



colonialfoundation

Annual Report 2004 -05

About Colonial Foundation

In 1996, The Colonial Mutual Life Assurance Society Limited, after 123 years as a mutual life insurance society, demutualised and, in 1997, was listed on the Australian Stock Exchange as Colonial Limited.

The Colonial Foundation Trust was created as part of the demutualisation in order to reflect in some way Colonial Limited's origin as a mutual society formed to provide a service to its members and the communities it served. Colonial Foundation Limited was formed to act as trustee of the Trust.

Following the merger of Colonial Limited with the Commonwealth Bank of Australia in June 2000, Colonial Foundation Limited became fully independent, with the responsibility of carrying out the broadly defined charitable objectives of Colonial Foundation Trust.

Board Of Directors

Chairman

Mr David S. Adam

Deputy Chairman

Mr Peter J. Smedley

Directors

Mr Graham Brooke

Mr Peter Kelly

Professor Priscilla S. Kincaid-Smith

Professor Robert R. Officer

Professor John J McNeil

Executive Officer

Mr Andrew Brookes

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Colonial Foundation Trust aims to make a positive contribution to society by supporting organisations that work to find solutions for those in need or improve the quality of community life.



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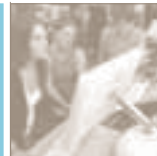
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Chairman's Report

This has been another very interesting and rewarding year for the Colonial Foundation Trust, and I am delighted to be reporting to you in the capacity of chairman.

In line with our operating charter, we have continued to provide financial support to a wide range of organisations around Australia that each undertake important roles in the general community.

These include organisations that are assisting underprivileged members of society in areas such as health and wellbeing, as well as organisations providing educational and vocational support and broader assistance to disadvantaged people in society, including to indigenous Australians. Much of our support is also focused on financing research into areas such as youth mental health, medical research, and into addressing the causes of, and systems for dealing with, serious community problems such as the use of illicit drugs and alcohol abuse. The Colonial Foundation has also continued its ongoing support of the arts and cultural activities.

During the year the Colonial Foundation provided grants totalling more than \$5.7 million to 15 organisations. Most of these organisations have received funding in previous years, reflecting one of the primary objectives of the Colonial Foundation to provide philanthropic grants to organisations over medium to longer-term time frames.

For example, the Colonial Foundation's largest grant recipient remained the ORYGEN Research Centre in Melbourne, which continues its excellent work into improving interventions and treatments for young people experiencing the onset of a mental disorder. A major and exciting development during the year was the appointment to the ORYGEN research team of Professor Tony Jorm, a leading Australian and international researcher in the field of population mental health.

Our major project that is focused on disadvantaged people in society also made significant headway. Colonial Foundation maintained its strong support to Jesuit Social Services for its Gateway Program, which aims to help at-risk young people dealing with mental, health or behavioural issues develop skills through education, training and employment. The program has now engaged 128 people in 'in-house programs' over its first two years of operation, working with an average of 59 young people per month. Many have now enrolled in educational or training programs, or obtained employment.

We are satisfied that all of the organisations provided with funding have continued to make strong headway in their respective projects. Progress is detailed within this annual report.

At this point I would like to pay tribute to Sir Ninian Stephen, who retired as inaugural chairman of Colonial Foundation during the year. Sir Ninian's energy and enthusiasm for the many worthwhile projects that funding has been committed to over the years has been enormously appreciated.

I would also like to welcome Professor John McNeil, Head of the Department of Epidemiology and Preventative Medicine at Monash University, who has recently joined the board.

I wish to express my sincere appreciation to my fellow board directors, to the Executive Officer, Andrew Brookes, and to the staff of the Colonial Foundation for all their tireless efforts in ensuring another very successful and productive year.

A handwritten signature in dark ink, which appears to read 'D. S. Adam'. The signature is written in a cursive, flowing style.

David Adam



Executive Officer's Report

It is always very humbling for me when I receive reports back from our grant recipients outlining their ongoing achievements.

Invariably, they will express their gratitude to Colonial Foundation for providing financial support to the wonderful projects they are undertaking, and then detail the progress that has been made since their last communication. The reason I am humbled is that while our funding is undoubtedly enormously important, it is the tireless efforts and dedication of the individuals behind the projects we continue to support that really embody the meaning of philanthropy.

Over the past year I have again had the privilege of meeting with many of the representatives of the organisations we support around Australia, in the areas of scientific research, community welfare, education, health, the arts, and more.

Colonial Foundation's two largest projects – ORYGEN Research Centre and the Gateway Program run by Jesuit Social Services – continued to make very strong progress during the year. ORYGEN expanded its research team and has made further advances in its research into youth mental health. The Gateway Program also was expanded, with the number of individuals coming through its range of education and training programs increasing and the program successfully facilitating many participants to gain part-time and full-time employment.

Likewise, the University of Queensland's health programs in Western Australia under the direction of Professor Wendy Hoy have been successfully expanded to enable better detection and treatment of individuals with chronic diseases at remote Aboriginal communities. And research by Turning Point Alcohol & Drug Centre into illicit drug use and treatments is making steady progress.

Research into the mapping of the human lymphatic system continued at Royal Melbourne Hospital under Professor Ian Taylor, with the team making major advances and being recognised for its work by winning the American Research Essay Contest, the highest award in its field, for the work it has undertaken.

Colonial Foundation is proud and delighted with the progress of each of the many projects we have funded, and it is pleased that the funds provided have been able to make a difference and to support the community in so many ways.

I would like to extend my thanks and appreciation to the Foundation's Chairman, its directors, professional service providers, consultant, Mr Bill Couche, and to the administration staff, Susan Frances (who left us in May) and Jade Southwood.

A handwritten signature in dark ink, appearing to read 'A. Brookes'. The signature is written in a cursive style with a horizontal line underneath.

Andrew Brookes

Funding For Projects

The Board of Colonial Foundation has determined that, for the time being, the Foundation's funds should, in the main, be directed towards assisting the following areas in the community:

- Community health, including Aboriginal health;
- Education and vocational training;
- Migrant community welfare;
- Disadvantaged people in our society;
- Community quality of life, including the arts and cultural activities; and
- Research in relation to any of these areas.

Colonial Foundation's Grant Making Philosophy

The objective of Colonial Foundation's grants programs is to make positive contributions in defined areas of community need or community life. In assessing potential projects for funding it looks for one or more of:

- Improved understanding and knowledge of a problem or area;
- The gravity of a problem and the scale of potential benefits from successful outcomes of the project (leverage, or multiplier effect);
- Sharing of improved knowledge so that others may benefit;
- Sustainability of the improvements or advances sought;
- Fuller realisation of prior successful work; and
- A significant role for the Foundation in the project, supported by a well qualified specialist organisation.

Grants Made By Priority Areas

Based on its grant making philosophy, Colonial Foundation has directed its funding to major projects in the priority areas of Community Health, Disadvantaged People in Society, The Arts and Cultural Activities, Education and Vocational Training, and Migrant Community Welfare.

Since its establishment, the Foundation has increased its grants capacity on an ongoing basis and at June 30, 2005, had provided grants in excess of \$24 million. The distribution of these funds is outlined in the adjacent table.

All funded projects were approved by the Board in accordance with Colonial Foundation's funding guidelines, which are detailed on page 24 of this report.

Community Health is the largest area of funding for Colonial Foundation, and includes the trust's largest single project, a \$13 million five-year grant to establish the ORYGEN Research Centre for research into youth mental health. A further five years' funding for \$13 million is subject to a satisfactory review at year four.

Grants Made By Colonial Foundation Trust

July 1, 2004 – June 30, 2005

ORGANISATION	PURPOSE	\$
Ardoch Youth Foundation	Secondary school support project at Albert Park College	55,000.00
Art Gallery of New South Wales	Archibald, Wynne and Sulman Prizes	158,481.81
Asylum Seeker Resource Centre	Medical service co-ordinator	30,000.00
Bell Shakespeare Company	Shakespeare in Action Program	77,000.00
Emergency Accommodation and Support Enterprise	Anti-bullying Project	76,299.00
Indigenous Enterprise Partnerships	Aboriginal Community Welfare	250,000.00
Jesuit Social Services	Gateway Program	1,000,000.00
ORYGEN Research Centre	Mental Health Research Grant	2,609,000.00
Oxford Houses Australia	Support for drug rehabilitation houses	96,300.00
Philanthropy Australia	Leading Membership	25,000.00
Pilotlight Australia	Meet the people visits	50,000.00
Royal Melbourne Hospital	Mapping of the lymphatic system	68,000.00
The University of Queensland	Indigenous health	500,000.00
Turning Point Alcohol & Drug Centre	Illicit Drug Use Project	700,000.00
Victorian Arabic Social Services	Cultural Diversity Project	30,000.00
Youth Opportunity Program	Support for Typo Station	140,000.00
TOTAL		5,865,080.81

Allocation for Grants 1998-99 to 2004-05

AREA	AMOUNT
Community Health	\$14,022,320
Disadvantaged People in Society	\$5,024,156
Education and Vocational Training	\$1,914,115
Community Quality of Life, including the Arts and Cultural Activities	\$2,969,940
Migrant Community Welfare	\$292,000
TOTAL	\$24,222,531

Learning more about mental health problems in young people

Community Health

ORYGEN RESEARCH CENTRE

Funding: \$13 million over a minimum of five years

The ORYGEN Research Centre in Melbourne, established in 2002-2003, continues to make a major contribution towards achieving a greater understanding of, and improved interventions and treatments for, young people experiencing the onset of a mental disorder.

ORYGEN is now regarded as one of the pre-eminent psychiatric research institutes in Australia, and in terms of its focus on emerging disorders, youth and early intervention, as an international leader. Colonial Foundation recognised this area as a key opportunity for active involvement and funding when it took the decision in 2001 to provide a substantial long-term grant for the establishment of the ORYGEN Research Centre in Melbourne.

Mental health disorders in young people are common and often disabling. The Australian Survey of Mental Health and Wellbeing found that 27% of Australians aged 18 to 24 had either a depressive, anxiety or substance use disorder in the previous 12 months. The total figure would have undoubtedly been higher if other disorders such as psychotic disorders had also been included. In the Child and Adolescent component of the same national survey, 11% of adolescents aged 13-17 were found to have mental health problems (depressive disorder, attention deficit/hyperactivity disorder and/or conduct disorder). Young people with mental health problems are at increased risk of ongoing or recurrent mental disorders in adulthood. Research has shown that there are

low levels of mental health literacy in the Australian population, with consequent diminished capacity to identify and seek assistance for mental health issues.

Colonial Foundation has backed ORYGEN as its largest project, providing funding for the Centre of \$2.7 million per year over a minimum five-year period, with a further period of five years' funding subject to a satisfactory review at year four. Colonial Foundation's support reflected the reality that pre-existing programs examining youth mental health had been somewhat ineffective, primarily because of a lack of adequate resourcing to fund research. To strengthen its commitment to ORYGEN, Colonial Foundation has also provided management support at Board level, with Chairman David Adam holding the role of Chairman at ORYGEN, and Foundation director Graham Brooke also a director of the Centre.

Since the beginning of 2002, ORYGEN, utilising the grant funds provided by Colonial Foundation (augmented by competitive research grants, other philanthropic trust grants and pharmaceutical industry grants for

Investigator Initiated Trials), has been recruiting a team of senior researchers with the aim of providing comprehensive leadership in the area of youth mental health research and the development of evidence-based clinical interventions.

Key highlights:

A major highlight during the year was the appointment of Professor Tony Jorm, the leading Australian and international researcher in the field of population mental health, together with his research team, to work specifically in the field of youth mental health. Professor Jorm leads research on common mental health problems seen in community settings, particularly depression and anxiety disorders. He is particularly interested in people with mental disorders who currently receive no professional help, have long delays in receiving help, or get inappropriate types of help.

For further information

John Moran
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ORYGEN Research Centre
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Members of the ORYGEN research team

Addressing chronic disease in Aboriginal communities

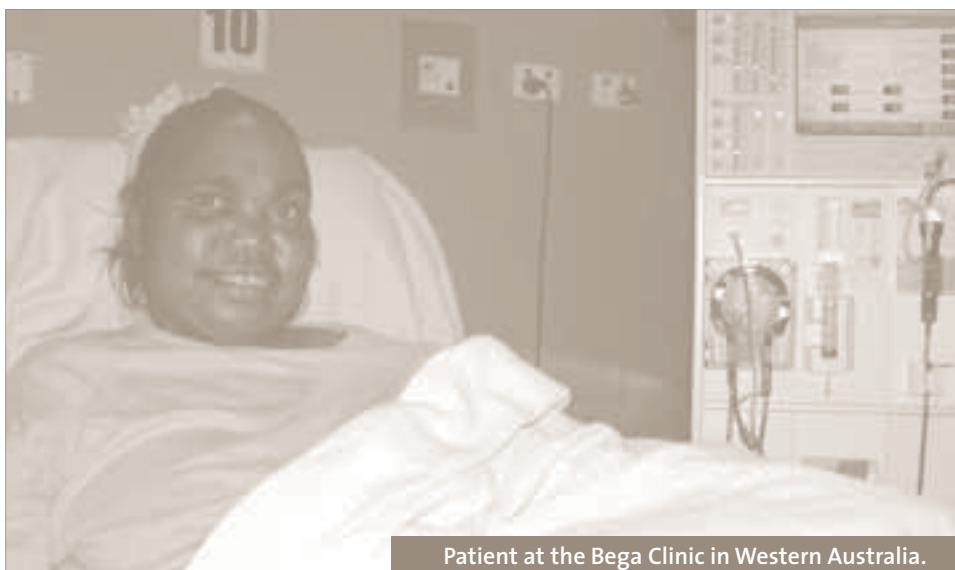
The Colonial Foundation continued to provide valuable support to the University of Queensland for two Chronic Disease Programs directed at Aboriginal adults that have been established in Western Australia – at Bega Garnbirringu in Kalgoorlie and at Broome in the north-west of the state. Each of these regional population centres has around 2500 Aboriginal adults.

The high level of chronic disease and premature deaths within remote Aboriginal communities remains a serious and challenging problem across Australia. Funding for early detection and treatment at a community level has been limited in the past, with a high government focus on directing health care programs at the terminal end of illnesses.

The Colonial Foundation funding has been used to support expanded chronic disease health care activities in the two regions to enable a greater focus on the awareness of, and the better care for, people with chronic diseases.

Key highlights:

- The systematic surveillance and management of chronic diseases has become an integral part of adult health care in Bega and Broome. Chronic disease activities have become ingrained within routine clinic activities for all adults.
- It is being increasingly acknowledged that the development of information systems to analyse and link health information is critical to deliver best practice care for clients and communities. For example, Ferret, a population based health information and recall system used in both these sites, is currently being linked to “Medical Director”, a prescription package widely used by general practitioners for their routine prescribing.
- Upskilling of health care staff, including health workers, has been excellent, including increased



Patient at the Bega Clinic in Western Australia.

awareness and diagnosis and management of chronic diseases.

- Point of care testing for chronic diseases, pioneered in Bega, and currently used in most remote health centres, has proven to be very valuable in these settings. Test results become available immediately and provide opportunities for medication adjustments and dispensing.
- Approval of a new Medicare funding formulae for integrated chronic disease screening has assured a bright and sustained future for systematic surveillance for chronic diseases.
- The model of surveillance and follow-up for chronic diseases has become a template for adult health care for non-indigenous Australians.
- The principles utilised in the program have been adapted in other countries. The International Federation of Kidney Foundations with members from 44 countries is moving to expand into prevention and early detection of chronic diseases.

For further information

Professor Wendy Hoy
Program Director
University of Queensland
Telephone (07) 3346 4809

Community Health

THE UNIVERSITY OF QUEENSLAND

Funding: \$3.62 million over seven years

Responding to illicit drugs in Australia

Community Health

TURNING POINT ALCOHOL & DRUG CENTRE

Funding: \$1.4 million over two years

In October 2002, Colonial Foundation considered a funding proposal by Turning Point Alcohol & Drug Centre to begin a major project to study the most effective mix of responses to deal with illicit drugs in the Australian community. Turning Point is a specialist alcohol and drug organisation that integrates treatment and support service delivery with research, education and training.

The Directors agreed to provide an amount of \$1.4 million over two years for the work, and the project commenced in late 2003.

Entitled the Drug Policy Modelling Project, Turning Point has established a team of Australian and international experts to develop a drugs response model that can be used not only in Australia but on a global level. Stage One of the project is now well under way, with significant research conducted over the last financial year to gather as much information as possible about existing drug policies, drug usage in society, current prevention strategies and legal responses.

Key highlights:

- Turning Point finalised the mapping of existing drug policy responses and conducted a systematic review of studies on law enforcement intervention strategies. It found most of these studies were based on anecdotal evidence rather than quantitative reviews because of insufficient data.



- Turning Point reviewed prevention strategies, focusing on published work in Australia about what works in relation to drugs prevention, and reviewed treatment outcome studies done by Australian researchers to develop parameters around the effectiveness of different treatments. Different drug intervention strategies that have been compared include imprisonment, pharmacotherapy maintenance and therapeutic community intervention. The research aimed to assess how each strategy performed in terms of the program cost to taxpayers and in reducing drug use.
- Research also focused on gathering information about the numbers of drug users in Australia, and the patterns of drug use. Because of its illegal nature, detailed statistics on drug usage are limited. A review of the estimates of the numbers of heroin users is under way. This project will also identify systems needed to collect information about illicit drug use and patterns of use.
- Economic analysis was conducted, including a review of what Australia spends on various drug policies, on

understanding how law enforcement affects the price and quantity of illicit drugs, and on how changes in price and quantity affect the behaviour of drug users, resulting in changes in drug use, to the health of users and criminal activity.

- Turning Point undertook detailed studies on reputational influence to identify key people with a demonstrated capacity to shape ideas about government policy, initiate policy proposals and substantially change or veto other proposals.
- Other research focused on the role of the music industry in relation to drugs, involving the identification of key research groups in Australia and internationally. Turning Point has constructed a map of the Australian music industry and developed a questionnaire for interviewing key players in the industry.

The core funding from Colonial Foundation attracted an additional grant of \$5,000 from the Australian National University's National Institute of Social Sciences and Law.

GOVERNMENT SPENDING ON ILLICIT DRUGS - PRELIMINARY FINDINGS

Law enforcement	\$550m
Interdiction	\$180m
Prevention	\$300m
Treatment	\$260m
Harm reduction	\$26m
Total	\$1,316m

For further information

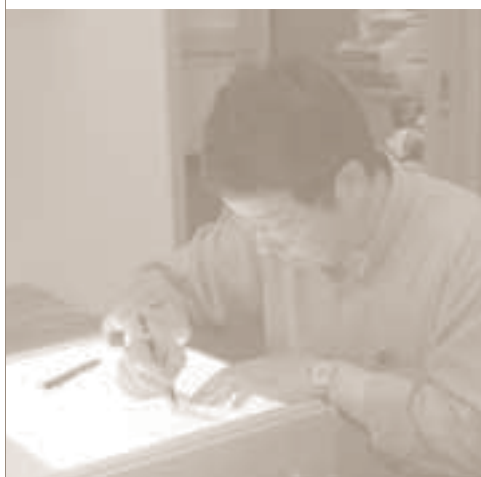
Associate Professor Alison Ritter
Head of Research
Turning Point Alcohol & Drug Centre
Telephone (03) 8413 8430

Mapping the human lymphatic system

The Colonial Foundation is funding a three-year grant to the Reconstructive Plastic Surgery Research Unit of the Royal Melbourne Hospital to map out the anatomy of the human lymphatic system.

The research is concentrating on some of the basic questions about how cancers spread through the human body, and aims to provide information so surgeons can avoid or treat the debilitating effects of lymphoedema (the painful swelling of limbs) after lymph gland removal.

The Colonial Foundation is pleased that pilot studies over the past two years have been very successful and already have provided unexpected results. The Reconstructive Plastic Surgery Research Unit's experience and success with mapping fine human vessels has provided a good platform for the ongoing research work.



Dr Wei Pan maps the lymphatic system.

Key highlights:

- The research unit has now mapped the arterial, venous and nerve territories of the human body.
- A reliable new technique has been developed by research workers Dr Hiroo Suami and Dr Wei Pan that now enables the detection of lymph vessels using hydrogen peroxide to

inflate the collapsed vessels, which are then injected with a radio-opaque lead oxide mixture. The course of the lymphatics can then be traced using radiographic imaging and dissection. This technique requires microsurgical skill and patience because the lymphatics are small, very fragile and each has to be injected separately.

- Over the past year, using this technique, the upper limb lymphatics have been mapped and the lymph nodes that drain them defined. Results have demonstrated unexpected connections with blood vessels in the periphery and previously unreported lymphatic vessel pathways between the skin and deep tissues.
- Recently, Dr Pan and Dr Suami have developed refinements in their technique, requiring new equipment. This has enabled them to inject smaller vessels than ever before, some as small as 0.1mm in diameter.
- Because of the meticulous, time consuming nature of the study, the research team has been expanded to include Dr Jennifer O'Neill, who has been trained by Dr Pan.
- The rapidly increasing knowledge of anatomy of the lymphatic system will lead to developments in the way that the spread of cancer is tracked and prevented. Furthermore, it is likely to lead to modification of surgical techniques using the tissue transfer techniques pioneered in the research unit.
- The research unit won the American Research Essay Contest, the highest award in its field, for the work undertaken on lymphatic research.

For further information

Prue Dodwell

Research Director
Reconstructive Plastic Surgery
Research Unit

Telephone (03) 9347 5939



Community Health

ROYAL MELBOURNE HOSPITAL

Funding: \$201,831 over three years

Providing a supportive home environment

Community Health

OXFORD HOUSES AUSTRALIA DRUG AND ALCOHOL-FREE HOUSING PROGRAM

Funding: \$600,900 over six years

For recovering alcoholics and drug addicts, one of the greatest challenges to achieving a lasting cure to their addictions is having access to a secure and affordable home environment that supports them in the recovery process.

Oxford Houses Australia is an organisation that provides drug and alcohol-free, self-managed residential housing for people in drug and alcohol recovery. After receiving initial pilot funding from the Victorian Government's Department of Human Services, Oxford Houses opened its first house in 1999.

Oxford Houses aims to provide a secure, affordable and mutually supportive group home environment, and a strong volunteer and role-modelling input, supported by appropriate professional resources. Its houses provide individuals with the opportunity to live with others committed to recovery and to develop responsibility, accountability and motivation in re-establishing a productive and worthwhile life in the community.

Key highlights:

- During the year, the number of houses in operation increased from six to eight – six men's houses and two women's houses – with a capacity for up to 40 residents. All eight houses are firmly established and operating in accord with the self-managing and self-sustaining principles of Oxford Houses. Average occupancy is about 85% (35 residents). New applications for residency are running at over 120 per annum.
- As well as receiving funding from various sources, including the federal AER Foundation and the Lord Mayor's Charitable Fund, the Oxford Houses Trust was established under the management of the Greater Melbourne Foundation as a vehicle for attracting grants and bequests, which will generate an ongoing source of income.

- While efforts to achieve Victorian Government funding have not yet been successful, Oxford Houses is in the early stages of developing separate relationships with Federal Government departments and is pursuing potential sources of support in the corporate sector.



- Oxford Houses completed its study on extending the organisation's resource to women with children. Any future move in this direction is likely to be best pursued in partnership with an organisation experienced in child issues and with separate management/financial controls.
- In addition, a three-year study on the Oxford Houses model conducted by Turning Point Alcohol & Drug Centre was concluded and presented evidence supporting Oxford Houses as a valuable adjunct to health services and an effective pathway towards reintegration to life in the community. Oxford Houses data supporting the Turning Point report shows that for all residents since the first house was opened in 1999, 43% have moved on to be alcohol and drug free.

For further information

Hugh Mackinnon
Chairman
Oxford Houses Australia
Telephone (03) 9386 0911

Increasing social connection for at-risk young people

Colonial Foundation continued to provide funding to Jesuit Social Services during the year, which through its Gateway Program aims to help disadvantaged young people to develop core skills through education, training and employment that will enable them to rejoin mainstream society.

Launched in July 2003, the program offers at-risk young people participation in a range of short, medium and long-term co-coordinated programs that focus on the promotion of health and wellbeing, lifelong learning, and economic participation. Some Gateway participants attend one session weekly while others attend daily. These activities include skill development in the area of literacy, numeracy, arts, music, metal work, woodwork, jewellery, hospitality and horticulture. In addition, all young people in the Gateway in-house programs received vocational support and guidance.

Gateway remains committed to bridging two worlds – the world of health and wellbeing on the one hand and the world of education, training and employment on the other. For seriously disadvantaged people with a range of complex needs, programs endeavouring to move them from the world of welfare to the world of work need to take account of situations such as mental illness, drug problems, homelessness, physical illness, offending behaviour, social isolation, under-education, and lack of socialisation.

Key highlights:

- In the first two years of operation there have been 360 inquiries. One hundred and eighty young people were referred and assessed by Gateway, with a total of 128 of those people becoming engaged in 'in-house programs' delivered at the two Gateway sites. Gateway worked with an average of 59 young people per month.

- In addition to these 180 young people, Gateway delivered program activities in external settings to a further 70 young people. These activities were offered primarily as an engagement strategy. Gateway also worked with a further 41 young people in a project with two Local Learning and Employment Networks (LLENs).
- Gateway's primary goal is to achieve education, training and employment outcomes for a group of people with complex problems. To date, of the 128 Gateway participants, 20 young people have enrolled in a VET qualification subsequent to participating in programs provided at Gateway. A total of seven young people have obtained employment, a further two have gained apprenticeships and five have gained traineeships.
- Another goal of Gateway is to achieve improvements in the young people's health and wellbeing. Gateway is in the process of surveying participants in relation to their health and wellbeing using validated tools that have been recommended to us by senior researchers at the Centre for Adolescent Health. It has also been in discussion with ORYGEN Youth Health regarding tools to measure mental health outcomes specifically.
- Gateway is continuing to advocate for more flexibility in training opportunities; for access to flexible and supported transitions to work for young people requiring 'no fault' failures; and for a shift in the health and welfare systems to acknowledge the critical role of education and training in the long-term health and wellbeing of their client groups.

For further information

Kerry Walker
Program Director
Gateway
Telephone (03) 9415 8700



Gateway participants learning computer skills.

Disadvantaged People In Society

JESUIT SOCIAL SERVICES
GATEWAY PROGRAM

Funding: \$5 million over five years

Meeting the people, feeling the issues

Disadvantaged People in Society

PILOTLIGHT AUSTRALIA

Funding: \$150,000 over three years

Colonial Foundation continued its funding to Pilotlight Australia during the year, an organisation that runs regular site visits to disadvantaged areas of Melbourne and Sydney so individuals can see first-hand various problems that need to be addressed.

Started in 2001, Pilotlight works to help those living in poverty, or suffering an injustice, by connecting leaders and innovators from powerful sectors such as media, business, and finance with those who are at the front line of social problems. Its “meet the people, feel the issues” program has steadily grown and been the catalyst for new connections between business and the community that have facilitated a number of new projects and additional philanthropic funding.

During the past year, Pilotlight continued its work to catalyse and help bridge the gaps between the business, community and government sectors, further pushing the boundaries of charitable thinking to inspire and enable others to find new ways to make a difference to significant social issues.

Capacity building is an increasingly relevant concept for Pilotlight and the organisations it works with. It is seeing a growing recognition in all sectors of the fact that social innovation and community strengthening can be more effectively achieved if business, community, government and individuals can work together towards a shared end.

Key highlights:

- Pilotlight’s program of project visits to “meet the people, feel the issues” continued to grow in strength and impact. The organisation exceeded its targets and held eight visits to more than 14 innovative community projects, with more than 60 individuals including business leaders and opinion formers participating. Many participants on these visits have since regrouped to discuss plans for further collaboration with different community organisations.

volunteering opportunities for employee volunteers. Cares delivers a total employee volunteering solution for business; delivering scale, quality, impact and management information systems.

A pilot project commenced involving three of the Committee’s member companies and some of their young, up and coming leaders working with a school in Altona North.

- Pilotlight also catalysed a new business led movement towards social innovation. As such, it continued to play a key role in bringing together leaders who have been inspired by their experiences on Pilotlight’s visits and who are eager to be part of such a movement.
- Recognising the organisation’s work, Pilotlight received funding from the Victorian Government through the Community Support Fund as well as several businesses.



- Pilotlight continued to build ties with organisations including: the Port Phillip Prison youth unit, Whitelion, The Brosnan Centre, Ardoch Youth Foundation, Front Yard, Western Community Initiatives Group, Dusseldorp Skills Forum, Project Respect, Mirabel Foundation and Good Shepherd Youth and Family Service.
- Pilotlight began an exciting new initiative with the Committee for Melbourne entitled Cares. Cares is a brand that facilitates collaborative action by companies to tackle real social and economic disadvantage by providing a range of flexible

- Pilotlight Australia is now supported through the combined funding of philanthropy, business and government, enabling it to thrive in pursuing its objectives.

For further information

Jane Tewson

Director

Pilotlight

Telephone (03) 9662 9422

Effecting change by developing Aboriginal skills

Aboriginal communities across Australia face many difficulties, with health, social and economic deficiencies having led to long-term cultural decline and a heavy reliance on government assistance for basic support.

Indigenous Enterprise Partnerships, established in 1999, has completed a major pilot program in remote Cape York, Queensland. The success of this pilot has led to an expansion, with a second (rural site) being established in Shepparton, Victoria in 2005. An urban site could also be established in 2006. IEP works with indigenous communities through providing highly skilled secondees, mentors, fellows and volunteers from the business sector that support Aboriginal initiatives aimed at breaking welfare dependency.

Colonial Foundation provided a three-year grant of \$750,000 to fund the organisation's operational costs so IEP could manage its extensive activity and partner networks. The patron of IEP is the former Chairman of Colonial Foundation, Sir Ninian Stephen.

Through a pilot program in the Cape York region, IEP essentially aims to assist Aboriginal leaders and organisations in rebuilding the indigenous economy, refresh indigenous leadership, renew health and improve lifestyle, and create a self-managing indigenous community. Based on the outcomes of the Cape York pilot, IEP has created a template that can be applied in other indigenous communities around Australia and is establishing a learning network to share best practice from around the country and to establish IEP-like coalitions in other regions.

Since 2000, IEP has supported more than 120 Aboriginal projects. This support has included helping to build businesses and provide business skills training. Further to this, IEP has provided expert assistance in developing complex strategies and programs in health, education, welfare reform and economic development.

IEP has consolidated new partnerships, completed a comprehensive review and continued to expand core work.

Key highlights:

- IEP's founding partner network, including The Body Shop, Westpac Banking Corporation, The Boston Consulting Group and The Myer Foundation was expanded to include Gilbert + Tobin Lawyers, Right Management, DesignWorks, Freehills, UTS, La Trobe University and recently Cisco Systems and Bensons Chartered Accountants as well as many individuals. The partners provide expertise, secondments, fellowships, volunteers, financial assistance, training and networks.
- IEP successfully facilitated partnerships between indigenous organisations, corporates, business owners, philanthropic organisations and individuals to work together to improve outcomes in indigenous communities in Cape York.
- IEP brought over 300 highly skilled people to Cape York and raised key seed funding.
- Business development projects have resulted in new business creation, assistance for existing businesses, and improvement in the skills and attitude of people towards business.
- IEP also assisted Cape York leaders

Disadvantaged People in Society

INDIGENOUS ENTERPRISE PARTNERSHIPS

IEP BREAKTHROUGH ENTERPRISES

Funding: \$750,000 over three years

to implement a social development program, which has strengthened families and communities and addressed key areas of indigenous disadvantage.

- IEP assisted in the development of a number of processes that Government now uses, which has assisted greater efficiencies in resource delivery.

For further information

Michael Winer

Chief Executive Officer
Indigenous Enterprise Partnerships
Telephone (07) 4051 9088



Horticultural activities in Cape York.

Making a difference to disadvantaged students

Education and Vocational Training

ARDOCH YOUTH FOUNDATION
ALBERT PARK COLLEGE

Funding: \$266,900 over five years



Tutor Ann Hyams mentors students at Albert Park College.

Colonial Foundation maintained funding support during the year to Ardoch Youth Foundation, a community based, non-profit organisation dedicated to helping homeless or disadvantaged youth and ensuring their ongoing access to education.

Ardoch's mission is to generate and facilitate community support for policies, programs and processes to assist young people experiencing difficulties to gain access to education and to create more opportunities in life. To do this, Ardoch has developed holistic early intervention and prevention models which operate within early childhood centres, primary and secondary schools. In 2004-2005, Ardoch continued to make strong progress with its overall program and activities.

Key highlights:

- Colonial Foundation's funding to Ardoch enabled the expansion of the organisation's Secondary School Support Project into Melbourne's Albert Park College. Albert Park College is an inner-city school located in an area that is known for its wealth, however, it has an urgent need for the development of resources. The school has a population of around 300 students; with 40% living in government housing, including transitional housing for homeless families.
- The Secondary School Support Project has been highly successful in achieving its goal to develop responsive curriculum and welfare support opportunities for students.

- The aim of the Continuation Project is to both support students' smooth transition between schools and to enable a seamless pathway of Ardoch Support Projects in one geographic area. Students at the local primary school and kindergarten had already been receiving support via the Ardoch Primary School Support Project and the Ardoch Early Childhood Support Project. The objective has been to provide that same Ardoch support at the secondary level.
- As a result of Colonial Foundation's funding, Albert Park students have a dynamic set of programs and activities that otherwise would not have been available. Ardoch has developed nine programs at the school to assist disadvantaged students.
- Over \$100,000 worth of corporate and community services and resources have been linked into the school annually, providing positive role models, enhancing the environment, enriching relationships and offering career pathways and activities that the school could not have offered on its own.
- The success of the Albert Park College project has prompted inquiries from other schools in Victoria and NSW, and from the Queensland Government, which have requested help and support to adopt and develop the Ardoch model in their own communities.

For further information

Kathy Hilton
Founder and Director
Ardoch Youth Foundation
Telephone (03) 9537 2414

Solving the Jigsaw: Changing the culture of violence

Solving the Jigsaw is a school-based program pioneered by Bendigo's Emergency Accommodation and Support Enterprise that seeks to change the culture of violence among children and instead build a culture of wellbeing. Its program supports and develops the capacity of schools to actively promote and nurture the emotional intelligence, health and wellbeing of children and young people.

The Colonial Foundation believes that work in this area is an important step in understanding the connections between the culture of violence, the culture of bullying and the culture of domestic violence. The EASE program works collaboratively with schools, forming long-term partnerships to provide early intervention and prevention programs targeted at improving resilience, belonging and connectedness. It does this through the classroom, targeted group and individual work, professional development, facilitator training and school policy development.

The Solving the Jigsaw program was piloted in 1997 with two schools and has since been expanded to more than 40 schools, running 128 programs of 20 weeks each. A trained facilitator works with the classroom teacher and allows students to explore their personal qualities, develop trust and take on more challenging issues such as bullying and violence, loss and grief, anger, alcohol and other drugs, tolerance and wellbeing.

In Solving the Jigsaw schools the program is part of the curriculum and is an additional support to work already being undertaken by schools. Solving the Jigsaw also runs parenting programs, experiential workshops, professional development days for teachers, a 12-month facilitator training course and information sessions for parents and schools.



Key highlights:

For further information:

Carla Meurs
Coordinator
Emergency Accommodation &
Support Enterprise
Telephone (03) 5443 4945

Education and Vocational Training

EMERGENCY ACCOMMODATION
AND SUPPORT ENTERPRISE

SOLVING THE JIGSAW PROGRAM
Funding: \$220,985 over three years

Building resilient young men

Education and Vocational Training

TYPO STATION

Funding: \$783,500 over seven years

Over several years, Colonial Foundation has provided funding to Typo Station in Victoria, a unique early intervention program that aims to assist 14-17 year-old males experiencing difficulties at school and home to become successful adults.

Founded in 1993, Typo Station operates a life skills and alternate education program for young men who have clinical levels of delinquent behaviours. These young people are experiencing difficulties at school and/or home and are struggling with low self esteem, poor social competence and limited coping strategies.

Over a two-year period, young people are able to participate in a range of programs on the Typo Station bush property located in north-east Victoria. The program has been designed as a stepping stone into continued education, training and employment at a crucial time in their lives. It is challenging within a supportive team environment, providing a diverse range of experiences, designed to encourage participants to take greater responsibility for their lives.

Managed by a team of full-time youth workers and volunteers, Typo Station runs up to six programs a year as well as six follow-up programs, with up to 15 boys taken into each program.

Young people are referred to Typo Station from diverse regions across Victoria, and an increasing number are now being referred from Metropolitan Melbourne. Regions that Typo Station has expanded the program to encompass include: Warrnambool, Mildura, Gippsland, Ballarat, Colac, and suburbs right across Melbourne.

During 2002-2005, Typo Station significantly increased the numbers of participants in its programs.

- Typo Station supported 120 young men in 2004 to make positive changes.
- There were five new program intakes run through the last financial year as well as five follow-up programs (Market Enterprise, Work Enterprise, Toil & Spoil, Father & Sons).
- Ongoing mentoring support was provided to participants over the two-year program experience.
- Typo Station undertook a number of media campaigns in regional Victoria and metropolitan Melbourne to increase awareness of the organisation and its program intakes.

- The organisation also enhanced its communications with schools and youth and family focussed agencies, which has resulted in a greater number of referrals and a greater level of understanding of its programs and services.

Source of referrals

Schools	60%
Youth & family focussed services	20%
Parents/families	20%

Outcomes with Young People

Have continued in secondary school	60%
Of those, have changed schools	20%
Have moved to TAFE or employment	10%
Have returned to school after a lapse in attendance	10%

Typo Station has continued to have a positive impact on young people's relationships with family and school.

For further information

Andy Kay
Chief Executive Officer
Typo Station
Telephone (03) 8614 1352



Participants on a hike near Typo Station.

Shakespeare in action program

Education and Vocational Training

THE BELL SHAKESPEARE COMPANY

Funding: \$147,000 over two years

Bell Shakespeare is Australia's multi award-winning national touring theatre company. In addition to taking its touring productions of Shakespeare and other classics to all states and territories of Australia, the company takes a comprehensive education program to schools and communities in metropolitan, regional and rural areas nationwide.

One of Bell Shakespeare's priorities is addressing the needs of students who are disadvantaged for socio-economic or geographical reasons.

Following its support of the Shakespeare In Action outreach pilot program for disadvantaged schools in Melbourne in 2003, Colonial Foundation supported the continuation of the three-year project in Sydney's Campbelltown and Melbourne's western region in 2004.

With Colonial Foundation's initial support, relationships had already been established with teachers and students at Campbelltown's Airds, Ambarvale, Eagle Vale and Sarah Redfern High Schools, alongside Campbell House School, an institution for students with behavioural problems. In Melbourne, work continued with staff and students

in Sunshine and Bayside Secondary Colleges.

Shakespeare In Action's director, Alison Ingram, and two assistants spent intensive periods working with students, who in some cases had been dismissed by their teachers as hopeless. The Shakespeare In Action model was designed to engage students, previously thought to be almost unteachable, by encouraging them to learn Shakespeare roles and rehearse them with their peers. The rehearsal process culminated in the performance of scenes from Shakespeare plays, which were recorded on video, enabling the students to "make their own movie".

Other theatre skills were taught by actors from the company and by fight director Nigel Poulton, who led stage combat workshops. Groups from the schools were taken to the Arts Centre in Melbourne and the Playhouse at Sydney Opera House to see Bell Shakespeare mainstage productions such as Twelfth Night. Additionally, Bell's in-schools education program Actors At Work visited the schools, engaging the students with Shakespeare in a different but equally relaxed way, ensuring their continued interest.

The culmination of the program in Sydney resulted in an after-school program that produced a very impressive series of live Shakespeare performances by students from Ambarvale, Eagle Vale and Airds High Schools for their friends and families. Entitled "Free Will", the production was impressive testimony to the success of the project.

Shakespeare In Action enabled troubled and confused students to begin realising their own potential. The language of Shakespeare, although unfamiliar at the start of the exercise, empowered them. The majority became more confident, more sociable and more disciplined, not only in their Shakespeare In Action sessions, but also in other areas of their school work. The program also helped teachers develop their skills in terms

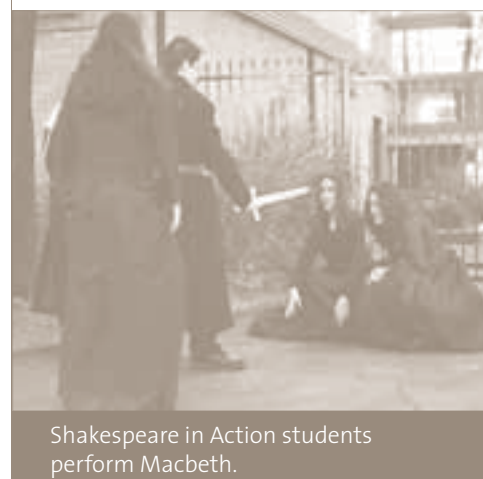
of engaging and holding the attention of students through performance.

In addition to inspiring the students who performed in the videos and on stage, other students were involved in stage management, costume and props sourcing and management, thus enabling less outgoing individuals to enjoy a sense of equal value.

Although the project came to an end in its previous form in December 2004, relationships with all the schools continue. According to the needs of the schools, specific workshops, theatre visits and Actors At Work presentations have been implemented with great success in 2005. Partnerships have also been initiated with East Sydney Community School and with Copperfield and Collingwood Colleges in Melbourne.

For further information

Ruth Anders
Manager of Philanthropy
Bell Shakespeare
Telephone (02) 9241 2722



Shakespeare in Action students perform Macbeth.

Supporting the Arts and Australian culture



John Olsen, Self Portrait of Janus Faced.

The Arts and Cultural Activities

THE ART GALLERY OF NEW SOUTH WALES
ARCHIBALD, WYNNE & SULMAN PRIZES

Funding: \$928,939 over seven years

Since its establishment in 1997, Colonial Foundation has recognised the importance of support for the Australian arts in terms of inspiring and encouraging creativity, promoting our cultural diversity and bringing enjoyment to many thousands of people on an ongoing basis.

The Colonial Foundation has a long relationship with the Art Gallery of New South Wales, and since 1999 has been the principal financial supporter of Australia's oldest and most prestigious award, the annual Archibald Prize. First awarded in 1921, the Archibald is awarded for the best portrait of a man or woman who is distinguished in the arts, science, business, politics or elsewhere in the Australian community.

As well as providing support for the Archibald competition, Colonial Foundation has supported the annual Wynne & Sulman Prizes. The Wynne Prize is awarded for landscape painting or figure sculpture, and the Sulman Prize for subject/genre painting and/or mural work.

In 2005, the Gallery received 2,869 works across the different competitions, with 852 entries for the Archibald, resulting in 36 finalists. The winner of the 2005 Archibald Prize was John Olsen for his painting Self Portrait Janus Faced.

The 2005 Sulman Prize was awarded to Sandro Nocentini for the work My Son has Two Mothers, and the 2005 Wynne Prize was awarded to Jenny Sages for The Road to Utopia. Sydney

artist Jason Benjamin was awarded the Packing Room Prize for his portrait of actor Bill Hunter called Staring Down the Past.

Part of Colonial Foundation's funding covers prize money for the individual competitions as well as for enabling the different exhibitions to tour to regional centres in New South Wales such as Broken Hill, Orange, Grafton and Gosford, and to the Victorian Arts Centre in Melbourne.

For further information:

Leith Douglas
Sponsorship Manager
Art Gallery of New South Wales
Telephone (02) 9225 1829

Supporting Asylum seekers in Australia



Migrant Community Welfare

ASYLUM SEEKERS RESOURCE CENTRE
BULA BULA HEALTH CARE CENTRE

Funding: \$90,000 over three years

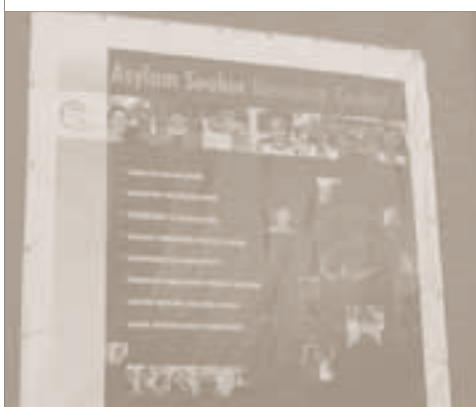
Recognising the particular need to assist asylum seekers without access to adequate health services, Colonial Foundation provided a three-year grant to fund the position of a part-time health care co-ordinator for the Asylum Seeker Resource Centre's Bula Bula Health Care Centre in Melbourne. Bula Bula provides free medical care, prescription drugs and non-prescription drugs to asylum seekers in need.

The support of Colonial Foundation has been critical in making it possible for the Asylum Seeker Resource Centre's free health service to exist. The Bula Bula Health Service was Victoria's first health service for asylum seekers and Colonial Foundation was the first philanthropic trust to provide funding for the provision of health services for asylum seekers.

Colonial Foundation's grant for a part-time health co-ordinator has made it possible for Asylum Seeker Resource Centre's health service to flourish and to continue to respond at the coalface to the critical needs of asylum seekers who do not have access to the Medicare system. In the past year, the Bula Bula centres provided free health services to 363 asylum seekers.

The Centre cares for families and individuals who have fled war, torture and poverty and present themselves often malnourished, traumatised, and with serious health problems usually only found in developing countries.

The Asylum Seeker Resource Centre has been able to achieve a wide range of outcomes.



Key highlights:

- The provision of a Primary Health Care Service staffed by general practitioners, physiotherapists, nurses and psychiatrists, who provide assessments and treatment, health education and referrals.

- Hundreds of referrals to its network of specialists and hospitals willing to provide free medical care to asylum seekers without Medicare.
- Providing ongoing medical care to more than 50 asylum seekers each week.
- Establishing free access to radiology through a private provider for MRI, CAT scans and ultrasounds.
- Ongoing medical care to terminally ill asylum seekers, including obtaining access to urgently needed hospital care and medical treatment.
- Medical care for pregnant women, in particular obtaining access to free medical care and ante natal care for women without Medicare.
- Establishing agreements with a range of hospitals including St John of God for the provision of free operations and procedures for people without Medicare.
- Establishing free access to after-hours medical care through a private locum health provider for asylum seekers.

For further information

Kon Karapanagiotidis

Project Manager

Asylum Seeker Resource Centre

Telephone (03) 9326 6066

Working with students from Arab backgrounds



Students at Preston Girls Secondary College.



Migrant Community Welfare

VICTORIAN ARABIC SOCIAL SERVICES CULTURAL DIVERSITY PROJECT

Funding: \$97,000 over three years

Victorian Arabic Social Services (VASS) started in 1981 as a network of workers who met regularly to discuss issues of concern to the communities of Arabic-speaking backgrounds in Victoria.

The VASS Cultural Diversity Project has been operating since August 2001 and aims to work with schools in the northern region of Melbourne where there are high numbers of students from Arab/Muslim backgrounds. The program is currently being run in Broadmeadows Secondary College and Preston Girls Secondary College.

The Cultural Diversity Project has been targeting students, parents and teachers in an attempt to make the schools more accepting of cultural diversity, to get parents more involved in school life, and to educate students in being more appreciative and tolerant of other cultures.

VASS is working with the parents, students and teachers to create greater harmony in schools. Overall, the program is working with about 1,000 students.

Key highlights:

- The program has become more developed, and is focusing on creating a multicultural education curriculum over the next three years including a research component to monitor and evaluate how the curriculum will be developed and implemented.
- A number of professional development classes were run for teachers to increase awareness and skills for handling students from diverse cultures.
- Also during the year, negotiations were held with the schools to meet the complex cultural and religious needs of the students. This led to the improvement of resources within the participating schools to deal with the students' needs.
- During the year VASS worked with the parents' associations of both schools to take on more involvement.

For further information

Dalal Smiley
Program Director
Victorian Arabic Social Services
Telephone (03) 9309 0055

Requirements for Applications

There are no standard application forms. However, the information listed below must be given (or stated to be not applicable and why) if the application is to be considered by the Foundation:

- applications must be submitted in writing. At this stage, on-line applications cannot be considered.
- applications should not exceed four typed pages.
- applicants may be requested to supply further detail.

Applicants should include:

- Background to the project - the philosophy behind it and why it is needed.
- The objectives of the project.
- An outline of how the work will be undertaken.
- Detail of how the success of the project will be measured and any relevant milestones.
- How the results of the work will be reported and if appropriate published.
- A budget for the project. This should be broken down into:
 - income from other persons or organisations
 - funds provided by the applicant
 - government support
 - how funding will be maintained/obtained beyond the life of the grant sought from Colonial Foundation
 - total costs broken down by salaries, rent, equipment etc.
- Information about all other agencies, governments or persons that the applicant has approached for funds for the project including the amount of funds requested from each. Where other bodies have committed funding, details should be included.
- A list of the persons involved in the project including their qualifications and experience to carry out the work.
- Details of the background of the applicant including a summary of its history and track record in similar projects.

In addition to the four typed pages, the following should be included for the applicant:

- a copy of its Constitution including Objectives/Statement of Purposes.
- a copy of the latest Annual Report including its audited annual accounts.
- a list of the Members of the Board and/or Management Committee (if not included in the Annual Report).
- a copy of the Certification from the Australian Taxation Office that the body is endorsed as a charity that has income tax exemption or that it has been granted Deductible Gift Recipient status.
- a suggested format for reporting on the progress and conclusion of the project. Applicants will be required to acknowledge that the reports can be used publicly.

Decision

The Foundation has finite funds and will not be able to support all applications, no matter how worthy. Rejection of an application does not mean that it is not well regarded. Some applications may be reconsidered at a future time (at the discretion and invitation of the Directors).

Interviews will not normally be held, but on occasion the Board may ask for presentations by applicants.

The decision of the Board as to whether or not funds will be granted is not subject to review and reasons for the decision may or may not be given.

Successful applicants will be required to agree to a reporting program prior to funding being given. This will ensure that throughout the period of financial support, the Foundation can be satisfied the funds are being directed to achieve the stated objectives and to enable assessment of the level of success being achieved. Reports may also be required to be publicly available where it is felt that others in the community could benefit from the experience gained.

Corporate governance

Colonial Foundation Limited is committed to protecting and enhancing the value of Colonial Foundation Trust and to meeting the Trust's commitments to charitable institutions in Australia. The Directors aim to adhere to best practice governance policies and processes. They also aim to ensure that all regulatory requirements are met and ethical standards maintained.

Role Of The Board Of Directors Of Colonial Foundation Limited

The Directors of Colonial Foundation Limited are ultimately responsible for the overall management of the trustee company and the trust.

The Board of Directors:

Formulates and establishes strategic goals and monitors their execution.

Appoints the Executive Officer and monitors the performance of the Executive Officer.

Monitors the investment and grant making performance of the Trust.

Approves external financial reporting.

Approves each charitable grant made by the Trust.

Board Composition

The Colonial Foundation Limited Board consists of seven directors. Each of these Directors is non-executive. The Directors are the members of Colonial Foundation Limited.

Details of each director's skills and experience are set out on pages 28 and 29 of this report.

Company Secretary

The Company Secretary is Mr Andrew Brookes. The appointment and removal of the Secretary is a matter for decision by the Board. The Company Secretary is responsible for ensuring that Board procedures are complied with and that governance matters are addressed.

Executive Officer

The Executive Officer is selected by the Board and is subject to annual performance reviews. The Executive Officer recommends policy, strategic direction, the making and monitoring of philanthropic grants and is responsible for managing the Trust's day-to-day operations.

Board Meetings

The Board meets each quarter with ad hoc meetings being held when required. On occasion, the Board visits programmes funded by the Trust in order to gain first-hand knowledge of the projects. In addition, some grant applicants or recipients are invited to make presentations at meetings of the Board.

Directors' attendance at Board and Committee meetings is detailed on page 30 of this report.

Board Committees

The Directors have established three committees of the Board to assist in the operation of the Trust.

Philanthropy Committee

The role of the Philanthropy Committee is to assist and advise the Board on all aspects of the philanthropic work of Colonial Foundation Trust. The Committee may, on behalf of the Board, make grants to organizations that meet the requirements of the Foundation up to a total maximum amount determined by the Board from time-to-time.

The membership of the Committee is:

Chairman: Sir Ninian Stephen
(Until 16th December 2004)

Chairman: Mr DS Adam
(From 16th December 2004)
Mr APJ Kelly
Professor PS Kincaid-Smith

Secretary: Mr AD Brookes

When the Trust is making new grants to organizations, the Committee meets quarterly to consider new projects, new applications and reports from grant recipients. New grant making was suspended during 2004/05 due to the level of commitments to various long-term projects. Due to this suspension, the Philanthropy Committee did not meet during the year and it is not scheduled to meet during the 2005/2006 year.



Investment Committee

The role of the Investment Committee is to assist and advise the Board on all aspects of the investment of the assets of Colonial Foundation Trust. In carrying out the role, the Committee is to have regard to the need to generate a level of income to fund Colonial Foundation Trust's philanthropic activities as well as to protect the corpus of the Trust.

The membership of the Committee is:

Chairman: Mr DS Adam
(Chairman until
16th February 2005
and a member until
22nd June 2005)

Chairman: Mr PJ Smedley
(Chairman from
16th February 2005)

Mr G Brooke
Mr APJ Kelly
(From 22nd June 2005)
Professor RR Officer

Secretary: Mr AD Brookes

The Committee meets quarterly or on ad hoc occasions as necessary.

Remuneration Committee:

The role of the Remuneration Committee is to deal with all matters relating to staff remuneration.

Chairman: Sir Ninian Stephen
(Until 16th December 2004)

Chairman: Mr DS Adam
(From 16th December 2004)

Mr PJ Smedley
(From 16th December 2004)

Professional Advice

The Board collectively, and each Director individually, in carrying out their duties to the Trust, may seek external professional advice. The Board is entitled to be reimbursed for all reasonable costs and, subject to approval by the Chairman, individual Directors will be reimbursed for reasonable costs.

Conflicts of Interest

The Directors are required to disclose to the board details of any matter that may create a conflict of interest. The following disclosures were made during the year:

- Sir Ninian Stephen (a Director until 16 December 2004) is a Patron of Indigenous Enterprise Partnerships, a grant recipient.
- Professor PS Kincaid-Smith participated in an international review of the pathology of kidneys in aboriginal populations. This review involved looking at some of the work performed by Dr Wendy Hoy, a grant recipient through the University of Queensland.
- Professor RR Officer is Chairman of Acorn Ltd. The Trust invests in units in the Australian Unity Acorn Capital Microcap Wholesale Trust. Professor Officer did not participate in any discussion or decision in relation to this investment.

Directors do not vote on any matter where they have a conflict of interest.

Auditor

The Auditor of Colonial Foundation Limited and Colonial Foundation Trust is McInnes, Graham & Gibbs. During the year the firm did not provide any other services to the Trust.

Managing Business Risk

The Directors monitor the various risks facing the Colonial Foundation Trust and take steps to mitigate and control identified risks.

The Directors have adopted a fraud control plan.

The Directors have implemented an internal audit programme. The audit review is conducted by KPMG with reports made to the Board.

Political Donations

Colonial Foundation Trust does not make donations to political parties.



Colonial Foundation Limited Board Of Directors

Colonial Foundation Limited's
Directors during the year were:

Chairman

(Retired 16th December 2004)

Sir Ninian Stephen - KG, AK, GCMG, GCVO, KBE, PC, Commandeur de la Legion d'Honneur, Hon. Doctorates (Melbourne, Sydney, Griffith Universities and University of Western Australia), Hon. Master, Gray's Inn, London

Born in the United Kingdom on June 15, 1923. Educated in the United Kingdom, Switzerland and Australia. War Service 1941 - 1946 Australian Army.

Admitted to practice in Victoria as a Barrister and Solicitor in 1949 after studies at University of Melbourne; LLB (Melbourne) 1950.

Practised as a Solicitor, 1949-52 and from 1952 as a Barrister. He was appointed as a Queen's Counsel in 1966. In 1970 he was appointed to the Victorian Supreme Court bench and in March 1972 he was appointed a Justice of the High Court of Australia. He was sworn of the Privy Council in 1979 and sat as a member of its Judicial Committee. Retired from the High Court of Australia 1982 when senior puisne justice to take up appointment as Governor-General of Australia, which office he held until 1989.

Chairman

(From 16th December 2004)

Mr David Adam— LLB (HONS.)

David Adam was educated in Melbourne and graduated in 1952 with a Bachelor of Laws (Hons.) from Melbourne University.

He practiced for some years as a partner of a legal firm in Melbourne, before joining BHP in 1970 as Chief Legal Officer. He was with BHP until 1986, his final position being Executive General Manager Corporate Affairs. He was a director of BHP and various subsidiaries from 1977 until he left the company.

From 1986, David Adam was a director of a number of companies and Chairman of SBC Warburg Australia Corporation Pty Ltd and Colonial Limited. He retired from the business world in 2000, and is Chairman of Colonial Foundation Limited and of ORYGEN Research Centre.

Deputy Chairman

Mr Peter Smedley - BCOM, MBA, FAICD

Peter Smedley is Chairman of OneSteel Ltd, Independent Non-Executive Director and Deputy Chairman of CARE Australia Limited, Director of The Australian Ballet and Australian Davos Connection.

His previous roles included Managing Director and Chief Executive Officer of Mayne Group Limited, Managing Director & Chief Executive Officer of the Colonial Group, Chairman of the State Bank of New South Wales, Executive Director, Downstream Oil and Chemicals and Executive Director, Coal and Metals for Shell Australia Limited, Deputy Chairman of Newcrest Mining Limited and director of Austen Butta Limited.

Mr Graham Brooke - AM

Until April 2003, Graham Brooke was the Chairman of Health Super Pty Ltd, and its predecessor from 1991.

Graham practised as a partner in Coopers & Lybrand (now PriceWaterhouseCoopers) from 1963 to 1987 and was National Deputy Chairman from 1976. He has served as a board member on Colonial Limited, NatWest Australia Bank Ltd and as Chairman of Victorian Funds Management Corporation. From 1994 to 2000 he was Administrator of the State Electricity Commission of Victoria on the disaggregation of the Victorian electricity and other public utilities.

From 1986 to 1989 he served as President or Board Member of the Queen Victoria Medical Centre and Prince Henry's Hospital and was the inaugural President of the Monash Medical Centre.



MR Peter Kelly - LL.B (HONS.)

Peter Kelly is a solicitor and former partner of Mallesons Stephen Jaques from 1970 to 2002. He was a Board Member from 1992 to 2002 and Senior Partner and Deputy Chairman from 1995 to 2002.

He is also a director of The Gorman Foundation Limited and Collier Custodian Corporation. He is a member of the Supreme Court Library Investment Committee and a trustee of the Collier Charitable Fund.

Professor Emeritus Priscilla Kincaid-Smith - AC, CBE, MD, DSC FRACP, FRCPA

Born in Johannesburg, South Africa on 30 October 1926 and educated in South Africa, United Kingdom and Australia.

In 1975 Professor Kincaid-Smith was awarded a full professorship, the first woman to achieve this, at the University of Melbourne. She became the first woman to be elected President of the Royal Australasian College of Physicians in 1986 and was chairman of the Australian Medical Association in 1990.

Professor Emeritus, Department of Pathology, The University of Melbourne and formerly Director of Nephrology, Epworth Hospital.

Professor Kincaid-Smith has received numerous awards. These include the Eric Sussman Prize, David Hume Award, Leon Chesley Award, Sir John Upjohn Medal, John Peters Award, Jean Hamburger Award, Australian Achiever Award and 75th Jubilee Medal.

Professor Robert Officer - PHD MBA (Chicago), MAGEC (NE), BAGSC (Melb), FASSA, FSIA

Robert Officer is Chairman of Victorian Funds Management, Acorn Capital Limited, Deputy Chairman TGM Ltd and on the Boards of Victorian WorkCover Authority (and a past chairman). He is also a Trustee of the William Buckland Foundation and was a Board Member of the Bank of Melbourne. Bob was Chairman of the Victorian Commission of Audit and more recently the Chairman of the National Commission of Audit.

Professor Officer was the Deputy Director and AMP Professor of Finance at the Melbourne Business School from 1986 to March 2002.

He is a past President of the Accounting Association of Australia and New Zealand and for eight years was Editor of Accounting and Finance. Previously, he held a Chair at Monash University and has held positions at Universities of Chicago, Rochester, Stanford and more recently The Wharton School at the University of Pennsylvania.

Professor John McNeil – MBBS, MSc, Phd FRACP, FAFPHM

Professor McNeil graduated in medicine from the University of Adelaide in 1971 and undertook his medical specialist training at the Royal Adelaide and Austin Hospitals. He subsequently completed his Phd in clinical pharmacology at the University of Melbourne and a Master of Science in epidemiology at the University of London. After 10 years in clinical pharmacology at the Austin Hospital he was appointed to head the Department of Epidemiology and Preventive Medicine at Monash University. Professor McNeil's principal interests include cardiovascular epidemiology, public health, drug safety and toxicology.



Management

The Executive Officer and Company Secretary

Andrew Brookes BA. ANZIIIF
(SENIOR ASSOCIATE).

As Executive Officer, Andrew Brookes has responsibility for the management of Colonial Foundation in accordance with the strategies, policies and processes adopted by the Board. Mr Brookes operates under authorities delegated by the Directors.

Mr Brookes joined the Foundation in January 2001 after being with the Colonial Group of Companies for 22 years. He held a variety of roles at Colonial including those of Group Compliance Manager and Group Superannuation Manager.

Remuneration

The Directors are entitled to receive fees but have elected not to take any. An expense allowance of \$1,000 per annum is paid to each Director.

Mr Andrew Brookes receives a competitive remuneration package which includes a fixed annual salary and superannuation benefits paid at 9% of salary. No bonuses or incentive payments are payable.

Distributions

The Trust is an Income Exempt Charitable fund and distributes funds to charitable entities. The Trust pays no dividends, nor does the Trustee company.

Colonial Foundation Limited – Director’s Attendance at Meetings

July 2004 to June 2005

DIRECTOR	Appointed Director	BOARD MEETING		INVESTMENT COMMITTEE	
		Eligible to Attend	Attended	Eligible to Attend	Attended
Sir Ninian Stephen*	5 February 1997	4	4	–	–
Mr DS Adam	19 September 1996	6	6	6	6
Mr G Brooke	27 June 2001	6	6	6	6
Mr APJ Kelly	19 September 1996	6	6	–	–
Prof. PS Kincaid-Smith	5 February 1997	6	6	–	–
Mr PJ Smedley	19 September 1996	6	5	6	6
Prof. RR Officer	5 February 1997	6	6	6	6
Prof. JJ McNeil	22 June 2005	1	1	–	–

* Retired 16 December 2004

Investment Objectives and Policy

Introduction

1. This Statement is to document the processes formulated by Colonial Foundation (the Foundation) in relation to the investment of the Foundation's long-term assets, which are deemed to be investment assets and not operational assets.

The Foundation acknowledges its obligations under the Trust Deed and the Trustee Act (Vic) in relation to the investment of the assets held in the Trust. The importance of the investment management function is such that the Foundation fully supports the need for a professional approach to investment management.

This Statement has been compiled with the intent of facilitating all aspects of the ongoing prudent and efficient management of the Foundation's investment arrangements. It describes the investment objectives and policies in detail, together with the procedures for monitoring and reviewing the investment managers.

In arriving at its investment objectives and its policy for achieving the objectives, the Foundation has obtained advice from a licensed investment advisor.

That advice, the Foundation's own considerations and decisions, and the subsequent selection of investments, have had regard to the Foundation's circumstances and intentions, and in particular to:

- a) the nature and value of the investments (including their liquidity, marketability and diversity), and the risks associated with them.
- b) the purposes for which the investments are held.
- c) issues affecting the investments and their value, including tax, costs and expenses, the potential for capital appreciation or depreciation, income, and the incidence of these issues.
- d) the term of the investments, and the suitability of this given (b) above.
- e) the impact of inflation and the desirability of maintaining the capital value of the investments.

These policies and objectives will be reviewed and changed as appropriate, to reflect changing capital markets, government regulations and the Foundation's requirements.

General Investment Objectives

2. The Foundation's general investment objectives for the Foundation's investment assets are as follows:

- to invest the assets of the Foundation as permitted by law;
- to prudently manage all aspects of risk in relation to the Foundation's assets, including:
 - ensuring the assets are adequately diversified;
 - ensuring the assets have an appropriate level of liquidity;
- to ensure that any party to whom investment decision making is delegated exercises integrity, prudence and professional skill in fulfilling the investment tasks delegated to them, and that the actions of the party are fully accountable to the Foundation.



Specific Investment Objectives

3. The Foundation has a time horizon of perpetuity and will invest so as to maximise investment returns over the long term consistent with the following specific objectives:

Real Return Objective

- To invest so as to have a reasonable likelihood of achieving a return (net of investment expenses) of at least 5% pa in excess of price inflation as measured by the Consumer Price Index, over 5 year periods.

Downside Risk Objectives

- To invest so that the likelihood of achieving a negative return (net of investment expenses) over any 12 month period is less than once every 4 years.
- To limit the “Poor outcome” nominal return (1 in 20 year or 5% probability event) over a 1 year period to no worse than -5.6%.

Investment Strategy

4. The Foundation has had regard to historical and forward looking rates of return earned on various classes of asset (including equities, fixed interest, property and cash) in setting the above objectives. It is recognised that whilst growth assets (eg shares and property) are expected to yield a higher total return over the longer term than defensive assets (eg bonds and cash), the associated volatility of growth assets will increase the likelihood of negative returns over shorter time frames. The Foundation recognises that asset values may fall in real terms from time-to-time.

The Foundation believes the long-term strategic asset allocation for the Foundation’s assets as set out below is consistent with achieving the stated specific investment objectives.

The control ranges below reflect the extent to which the Foundation is comfortable for actual aggregate investments to deviate from the strategic asset allocation.

Taxation

5. The Foundation’s investment income is not subject to taxation and the Foundation is able to obtain refunds for income tax franking credits on investment income. The Foundation has recognised the effect of this status in forming and implementing the investment objectives and policy.

Delegation of Investment Selections

6. The Foundation has delegated responsibility for the selection, retention and realisation of investments to investment managers. The Foundation’s current policy is not to impose any specific requirements on its investment managers. However, manager diversification is a feature of the management of the Foundation’s assets.

Asset Class	Strategic Asset Allocation	Control Ranges
	%	%
Australian Equities	40.0	37 – 43
International Equities	15.0	12 – 18
Total Equities	55.0	52 – 58
Property (Unlisted)	10.0	7 – 13
Infrastructure	5.0	2 – 8
Hedge Funds	10.0	7 – 13
Total Growth	80.0	77 – 83
Australian Inflation Fixed Bonds	10.0	7 – 13
Australian Index Linked	5.0	2 – 8
Cash	5.0	2 – 8
TOTAL	100.0	



Financial Report for the year ended 30 June 2005

The Trustee presents its report together with the financial report of Colonial Foundation Trust (the "Trust") for the year ended 30 June 2005 and the auditors' report thereon.

1. Directors

The Trustee is Colonial Foundation Limited. Directors of the Trustee at any time during or since the end of the financial year are:

Mr David S. Adam (Chairman)

Mr Peter J. Smedley (Deputy Chairman)

Sir Ninian M. Stephen (retired 16 December 2004)

Mr A Peter J. Kelly

Prof Priscilla S. Kincaid-Smith

Prof Robert R. Officer

Mr Graham Brooke

Prof John J. McNeil (appointed 22 June 2005)

2. Principal activities

The principal activities of the Trust during the course of the financial year have been those of investing and the philanthropic activities in accordance with the Trust Deed.

3. Review and results of operations

The net profit of the Trust for the year ended 30 June 2005 was \$25,348,209 (2004: \$13,187,592).

4. Distributions

Distributions of \$5,865,990 (2004: \$Nil) were paid to philanthropic activities during the year.

5. Likely developments

The Trust will continue to operate in accordance with the terms of the Trust Deed, as amended.

6. State of affairs

In the opinion of the Trustee there were no significant changes in the state of affairs of the Trust that occurred during the financial year under review not otherwise disclosed in this report or the financial report.

7. Events subsequent to balance date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect significantly the operations of the Trust, the results of those operations or the state of the affairs of the Trust in subsequent financial years.

8. Rounding of amounts to the nearest one thousand dollars

The Trust is of a kind referred to in Class Order 98/0100, issued by the Australian Securities & Investments Commission on 10 July 1998, relating to rounding off of amounts and in accordance with that Class Order, amounts in the financial report have been rounded to the nearest one thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors:



David S. Adam
Chairman

For and on behalf of the Trustee

Colonial Foundation Limited
459 Collins Street
Melbourne Victoria 3000

15 September 2005



Statement of Financial Performance for the year ended 30 June 2005

	Note	2005 \$'000	2004 \$'000
Movement in net market value of investments	2	9,237	6,290
Distributions received and reinvested	2	15,423	6,484
Other revenues		1,294	1,113
Total revenue	2	25,954	13,887
Employee expenses		313	306
Audit and accounting fees	3	81	122
Location and distribution expenses		–	2
Legal and consulting expenses		101	141
Rent and rental outgoing		60	65
Other expenses from ordinary activities		51	64
Profit from ordinary activities before income tax expense		25,348	13,187
Income tax expense relating to ordinary activities		–	–
Net Profit		25,348	13,187

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

Statement of Financial Position as at 30 June 2005

	Note	2005 \$'000	2004 \$'000
Current assets			
Cash	4	4,899	8,669
Other	5	940	535
Investments	7	156,540	133,670
Total current assets		162,379	142,874
Non-current assets			
Property, plant and equipment	6	45	46
Rental bond on 459 Collins Street		12	12
Total non-current assets		57	58
Total assets		162,436	142,932
Current liabilities			
Accounts payable	8	92	84
Provisions	9	37	23
Total current liabilities		129	107
Total liabilities		129	107
Net assets		162,307	142,825
Trust funds			
Trust funds	10	162,307	142,825
Total trust funds		162,307	142,825

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

Statement of Cash Flows for the year ended 30 June 2005

	Note	2005 \$'000	2004 \$'000
Cash flows from operating activities			
Imputation credits refunded		565	1,667
Member location costs		–	(2)
Interest received		317	627
Cash payments in the course of operations		(768)	(853)
Net cash provided by operating activities	11	114	1,439
Cash flows from investing activities			
Loans (to) related parties		–	(4,046)
Net proceeds/(purchases) of investments		2,000	–
Payments for fixed assets		(18)	(1)
Net cash provided by/(used in) investing activities		1,982	(4,047)
Cash flows from financing activities			
Distributions paid		(5,866)	4
Net cash (used in) financing activities		(5,866)	4
Net (decrease)/increase in cash held		(3,770)	6,527
Cash at the beginning of the financial year		8,669	11,273
Cash at the end of the financial year		4,899	8,669

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

Notes to the Financial Statements for the year ended 30 June 2005

1. Statement of significant accounting policies

The principal accounting policies adopted in preparing the financial report of Colonial Foundation Trust are stated to assist in a general understanding of this financial report.

(a) Basis of preparation

The financial report of the Trust has been drawn up in accordance with the Trust Deed (as amended), Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and Urgent Issues Group Consensus Views. It has been prepared on the basis of historical costs except for investments as stated below.

The Directors of the Trustee, Colonial Foundation Limited, are of the view that the Trust is not a reporting entity. The financial report has been prepared as a special purpose financial report. In the opinion of the Trustee, the accounting standards applied in the preparation of this financial report are appropriate to meet the needs of the members, and comply with all accounting standards applicable to general purpose financial reports.

The accounting policies applied are consistent with those of the previous financial year.

(b) Revenue recognition

Interest income is recognised as it accrues unless collectibility is in doubt. Distributions are brought to account in the statement of financial performance when they are declared.

(c) Investments

Investments are included in the statement of financial position at net market value as at balance date and movements in the net market value are recognised in the statement of financial performance in the period in which they occur. The net market values of units in unit trusts and managed funds are valued by reference to the stated redemption value at balance date.

(d) Taxation

The Australian Taxation Office has endorsed the Colonial Foundation Trust as a charitable fund and therefore is income tax exempt.

(e) Accounts payable

Liabilities are recognised for amounts to be paid in the future for services, whether or not billed to the Trust.

(f) Cash

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

(g) Comparative information

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.



Notes to the Financial Statements for the year ended 30 June 2005

2. Operating revenue	2005 \$'000	2004 \$'000
Interest: other parties	329	616
Distribution received and reinvested	15,423	6,484
Movement in net market value of investments	9,237	6,290
Other income	965	497
	25,954	13,887
3. Auditors' remuneration		
Audit services: auditors of the Trust	10	10
Other services: auditors of the Trust	-	-
	10	10
4. Cash assets		
Cash at bank	566	465
Discount securities	4,333	8,204
	4,899	8,669
5. Other current assets		
Sundry debtors	12	19
Accrued interest	32	20
Imputation credits refundable	896	496
	940	535

Notes to the Financial Statements for the year ended 30 June 2005

6. Property, plant and equipment	2005 \$'000	2004 \$'000
Plant and equipment – at cost	100	82
Accumulated depreciation	(55)	(36)
	45	46
7. Investments		
Current		
Investments, at market value	156,540	133,670
	156,540	133,670
8. Accounts payable		
Current		
Creditors and accruals - other parties	92	84
	92	84
9. Provisions		
Current		
Employee entitlements	37	23
	37	23

10. Trust Funds	2005 \$'000	2004 \$'000
Movements during the financial year:		
Balance at the beginning of the financial year	142,825	120,219
<i>add:</i> Net profit for the financial year	25,348	13,187
<i>less:</i> Distributions paid to confirmed members	-	4
<i>less:</i> Distributions paid to philanthropic activities	(5,866)	-
<i>add:</i> Retained earnings transferred from Charitable Trust	-	9,415
Balance at the end of the financial year	162,307	142,825
11. Reconciliation of net profit to net cash provided by operating activities		
Net profit	25,348	13,187
Add/(less) non-cash items:		
Depreciation	19	17
Unrealised movement in investments & distributions reinvested (inclusive of management fees)	(24,870)	(12,940)
Net cash (used in)/provided by operating activities before changes in assets and liabilities	497	264
Changes in assets and liabilities during the financial year:		
(Increase)/Decrease in Other Assets	(405)	1,180
Increase/(Decrease) in Accounts Payable	8	(6)
Increase in Provisions	14	1
Net cash provided by operating activities	114	1,439

12. Impact of adopting Australian equivalents to International Financial Reporting Standards

The board has considered the impact of adopting Australian equivalents to International Financial Reporting Standards and does not believe there will be a material effect on the financial statements.

13. Events subsequent to balance date

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Trustee to affect significantly the operations of the Trust, the results of those operations or the state of the affairs of the Trust in subsequent financial years.

1. In the opinion of the Trustee of Colonial Foundation Trust:
 - (a) the financial statements and notes set out on pages 34 to 40 are drawn up so as to give a true and fair view of the results and cash flows of the Trust for the year ended 30 June 2005 and the state of affairs at 30 June 2005 of the Trust;
 - (b) the Trust has operated during the year ended 30 June 2005 in accordance with the provisions of the Trust Deed dated 20 September 1996, as amended;
 - (c) at the date of this statement there are reasonable grounds to believe that the Trust will be able to pay its debts as and when they fall due; and
 - (d) the Trust is not a reporting entity. The financial report has been prepared as a special purpose financial report in accordance with the accounting policies described in Note 1(a) to the financial statements.

2. The financial statements and notes have been made out in accordance with Accounting Standards, the Trust Deed dated 20 September 1996, as amended, and Urgent Issues Group Consensus Views, to the extent described in Note 1(a) to the financial statements.



David S. Adam

Chairman

For and on behalf of the Trustee

Colonial Foundation Limited
ACN 075 441 815
459 Collins Street
Melbourne Victoria 3000

15 September 2005



MCINNES, GRAHAM & GIBBS

C H A R T E R E D A C C O U N T A N T S

JOHN L.C. McINNES
JEFFREY E. GRAHAM
DAVID I. GIBBS
DAVID J. REID

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Independent audit report to members of Colonial Foundation Limited

Scope

The financial report and the Board's responsibility

The financial report comprises the Statement of Financial Position, Statement of Financial Performance and Statement of Cash Flows, accompanying notes to the financial statements, and Directors' Declaration by the Board of Colonial Foundation Limited, for the year ended 30 June 2005 as set out on pages 7 to 11. The Board of Colonial Foundation Limited is responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Colonial Foundation Limited. Our audit was conducted in accordance with Australian Auditing and Assurance Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal controls, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of Colonial Foundation Limited's financial position, and of its performance as represented by the results of its operations and cash flows.

We formed our audit opinion on the basis of these procedures, which included:

- examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the Board.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls. Our audit did not involve an analysis of the prudence of business decisions made by the Board.

MCINNES, GRAHAM
& GIBBS

CHARTERED ACCOUNTANTS

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements.

Audit Opinion

In our opinion, the financial report of Colonial Foundation Limited is in accordance with:

- (a) the Corporations Act 2001 including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2005 and of its performance for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements in Australia.



McInnes Graham & Gibbs
Chartered Accountants



David I Gibbs
Partner

15 September 2005

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Acknowledgements

Professional Services

Accountant
Mr Stuart Rose
KPMG

Auditors

McInnes, Graham & Gibbs

Internal Auditor

Mr Darren Scammell &
Mr Dean Waters
KPMG

Investment Advisors

Watson Wyatt Australia Pty Ltd

Legal Advisers

Mr Chris Beeny
Maddocks
Mr John Emerson
Freehills

Membership of Industry Association

Philanthropy Australia

Philanthropic Consultant

Mr WS Couche

Report Coordination and Content

Mr Tony Kaye
Corporate Image Communications

Report Design and Production

Dunham Bremmer Australia

This report is printed on Harvest matt paper. Each sheet of Harvest contains about 70% Bagasse pulp, which is the residue from sugar cane crushing. This waste was previously burnt or put into landfill.

Images

Thank you to the organisations who contributed images and graphics for our feature articles.

Applications

Applications are not being sought during the 2005-06 financial year. Potential applicants may wish to monitor the website to determine when applications will again be accepted.

www.colonialfoundation.org.au



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