

Annual Report 2006



40th Anniversary

The
WILLIAM BUCKLAND
FOUNDATION

WBF

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History

This year is the 40th Anniversary of The William Buckland Foundation. To mark this occasion, the Foundation commissioned Professor David Merrett to prepare a biography of the founder. This was launched at Philanthropy Australia's national conference in October 2005, *A Wealth of Experience*.

Professor Merrett's address at the launch, printed on the following pages, gives an outline of the business life of Mr Buckland – the source of the Foundation's corpus. Readers who would like to obtain the biography should email ANZ Trustees at charitabletrusts@anz.com

BUCKLAND BUILT HIS BUSINESSES THROUGH THE HARD YEARS
OF THE DEPRESSION AND SECOND WORLD WAR.
HE WAS A MICRO-MANAGER WHO OVERSAW EVERY DETAIL
OF THE BUSINESSES THAT OPERATED AS A STRING OF
PRIVATE COMPANIES WHICH HE OWNED AND FROM WHICH HE
DREW MANAGEMENT FEES.

The Founder: William Lionel Buckland

Professor David Merrett's address at the launch of the founder's biography

When William Buckland died in November 1964 he was reputedly one of the wealthiest men in Australia. His estate was some \$10 million dollars at probate or \$80 million in current dollars. The Foundation that bears his name has distributed more than \$50 million dollars for charitable purposes since its inception. It is one of the largest charitable foundations in Australia.

The biography explores two inter-related issues: how this man who was virtually unknown during his lifetime created his fortune; and what motivated him to leave the bulk of it to the people of Victoria.

Drawing on Buckland's business correspondence and other materials held by the Foundation, a picture emerges of a brilliant businessman who succeeded in two very different industries. As a young man Buckland decided to enter the motor trade when he purchased three steamer trunks full of spare parts while in San Francisco in 1919. It was bold move for a lad who had spent two years as a clerk in the Melbourne office of the Bank of New South Wales and briefly had been a partner in a garage. He picked a growth industry as Australians flocked to buy cars and trucks that needed servicing and spare parts. After a brief and difficult partnership located in Malvern, Buckland bought his partner out and moved the business to the centre of Melbourne motor trade, along Elizabeth and Franklin streets in the city. From the mid 1920s his business thrived as he built up a client list amongst the growing numbers of garages in the State. He expanded what he referred to as his 'empire' by setting up a hire purchase company, an insurance company and purchasing a string of petrol stations.

Buckland built his businesses through the hard years of the depression and Second World War. He was a micro-manager who oversaw every detail of the businesses that operated as a string of private companies which he owned and from which he drew management fees.

Buckland saw that the government's commitment to protecting local industry would eventually cripple his importing business and he looked for a way to exit. From the late 1940s he sought to sell his 'empire' to allow him to move into a second career in the pastoral industry. His most spectacular success came from the sale of his 13 service stations to Ampol. He took payment in shares that rose dramatically in value as Ampol's subsidiary discovered oil in 1953. Buckland was the largest individual shareholder in Ampol and its success underpinned his growing fortune. He also sold his motor spares business to Siddons and his hire purchase business to the British company Lombards in the late 1950s. He took shares rather than cash in both these deals.

In the meantime he was buying pastoral stations in northern Australia. The key purchase was the string of stations owned by Bovril Australian Estates, including Victoria River Downs. In all, Buckland's stations covered a greater area than that of Scotland. He assumed full control of these operations as he had done in the motor trade and allied businesses. He kept in constant touch by telephone, telegram or letter with his station managers from wherever he was in the world. It was a struggle to turn a profit from these loss-making ventures but he seized his chance to sell out on the rising market for beef in 1959 and 1960. Buckland, who had travelled frequently to the USA and Britain since his first trip in 1919, sought buyers overseas. After months of negotiations he sold

his entire pastoral interests to LJ Hooker Corporation in 1960. It was a complex deal in which Buckland took \$2 million cash and then eight million of share options that he could exercise in 1967 and 1968. Having concluded this mega deal, Buckland announced his intention to bequeath the fortune to 'benefit a wonderful country and a wonderful people, Australia and Australians.'

What motivated him to make this gesture? Unfortunately there is little material left by Buckland that sheds light directly on this question. However, knowledge of his early life allows speculation. He saw examples of giving throughout his life. Buckland grew up in the Victorian country town of Mansfield where his father had been a bank manager before operating as a stock and station agent. This was a community where citizens took their civic responsibilities seriously. His father had been secretary or treasurer of a number of local institutions. The Sydney branch of the family had produced two notable philanthropists, Thomas Buckland and his nephew Sir Thomas Buckland whom William visited when in Sydney. Buckland was a patriot whose sense of national identity had been sharpened by constant international travel. As a young man Buckland visited Ypres where two of his older brothers had fought while in the AIF. Buckland would have been forever telling people he met on ocean liners and in foreign lands not only who he was but where he was from. His experiences overseas provided points of comparison with his native land. Finally, Buckland wished to be remembered by the people as well as by his private circle. His business achievements were hidden from public view. He had no monument in the form of a public company bearing his name that would live on after him. If this was his aim, he succeeded in death as he had in life.

Buckland's generous gift has given much benefit to the State of Victoria. The instructions left to his Trustees were broad enough to allow them much discretion in how the money was spent, and specific enough to escape having to pay death duties.

It is appropriate in the context of this conference to say that Australia needs more donors like Buckland. Few here would argue that the need for philanthropy is declining, rather the reverse as governments favour cutting taxes rather than increase spending. However, this climate of public parsimony has been matched by unparalleled opportunities for the creation of wealth over the past half century. It is noteworthy that Buckland's estate of \$80 million in today's dollars would not have got him anywhere near a position in the BRW's Rich 200 list in May of this year. The entry point was over \$100 million. It boasted 20 individuals or families who were billionaires. Many of these high net worth individuals do give generously.

I speculated about the motives that led to Buckland's decision to leave his wealth for a public purpose. They were grounded in time and place, a close-knit country community and a fierce patriotism associated with the impact of the First World War on Australia's national identity. It also owed much to his love of the Australian landscape and the romance of the great pastoral industries. One wonders what sorts of triggers might operate into today's world with weaker communal ties and an associated decline in those institutions, the local progress association, the mechanics institute, the agricultural and pastoral association, the water trust and so on, whose presence supported voluntary community involvement. Perhaps the reasons for giving today are not as clear as they were to a man of Buckland's generation. One could be forgiven for believing this to be a time of rampant individualism, where home becomes a fortress offering protection from a threatening environment, a world in which the rich and powerful feel that others less successful than themselves have received their just deserts. If that is the case we have all the more reason to be grateful for the life and generosity of William Lionel Buckland."

Trustees' Overview

I am pleased and honoured to lead the William Buckland Foundation following the retirement of our long-serving Trustee and Chairman, Mr William Barret Capp (Barry Capp). I will be assisted by Professor Robert Officer as Chairman of the Investments Committee.

My first duty on behalf of my fellow Trustees is to honour Barry's years of service to the Foundation. The minutes of his final meeting of Trustees in March 2006, record the following tribute:

The Trustees of The William Buckland Foundation would like to record their sincere appreciation for the contribution made to the Foundation by Mr W. B. Capp.

Barry Capp was invited to join the Board of Trustees in 1986. He brought considerable financial expertise and extensive corporate knowledge. At a time when investment powers of Trustees were becoming less restrictive, his influence and contribution to this Board had a significant impact on the growth and substance of the capital base of the Foundation – from which the Victorian community is benefiting today. During Barry's time on the Board, two successful applications were made to the Supreme Court to allow greater flexibility of investment powers under the terms of the Will. Upon the retirement of Ian Roach as Chairman in 2000, Barry accepted the role.

With his understated style of leadership, he has been unstinting with his time and energy in developing a very successful philanthropic entity.

In wishing him good luck and good health in the future, his co-Trustees thank him most sincerely for his outstanding leadership and above all, for his humility and humour.

I look forward to serving the Foundation in all its activities.

Louise Gourlay OAM
Chairman

Among its interests, the Foundation values programs which support individuals and families affected by a disability. Of the 51 new grants made in the last financial year, seven had a specific focus on disability. These ranged from assisting an organisation's infrastructure to accommodate special needs clients, to a rural respite service, a pre-vocational service, a cultural framework to engage isolated people with an acquired brain injury and two programs to enhance the lives of people with a psychiatric disability.

Some significant programs in psychiatric disability this year

Social Firms Australia (SoFA)

The unemployment rate for people with a psychiatric disability is 75 per cent and there is often prejudice about mental illness in workplaces. Because of the episodic and chaotic effects of such illness, those who obtain jobs in mainstream employment are often unable to sustain them.

The Social Firms model, which has operated overseas for some time, uses selected small businesses to develop a supported setting for people with a mental illness or psychiatric disability and therefore improves their social and financial independence, physical health, and levels of confidence. For some it will be transitional employment, building skills to move into the mainstream workforce; others will remain as permanent employees. SoFA has set up its first two 'social firms' and others are in the development stage.

This Foundation, in partnership with others, is providing three-year core funding to enable SoFA to consolidate the model in Victoria.

Mental Health Research Institute (MHRI) – Voices Clinic

Schizophrenia is among the world's top 10 causes of enduring disability. Up to half the patients treated with antipsychotic medication continue to experience 'hearing voices'. Cognitive Behaviour Therapy has been found to be a successful psychological intervention for these auditory hallucinations, but few professionals in Australia have the training to provide this highly specialised therapy, so access to the treatment is very limited.

The Foundation has funded MHRI to establish and pilot Voices Clinic, a research-based treatment for people suffering from schizophrenia who are disabled by hearing 'voices'.

Thanks

The Trustees thank the staff of ANZ Trustees Philanthropy Partners, which provides secretariat, management, administration and other services to the Foundation, and the consultant researchers, Sandra Whitty, Susan Woodward and Peter Yewers.

Trustees and Staff of the Foundation

There are five trustees who constitute the Board of The William Buckland Foundation:

- Mr Barry Capp (Chairman) (Retired following meeting of 7 March 2006)
- Mr C.G. (Sandy) Clark
- Mrs Louise Gourlay OAM (Chairman, from 8 March 2006)
- Professor Robert Officer
- ANZ Executors & Trustee Company Limited ("ANZ Trustees") represented by Mr Bruce Bonyhady

Staff

ANZ Trustees Philanthropy Partners department provides secretariat, management and administration services to the Foundation.

Asset consultant

JANA Investment Advisers Pty Ltd

Research consultants

Sandra Whitty and Associates

Grant Commitments Made

July 2005 – June 2006

The following commitments were made at meetings of Trustees held in September and December 2005 and in March and June 2006.

Public hospitals and public benevolent institutions

Abbotsford Convent Foundation

Education Program Facilities \$150,000

The redevelopment of part of the convent will provide a large multi-purpose arts space suitable for students with disabilities.

AMICUS Group

Shaded Client Work Area \$22,500

The shaded area provides improved working conditions for disabled nursery workers.

Anglicare

Learning to Care (over two years) \$100,000

The agency is testing strategies to improve the quality of care in its foster care programs.

Arbias

Theatre Project \$10,000

The grant supports a pilot that uses theatre to engage socially isolated people disabled through acquired brain injury.

Austin Health

Promoting 'Wellness' Within a Cancer Centre (over two years) \$150,000

The project develops an integrated cancer patient information and education service.

Australian Breastfeeding Association

Breastfeeding-Friendly Workplace Program (over two years) \$32,200

The project aims to increase the number of workplaces supporting breastfeeding employees.

Australian Drug Foundation

CALD Project \$53,750

The initiative improves access by culturally diverse community groups to information aimed at preventing drug-related problems.

Australian Red Cross

Good Start Breakfast Club (over two years) \$24,000

The program will be extended to four primary schools in the western suburbs.

Grant Commitments Made continued

July 2005 – June 2006

Beaufort and Skipton Health Service

Hospital Redevelopment \$20,000

The grant assists elderly rural people to remain in their region.

Bethany Community Support

Evaluation of New Parent Infant Network \$49,568

Evaluation of this innovative early intervention for 'at risk' mothers and children will help to inform program development elsewhere in the sector.

Consumer Law Centre Victoria

Consumer Law Practice Outreach Project \$75,930

The grant extends a pilot to provide legal advice and casework on consumer law in rural centres and indigenous communities.

E. W. Tipping Foundation

Moorabool Respite Project \$50,000

The new respite house assists rural people with a disability and their carers.

ECHO Inc

Resilience for Young People (over two years) \$26,424

The grant expands programs using trained volunteers working with 7-18 year olds in the Emerald area.

Grampians Community Health Centre

Tribal Youth (over two years) \$160,500

This school-based personal and skills development program and community action course for young people is being further refined and extended to the Wimmera and Central Grampians.

Harrow Bush Nursing Centre

Upgrade of Facilities \$20,000

The improved facilities will enable a more comprehensive and efficient health service to be offered by a rural health hub.

Headway Victoria

Community Writing Program \$13,090

The agency and Latrobe University are testing a creative writing program as a therapeutic intervention for people who acquired a brain injury 5-10 years previously.

Macedon Ranges Health Services

Palliative Care Services \$20,000

To enable the service to provide a specialised palliative care suite in its nursing home.

Maroondah Addictions Recovery Project Inc.	
Support Group	\$10,375
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The grant establishes a weekly support group for families of active and recovering drug users.	
Mission Australia	
Pathways to Prevention 6-16	(over three years) \$150,000
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The program works with 6-16 year olds from Horn of Africa families in partnership with the Northern Migrant Resource Centre.	
Richmond Fellowship of Victoria	
Handipersons' Service	(over three years) \$119,250
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The grant assists development of sustainability for this Wangaratta service that offers pre-vocational and other support to people with a disability.	
Royal Children's Hospital (RCH)	
Electronic Enhancement of Healthcare to Rural Children	(over two years) \$101,700
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The model tests the delivery of electronic specialist paediatric consultations by the RCH using the broadband network of members of the South West Alliance of Rural Health.	
Social Firms Australia	
Developing the Social Firm Sector in Victoria	(over three years) \$240,000
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The social firm model provides integrated, flexible and supportive small business employment for people with a psychiatric disability who are returning to work.	
Vision Australia	
Radio Digitalisation Project	\$78,000
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Vision Australia Radio is converting to a digital recording, storage and transmission platform to improve its service to visually disabled people and others.	
Visionary Images Inc.	
Capacity Building	(over two years) \$100,000
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The grant supports the sustainability of a successful model of engaging marginalised young people through a community cultural development program.	
Women's Health West	
Power On	(over two years) \$64,206
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A peer education model tests a holistic health program for psychiatrically disabled women.	
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Part 1: Sub-total	\$1,841,493
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Grant Commitments Made continued

July 2005 – June 2006

Public educational and public scientific purposes

Alzheimer's Australia

Dementia Risk Reduction \$11,731

The project helps to design a public health education program to prevent or delay dementia.

Birchip Cropping Group

Conservatory Building \$52,000

The new conservatory enables staff and students to conduct climate-controlled scientific research and projects on-site.

Centre for Adolescent Health

Completion of DNA collection within the Victorian Adolescent Health Cohort Study \$24,094

This leading international research explores gene-environment combinations that determine resilience and well-being and those that lead to early vulnerability and psychopathology.

Centre for Eye Research Australia

Genes in Myopia Study \$96,020

The study examines the genotypes of rural and interstate members of Melbourne families with significant myopia.

Epilepsy Foundation of Victoria

Researching the Impact of Epilepsy \$42,000

The grant seeds the first steps in establishing the Australian evidence base for the impact of epilepsy on sufferers.

Hawkesdale and District Pre-school

Family Services Centre \$12,500

The Centre will provide an integrated community health, child care and other services in this small rural area.

International Council for Local Environmental Initiatives

Water Campaign \$20,000

The campaign works with rural councils to address freshwater resource management.

Jean Hailes Foundation

Healthy Mums, Healthy Families (over two years) \$97,000

The randomised controlled trial tests a community behavioural support strategy to improve and sustain healthy nutrition and physical activity habits in mothers of primary school students.

Latrobe University (Mother & Child Health Research Centre)

Maternal Health Study (Phase 2) (over two years) \$50,000

This is the first Australian and international longitudinal study on women's physical and psychological health and recovery after childbirth. The grant assists analysis of factors affecting sexual health.

MacKillop Family Services

Life After Care \$34,266

The grant supports research into the impact of institutional care on former residents' subsequent sense of identity and lifelong experiences.

Marcus Oldham College

Facilities Master Plan \$150,000

The facilities planning supports the College's 10 year master plan to strengthen and extend its agricultural educational program.

Melbourne Health – ORYGEN

Platform \$6,000

The grant funds evaluation of this peer support service for young psychiatric inpatients.

Melbourne International Arts Festival

Schools Program \$12,000

The festival will provide education packs as a drama resource for schools.

Mental Health Research Institute

Voices Clinic (over two years) \$125,372

The grant establishes a specialist cognitive behaviour therapy clinic for the treatment of auditory hallucinations.

Murdoch Children's Research Institute

Preventing Mental Health Problems From Early Childhood (two years) \$39,819

This project extends a trial intervention for two-year olds to prevent internalising problems.

Royal Botanic Gardens (RBG) Melbourne

Hidden in Plain View: The Forgotten Flora \$38,600

The grant will develop the first RBG touring exhibition for regional Victoria, which will be based on mosses, fungi, liverworts and hornworts.

Royal Women's Hospital Foundation

Total Wellbeing Initiative \$60,000

The grant funds an evaluation and needs analysis of the hospital's plan to restructure and integrate all its 'wellness' services.

SANE Australia

Evaluation of helpline and education services (over two years) \$96,000

The evaluation will test the effectiveness of the services and identify any gaps to be addressed.

Grant Commitments Made continued

July 2005 – June 2006

Southern Health

Guideline for Oral Feeding in Pre-term Infants (over two years) \$148,000

An evidence-based guideline will be developed and tested and has the potential to benefit most pre-term babies.

St Vincent de Paul

Compeer Mental Health Research Project \$35,000

Compeer matches community volunteers to adults with a mental illness. The research will examine the benefits of the relationship for participants and flow-on effects to the wider community.

State Library

William Buckland Teaching Fellowship \$64,000

The fellowship will be awarded to teachers to help develop school education programs for the Library.

Swinburne University of Technology

Astrotours (over three years) \$78,747

The University will develop a regional Victorian touring program for school students, using astronomical movies, animations and simulations.

University of Melbourne

Assessment of Hearing in New-born Babies (over two years) \$49,620

The project refines a diagnostic tool for early intervention in hearing impairment.

University of Melbourne

Evaluation of the 'Building Family Skills Together' Project (two years) \$135,377

The outreach program aims to improve skills and increase family involvement in the treatment of a person living with schizophrenia. It is being implemented at North West Area Mental Health Service in partnership with the Bouverie Centre. The evaluation will test its outcomes and processes.

VACRO

Children: Unintended Victims of Legal Process (over two years) \$71,806

This second phase of the study examines the policy and practice issues that can ameliorate the impact on children of their parents' imprisonment and the legal processes leading up to this.

Victorian National Parks Association

ParkMates (over two years) \$107,800

This program establishes a system of trained volunteers to monitor the condition of Victoria's parks and conservation reserves.

Recurrent commitments

Foundation for Rural and Regional Renewal

Small Grants for Small Rural Communities Program \$75,000

Lynley S. Aitken Travelling Fellowship (Royal Melbourne Hospital)

Awarded to Duncan Baulch and Juri Ots for a Joint Project

International Benchmarking of Nursing Workforce \$10,000

Medical Research and Technology in Victoria Program

Allocated to 13 Projects \$200,000

Part 2: Sub-total \$1,942,752

Total commitments made in 2005–06 financial year \$3,784,245

Financial Report

Overview

The Trustees consider that, as the Foundation is a perpetual trust, the amount available for distribution to charities will be maximised over time if a relatively high proportion of the corpus is invested in growth assets, particularly equities.

They also judge it prudent to entrust day-to-day management of the funds to professional investment managers, within asset allocation ranges set by the Trustees. The asset consultant to the Foundation is JANA Investment Advisers Pty Ltd. In February-March 2000, funds that were previously directly invested by the Trustees in a range of Australian equities were transferred to professional managers and the Foundation no longer holds direct equities. The investment managers for the financial year ended 30 June 2006 were:

- Kaplan Funds Management
- Warakirri Asset Management Pty Ltd
- Lend Lease
- Investors Mutual Limited
- Macquarie Investment Management Ltd

Under the terms of the Will, all income is to be distributed and capital cannot be distributed. Capital gains on any investments are retained within the corpus of the trust thus protecting its real value against inflation. Other investment earnings such as dividends, interest, rents and the refund of imputation credits associated with dividends from Australian equities, comprise the income from which expenses are paid and grants are made to eligible charities.

In late 2005, an application by the Trustees to the Supreme Court to broaden investment power was successful. The Foundation is now permitted to invest in managed funds that may hold gold or other mining stocks. The restriction of directly investing in companies whose sole or predominant purpose is the exploration for and mining of gold, precious metals, or stones, remains.

The Management Expense Ratio (MER) is a measure of the level of expenses incurred by the Foundation. The MER, expressed as a percentage of the net assets of the Foundation (averaged over the year), includes the administration fees, investment management fees and other expenses – the components and the amounts are shown in Annexure One. The comparative with the previous year is shown.

The averaged net assets of the Foundation as at 30 June 2006 were \$91,970,414.

The MER	Year ending 2006	Year ending 2005
Net assets (averaged)	\$91,970,414	\$82,156,568
MER	1.10	1.09
Trustee and administration fees	0.31%	0.30%
Investment management expenses	0.60%	0.57%
Other expenses	0.19%	0.22%

Investment Guidelines and Objectives

Each 'Guideline' and 'Objective' is followed by a brief 'Commentary' to assist the reader. While the Foundation has a time horizon of perpetuity it is expected that the Investment Guidelines and Objectives will be reviewed by the Board of Trustees from time to time. The most recent review took place in 2001. The investment powers of the Foundation set out in William Buckland's Will included a number of restrictions which were varied by the Supreme Court of Victoria in 1993 and 2005 in response to applications made by the Trustees.

1. Asset mix

1.1 Guideline

Up to 100 per cent of the Foundation's assets are to be invested in equity assets. Equity assets include shares, property, convertibles, and even debt type assets that offer equity like returns.

1.2 Commentary

As the 'community' is the beneficiary, and perpetuity the time horizon of the Foundation, the asset mix should be dominated by equity (shares/property) assets. However, opportunities to buy securities at equity type returns (e.g. government guarantee indexed bonds with high real yields) will be considered.

2. Management

2.1 Guideline

The policy is that the Foundation's assets should be managed by professional investment managers with a maximum exposure of 60 per cent of the assets of the Foundation to any one manager/group.

2.2 Commentary

Since the late 1990s the Foundation has had all its assets managed by professional investment managers. As a matter of prudence, manager diversification should always be a feature of the management of the Foundation's assets.

3. Security diversification

3.1 Guideline

At no time should the Foundation's exposure to a risk asset (e.g. a company, or single property) exceed 10 per cent of the assets of the Foundation and the overall portfolio of assets should be broadly diversified.

3.2 Commentary

It is expected that the share exposure of the Foundation would be spread over at least 30 companies. Too great a concentration is to be avoided. Greater than 10 per cent exposure could be contemplated with 'non risk' assets e.g. government guarantee index bond.

4. Investment objectives

4.1 Guideline

To maximise income consistent with the modest growth of the real value of the Foundation assets over time. To target an income distribution in the region of five per cent to six per cent of the average value of the Foundation's assets. While recognising that the capital value of the Foundation's assets is expected to fluctuate widely at times due to the variability of share markets, the Trustees seek to structure the Foundation's overall asset portfolio so as not to fluctuate to as great an extent as the share market on the downside (e.g. through ownership of convertibles/property).

4.2 Commentary

In no circumstances is the long term real value of the Foundation's assets to be compromised by attempting to maximise income. The Foundation in understanding that asset values fluctuate, desires that its assets not fluctuate as widely as the share market on the downside. However, it recognises that asset values may fall in real terms from time to time.

Performance

Historical investment performance up to and including the financial year ended 30 June 2006

The Foundation

Table 1

For year ended 30 June 2006	Annual return (%)	3 year return (% p.a.)	5 year return (% p.a.)	7 year return (% p.a.)	10 year return (% p.a.)
Foundation	13.1	17.6	12.4	12.5	13.3
Benchmark ¹	22.7	22.0	12.2	12.1	12.6
Performance vs Benchmark	-9.6	-4.4	+0.2	+0.4	+0.7
CPI	4.0	3.0	2.9	3.4	2.6
Performance vs CPI	+9.1	+14.6	+9.5	+9.1	+10.7

Table 1: The returns quoted in Table 1 are after management fees paid to investment managers and reflect the benefit of franking credits on a cash received basis, but not Foundation expenses.

The Foundation returned 13.1 per cent for the financial year to June 2006 representing underperformance of the benchmark of 9.6 per cent. In a very strong Australian equity market over the period, each of the Foundation's Australian equities managers underperformed. As was the case in the 2004–05 financial year, Warakirri Asset Management slightly underperformed whilst both Kaplan Funds Management and Investors Mutual underperformed significantly. The Foundation's Australian equities investments are positioned defensively in order to achieve a balance between achieving long term capital growth and reducing downside risk in poor equity markets. As a result of this strategy, the Australian equities investments have underperformed the benchmark index in what has been very strong market conditions.

The Foundation's investments in unlisted property trusts, APPF Retail and Commercial, also delivered sound returns in the order of 14 per cent and 11 per cent respectively for the 2005–06 financial year. The Foundation has performed well against its benchmark over the longer term, outperforming over 5, 7 and 10 year time frames.

The Foundation's performance against inflation (as measured by the Consumer Price Index or CPI) is also shown in Table 1, with outperformance over all time periods measured. This indicates that the real value of the Foundation's capital has grown over time. The Foundation has outperformed CPI by 10.7 per cent p.a. over a 10 year time frame.

1. A benchmark is an index or other market measurement which is used as a yardstick to assess the performance of a portfolio or fund. For the Foundation, the benchmark for 2004–05 was a composite with an 80 per cent weighting to the S&P/ASX 300 Accumulation Index (a measure of performance of the Australian equity market) and a 20 per cent weighting to the Mercer Unlisted Property Index (a measure of the Australian Wholesale property market).

Performance continued

Historical investment performance up to and including the financial year ended 30 June 2006

Warakirri Charitable Australian Equities Trust (WCAET)

Table 2

For year ended 30 June 2006	Annual return (%)	3 year return (% p.a.)	5 year return (% p.a.)	Since inception 12/95 (% p.a.)
WCAET	22.0	24.4	20.1	18.6
Benchmark – S&P/ASX 300 Accumulation Index	24.0	23.9	12.2	12.5
Performance vs Benchmark	-2.0	+0.5	+7.9	+6.1

Table 2: The returns quoted in Table 2 are after management fees and reflect the benefit of franking credits on a cash received basis.

The performance of the Foundation's investment in the Warakirri Charitable Australian Equities Trust over the 2005–06 financial year was exceptionally strong in absolute terms but was slightly behind benchmark. The investment remains ahead of benchmark over three years and is significantly ahead of benchmark over the five year period and on a since inception basis from December 1995.

Kaplan Charitable Australian Equities Trust

Table 3

For year ended 30 June 2006	Annual return (%)	3 year return (% p.a.)	5 year return (% p.a.)	Since inception 03/00 (% p.a.)
Kaplan Charitable Australian Equities Trust	13.6	14.2	12.5	12.6
Benchmark – S&P/ASX 200 Accumulation Index	23.9	24.0	12.3	12.3
Performance vs Benchmark	-10.3	-9.8	+0.2	+0.3

Table 3: The returns quoted in Table 3 are after management fees and reflect the benefit of franking credits on a cash received basis.

The Kaplan Charitable Australian Equities Trust delivered sound absolute performance over the 2005–06 financial year however significantly underperformed the very strong benchmark. The Manager is behind benchmark over the three year period to 30 June 2006 but remains ahead of benchmark over five years and since inception. The since inception results of Kaplan reflect the Manager's aim to produce relatively stable returns over different time periods.

While performance over the life of the investment has been satisfactory, post the end of the financial year, the investment with Kaplan was redeemed on the basis that the level of distributable income produced did not meet the objectives of the Foundation.

Investors Mutual Limited

Table 4

For year ended 30 June 2006	Annual return (%)	3 year return (% p.a.)	Since inception 07/03 (% p.a.)
Investors Mutual Industrial Share Fund	7.7	13.4	13.4
Benchmark – S&P/ASX 200 Industrial Accumulation Index	17.2	19.2	19.2
Performance vs Benchmark	-9.5	-5.8	-5.8

Table 4: The returns quoted in Table 4 are after management fees and reflect the benefit of franking credits on a cash received basis.

The Investors Mutual Industrial Share Fund significantly underperformed its benchmark (by 9.5 per cent) over the 2005–06 Financial Year however, delivering an absolute return of 7.7 per cent for the period. The investment performance was 5.8 per cent p.a. behind benchmark since inception, despite delivering 13.4 per cent p.a. over the three year period.

The performance of this portfolio reflects the Manager's relatively conservative investment approach in a very strong equity market. Post financial year end, the investment with Investors Mutual was redeemed and an investment made in the ANZ Trustees Common Fund 8 (Industrial Australian Equities) which is expected to generate an income yield more in line with the Foundation's objectives.

Lend Lease APPF Retail

Table 5

For year ended 30 June 2006	Annual return (%)	3 year return (% p.a.)	Since inception 07/02 (% p.a.)
Lend Lease APPF Retail	14.1	15.9	14.9
Benchmark – Mercer Unlisted Property Index (pre tax)	17.2	14.2	13.5
Performance vs Benchmark	-3.1	+1.7	+1.4
Benchmark – PCA Australian Retail	16.3	16.0	N/A
Performance vs Benchmark	-2.2	-0.1	N/A

Table 5: The returns quoted in Table 5 are after management fees. No imputation credits were received.

Lend Lease APPF Retail delivered strong absolute performance for the 2005–06 Financial Year, returning 14.1 per cent although this was 3.1 per cent behind the Mercer benchmark. Over the period since inception, the portfolio is 1.4 per cent p.a. ahead of the Mercer benchmark. Keeping in mind that APPF Retail is a single sector portfolio, the annual performance has also been measured against the PCA Australian Retail Index. The APPF portfolio underperformed this index by 2.2 per cent over the 2005–06 financial year.

Performance continued

Historical investment performance up to and including the financial year ended 30 June 2006

Lend Lease APPF Commercial

Table 6

For year ended 30 June 2006	Annual return (%)	3 years return (% p.a.)	Since inception 07/02 (% p.a.)
Lend Lease APPF Commercial	11.1	9.6	8.5
Benchmark – Mercer Unlisted Property Index (pre tax)	17.2	14.2	13.5
Performance vs Benchmark	-6.1	-4.6	-5.0
Benchmark – PCA Australian Office	14.4	10.3	N/A
Performance vs Benchmark	-3.3	-0.7	N/A

Table 6: The returns quoted in Table 6 are after management fees. No imputation credits were received.

Lend Lease APPF Commercial delivered a return of 11.1 per cent for the 2005–06 financial year, underperforming the Mercer benchmark by 6.1 per cent. Over the period since inception the investment is 5.0 per cent p.a. behind the Mercer benchmark return, however the investment is a single sector investment being compared with a diversified benchmark. The benchmark includes high allocations to the Retail and Industrial sectors, which have outperformed Commercial over the past three years. Over the early part of the period since inception, the Commercial property market has been relatively weak although a recovery has been underway over the last six months. Comparing the annual performance of the APPF portfolio with the PCA Australian Office Index shows the portfolio has performed broadly in line with the broader commercial property market over the three year period.

Macquarie Diversified Treasury Fund

Table 7

For year ended 30 June 2006	Annual return (%)	Since inception 06/04 (% p.a.)
Macquarie Diversified Treasury Fund	5.9	5.9
Benchmark – UBSA Bank Bills	5.8	5.7
Performance vs Benchmark	+0.1	+0.2

Table 7: The returns quoted in Table 7 are after management fees. No imputation credits were received.

Over the 2005–06 financial year, the Foundation held around 5 per cent of its assets in enhanced cash via the Macquarie Diversified Treasury Fund. Over both the year and period since inception, the investment has outperformed its benchmark to deliver a return of 5.9 per cent p.a.

Statement of Financial Performance

For the year ended 30 June 2006

	Note	2006 \$	Re-stated 2005 \$
Income			
Interest income		183,350	77,157
Estate distribution		32,929	26,151
Imputation credits		1,613,353	3,533,177
Managed investment distributions		9,686,302	8,117,534
Management fee rebate		236,743	215,591
Other income		-	27,423
Unrealised capital profits		1,343,446	2,090,345
Total income		13,096,123	14,087,378
Expenditure			
ANZ Trustees' trustee fees		281,772	241,388
Co Trustee fees		4,000	4,000
Consulting fees		131,950	122,600
Audit fees		5,925	4,500
Annual reports		14,210	27,345
Publication of Buckland history		-	16,060
Loss on sale of investments		13	-
Other		24,347	6,316
Total expenditure		462,217	422,209
Net income for the year		12,633,906	13,665,169
Transfers to capital			
Capital distributions		(5,055,665)	(1,972,158)
Managed investment distributions – capital buy back		(1,165,689)	(3,170,917)
Imputation credits – capital	1(h)	(499,581)	(2,022,391)
Legal costs		10,043	-
Unrealised capital profits		(1,343,446)	(2,090,345)
Loss on sale of investments		13	-
Total transfers to capital		(8,054,325)	(9,255,811)
Distributable income	1(b)	4,579,581	4,409,358
Transfers (to)/from trust funds to determine total grants			
Transfer (to)/from trust funds		(957,378)	(1,204,150)
Grants determined during the year		3,622,203	3,205,208
Grants determined during the year comprise			
Grants determined and paid during the year	2	3,622,203	3,205,208
		3,622,203	3,205,208

The statement of financial performance is to be read in conjunction with the notes to the financial statements.

Statement of Financial Position

For the year ended 30 June 2006

	Note	2006 \$	Re-stated 2005 \$
Total trust funds	7	96,476,265	87,464,562
Represented by:			
Current asset			
Cash and cash equivalents		4,317,121	1,951,472
Receivables	3	8,689,588	5,489,067
Other assets	4	12,500	11,250
Total current assets		13,019,209	7,451,789
Non-current assets			
Other financial assets	5	83,541,663	80,019,098
Total non-current assets		83,541,663	80,019,098
Total assets		96,560,872	87,470,887
Current liabilities			
Payables	6	84,607	6,325
Total current liabilities		84,607	6,325
Total liabilities		84,607	6,325
Net assets		96,476,265	87,464,562

The Statement of financial position is to be read in conjunction with the notes to the accounts.

Statement of Cash Flows

For the year ended 30 June 2006

	Note	2006 \$	Re-stated 2005 \$
Cash flows from operating activities			
Interest received		183,349	77,157
Refund of imputation credits		2,233,377	1,299,800
Managed investment distributions received		5,868,004	7,182,013
Management fee rebates received		230,525	201,742
GST received		46,039	46,235
Other income received		36,711	27,423
ANZ Trustees' trustee fees paid		(235,859)	(275,791)
Consulting fees		(146,520)	(135,135)
Audit fees paid		(6,325)	(13,750)
Membership paid		(6,050)	(6,050)
Other expenses paid		(36,268)	(48,643)
Net cash provided by operating activities	8(a)	8,166,983	8,355,001
Cash flows from investing activities			
Proceeds from sales of units/shares		1,079	0
Payments for purchase of units/shares		(2,180,210)	(3,919,434)
Net cash used in investing activities		(2,179,131)	(3,919,434)
Cash flows from granting activities			
Grants paid		(3,622,203)	(3,205,208)
Net cash used in granting activities		(3,622,203)	(3,205,208)
Net increase/(decrease) in cash held		2,365,649	1,230,359
Cash and cash equivalents at the beginning of financial year		1,951,472	721,113
Cash and cash equivalents at the end of the financial year	8(b)	4,317,121	1,951,472

The cash flow statement is to be read in conjunction with the notes to the financial statements.

Notes to the Accounts

For the year ended 30 June 2006

1. Statement of accounting policies

(a) Basis of preparation

In the opinion of the Trustees, the Foundation is not a reporting entity. The financial report of the Foundation has been drawn up as a special purpose financial report at the request of the Trustees.

The financial report has been prepared on the accrual basis of accounting as defined in AASB 108 'Accounting Policies' using the historical cost convention and going concern assumption. Except where stated, it does not take into account changing money values or current valuations of non-current assets. Except where stated, the accounting policies have been consistently applied. The financial report has been prepared in accordance with the recognition and measurement aspects of all applicable Australian Accounting Standards and other authoritative pronouncements of the Australian Accounting Standards Board that have a material effect. The financial report does not include the disclosure requirements of the following pronouncements having a material effect:

- AASB 114 Segment Reporting
- AASB 124 Related Party Disclosures
- AASB 132 Presentation and Disclosure of Financial Instruments

(b) Distributable income

The financial report has been prepared in accordance with the basis of preparation at Note 1(a). In determining the distributable income, regard is had to any items of income or expenditure that from a trust law perspective would be considered to be on capital account in determining distributable income.

(c) Investments

Investments are carried at fair value at year-end. Fair market value is the last 'Bid' price on the exchange on which the investments are traded as of the close of business on the day the investments are being valued.

The valuation policy has changed from 30 June 2005 where investments were carried at market value. The effect of this change in accounting policy is disclosed in Note 1(h).

(d) Income

Dividends, income distributions and capital distributions received from unit trusts and direct equity holdings are recognised as at the date the unit value is quoted ex-distribution.

Dividend income and income distributions comprise the income portion of distributions received from managed funds and direct equity holdings.

Imputation tax credits in respect of distributions and dividends received are recognised as revenue as at the date the share is quoted ex-dividend. As the application for the refund of excess imputation credits can only be made after year-end, the applicable revenue is accrued for at year end.

Interest income is earned from the cash management account and is credited to the fund's account on a monthly basis.

(e) Taxation

The Foundation is a charitable trust in accordance with section 50-5 of the Income Tax Assessment Act 1997 and is therefore exempt from paying tax.

(f) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

Cash flows are included in the cash flow statement on a gross basis. The GST components of cash flows arising from investing and distribution activities, which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(g) ANZ Trustees' trustee fees

Going forward, ANZ Trustees' trustee fees are recorded on an accruals basis. The accounting treatment has changed from 30 June 2005. In past periods the ANZ Trustees' trustee fees were recorded on a cash basis.

(h) Share buy-backs

The managed funds and securities that the Foundation is invested in may participate in buy-backs, where appropriate, and receive the proceeds in the form of a capital and a fully franked dividend component. The full proceeds received by the Foundation, as part of the distribution income of the Foundation, (including franking credits) are applied to the capital of the Foundation given the intent, purpose and nature of these transactions are purely capital in nature under Trust Law. For accounting purposes, the dividend component is treated as income.

(i) Effect of change from AGAAP to AIFRS in regard to bid price

In preparing the opening AIFRS compliant income statement and balance sheet, adjustments have been made to the figures previously reported in the 30 June 2005 financial report.

The adjustments are based on valuing the investments at fair value. The impact of this change on the total trust funds brought forward and the 2005 net income reported under previous Australian Accounting Standards are outlined below:

Income statement	AASB	Adjustment	AIFRS
Unrealised loss/(gain)	(1,934,317)	156,028	(2,090,345)

'Net income for the year ended 30 June 2005' has subsequently increased by \$156,028, from \$13,509,141 to \$13,665,169.

Balance sheet	AASB	Adjustment	AIFRS
Investments	79,863,070	156,028	80,019,098

'Net assets as at 30 June 2005' has subsequently increased by \$156,028, from \$87,308,534 to \$87,464,562.

Notes to the Accounts continued

For the year ended 30 June 2006

2. Grants determined during the year

	Note	2006 \$	Re-stated 2005 \$
Grants determined and paid during the year		3,622,203	3,205,208

3. Receivables

Imputation credits		1,613,354	2,233,377
Estate distribution		22,368	26,151
Managed investment distributions		6,977,671	3,159,954
Management fee rebate		62,910	56,691
GST		13,285	12,894
		8,689,588	5,489,067

4. Other assets

Prepayments		12,500	11,250
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5. Other financial assets

Fixed interest, equity and property trusts and managed funds, at fair value		83,541,663	80,019,098
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6. Payables

Other creditors: audit fees and other		6,518	6,325
ANZ Trustees' trustee fees payable		78,089	-
		84,607	6,325

7. Trust fund

Opening balance		87,464,562	77,004,601
Net income		12,633,906	13,665,169
Less grants determined during the year (Note 2):			
- Grants determined and paid during the year		(3,622,203)	(3,205,208)
Closing balance		96,476,265	87,464,562

8. Notes to cash flow statement

(a). Reconciliation of net income to net cash provided by operating activities

	2006 \$	Re-stated 2005 \$
Net income	12,633,906	13,665,169
Less Items classified as investing activities		
Unrealised capital gains	(1,343,446)	(2,090,345)
Loss on sale of Investments	13	-
Changes in assets and liabilities		
(Increase)/decrease in receivables	(3,154,672)	(3,162,662)
Increase/(decrease) in payables	31,182	(57,161)
Net cash provided by operating activities	8,166,983	8,355,001

(b). Reconciliation of cash

For the purposes of the cash flow statement, cash includes cash at bank. cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the balance sheet as follows:

	2006 \$	Re-stated 2005 \$
Cash and cash equivalents	4,317,121	1,951,472

Auditor's Report

For the year ended 30 June 2006

DTT Victoria

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**AUDITOR'S REPORT TO THE TRUSTEES OF
THE WILLIAM BUCKLAND FOUNDATION
YEAR ENDED 30 JUNE 2006**

Independent Audit Report

We have audited the summarised financial report of the William Buckland Foundation for the year ended 30 June 2006 as set out on pages 21 to 27 in accordance with Australian Auditing Standards.

In our opinion, the information reported in the summarised financial report is consistent with the annual statutory financial report from which it is derived and upon which we expressed an unqualified audit opinion in our report to the trustees dated 18 January 2007. For a better understanding of the scope of our audit, this report should be read in conjunction with our audit report on the annual statutory financial report.

DTT Victoria

DTT Victoria

M. Schofield

Matthew Schofield
Partner

Melbourne : 22 February 2007

Liability limited by a scheme approved under Professional Standards Legislation.
DTT Victoria has changed its name from BDO and is a continuation of that Victorian partnership. The partners of DTT Victoria have also joined the Australian partnership of Deloitte Touche Tohmatsu.
All changes with effect from 14 August 2006.

30-000070-000000-WILLIAM BUCKLAND FOUNDATION

Annexure One

The net assets of the Foundation as at 30 June 2006 were \$96,476,267.

Expenses

1. Fees for Trusteeship

(a) Trustee fee to ANZ Executors & Trustee Company Limited:	\$281,771
Management fees are 0.30 per cent of capital in accordance with the Trustee Companies' Act Victoria 1984 (Section 21A) which allows a fee of up to 0.96 per cent of capital.	
(b) Fees to the four individual Co-Trustees:	\$4,000
Set fee of \$1,000 each per annum as provided in the Will of William Buckland.	
Total	\$285,771

2. Investment management fees

Lend Lease APPF Retail	\$30,960
Lend Lease APPF Commercial	\$38,683
Investors Mutual Industrial Share Fund	\$104,464
Warakirri Asset Management Pty Ltd	\$237,711
Kaplan Funds Management Pty Ltd*	\$75,620
Macquarie Investment Management Ltd	\$17,925
ANZ Trustees Common Fund M1	\$44,081
Total	\$549,444

3. Other expenses

Fee for preparation of annual accounts and audit	\$5,925
Annual research fee	\$84,450
Asset consultancy fees	\$47,500
Miscellaneous research and expenses	\$24,347
Annual report (layout and printing costs)	\$14,210
Total	\$176,432

* No performance fee was achieved.

All fees are GST exclusive.

What the Foundation Funds

The broad areas of interest to the Foundation are stipulated in William Buckland's Will. This is in two parts – the first for public hospital and public benevolent institutions; the second for public scientific or public educational purposes. Grants are restricted to Victoria. The Foundation has developed a set of guidelines to carry out its charter.

The Foundation will support innovation in practice; strengthening the ability of not-for-profit bodies to deliver effective services to the community; and building knowledge within the not-for-profit sector and the wider community. In general, the Foundation supports larger projects or those which are likely to have a significant impact and consequently applications for grants of less than \$20,000 are not preferred. Consideration may be given to more modest grants to evaluate projects or to enable dissemination of a successful model so that it can be replicated elsewhere. Grant funding is normally provided for one year only unless there are special reasons, such as sufficient time to test an innovative approach or to bring a new model to scale.

As a minimum, the Foundation requires programs to focus on the prevention of problems, addressing the causes of disadvantage rather than the symptoms. It also prefers programs that will make a significant contribution to the body of knowledge of the subject area or other positive impact on community wellbeing, especially for disadvantaged groups and rural communities. The Foundation has taken a broad interpretation of "public educational purposes" and "public scientific purposes".

The Foundation gives priority to programs that take innovative approaches to solving community problems, advance concepts to the demonstration stage or explore new fields of interest through research and development. Trustees are interested also in programs that are able to leverage financial support from, or in partnership with, other trusts and foundations, governments or others and those that are sustainable in the longer term.

Because the value of a new model is its ability to be replicated, the Foundation pays special attention to evaluation of programs, and to dissemination of their findings.

THE FOUNDATION REQUIRES PROGRAMS TO
FOCUS ON THE PREVENTION OF PROBLEMS, ADDRESSING
THE CAUSES OF DISADVANTAGE.

The Grantmaking Process

Administration

Applications are directed to ANZ Trustees Philanthropy Partners which provides secretariat, administration and other general services to The William Buckland Foundation.

Research

Applications are investigated by the Foundation's researchers. The applicant will be contacted and the submission discussed. The researcher will also contact other relevant bodies e.g. referees.

Visitors at Trustees' meetings

The William Buckland Foundation Trustees may invite one or two of the applicant agencies to attend a meeting. This is an opportunity for the Trustees to deepen their understanding of the particular sector in which an agency works and to ask questions of the applicant. As well as applicant organisations, Trustees may invite public policy makers or academics to talk about their area of interest.

At the meeting

Trustees meet quarterly. Factors Trustees take into account when determining which projects to fund include:

- need in the community for the initiative;
- whether the organisation has received significant philanthropic grants in recent years (usually the last three);
- availability of other funding sources, including Government;
- innovation;
- capacity to change practice;
- projects that involve partnerships with other foundations;
- the scale of the request – it may not be possible to satisfy the full request; and
- the potential of the project to leverage wider support.

Decisions that may be made at the meeting: a grant made in full or part, application declined, or consideration deferred until a later meeting.

After the meeting

Notification of the outcome of a grant application is usually sent within 10 to 14 days of the meeting.

Reporting

All grant recipients are required to submit a report on their project outcomes at the conclusion of the funding period.

How to Find Out About Funding

Copies of the full guidelines are available from:

ANZ Trustees Philanthropy Partners

Website: www.anz.com/aus/fin/trustees

Freecall* 1800 808 910

Applications must be submitted on the special form attached to the guidelines together with documentation as specified in the guidelines (e.g. taxation status). Trustees meet quarterly to consider applications.

The *Australian Directory of Philanthropy* contains summary information on the major Trusts and Foundations in Australia. Contact your local library for access to a copy or if this is not possible, the Directory's publishers, Philanthropy Australia on telephone (03) 9620 0200.

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ANZ Trustees Philanthropy Partners

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