



Annual Report 2007

AUSTRALIAN BUSINESS FOUNDATION ANNUAL REPORT 2007

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MESSAGE FROM THE CHAIRMAN



I am delighted to have the opportunity to present the Australian Business Foundation's Annual Report in this 10th year of operation and my final one as Chairman. It has been another year of strong performance on all fronts – research, communications and engagement with business, government and other opinion leaders.

Over the seven years that I have been on the Board, I have seen the Foundation develop into a dynamic innovative organisation that challenges traditional thinking and is focused on advancing the national interest rather than those of a specific sector or enterprise.

The quality of the Foundation's research and its model of collaboration with external experts in a hands-on fashion is quite exceptional.

I am proud at the unique nature of the Foundation's research model that links cutting edge academic scholarship with the experiences of every day business realities, ensuring the Foundation leads the way in research that is relevant and incisive.

It is particularly pleasing to see the increased recognition of the Foundation's role in influencing public debate as evidenced through significant coverage of our research in key media. In addition, the increased demand for the Australian Business Foundation to participate in high level forums and debate is a strong acknowledgement of the thought leadership provided in particular by the CEO, Ms Narelle Kennedy and Research Analyst, Dr Matthew Steen.

I would like to acknowledge the service of a number of Directors who will shortly be leaving the Board at the expiry of their terms. Firstly, Dr Bob Frater who has made an outstanding contribution as a Director and as Chairman of the Research Advisory Committee. Mr Oliver Freeman has brought imagination and flair to his role as a Director and long-time contributor to the Foundation's research. Dr Marilyn Sleight's insights and contributions both as a Director and as Deputy Chair have been critical to the success of the Foundation. My sincere thanks to each of them. Similarly, the Board was pleased to welcome Ms Leslie Butterfield, CEO of McLachlan Lister Pty Ltd to join the Board in June 2007.

On behalf of the Board, I would like to acknowledge the creative leadership provided by Ms Narelle Kennedy throughout the year and to thank the staff, Dr Matthew Steen, Ms Melissa Doyle and Mr Clint McGilvray for their ongoing commitment and support. I would also like to acknowledge the work of Ms Carolyn Evans of ThinkEvans for her contribution to the Foundation's performance.

The Australian Business Foundation can be justly proud of its first decade, and I believe it has a strong basis for even greater contributions to the future challenges facing Australian businesses as they compete globally.

Peter Janssen

MESSAGE FROM THE CHIEF EXECUTIVE



Looking back a decade to our origins, the reasons that motivated our founder, Australian Business Limited (now known as NSW Business Chamber) to establish the Australian Business Foundation as an independent spin off company remain relevant. They sought to shape the agenda about future Australian competitiveness, not merely to respond to it.

The Foundation was created as a vehicle for leading edge, probing research that is grounded in business realities, but brings fresh insights to bear on the emerging issues likely to impact most on Australian businesses.

Activist and futurist, the Australian Business Foundation seeks to be a thought leader and a key source of evidence-based research insights and practical ideas.

In 2006/07, the Australian Business Foundation has delivered in large part on that aspiration.

It has created and accumulated a contemporary body of research intelligence from Australian and international experts.

It has 'gone global' in its research partnerships and on the subject matter of its research.

It has produced fresh original ideas of practical value for business executives and public policy makers, distilled and synthesised from research, debates and discourses in which the Foundation is a leader.

It has earned a reputation for thoughtful, informed advice and is increasingly sought-after as an insightful commentator.

While recognising these achievements, the Foundation sets its sights still higher for 2008 and the following decade. The Board takes a strong view that with every success, the organisation must aspire to make even greater impacts on business and community life.

It is a great privilege to work with a Board and colleagues who bring such vision, intellectual depth and enthusiasm to the tasks of the Foundation.

I particularly want to thank Peter Janssen for his personal support and assistance to me and for his thoughtful guidance and counsel as Chairman of the Board for the last two years. All the Foundation's Directors deserve a vote of thanks. Their contributions have allowed the Foundation to continually reach ever-higher standards of excellence.

The achievements reached in 2006/07 are a pattern we hope to extend in 2008.

Narelle Kennedy

WHO IS THE AUSTRALIAN BUSINESS FOUNDATION

The Australian Business Foundation is an independent organisation undertaking evidence-based research to deliver fresh insights and practical intelligence to boost Australia's capabilities and global competitiveness.

The Foundation is an active and informed community of common interest, bringing together forward-looking business executives, policymakers, academics and opinion leaders to share knowledge, shape debate and incite practical action.

For the past decade, the Foundation's research has focused on business innovation and sustainability, new models of competitiveness and opportunities arising from a knowledge-based economy.

The Foundation undertakes its research in partnership with expert scholars and practitioners both nationally and internationally.

This has established the Foundation as a leader in bridging academic scholarship with the realities and challenges of everyday business experiences.

The Australian Business Foundation was founded in 1997 as a separate independent spin-off company by the eminent industry association, Australian Business Limited (now known as the NSW Business Chamber).

BOARD, STAFF AND COMMITTEES

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

Mr Peter Janssen	Mr David Malloch
Ms Leslie Butterfield	Mr Stephen Mills
Professor Trevor Cairney	Dr Marilyn Sleigh
Dr Bob Frater	Mr Greg Whiteley
Mr Oliver Freeman	Mr Frank Wyatt
Mr Kevin MacDonald	

The Australian Business Foundation has three Committees to support the work of the Foundation. These are:

Research Advisory Committee

Dr Bob Frater (Chairman), Ms Helen Bauer, Dr Doreen Clark AM, Professor Mark Dodgson.

Business Development Committee

Mr Peter Janssen (Chairman), Mr Oliver Freeman, Mr Greg Whiteley, Mr Frank Wyatt.

Finance and Investment Committee

Mr Peter Janssen (Chairman), Mr David Malloch, Ms Narelle Kennedy, Mr Stephen Mills.

Australian Business Foundation staff

Ms Narelle Kennedy – Chief Executive Officer

Dr Matthew Steen – Research Analyst

Ms Melissa Doyle – Executive Assistant

Mr Clint McGilvray – Manager External Relations

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.

HIGHLIGHTS OF 2006/07

- The Australian Business Foundation made significant additions to its **body of research work**, together with a strong pipeline of research in progress on issues critical not only to business success, but to the prosperity of the Australian community as a whole.
- Pioneering **new models of research partnerships** with both Australian and international experts.
- Demonstrations that the Foundation's evidence-based research intelligence is valued and sought after at the **centre of government and business decision-making**, eg. appointments by the Federal Education Minister to the Research Quality Framework evaluation and to the Prime Minister's Science Engineering and Innovation Council working group on services innovation.
- Attracting five **authoritative international speakers** to Foundation forums and roundtables in 2006/07.
- Recognition of the Australian Business Foundation as a **global thought leader** on business innovation issues, eg. participation in the IBM Business Leadership Forum in St. Petersburg, Russia at the invitation of the IBM President and CEO.

ACHIEVEMENTS

The Australian Business Foundation approached the 2006/07 financial year as a landmark. This year the Australian Business Foundation completed its first decade of operations as an independent business research organisation.

For 10 years, the Australian Business Foundation has advocated ideas from its evidence-based research to help Australian businesses and policy makers respond productively to a more intensive and competitive global business environment.

In 2006/07, the Foundation's guiding aim was to make a step-change on each of its three strategic goals, namely:

- High calibre research
- Impactful communications and profile
- Financial sustainability

Specifically, the directions set by the Foundation's Board for the 2006/07 year in relation to the above goals were as follows:

Replenishing the Foundation's intellectual capital by greater cross-pollination and interpretation of research insights to create original content and add value to the Foundation's knowledge base and business intelligence.

Shaping the innovation agenda by undertaking targeted and customised initiatives to communicate the Foundation's research intelligence so that it impacts and influences the behaviour and thinking of those at the centre of business and political decision-making.

Enhancing the viability and value of the Foundation and growing its resources through an integrated relationship with sponsors and partners, where they are not only a source of funds, but play a vital role in diffusing knowledge and in multiplying the Foundation's reach, distribution channels and brand.

The achievements and progress in 2006/07 on the Foundation's three strategic goals of research, communications and financial sustainability are reported on in the following sections.

HIGH CALIBRE RESEARCH

Research is the bedrock of the Australian Business Foundation's purpose, credibility, corporate status and value proposition to members and other stakeholders. Priority attention was given in 2006/07 to engaging in research collaborations, the completion of significant current research projects and replenishing the pipeline of new research.

Three significant research studies were released by the Foundation this year and were well received by the media and the business community, stimulating debate and discussion.

- ***Australian Innovation in Manufacturing: Results from an International Survey.*** Professor Mark Dodgson and Dr Peter Innes of the University of Queensland Business School examined

how well Australian manufacturers are employing innovation as a decisive competitive business strategy, compared to their European counterparts.

- ***The Reality of Innovation Unzipped: An Investigation in Middle Market Australia.*** Deloitte and the Australian Business Foundation investigated the triggers and approaches to innovation by middle-market firms in Australia. There were some key insights about the importance of customer-driven innovation in transforming business models as opposed to the introduction of new technologies, products or services.
- ***Born to be Global: A Closer Look at the International Venturing of Australian Born Global Firms*** by Professor Peter Leisch, Dr Stuart Middleton and Dr Jay Weerawardena of the University of the Queensland Business School and the Australian Business Foundation's Dr Matthew Steen. This project analysed the international expansion experiences of 18 born global firms from Australia and formed an assessment of how this international venturing can benefit the Australian economy as a whole.

The Foundation has five further research projects underway and expects to see them completed in the following twelve months:

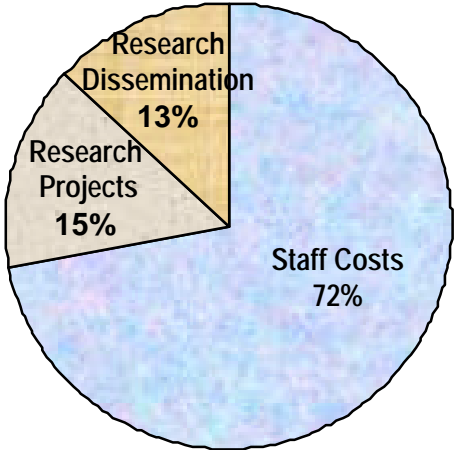
- ***Australian Productivity Growth*** is being undertaken by Professor Alan Hughes of the Centre for Business Research, University of Cambridge, UK. Professor Hughes is undertaking an analysis of the economic contribution that various sectors have made to Australian productivity growth during the period 1995-2005.
- ***Positioning Sydney in the Strategies of Multinational Corporations*** is an up to date analysis of how Sydney features in the strategies, organisation and location decisions of multinational firms. This project is being conducted by Professor Michael Enright from Enright, Scott and Associates and the University of Hong Kong.
- ***The Future Revisited*** is an update of the Australian Business Foundation's pioneering scenario planning study published in 1999, *Alternative Futures: Scenarios for Business in Australia to the year 2015* and is being led by expert futurist and business analyst Susan Oliver.
- ***Effective Models of Business Engagement with China*** is an investigation of the business models that are proving effective for Australian companies competing in Chinese markets. This project is being coordinated by international relations expert Dr Keith Suter.
- ***Knowledge Flows and Innovation Capabilities-the Human Dimension*** is an edited collection of expert papers which will offer fresh insights on the ways that the connections between people serve to transform businesses and increase their know-how and their innovation capabilities.

These high calibre research projects undertaken with authoritative partners are the tip of the iceberg of the Foundation's research effort. They are supported by considerable research project design, management and analysis activity from the Foundation's staff. A major contribution also comes from the Research Advisory Committee chaired by Dr Bob Frater AM and which is mandated under the Foundation's Constitution for oversight, expert advice and peer review of the research program and for management of a Research Fund Account in keeping with the tax exempt status of the Foundation's research funds.

Two members of the Research Advisory Committee, Ms Helen Bauer and Dr Doreen Clark AM have advised that they will be standing down. The Foundation's Board warmly acknowledges and thanks them for their significant contributions to the work of the Research Advisory Committee and to the Australian Business Foundation.

Initiatives are underway to bring the Research Advisory Committee up to full strength, and to widen the Foundation’s capacity for research scanning and forward planning. These initiatives, together with work to develop a Research Fellows program are being undertaken for the Foundation through the professional services and expertise of Ms Dagmar Schmidmaier AM. The results of these activities will significantly strengthen the Foundation’s research capacity and infrastructure in 2008 and beyond.

In 2006/07, 43% of the Foundation’s total budget was allocated to the design, management, conduct and dissemination of high calibre research, as shown in the following graph.



Research Composition 2006/07

COMMUNICATIONS AND IMPACT

The efforts by the Australian Business Foundation to communicate the importance of its research findings and to widen their reach and impact focused on:

- providing greater depth and breadth of analysis to both the Foundation’s research and that of other local and international authorities; and
- targeting the dissemination of the Foundation’s research intelligence selectively and particularly to influential and forward-looking business and government decision makers, who were currently less familiar with the Foundation.

This was accompanied by decisions to invest in strengthening the Foundation’s capacity to project its profile and increase receptivity to its research messages and to the intelligence gleaned from a decade as a significant ideas generator and thought leader.

Consequently, the Foundation created a new position on the Foundation’s staff for an External Relations Manager, engaged the services of the media and public relations firm, Blackie McDonald and revitalised the Foundation’s website to allow greater interactivity with a wider group of members and stakeholders as an active and engaged community of common interest.

This has resulted in 2006/07 in the following achievements.

Twelve highly-rated forums and roundtables with over 390 participants were conducted. Five international speakers were featured and seven events were co-hosted with Australian Business Foundation sponsors, corporate members or potential partners. Three events extended the Australian Business Foundation’s reach into new audiences.

The following events were held:

Capitalising on Knowledge and Intangibles – Professor Göran Roos, Professor of Intellectual Capital, Cranfield School of Management and Executive Chairman, Intellectual Capital Services, London.

Launch of *Australian Innovation in Manufacturing: Results from an International Survey* – Professor Mark Dodgson, Director of the Technology and Innovation Management Centre, University of Queensland Business School.

Challenges and Choices for Australian Exporting – Tim Harcourt, Chief Economist, Austrade.

Growing Australian Regions: Alternative Models for Creating Hubs of High-Performing Industry – Professor Roy Green, Dean, Macquarie Graduate School of Management – co-hosted with NSW Department of State and Regional Development.

Small Business and Innovation – Professor Alan Hughes, Margaret Thatcher Professor of Enterprise Studies and Director of the Centre for Business Research at the University of Cambridge.

Re-inventing Innovation – Dr Thomas Barlow, of Thomas Barlow Advisory Services.

Changing Working Life – Ross Honeywill of The NEO Group.

Innovation and Science – Professor Erkki KM Leppävuori, Director General of the Finnish National Research Institute, VTT, Finland's equivalent to the CSIRO.

Changing Patterns of Globalisation – Professor Jean-Pierre Lehmann, Professor of International Political Economy at the International Institute for Management Development (IMD) in Switzerland – co-hosted by the IMD Alumni Association.

Australian Productivity: Policies That Work – Dr Kenneth Carlaw, Associate Professor of Economics at the University of British Columbia in Canada and University of Waikato, New Zealand.

Intellectual Property – what's it all about? – Adam Liberman, General Counsel, CSIRO.

Prescriptions for an Innovative Australia: the Social Activist – Michael Traill, Chief Executive, Social Ventures Australia.

Deliberate relationship-building efforts have been undertaken during the year, particularly with international scholars to extend the Foundation's potential research partnerships and access to related intelligence, eg links have been established with Imperial College London, VTT (the technical research agency of Finland) and Massachusetts Institute of Technology academics.

The Foundation negotiated an alliance with Business Review Weekly for advertising and cross promotion. This is designed to increase awareness of the Foundation and its role as researcher, futurist, intelligence source and thought leader to the mainstream business community.

Early strong results have been achieved from working with Blackie McDonald in a professional, comprehensive program to build the Australian Business Foundation brand and visibility through a range of marketing and communications strategies for increased media coverage over the next twelve to eighteen months.

There is evidence of more regular media coverage and enquiries with substantial stories featuring the Australian Business Foundation appearing on twenty four occasions primarily in BRW, Boss, Australian Financial Review and ABC radio and a further ten media references to the Foundation. In three instances, the Australian Business Foundation was featured in key articles in special editions which were on sale for more than one month. This was augmented by participation in nine media briefings and conferences.

There are regular and consistent examples of the value in which the Foundation is held as a thought leader and authoritative expert adviser on business innovation and new models of competitiveness. These are matched by evidence of the take-up of the Foundation's research insights by government and business leaders.

Among the most significant calls on and implementation of the Foundation's expertise were from:

- submissions and hearings on the Productivity Commission's report on Science and Innovation;
- consultancies and advice requests from Commonwealth and State Government Departments on the design of policies, programs and budget initiatives;
- participation on advisory bodies for studies by the Business Council of Australia, the Society of Knowledge Economics and various universities;
- commentary to university research directors on business-university collaboration;
- CEO's of leading corporates seeking access to the Foundation as a vehicle for communicating their insights on doing business from Australia;
- consultancy on industry policy for the South Australian defence industry;
- assistance in the design and conduct of a series of privately-run innovation leadership forums; and
- the Foundation cited and referenced in popular books and academic articles.

Particular highlights of the Foundation's influence as a global thought leader in 2006/07 were:

- The Chief Executive's appointment by the Federal Education Minister to a technical working group on research impact for the Research Quality Framework evaluation.
- Participation in the Prime Minister's Science Engineering and Innovation Council working group on Services Innovation.
- Attendance at the invitation of the IBM President and CEO at the IBM Business Leadership Forum in St Petersburg Russia, the only Australian attending who was not an IBM supplier or customer.

Overall, there is an increase in the substance and calibre of requests for the Foundation's expert advice, not just one-off speeches but for ongoing engagement. Further, there were fourteen such significant requests per quarter this year, an increase on eight per quarter last year. Finally, the pattern of highly positive unsolicited feedback about the character and depth of the Foundation's input from heads of government agencies, business leaders, senior academics and the like has continued strongly in 2006/07.

FINANCIAL SUSTAINABILITY

A high ongoing priority for the Australian Business Foundation is to secure its long term financial viability particularly through enduring corporate partnerships and sound investments. These in turn, rely on the Foundation offering a strong value proposition to its supporters based on a distinctive set of competencies, from which the Foundation generates the resources it needs to sustain itself over time.

Surveys of the Foundation's members and stakeholders suggest that they place value on having exposure to fact-based, thought-provoking, rigorous analysis with a depth beyond that typically seen in the media and politics and which addresses critical and emerging issues relevant to business success and community prosperity. In other words, intellectual nourishment.

Stakeholders also value the Foundation's proficiency in shaping the thinking of key figures in business and public policy making. They assess that the Foundation's work has a practical application and seeks to make a discernible difference. Further, the Foundation is valued for the opportunities it provides to engage with a credible network of peers, experts and other intelligent associates in well-informed discussions and genuine exchanges of ideas.

This value proposition comes about from the Foundation's capacity to combine:

- significant financial substance;
- business literacy and direct access to business enterprises through the unique relationship to its founder, the NSW Business Chamber;
- independence, both as a legal entity and in the nature of its research and thinking;
- the depth and professionalism of its research;
- the pioneering nature of its research collaboration model, linking academia and business in particular; and
- the web of relationships nurtured nationally and increasingly internationally.

The bulk of the Foundation's income is generated from the value of its investments. These in turn result from loan funds of \$13.9 million made available to the Foundation in 2004 by the NSW Business Chamber, and from the Board's stewardship of the investment vehicles chosen and in the investment and risk management decisions made.

The value of the Foundation's investments at 30 June 2007 was \$19.5 million. A full reporting of the Foundation's financial position can be found in the Year End Accounts for 2006/07 later in this Annual Report.

The financial support received from members, partners and sponsors remains, however, crucial to the Foundation's success. These stakeholders are important as informants, as distribution channels, and as prestigious associates.

In 2006/07, considerable effort has been focused on refining and building a viable and sustainable business model for the Foundation. While still a work in progress, it is pleasing to report the following achievements:

- Effective monitoring and management of Australian Business Foundation investments by the Finance and Investment Committee, the Board and expert advisers, such as Mercer Investment Consulting.

- Revenue from investments exceeded the budget forecast.
- New sponsorship, partnering and membership models are being trialed as part of the strategic direction set by the Board.
- The adoption and formalising of a detailed corporate governance statement, based on ASX principles.
- Building the Foundation's staffing capacity with the creation of a new External Relations Manager position.
- Active servicing of relationships with major sponsors, Westpac and BRW, and stronger partnering with corporate members.
- Revitalisation of a mutually beneficial working relationship with the NSW Business Chamber as the Australian Business Foundation's principal sponsor.

THE YEAR AHEAD

The Australian Business Foundation's Board explicitly aspires to make a deliberate 'step-change' in the Foundation's operations, reach, sphere of influence and degree of impact on business and civic life in Australia. This means a necessary escalation in the Foundation's level of activity on all fronts – research, dissemination and communication, stakeholder and member engagement, and media and public relations.

Consequently, the key priority areas for 2008 are:

- Deepen and strengthen the Foundation's intellectual capital and build its role not only as a producer of high calibre research, but as an effective research partner and 'aggregator'.
- Focus the Foundation as a thought leader, harnessing multiple voices and perspectives to advance knowledge and ignite debate.
- Development and adaptation, but no discontinuity, from the Foundation's strategic directions in 2006/07.
- Application of resources to increase both the stocks of knowledge (research) and the flows of knowledge (dissemination) from the Foundation.
- Continued evolution of the Foundation's business model and governance arrangements to establish the Foundation on a sustainable financial footing.

In setting these directions and 'lifting the bar' for the Australian Business Foundation's performance, the end result remains not merely to enhance the competitiveness of Australian business enterprises, but to advance Australia's capability, prosperity and well-being as a nation and a community.

AUSTRALIAN BUSINESS FOUNDATION
2006-07 CORPORATE GOVERNANCE STATEMENT

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 March 2007.

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

- its continuing relationship with its founding patron, Australian Business Limited (now known as NSW Business Chamber) ("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.

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 *Principles of Good Corporate Governance and Best Practice Recommendations*, published by the ASX Corporate Governance Council in March 2003. In doing so the Board recognised that the ASX Principles, directed principally 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: recognise and publish 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 is also 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 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 Employment, Science and Training.

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.

A particular responsibility of the Board is to manage the fiduciary responsibilities arising from funding changes made in 2004 by the Chamber as the Foundation's sponsor. The Board now manages a significant investment portfolio to fund the activities of the Foundation while providing for the eventual repayment of the loan. In view of these increased responsibilities, the Board has established a *Finance and Investment Committee* to oversee investment and budget matters.

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 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.

Section 33 Category	Director election/ appointment	Years of first and subsequent appointment
33 (a) (i) "Up to five persons as representatives of the members of the Foundation elected by members of the Foundation"	Oliver Freeman	Elected Nov 2001 Re-elected Nov 2003 Re-elected Nov 2005
	Frank Wyatt	Elected Nov 2003 Re-elected Nov 2005
33 (a) (ii) "Two representatives of Australian Business Limited (now NSW Business Chamber) appointed by the Board".	Greg Whiteley	Appointed Nov 2004
	Trevor Cairney	Appointed Sept 2006
33 (a) (iii) "Ex-officio the Chief Executive Officer of Australian Business Limited (now NSW Business Chamber)"	Kevin Macdonald	Appointed ex-officio June 2006

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"	Peter Janssen	Appointed Sept 2000 Elected Nov 2001 Re-elected Nov 2003 Appointed Chairman Oct 2005
	Merilyn Sleigh	Appointed June 2002 Re-appointed Sept 2004 Re-appointed Sept 2006
	Dr Bob Frater	Appointed Sept 2003 as RAC Chairman
	Stephen Mills	Appointed March 2004 Re-appointed March 2006
	David Malloch	Appointed Sept 2006
	Leslie Butterfield	Appointed June 2007

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.

In line with Section 36 of the Constitution Interpretation, Peter Janssen was appointed Chairperson on 1 October 2005 and Merilyn Sleigh was appointed Deputy Chairperson in November 2005 and re-appointed to this role in November 2006. 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 "independent of management and free of any business or other relationship that could materially interfere with, or could reasonably be expected to materially interfere with, the exercise of their unfettered and independent 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.

In March 2007 the Board reviewed the independence of directors against these bench marks and determined that a majority of the Foundation's directors – all those except those appointed under section 33 a (ii) and (iii) – are independent.

In reaching this view, the Board re-confirmed its view that those directors deemed "non-independent" 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 all Directors and employees. The Board notes and adopts the code of conduct in place at the Chamber and related codes and policies in areas such as 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 has documented and operates from 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;
- requirements for seeking approvals from the Research Advisory Committee, including compliance with Foundation Board research strategies and priorities; and
- provision of quarterly reports 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 accounts are audited by PricewaterhouseCoopers, are published each year and are circulated to members and are submitted for member approval at the Annual General Meeting. The Board is satisfied that the Foundation is not at present of the size or scale that requires the creation of an Audit Committee.

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 have provided 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. In March 2007, the Board conducted a review of the risks facing the Foundation and the measures in place to manage them. These can be summarised as follows:

- Financial risk management
The Finance and Investment Committee and the full Board have oversight of financial management and reporting, with the Chamber providing CFO services and finance reports. Investment risk is similarly overseen by the Committee and the Board, with advice from Mercer Investment Consulting and professional funds management by Vanguard Investments Australia Limited. Investment earnings have been set aside for loan repayment, to allow the Foundation to meet its commitment to repay its loan from the Chamber over four 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 careful 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 and succession planning.
- 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.

8. Encourage enhanced performance

The ASX Principles state (Principle 8) that a company should "encourage enhanced performance: fairly and actively encourage enhanced board and management effectiveness"

The Board endorses this principle.

The Board undertakes a review of its own performance and processes on a regular 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 Chairman of the Board conducts an annual review of the performance and remuneration of the CEO who in turn reviews other Foundation staff.

9. Remunerate fairly and responsibly

The ASX Principles state (Principle 9) 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 corporate and individual performance is defined”

The Board endorses this principle.

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

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

10. Recognise the legitimate interests of stakeholders

The ASX Principles state (Principle 10) that a company should “recognise legal and other obligations to all legitimate of stakeholders”.

The Board endorses this principle. The Board is committed to building and maintaining sound relations with stakeholders - including the academic community, researchers, relevant areas of Commonwealth and State Government, members of the Foundation, the Chamber as patron, members of the Chamber, and other financial sponsors - as integral to its successful operation and regards this as a core responsibility.

AUSTRALIAN BUSINESS FOUNDATION LIMITED
ABN 56 067 381 999

Annual Report - 30 June 2007

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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 an incorporated company limited by guarantee. Its registered office and principal place of business is: 140 Arthur Street, North Sydney NSW 2060.

A description of the nature of the entity's operations and its principal activities is included in the Directors report on page 1, which is not a part of this financial report.

The financial report was authorised by the Directors on the 15 October 2007. The company has the power to amend and reissue the financial report.

DIRECTORS' REPORT

Your directors present their report on the Company for the year ended 30 June 2007.

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

P J W Janssen – Chairman	D J Malloch	F J Wyatt
O N Freeman	M J Sleigh	S H C Mills
G S Whiteley	R H Frater	K MacDonald

Susan Oliver was a director from the beginning of the financial year until her resignation as a director on the 01/09/06.

Trevor Cairney was appointed as a director on the 03/09/06 and continues in office at the date of this report.

Leslie Butterfield was appointed as a director on the 13/06/07 and continues in office at the date of this report.

L Butterfield
Age 47
Director, McLachlan Lister Pty Ltd
Director, McLachlan Lister Services Pty Ltd
Director, Delstong Pty Ltd
Director, Australian Literacy and Numeracy Foundation

T Cairney
Age 55
University Professor & College Master
Director, NSW Business Chamber Limited
Director and Chairman, Sydney Chamber of Commerce
Director, Greater West Development Fund Ltd
Director, Southland College

R H Frater
Age 70
Vice President Innovation, ResMed Ltd
Chairman, Australian Business Foundation Research Advisory Committee
Chairman, Australian National Fabrication Facility Limited
Vice President & Secretary Physical Sciences, Australian Academy of Science

O N Freeman
Age 63
Director, Neville Freeman Agency Pty Ltd
Director, Richmond Ventures Pty Ltd
Director, Oliver Freeman Pty Ltd
Director, Super 1337 Pty Ltd
Chairman, Leagle Inc
Chairman, Homepage Media Pty Ltd

P J W Janssen
Age 52
Managing Director, Baryon Pty Ltd
Member, Engineering & Manufacturing
Committee, IR & D Board
Chairman, Photonix Communications Pty Ltd
President, Foundation for National Parks & Wildlife
Director, Smart Digital Optics Pty Ltd

K J MacDonald
Age 49
Chief Executive Officer, NSW Business Chamber Limited
Director, Australian Business Pty Limited
Director, Australian Chambernet Pty Limited
Director, Workplace Info Pty Limited
Director, Australian Business Limited Apprenticeships Centre Pty Limited
Director, Australian Apprenticeships Alliance Pty Limited
Director, Sydney Chamber of Commerce

D J Malloch
Age 53
Managing Director, Malloch Digital Design Pty Ltd
Managing Director, Via Research Pty Ltd
Director, Intelledox Pty Ltd
Chairman, Capital Region Area Consultative Committee
Chairman, Capital Angels Pty Limited

S H C Mills
Age 53

M J Sleigh
Age 59
Managing Director, Evogenix Ltd
Director, Australian Biotechnology & Healthcare Fund No 3

G.S.Whiteley
Age 47
Director, Whiteley Corporation Pty Ltd
Director, Whiteley Holdings Pty Ltd
Director, Ernest Australia Pty Ltd
Director, Telfer Products Pty Ltd
Director, Witec Consultants Pty Ltd
Director, Whiteley Nominees Pty Ltd

F Wyatt
Age 58
Managing Director, Enterprising Partnerships Pty Ltd
Director, Defence Teaming Centre Inc

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:

	Possible	Attended
R H Frater	4	2
O N Freeman	4	4
P J W Janssen	4	4
K J MacDonald	4	3
D Malloch	4	3
S H C Mills	4	4
S M Oliver	1	-
M J Sleigh	4	2
F Wyatt	4	3
G.S.Whiteley	4	4
T Cairney	4	4
L Butterfield	-	-

COMPANY SECRETARY

The following person held the position of company secretary at the end of the financial year;

Mr Aivars Berzins – B.Com, CA, Grad.Dip.AppCorpGov, MAICD. Mr Berzins has been employed by NSW Business Chamber Limited for the past 13 years performing financial and Treasury roles and was appointed Company Secretary on 10 January 2007.

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 profit of the company for the year was \$4,275,386 (last year \$2,423,610).

REVIEW OF OPERATIONS

The company continued to maintain its high quality range of 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

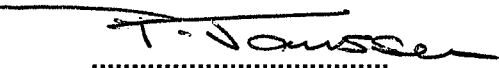
PricewaterhouseCoopers continues in office in accordance with section 307C of the Corporations Act 2001.


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.

15 October 2007


.....
P J W Janssen
Director


.....
S H C Mills
Director

PricewaterhouseCoopers
ABN 52 780 433 757

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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 2007, 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

October 2007

AUSTRALIAN BUSINESS FOUNDATION LIMITED - ABN 56 067 381 999
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	Notes	2007 \$	2006 \$
Revenue from continuing operations	2	2,343,382	1,850,890
Other income	3	3,607,590	2,001,498
		<u>5,950,972</u>	<u>3,852,388</u>
Employee benefit expense		(477,495)	(429,763)
Outside services cost	4	(247,857)	(98,084)
Interest expense	4	(686,867)	(724,645)
Occupancy expense		(20,567)	(20,004)
Printing, postage & stationary cost		(7,241)	(8,064)
Travel		(29,275)	(12,598)
Investment management fees		(69,133)	(29,126)
Other expenses		(137,151)	(106,494)
		<u>(1,675,586)</u>	<u>(1,428,778)</u>
Profit/(Loss) before income tax expense		<u>4,275,386</u>	<u>2,423,610</u>
Income tax expense		-	-
Profit attributable to members of the entity		<u>4,275,386</u>	<u>2,423,610</u>

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

AUSTRALIAN BUSINESS FOUNDATION LIMITED - ABN 56 067 381 999
BALANCE SHEET
FOR THE YEAR ENDED 30 JUNE 2007

	Notes	2007 \$	2006 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	137,002	59,980
Trade and other receivables	6	872,109	445,149
Other financial assets at fair value through profit or loss	7	<u>19,818,884</u>	<u>15,872,372</u>
TOTAL CURRENT ASSETS		<u>20,827,995</u>	<u>16,377,501</u>
TOTAL ASSETS		<u>20,827,995</u>	<u>16,377,501</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	8	<u>228,999</u>	<u>53,891</u>
TOTAL CURRENT LIABILITIES		<u>228,999</u>	<u>53,891</u>
NON CURRENT LIABILITIES			
Borrowings	9	<u>13,900,000</u>	<u>13,900,000</u>
TOTAL NON CURRENT LIABILITIES		<u>13,900,000</u>	<u>13,900,000</u>
TOTAL LIABILITIES		<u>14,128,999</u>	<u>13,953,891</u>
NET ASSETS		<u>6,698,996</u>	<u>2,423,610</u>
EQUITY			
Retained profits	10	<u>6,698,996</u>	<u>2,423,610</u>
TOTAL EQUITY		<u>6,698,996</u>	<u>2,423,610</u>

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

AUSTRALIAN BUSINESS FOUNDATION LIMITED - ABN 56 067 381 999
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2007

	Notes	2007 \$	2006 \$
Total equity at the beginning of the financial year		2,423,610	-
Profit for the year		4,275,386	2,423,610
Total equity at the end of the financial year		<u>6,698,996</u>	<u>2,423,610</u>

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

AUSTRALIAN BUSINESS FOUNDATION LIMITED - ABN 56 067 381 999
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	Notes	2007 \$	2006 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		110,209	185,015
Cash paid to suppliers and employees		(835,207)	(705,050)
Dividends received		1,090,110	567,952
Interest received		11,910	2,457
Net cash inflow/(outflow) from operating activities	11	377,022	50,374
CASH FLOW FROM INVESTING ACTIVITIES			
Payments for other financial assets		(300,000)	(13,900,000)
Loans to/from related parties			
- Repayments made		-	(1,353)
- Amounts received		-	13,900,000
Net cash inflow/(outflow) from investing activities		(300,000)	(1,353)
Net increase (decrease) in cash and cash equivalents		77,022	49,021
Cash and cash equivalents at beginning of year		59,980	10,959
Cash and cash equivalents at end of year		137,002	59,980

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

1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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 company is not a reporting entity, as there are no users dependant on the general purpose financial reports.

Basis of preparation

The financial report has been prepared in accordance with AASB 101 Presentation of Financial Statements, AASB 107 Cash Flow Statements, AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors, AASB 1031 Materiality and AASB 1048 Interpretation and Application of Standards, and other standards which apply to all entities required to prepare financial reports under the applicable *Corporations Act 2001*, AIFRS, other Australian Standards and Urgent Issues Group Interpretations, with the exception of disclosure requirements in the following:-

AASB 114 - Segment Reporting
AASB 124 - Related Parties
AASB 137 - Provisions, Contingent Liabilities and Contingent Assets
(Contingency Disclosures Only)
AASB 132 - Financial Instruments: Disclosure and Presentation
AASB 139 - Financial Instruments: Recognition and measurement
AASB 1048 – Interpretation and Application of Standards

Reporting Basis and Conventions

The financial report is prepared on an accruals basis and is based on the historical cost convention. Unless otherwise stated, the accounting policies adopted are consistent with those of the previous year.

(a) Revenue

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances and amounts collected on behalf of third parties. Revenue is recognised for the major activities of the company as follows:-

1. Membership fees comprise annual subscriptions for the year brought to account on an accruals basis.
2. Sponsorship fees are brought to account on an accruals basis.
3. Dividends are recognised as revenue when the right to receive payment is established.
4. Interest income is recognised on a time proportion basis using the effective interest method

(b) Cash

For the purposes of the statement of cash flows, cash includes deposits at call which are readily convertible to cash on hand and are subject to an insignificant risk of changes in value, net of outstanding bank overdrafts.

(c) Financial Assets at fair value through profit and loss

A Financial Asset is classified in this category if acquired principally for the purpose of selling in the short term or if so designated by management and within the requirements of AASB 139: Recognition and Measurement of Financial Instruments. Realised and unrealised gains and losses arising from changes in fair value of these assets are included in the income statement in the period in which they arise.

(d) Goods and Services Tax (GST)

Revenues, Expenses and Assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and Payables in the Balance Sheet are shown inclusive of GST.

(e) Trade and other receivables

All trade debtors are recognised as the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

Collectibility of trade debtors is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is raised where some doubt as to collection exists.

(f) 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.

(g) Borrowings

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are classified as current liabilities unless the company has an unconditional right to defer settlement of the liability for at least 12 months after the balance sheet date.

AUSTRALIAN BUSINESS FOUNDATION LIMITED - ABN 56 067 381 999
NOTES TO AND FORMING PART OF FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 \$	2006 \$
2 Revenue from continuing operations		
Membership fees	30,546	46,819
Sponsorship fees	50,000	70,000
Advisory Services	20,182	3,000
Seminars	6,242	2,790
Publication sales	1,658	935
	<u>108,628</u>	<u>123,534</u>
Other revenue		
Distributions	1,216,949	754,985
Imputation credits	272,110	245,269
Interest received	745,695	727,102
Total revenue from continuing operations	<u>2,343,382</u>	<u>1,850,890</u>
3 Other income		
Fair value gains on other financial assets at fair value through profit or loss	<u>3,607,590</u>	<u>2,001,498</u>
4 Expenses		
Profit before income tax includes the following specific expenses		
Consultants	247,857	98,084
Interest paid	686,867	724,645
	<u>934,724</u>	<u>822,729</u>
5 Cash and cash equivalents		
Cash at bank	<u>137,002</u>	<u>59,980</u>
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 cash flow statement as follows:-		
Balances as above	<u>137,002</u>	<u>59,980</u>
Balances as per cash flow statement	<u>137,002</u>	<u>59,980</u>
6 Trade and other receivables		
Trade receivables	22,000	5,575
Accrued revenue	496,116	187,033
Imputation credits	273,555	245,269
Other receivables	80,438	7,272
	<u>872,109</u>	<u>445,149</u>
7 Other financial assets at fair value through profit or loss		
Australian listed equity securities	18,477,973	15,872,372
Cash management funds	1,340,911	-
	<u>19,818,884</u>	<u>15,872,372</u>

AUSTRALIAN BUSINESS FOUNDATION LIMITED - ABN 56 067 381 999
NOTES TO AND FORMING PART OF FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2007

	2007 \$	2006 \$
8 Trade and other payables		
Trade payables	83,432	8,734
Employee entitlements	39,620	34,020
Loan - NSW Business Chamber Limited	-	-
Other payables	105,947	11,137
	<u>228,999</u>	<u>53,891</u>
9 Borrowings		
Unsecured		
Capitalised Interest – Investment loan	3,670,626	4,357,493
Loan payable – NSW Business Chamber Limited	10,229,374	9,542,507
	<u>13,900,000</u>	<u>13,900,000</u>
10 Retained profits		
Movement in retained profit were as follows:		
Balance at the beginning of the year	2,423,610	-
Net profit for the year	4,275,386	2,423,610
Balance at end of year	<u>6,698,996</u>	<u>2,423,610</u>
11 Reconciliation of profit to net cash inflow from operating activities		
Profit/(loss)	4,275,386	2,423,610
Non cash flows in profit		
Movement in unrealized market value	(3,715,642)	(2,001,498)
Interest received	(686,867)	(724,645)
Management fees - investments	69,133	29,126
Interest expense	686,867	724,645
(Increase)/Decrease in trade debtors	(16,425)	17,085
(Increase)/Decrease in other receivables	(410,535)	(387,906)
(Decrease)/Increase in trade creditors	74,698	(49,408)
(Decrease)/Increase in other liabilities	100,407	19,365
Net cash (outflow)/inflow from operating activities	<u>377,022</u>	<u>50,374</u>

12 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 2007 the number of members was 72 (2006: 92).

AUSTRALIAN BUSINESS FOUNDATION LIMITED - ABN 56 067 381 999
DIRECTORS' DECLARATION AS AT 30 JUNE 2007

The directors have determined that the company is not a reporting entity and that this special purpose financial report should be prepared in accordance with the accounting policies described in Note 1 to the financial statements.

This financial report has been prepared in accordance with Accounting Standards and mandatory profession reporting requirements to the extent described in Note 1.

The directors of the company declare that:

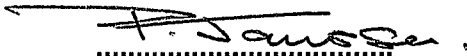
1. The financial statements and notes as set out on pages 6 to 13 are in accordance with the *Corporations Act 2001* and:

- (a) Comply with Accounting Standards as described in Note 1 to the financial statements and the Corporations Regulations 2001; and
- (b) give a true and fair view of the company's financial position as at 30 June 2007 and of its performance for the financial year ended on that date in accordance with accounting policies described in Note 1 to the financial statements.

2. In the Directors' opinion 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 Board of Directors.

15 October 2007


.....
P J W Janssen
Director


.....
S H C Mills
Director

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 comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement 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 company'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 company'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.

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 they were prepared.

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

For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

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 2007 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*.

PricewaterhouseCoopers

Manoj Santiago

Sydney

Partner

October 2007