



**The Fred Hollows
Foundation**

Directors' Report For the year ended 31 December 2008

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. The 2008 Board had two Appointed Directors – 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 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 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. Cognisant of the need to balance efficiency and effectiveness, the current resolution sets the maximum Board size at 13. As at December 2008 there were 12 Directors.

Directors are drawn from a range of fields relevant to the work and governance needs of The Foundation. The table below lists the Directors who held office during 2008. (*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 - Ex officio member of Finance and Governance Committee (FGC)	Principal, Rounding Mark Pty Ltd	
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 – resigned September 2008)	- 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 Trustee of FHF UK)</i>	Director of Analoufi Pty Ltd	
Phillip Brown (Director since 2007)	<i>Chairman, The Fred Hollows Foundation UK</i>	Entrepreneur	

Robert Dalziel (Director since 2004)	- Member of Nominations Committee - Member of Victorian Fundraising Committee	Company Director	<i>Chairman:</i> Colorado Group Ltd; Loscam Limited; The PAS Group; PAS Finance; PHS Group Holdings. <i>Director:</i> ARH Holdings; ARH Investments; Australian Rugby Union.
Sarah Elliott (Director since 2005)	- Chair of Program Advisory Committee - Member of FGC	Principal Policy Officer, Housing NSW	
Gabi Hollows (Director since 1992)	- Founding Director	Orthoptist	Music Outback Foundation Ltd
Mary Kostakidis (elected May 2008)	Member of Nominations Committee	Human Rights Consultation Committee, Attorney-General's Department	ResMed Foundation
John McElhinney (Director since 2006)	<i>Director, The Fred Hollows Foundation New Zealand</i>	Chief Executive Officer The Radio Network (New Zealand)	
Romlie Mokak (elected May 2008)	Member of Program Advisory Committee	CEO, Australian Indigenous Doctors Association	
David Moran (Dr) (Director since 2005)	Chair of Medical Advisory Committee	Ophthalmologist in private practice	
Shelley Reys (Director since 2003; resigned May 2008)		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 factors that have 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 2008 were eye health and vision services, nutrition and community stores, literacy, child and maternal health, women's centres, cultural events and general community capacity building.
- The Foundation works through formal and informal partnerships with Indigenous organisations. There are formal partnership agreements with the Jawoyn Association, Roper River Shire Council, Katherine West Health Board, Sunrise Health Service and Maari Ma Health Board. The organisation also works collaboratively on projects with Anmatjere Health Board, Wurli Wuriljang Health Service, Aboriginal Medical Services Alliance NT, Djilpin Arts Aboriginal Corporation, Central Australian Aboriginal Congress, and Anyinginyi Aboriginal Health Board.

- The Foundation also had other important partners in our Indigenous program including the Commonwealth and Northern Territory Governments, The Eye Foundation, The Sara Halvedene Foundation, the Australian Booksellers' Association, the Australian Publishers Association and the Cubit Foundation.
- During 2008, the Indigenous Program team worked from four offices – in Darwin, Katherine and Alice Springs in the Northern Territory, and (initially) Wilcannia and (subsequently) Broken Hill in North-Western New South Wales.
- Significant achievements in 2008 included the following:
 - *Consolidating 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. Since its inception in 2007, this program has restored sight to 315 affected by cataract blindness through utilizing the expertise of local Indigenous organisations, the Alice Springs Hospital and The Eye Foundation and financial resources from the Commonwealth and NT Governments.
 - *Expanding the Outreach Optometry Service* which provided optometry services in 18 Top End remote Aboriginal communities in 2008. The Foundation also sourced a cheap supply of “ready reader” glasses and made them available in 10 remote community stores to provide a quick solution to many cases of vision impairment.
 - *Improving child and maternal health including tackling infant anemia and middle ear infections*, through collaboration with Sunrise Health Service and Katherine West Health Board
 - *Developing a new partnership with the Maari Ma Health Board* in North-Western NSW, with the main focus on strengthening its community and social programs
 - *Increasing the supply of healthy food in remote communities* including through supporting women’s centres to supply healthy meals to children and older people
 - *Providing governance and financial literacy training and support* to a range of Aboriginal community committees
 - *Delivering an improved literacy support program in 23 communities* in the Northern Territory, Western Australia and New south Wales
 - *Supporting the Women’s Council of the Jawoyn Association* with the development of a plan for a new community site to provide a ‘safe place’ for women and children and a range of parenting support activities
 - *Consolidating partnership agreements to include integrated program packages* rather than relying on multiple small project agreements.

International Program

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

As at December 2008, The Fred Hollows Foundation in Australia was actively supporting program activities in 18 developing countries. *(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 2008 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 countries or autonomous regions:
 - Afghanistan
 - Bangladesh
 - Burundi
 - Cambodia
 - China
 - Democratic People’s Republic of North Korea
 - Eritrea
 - India
 - Kenya

- Lao People's Democratic Republic (PDR)
 - Myanmar
 - Nepal
 - Pakistan
 - Rwanda
 - South Africa
 - Tanzania
 - Tibet Autonomous Region (TAR), China
 - Vietnam.
- In 2008, The Foundation's programs in Asia and Africa achieved the following results:
 - Over 1.3 million men, women and children had their sight screened or tested (compared to 1.2 million in 2007).
 - 176,472 people had cataract operations or other sight-saving or sight-improving interventions (compared to 143,759 in 2007).
 - 5,217 eye health workers were trained (up from 3,284 in 2007).
 - Equipment valued at \$1.56 million was provided to local doctors, clinics and hospitals (compared to \$1.3 million in 2007).
 - 29 eye health facilities were constructed, upgraded or renovated (compared to 17 in 2007).
 - Country Managers, Medical Advisers and Sydney-based program staff and managers met for detailed program planning and discussion at three Regional Management Group meetings held in Bangladesh, Nepal and South Africa.
 - During 2008 The Foundation marked an important milestone with the manufacture of the 3 millionth intraocular lens (IOL) in the Fred Hollows Laboratories in Kathmandu (Nepal) and Asmara (Eritrea). These lenses now cost approximately US\$8 compared to US\$150 when The Foundation first decided to drive the worldwide market price down by establishing laboratories in 1994 to develop high-quality lenses.
 - During the year The Foundation developed programs to restore sight or improve the vision of children through:
 - Enhanced pediatric ophthalmology services in Pakistan, where there are around 300,000 blind or visually impaired children
 - Pediatric eye care programs in Vietnam, China and Cambodia
 - Free surgery to children at the Nakuru Eye Unit in Kenya in Kenya's Rift Valley
 - Commencing work amongst children in Afghanistan through local partners.
 - Training of local people to enable them to provide high quality eye care remained at the centre of The Foundation's work. In 2008 The Foundation provided or supported training for:
 - 90 surgeons
 - 449 non-surgeon clinical staff (mid-level eye care personnel, paramedics, ophthalmic nurses and assistants, optometrists and refractionists)
 - 3,531 village and community health workers.

Just over 500 people also received mentoring or continuing education opportunities, and a further 644 received training in related areas such as program planning and management, financial management or technical courses.
 - 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.

General

- The Foundation's work in 2008 continued to be guided by our *Strategic Framework 2006 – 2010* which 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.

The Foundation will undertake a comprehensive exercise during 2009 to review past achievements and future challenges in order to develop a new Strategic Framework for the 2010 – 2014 period.

- *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 2008 Annual Report which is also published on the web and can be provided in hard copy on request.

Performance Indicators

In April 2008 the CEO reported to the Board on the results that had been achieved against the 17 Key Performance Indicators (KPIs) adopted for the 2006-2007 period. All were largely met or exceeded. A new set of KPIs were then developed by Management and endorsed by the Board for the 2008-2009 period. The KPIs are closely aligned with the four broad goals identified in the Strategic Framework.

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 \$1,220,276 (2007: \$2,443,452). Total equity as at 31 December 2008 stood at \$9,254,030 (2007: \$9,814,870). The cash balance was \$3,541,639 (2007: \$2,032,591).

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 systems, to staff and board succession planning. The Board and Management work closely together to ensure that risks are identified and adequately 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. These standing mechanisms include

- 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.
- The Board also considers and approves the KPIs, the annual operational priorities and annual 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 and more frequently as required. In 2009 the FGC plans to meet six times with additional meetings scheduled with The Foundation's investment advisers.

- 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 and guidance in relation to medical and ophthalmological matters arising out of program design or implementation.
- A Program Advisory Committee, also comprising Directors and other people with relevant skills and experience, assists the Board by providing advice and guidance in relation to non-medical issues affecting The Foundation's international and Indigenous programs.

SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

During 2008 the capital value of The Foundation's investments was negatively impacted by the global financial crisis. This occurred despite active management of the portfolio with the assistance of professional fund advisors to limit this impact as far as possible. The Foundation has properly recognised this serious decline in the capital value of its investments in its 2008 Audited Accounts. It must be noted that this loss will only be realised if The Foundation sells its investment assets at below their purchase price.

The very challenging investment environment has driven the need for The Foundation to continually review its investment strategy. Directors expect that this on-going review will require further adjustments to The Foundation's portfolio of investments which may result in the disposal of some assets at below their acquisition costs. Directors remain committed to building the organisation's resources to support The Foundation's strategic plans in the medium and longer term in addition to meeting immediate operational and program commitments.

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 of the company.

LIKELY DEVELOPMENTS – 2009

- The continuing economic volatility and uncertainty in 2009 may further adversely affect The Foundation's investments and operations. Directors will therefore continue to closely monitor the situation to ensure measures are in place to mitigate the impact on both our immediate operations and long-term goals.
- 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 continue to be exercised in 2009 in terms of both programming and staff include Afghanistan and Pakistan.
- 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 was subject to this intensive review in late 2008-early 2009. At the time of writing, The Foundation has been recommended for full re-accreditation for another five years and expects this to be formally conferred by AusAID in the first half of 2009.
- During 2009 The Foundation will receive extra funds from the Commonwealth Government as part of its new Avoidable Blindness Initiative in the Asian-Pacific region.
- The organisation has outgrown its current office premises in Sydney and will relocate in mid-2009.

Environmental Regulation and Performance

The Foundation is not subject to any particular or significant environmental regulation. Nonetheless, in 2009 The Foundation will seek to introduce energy-saving measures in the new Sydney office premises. The Foundation also considers relevant environmental factors in the design of its programs such as safe disposal of medical and surgical consumables.

Indemnification and Insurance of Directors

The Foundation held Directors and Officers Liability Cover during 2008. The amount of cover is reviewed periodically but, as commercially sensitive information, is not publicly disclosed.

Directors' Meetings

The Board met quarterly in 2008, as did its Finance and Governance Committee. Other Board Committees met regularly or as the need arose. The number of meetings of Directors (including meetings of Board Committees) held during 2008, and the number of meetings attended by each Director, are set out in the following table. Note that during the course of the year:

- Shelley Reys and John Richardson resigned as Directors in May and September respectively.
- David Moran and Sarah Elliott stood down from the Board as their terms of office had expired, but both were re-elected as Directors at the May AGM.
- Mary Kostakides and Romlie Mokak were elected as Directors at the May AGM.

2008	Full Board	Finance and Governance Committee	Program Advisory Committee	Medical Advisory Committee	Nominations Committee
No. of meetings	4	4	2	2	3
No. of meetings attended					
Andrew Want (Chair)	4	4 (ex-officio member)	N/A	N/A	3
Michael Johnson (Vice-Chair)	4	3	N/A	N/A	3
Howard Davies (Treasurer)	4	4	N/A	N/A	3
John Richardson (Hon. Secretary until May 2008; Director until September 2008)	2 (out of a possible 2)	N/A	N/A	N/A	N/A
Robert Dalziel (Hon. Secretary from May 2008)	3	N/A	N/A	N/A	2
Phillip Brown	1	N/A	N/A	N/A	N/A
Sarah Elliott	2	3	2	N/A	N/A
Gabi Hollows	4	N/A	N/A	N/A	N/A
Mary Kostakides (Director from May 2008)	3 (out of a possible 3)	N/A	N/A	N/A	1 (out of a possible 1)
John McElhinney	2	N/A	N/A	N/A	N/A
Romlie Mokak (Director from May 2008)	2 (out of a possible 3)	N/A	2	N/A	N/A
David Moran	4	N/A	N/A	2	N/A
Shelley Reys (Director until May 2008)	0 (out of a possible 1)	N/A	N/A	N/A	N/A
Stephanie Young	3	N/A	N/A	2	2

Board Committee Membership

In 2008, The Foundation had four Committees which report to and advise the Board. As at December 2008, these Committees and their membership were as follows:

Finance and Governance Committee	Program Advisory Committee	Nominations Committee	Medical Advisory Committee
Howard Davies (Chair)	Sarah Elliott (Chair)	Andrew Want (Chair)	Dr David Moran (Chair)
Sarah Elliott	Lilon Bandler	Robert Dalziel	Dr Mark Gillies
Michael Johnson	Rhonda Chapman	Howard Davies	Dr Paul Torzillo
Graham Skeates	Romlie Mokak	Michael Johnson	Dr Stephanie Young
Andrew Want (ex-officio)		Mary Kostakides	Dr Garry Brian (ex officio)
		Victoria Rubensohn	Dr Sanduk Ruit (ex officio)
		Stephanie Young	

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.

In 2004 the Board adopted a Corporate Governance Charter. In 2008 it was agreed that this Charter should be reviewed and revised. This work is currently underway, led by the Nominations Committee.

The Foundation is a signatory to the Code of Conduct of the Australian Council for International Development and was again certified as compliant with that Code during 2008.

The functions and terms of reference of the Committees established by the Board are regularly reviewed and adjusted as required, and each Committee reports to each Board meeting.

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
6 April 2009