

GREAT BARRIER REEF RESEARCH FOUNDATION
A.C.N. 090 616 443

FINANCIAL STATEMENTS – 31 DECEMBER 2002

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
GREAT BARRIER REEF RESEARCH FOUNDATION**

Scope

I have audited the financial statements of the Great Barrier Reef Research Foundation for the financial year ended 31 December, 2002 including the profit and loss account, balance sheet, notes to and forming part of the financial statements and statement of directors. The directors are responsible for the preparation and presentation of the financial statements and the information they contain. I have conducted an independent audit of these financial statements in order to express an opinion on them to the members of the Association.

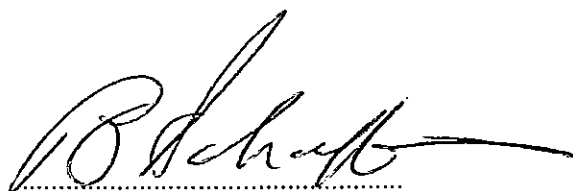
My audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial statements are free of material misstatement. My procedures included examination on a test basis, of evidence supporting the amounts and other disclosures in the financial statements, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion as to whether, in all material respect the accounts are presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements so as to present a view which is consistent with my understanding of the Association's financial position and results of its operations.

The audit opinion expressed in this report has been formed on the above basis.

Audit Opinion

In my opinion the financial statements of the Great Barrier Reef Research Foundation are properly drawn up:

- (1) So as to give a true and fair view of the state of affairs of the Association at 31 December, 2002 and the results of the financial year ended on that date;
- (2) in accordance with the provisions of the Corporations Law; and
- (3) in accordance with applicable Accounting Standards and other mandatory professional reporting requirements.



Bevin Schafferius
Registered Company Auditor

29 January, 2003

GREAT BARRIER REEF RESEARCH FOUNDATION
ACN 090 616 443

STATEMENT OF DIRECTORS


In the opinion of the Directors of the Association:

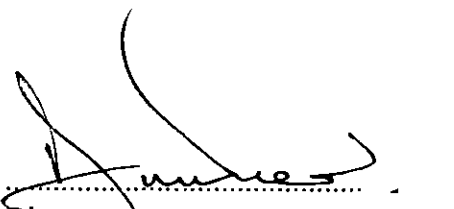
- (1) the financial statements set out on pages 3 to 10 have been made out in accordance with Divisions 4A and 4B of the Corporations Law so as to give a true and fair view of the state of the company's affairs as at 31 December, 2002 and of the results of operations for the year ended on that date; and
- (2) at the date of this statement there are reasonable grounds to believe that the company will be able to pay its debts and when they fall due.

The accompanying financial statements have been made out in accordance with applicable Accounting Standards.

Signed in accordance with a resolution by the Directors.

Dated this 6th day of February, 2003.


.....
Director


.....
Director

PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED 31 DECEMBER 2002

	2002	2001
<u>INCOME</u>	\$	\$
Founding Memberships	102500	25000
Donations	582056	293600
Grants	1300000	476107
Interest received	5775	5607
Vessel & Equipment Hire	193450	-
Miscellaneous Income	2120	9114
TOTAL INCOME	2185901	809428
<u>EXPENDITURE</u>		
Accounting/Audit	2920	3519
Advertising	-	775
Bank/Credit Card Charges	2032	1331
Briefing Costs	-	1548
Capital Items < \$300	818	862
Computer Costs	16318	-
Chemicals (COTS)	3929	-
COTS - Pilot Study	48967	-
Fundraising & Media Consultants	113664	72496
Fundraising & Media Promotions	2844	5044
Depreciation Expense	61045	17601
Diving Training	1122	-
Diving - Equipment Maintenance	5547	-
Electricity	2734	250
General Expenses	2508	276
Grants & Donations	322505	341401
Insurance	8786	-
Interest	113	30
Launch Costs - USA	1780	106846
Legal Fees	7284	2682
Licence Fees	151	200
Lobbying Costs	1815	16605
Management Fee	145200	125500
Management (COTS)	79665	-
Meeting Costs	21020	4231
Motor Vehicle Expenses	30549	16886
Postage	5460	2281
Printing, Stationery	27798	18963
Publications & Brochures	1429	6135
Repairs & Maintenance	2997	3171
Rent	42420	27679
Secretarial / Business Services	6838	3701
Staff Amenities	3628	701
Staff Training	250	650
Subscriptions & Memberships	10984	973
Superannuation	26537	1711
Telephone	16309	10826
Travel expenses	62326	36397
Vessel Costs	293221	-
Wages - Staff	34132	21741
Wages - Other	247854	-
Workcover	3485	-
TOTAL EXPENSES	1668984	853012
Net Profit/(Loss)	516917	-43584
Accumulated Profit (Losses)	96711	140295
ACCUMULATED PROFIT AT END OF YEAR	\$613,628	\$96,711

The accompanying notes form part of these financial statements.

GREAT BARRIER REEF RESEARCH FOUNDATION
ACN 090 616 443

BALANCE SHEET
AS AT 31 DECEMBER 2001

	2002	2001
	\$	\$
<u>MEMBERS FUNDS</u>		
Accumulated Funds / (Deficit)	<u>613628</u>	<u>96711</u>
Represented by:		
<u>CURRENT ASSETS</u>		
Cash at Bank – NAB Cheque	5188	7848
- NAB Management	9799	823
- NAB Trust	192734	10236
Trade Debtors	251941	4692
Other Debtors	1190	440
Short Term Advance	25508	-
Prepayments	15066	20000
Deposits	6611	4976
	<u>508037</u>	<u>49015</u>
<u>FIXED ASSETS</u>		
Plant and Equipment	304726	80968
Less Accumulated Depreciation	<u>-84826</u>	<u>-26895</u>
	<u>219900</u>	<u>54073</u>
<u>TOTAL ASSETS</u>	<u>727937</u>	<u>103088</u>
<u>CURRENT LIABILITIES</u>		
Trade Creditors	48828	19832
Other Creditors	35837	11615
GST Payable / (Refund)	29644	<u>-25070</u>
<u>TOTAL LIABILITIES</u>	<u>114309</u>	<u>6377</u>
<u>NET ASSETS</u>	<u>613628</u>	<u>96711</u>

The accompanying notes form part of these financial statements.

GREAT BARRIER REEF RESEARCH FOUNDATION
ACN 090 616 443

NOTES TO AND FORMING PART OF THE ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2002

1. STATEMENT OF ACCOUNTING POLICIES

The financial statements have been prepared in accordance with applicable Accounting Standards and other mandatory professional reporting requirements. The financial statements have also been prepared on the basis of historical costs and do not take in to account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets. The accounting policies have been consistently applied, unless otherwise stated.

The following is a summary of the material accounting policies adopted by the Association in the preparation of the financial statements.

2. INCOME TAX

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

3. SEGMENT REPORTING

The association operates solely in the marine research industry within Australia.

4. AUDITORS REMUNERATION

The auditor's remuneration relates solely to the audit of the financial statements.

5. RELATED PARTIES

The management fees paid or payable of \$145200 were paid or payable to a company associated with the chief executive officer, Mr David Windsor.

The following people served as executive committee members during the year ended 31 December 2002:

John B Reid AO - chairman
 Sir Ian McFarlane
 Mr David Windsor
 Dr Wendy J Craik
 Mr Michael S Baeviski
 Ms Jennifer A McFarlane - resigned
 Mr Don R Argus AO
 Mr Greg Heaney
 Mr Steven Wilson

Dr John M Schubert
 Mr Mark Rayner - resigned
 Mr George E Chapman AO
 Mr George J Bujtor - resigned
 Mr Stephen Gillies
 Dr Peter Isdale
 Dr Emmanuel C Pohl

None of the above received any remuneration or any other benefits from the company during the year other than the management and project fees as indicated above.

6. MEMBERS LIABILITY

In the event of the Association being wound up every member of the Association is liable to contribute no more than \$10- to meeting any liabilities that the association may have.

GBR Research Foundation

PROJECT RECEIPTS AND PAYMENTS

Year ending 31 December 2002

Crown of Thorns Starfish

Income		
Grants Received	1,200,000.00	
Grants Invoiced not yet received	200,000.00	
Net Cash Received		\$1,000,000.00
Expense		
Bank Fees	10.60	
Chemicals (COTS)	3,929.01	
Diving - Training	1,121.82	
Diving - Equipment Maintenance	5,547.19	
Electricity	273.64	
Insurance	6,408.19	
Legal Fees	1,713.21	
License Fees	42.00	
Contract Management (COTS)	79,665.04	
Meeting Costs - General	2,179.80	
Motor Vehicle Costs	178.81	
Printing & Stationery	64.68	
Publications & Brochures	109.55	
Secretarial/Business Services	1,030.91	
Staff Amenities	1,654.62	
Superannuation	22,937.95	
Telephone	857.31	
Travel, Accom & Meals	4,086.65	
Vessel - Berthage Fees	2,166.19	
Vessel - Fuel	21,511.02	
Vessel - Meals	28,921.82	
Vessel - Hire	115,438.51	
Vessel - Equip Hire Costs	2,833.00	
Vessel - Hire - Compressor	41,050.00	
Vessel - Hire Dive Equipment	34,200.00	
Vessel - Maintenance	40,150.63	
Vessel - Security Deposit	75,000.00	
Vessel - Sundry	2,984.19	
Vessel - Wages	241,897.00	
Wages - Staff	33,981.04	
Workcover	3,264.76	
Total Expense		\$775,209.14
Surplus/(Expended)		\$224,790.86

GBR Research Foundation
PROJECT RECEIPTS AND PAYMENTS

Year ending 31 December 2002

Ballast Water Project

Income		\$0.00
Expense		
Grants - Specified	22,727.27	
Meeting Costs - General	790.78	
Travel, Accom & Meals	2,753.93	
Total Expense		\$26,271.98
Surplus/(Expended)		(\$26,271.98)

Coral ID

Income		\$0.00
Expense		
Grants - Specified	100,000.00	
Total Expense		\$100,000.00
Surplus/(Expended)		(\$100,000.00)

Status of Coral Reefs 2002

Income		
Donations Received	27,525.96	
Total Income		\$27,525.96
Expense		
General	573.60	
Total Expense		\$573.60
Surplus/(Expended)		\$26,952.36

Cause Related Markets

Income		
Donations Received	1,530.00	
Total Income		\$1,530.00
Expenses		\$0.00
Surplus/(Expended)		\$1,530.00

GBR Research Foundation
PROJECT RECEIPTS AND PAYMENTS

Year ending 31 December 2002

IMPAC Centre

Income		
Donations Received	50,000.00	
Total Income		\$50,000.00
Expense		
Grants - Specified	25,002.00	
Total Expense		\$25,002.00
Surplus/(Expended)		\$24,998.00

Irukandji Project

Income		
Donations Received	50,000.00	
Grants Received	100,000.00	
Total Income		\$150,000.00
Expense		
Meeting Costs - General	433.27	
Travel, Accom & Meals	956.74	
Total Expense	1,390.01	
Surplus/(Expended)		\$148,609.99

Sponge Aquaculture

Income		
Donations Received	100,000.00	
Total Income		\$100,000.00
Expense		
Grants - Specified	50,000.00	
Travel, Accom & Meals	532.40	
Total Expense	50,532.40	
Surplus/(Expended)		\$49,467.60

GBR Research Foundation
PROJECT RECEIPTS AND PAYMENTS

Year ending 31 December 2002

Tropical Marine Network

Income		
Donations Received	100,000.00	
Total Income		\$100,000.00
Expense		
Grants - Specified	100,000.00	
Total Expense		\$100,000.00
Surplus/(Expended)		\$0.00

Water Quality

Income		
Donations Received	50,000.00	
Total Income		\$50,000.00
Expenses		\$0.00
Surplus/(Expended)		\$50,000.00

GBR Reasearch Foundation
PROJECT RECEIPTS AND PAYMENTS

Year ending 31 December 2002

Vessel Costs

Capital Cost carried forward from prior year

Vessel Acquisition 200000.00

Shortfall carried forward to this year (200000.00)

Income

Vessel & Equipment Hire 193,450.00
\$193,450.00

Expenses

Sundry (Registration, Inspection etc) 3,966.54

Capital Expenses (Air Conditioning, Radar) 9,755.33

Total Expenses \$ 13,720.87

Shortfall to be carried forward (\$20,270.87)

GREAT BARRIER REEF RESEARCH FOUNDATION

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECMEBER, 2002

	2002 \$
CASH FLOWS FROM OPERATING ACTIVITES	
Donations / Membership / Grants	1984556
Other operating inflows	195570
Expenses	(1668984)
Interest received	<u>5775</u>
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITES (note 2)	<u>516917</u>
CASH FLOWS FROM INVESTING ACTIVITES	
Net increase (decrease) in cash held	188814
Cash at the beginning of the year	<u>18907</u>
Cash at the end of the year (note 1)	<u><u>207721</u></u>
NOTE 1. RECONCILIATION OF CASH	
Cash at the end of the year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:-	
Cash at bank	<u>207721</u> <u>207721</u>
NOTE 2. RECONCILIATION OF NET OPERATING ACTIVITIES TO BENEITS ACCRUED AS A RESULT OF OPERATIONS	
Increase in bank	188814
Increase in Plant and Equipment	165827
Increase in Creditors	(53218)
Increase in Deposits	1635
Increase in Debtors	273507
Decrease in Prepayments	(4934)
Increase in GST	<u>(54714)</u>
Net cash provided by operating activities	<u><u>516917</u></u>



REPORT TO THE FOUNDATION FOR THE CALENDAR YEAR 2002

INTRODUCTION

Our third year of operation has seen considerable advances made in our ability to make grants. This year a total of \$1.2million has been provided for a variety of projects. Our co-operative linkages have been firmed and the first multi-disciplinary, multi-institutional intensives have been conducted and were a great success. The only non-positive note is the decision not to proceed with establishing the Foundation in the US owing to the economic and political climate prevailing at this time. The necessary funds have been raised to ensure the Foundations start but it has been decided to wait until possibly later this year when the climate becomes more acceptable. Regular newsletters and corporate brochures have been produced.

ADMINISTRATION (MANADATORY REPORTING)

The Foundation is registered as a non-profit, tax free company (limited by guarantee), as a deductible gift recipient and as an environmental agency.

The office is well established and functional and we have been the recipient of a donation from Christie Corporation which has doubled the floor space which we occupy at no cost to the Foundation.

Our Corporate Governance Charter the Business Systems Manual and an ISAC Procedures process are in force. Our Operations Manual for the Crown of Thorns Starfish Eradication Program has received approval from the division of Workplace Health and Safety.

A full-time staff of 2 together with a receptionist/office assistant obtained through the Governments traineeship scheme and a part-time accountant operate from our Brisbane offices and we have now established offices at no cost to the Foundation in both Cairns and Townsville through the good offices of AMPTO and the CRC Reef respectively.

Directors and Officers, All Risks and Public Liability policies are in place.

TRADEMARK

The Low Island Preservation Society endeavoured to register the name Great Barrier Reef Research Foundation. This was in my opinion a deliberate attempt to undermine the Foundation as two of the officers are also directors of the defunct Great Barrier Reef Foundation. I, (with the consent of the Chairman) immediately engaged our attorneys to dispute the application. This was



successfully carried out and the application was withdrawn. We have subsequently applied for its registration and have had initial approval.

THE BOARD

The Board currently comprises:

MR JOHN B REID AO	CHAIRMAN
SIR IAN MCFARLANE	DEPUTY CHAIRMAN
MR DAVID WINDSOR	MANAGING DIRECTOR
MR MICHAEL BAEVSKI	DIRECTOR
MR GEORGE CHAPMAN AO	DIRECTOR
DR WENDY CRAIK	DIRECTOR
MR STEPHEN GILLIES	DIRECTOR
DR PETER ISDALE	DIRECTOR
DR JOHN SCHUBERT	DIRECTOR
MR STEVEN WILSON	DIRECTOR
MR GREG HEANEY	ALTERNATE DIRECTOR
DR MANNY POHL	ALTERNATE DIRECTOR
MR DON ARGUS AO	FUND MANAGEMENT COMMITTEE

There have been two resignations from the Board, Ms Jennifer McFarlane and George Bujtor and will be replaced by Mr Phillip Strachan the CFO of Comalco (to be ratified at the AGM). Jennifer resigned because of her relocation to America and George Bujtor has left Comalco. In addition Mark Rayner has resigned from the Trust Committee owing to a change in his circumstances.

Three Directors are due to retire this financial year; these are John B Reid AO, Stephen Gillies and George Chapman AO. These Directors are eligible to re-stand at the Annual General Meeting.

INTERNATIONAL SCIENTIFIC ADVISORY COMMITTEE

The Committee currently comprises:

PROFESSOR RUSSELL REICHEL	CHAIRMAN
DR WENDY CRAIK	MEMBER
PROFESSOR PAUL DAYTON	MEMBER
PROFESSOR ALISTAIR GILMOUR	MEMBER
PROFESSOR OVE HOEGH-GULDBERG	MEMBER
PROFESSOR MICHAEL KINGSFORD	MEMBER
PROFESSOR FRANK TALBOT	MEMBER
DR CLIVE WILKINSON	MEMBER

The Committee met on Tuesday, 17 December 2002 and we were fortunate to have a good attendance including Paul Dayton from the United States. The meeting was a successful one and was followed by a dinner at which the local Directors and members of the Tropical Marine Network were invited. At the dinner we presented a cheque to the Tropical Marine Network for \$100,000 which was our contribution to the shared degree intensives that were conducted in July. The Chairman of ISAC has prepared a separate report which is included in the board papers.



FUNDRAISING

The fundraising effort this year has been less successful than anticipated. A new Founding Benefactor was welcomed to the Foundation and a number of small grants from Perpetual, Pratt and Viertel Foundations were received.

Midway through the year it became apparent that we would have to concentrate our efforts in Sydney and Melbourne if we were to raise sufficient funds to meet our objectives. As a result at the Board meeting in October in Sydney, DVA Navion was appointed as our new fundraising consultants. They have developed a new case statement to present the Foundation to prospective donors and have already been in contact with a number of Directors to seek assistance in presenting our case to suitable donors.

Dr Linda Griffith tendered her resignation effective from 31st December 2002, this was accepted and a letter of thanks for her efforts was sent to her by the Chairman.

A major focus for fundraising for the current year will need to be the raising of additional discretionary funds to cover the cost of the administration of the Foundation. We will need to raise approximately \$500,000 to cover day-to-day business and this could best be done by the engagement of 5 new Founding Members. I seek Directors' assistance in providing support for our fundraisers to ensure that this occurs as quickly as possible.

PROJECTS

CROWN OF THORNS STARFISH CONTROL PROGRAM

This program continues to run very smoothly. There have been no major hiccups with the exception of one minor injury incurred by one diver which was covered by Workers Compensation. The charter of the Foundation's vessel to the program has raised \$193,450 which very nearly offsets the purchase of the boat and in fact by the conclusion of this program will see the Foundation's vessel becoming a profit centre for the ongoing running of the Foundation.

We have applied to the State government for additional funding to run the Program for a further 18 months and have requested the sum of \$2million split equally between the Federal and State governments. We have received a reply from the Minister for the Environment who indicates that he will be discussing the issue with the Premiers Department and that we can expect a result to our enquiry in the near future.

SPONGE AQUACULTURE

This project is progressing well and we have completed reports for both the Viertel and Perpetual Foundations as required by their grants to us. A submission has been forwarded to the Centre for the Encouragement of Philanthropy in Australia (CEPA) requesting additional funding for this project to the tune of \$432,000 which will be decided on 26 February, 2003. We will be seeking additional funding for this project which has significant applications for developing countries in the Indo-Pacific region.



BALLAST WATER

This project is one of the most exciting undertaken by the Foundation and the program is now well underway with the provision by MST of all the equipment needed to conduct experiments to the Foundation. The long term implications for the Foundation from this project are significant in that we will receive royalties on the sale of each and every MST machine designed for use with ballast water and the application is a worldwide one. There have been a number of attempts to solve the problem of ballast water throughout the world but we are now confident that with the initial results from this machine we will have developed world leading technology which will have application throughout the worlds shipping fleet.

IRUKANDJI

As you are aware the Minister for Science, the Hon. Peter McGauran made a donation of \$100,000 to the Foundation for use in Irukandji research. Through our web-page we called for expressions of interest into Irukandji and received 16 applications totalling some \$1,588,869.00. The submissions were reviewed by ISAC and prioritised and as a result 3 projects have been funded totalling some \$256,000 over 3 years. We continue to seek funding in an endeavour to provide grants to 3 other of the applicants whose work merited funding and this will be a priority for fundraising in the 2003.

MODULAR SOLUTION TECHNOLOGIES

Our association with Modular Solution Technologies continues to grow. Michael Bævski will be providing funding for a sewage plant at his development at Sunrise at the town of 1770. This project will evaluate the efficiency of the ultra-sonic detonator which was patented by MST when used with sewage. The project will be overseen by the CRC Reef and it is fully expected that the product will prove to be an efficient cleanser of sewage water. This has enormous implications for reef health as the reduction in harmful bacteria and viruses being discharged into the Great Barrier Reef basin and potentially reefs of the world will be greatly reduced.

CRC TORRES STRAIT

The Torres Strait bid referred to in earlier reports has been successful and an off-shoot of CRC Reef will now be CRC Torres Strait. The Foundation is a Founding Member of CRC Torres Strait through its contributions to the Sponge Aquaculture project and we have a seat on the board of CRC Torres Strait. This once again increases our exposure particularly in the Torres Strait region for the future.

JULIA WHITTY

In November we hosted the renowned author Julia Whitty, who is an award winning film documentary producer and recipient of the O'Henry prize for literature. Julia is a passionate advocate for reefs and has produced a number of articles as a result of her visit which was facilitated by the Foundation. In addition she is writing a new book on coral reefs and the first two chapters will be on Australia and the efforts of



the Foundation in preserving reefs in this area. A full summary of Julia's activities will be reported in the March 2003 newsletter.

SUNRISE AT 1770

Michael Baevski has now finalised all the details of his development at 1770 and it is anticipated that the granting of the land to be converted into a National Park and deeded to the Foundation will take place in May with a presentation by the Premier of Queensland, the Hon. Peter Beattie. This deed of land will have no financial repercussions for the Foundation as its maintenance and supervision will be fully funded through the body corporate of the residential development on the undeeded section of land. The main advantage for the Foundation is that it will increase our asset base by some \$4million and it provides stature to the Foundation.

BINGIL BAY

Negotiations with the Queensland government have now reached a point where, within the course of the next few weeks a Memorandum of Understanding will be available for scrutiny by the Directors. It is the intention of the Queensland government to deed the Foundation the commercial rights to the property which will be used as a research station for both reef and rainforest. We have already had expressions of interest from James Cook University, CRC Rainforest and CRC Reef and University of Queensland who would wish to use the facility for extended periods. It is our intention to offer naming rights to a number of large corporations and the figure raised as a result will more than adequately cover the cost of running the research station, bearing in mind that the Queensland government still will be responsible for all capital expenditure and maintenance of the grounds as part of the memoranda. I will be circulating to members a copy of the draft Memoranda for their approval out of session.