out on pages 11 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 2007 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

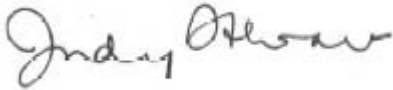
This declaration is made in accordance with a resolution of the directors.

On behalf of the Directors



John Michael Schubert

Chairman



Judith Ann Stewart

Managing Director

Sydney

Date: 23 April .2008

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

Report on the Financial Report

We have audited the accompanying financial report of Great Barrier Reef Foundation, which comprises the balance sheet as at 31 December 2007, and the income statement, cash flow statement and statement of recognised income and expense for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration as set out on pages 10 to 29.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Auditor's Independence Declaration

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

Auditor's Opinion

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

- (a) giving a true and fair view of the company's financial position as at 31 December 2007 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.



DELOITTE TOUCHE TOHMATSU



M G Sheerin
Partner
Chartered Accountants
Brisbane, 23 April 2008