



**The Fred Hollows
Foundation**

Directors' Report For the year ended 31 December 2007

The Fred Hollows Foundation

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CORPORATE INFORMATION

The Fred Hollows Foundation is a not-for-profit public company limited by guarantee, incorporated and domiciled in Australia. The Foundation's registered office is located at 4 Mitchell Street, Enfield NSW 2136 Australia.

BOARD OF DIRECTORS

The Fred Hollows Foundation has a voluntary Board of Directors who currently number 12. The majority of the Directors (including the four Office Bearers) are directly elected from and by the members at the Annual General Meeting. The Constitution allows up to three Directors to be appointed by other 'Fred Hollows' entities when there is an agreement for reciprocal board membership. In 2007 there were two Directors appointed in this way – one from The Fred Hollows Foundation New Zealand and one from The Fred Hollows Foundation United Kingdom. With the exception of Gabi Hollows who occupies a special position as the 'Founding Director' and has the right to lifetime membership of the Board, Office Bearers and Directors are elected or appointed for three year terms.

The Board is entrusted with preserving and promoting the founding spirit and vision of The Foundation. Directors set broad strategic directions and policies; approve and monitor annual budgets and investments; ensure there are appropriate processes in place to ensure good risk management and compliance with relevant regulations and standards; and appoint, support and monitor the performance of the Chief Executive Officer. The CEO is charged with the executive management of The Foundation, including the appointment and removal of senior executives, and with ensuring the effective and efficient operation of The Foundation according to the strategies and policies from time to time approved by the Board.

The Foundation's Constitution allows for the Board to determine its size within the set parameters of a minimum of 9 and a maximum of 15 Directors. Cognizant of the need to balance efficiency and effectiveness, the current resolution sets the Board size at 13. During the course of the 2007 year, 14 people actually served as Directors (with two resigning over this period). They were drawn from a range of fields relevant to the work and governance needs of The Foundation. *(Note that Directors were in office for the entire period unless otherwise stated in the table below).*

Director	Responsibilities	Employment	Directorship of other Public Companies
Andrew Want (Director since 2003; Chair since May 2007)	- Chair of Board - Chair of Nominations Committee (from May) - Member of Finance and Governance Committee (FGC);	Former Managing Director, Veda Advantage Ltd (until September 2007)	Veda Advantage Ltd (until September 2007)
Nigel Milan (Director since 1997 and Chair since 2002; Resigned May 2007)	- Chair of Board (to May) - Chair of Nominations Committee (to May)	CEO, Royal Flying Doctor Service	
Michael Johnson (Director from 1992 to 2005; and then from 2006)	- Vice-Chair of Board - Member of FGC and Nominations Committee <i>(Also Director of FH Technologies R&D Pty Ltd)</i>	Associate Professor, School of Social Science and International Studies, University of NSW	
John Richardson (Director since 2005)	- Secretary - Member of FGC	Senior Corporate Adviser, Pacific Region, Marsh Pty Ltd	Australian New Zealand Institute of Insurance and Finance

Howard Davies (Director since 1998)	- Treasurer - Chair of FGC - Member of Nominations Committee <i>(Also Director of FH Technologies R&D Pty Ltd and</i>	Company Director IMC Associates Pty Ltd	The Export Finance Insurance Corporation
Phillip Brown (Director since 2007)	<i>Chairman, The Fred Hollows Foundation UK</i>	Entrepreneur	
Robert Dalziel (Director since 2004)	- Convenor of Victorian Fundraising Committee - Member of Nominations Committee		Chairman, Colorado Group Ltd, Loscam Limited and The PAS Group
Sarah Elliott (Director since 2005)	Member of FGC	A/Principal Policy Analyst, NSW Department of Housing	
Sharon Galleguillos (Director since 2002; Resigned May 2007)	Co-Chair of Indigenous Programs Committee	Lecturer, Aboriginal Studies University of Sydney	
Gabi Hollows (Director since 1992)	- Founding Director - Member of Indigenous Programs Committee	Orthoptist	
John McElhinney (Director since 2006)	<i>Director, The Fred Hollows Foundation New Zealand</i>	Chief Executive Officer The Radio Network (New Zealand)	
David Moran (Dr) (Director since 2005)	Chair of Medical Advisory Committee	Ophthalmologist in private practice	
Shelley Reys (Director since 2003; Vice-Chair until May 2007)	Co-Chair of Indigenous Programs Committee.	Managing Director, Arrilla Indigenous Consultants and Services	
Stephanie Young (Dr) (Director since 2006)	- Member of Medical Advisory Committee - Member of Nominations Committee	Ophthalmologist and Medical Officer at Concord Repatriation General Hospital	

NATURE OF OPERATIONS AND PRINCIPAL ACTIVITIES

The Foundation operates as an independent, not-for-profit, non-political and secular development agency. It works collaboratively with partners and supporters to eradicate avoidable blindness in developing countries and to improve Indigenous health and life expectancy in Australia.

REVIEW OF OPERATIONS

Indigenous Program in Australia

- The Foundation's Indigenous program focuses on eye health and some of the social determinants that have such a major impact on the general health and well-being of Indigenous people, especially those living in remote communities. The key areas of activity in 2007 were eye health services, nutrition and community stores, literacy, child and maternal health, women's centres, cultural events, advocacy and general community capacity building.

- The Foundation works through formal and informal partnerships with Indigenous organisations. In 2007 existing formal partnerships with the Jawoyn Association, Nyirranggulung Mardrulk Ngadberre Regional Council, Katherine West Health Board and Sunrise Health Service were reviewed and new agreements signed. Informal partnerships were established for collaboration on projects with Anmatjere Health Board, Wurlu Wurilinjang Health Service, Aboriginal Medical Services Alliance NT, Djilpin Arts Aboriginal Corporation, Maari Ma Health Board, Central Australian Aboriginal Congress, and Anyinginyi Aboriginal Health Board. The Foundation also had other important partners in our Indigenous program including The Eye Foundation, The Sara Helvedene Foundation, and the Cubit Foundation.
- During 2007, the Indigenous Program team worked from four offices – in Darwin, Katherine and Alice Springs in the Northern Territory, and Wilcannia in North-Western New South Wales.
- Significant achievements in 2007 included:
 - Establishing the Central Australian Integrated Eye Health Program in Alice Springs which included targeted week-long surgery sessions to reduce the backlog of urgent cases from remote communities. A total of 145 eye operations were carried out in an area of 1.6million square kilometers and a population of 55,000 – making it one of the largest integrated eye health projects in the world.
 - Expanding the Outreach Optometry Service which provides access to optometry services for people in remote Aboriginal communities, including the supply of low cost spectacles. Nine optometrists were mobilized to make regular visits to 35 communities in the Top End.
 - Moving into the second year of a successful partnership with the Katherine West Health Board focused around improving child and maternal health.
 - Progressing work in North-Western NSW, with the main focus on literacy and community stores.
 - Providing governance and financial literacy training and support to a range of Aboriginal community committees.
 - Delivering an improved literacy program with a range of collaborative projects and partners.
 - Conducting consultations with Indigenous women in remote communities to plan for a better-targeted program in this area in 2008.

International Program

The Foundation's goal in our international work is to eradicate avoidable blindness through building comprehensive and sustainable eye health systems in the countries and regions where we have programs. We work with and through partnerships with local health care providers and other development NGOs in Africa and Asia.

(Note that our sister organisation, The Fred Hollows Foundation New Zealand, works in the Pacific region, PNG and Timor-Leste. As FHF NZ is an autonomous organisation with its own Board of Governance, its activities are not detailed in this report.)

- In 2007 eye health care planning, service delivery, capacity building and/or training was conducted either directly by The Foundation or with its support in the following 18 countries or autonomous regions:
 - Afghanistan
 - Bangladesh
 - Cambodia
 - China
 - Democratic People's Republic of North Korea

- Eritrea
 - India
 - Kenya
 - Lao People's Democratic Republic (PDR)
 - Myanmar
 - Nepal
 - Pakistan
 - Rwanda
 - South Africa
 - Sri Lanka
 - Tanzania
 - Tibet Autonomous Region (TAR), China
 - Vietnam.
- In 2007, The Foundation's programs in Asia and Africa achieved the following results:
 - Over 1.2 million men, women and children had their sight screened or tested (up from 1 million in 2006).
 - 143,759 people had cataract operations or other sight-saving or sight-improving interventions (up from 73,838 in 2006).
 - 3,284 eye health workers were trained.
 - Equipment to the value of \$1.3 million was provided to local doctors, clinics and hospitals.
 - 17 eye health facilities were constructed, upgraded or renovated.
 - Country Managers, Medical Advisers and Sydney-based programs staff and managers met for detailed program planning and discussion at an *International Management Group meeting* held in August 2007 in Siem Reap, Cambodia.
 - During the year The Foundation developed programs to restore sight or improve the vision of children through:
 - Expanding activities in Pakistan, where there are around 300,000 blind or visually impaired children, to incorporate pediatric eye health services.
 - Supporting pediatric ophthalmology at the Nakuru Eye Unit in Kenya's Rift Valley.
 - Screening over 70,000 children in Vietnam for vision and eye health problems.
 - In 2007, The Foundation was involved in 17 major construction projects – increasing on the ground services for those in most need. They included:
 - Providing over \$1 million for expansion of the hospital facilities at The Tilganga Eye Centre, Nepal.
 - Constructing the Gisenyi Eye Unit in Rwanda – the first comprehensive eye service in the Western Province of the country which services a population of 2.25 million.
 - The Foundation provided training to local people to enable them to provide high quality eye care. Training highlights in 2007 included:
 - Launching the first national Ophthalmology Residency Training Course at The University of Health Sciences, Phnom Penh, Cambodia.
 - Training six ophthalmic technicians from Afghanistan in modern surgical techniques.
 - Supporting the training of eye surgeons from North Korea, Bangladesh and the Tibet Autonomous Region at The Tilganga Eye Centre in Nepal.
 - Helping train 1,404 village doctors and other local health workers in China.

- Training 21 eye surgeons and 459 community health workers in Vietnam.
- The Foundation also provided many local doctors, clinics and hospitals with their 'tools of trade' – the equipment they need to diagnose and treat blinding eye conditions or low vision. Training in the proper use and maintenance of this equipment was undertaken and, as a result, 95% was still in good working order six months after purchase. In contrast, the World Health Organization estimates that only half of all medical equipment in the developing world is functioning.

General

- The Foundation's work in 2007 was guided by our *Strategic Framework 2006 – 2010*. It sets four goals for the period:
 - End avoidable blindness in the communities and countries where we work
 - Improve the life chances and choices of Indigenous Australians through improving their health
 - Work through strong partnerships and cross-sector collaborations – at local, national and global levels
 - Build a strong and dynamic organisation, capable of facilitating effective eye and Indigenous health programs and having a positive impact on public opinion, policies and practices.
- *Fundraising, communications, education and corporate services activities* were undertaken to support The Foundation's Indigenous and international development programs.
- *Detailed information* about all The Foundation's programs and activities can be found on www.hollows.org.au or in The Foundation's published 2007 Annual Report which is also published on the web and can be provided in hard copy on request.

Performance Indicators

17 Key Performance Indicators (KPIs) were established for 2007 to set targets and measure outputs or outcomes across the full range of the organisation's work. The KPIs were aligned with the four broad goals identified in the Strategic Framework, and were largely met or exceeded by year end. In addition, a specific Indigenous Program Strategic Framework is in place with a more detailed set of desired outcomes for work in that area.

Through the Management reports presented at each Board meeting, and the special purpose Board Committees which focus on specific areas of work, the Directors monitor organisational performance and progress towards strategic objectives throughout the year.

Operating Results

Net operating surplus for the year was \$2,443,452 (2006: \$1,160,128). Total equity as at 31 December 2007 stood at \$9,814,870 (2006: \$7,906,851). The cash balance was \$2,032,591 (2006: \$1,498,257).

Risk Management

The Foundation takes a proactive approach to risk management in all areas of its operations – from the development and implementation of programs, through IT and financial management, to staff and board succession planning. The Board works closely with Management to ensure that risks are identified and addressed on a timely basis, as well as to ensure that opportunities are recognised and acted on.

The Directors have put in place a number of standing mechanisms to ensure that The Foundation's organisational risks are monitored, minimised to the extent reasonably possible having regard to the nature, location and geo-political environment of program activities, and managed appropriately.

- The Board and management collaborate in the development of a five-year Strategic Framework. Once approved by the Board, this Framework sets out The Foundation's vision, purpose, values, key priorities and strategies for their achievement.
- It also approves the KPIs and the annual operational priorities and supporting budgets, and undertakes quarterly monitoring of progress against these priorities and budgets.
- A Finance and Governance Committee (FGC) assists the Board to fulfill its obligations in the areas of financial governance, corporate compliance and risk management more generally. It is chaired by the Treasurer and meets quarterly.
- A Nominations Committee is charged with particular responsibilities in the areas of governance succession planning, evaluation and improvement of Board and Committee performance, and membership development and engagement. It is chaired by the Chair of the Board and meets 3 to 4 times a year.
- A Medical Advisory Committee, chaired by a Director of The Foundation and comprising Directors and other people with relevant skills and expertise, assists the Board by providing advice in relation to issues with medical implications arising out of program design or implementation.
- Until December 2007 the Indigenous Program Advisory Committee, also comprising Directors and other people with relevant skills and experience, assisted the Board by providing advice in relation to issues affecting The Foundation's strategies and programs in Indigenous communities in Australia.
- In December 2007 the Board resolved to form a Programs Advisory Committee, subsuming the Indigenous Program Advisory Committee and incorporating its former terms of reference with a new charter and terms of reference covering both Indigenous and international programs.

Significant Changes in the State of Affairs

- The Fred Hollows Foundation International (FHFI) was established in December 2006 through a Memorandum of Understanding between The Fred Hollows Foundation (based in Australia), The Fred Hollows Foundation NZ and The Fred Hollows Foundation UK. FHFI is not a formal legal entity but a global network of 'Fred Hollows' entities and programs world-wide designed to enhance consultation, collaboration and cohesion and optimise resource mobilisation. In mid-2007 a Leadership Group was appointed, with executive representatives from each of the respective Foundations, to guide the development of FHFI.
- The Foundation provided increased financial and other support to The Fred Hollows Foundation UK in 2007 to build a stronger presence and profile in the European Community to support the work of both the Australian and UK Foundations in Africa and South Asia.
- The planned eye care program in Kilinochchi in the Tamil region in the north of Sri Lanka remained 'on hold' during 2007 as a result of security concerns in the country.

- The Foundation opened an office and employed staff in the Lao People's Democratic Republic during 2007. The Foundation also, for the first time and through local partners, delivered eye health services in Afghanistan.
- The year saw some political instability and civil unrest in several of the countries where The Foundation has programs, most notably Pakistan, Kenya and Afghanistan, but there has not to the date of this report been a significant lasting adverse impact on The Foundation's operations in those places.
- During the financial year and for the period from the balance date to the date of this report, there have been no other significant changes in the state of affairs.

Likely Developments – 2008

- The Foundation has committed \$3 million for the construction of a specialist eye care centre of excellence in Alice Springs. This project will be done in partnership with the Commonwealth and Northern Territory Governments, Aboriginal Medical Services in Alice Springs and Tennant Creek, and the Eye Foundation. It is anticipated that a Memorandum of Understanding will be developed by mid-year and that work will commence in the latter half of 2008.
- While relative peace and security prevail in most of the countries where The Foundation works, there are safety and security concerns in some. Countries of particular concern where great care will be exercised in 2008 include Afghanistan, Bangladesh, Eritrea, Kenya, Pakistan, and Sri Lanka.
- Since 1997 The Foundation has been fully accredited by AusAID – the Commonwealth Agency that administers Australia's international aid and development program. The accreditation system requires an agency to be re-accredited every five years and The Foundation will undergo this intensive review in 2008.
- As a member of Vision 2020 Australia, The Foundation has together with other members engaged in discussions with the Australian Government concerning the published policy of the Australian Government to invest up to \$45 million over the next two years in eye health initiatives in the Pacific and in certain Asian countries. Those discussions may result in The Foundation being engaged as the lead agency for the implementation of the Government's program agenda in which case The Foundation would be required to review operational plans and resourcing to accommodate additional activities. As at the date of this report no decision has been announced by the Government as to its implementation plans.
- The organisation has outgrown its premises in Sydney and relocation will be necessary in 2008. Every effort will be made to ensure that disruption to the work of The Foundation is minimised.

Environmental Regulation and Performance

The Foundation is not subject to any particular or significant environmental regulation. Nonetheless, in 2008 The Foundation will investigate ways that it can reduce or offset its carbon emissions and will seek to introduce energy-saving measures in the new Sydney office premises. The Foundation will also move to considering other environmental factors in the design of its programs such as disposal of medical and surgical consumables.

Indemnification and Insurance of Directors

The Foundation held Directors and Officers Liability Cover during 2007. The amount of cover is reviewed periodically but, as commercially sensitive information, is not publicly disclosed.

Directors' Meetings

The Board meets quarterly, as does its Finance and Governance Committee. Other Board Committees meet regularly or as the need arises.

The number of meetings of Directors (including meetings of Board Committees) held during 2007, and the number of meetings attended by each Director, are set out in the following table.

Note that at the Annual General Meeting in May 2007:

- Nigel Milan resigned as Chair and retired from the Board.
- Sharon Galleguillos resigned as a Director and retired from the Board.
- Shelley Reys resigned as Vice-Chair but was re-elected as a Director.
- Andrew Want was elected to the position of Chair.
- Michael Johnson was elected to the position of Vice-Chair.
- Howard Davies was re-elected to the position of Treasurer.
- Robert Dalziel was re-elected as a Director.

In addition Phillip Brown, Chairman of FHF UK, was appointed to the Board at the September 2007 meeting.

	Full Board	Finance and Governance Committee	Indigenous Program Advisory Committee	Medical Advisory Committee	Nominations Committee
No. of meetings held	4	4	2	3	4
No. of meetings attended					
Nigel Milan (Chair, resigned May 2007)	1 (out of a possible 1)	N/A	N/A	N/A	1 (out of a possible 1)
Andrew Want (Chair from May 2007)	4	3 (ex-officio member from May)	N/A	N/A	4
Shelley-Reys (Vice-Chair until May 2007)	2	N/A	2	N/A	N/A
Michael Johnson (Vice-Chair from May 2007)	4	4	N/A	N/A	4
Howard Davies (Treasurer)	4	3	N/A	N/A	3
John Richardson (Hon. Secretary)	2	3	N/A	N/A	N/A
Robert Dalziel	3	N/A	N/A	N/A	3 (out of a possible 3)
Sarah Elliott	4	4	N/A	N/A	N/A
Sharon Galleguillos (resigned May 2007)	1 (out of a possible 1)	N/A	1	N/A	N/A

Gabi Hollows	4	N/A	2	N/A	N/A
John McElhinney	3	N/A	N/A	N/A	N/A
David Moran	4	N/A	N/A	3	N/A
Phillip Brown (Director from September 2007)	N/A	N/A	N/A	N/A	N/A
Stephanie Young	3	N/A	N/A	3	2 (out of a possible 2)

Board Committee Membership

In 2007, The Foundation had four Committees which report to the Board – Finance and Governance, Indigenous Programs, Medical and Nominations. Membership was as follows:

Finance and Governance Committee	Indigenous Programs Committee	Nominations Committee	Medical Advisory Committee
Howard Davies (Chair)	Shelley Reys (Co-Chair)	Andrew Want (Chair)	David Moran (Chair)
Sarah Elliott	Sharon Galleguillos (resigned May)	Robert Dalziel	Gabi Hollows
Michael Johnson	Gabi Hollows	Howard Davies	Paul Torzillo
John Richardson	Mark Gillies	Michael Johnson	Stephanie Young
Andrew Want (ex-officio)		Victoria Rubensohn	Garry Brian (ex officio)
		Stephanie Young	Sanduk Ruit (ex officio)

The Foundation also has a Fundraising Committee in Victoria comprised of community supporters and chaired by a Director, Robert Dalziel. It reports to the Marketing and Fundraising Director.

Corporate Governance

In recognising the need for the highest standards of corporate behavior and accountability, the Directors of The Foundation support the ASX Principles of Good Corporate Governance and Best Practice Recommendations so far as those principles are relevant to The Foundation as a not-for-profit organisation. Although The Foundation is not a listed company and does not have any obligations to report on compliance with the ASX Corporate Governance Principles, The Foundation continues to adhere to these principles as relevant and has a proactive approach to ensuring good governance.

The functions and terms of reference of the Committees established by the Board are regularly reviewed and adjusted as required.

Auditor's Independence and Non-Audit Service

The Directors have received an independent declaration from the auditor of The Fred Hollows Foundation, Ernst & Young. The auditor did not provide any non-audit services during the financial year. The declaration is attached to the Audited Accounts.

Signed in accordance with a resolution of the Directors.



Andrew Want
Chair
3 April 2008