



ANNUAL REPORT 2010



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## CHAIRMAN'S MESSAGE

The Australian Business Foundation, one of the pioneers in the field of innovation research in this country, is embarking on its own process of innovation, organisational reform and regeneration.

The Foundation's Board has committed to a process through 2011 of deep review and wide-ranging change to improve our operations, profile, network and output – the greatest opportunity for renewal in our thirteen-year history.

The Foundation – a small organisation with huge ambitions – has achieved a great deal since inception in 1997. We have built a strong and living network of members, sponsors and participants that encompasses the business, community and policy sectors across Australia and offshore; a significant track record of published research; transparent and robust governance; and a thought-leadership role that owes no small part to our tireless Chief Executive. This Annual Report provides the record of another busy and productive year, and our research pipeline promises future rewards.

As the outgoing Chairman, my pride in what the Foundation has achieved is accompanied by a real awareness that we still face a significant challenge to put ourselves on a sustainable footing for the long-term. As your directors have discussed around the Board table in numerous strategy sessions, this requires a business model that delivers quality revenue streams beyond our investment portfolio, while preparing for leadership succession whenever it occurs, and while also continuing to focus on our core mission of producing and disseminating leading-edge research.

This is the essence of the 2011 strategy plan agreed by the Board recently, with several lines of action.

First, the Chief Executive is to undertake a review of the Foundation's most distinctive asset, its accumulated knowledge, to distil, synthesise and refresh its principal insights and applications. This will ensure its currency and accessibility, and allow the Foundation to capitalise on and customise it for discriminating clients. Second, we are recruiting a Deputy CEO for twelve months, to lead a major review and reform process: identifying ways to transform the Foundation's operations for greater reach, revenue and impact.

A third element of the strategy is to revitalise the Foundation's relationship with our principal sponsor, the NSW Business Chamber, to promote the contemporary priorities, needs and



capabilities of both organisations. I acknowledge the Chamber's President Roger Hood and CEO Stephen Cartwright for their constructive input to this initiative.

A further line of action lies with the Foundation's exploration of a new model national innovation research centre. This has been a significant priority for the past year, as reported elsewhere in this Annual Report, and will continue to be a responsibility of the Chief Executive. Our partnerships with a number of Australia's leading innovation researchers have, I believe, never been stronger than they have in this collaborative endeavour. This initiative has potentially far-reaching benefits for Australian national productivity and, in passing, for the Foundation's reputation and commercial viability.

I am delighted to have served as Chairman of the Australian Business Foundation for the last three years. It has been an honour and also a real pleasure to have worked with Board members and Foundation staff, and I thank them all for their robust and focussed commitment to the Foundation. Thanks also to the Chair of the Research Advisory Committee, Professor Mary O'Kane, and her colleagues for their continued strength of purpose. Of the current Foundation directors, Peter Roberts has indicated he will not seek reappointment and I thank him on behalf of the Board for his contribution. I also thank Greg Whiteley for his contribution as one of the representatives of the NSW Business Chamber, and welcome his replacement Tony Dormer who has already made a positive input on our deliberations.

I am delighted that the Board has endorsed Leslie Butterfield as the next Chair of the Foundation and I express my gratitude for the support she has provided me and the Foundation in her years as Deputy Chair. Not least, she has had significant input into the formulation of the Board's strategy for change. I am very confident the Foundation will be in good hands.

Last, I want to express my gratitude and admiration of our Chief Executive, Narelle Kennedy. It has been immensely enjoyable, and an education in itself, to work with her. Narelle has been the mind, the soul, and the beating heart of the Australian Business Foundation and continues to contribute with diligence and insight.

*"Innovation is what happens when new thinking is successfully introduced in and valued by organisations."* As the Australian Business Foundation embarks on this new course of reform and regeneration, those words of scholars Mark Dodgson and David Gann ring true. They go on: *"Innovation is a restless process that brings with it continual uncertainty about success or failure. It can be threatening as well as rewarding."*<sup>1</sup>

The Foundation is a fount of new thinking, well able to handle the restlessness and uncertainty of innovation. Success or failure hangs not on the scale of the challenge but on the quality of the response. I believe the Foundation's response so far – informed as ever by the critical support of our members and stakeholders – makes it more likely that we will succeed not fail in our ambitions.

I look forward once again to seeing you at the Annual General Meeting.

## **Stephen Mills**

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<sup>1</sup> Mark Dodgson and David Gann (2010), *Innovation, A Very Short Introduction*, Oxford University Press. Professor Dodgson of the University of Queensland Business School is of course well known to the Foundation as a long-standing member of our Research Advisory Committee. Professor Gann of Imperial College London was guest speaker at a Foundation function in 2008/09.

## CEO'S MESSAGE

In 2009/10, there is evidence that the Australian Business Foundation has anticipated issues ahead of the curve. Long before a hung Parliament, a minority Government and agreements with rural Independents, the Foundation made 'place-based' issues a research priority.

Research projects were commenced this year on new international approaches to regional and local development and on Australia's future cities. They join earlier Foundation investigations into regional infrastructure, rural e-commerce and Sydney as a global city and centre for multinational firms.



The Foundation provided the vehicle for a visit to Australia of five European regional development specialists who are advisers to the OECD, World Bank, the European Commission and governments around the world. Through a series of private roundtables and briefings with Foundation members, sponsors and other interested policymakers, we provided unrivalled access to experts at the forefront of latest international thinking on regional policy, when this issue is high on the priority list of Australian governments and much of our business community.

As well as seeing further, the Foundation prides itself on delving deeper and making connections between disparate ideas that others don't. Consequently, this year in our research and in the events program, the Foundation has sought to make previously maverick issues mainstream ones.

This has been demonstrated in our Green Economy events series and on new research on innovation and the green economy, with partners from the UTS Institute for Sustainable Futures.

Seeing further and delving deeper is also at the heart of our explorations of future megatrends and prescriptions for Australia's productivity growth, given the challenges to living standards from an aging population and a low-carbon future. Attention to these themes about Australia's resilience has continued with public events featuring Minister for Innovation, Industry, Science and Research Senator Kim Carr, CSIRO Chief Dr Megan Clark and author of *The Sixth Wave*, James Bradfield Moody.

There is excitement about new opportunities for doing more with our principal sponsor, the NSW Business Chamber and their thousands of member companies, and to extend this around Australia through the Australian Chambers Alliance.

Further, the Australian Business Foundation's Board has taken the message of our innovation research to heart and has set out an action plan for change and renewal of our business model. This plan will capitalise on the Foundation's strengths by harnessing past learning and knowledge.

One potentially transformative opportunity being pursued is the Foundation's leadership of a new 'hothouse' model for innovation research where researchers, businesses and policy makers work in tandem to unlock and activate new innovation capabilities for Australia and its enterprises.

Such innovation, even from a position of strength, is unsettling. But the Foundation is seized by both financial and strategic imperatives to create a new sustainable path that updates the original vision for the Foundation.

Against this backdrop of change, the Australian Business Foundation in 2009/10 has delivered:

- ▶ a strong suite of well-framed research projects;
- ▶ continuing partnerships with a world-class network of Australian and international researchers;
- ▶ engagement with a forward-thinking community of interest in a high calibre events program with new angles on unconventional issues; and
- ▶ a track record of thought leadership on current and emerging issues central to Australia's future competitiveness and prosperity.

This record of achievement owes much to a small band of dedicated staff – Melissa Doyle, Clint McGilvray and for part of the reporting year, Phillip Allen. My thanks to them for their perseverance and good humour in the face of the excitement and challenges of work in the Australian Business Foundation.

My appreciation also goes to the Foundation's Directors who have chosen to be bold and pro-active in their efforts to ensure a robust and viable future for the Foundation. In particular, I wish to thank Stephen Mills who as Chairman over the last three years has demonstrated intelligent and far-sighted leadership. Stephen's rare ability to both challenge and encourage has always resulted in better outcomes. I am indebted to him for his support and guidance to me as Chief Executive.

From the achievements of 2009/10, the Australian Business Foundation can look forward to the year ahead as one of innovation and transformation.

**Narelle Kennedy**

## HIGHLIGHTS OF 2009/10

- ▶ Four research projects commenced, selected from diverse and high quality proposals received from a public call to collaborate on research, and rigorously assessed for their potential impact on Australia's competitiveness and prosperity:
  - *New International Thinking on Local and Regional Economic Development* by Professor John Tomaney, University of Newcastle, UK and Monash University.
  - *Green Chrysalis: Innovation Towards Australia's New Economy* led by Professor Stuart White, UTS Institute for Sustainable Futures.
  - *Australia's Future Cities – contributions to economic growth* by George Bougias, Dr Anand Kulkarni and Tim Black.
  - *Trade and Economic Performance: A Preliminary Analysis of Australian Businesses* led by Professor Christopher Findlay, University of Adelaide with the Productivity Commission, ABS, Austrade and South Australian Department of Trade and Economic Development.
  
- ▶ Four research projects completed and published:
  - *Business Model Innovation* by Don Scott-Kemmis of the Australian Centre for Innovation, University of Sydney.
  - Occasional Paper on *Productivity, Creative Destruction and Innovation Policy* by Professor John Foster, University of Queensland Business School.
  - *Northern Sydney's Global Technology Corridor: A Scoping Study of Cluster Development* by Professor Roy Green and Kate Hughes, a joint study with Macquarie Graduate School of Management, UTS and Industry and Investment NSW.
  - *Engaging China – the Realities for Australian Businesses* led by Dr Keith Suter, with China analysis by journalist Catherine Armitage and 25 business case studies by Australian Business International Trade Services.
  
- ▶ More than 300 participants engaged in Foundation events distinguished by the quality of the debate from highly literate audiences, making sense of 'over the horizon' business and societal issues and understanding their immediate impact and the need for practical responses. Highlights included:
  - the launch of the Foundation's 'Green Economy' series with presentations by two leading Australian authorities on climate change and business sustainability, Nick Palousis, Partner of the Shaper Group and Michael Molitor, MD of Carbonshift.
  - access to sought-after international experts, Federal Ministers and Australian business leaders in small select gatherings that allow confidential discussions and robust debate.
  
- ▶ The Foundation hosted five international experts on local and regional economic development at a series of events including a joint symposium with Monash University and private briefings for the Foundation's principal sponsor, the NSW Business Chamber and corporate member, Industry & Investment NSW.

These experts were:

- Professor John Tomaney, University of Newcastle, UK and Monash University;
- Professor Andrés Rodríguez-Pose, London School of Economics;
- Dr Ronald Hall, Directorate-General for Regional Policy, European Commission, Brussels;
- Andrew Lewis, Director, The Northern Way, Newcastle upon Tyne, UK;
- Professor Philip McCann, University of Groningen, Netherlands.

- ▶ The Foundation welcomed Telstra and the South Australian Department of Trade and Economic Development as the latest corporate members to join the Foundation.
- ▶ The Foundation pioneered a new collaborative model to undertake leading-edge national innovation research with university partners linked to international scholars and businesses and aimed at activating new innovation capabilities for Australia.
- ▶ The Foundation awarded its first Research Fellowship, in partnership with the Aurora Foundation, to Dr Marcus Foth of Queensland University of Technology exploring innovation and cultural industries.

## WHO IS THE AUSTRALIAN BUSINESS FOUNDATION

The Australian Business Foundation: researcher, futurist, activist, thought leader and intelligence source.

The Australian Business Foundation is a unique business-sponsored collaborative research body at the centre of a vibrant community involving Australian and international scholars, policymakers, opinion-leaders and business executives.

Established as a non-profit company limited by guarantee with an independent Board of Directors, staffing and finances, the Australian Business Foundation has for over a decade nurtured evidence-based research into business innovation and sustainability, emerging models of business competitiveness, and opportunities arising from a knowledge economy.

The Australian Business Foundation is funded and backed by the business sector and as such has been a sometimes lone player in the developing field of innovation research. The Foundation undertakes its research in partnership with expert scholars and practitioners both nationally and internationally.

The Foundation's pioneering research role has been matched by its ability to bridge the gap between research and those in public policy and at the business coal face who strive to build Australia's capabilities and global competitiveness.

## *BOARD, STAFF AND COMMITTEES*

The Board of the Australian Business Foundation meets quarterly, in March, June, September and November and is chaired by Mr Stephen Mills. The Board members are:

Ms Leslie Butterfield	Mr Stephen Mills
Professor Trevor Cairney	Professor Mary O’Kane
Mr Stephen Cartwright	Ms Janine Ricketts
Mr Tony Dormer	Mr Peter Roberts
Ms Narelle Kennedy	Mr Frank Wyatt
Mr David Malloch	

Mr Mills retires at the 2010 Annual General Meeting after three years as Chair, and the Board has nominated Ms Leslie Butterfield as the next Chair of the Foundation.

The work of the Australian Business Foundation is supported by four Committees :

### ***Research Advisory Committee***

Professor Mary O’Kane (Chairman), Richard Bawden AM PhD, Professor Mark Dodgson, Mr Tim Harcourt, Dr Matthew Steen, Dr Lyndal Thorburn.

Acknowledgement and appreciation goes to Dr Ron Watts who served on the Research Advisory Committee until his resignation in March 2010. Subsequent to the reporting period, Professor Richard Bawden tendered his resignation from the Committee. As a result, efforts are underway to identify and approach additional suitably-skilled individuals to serve on the Research Advisory Committee.

### ***Business Development Committee***

Mr Frank Wyatt (Chairman), Ms Leslie Butterfield, Mr Stephen Cartwright, Mr Stephen Mills, Ms Janine Ricketts, Mr Peter Roberts.

### ***Finance and Investment Committee***

Mr Stephen Mills (Chairman), Mr Tony Dormer, Mr David Malloch, Ms Narelle Kennedy.

### ***Audit Committee***

Mr David Malloch (Chairman), Mr Tony Dormer, Ms Narelle Kennedy, Mr Stephen Mills.

### ***Australian Business Foundation staff***

Ms Narelle Kennedy – Chief Executive Officer

Ms Melissa Doyle – Executive Assistant

Mr Clint McGilvray – Manager External Relations

Directors and management extend their thanks for the valuable contribution made by Research Manager, Mr Phillip Allen, who left the organisation in May 2010.

The Foundation is also strongly supported by the skilled team of professionals from the boutique management consultancy company, ThinkEvans Pty Ltd, under the leadership of Carolyn Evans.

## *RECORD OF ACHIEVEMENTS, 2009/10*

The Australian Business Foundation has used the message of its own innovation research to guide its activities in 2009/10.

This was reflected in an 'open source' approach to identifying and sourcing a strong suite of new research projects and expert research partners.

Innovation characterises the level of engagement and the intellectual rigor of the Foundation's events program on transformative issues for Australian business, like the green economy, China's growth, productivity, future megatrends and opportunities for cities and regions.

The Australian Business Foundation has also embraced renewal and change itself by action to make its own operations, finances and business model more viable and self-sustaining.

The details of these achievements in 2009/10 are reported on in the following sections.

## *HIGH CALIBRE RESEARCH*

Last year, the Foundation's Research Advisory Committee led a wide consultation to set strategic research priorities, which culminated in a public Invitation to Collaborate on Research. The aim of this public call was to refresh and add to the Foundation's pipeline of pioneering and distinctive collaborative research, undertaken with an extended community of expert and influential partners.

The public invitation to collaborate on research attracted thirty-five credible and substantial research proposals. The Foundation was pleased to witness the diversity, depth and professionalism of the research proposals received. The Research Advisory Committee engaged in a thorough and rigorous assessment of the proposals against the Foundation's strategic research priorities and criteria for quality research.

As a result, the following four new research proposals were approved, signed off and commenced in 2009/10 for completion in either late 2010 or early 2011.

- ▶ **Local and Regional Economic Development** led by Professor John Tomaney of Monash University and the Centre for Urban and Regional Development Studies, University of Newcastle, Newcastle upon Tyne, UK. This research aims to explore new thinking about local and regional development, what lessons can be learned from the latest international experiences and what strategies can be employed to successfully meet the challenges in the unique Australian context.

- ▶ **Green Chrysalis: Innovation Towards Australia's New Economy** by University of Technology Sydney (UTS) Institute for Sustainable Futures led by Professor Stuart White. Based on business case studies with SMEs, this research is investigating the effects of the low carbon economy on business practices, and whether or not these new practices have resulted in greater innovation, evidenced by new products and services, different ways of organising and managing resources and people or the introduction of new business models.
- ▶ **Australia's Future Cities** by George Bougias, Charter Keck Cramer, Dr Anand Kulkarni and Tim Black, BKK Architects. This study is exploring the contribution of cities to economic growth, quality of life and prosperity in Australia with a view to offering insights into future policy priorities and ways of thinking for business.
- ▶ **Trade and Economic Performance: A Preliminary Analysis of Australian Businesses** is a collaborative research project led by Professor Christopher Findlay of University of Adelaide with the Productivity Commission, Austrade, the Australian Bureau of Statistics, Department of Trade and Economic Development SA and the Australian Business Foundation. This study will examine the latest ABS data on characteristics of Australian businesses to understand the connections between international trade and business performance, particularly innovative business practices.

These new projects added to four existing research projects already underway or nearing completion in the 2010 year. These were:

- ▶ **Business Model Innovation** by Don Scott-Kemmis at the Australian Centre for Innovation, University of Sydney is examining the characteristics of business model innovation in Australia through distinctive Australian business case studies.
- ▶ **Occasional Paper on Productivity, Creative Destruction and Innovation Policy** by John Foster, Professor of Economics at the University of Queensland and President-elect of the International J.A Schumpeter Society. This thought-provoking study examines alternative approaches to innovation policy and makes the case for crafting the environment within which productivity gains through innovation can flourish.
- ▶ **Northern Sydney's Global Technology Corridor: A Scoping Study of Cluster Development** by Professor Roy Green and Kate Hughes. This study was undertaken by Macquarie Graduate School of Management, University of Technology Sydney and specialist consultancy Bugseye, in collaboration with NSW Industry and Investment and the Australian Business Foundation. It questions when a simple co-location of industries transforms into a dynamic regional industry cluster. It assesses the case of the Northern Sydney Technology Corridor stretching from North Sydney to Macquarie Park and across to Pennant Hills.
- ▶ **Engaging China – The Realities for Australian Businesses** led by international relations expert Keith Suter, with a background analysis by journalist Catherine Armitage and 25 business case studies by Australian Business International Trade Services. It pointed to success in China by mastering the art of relationships and cultural differences, an agile and distinctive business strategy and management and operational proficiency to secure a return from China's scale and demand.

A total of \$146,795 was committed to fund these new and continuing research projects, spanning 2009/10 and 2010/11, with payments made when project milestones are achieved.

The Foundation operates a separate Research Fund Account, which contains all gifts to the Foundation for which tax deductibility is sought. The only payment made from this Account in 2009/10 was for John Foster's Occasional Paper *Productivity, Creative Destruction and Innovation Policy*.

In addition to direct spending on research projects, the Foundation commits staff and consultancy resources dedicated to the framing, design and management and dissemination of research projects and other operational expenses.

In total, in 2009/10 the Australian Business Foundation's direct and indirect expenditure on research was \$351,812.

The Australian Business Foundation was delighted this year to award its first Research Fellowship, in partnership with the Aurora Foundation, a not for profit organisation promoting leadership in the library, information and cultural communities. This Fellowship was awarded to Dr Marcus Foth of Queensland University of Technology on Innovation and Cultural Industries. Dr Foth will explore new ground on what is known about the intersection of business innovation and creativity.

Finally, conscious of the need to continually add value to its body of research intelligence, the Foundation proposed a review of its research knowledge, synthesising and connecting findings for fresh insights and identifying gaps where new thinking and perspectives are necessary. The aim is to define the next stage of the Foundation's research agenda, while harnessing and extending the Foundation's knowledge by use and re-use. This initiative has been adopted as part of the Board's strategy action plan for 2011.

## *HIGH IMPACT COMMUNICATIONS*

The Foundation's communications activities in 2009/10 were designed to be mutually-reinforcing for impact with the following goals in mind:

- to add to the Foundation's members, sponsors and wider community of interest;
- to make the Foundation's research intelligence useful for the practical decisions to be made by business and policy leaders;
- to enhance the public profile, awareness and reputation of the Foundation and its research messages.

The main communications initiatives undertaken in 2009/10 for business impact, policy impact or public impact were as follows.

### *Communicating for Business Impact*

The Foundation's events program this year was crafted to show thought leadership linked to practical action with potential to transform businesses and their competitive edge.

- ▶ **Business 2020: Detecting the Early Warning Signals**, a private invitation-only roundtable for business leaders led by futurist, Susan Oliver, the author of the Foundation's report, *The Future Revisited*. This was a working session sharing insights on the emerging high-impact issues likely to affect Australian businesses to 2020.

- ▶ **Sustainability: Driving New Business Opportunities** was a presentation from one of Australia's leading sustainability experts, Nick Palousis, a partner in the Shaper Group. As an expert adviser to the World Economic Forum, Mr Palousis' presentation illustrated how sustainability can drive new business models, create competitive advantage and capture new opportunities for businesses. This was the first in the Green Economy series of Foundation events.
- ▶ **De-carbonising the Australian Economy: A New Wealth Creation Strategy** was also part of the Green Economy series and featured Dr Michael Molitor, founder of CarbonShift. As a Visiting Professorial Fellow at the Climate Change Research Centre at the University of New South Wales, Dr Molitor provided fresh perspectives on how the capital markets can be a profitable solution to the myriad of climate change problems that Governments around the world are failing to solve.
- ▶ **Drivers of Australian Productivity Growth** was an invitation-only presentation in February 2010 by the then Federal Finance and Deregulation Minister, the Hon. Lindsay Tanner MP canvassing issues of business competitiveness, productivity and the Australian political environment. This was against a backdrop of the 2010 Intergenerational Report and the long term challenges for Australia's living standards and incomes.
- ▶ **Rethinking Regions: New strategies for growth and prosperity in Australian regions** showcased five European regional development and specialists led by Professor John Tomaney, who has undertaken a study for the Foundation on new models of regional and local economic development. The Foundation hosted an event in Sydney and co-hosted an event in Melbourne with Monash University where these international advisers to the OECD, World Bank and European Commission shared their insights and research intelligence with Australian businesses, practitioners and policy makers on new global trends in local and regional development.
- ▶ **National Broadband Network - Engineering new Capabilities for Australia** was a joint forum the Foundation conducted with the UTS Faculty of Engineering Industry Advisory Network through Deputy Chair Leslie Butterfield. Moderated by NSW Chief Scientist and Foundation Director Professor Mary O'Kane, it sought to look beyond the technology to the transformation of business models and skills that could be possible through the national broadband network.
- ▶ **Inciting Action from Insightful Research** was the headline for the 2009 Annual Forum which provided an overview of Australian Business Foundation research, moderated by Foundation Director, Peter Roberts.
- ▶ **Business Innovation: What's on the horizon for the Gillard Government?** was a forum for Senator Kim Carr, the Minister for Innovation, Industry, Science and Research to share the new Gillard Government's priorities for innovation policy.
- ▶ **Global Megatrends – driving new connections between science and industry** where CSIRO Chief Dr Megan Clark presented CSIRO's latest analysis of five global megatrends and how business and science can work together to deliver solutions to the challenges of the future.

More than 300 participants engaged in Foundation events that were distinguished by the quality of the debate from highly literate audiences, making sense of 'over the horizon' business and societal issues and understanding their immediate impact.

The Foundation also communicated its research for impact on business audiences through presentations, briefings and participation as an external adviser.

In 2009/10, these activities included:

- ▶ Presentation by Professor Roy Green, hosted by MGSM, on the Northern Sydney Global Technology Corridor Clustering study, in which the Foundation was a partner.
- ▶ Showcasing the *Engaging China* project to business audiences organised through the NSW Business Chamber and the International Managers Organisation.
- ▶ Participation in an expert panel on innovation research for the United States Studies Centre.
- ▶ Participation in a Futures Thinking workshop for the Australian Institute of Company Directors and in a Design Forum for the Australian International Design Awards.
- ▶ Presentation to the Western Sydney ICT cluster on *The Future Revisited*.
- ▶ Presentation by Professor Richard Petty of Enright, Scott & Associates and the Macquarie Graduate School of Management on the Foundation's *Global Connections* study to the CEO Forum and the CFO Forum highlighting the implications for both multinational firms and domestic enterprises.
- ▶ Judging the NSW Business Chamber Innovation Awards.

### ***Communicating for Policy Impact***

The Australian Business Foundation seeks to distinguish itself as an advocate of ideas based on its evidence-based research, not a lobbyist for sectional interests. This positions the Foundation well to impact on policy at both a State and Federal level, including responding to requests for policy advice.

Some key achievements in 2009/10 are:

- ▶ Briefing note and advice to then Federal Finance and Deregulation Minister, Lindsay Tanner on Innovation and Productivity, drawing on the research report on drivers of Australia's productivity growth by recognised innovation authority, University of Cambridge Professor Alan Hughes and the Occasional Paper on *Productivity, Creative Destruction and Innovation Policy* by UQ Professor John Foster.
- ▶ Contribution by the Chief Executive to a Federal Government-organised consultation on the OECD Innovation Strategy in a by-invitation two day forum.
- ▶ Chief Executive's presentation in an expert panel to an Industry and Investment NSW Innovation Forum, distilling insights from the Foundation's body of research intelligence on the realities of business innovation.
- ▶ Contribution to a Design Roadmap roundtable led by Foundation researcher, Göran Roos for the Victorian Innovation, Industry and Regional Development Department.
- ▶ Participation in the then Deputy Prime Minister's consultation chaired by Steve Vamos on High Performance Workplaces of the Future.
- ▶ Provided an industry perspective in formal reviews of UTS Masters of Business Administration and Bachelor of Business courses.
- ▶ Organised and hosted a private briefing for senior officials of Industry and Investment NSW with five European regional development experts led by Professor John Tomaney.
- ▶ Arranged a roundtable event for the NSW Business Chamber and the Sydney Business Chamber with these European regional development experts to provide in-house advice on the Chamber's 10 Big Ideas for Regions project and work on Sydney as a global city.

- ▶ Participation in a University – Government – Business Forum on innovation conducted by the NSW Government and chaired by Professor Mary O’Kane.
- ▶ Chief Executive chaired a NSW Business Chamber Symposium on ‘Reclaiming First’ facilitating a discussion on business innovation with UTS Professor Roy Green and NICTA Chief Executive, David Skellern.
- ▶ Contributed to several Government policy consultations on the Commercialisation Institute, the Enterprise Connect program and the National Enabling Technologies Strategy.

In addition, the Foundation continued to engage with and brief Ministerial offices and government departments at a State and Federal level.

### *Communicating for Public Impact*

The Foundation’s media activity centred around the launch of the *Engaging China* study, with some coverage of Finance Minister Lindsay Tanner’s address to the Foundation on Australia’s productivity. In the reporting year, there were 30 media stories and references to the Foundation.

Other evidence of public impact of the Foundation’s work is in citations and references in other publications and forums. Two key examples were in a large international study by UTS on ‘Management Matters in Australia’ which referenced the Foundation’s study by Lyndal Thorburn, John Langdale and John Houghton, *Friend or Foe: Leveraging foreign multinationals in the Australian Economy*; and IBM’s *Towards a Smarter Economy: A Roadmap to Making it Happen*, which quoted the Chief Executive and the Foundation’s Australian Productivity study by Professor Alan Hughes.

The Foundation also conducted activities aimed at wider audiences than those usually associated with our community of interest. In 2009/10 examples of these were:

- ▶ Contribution to a panel discussion on Ethics and Start-Ups for the Churchill Club.
- ▶ Presentation to the Royal Society for the Encouragement of Arts, Manufactures and Commerce on new angles on innovation.
- ▶ Participation in an Innovation Week debate organised by ANU on the topic of whether Australia spends too much money on university research.

Finally, the Foundation tends its public profile through the publication and updating of online content on its website, the production of an e-newsletter, *In the Loop* and sharing information through its network of stakeholders, both formally and informally.

The Australian Business Foundation has welcomed two new corporate members this year, Telstra and the South Australian Department of Trade and Economic Development.

## *SUSTAINABILITY AND GOVERNANCE*

The Foundation’s Board and Committees gave priority attention during the year to the pursuit of a more robust and sustainable business model. A significant part of this work involved, with the assistance of professional advisers, developing scenarios of the Foundation’s budget, balance sheet and cash flow through to 2016 under various market conditions. The scenarios provide a

valuable frame for preparing the Foundation's annual budgets; they also – with due recognition of the uncertainties inherent in any predictions of market performance – highlight the longer-term sustainability challenge facing the Foundation under its current business model.

During the year, and supported by professional advice, the Board switched investment managers to the Perennial Value Shares for Income Trust as an active management fund.

Directors acknowledge the Foundation is too heavily reliant on a single source of revenue - the earnings of its investment portfolio - given scheduled loan repayments. Underlining the challenge, we show in our financial accounts for the year ended 30 June 2010, published as part of this Annual Report, that for the first time "borrowings" form a current liability as well as a non-current liability. This refers to the first repayment of our investment loan from the NSW Business Chamber, which is scheduled for 1 July 2011.

In short, the Board recognises that for the Foundation to continue its research mission through the future years, and then to extend this work beyond the middle of the current decade, a new business model is imperative. This is the central focus of the 2011 strategy plan agreed recently by the Board.

To this end, a major initiative pursued vigorously though 2009/10 is a collaborative bid with university partners to establish a new model national innovation centre, one of the recommendations of the Cutler Innovation Review in 2008 not yet acted on by the Australian Government.

Not only a natural extension of the Foundation's research agenda, the establishment of a new model national innovation research centre is a potentially transformative opportunity for the Foundation. The proposed centre is envisaged as a 'hothouse' where game-changing innovation research is undertaken in a way that is embedded in and directly serves the needs of public policy makers and business leaders. It does not separate academic researchers from business research users. It incorporates knowledge from academic scholarship equally with knowledge from practice and experience. In short, it is a vehicle where researchers and businesses work in tandem to create and apply knowledge that solves real world problems.

The Australian Business Foundation has been a key architect of this bid, and has worked in a very close partnership with Professor Roy Green of UTS and Professor Mark Dodgson of UQ Business School and other prominent Australian innovation researchers and institutions.

Together with these partners, the Foundation has explored various options for public and private sector research funding. The Foundation convened a well-attended industry meeting in May under the chairmanship of Professor Mary O'Kane to test interest in a bid under the Cooperative Research Centres Program. A more incremental approach is now being adopted, involving a proof of concept demonstration project of the proposed model of embedded, collaborative innovation research in action, focused on two suggested research projects: The Digital City and Future Manufacturing.

Each of these projects would be conducted by researchers in one or more of the university partners and would incorporate as an integral element an explicit collaboration program, managed by the Australian Business Foundation, where industry or policy research 'sponsors' are active participants in framing, participating and making sense of the research and its findings.

These initial demonstration research projects deal with contemporary and exciting issues central to a fresh understanding of innovation and its contribution to Australia's economic and social development challenges. They are also issues of immediate interest to one or more potential private or public sector sponsors prepared to contribute financially and materially to the conduct of these research projects. Further, they should be the subject of research interest from international collaborators to allow greater leverage of research findings.

The focus is on researching for fresh insights that shape new capabilities and opportunities and that solve business and policy problems. The end goal is rigorous, practical and applied knowledge that enhances innovation and productivity in Australia.

This new initiative is still being pursued as an important extension of the Foundation's research portfolio. It is also a key testing ground to help the Foundation transition to a more sustainable and enduring business model.

## *THE YEAR AHEAD*

The year ahead is one of change and renewal, framed by a strategic plan for 2011 to address the significant challenge of putting the Foundation on a sustainable footing for the long term.

The key initiatives for the year ahead will be:

- ▶ to review, synthesise and refresh the Foundation's most distinctive asset, its accumulated knowledge;
- ▶ adding depth to the management resources available to the Foundation to ensure continuing achievements on the core purpose of high calibre research communicated for maximum impact;
- ▶ fresh eyes on a reform process, identifying ways to transform the Foundation's operations for greater reach, revenue and impact;
- ▶ initiatives to revitalise the productive working relationship between the Foundation and its principal sponsor, the NSW Business Chamber; and
- ▶ pursuit of a new collaborative model of national innovation research with researchers engaged with addressing the challenges of public and private sector organisations to enhance Australia's innovation and productivity performance.

## INTRODUCTION

This statement of the corporate governance policies and practices of the Australian Business Foundation was reviewed and approved by the Foundation's Board in September 2010 and is subject to annual review.

The Foundation's Corporate Governance policies and practices are based on:

- ▶ its continuing relationship with its founding patron, NSW Business Chamber Limited ("the Chamber");
- ▶ its legal status as a company limited by guarantee;
- ▶ its status as a non-profit organisation and an Approved Research Institute under the Income Tax Assessment Act;
- ▶ its Constitution which, with its accompanying Interpretation, was adopted in September 2000. Both documents are available via the Foundation's website [www.abfoundation.com.au](http://www.abfoundation.com.au).

Under the Constitution, the Board is given discretion to exercise its judgement in relation to a number of governance matters. The Board has sought in this Statement to outline its approach on these matters.

More generally, in preparing this Statement, the Board used as a benchmark the *Corporate Governance Principles and Recommendations*, revised by the ASX Corporate Governance Council in August 2007 and effective from January 2008. In doing so the Board recognised that the ASX Principles, directed primarily at listed companies, include some material that is not relevant for a non-profit research institute such as the Foundation. However, the Board believes the ASX Principles in general address important considerations for it, and suggest appropriately high standards of conduct.

### ***1. Oversight and Management of the Foundation***

The ASX Principles state (Principle 1) that a company should "lay solid foundations for management and oversight: establish and disclose the respective roles and responsibilities of board and management."

The Board endorses this principle.

The objectives for which the Foundation was established are laid out in Section 2 of the Constitution. The Board, whose powers and duties are laid out in Section 38 of the Interpretation, is responsible for the pursuit of these objectives.

The Board meets at least four times a year to review and direct the operations of the Foundation. One of those meetings is devoted to an annual strategic review of the Foundation and its broader environment. The Board undertakes a review of its own performance and processes on an annual basis.

New appointments to the Board are provided with a letter outlining their responsibilities and an Information Pack on the activities and nature of the Foundation.

The Board is responsible for employing, directing and monitoring the performance of the Foundation's management led by the Chief Executive Officer (CEO). The Foundation's management is employed by the Chamber under duty statements determined by the Board. Management implements the various initiatives and projects directed by the Board and reports regularly to the Board. The Chairman of the Board conducts an annual review of the performance and remuneration of the CEO who in turn reviews other Foundation staff.

The Chamber provides a number of services to the Foundation, including accounting and secretarial services, IT services, insurance and facilities, as outlined in a Deed of Undertaking between the Foundation and the Chamber.

### **Sub-Committees**

In line with the Constitution (section 47, Interpretation), the Board has appointed a sub-committee as the *Research Advisory Committee* (RAC), with no less than five members, of whom four are suitably qualified to assess research. Appointments to the RAC are approved by the Commonwealth Department of Innovation, Industry, Science and Research.

In line with the Constitution (section 49, Interpretation), the Board has established a Research Fund Account to be used exclusively for scientific research purposes. The Foundation is an Approved Research Institute under the Income Tax Assessment Act and endorsed both as a deductible gift recipient and a charitable institution. All gifts to the Foundation for which tax deductibility is sought are paid into the Research Fund Account.

The Board is responsible for setting the strategies, directions and priorities for research. The RAC's prime role is one of peer scrutiny to ensure high standards in the research the Foundation commissions and publishes. This includes decision-making powers of the RAC in assessing whether particular projects are appropriate, and allocating research funds for the projects from the Research Fund Account, after ascertaining that sufficient funds exist to meet its commitments through to project completion.

The Board is responsible for managing the Foundation's investment portfolio that arises from a loan provided by the Chamber as the Foundation's sponsor in 2005. The Board's goal is to manage the portfolio to fund the activities of the Foundation while providing for the scheduled repayment of the loan. Accordingly the Board has established a *Finance and Investment Committee* to oversee investment and budget matters.

The Board has established an *Audit Committee* to oversee the appointment of the Auditor and the audit process, and to meet with the Auditor in relation to the Foundation's annual Financial Report.

The Board has also established a *Business Development Committee* to direct and oversee initiatives to extend the reach and enduring impact of the Foundation's research intelligence and its array of partnerships with influential stakeholders, including public awareness, learning and sponsorship programs.

## ***2. Composition of the Board and Appointment of Office Holders***

The ASX Principles state (Principle 2) that a company should “structure the Board to add value: have a board of an effective composition, size and commitment to adequately discharge its responsibilities and duties.”

The Board endorses this principle.

The Foundation’s Constitution (Interpretation, Section 33) requires that the Board have a minimum of four directors; that directors are elected or appointed from one of five possible categories; and that each director is to retire every two years but is eligible for re-election or re-appointment.

The Board currently has eleven directors. The Table on page 22 lists these directors according to the Section 33 category under which they were elected or appointed. It also lists the years each director joined the Board and, where relevant, was re-elected or re-appointed to the Board.

The Board considers the Board composition is appropriate to perform its functions as specified in the Constitution.

In exercising its powers of appointment under 33 (a) (v):

- ▶ The Board’s policy is that the Chairman of the Research Advisory Committee should be a member of the Board.
- ▶ In considering other appointments, the Board takes into account the extent to which the proposed appointee has skills, expertise, industry knowledge and research insights of relevance to the Foundation, and the capacity to exercise independent judgement and to act in the interests of the Foundation.
- ▶ In order to encourage appropriate diversity in the composition of the Board, consideration is also given to factors such as geography, industry sector and gender.

The Board also seeks an appropriate balance of experience and new blood, and has the usual practice that, subject to satisfactory performance, Directors having served one term are re-elected or re-appointed for a second term. The Chairman’s term does not exceed three years.

It is the Board’s policy that the Chairman and the CEO not be the same person.

It is the policy and practice of the Board that a majority of directors, including the Chairman, be independent. An independent director is defined by the ASX Principles as “not a member of management and free of any business or other relationship that could materially interfere with, or could reasonably be perceived to materially interfere with, the independent exercise of their judgement”.

The Foundation’s Constitution (section 3) provides for the payment of remuneration to directors for goods and services rendered to the Foundation in the usual course of business.

The Board regularly reviews the independence of directors against these benchmarks and is of the view that a majority of the Foundation’s directors – all those except the Chief Executive and those appointed under section 33 (a) (ii) and (iii) – are independent.

**TABLE:** Categories of Board Membership

<b>Section 33 Category</b>	<b>Director election/ appointment</b>	<b>Years of first and subsequent appointment</b>
33 (a) (i) "Up to five persons as representatives of the members of the Foundation elected by members of the Foundation"	Leslie Butterfield	Appointed under 33 (a) (v) June 2007 Elected Nov 2007 Re-elected Nov 2009
	David Malloch	[Previous appointment under 33 (a) (ii)] Appointed under 33 (a) (v) September 2006 Elected Nov 2007 Re-elected Nov 2009
	Stephen Mills	Appointed under 33 (a) (v) in 2004 Re-appointed under 33 (a) (v) March 2006 Elected Nov 2007 Appointed Chairman Nov 2007 Re-elected Nov 2009
	Janine Ricketts	Elected Nov 2007 Re-elected Nov 2009
	Frank Wyatt	Elected Nov 2003 Re-elected Nov 2005 Re-elected Nov 2007 Re-elected Nov 2009
33 (a) (ii) "Two representatives of Australian Business Limited (now NSW Business Chamber Limited) appointed by the Board".	Trevor Cairney	Appointed Sept 2006 Re-appointed Feb 2010
	Tony Dormer	Appointed Feb 2010
33 (a) (iii) "Ex-officio the Chief Executive Officer of Australian Business Limited (now NSW Business Chamber Limited)"	Stephen Cartwright	Appointed ex-officio Sep 2009
33 (a) (iv) "Ex-officio the Chairman of any standing committee of the Foundation".	n/a	
33 (a) (v) "Such other persons the appointment of whom is approved by a unanimous resolution passed by all the Directors then holding office"	Mary O'Kane	Appointed as Director and RAC Chairman Sep 2008
	Narelle Kennedy	Appointed Nov 2007
	Peter Roberts	Appointed Nov 2008

In reaching this view, the Board re-confirmed its view that those directors deemed “non-independent” by virtue of their appointment under section 33 (a) (ii) and (iii) make a valuable and appropriate contribution to the Foundation given the Chamber’s continuing significance to the Foundation. The Chamber is the Constitutional Patron of the Foundation (Section 8, Interpretation). It plays a crucial role in resourcing and servicing the Foundation and assists the work of the Foundation through its extensive network of industry contacts.

### ***3. Ethical and responsible decision making***

The ASX Principles state (Principle 3) that a company should “actively promote ethical and responsible decision making.”

The Board endorses this principle. The Board acknowledges the imperative of maintaining the highest standards of ethical conduct and legal compliance by the Board, senior executives and all employees. The Board has adopted the codes of conduct in place at the Chamber including those in relation to discrimination, harassment and disclosure of interests.

In particular, the Board is committed to ethical and transparent processes for the allocation of research funding and has appropriate policies in place to this end.

Specifically, the Foundation employs documented procedures for the development, selection and funding of research projects, including for approvals and payments from the Research Fund Account. These procedures cover:

- ▶ circumstances for payment of monies into the Research Fund Account;
- ▶ permitted uses of funds from the Research Fund Account;
- ▶ need for approvals from the Research Advisory Committee for use of the Research Fund Account;
- ▶ need for the Research Advisory Committee to affirm project compliance with Foundation Board research strategies and priorities; and
- ▶ provision of quarterly reports by the Research Advisory Committee to the Foundation Board.

### ***4. Integrity in financial reporting***

The ASX Principles state (Principle 4) that a company should “safeguard integrity in financial reporting: have a structure to independently verify and safeguard the integrity of the company’s financial reporting”.

The Board endorses this principle, noting its duties in relation to the keeping of true accounts set out in the Constitution, section 7. The Foundation’s financial report is audited by PricewaterhouseCoopers, is published each year and is circulated to members and is submitted for member approval at the Annual General Meeting.

The Board has created an Audit Committee. The Chairman of the Audit Committee is neither the Chairman of the Finance and Investment Committee nor Chairman of the Board.

The Finance and Investment Committee and, ultimately, the Board are responsible for financial management of the Foundation. Accounting services are provided to the Foundation by the Chamber.

The CEO of the Foundation and the Chief Financial Officer of the Chamber provide a written statement to the Board confirming that the Foundation’s financial reports present a true and fair view, in all material respects, of the Foundation’s financial condition and operational results and are in accordance with relevant accounting standards.

### ***5. Timely and balanced disclosure***

The ASX Principles state (Principle 5) that a company should “promote timely and balanced disclosure of all material matters concerning the company.”

The Board endorses this principle, to the extent it is relevant to an entity of the status and structure of the Foundation.

### ***6. Members rights***

The ASX Principles state (Principle 6) that a company should “respect the rights of shareholders and facilitate the effective exercise of those rights”

Considering the members of the Foundation as counterparts to shareholders, the Board endorses this principle.

The Foundation has two classes of members: individual and corporate. All members are eligible to attend and vote at the Annual General Meeting. The Constitution outlines (Interpretation sections 13 to 32) procedures whereby members can requisition general meetings and the procedures for such meetings.

In addition to these formal rights, the Board encourages active participation by all members in the Foundation’s activities and oversees an active program of communication with members by email and other means.

### ***7. Recognise and manage risk***

The ASX Principles state (Principle 7) that a company should “recognise and manage risk: establish a sound system of risk oversight and management and internal control.”

The Board endorses this principle.

In fulfilling its duty of oversight of the Foundation, the Board recognises its responsibility to understand and protect against the risks to the Foundation. The Board regularly reviews risks facing the Foundation and the measures in place to manage them under the following headings:

#### **► *Financial risk management***

The Finance and Investment Committee and the full Board have oversight of financial management and reporting, with the Chamber providing CFO and accounting services and finance reports. Investment risk is similarly overseen by the Committee and the Board, with advice from Mercer Investment Consulting. Investments are managed by professional funds managers. Investment earnings have been set aside for loan repayment. The Foundation has in place an investment strategy aimed at meeting its commitment to repay its loan from the Chamber over five years from 2011. Insurance coverage is provided under the Deed of Undertaking with the Chamber, as are

guarantees for adequate working capital. This, together with prudent budget management and continued searching for external sponsors mitigates the risk of inadequate funds.

► *Human resources risk management*

Provisions are in place in relation to occupational health and safety, workers compensation, systems and IT risks. Succession planning is a responsibility of the Board and is discussed at strategy meetings.

► *Reputational risk management*

Research quality is provided for by considerable investment of staff time in research project management and liaison with researchers, together with the oversight role of the Research Advisory Committee on research project selection and deliverables. Intellectual property and copyright risks are recognised and accounted for in research contracts and confidentiality agreements.

In more general terms, the Foundation seeks to maintain its relevance and reputation by the strategic directions set by the Board, the oversight by both the Business Development Committee and the Research Advisory Committee and by its program of activities to engage members and stakeholders.

Specifically, the Foundation has put in place a formal Risk Management Framework and Strategy which is used to identify, assess and review the key risks facing the Foundation and to put in place the necessary risk management and mitigation measures. The Board reviews annually this Risk Management Framework and Strategy.

## ***8. Remunerate fairly and responsibly***

The ASX Principles state (Principle 8) that a company should “remunerate fairly and responsibly: ensure that the level and composition of remuneration is sufficient and reasonable and that its relationship to performance is clear.”

The Board endorses this principle.

In relation to employees, the Foundation adopts the remuneration policies and procedures of the Chamber.

In relation to the Board, the Chairman and independent directors receive fees of \$20,000 and \$5000 per annum respectively, in recognition of their services.

PART 3  
FINANCIAL STATEMENTS FOR 2009/10

AUSTRALIAN BUSINESS FOUNDATION LIMITED  
ABN 56 067 381 999

Annual Report - 30 June 2010

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This financial report covers Australian Business Foundation Limited as an individual entity. The financial report is presented in Australian currency.

Australian Business Foundation Limited is a company limited by guarantee, incorporated and domiciled in Australia. Its registered office is 140 Arthur Street, North Sydney NSW 2060 and its principal place of business is 83 Clarence Street, Sydney NSW 2000.

A description of the nature of the entity's operations and its principal activities is included in the Directors' Report on pages 1 - 4, which are not part of this financial report.

The financial report was authorised by the Directors on the 8 September 2010. The company has the power to amend and reissue the financial report.

AUSTRALIAN BUSINESS FOUNDATION LIMITED  
 DIRECTORS' REPORT  
 30 JUNE 2010

Your directors present their report on the Company for the year ended 30 June 2010.

**DIRECTORS**

The following persons were directors of the company during the whole of the financial year and up to the date of this report:

S H C Mills – Chairman	N A Kennedy	J L Ricketts
L Butterfield	D J Malloch	P T Roberts
T Cairney	M J O'Kane	F J Wyatt

A F Dormer was appointed as a director on the 16/02/10 and continues in office at the date of this report.

S Cartwright was appointed as a director on the 03/09/09 and continues in office at the date of this report.

G S Whiteley was a director from the beginning of the financial year until his resignation on 11/12/09.

**L Butterfield**

Age 50

Director, McLachlan Lister Pty Ltd

Director, Delstong Pty Ltd

Director, Australian Literacy and Numeracy Foundation

Director, I2i Symbiosis Pty Ltd

Member, Advisory Board Queensland Micro Technology Centre

**T Cairney**

Age 58

Chairman, Sydney Chamber of Commerce (2001-2009), Director since 1997

Director, NSW Business Chamber

Director, Southland College (since 2005)

Director, New College Village (since 2006)

Director, Morling College (since 2008)

Former Director, Greater West Development Fund Limited (2005 - 2007)

Former Director Westec Pty Ltd (1997-2000)

Former Director, Centre for Advanced Computing and Communication (2000-2002)

Former Chairman, CADRE Pty Ltd (1997-2002)

Councillor, NSW Business Chamber since 2007

**A F Dormer**

Age 64

Director, NSW Business Chamber

Managing Director, Kreston Dormer Accountants

International Board Member, Kreston International

Chairman, Kreston Australia/New Zealand

Australian Resident Director and Advisor, Expense Reduction Analysts Pty Ltd

Councillor, NSW Business Chamber since 2009

**N A Kennedy**

Age 57

Chief Executive Officer, Australian Business Foundation Limited

Director, NSW Entrepreneurship Centre Limited (t/a Enterprise Workshop)

Director, University of Technology Sydney: Centre for Management and Organisational Studies

Advisory Board

Member, National Standards Advisory Group

Member, Chief Executive Women

D J Malloch  
 Age 56  
 Director, Aston Pty Ltd  
 Director, Australian Association of Angel Investors  
 Director, Capital Angels Pty Ltd  
 CEO, VIA Research Pty Ltd  
 CEO, Malloch Digital Design Pty Ltd  
 Deputy Chair, Regional Development Australia - ACT  
 Member, Future Manufacturing Industry Innovation Council  
 Councillor, NSW Business Chamber since 1995

S H C Mills  
 Age 56  
 Director, ShareGift Australia  
 Trustee, Mills O'Neil Superannuation Fund

M J O'Kane  
 Age 55  
 NSW Chief Scientist and Scientific Engineer  
 Executive Chair, Mary O'Kane & Associates Pty Ltd  
 Director, PSMA Australia Ltd  
 Director, Business Events Sydney Ltd  
 Director, CRC for Spatial Information  
 Director, Australasian CRC for Interaction Design  
 Director, Development Gateway Foundation Director, Development Gateway International  
 Charles Darwin University Council  
 Member, International Advisory Council, UNITAR  
 Chair, Australian Centre for Renewable Energy  
 Member, NSW Clean Coal Council  
 Member, NSW Spatial Council  
 Member, NSW Innovation Council  
 Member, Tax Concession Committee

J L Ricketts  
 Aged 55  
 Director, Decisive Consulting Pty Ltd  
 Member, Clean Energy Innovation Centre  
 Interim Advisory Board Member, National Consultative Committee on Second Track Processes

P T Roberts  
 Age 55  
 No directorships

S Cartwright  
 Age 46  
 CEO, NSW Business Chamber  
 Director, Australian Business Limited Apprenticeships Centre Pty Ltd  
 Director, Australian Business Pty Ltd  
 Director, Australian Apprenticeships Alliance Pty Ltd  
 Director, Australian Chambernet Pty Ltd  
 Director, Workplace Info Pty Ltd  
 Director, Precision Consulting Pty Ltd

F Wyatt  
 Age 61  
 Managing Director, Enterprising Partnerships Pty Ltd  
 Managing Director, Icon Principle

**DIRECTORS' MEETINGS**

The number of directors' meetings held in the period each director held office during the financial year and the number of meetings attended by each director was:

	Board Meetings		Committee Meetings	
	Possible	Attended	Possible	Attended
L Butterfield	4	4	4	3
S Cartwright	4	1	4	3
T Cairney	4	3	0	0
A Dormer	2	1	2	1
N Kennedy	4	4	5	5
D Malloch	4	4	5	4
S H C Mills	4	4	9	8
M O'Kane	4	3	1	1
J L Ricketts	4	4	4	3
P Roberts	4	4	5	4
F Wyatt	4	3	4	4
G S Whiteley	2	2	3	2

**COMPANY SECRETARY**

The position of company secretary at the end of the financial year was held by A Berzins.

**PRINCIPAL ACTIVITIES**

Australian Business Foundation Limited is a company limited by guarantee.

The company has no issued capital and in the case of a winding up the liability of the members is limited to a total of \$50 per member. The Memorandum of Association does not permit the return of capital or the distribution of surplus by way of dividend.

The principal continuing activity of the company is to commission and publish research into issues of economic and industry policy.

**TRADING RESULTS**

The net surplus of the company for the year (including movement in the market value of investments) was \$808,654, compared with the deficit of \$3,756,119 in the previous year. Net movement in the market value of investments of \$861,080 contributed to the surplus, compared to \$3,829,570 contributing to the deficit last year.

**REVIEW OF OPERATIONS**

The company continued to maintain its high quality range research activities and its services to members and the community throughout the year.

**SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS**

In the opinion of the directors, there were no significant changes in the state of affairs of the company that occurred during the financial year under review.

**EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR**

In the opinion of the directors, no matter, circumstance or event of a material and unusual nature has arisen since the end of the financial year and the date of this report which is likely to affect significantly the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

**LIKELY DEVELOPMENTS**

Likely developments in the operations of the company and the expected results of those operations in future financial years have not been included in this report as the inclusion of such information is likely to result in unreasonable prejudice to the company.

**ENVIRONMENTAL REGULATION**

The company is not subject to significant environmental regulation.

**INSURANCE OF OFFICERS**

During the financial year, the company paid a premium under contract to insure directors, and all executive officers of the company. Disclosure of the premium payable under, and a summary of the nature of the liability covered by the insurance contract, are prohibited by a confidentiality clause in the contract.

**PROCEEDINGS ON BEHALF OF THE COMPANY**

No person has applied for leave of the Court to bring proceedings on behalf of the company, or to intervene in any proceedings to which the company is a party, for the purpose of taking responsibility on behalf of the company for all or part of those proceedings. The company was not a party to any such proceedings during the year.

**AUDITOR**

PricewaterhouseCoopers continues in office in accordance with section 307C of the Corporations Act 2001.

**AUDITORS 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 5.

Signed at Sydney in accordance with a resolution of directors.

8 September 2010



.....  
S Mills  
Director



.....  
D Malloch  
Director



PricewaterhouseCoopers  
ABN 52 780 433 757

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DX 77 Sydney  
Australia  
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Facsimile +61 2 8266 9999  
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### Auditor's Independence Declaration

As lead auditor for the audit of Australian Business Foundation Limited for the year ended 30 June 2010, I declare that to the best of my knowledge and belief, there have been:

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

This declaration is in respect of Australian Business Foundation Limited during the period.

Manoj Santiago  
Partner  
PricewaterhouseCoopers

Sydney  
8 September 2010

AUSTRALIAN BUSINESS FOUNDATION LIMITED  
 STATEMENT OF COMPREHENSIVE INCOME  
 FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 \$	2009 \$
Revenue from continuing operations	3	1,534,979	1,860,758
Other income	4	861,080	(3,829,570)
		<u>2,396,059</u>	<u>(1,968,812)</u>
Employee benefits expense		(607,917)	(648,789)
Research and other outside service expenses		(124,743)	(90,543)
Interest expense		(536,781)	(772,466)
Promotional events		(16,689)	(17,296)
Investment management fees		(82,426)	(50,131)
Directors fees		(57,365)	(48,309)
Occupancy expense		(39,050)	(37,241)
Travel		(18,499)	(20,125)
Printing, postage and stationery cost		(16,094)	(13,835)
Other expenses		(87,841)	(88,572)
Total expenditure		<u>(1,587,405)</u>	<u>(1,787,307)</u>
Profit / (loss) before income tax		808,654	(3,756,119)
Income tax expense		-	-
Profit / (loss) for the year		<u>808,654</u>	<u>(3,756,119)</u>
Other comprehensive income for the year, net of tax		-	-
Total comprehensive income for the year		<u>808,654</u>	<u>(3,756,119)</u>

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

AUSTRALIAN BUSINESS FOUNDATION LIMITED  
 STATEMENT OF FINANCIAL POSITION  
 AS AT 30 JUNE 2010

	Notes	2010 \$	2009 \$
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
Cash and cash equivalents	5	63,542	120,115
Trade and other receivables	6	283,091	379,745
Other financial assets at fair value through profit or loss	7	13,666,809	12,777,947
Total current assets		<u>14,013,442</u>	<u>13,277,807</u>
Total assets		<u>14,013,442</u>	<u>13,277,807</u>
<b>LIABILITIES</b>			
<b>CURRENT LIABILITIES</b>			
Trade and other payables	8	134,637	207,656
Borrowings	9	2,000,000	-
Total current liabilities		<u>2,134,637</u>	<u>207,656</u>
<b>NON-CURRENT LIABILITIES</b>			
Borrowings	9	11,900,000	13,900,000
Total non-current liabilities		<u>11,900,000</u>	<u>13,900,000</u>
Total liabilities		<u>14,034,637</u>	<u>14,107,656</u>
Net assets		<u>(21,195)</u>	<u>(829,849)</u>
<b>EQUITY</b>			
Retained profits	10	(21,195)	(829,849)
Total equity		<u>(21,195)</u>	<u>(829,849)</u>

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

AUSTRALIAN BUSINESS FOUNDATION LIMITED  
 STATEMENT OF CHANGES IN EQUITY  
 FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 \$	2009 \$
Total equity at the beginning of the financial year		(829,849)	2,926,270
Total comprehensive income for the year		<u>808,654</u>	<u>(3,756,119)</u>
Total equity at the end of the financial year		<u>(21,195)</u>	<u>(829,849)</u>

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

AUSTRALIAN BUSINESS FOUNDATION LIMITED  
 CASH FLOW STATEMENT  
 FOR THE YEAR ENDED 30 JUNE 2010

	Notes	2010 \$	2009 \$
<b>CASH FLOW FROM OPERATING ACTIVITIES</b>			
Cash receipts from customers		148,722	63,959
Cash paid to suppliers and employees		(1,071,528)	(1,105,217)
Interest received		91,747	136,666
Dividends received		678,245	898,685
Management fee rebate received		38,196	18,361
Net cash (outflow)/inflow from operating activities	11	(114,618)	12,454
<b>CASH FLOW FROM INVESTING ACTIVITIES</b>			
Payment for other financial assets		(122,266)	(145,097)
Financial assets redeemed		150,000	150,000
Net cash (outflow)/inflow from investing activities		27,734	4,903
<b>CASH FLOW FROM FINANCING ACTIVITIES</b>			
Proceeds from borrowings		30,311	-
Net cash (outflow)/inflow from financing activities		30,311	-
Net increase/(decrease) in cash and cash equivalents		(56,573)	17,357
Cash and cash equivalents at the beginning of the year		120,115	102,758
Cash and cash equivalents at the end of the year		63,542	120,115

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

AUSTRALIAN BUSINESS FOUNDATION LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS  
 30 JUNE 2010

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1 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

In the directors' opinion, the Company is not a reporting entity because there are no users dependent on general purpose financial statements.

This is a special purpose financial report that has been prepared for the sole purpose of complying with the Corporations Act 2001 requirements to prepare and distribute a financial report to the members and must not be used for any other purpose. The directors have determined that the accounting policies adopted are appropriate to meet the needs of the members.

Historical cost convention

The financial report is prepared in accordance with the historical cost convention, except for certain assets which, as noted, are at fair value. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

Financial statement presentation

The company has applied the revised AASB 101 Presentation of Financial Statements which became effective on 1 January 2009. The revised standard requires the separate presentation of a statement of comprehensive income and a statement of changes in equity.

(i) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

The Company recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Company's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Company bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

- (a) Membership fees comprise annual subscriptions for the year brought to account on an accruals basis.
- (b) Sponsorship fees are brought to account on an accruals basis.
- (c) Dividends are recognised as revenue when the right to receive payment is established.
- (d) Interest income is recognised when earned

AUSTRALIAN BUSINESS FOUNDATION LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
30 JUNE 2010

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(ii) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand and deposits held at call with financial institutions.

(iii) Investments and other financial assets

Financial assets are classified as financial assets at fair value through profit or loss. Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category if acquired principally for the purpose of selling in the short term. Assets in this category are classified as current assets.

Financial assets at fair value through profit and loss are subsequently carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within other income or other expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the statement of comprehensive income as part of revenue from continuing operations when the Group's right to receive payments is established.

(iv) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the Australian Taxation Office. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the Australian Taxation Office, are presented as operating cash flows.

(v) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. A provision for impairment of trade receivables is used when there is objective evidence that the Company will not be able to collect all amounts due according to the original terms of the receivables.

The amount of the impairment loss is recognised in the statements of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statements of comprehensive income.

AUSTRALIAN BUSINESS FOUNDATION LIMITED  
NOTES TO THE FINANCIAL STATEMENTS  
30 JUNE 2010

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(vi) Trade and other payables

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

(vii) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

(viii) Taxation

Australian Business Foundation is a not for profit association and hence is exempt from Income Tax under the Income Tax Assessment act 1997.

2. MEMBERS GUARANTEE

The company is limited by guarantee. If the company is wound-up, the Memorandum of Association states that each member is required to contribute a maximum of \$50 each towards meeting any outstanding obligations of the company.

At 30 June 2010 the number of members was 116 (2009: 114).

AUSTRALIAN BUSINESS FOUNDATION LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS  
 30 JUNE 2010

	2010 \$	2009 \$
3 Revenue from continuing operations		
Sales revenue		
Membership fees	48,215	42,950
Sponsorship income	45,455	5,000
Advisory services	-	20,000
Seminars	9,997	9,299
Publication sales	2,134	4,312
	<u>105,801</u>	<u>81,561</u>
Other revenue		
Distributions / dividends	557,695	600,686
Imputation credits	208,035	249,489
Interest received - NSW Business Chamber Limited	536,781	772,466
Interest received - Other	90,523	132,524
Management fee rebate	36,144	24,032
	<u>1,429,178</u>	<u>1,779,197</u>
Total revenue from continuing operations	<u>1,534,979</u>	<u>1,860,758</u>
4 Other income		
Net gains / (losses) on financial assets held at fair value through profit or loss	861,080	(3,829,570)
5 Cash and cash equivalents		
Cash at bank	63,542	120,115
Reconciliation to cash at the end of the year		
The above figures are reconciled to cash at the end of the financial year as shown in the statement of cash flow as follows:		
Balance as above	63,542	120,115
Balance as per statement of cash flow	63,542	120,115

AUSTRALIAN BUSINESS FOUNDATION LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS  
 30 JUNE 2010

	2010	2009
	\$	\$
6 Trade and other receivables		
Trade receivables	59,309	90,170
Accrued revenue	3,754	13,981
Imputation credits	208,035	249,489
Other receivables	11,993	26,105
	<u>283,091</u>	<u>379,745</u>
7 Other financial assets at fair value through profit or loss		
Australian listed equity securities	11,864,361	10,894,108
Cash management funds	1,802,448	1,883,839
	<u>13,666,809</u>	<u>12,777,947</u>
8 Trade and other payables		
Trade payables	9,733	27,906
Accrued expenses	42,175	87,760
Other payables	82,729	91,990
	<u>134,637</u>	<u>207,656</u>
9 Borrowings		
Unsecured		
Current		
Loan payable - NSW Business Chamber Limited	2,000,000	-
	<u>2,000,000</u>	<u>-</u>
Non-Current		
Capitalised interest - investment loan	1,580,362	2,117,143
Loan payable - NSW Business Chamber Limited	10,319,638	11,782,857
	<u>11,900,000</u>	<u>13,900,000</u>

AUSTRALIAN BUSINESS FOUNDATION LIMITED  
 NOTES TO THE FINANCIAL STATEMENTS  
 30 JUNE 2010

	2010	2009
	\$	\$
10 Retained profit		
Movement in retained profits was as follows:		
Balance at the beginning of the year	(829,849)	2,926,270
Net surplus/(deficit) for the year	808,654	(3,756,119)
Balance at end of year	<u>(21,195)</u>	<u>(829,849)</u>
11 Reconciliation of surplus/(deficit) after income tax to net cash inflow from operating activities		
Operating surplus/(deficit) after income tax	808,654	(3,756,119)
Movement in unrealised market value	(861,080)	3,829,570
Movement in non cash management fee	82,426	50,131
(Increase)/decrease in trade debtors	30,861	(72,594)
(Increase)/decrease in other receivables	(72,149)	39,591
Increase/(decrease) in trade creditors	(18,172)	(33,877)
Increase/(decrease) in other liabilities	(85,158)	(44,248)
Net cash from operating activities	<u>(114,618)</u>	<u>12,454</u>
12 Remuneration of auditors		
Assurance services		
Audit services		
PricewaterhouseCoopers Australian firm:		
Audit and review of financial reports and other audit work under the Corporations Act 2001	7,500	7,000

AUSTRALIAN BUSINESS FOUNDATION LIMITED  
DIRECTORS' DECLARATION  
30 JUNE 2010

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As stated in Note 1 to the financial statements, in the directors' opinion the company is not a reporting entity because there are no users dependent on general purpose financial reports. This is a special purpose financial report that has been prepared to meet the Corporations Act 2001 requirements.

The financial report has been prepared in accordance with Accounting Standards and mandatory professional reporting requirements to the extent described in note 1.

In the directors' opinion:

- (a) the financial statements and notes set out on pages 6 to 15 are in accordance with the Corporations Act 2001, including:
  - i. complying with Accounting Standards and other mandatory professional reporting requirements as detailed above, and the Corporations Regulations 2001; and
  - ii. giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

8 September 2010



.....  
S Mills  
Director



.....  
D Malloch  
Director



PricewaterhouseCoopers  
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## Independent auditor's report to the members of Australian Business Foundation Limited

### Report on the financial report

We have audited the accompanying financial report, being a special purpose financial report, of Australian Business Foundation Limited (the company), which comprise the statement of financial position as at 30 June 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

### Directors' responsibility for the financial report

The directors of the company are responsible for the preparation and fair presentation of the financial report and have determined that the accounting policies described in Note 1 to the financial statements, which form part of the financial report, are appropriate to meet the requirements of the Corporations Act 2001 and are appropriate to meet the needs of the members. The directors' responsibility also 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. No opinion is expressed as to whether the accounting policies used, as described in Note 1, are appropriate to meet the needs of the members. 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 reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

Liability limited by a scheme approved under Professional Standards Legislation



Independent auditor's report to the members of  
Australian Business Foundation Limited (continued)

The financial report has been prepared for distribution to members for the purpose of fulfilling the directors' financial reporting obligations under the Corporations Act 2001. We disclaim any assumption of responsibility for any reliance on this audit report or on the financial report to which it relates to any person other than the members, or for any purpose other than that for which it was prepared.

Our procedures include reading the other information attached to the financial report to determine whether it contains any material inconsistencies with the financial report.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

Independence

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

Auditor's opinion

In our opinion, the financial report of Australian Business Foundation Limited is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date in accordance with the accounting policies described in Note 1, and
- (b) complying with Australian Accounting Standards to the extent described in Note 1 and complying with the Corporations Regulations 2001.

A stylized signature of the PricewaterhouseCoopers firm, written in a cursive script.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Manoj Santiago'.

Manoj Santiago  
Partner

Sydney  
8 September 2010