



ANNUAL REPORT 2009

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CHAIRMAN'S MESSAGE

The impact of the global financial crisis on the Australian Business Foundation can be read in the attached financial report, which shows our year-end balance sheet dipping into negative territory. The market rebound has already taken us out of that unfamiliar terrain. But the experience serves as a reminder of the strategic challenges we face as an independent non-profit Research Institute.

The Foundation's Board and management devoted considerable attention to these challenges during the year. In our annual strategic review in March-June - perhaps the most probing and far-reaching in the Foundation's history - we explored alternative business models capable of diluting our heavy reliance on investment earnings while, importantly, capturing new development opportunities and building our research effort. We monitored our investment portfolio closely, paying particular attention to the loan repayment schedule commencing in 2011, and we recently accepted advice to switch our equities portfolio manager. We improved our long-range budgeting. We knocked on doors of potential business sponsors. We spent warily.

At the same time, we saw merit in viewing the financial crisis as a research opportunity too good to waste: we recalibrated our research program to address the game-changing questions of global competitiveness in turbulent times.

The Foundation occupies a special place in the nation's research community, at the heart of an incredibly diverse network of academic researchers, business leaders, policy makers and opinion leaders here and abroad. Research continues to be our core purpose and our main activity: framing important research questions, commissioning capable researchers, supporting them in their research and communicating the research findings through our network and to the broader community. As the pages of this annual report show, the Foundation further extended its decade-plus track record of high quality, leading-edge research publications, events and communications in 2008-09.

Looking ahead, we are replenishing the research pipeline with an exciting set of new projects under the active guidance of the Research Advisory Committee. Thanks to input from many people,



including our members, the Foundation published its Strategic Research Priorities, setting out the overarching questions against which we consider and plan our research program for the years ahead. We also issued a public Invitation to Collaborate, and we thank those many researchers and institutions who responded.

During the year the Federal Government published *Powering Ideas: an Innovation Agenda for the 21st Century*, its response to the report of the Cutler panel of which our Chief Executive was a member. Innovation appears to be firmly placed in the mainstream of the Government's productivity agenda, and the nation's innovation system is being strengthened. The Foundation continues to participate in the lively debate sparked by this activity, and we are alert to opportunities to partner with the research community in this important area.

I take this opportunity to thank our members, both individual and corporate, for their continued support of the Foundation. I particularly acknowledge the continuing close relationships we enjoy – at the individual and organisational level - with our founder and principal sponsor, the NSW Business Chamber. We will continue to strive to find ways of engaging all our members and partners, and we welcome your suggestions as to how best we can do this.

The Foundation continues to be well-served by its Board and Committees. I thank all Directors for their dedication and diligence during the year, not least Deputy Chair Leslie Butterfield. I welcome Peter Roberts who was appointed as a Director this year, and Stephen Cartwright who joins the Board ex-officio as the NSW Business Chamber's incoming Managing Director. I acknowledge with sincere appreciation the contribution made by Kevin MacDonald, the Chamber's former Managing Director. I also thank the members of the Research Advisory Committee and its Chair, Professor Mary O'Kane for their attention, care and wisdom.

Finally, I acknowledge with gratitude the Foundation's management team: Clint McGilvray, Phillip Allen and Melissa Doyle, under the ever-energetic leadership of Chief Executive Narelle Kennedy. They are few in number but great in heart, and they deliver again and again in managing the Foundation's external activities while keeping the organisation running efficiently. I also acknowledge the valuable advice of Carolyn Evans of ThinkEvans.

Changing times require agile and intelligent responses. The Australian Business Foundation has embraced this challenge in 2008-09; and this adaptability is likely to be the watchword for the year ahead as well.

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

Stephen Mills

CEO'S MESSAGE

The key achievement by the Australian Business Foundation in 2008/09 is the quality and range of completed research projects. They add to our body of collaborative and influential research work produced over more than a decade.

The Foundation's research partners this year included China experts, international relations specialists, leading industry and innovation policy analysts and authoritative academics whose expertise also extends to high-level business strategy guidance to global corporations. Our research gave a voice to the real world experiences of business case studies, both those of large multinational enterprises and of smaller successful home-grown businesses.



The Foundation applied its characteristic hands-on approach to framing and interrogating its research work this year to produce substantial, high calibre reports. Our research findings provide new perspectives and solutions that can be applied in a practical way by business and government decision-makers.

The findings of research projects this year – on China, the global connections of multinationals, new dimensions in business innovation and future high-impact issues to 2020 – were combined with existing research and mined for fresh evidence linking previously unconnected ideas and insights.

This more thorough and questioning stance results in greater depth and rigor in the research intelligence identified. We gave particular attention to communicating these research findings for business impact, policy impact and public impact through events, submissions, briefings and public commentary.

The need for fresh more informed business strategies and economic policies was given greater urgency this year by the dramatic global economic downturn. It is a continuing challenge to demonstrate how the new evidence and perspectives from Foundation research can help chart a course for recovery and new opportunities for business and policy makers.

The turbulent economic environment also drove the Australian Business Foundation to reassess its own business strategies and long-term viability, exploring potential new business models. I acknowledge the significant initiatives of the Foundation's Board to renew and refresh the Foundation's business strategies and operations so that it can sustain itself even in volatile markets.

The diligence and enthusiasm of the Directors in their work in the Board and Committees is much appreciated. I particularly want to express my appreciation to the Foundation's Chairman Stephen Mills for his sound leadership and his support and guidance to me as Chief Executive.

In a year of challenges, I also thank the staff of the Foundation for their continued dedicated efforts. Thank you too to those Foundation members who have contributed this year to our research projects, public events and online forums. Such an active community of interest is decisive to the Foundation's future relevance and impact.

Finally, I want to pay a personal tribute to Philip Holt AM who passed away during the year. The Australian Business Foundation owes its existence to Phil Holt, who as Managing Director of Australian Business Limited, established and sponsored the Foundation as an independent spin-off company. The Australian Business Foundation was his brainchild and it remains an enduring legacy to Phil's vision that innovative ideas, well-researched and argued, can change the world. Phil Holt was a valued mentor, colleague and advisor and I will miss his energetic and irreverent spirit.

Narelle Kennedy

HIGHLIGHTS OF 2008/09

- ▶ The Foundation successfully completed and published **four research studies** providing up to date intelligence on China, the global connections of multinationals, new dimensions in business innovation and future high-impact issues for business to 2020.
- ▶ Our events program showcased our research and allowed almost 400 participants to hear **authoritative international and national speakers** and to debate the wider issues of innovation and productivity. Guest speakers included:
 - Professor David Gann, Head of Innovation and Entrepreneurship at the Innovation Studies Centre of Imperial College, London.
 - Professor Michael Enright, Director, Enright, Scott and Associates and Professor of Business Administration, University of Hong Kong.
 - Nick Leon, Director of cutting edge UK-based innovation centre, Design London.
 - Hon Dr Craig Emerson MP, Minister for Small Business, Independent Contractors and the Services Economy, who launched the Foundation’s keynote publication *Inside the Innovation Matrix- finding the hidden human dimensions* and Professor Graham Hubbard of the University of Adelaide as a contributor to this book.
 - Glenn Wightwick, Director of IBM Australia’s Development Laboratory.
- ▶ The Foundation continues to make a meaningful contribution across **business and public affairs**. In particular:
 - The Foundation was commissioned by the Department of Innovation, industry, Science and Research in association with Enterprise Connect to provide a working paper on innovation for small and medium sized enterprises.
 - Foundation intelligence was adopted in the Federal Government’s white paper *Powering Ideas* in response to the Review of the National Innovation System.
 - The Chief Executive’s contribution to the IBM Leadership Forum on the Smarter Planet Initiative and the action agenda resulting from this.
 - The Chief Executive’s role as a key panellist in the Trade 2020 Summit alongside the Federal Trade Minister.
- ▶ The Foundation continued to strengthen its **research network** through:
 - More than 110 companies contributing as case studies to Foundation research, notably through the studies on Sydney Multinationals and on China.
 - Participation in Foundation research by researchers from 10 universities and by a further 11 business executives and practitioners.
 - Engagement with the Innovation Researchers Network and with selected researchers who contributed with Foundation members to debate and discussion on our members-only website.
 - Establishment of the inaugural Australian Business Foundation Research Fellowships.

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 and 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	Professor Mary O'Kane
Professor Trevor Cairney	Ms Janine Ricketts
Mr Stephen Cartwright	Mr Peter Roberts
Ms Narelle Kennedy	Mr Greg Whiteley
Mr David Malloch	Mr Frank Wyatt
Mr Stephen Mills	

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, Dr Ron Watts. Acknowledgement and appreciation goes to Professor Julie Steele who served on the Research Advisory Committee until her resignation in January 2009.

Business Development Committee

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

Finance and Investment Committee

Mr Stephen Mills (Chairman), Mr David Malloch, Ms Narelle Kennedy, Mr Greg Whiteley.

Audit Committee

Mr David Malloch (Chairman), Ms Narelle Kennedy, Mr Stephen Mills, Mr Greg Whiteley.

Australian Business Foundation staff

Ms Narelle Kennedy – Chief Executive Officer

Mr Phillip Allen – Research Manager

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.

A C H I E V E M E N T S

In 2008/09, the Australian Business Foundation built on its remarkable portfolio of timely and incisive new research studies. In our tradition of investigation of depth, rigor and prescience, this year's research projects made their mark: China; strategies of Sydney multinationals; new approaches to innovation and productivity; and anticipating the future game-changing issues for Australian businesses.

Against the backdrop of a pervasive and virulent global economic crisis, the insights from the Foundation's research intelligence were communicated, discussed and challenged to good effect in events, submissions, media debate and public commentary with the Foundation's members and community of interest.

The details of these achievements for 2008/09 are reported on in the following sections.

H I G H C A L I B R E R E S E A R C H

Research Program

In a year characterised by concerns over the global economic crisis, the defining themes of the Foundation's research were global connections and new imperatives for competing internationally, especially relevant in turbulent times.

The Foundation's research projects during 2008-2009 were:

- ▶ **Engaging China – The realities for Australian businesses** led by international relations specialist Dr Keith Suter, with a background analysis by senior journalist and former Beijing correspondent,

Catherine Armitage, and 25 business case studies by Sara Cheng and Rab Memari of Australian Business International Trade Services.

This distinctive study describes the actual experiences of Australian businesses currently operating in Chinese markets using a variety of business models, and goes well beyond the hype of China as either a sales windfall or a competitive threat.

- ▶ **Global Connections: a study of multinational companies in Sydney** by Professor Michael Enright of Enright, Scott and Associates and the University of Hong Kong, Professor Richard Petty of Enright, Scott and Associates and the Macquarie Graduate School of Management and Professor Suresh Cuganesan of the Swinburne University of Technology.

Incorporating international comparisons, this study is a very contemporary analysis of how Sydney features in the strategies, organisation and location decisions of multinational firms.

- ▶ **Inside the Innovation Matrix – Finding the hidden human dimensions** is a collection of 14 expert papers from 26 authors.

Coordinated for the Australian Business Foundation by Carolyn Evans from ThinkEvans, with specialist editing by Tony Spencer-Smith of the Editor Group, the focus of the book is the pivotal role of people as innovation carriers through their networks, collaborations, knowledge flows, interactions and use of tacit knowledge.

- ▶ **The Future Revisited** by futurist, company director and business strategist Susan Oliver.

This report is a review of *Alternative Futures: Scenarios for Business in Australia to the year 2015*, prepared a decade ago by the Australian Business Foundation. This project revisits the future scenarios as imagined in that earlier collaboration by the Foundation, and extends our antennae out further to detect the emerging impactful issues for Australian businesses to 2020.

In addition, the Foundation has two further research projects nearing completion with launches scheduled for early 2010. These are:

- ▶ **Northern Sydney's Global Technology Corridor: A Scoping Study of Cluster Development** by Professor Roy Green and Kate Hughes. This project was undertaken by Macquarie Graduate School of Management, University of Technology Sydney and specialist consultancy Bugseye, in collaboration with NSW State and Regional Development and the Australian Business Foundation.

Examining business clustering beyond simple co-location, this study explores the frequency and depth of interactions that are the hallmark of productive industry clustering around the world.

- ▶ **Occasional Paper on Innovation Policy, Productivity and Economic Growth** by Professor John Foster, Head of the School of Economics, University of Queensland and President-Elect of the International Joseph A. Schumpeter Society.

Commissioned by the Australian Business Foundation, this paper draws on Professor Foster's eminent scholarship in macroeconomics and its applications in monetary economics, labour economics and regional economics, to make the case for an alternative approach to innovation policy as a driver of productivity and economic growth.

RESEARCH EXPENDITURE FOR 2008/09

In 2008/09, the Foundation’s direct expenditure on research projects was \$167,384, itemised as follows:

Research Project	Amount
Inside the Innovation Matrix	\$5,850
The Future Revisited	\$14,950
Engaging China	\$80,902
Global Technology Corridor	\$18,182
Global Connections	\$43,500
Occasional Paper – John Foster	\$4,000
Total	\$167,384

The Foundation also operates a separate Research Fund Account, which contains all gifts to the Foundation for which tax deductibility is sought. The only allocation made from the Research Fund Account in 2008/09 was \$1475 as part payment for the Inside the Innovation Matrix project. This is included in the direct expenditure noted above.

In addition to direct spending on research projects, the Foundation committed further resources to research in the form of staff and consultancy resources dedicated to the framing, design and management and dissemination of research projects and other operational expenses. This further investment in research through staff and operating expenses totalled \$303,572 in 2008/09.

In short, in 2008/09 the Australian Business Foundation’s expenditure on research totalled \$470,956 and is detailed in the following table:

TOTAL RESEARCH EXPENDITURE 2008/09

Research Projects (including from Research Fund Account)	\$167,384
Research Staff and Consultancy costs	\$259,786
Research Dissemination and Support	\$43,786
Total	\$470,956

Research Fellowships

As foreshadowed, the Australian Business Foundation Research Fellowships have been established to support scholarship and investigation into the key emerging issues likely to impact most on Australia's business capabilities and global competitiveness. The Fellowships also aim to encourage greater exposure, dissemination and application of these ideas, particularly in capturing new opportunities, business models and problem-solving for Australia's long-term advantage.

Typically of twelve months duration, the award of a Fellowship will be made to high-achieving individuals, as a contribution to both their continuing research and learning in their chosen field and to its dissemination for wider public discourse and debate.

For the inaugural Australian Business Foundation Research Fellowship, we are delighted to partner with the Aurora Foundation, a not for profit company set up in 2001 to provide education, development and training opportunities for leadership in the library and associated information and cultural communities of Australia and New Zealand.

The Australian Business Foundation will shortly award the Aurora Foundation Innovation and Cultural Industries Fellowship to an outstanding candidate demonstrating scholarship and expertise that advances knowledge in how cultural institutions, design and arts organisations can drive innovation and sustainability in their operations and in their community engagement.

Research Priorities and Pipeline

The Foundation's Research Advisory Committee, under the leadership of Professor Mary O'Kane, has had an active and productive year. Much attention has been given to replenishing the Foundation's pipeline of research projects, ensuring the depth and professionalism of the research effort and the significance of the issues to be addressed.

Leveraging and building on the online research scanning process last year involving over 250 members and stakeholders, the Research Advisory Committee deliberated on the content and attributes of future strategic research priorities.

This culminated in a published statement of Strategic Research Priorities and a public Invitation to Collaborate on research, which has excited interest from researchers and practitioners at home and abroad.

The approach taken to future research priorities and directions as recommended by the Research Advisory Committee and endorsed by the Foundation's Board was to investigate those issues that set a new agenda for business and the community at large.

The overarching research questions centred on how Australia can create new capabilities by turning its big problems, like climate change, healthy ageing and a low carbon economy into opportunities. Particularly, how Australian businesses can thrive in turbulent times and respond with agility and skill to opportunities or threats.

The specific research priority topics decided were:

- ▶ Responding to Globalisation
- ▶ New Models of Innovation and Sustainability

- ▶ The Geography of Competitiveness and Economic Development
- ▶ Learning from the Future

The Research Advisory Committee also reinforced the essential attributes of Foundation research as:

- ▶ investigates issues of substance and impact;
- ▶ explores new angles, detects new patterns and realities and probes beyond the obvious;
- ▶ frames research issues more cogently, makes fresh connections between disparate subjects and avoids issues already well-traversed by others; and
- ▶ distils fresh insights and intelligence to help shape and lead debates and elicit practical action.

These features will be at the forefront of the Research Advisory Committee's assessment of research proposals to add to the Foundation's future research portfolio. The end game is to refresh and maintain the Foundation's pioneering and distinctive, if not unique, model of collaborative, expert and influential research.

HIGH IMPACT COMMUNICATIONS

Fresh, well-researched and imaginative ideas are the currency of future prosperity. One positive effect of the global economic crisis is greater receptivity to new solutions. Superficial analysis and easy answers are ineffective. Innovative, substantial and evidence-based actions are in demand. This is the core competency of the Australian Business Foundation - producing and communicating leading edge, probing research with high impact.

In 2008/09, the Foundation has continued to communicate and to apply the intelligence from its growing body of research for maximum business impact, policy impact and public impact. This impact has been achieved through the following communications initiatives.

Communicating for Business Impact

Over 2008/09, the Foundation has conducted a more interactive and engaged events program where new policy and business ideas have been debated, tested and challenged by the Foundation's typically forward-thinking demanding audiences. These events in 2008/09 were:

- ▶ **Connect to Innovate** presented by Professor David Gann, Head of Innovation and Entrepreneurship at the Innovation Studies Centre of Imperial College, London. This showcased new high impact patterns of innovation open to today's business leaders by the use of the emerging techniques of the digital economy like simulation and rapid prototyping, combined with traditional engineering and technical skills.
- ▶ **Innovation by Design** featured Nick Leon, Director of Design London, a leading international organization in design-led innovation on harnessing the transformational power of combining design, engineering, technology and business to solve large scale business and societal problems.
- ▶ **Building a Smarter Australia** was a challenging debate led by Glenn Wightwick, Director of IBM Australia's Development Laboratory as part of IBM's Smart Planet Initiative. The aim was to make the case for building intelligence into the infrastructure and utilities on which our economy depends to reduce waste, improve capabilities and secure long-term productivity benefits.

- ▶ **Myths and Realities of Innovation in Successful Australian Companies** presented by Professor Graham Hubbard, Professor of Strategic Management at the Business School of the University of Adelaide reporting his 25 year study of 11 top performing Australian companies and the character of their innovation practices. This event was co-hosted by the Melbourne Business School and the Business Higher Education Roundtable.

The Foundation's events program also included the launch of three major research projects, which involved a series of public events and roundtables designed both to promote and to apply the findings of these studies for practical action. The research launch events in 2008/09 were:

- ▶ **Inside the Innovation Matrix: Finding the hidden human dimensions**

This collection of expert papers taking soundings of a variety of thinkers in the business and academic communities on innovation as a social process not a technological one was launched by The Hon Dr Craig Emerson MP, the Minister for Small Business, Independent Contractors and the Service Economy.

This report was also the subject of a presentation on *The Hidden Human Dimensions of Innovation* to a business and practitioner audience at the Hargraves Institute's Innovation 2009 Conference.

- ▶ **Global Connections: a study of multinational companies in Sydney**

Part of an international comparison study led by Professor Michael Enright of Enright, Scott & Associates and the University of Hong Kong, this research investigates 85 case studies of multinational enterprises in Sydney and how they featured in the strategies, operations and knowledge flows of their global parent and the local business community.

Professor Michael Enright officially launched *Global Connections* at an event co-hosted with NSW State and Regional Development, followed by a private roundtable discussion with Foundation members and invited guests.

A further business briefing event featuring Professor Enright was held with the Sydney Chamber of Commerce's Sydney First program with a select audience of business leaders.

Another of the principals involved in the *Global Connections* study, Professor Richard Petty of Enright, Scott & Associates and the Macquarie Graduate School of Management, presented on this research to the CEO Forum and to the CFO Forum highlighting the implications for both Australian offices of multinational firms and domestic enterprises.

- ▶ **Engaging China: the realities for Australian businesses**

This analysis and set of case studies on doing business in China was launched at events in both Sydney and Melbourne in conjunction with the Australia China Business Council, featuring presentations and commentary by a panel of case study companies – Westray Engineering, Altium, CEM International and Linatex.

Planning is underway for the formal launch of *The Future Revisited* report by its principal author Susan Oliver as part of a program planned in 2010 on 'learning from the future'.

In 2008/09, the Foundation's events program to showcase research and to debate wider issues of innovation and productivity reached almost 400 participants, featured authoritative international

and national speakers and allowed us to partner with stakeholders including IBM, NSW State and Regional Development, Melbourne Business School, the Business Higher Education Roundtable and the Australia China Business Council.

Communicating for Policy Impact

The Australian Business Foundation has proven itself as an advocate of ideas based on its thorough and expert research intelligence, not a self-interested lobbyist for sectional interests. This opportunity to be heard and to have policy impact was evident in 2008/09. The main evidence of policy impact is as follows:

- ▶ **Powering ideas: an Innovation Agenda for the 21st Century:** the Federal Government's white paper in response to the Cutler expert panel of which the Foundation's Chief Executive was a member. This paper both benefited from and referenced the Foundation's research intelligence on business and workplace innovation and productivity. Through formal submissions and informal consultations, the Foundation continues to participate in the debate and research to be done on new approaches to industry, innovation and economic policy, eg. commissioning an expert paper on these issues from University of Queensland Professor John Foster.
- ▶ **Consultancy for Department of Innovation, Industry, Science and Research on a Model for Innovation and Enterprise Development for SMEs:** this resulted in a paper and presentations for the Enterprise Connect Advisory Board which captured current thinking and insights into a model for fostering enterprise development and innovation in small and medium sized enterprises.
- ▶ **Productivity and the Stimulus Packages:** participation in direct talks with officials of the Department of Prime Minister and Cabinet, organised by the Australian Services Roundtable, recommending on how to secure long term productivity benefits from the Government's short term stimulus packages.
- ▶ **Trade 2020 Summit:** participation as an expert panellist in forums organised by Austrade and CEDA for the Trade 2020 Summit, launched by Trade Minister, Simon Crean.
- ▶ **IBM Leadership Forum on the Smarter Planet Initiative:** contribution to a high level IBM-led business forum to flesh out an action plan for more intelligent approaches to infrastructure and creating innovative solutions to 'wicked' problems like energy conservation and water shortages.
- ▶ **'Expert Witness':** responding to an increasing number of calls for expert advice and commentary on public policy issues relevant to the Foundation's research insights and thought leadership. Key examples include:
 - Australian Davos Connection Futures Summit.
 - Innovation and Business Skills Australia Enterprise Innovation Summit.
 - Commonwealth Commercialisation Institute consultations.
 - International Managers Organisation for China, India and ASEAN nations.
 - Standards Australia 'Net Benefit' Workshop on the economic development potential of standards-setting.
 - NSW State and Regional Development on regional innovation strategy, on green jobs, on information technology clusters review and on manufacturing industry strategy.

- Centre for Social Impact on the community jobs initiative.
- National Broadband Network and economic development policy.
- Knowledge Commercialisation Australia and innovation policy.

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

Communicating for Public Impact

The Foundation secured modest but steady media coverage in 2008/09 from Sky News to News Limited to cutting edge business blogs, with most extensive coverage given to the release of research studies like *Engaging China* and *Global Connections*.

Over the year, the Foundation recorded 40 substantial media hits across print, broadcast, online and radio. A highlight was the opinion piece by the Foundation's Chairman Stephen Mills in May in the Australian Financial Review, entitled *Labs aren't the only ones with ideas*. This article reinforced the core messages from the Foundation's research on the innovation and productivity debate.

The Foundation's website was upgraded during the year to be a more accessible and engaging source of information on the Foundation's research and public events.

We also introduced a members-only content section of the website to encourage greater engagement and online discussions among our community of interest of members. The initial members-only content took the form of a series of Spotlights, which allow members to share insights on contemporary issues or emerging ideas that excite them and are of interest to fellow Foundation members. For example, Professor Jane Marceau has contributed a Spotlight on 'Innovation in Cities' and economists Anand Kulkarni and George Bougias have written on 'Diasporas in the Global Economy'. This vehicle to engage members and to build a more active community of interest around the Australian Business Foundation will be given even greater attention in 2010.

SUSTAINABILITY AND GOVERNANCE

The global financial crisis loomed large in the 2008/09 year and the Australian Business Foundation responded both with a comprehensive reassessment of its business strategies and careful attention to managing its budget and investments.

The Foundation's financial position for the year ending 30 June 2009 is fully reported in the accounts and financial reports that form part of this Annual Report. The year-end balance sheet shows an unwelcome and unfamiliar deficit, as a result of the decline in the value of the Foundation's investments in 2008/09. The bulk of the Foundation's income is generated from investments arising from a loan by its principal sponsor, the NSW Business Chamber. The subsequent rebound of the market has restored the balance sheet to surplus, but this experience serves to accentuate the urgency of the challenges facing the Foundation and the action needed to operate prudently in the short term and to sustain a viable business over the longer term.

The Foundation’s Board and management have addressed these challenges vigorously during the year. The Board led a comprehensive strategy review that questioned the ‘tried and true’ by exploring potential new business models, both building on and adding to the Foundation’s distinctive attributes and ways of creating value for business executives and public policy makers. In particular, the Board and the Research Advisory Committee acted to set new strategic research priorities addressing how Australia can transform its capabilities and competitiveness for globally turbulent times.

The Board and the Finance and Investment Committee, with the help of expert advisers, monitored the Foundation’s investment portfolio closely, paying particular attention to the loan repayment schedule commencing in 2011 and recently accepting advice to switch the equities portfolio manager. Careful attention to the management of the Foundation’s investments continues to be a high priority in order to maximise operating income and long-term capital growth. Expenditure is being closely scrutinized, long-range budgeting improved and new avenues of revenue sought.

The Foundation established a separate Audit Committee to provide more detailed scrutiny of financial compliance and governance obligations to ensure that the Foundation is operating to appropriate standards of transparency and accountability.

This year the Australian Business Foundation was pleased to award Honorary Life Memberships to six Foundation leaders over its first decade of operations. These Honorary Life Members were recognised for their exceptional service, pioneering effort and/or sustained valuable contributions to the achievements of the Australian Business Foundation. The Honorary Life Members are:

Dr Bob Frater AO	For exceptional service as the inaugural Chairman of the Research Advisory Committee and his vision and rigorous intellectual leadership of the Foundation’s research portfolio.
Oliver Freeman	For his pioneering efforts as a fearless futurist, contributing significantly to the Foundation’s capacity to detect and understand the ‘soft signals’ of impactful change earlier than others.
Peter Janssen	For his leadership and business acumen as Chairman of the Foundation, motivating it to reach ever-higher standards of excellence in its research, communications and operations.
Catherine Livingstone AO	For her transformational leadership of the Foundation as Chairman, guiding a step-change in the sustainability of the Foundation’s business model and its policy influence.
Dr Ian Pollard	For exceptional service as the Foundation’s inaugural independent Chairman and for his unstinting, perceptive and continuing assistance to the Foundation in responding to current problems and opportunities.
Dr Marilyn Sleigh	For her sustained valuable contributions to the Foundation’s operations and research quality, particularly in promoting the Foundation and its research intelligence to business leaders.

The Australian Business Foundation suffered a sad loss this year with the passing of Philip Holt AM after a short illness. It was Philip Holt, who as Managing Director of the then Australian Business Limited had the vision and energy to found the Australian Business Foundation as a vehicle for fresh rigorous research and thought leadership for a strong, vibrant and globally competitive Australia. Philip Holt was the Foundation's inaugural Honorary Life Member and served as a Director of the Australian Business Foundation from its inception in 1997 to June 2001. He continued to provide most welcome support and wise advice after his retirement. The Board, management and friends of the Australian Business Foundation offer our sincere condolences to Yvonne Holt and to Philip's family.

THE YEAR AHEAD

The Australian Business Foundation produced a strong portfolio of research in 2008/09. In the year ahead, we will replenish this leading research intelligence with new projects in the pipeline from experts in Australia and around the world responding to our public call for research collaborations.

The Foundation will take further initiatives to help shape the innovation debate on a national basis. We will continue to focus on research into business and social innovation linking university researchers with business and workplace leaders. The aim is to provide deeper understandings of the dynamics and transformational effects of innovation-led prosperity for the Australian community.

In the next year, we will give priority to increasing the awareness and impact of the Foundation's unparalleled knowledge base by mining our total body of research for lessons and insights that strengthen the capabilities, competitiveness and productivity of Australia and its businesses.

The Foundation intends to increase the number and quality of members-only roundtables, online forums and debates to provide our individual and corporate members with enhanced value and opportunities to engage with leading edge ideas and forward-thinking people.

These initiatives for 2010 will be accompanied by the efficient management of the Foundation's resources and operations and continuing efforts to ensure a robust and sustainable business model for the future.

PART 2
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 September 2009 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.

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 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"	Leslie Butterfield	Appointed under 33 (a) (v) June 2007 Elected Nov 2007
	David Malloch	[Previous appointment under 33 (a) (ii)] Appointed under 33 (a) (v) September 2006 Elected Nov 2007
	Stephen Mills	Appointed under 33 (a) (v) in 2004 Re-appointed under 33 (a) (v) March 2006 Elected Nov 2007 Appointed Chairman Nov 2007
	Janine Ricketts	Elected Nov 2007
	Frank Wyatt	Elected Nov 2003 Re-elected Nov 2005 Re-elected Nov 2007
33 (a) (ii) "Two representatives of Australian Business Limited (now NSW Business Chamber Limited)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 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 RAC Chairman Sep 2008
	Narelle Kennedy	Appointed Nov 2007
	Peter Roberts	Appointed Nov 2008

The following individuals served as directors and completed their terms in 2008/09:

- Kevin Macdonald – Appointed ex-officio June 2006, term completed June 2009.
- Dr Bob Frater – Appointed September 2003 as RAC Chairman, term completed in Sep 2008.

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, the Board appointed Stephen Mills Chairman on 28 November 2007 and reappointed Leslie Butterfield Deputy Chairman on 19 November 2008. 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.

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.

In November 2008 the Board 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 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, 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 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.

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 2008/09

AUSTRALIAN BUSINESS FOUNDATION LIMITED
ABN 56 067 381 999

Annual Report - 30 June 2009

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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 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 pages 1 - 4, which are not part of this financial report.

The financial report was authorised by the Directors on the 16 September 2009. The company has the power to amend and reissue the financial report.

AUSTRALIAN BUSINESS FOUNDATION LIMITED – ABN 56 067 381 999

DIRECTORS' REPORT

Your directors present their report on the Company for the year ended 30 June 2009.

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	D J Malloch	N A Kennedy
G S Whiteley	T Cairney	J L Ricketts
L Butterfield	F J Wyatt	

M J O’Kane was appointed as a director on the 10/09/08 and continues in office at the date of this report.

P T Roberts was appointed as a director on the 25/02/09 and continues in office at the date of this report.

R Frater was a director from the beginning of the financial year until his resignation on 7/10/08.

K J MacDonald was a director from the beginning of the financial year until his resignation on 25/06/09.

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

L Butterfield

Age 49
 Director, McLachlan Lister Pty Ltd
 Director, McLachlan Lister Services Pty Ltd
 Director, Delstong Pty Ltd
 Director, Australian Literacy and Numeracy Foundation
 Director, I2i Symbiosis Pty Ltd
 Member, Advisory Board Queensland Micro Technology Centre

G.S.Whiteley

Age 49
 Director, Whiteley Corporation Pty Ltd
 Director, Whiteley Holdings Pty Ltd
 Director, Ernest Australia Pty Ltd
 Director, Whiteley Technology Pty Ltd
 Director, Witec Consultants Pty Ltd
 Director, Whiteley Nominees Pty Ltd

M J O’Kane

Age 54
 NSW Chief Scientist and Scientific Engineer
 Executive Chair, Mary O’Kane & Associates Pty Ltd
 Director, ipernica Ltd [formerly QPSX Ltd]
 Director, PSMA Australia Ltd
 Director, Business Events Sydney
 Director, CRC for Spatial Information
 Director, Australasian CRC for Interaction Design Ltd
 Director, Development Gateway Foundation
 Director, Development Gateway International
 Charles Darwin University Council
 Member, International Advisory Council, UNITAR
 Member, Renewable Energy Development Committee
 Member, NSW Clean Coal Council
 Member, NSW Spatial Council
 Member, NSW Innovation Council
 Member, Tax Concession Committee

D J Malloch

Age 55
 Deputy President, NSW Business Chamber
 Director, Sydney Chamber of Commerce
 Director, Aston Pty Ltd
 Director, Australian Association of Angel Investors
 Director, DPM Pty Ltd
 Director, Capital Angels Pty Ltd
 CEO, VIA Research Pty Ltd
 CEO, Malloch Digital Design Pty Ltd
 Director, Intelledox Pty Ltd
 Deputy Chair, Regional Development Australia - ACT
 Member, Enterprise Connect
 Member, Future Manufacturing Industry Innovation Council

T Cairney

Age 57
 Chairman, Sydney Chamber of Commerce (since 2001), 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

N A Kennedy

Age 56
 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 Committee
 Member, Chief Executive Women

J L Ricketts

Aged 54
 Director, Decisive Consulting Pty Ltd
 Member, Clean Energy Innovation Centre Interim Advisory Board
 Member, National Consultative Committee on Second Track Processes

S H C Mills

Age 55
 Director, ShareGift Australia
 Trustee, Mills O'Neil Superannuation Fund

F Wyatt

Age 60
 Managing Director, Enterprising Partnerships Pty Ltd
 Managing Director, Icon Principle

S Cartwright

Age 45
 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

P T Roberts

Age 54
 No directorships

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	5	5	4	4
T Cairney	5	4	-	-
R H Frater	1	1	2	1
N Kennedy	5	5	6	6
K J MacDonald	5	3	-	-
D Malloch	5	4	6	4
S H C Mills	5	5	10	10
M O'Kane	4	2	4	4
J Ricketts	5	4	4	4
P Roberts	3	2	1	0
F Wyatt	5	5	4	4
G S Whiteley	5	5	5	5

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 deficit of the company for the year (including movement in the market value of investments) was \$3,756,119, compared with the deficit of \$3,772,726 in the previous year. Net movement in the market value of investments of \$3,829,570 contributed to the deficit, compared to \$3,584,529 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.

16 September 2009



.....
S Mills
Director



.....
D Malloch
Director



PricewaterhouseCoopers
ABN 52 780 433 757

Darling Park Tower 2
201 Sussex Street
GPO BOX 2650
SYDNEY NSW 1171
DX 77 Sydney
Australia
Telephone +61 2 8266 0000
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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 2009, 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
16 September 2009

AUSTRALIAN BUSINESS FOUNDATION LIMITED - ABN 56 067 381 999
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2009

	Notes	2009 \$	2008 \$
Revenue from continuing operations	3	1,860,758	1,972,774
Other income	4	(3,829,570)	(3,584,529)
		<u>(1,968,812)</u>	<u>(1,611,755)</u>
Employee benefits expense		(648,789)	(530,502)
Research and other outside service expenses		(90,543)	(502,655)
Interest expense		(772,466)	(634,546)
Promotional events		(17,296)	(101,718)
Investment management fees		(50,131)	(72,598)
Directors fees		(48,309)	(51,655)
Advertising		-	(57,660)
Occupancy expense		(37,241)	(31,668)
Travel		(20,125)	(29,331)
Printing, postage and stationery cost		(13,835)	(21,866)
Other expenses		(88,572)	(126,772)
		<u>(1,787,307)</u>	<u>(2,160,971)</u>
Surplus/(deficit) before income tax expense		(3,756,119)	(3,772,726)
Income tax expense		-	-
Net surplus/(deficit) after income tax expense		(3,756,119)	(3,772,726)
Net surplus/(deficit) attributable to members of the entity		<u>(3,756,119)</u>	<u>(3,772,726)</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 2009

	Notes	2009 \$	2008 \$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	5	120,115	102,758
Trade and other receivables	6	379,745	346,739
Other financial assets at fair value through profit or loss	7	12,777,947	16,662,551
Total current assets		<u>13,277,807</u>	<u>17,112,048</u>
Total assets		<u>13,277,807</u>	<u>17,112,048</u>
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	8	207,656	285,778
Total current liabilities		<u>207,656</u>	<u>285,778</u>
NON-CURRENT LIABILITIES			
Borrowings	9	13,900,000	13,900,000
Total non-current liabilities		<u>13,900,000</u>	<u>13,900,000</u>
Total liabilities		<u>14,107,656</u>	<u>14,185,778</u>
Net assets		<u>(829,849)</u>	<u>2,926,270</u>
EQUITY			
Retained profits	10	(829,849)	2,926,270
Total equity		<u>(829,849)</u>	<u>2,926,270</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 2009

	Notes	2009 \$	2008 \$
Total equity at the beginning of the financial year		2,926,270	6,698,996
Surplus/(deficit) for the year		<u>(3,756,119)</u>	<u>(3,772,726)</u>
Total equity at the end of the financial year		<u>(829,849)</u>	<u>2,926,270</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 2009

	Notes	2009 \$	2008 \$
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts from customers		63,959	210,535
Cash paid to suppliers and employees		(1,105,217)	(1,469,643)
Interest received		136,666	120,471
Dividends received		898,685	1,497,094
Management fee rebate received		18,361	35,495
Net cash (outflow)/inflow from operating activities	11	12,454	393,952
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for other financial assets		(145,097)	(428,196)
Financial assets redeemed		150,000	-
Net cash (outflow)/inflow from investing activities		4,903	(428,196)
Net increase/(decrease) in cash and cash equivalents		17,357	(34,244)
Cash and cash equivalents at the beginning of the year		102,758	137,002
Cash and cash equivalents at the end of the year		120,115	102,758

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

AUSTRALIAN BUSINESS FOUNDATION LIMITED - ABN 56 067 381 999
NOTES TO AND FORMING PART OF FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

1. STATEMENT 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 reports.

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.

The financial report that 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 *Interpretations and Applications of Standards*, which apply to all entities required to prepare financial reports under the *Corporations Act 2001*. The financial report also complies with other applicable Accounting Standards and Interpretations with the exception of disclosure requirements in the following:

- AASB 2 – *Share-based Payments*
- AASB 3 – *Business Combinations*
- AASB 5 – *Non-current Assets Held for Sale and Discounted operations*
- AASB 7 – *Financial Instruments: Disclosures*
- AASB 101 – *Presentation of Financial Statements: paragraphs 124A to 124C*
- AASB 112 – *Income Taxes*
- AASB 114 – *Segment Reporting*
- AASB 124 – *Related Parties*
- AASB 139 – *Financial Instruments: Recognition and measurement*

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. Comparative information is reclassified where appropriate to enhance comparability.

(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.

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 - ABN 56 067 381 999
NOTES TO AND FORMING PART OF FINANCIAL
STATEMENTS FOR THE YEAR ENDED 30 JUNE 2009

(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 income statement 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 income statement 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 taxation authority is included with other receivables or payables in the balance sheet.

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 less provision for doubtful debts. Trade receivables are generally due for settlement within 30 days.

Collectibility of trade receivables is reviewed on an on going basis. Debts which are known to be uncollectible are written off. A provision for doubtful debts is established where there is objective evidence that the entity will not be able to collect all amounts due according to the original terms of receivables. The amount of the provision is recognised in the income statement.

(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.

AUSTRALIAN BUSINESS FOUNDATION LIMITED - ABN 56 067 381 999
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(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 2009 the number of members was 114 (2008: 74).

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	2009	2008
	\$	\$
3 Revenue from continuing operations		
Sales revenue		
Membership fees	42,950	38,360
Sponsorship income	5,000	67,660
Advisory services	20,000	12,558
Seminars	9,299	18,529
Publication sales	4,312	1,610
	<u>81,561</u>	<u>138,717</u>
Other revenue		
Distributions / dividends	600,686	766,713
Imputation credits	249,489	275,263
Interest received - NSW Business Chamber Limited	772,466	634,546
Interest received - Other	132,524	122,040
Management fee rebate	24,032	35,495
	<u>1,779,197</u>	<u>1,834,057</u>
Total revenue from continuing operations	<u>1,860,758</u>	<u>1,972,774</u>
4 Other income		
Net gains / (losses) on financial assets held at fair value through profit or loss	(3,829,570)	(3,584,529)
5 Cash and cash equivalents		
Cash at bank	120,115	102,758
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	120,115	102,758
Balance as per statement of cash flow	120,115	102,758

AUSTRALIAN BUSINESS FOUNDATION LIMITED - ABN 56 067 381 999
NOTES TO AND FORMING PART OF FINANCIAL
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	2009	2008
	\$	\$
6 Trade and other receivables		
Trade receivables	90,170	17,576
Accrued revenue	13,981	40,846
Imputation credits	249,489	275,273
Other receivables	26,105	13,044
	<u>379,745</u>	<u>346,739</u>
7 Other financial assets at fair value through profit or loss		
Australian listed equity securities	10,894,108	14,757,503
Cash management funds	1,883,839	1,905,048
	<u>12,777,947</u>	<u>16,662,551</u>
8 Trade and other payables		
Trade payables	27,906	61,783
Employee entitlements	-	12,127
Other payables	179,750	211,868
	<u>207,656</u>	<u>285,778</u>
9 Borrowings		
Unsecured		
Capitalised interest - investment loan	2,117,143	2,889,609
Loan payable - NSW Business Chamber Limited	11,782,857	11,010,391
	<u>13,900,000</u>	<u>13,900,000</u>



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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 comprises the balance sheet as at 30 June 2009, 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 it was prepared.



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

Our procedures include reading the other information in the Annual 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*.

We confirm that Independence Declaration required by the *Corporations Act 2001*, provided to the Directors of Australian Business Foundation Limited on 1 September 2009, would be in the same terms if provided to the directors as at the date of this auditor's report.

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 2009 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
Partner

Sydney
16 September 2009

