

2012 ANNUAL REPORT

AUSTRALIAN OLYMPIC FOUNDATION

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AUSTRALIAN OLYMPIC FOUNDATION LIMITED

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On 16 February 1996, the Australian Olympic Foundation (the Foundation) was constituted by Deed of Settlement between the late Julius L. Patching as Settlor and the Australian Olympic Foundation Limited as Trustees.

The members and Directors of the Australian Olympic Foundation Limited are the voting members of the Executive of the Australian Olympic Committee Inc. (AOC) from time to time.

The Foundation has been constituted and is controlled and administered so as to develop and protect the Olympic Movement in Australia in accordance with the Olympic Charter including, in particular, funding the preparation and participation of the Australian Teams in the Olympic Games, Olympic Winter Games and Regional Games and the costs and expenses of the AOC.

CHAIRMAN'S REVIEW



The stated investment objectives of the Foundation have been, and remain, to protect and grow the capital base while providing sufficient income and liquidity to provide a base distribution to the AOC for its Olympic Teams and other programmes and expenses.

To achieve these dual objectives, the Foundation's target composite return from its managed funds investments has been to exceed the rate of inflation by the average 10 year bond rate over rolling four year periods and its distribution policy has been to limit distributions to the AOC to an amount equal to the 10 year bond rate.

Additional distributions (over and above the 10 year bond rate) of \$1.102m at end 2004 and \$3.988m at end 2008 (totalling \$5.190m) were provided to the AOC to enable it to balance income and expenditure over the preceding quadrenniums. At end 2012 the AOC made a settlement on the Foundation of \$106,062. This reduces total additional distributions from \$5.190m to \$4.983.

Total distributions to the AOC over the 12 years since the Foundation received its \$88.48m legacy from hosting the 2000 Olympic Games in Sydney reached \$80.4m at end 2012.

Over the same period net assets of the Foundation have grown from \$109m at the commencement of 2001 to \$115.6m at the commencement of 2013.

Obviously, the additional distributions of \$5.190m were at the expense of further growing the capital base by the same amount.

Further growth of the capital base has also been negatively impacted by the Foundation's policy of basing, and maintaining distributions over the next four years, on the Commonwealth 10 year bond rate at the commencement of the quadrennium instead of adjusting them each year to the then 10 year bond rate on the then assets, particularly during a period of decreasing bond rates.

Over the 2009-2012 quadrennium the AOC received \$3.89m more than it would have had there been annual adjustments. But to adjust the distributions annually would make the AOC's quadrennial budgeting for the costs of its Olympic teams and other programs and expenses almost impossible to manage. Of course, while benefitting the AOC with increased distributions of \$3.89m over the 2009-2012 quadrennium, this policy has been at the expense of growing the capital base by the same amount.

CHAIRMAN'S REVIEW

continued

As we approached the commencement of the 2013-2016 quadrennium it was clear that the 10 year bond rate was likely to be its lowest ever over the last 12 years and forecast to possibly decrease further, at least over the first year of the quadrennium.

When the Board of the Foundation met in late November 2012, the 10 year bond rate was 3.02% and the forecast net assets of the Foundation \$110m. On this basis, distributions over the 2013-2016 quadrennium were forecast to be \$13.28m - a negative variance of \$11.88m on the distributions paid to the AOC over the 2009-2012 quadrennium.

Accordingly, the Board of the Foundation determined to adopt a notional 4% year bond rate for its distributions to the AOC over the 2013-2016 quadrennium. On this basis distributions for the quadrennium were forecast to be \$17.6m. While still a negative variance of \$7.57m on distributions paid during the 2009-2012 quadrennium, the Board was keen to avoid any greater impact on the distributions available to the AOC for its Olympic teams and other programs and expenses.

With improving worldwide equity markets over the final months of 2012, net assets of the Foundation increased to \$115.6m at end 2012 and the forecast distribution to the AOC at the notional rate of 4% increased to \$18.4m.

But I stress adopting a 4% notional rate, instead of the actual 10 year bond rate of 3.02%, will be at the expense of further growing the capital base of the Foundation by what we now calculate to be \$4.5m.

In my review for 2011, I commented that results for 2012 were likely to be affected by the European sovereign debt crisis and the possibility of recession in parts of Europe, moderating growth in China, an improving United States economy and with the Australian economy, while strong by comparison, still very dependent on the mining and resources industry.

2012 ended with Europe still beset by economic problems but having averted any major crisis, China maintaining growth albeit at lower levels, the United States recovery gathering strength, and the Australian economy very much dependent still on the mining and resources industry with high volumes but volatility in commodity prices.

Against this backdrop the global and Australian equity markets finished the year on a strong note and were well above December 2011 levels.

It is important to recognise that the Foundation remains a very long-term investor – intended to assist in financing the AOC's activities over the indefinite future. The Foundation concentrates its investments in growth assets – property and equities, including international equities. Over time these assets can be expected to provide stronger returns and growth than investments in bonds and cash.

At year end the Foundation had 39.0 % of its investments in managed funds in Australian shares, 21.3% in overseas shares, 21.9% in direct property, 11.8% in absolute return funds, 4.7% in fixed interest and 1.3% in cash (including cash held by the underlying managers).

At end 2012 the Foundation had investments in ten managed funds:-

Australian Equities with the established funds of Schroders (a growth investment style) and Maple-Brown Abbott Plus Asia (a value investment style); Schroder Smaller Companies; in international equities, BlackRock International Equity Fund and the Hedged International Equity Fund; in property, Lend Lease (direct property) and Goodman Australia Industrial Fund (direct property); the BlackRock Global Ascent Fund (absolute return); the BlackRock Multi-Opportunity Fund (absolute return) and Wellington Management (investment grade credit).

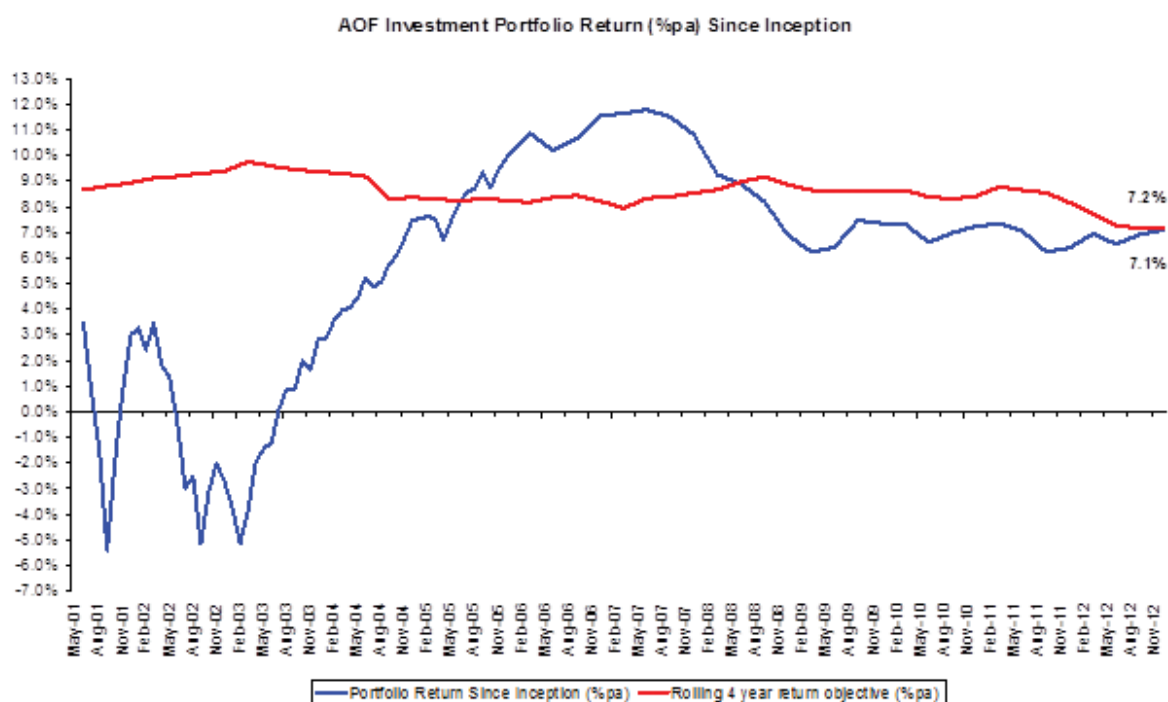
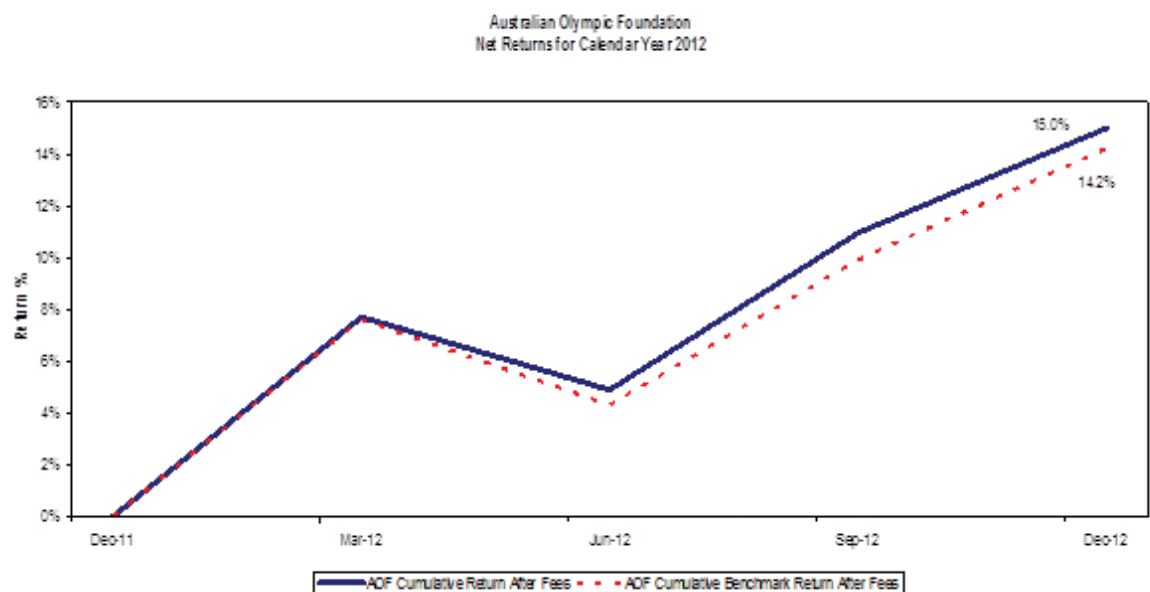
To reduce foreign currency risk, the exposure in the BlackRock International Equity Funds as indicated above is hedged back to the Australian dollar. At end 2012 the hedged percentage was 34.8% (2011: 33.7%). This position is similar to that adopted by other long term investors.

During the year the Foundation, following lower than expected distributions from fund managers, made cash redemptions of \$2.5m to support the AOC's planned quarterly distributions to the AOC. The redemptions were from the BlackRock Multi-Opportunity Fund and the Wellington Management Fund.

Global Equity Markets returned 14.1% % on an unhedged basis and 18.7 % on a hedged basis in 2012 as the Australian dollar maintained strength being above parity to the US dollar for most of the year. The US Dow Jones Index rose 10.2% in US dollars (including dividends).

The Australian ASX 200 Accumulation Index returned 20.2% in 2012, and the Australian All Ordinaries Index

CHAIRMAN'S REVIEW continued



also showed an increase of 18.2% in 2012.

The above graphs show the composite return from the Foundations' managed fund investments in 2012 versus the composite benchmark and the composite return for the Foundation since inception versus the target objective of a rolling 4 year CPI plus 10 year bond rate which is currently 7.2%.

The Directors of the Corporate Trustee of the Foundation – the Australian Olympic Foundation Limited (AOF) are the voting Members of the AOC Executive.

They continue to receive the advice of the AOF Investment Advisory Committee and the Foundation's funds have been invested in accordance with the Committee's recommendations.

The independent members of the Investment Advisory Committee are Chairman Dr John Hewson, Paul Batchelor, Angus Douglas and Helen Nugent and we continue to be immensely indebted to them for their time, diligence and expertise.

Russell Withers, Doug Donoghue and I represent the AOF on the Advisory Committee with the Foundation

CHAIRMAN'S REVIEW

continued

administered by Doug Donoghue as Director.

The Investment Advisory Committee continues to meet quarterly. It reviews the overall investment strategy annually and meets with each of the fund managers annually.

The Directors of the AOF and the members of the Investment Advisory Committee are assisted in their work by Mercer, one of the largest and most experienced investment consulting firms in the world. Mercer monitors each of the managers and overall portfolio on a continuous basis and provides quarterly reports on performance and developments to the Investment Advisory Committee, as well as drawing attention to any significant event affecting a manager or the Foundation's investments.

I again thank Mercer's Senior Partner, Tony Cole, for Mercer's and his personal contribution and support in 2012.

2013 has commenced on a strong note with improving equity prices globally and in Australia, the United States recovery looking to be gathering strength, China heading back to trend growth and Europe showing signs of improvement although many significant issues remain to be faced in the months ahead. Australia remains for the present highly dependent on the mining and resource sector.

It is in this shifting economic climate that the AOF Board supported by the Investment Advisory Committee and Mercer will work to maintain the AOF's investments in 2013.

JOHN COATES AC

Chairman
Australian Olympic Foundation

FINANCIAL STATEMENTS

| Statement of Comprehensive Income | Notes | 2012 \$ | 2011 \$ |
|---|--------------|--------------------|--------------------|
| For the year ended 31 December 2012 | | | |
| Revenue | | | |
| Interest | | 17,965 | 99,288 |
| Managed Funds Distributions | | 4,139,664 | 8,404,363 |
| Changes in Fair Values of Investments | | 11,988,217 | (8,126,069) |
| Net Profit/(Loss) on Sale of Investments | | 172,520 | (2,010,506) |
| Settlement/Gift from AOC/NSWOC | | 156,062 | - |
| Total Revenue | | 16,474,428 | (1,632,924) |
| Expenditure | | | |
| Fund Manager Fees | | 419,742 | 478,074 |
| Investment Strategy Fees | | 68,656 | 64,692 |
| Administration | | 413,307 | 388,065 |
| Total Expenditure | | 901,705 | 930,831 |
| Net Profit/(Loss) Before Income Tax | | 15,572,723 | (2,563,755) |
| Income Tax Expense | | - | - |
| Net Profit/(Loss) | | 15,572,723 | (2,563,755) |
| Other Comprehensive Income | | - | - |
| Other Comprehensive Income for the year | | - | - |
| Total Comprehensive Income/(Loss) for the year | | 15,572,723 | (2,563,755) |
| Statement of Distribution | | | |
| Net Profit | | 15,572,723 | (2,563,755) |
| Transfer (to)/from Capital Reserve | 8 | (12,144,279) | 8,126,069 |
| Income Distribution | | 3,428,444 | 5,562,314 |
| Capital Distribution | 8 | 2,864,716 | 730,846 |
| Distribution paid/payable to the Australian Olympic Committee | 10 | 6,293,160 | 6,293,160 |

The statement of comprehensive income should be read in conjunction with the accompanying notes.

| Statement of Financial Position | Notes | 2012 \$ | 2011 \$ |
|--|--------------|--------------------|--------------------|
| As at 31 December 2012 | | | |
| Current Assets | | | |
| Cash and cash equivalents | 4 | 149,936 | 481,658 |
| Trade and other receivables | 5 | 1,518,253 | 1,266,968 |
| Investments | 6 | 114,597,091 | 104,713,910 |
| Total Current Assets | | 116,265,280 | 106,462,536 |
| TOTAL ASSETS | | 116,265,280 | 106,462,536 |
| Current Liabilities | | | |
| Trade and other payables | 7 | 691,435 | 168,254 |
| Total Current Liabilities | | 691,435 | 168,254 |
| TOTAL LIABILITIES | | 691,435 | 168,254 |
| NET ASSETS | | 115,573,845 | 106,294,282 |
| Equity | | | |
| Capital Reserve | 8 | 115,573,845 | 106,294,282 |
| TOTAL EQUITY | | 115,573,845 | 106,294,282 |

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

| Statement of Cash Flows | Notes | 2012 | 2011 |
|---|--------------|--------------------|--------------------|
| For the year ended 31 December 2012 | | \$ | \$ |
| Cash Flows from Operating Activities | | | |
| Receipts from organisations | | 82,847 | 42,132 |
| Payments to organisations | | (842,121) | (1,123,776) |
| Interest received | | 19,778 | 94,829 |
| Managed funds distributions received | | 3,777,644 | 6,151,312 |
| Net cash flows from operating activities | 9 | 3,038,148 | 5,164,497 |
| Cash Flows from Investing Activities | | | |
| Purchase of investments | | - | (5,910,189) |
| Proceeds of sale of managed funds | | 2,500,000 | 5,910,189 |
| Net cash flows from investing activities | | 2,500,000 | - |
| Cash Flows from Financing Activities | | | |
| Payment of distributions | | (5,869,870) | (6,293,160) |
| Net cash flows used in financing activities | | (5,869,870) | (6,293,160) |
| Net decrease in cash and cash equivalents | | (331,722) | (1,128,663) |
| Cash and cash equivalents at beginning of the year | | 481,658 | 1,610,321 |
| Cash and cash equivalents at end of the year | 4 | 149,936 | 481,658 |

This statement of cash flows should be read in conjunction with the accompanying notes.

| Statement of Changes in Equity | Notes | 2012 | 2011 |
|--|--------------|--------------------|--------------------|
| For the year ended 31 December 2012 | | \$ | \$ |
| TOTAL EQUITY AT THE BEGINNING OF THE YEAR | | 106,294,282 | 115,151,197 |
| Profit/(Loss) for the year | | 15,572,723 | (2,563,755) |
| Other comprehensive income | | - | - |
| Total comprehensive income/(loss) for the year | | 15,572,723 | (2,563,755) |
| Transfers with equity holders in their capacity as beneficiaries: | | | |
| Income distribution paid / payable to the Australian Olympic Committee | | (6,293,160) | (6,293,160) |
| TOTAL EQUITY AT THE END OF THE YEAR | | 115,573,845 | 106,294,282 |

This statement of changes in equity should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

For the year ended 31 December 2012

1. Corporate Information

The financial report of the Australian Olympic Foundation ("the Foundation") for the year ended 31 December 2012 was authorised for issue in accordance with a resolution of the Board of the Trustee on 15 March 2013.

The Foundation is a discretionary Trust constituted by a Deed of Settlement dated 16 February 1996 ("the Trust Deed") between the late Julius L. Patching as Settlor and the Australian Olympic Foundation Limited ("the Trustee") as Trustee and is domiciled in Australia.

The principal place of business changed on 1 March 2013 to Suite 402, Level 4, 140 George Street, Sydney, NSW 2000 (formerly Level 3, 1 Atchison Street, St Leonards NSW 2065).

The Foundation has been constituted and is controlled and administered so as to develop and protect the Olympic Movement in Australia in accordance with the Olympic Charter including, in particular, funding the preparation and participation of the Australian Teams in the Olympic Games, Olympic Winter Games, Youth Olympic Games and Regional Games and the costs and expenses of the Australian Olympic Committee.

2. Summary of Significant Accounting Policies

The significant policies which have been adopted in the preparation of these financial statements are:

(a) Basis of preparation

This special purpose financial report has been prepared for distribution to the members and directors of the Trustee ("the Board") to fulfil the Board's financial reporting requirements under the Trust Deed. The accounting policies used in the preparation of this financial report, as described below, are consistent with the previous years, and are, in the opinion of the Board, appropriate to meet the needs of members and the Board:

- (i) The financial report has been prepared on an accrual basis of accounting including the historical cost convention and the going concern assumption.
- (ii) The Foundation is not a reporting entity because in the opinion of the Board there are unlikely to be users of the financial statements who are unable to gain access to the specific information they require to meet their needs.

Accordingly, the financial report has been prepared in accordance with the Trust Deed, the basis of accounting specified by all Accounting Standards and Interpretations and the disclosure requirements of AASB 101 'Presentation of Financial Statements', AASB 107 'Cash Flow Statements', AASB 108 'Accounting Policies, Changes in Accounting Estimates and Errors', AASB 1031 'Materiality' and AASB 1048 'Interpretation and Application of Standards' which are mandatory financial reporting requirements in Australia.

The Board have determined that in order for the financial report to give a true and fair view of the Foundation's performance, cash flows and financial position, the requirements of Australian Accounting Standards and other financial reporting requirements in Australia relating to the measurement of assets, liabilities, revenues, expenses and equity should be complied with.

The financial report is presented in Australian dollars.

(b) Statement of compliance

Certain Australian Accounting Standards and Interpretations have been issued or amended but are not yet effective and have not been adopted by the Foundation for the annual reporting period ended 31 December 2012 as the Board have not yet fully assessed the impact of these new or amended standards (to the extent relevant to the Foundation) and interpretations.

This special purpose financial report complies with Australian Accounting Standards as described above.

(c) Recoverable amount of assets

At each reporting date, the Foundation assesses whether there is any indication that an asset may be impaired. Where an indicator of impairment exists, the Foundation makes a formal estimate of the recoverable amount. Where the carrying amount of an asset exceeds its recoverable amount the asset is considered impaired and written down to its recoverable amount.

Notes to the Financial Statements

For the year ended 31 December 2012

(d) Trade and other receivables

Trade receivables, which generally have 10-90 day terms, are recognised and carried at original cost less an allowance for any uncollectible amounts.

An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified.

(e) Investments

All investments are initially recognised at cost, being the fair value of the consideration given and including acquisition charges associated with the investment.

After initial recognition, investments are classified as financial assets at fair value through profit or loss and measured as such. Gains or losses are recognised in the statement of comprehensive income.

For investments that are actively traded in organised financial markets, fair value is determined by reference to Stock Exchange quoted market bid prices at the close of business on the statement of financial position date. Managed funds valuations are based on valuations advised by fund managers.

(f) Cash and cash equivalents

Cash and short term deposits in the statement of financial position comprise of cash on hand and in banks and money market investments readily convertible to cash within three months or less and are subject to an insignificant risk of changes in value.

For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

(g) Revenue

All income is brought to account as it becomes due and receivable. Amounts that have not been received at year end including distributions and interest are recorded in the statement of financial position as receivables.

(i) Distribution revenue

Revenue is recognised when the Foundation's right to receive the payment is established.

(h) Trade and other payables

Expenditure, including distributions and administration costs, are brought to account on an accrual basis. Any expenses incurred but not paid at balance date are recorded as payables on the statement of financial position.

(i) Capital reserve

The capital reserve records assets gifted to the Foundation, unrealised gains/losses resulting from the revaluation of investments less capital distributions.

(j) Income tax

Under current income tax legislation, the Foundation is not liable for income tax provided that its taxable income is fully distributed.

(k) Comparatives

Where necessary prior year comparatives have been adjusted to comply with current year disclosures.

Notes to the Financial Statements

For the year ended 31 December 2012

3. Significant Accounting Judgements, Estimates and Assumptions

In applying the accounting policies the Foundation continually evaluates judgements, estimates and assumptions based on experience and other factors including expectations of future events. All judgements, estimates and assumptions made are believed to be reasonable based on the most current set of circumstances available to the Foundation. Actual results may differ from the judgements, estimates and assumptions. Significant judgements, estimates and assumptions made by the Foundation in the preparation of these financial statements are outlined below:

(i) Classification of and valuation of investments

The Foundation has decided to classify investments as financial assets at fair value through profit or loss. Movements in fair value are recognised in the statement of comprehensive income. The fair value has been determined by reference to published price quotations in an active market.

4. Cash and cash equivalents

| | 2012 \$ | 2011 \$ |
|--------------------------|------------|------------|
| Cash at bank and in hand | 149,936 | 81,658 |
| Short term deposits | - | 400,000 |
| | 149,936 | 481,658 |

Cash at bank is available on call and has an average interest rate of 1.66% (2011: 2.51%).

Short term deposits are made for varying periods of between 1 and 90 days depending on cash requirements of the Foundation and earn interest at the respective short term deposit rate.

5. Trade and other receivables (current)

| | | |
|----------------|-----------|-----------|
| Income accrued | 1,410,945 | 1,255,714 |
| Other | 107,308 | 11,254 |
| | 1,518,253 | 1,266,968 |

6. Financial assets at fair value through profit or loss (current)

| | | |
|---------------|-------------|-------------|
| Managed funds | 114,597,091 | 104,713,910 |
| | 114,597,091 | 104,713,910 |

7. Trade and other payables (current)

| | | |
|--|---------|---------|
| Amounts owing to Australian Olympic Committee Inc (refer to note 10) | 456,051 | 17,821 |
| Other payables | 235,384 | 150,433 |
| | 691,435 | 168,254 |

8. Capital reserve

| | | |
|--|-------------|-------------|
| Opening balance | 106,294,282 | 115,151,197 |
| Transfer to reserves: | | |
| - Unrealised gain/(loss) on revaluation of investments | 11,988,217 | (8,126,069) |
| - Settlement/Gift from AOC/NSWOC | 156,062 | - |
| | 118,438,561 | 107,025,128 |
| Capital Distribution to the Australian Olympic Committee | (2,864,716) | (730,846) |
| Closing balance | 115,573,845 | 106,294,282 |

Notes to the Financial Statements

For the year ended 31 December 2012

9. Statement of cash flows reconciliation

| | 2012 \$ | 2011 \$ |
|---|------------------|------------------|
| Reconciliation of the net profit to the net cash flows from operating activities. | | |
| Net profit/(loss) | 15,572,723 | (2,563,755) |
| Adjustments for: | | |
| Transfer to reserves | (11,988,217) | 8,126,069 |
| Investment income | (377,724) | (2,269,560) |
| Loss on realisation of units in managed funds | (172,520) | 2,010,506 |
| Change in Assets and Liabilities | | |
| Change in other receivables | (96,054) | (9,695) |
| Change in trade and other payables | 99,940 | (129,068) |
| Net Cash Flows from Operating Activities | 3,038,148 | 5,164,497 |

10. Related party disclosures

The Trustee is a company limited by guarantee. The Articles of Association of the Trustee prescribe that the members of the Trustee shall be the voting members of the Executive of the Australian Olympic Committee Inc. ("the Committee") from time to time. The Articles of Association further prescribe that a voting member of the Executive of the Committee on being deemed to be admitted to membership of the Trustee shall likewise be deemed to be appointed a Director of the Trustee and that the President of the Committee preside as Chairman of the Trustee.

Australian Olympic Foundation Limited

No transactions have taken place during the year between the Foundation and the Trustee.

Australian Olympic Committee Inc.

The Committee is the primary beneficiary of the Foundation. During the year a number of transactions have occurred between the Foundation and the Committee.

As at balance date, the Foundation owed the Committee a total of \$456,051 (2011: \$17,821) representing:

- (i) The distribution of income for the period to the Committee \$6,293,160 (2011: \$6,293,160) of which \$5,869,870 (2011: \$6,293,160) has been paid in cash;
- (ii) Other creditors \$32,761 (2011: \$17,821).

The Committee Executive resolved to make a settlement on the Australian Olympic Foundation of \$106,062 representing part repayment of amounts in excess of previous planned distributions.

Notes to the Financial Statements

For the year ended 31 December 2012

11. Key management personnel

(a) Meetings

The members of the Board of the Trustee during the financial year and the number of Board and committee meetings attended by each of the Board during the financial year were:

| | Board | | Audit Committee | | Investment Advisory Committee | |
|-----------------------------|-------|---|-----------------|---|-------------------------------|---|
| Board Member | A | B | A | B | A | B |
| L Bates | 4 | 4 | | | | |
| H Brownlee ⁽ⁱⁱ⁾ | 3 | 4 | | | | |
| I Chesterman | 4 | 4 | | | | |
| J Coates ⁽ⁱ⁾ | 4 | 4 | 3 | 3 | 3 | 4 |
| D Donoghue | 4 | 4 | 3 | 3 | 4 | 4 |
| K Gosper | 2 | 4 | | | | |
| N Green | 4 | 4 | | | | |
| R Harvey | 4 | 4 | | | | |
| P Montgomery | 4 | 4 | 3 | 3 | | |
| A Plympton | 4 | 4 | 3 | 3 | | |
| R Withers | 4 | 4 | 3 | 3 | 3 | 4 |
| J Tomkins ⁽ⁱⁱⁱ⁾ | 2 | 3 | | | | |
| T Franklin ^(iv) | 3 | 3 | | | | |
| K Crow ^{(iii) (v)} | 0 | 1 | | | | |
| P Murray ^(v) | 1 | 1 | | | | |

A = Number of meetings attended.

B = Reflects the number of meetings held during the time the Board Member held office during the period.

(i) Whilst not a member, the Chairman attends Audit Committee meetings.

(ii) Absent on Olympic business.

(iii) Ceased 8 October 2012. James Tomkins also attended the Board Meeting in November 2012 by invitation.

(iv) Ceased 12 August 2012.

(v) Appointed 8 October 2012. Paul Murray also attended the Board Meeting in May 2012 as the meeting was combined with the Athletes' Commission.

Except as indicated in 11 (b), the members of the Board serve on an honorary basis, apart from the benefit of Directors' Officers' Liability Insurance provided by the Foundation.

(b) Remuneration of key management personnel

Remuneration of key management personnel relate to the following category only:

| | 2012 \$ | 2011 \$ |
|-------------------------------|------------|------------|
| Short term employee benefits* | 134,400 | 129,600 |

*D Donoghue received \$134,400 (2011: \$129,600) in consulting fees for the provision of consulting services in his capacity as Director of the Foundation.

Notes to the Financial Statements

For the year ended 31 December 2012

12. Financial risk management objectives

The Foundation's principal financial instruments comprise investments, cash and short term deposits. The main purpose of these financial instruments is to maximise the income earned for the Foundation's operations.

The Foundation has various other financial instruments such as trade debtors and trade creditors, which arise directly from operations.

The main risks arising from the Foundation's financial instruments are price risk, interest rate risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

Managed funds price risk

The Foundation's exposure to managed funds price risk relates primarily to the Foundation's investment portfolio.

This risk is managed by the Foundation's Investment Advisory Committee and investment consultants Mercer Investment Consulting who provide advice on the appropriate mix of investments. The members of the Foundation's Investment Advisory Committee are shown at Note 13.

Interest rate risk

The Foundation's exposure to market risk for changes in interest rates relates primarily to the Foundation's short term deposits.

Credit risk

The group trades only with recognised, credit worthy third parties. Credit risk is typically limited to accrued income owed by managed funds for distributions that remain unpaid at year end.

In addition, receivable balances are monitored on an ongoing basis with the result that the Foundation's exposure to bad debts is not significant.

13. Corporate governance

Trustee and Committees of the Foundation

The Trustee has the overall responsibility for the corporate governance of the Foundation, including its strategic direction, the review of plans established by the Foundation and the monitoring of performance against these plans.

Composition of the Board of Directors of the Trustee

The Board of the Trustee comprises those persons being voting members of the Executive of the Committee.

Investment Advisory Committee

An Investment Advisory Committee was established in 1996 to advise the Board and comprises members of the Board and others who are "independent" of the Committee and the Foundation and who serve in an honorary and non-managerial capacity only.

The members of the Investment Advisory Committee during the year were:

- Dr John Hewson, Chairman (independent)
- Mr Paul Batchelor (independent)
- Mr John Coates
- Mr Doug Donoghue
- Mr Angus Douglas (independent)
- Ms Helen Nugent (independent)
- Mr Russ Withers

Notes to the Financial Statements

For the year ended 31 December 2012

13. Corporate governance (continued)

The investment objectives of the Foundation are to protect and grow the capital base while providing sufficient income and liquidity to provide a base distribution to the Committee towards its known commitments.

Mercer Investment Consulting was appointed in 2000 and reappointed in 2004 and 2010 to advise the Investment Advisory Committee on the Foundation's investment strategy (i.e. the long term strategic split between asset classes) and the appointment and performance of Investment Fund Managers.

Audit Committee

To assist in the execution of its responsibilities, the Board on 20 July 2001 established an Audit Committee. The primary objective of the Audit Committee is to assist the Board to fulfil its corporate governance and overseeing responsibilities relating to the financial reporting process, the system of internal control and management of financial risk, the audit process, and the process for monitoring compliance with laws and regulations, the IOC Code of Ethics and the Code of Conduct for the Board.

The Audit Committee's role is to report to the Board and provide appropriate advice and recommendations on matters relevant to its Charter in order to facilitate decision making by the Board. An updated Charter for the Audit Committee was adopted by the Board on 12 August 2005. The Charter is available on the website olympics.com.au

The Audit Committee comprises four members of the Board. Members of the Audit Committee are R Withers (Chairman), D Donoghue, P Montgomery and A Plympton who collectively provide the mix of skills, experience and other qualities appropriate for this role.

Indemnification and Insurance of the Board

Indemnification

The Foundation has indemnified members of the Board against all losses or liabilities that may arise from their position as a member of the Board, except where the liability arises out of conduct involving a lack of good faith, criminal activity or a wilful breach of employment conditions or relevant Codes of Conduct. Liability of the Foundation is limited to the maximum amount payable under the Directors' and Officers' Liability Insurance policy of the Foundation.

The Foundation has entered into Deeds of Indemnity and Access with all members of the Board. The principal provisions of the Deeds relate to:

- granting of the indemnity above;
- the provision of access to papers of the Foundation;
- confidentiality of information provided;
- an undertaking to maintain and to the extent permitted by law pay the premiums on, an insurance policy which insures members of the Board against liability incurred by them as a member during their term of office and for seven years after they cease to hold office.

Insurance Premium

During the year the Foundation has paid insurance premiums for cover in respect of Directors' and Officers' Liability insurance.

14. Segment information

The Foundation has been constituted to operate within Australia to develop and protect the Olympic Movement.

Notes to the Financial Statements

For the year ended 31 December 2012

15. Auditor's remuneration

Total amounts received or due and receivable by Ernst & Young Australia for:

| | 2012 \$ | 2011 \$ |
|---|------------|------------|
| An audit of the financial report of the Foundation | 19,828 | 19,426 |
| Other services in relation to the Foundation for taxation compliance review | 9,570 | 8,800 |

In accordance with the Foundation's published Audit Committee Charter it is believed that the non-audit services provided are in the nature of taxation compliance reviews and as such the existing knowledge of the statutory auditor brings insight and synergy to the Foundation without impacting the actual or perceived independence of the quality of the auditor's ongoing assurance engagements.

16. Financial instruments

The Foundation's accounting policies, terms and conditions in relation to financial assets and liabilities are included in the notes to the financial statements.

The Foundation's maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the statement of financial position. There is no concentration of credit risk.

17. Capital commitments

At 31 December 2012 the Foundation had no capital commitments.

18. Subsequent events

There have been no significant events subsequent to the balance date.

19. Contingent liabilities

The Foundation has provided the Westpac Banking Corporation ("Westpac"), with a Guarantee and Indemnity dated 20 September 2001 in respect of all liabilities and obligations of the Committee under a foreign exchange facility. As at balance date there were no forward foreign exchange contracts under the facility.

On 6 February 2002 the Foundation provided a Guarantee and Indemnity to Westpac in respect of all liabilities and obligations of the Committee under a \$5 million Bill Acceptance Facility Agreement with Westpac dated 5 February 1998. On 10 February 2003 the Foundation extended the Guarantee and Indemnity to Westpac in respect of all liabilities and obligations of the Committee to an \$8 million Bill Acceptance Facility Agreement with Westpac. On 31 July 2008 the Foundation extended the Guarantee and Indemnity to Westpac from \$8 million to \$10 million in respect of all liabilities and obligations of the Committee under the Bill Acceptance Facility Agreement with Westpac. The bank bill facility has been renewed until December 2013 and the Guarantee has been extended by the Foundation.

As the Foundation does not believe the Guarantee and Indemnity will be called, no liability has been recorded at year end in the financial statements.

STATEMENT BY THE BOARD

As detailed in Note 2 to the financial statements, this is a special purpose financial report that has been prepared for distribution to the members and the Board.

The financial statements have been prepared in accordance with applicable accounting standards, the disclosure requirements of the law and the Trust Deed dated 16 February 1996.

1. In the opinion of the Board of the Trustee, the financial statements as set out on pages 106 to 117 present fairly, in accordance with applicable accounting standards, the requirements of the law and the Trust Deed:
 - (a) the result and cash flows of the Foundation for the year to 31 December 2012;
 - (b) the state of affairs of the Foundation as at 31 December 2012.
2. In the opinion of the Board of the Trustee, at the date of this statement there are reasonable grounds to believe that the Foundation will be able to pay its debts as and when they fall due.

This statement is made out in accordance with a resolution of the Board.

Signed on behalf of the Board at Sydney this 15th day of March 2013.



J D COATES
Director



P G MONTGOMERY
Chairman

Independent audit report to members of the Australian Olympic Committee Incorporated

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Independent auditor's report to the members of the Australian Olympic Foundation

We have audited the accompanying special purpose financial report of the Australian Olympic Foundation, which comprises the statement of financial position as at 31 December 2012, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the Statement by the Board of the Trustee.

Trustee's Responsibility for the Financial Report

The Trustees of the Foundation are responsible for the preparation of the financial report and have determined that the basis of preparation described in Note 2 to the financial report is appropriate to meet the financial reporting requirements of the Trust Deed and is appropriate to meet the needs of the members. The Trustees are also responsible for such controls as they determine are necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on our judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, we consider internal controls relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Trustees, as well as evaluating the overall presentation of the financial report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit we have complied with the independence requirements of the Australian professional accounting bodies.



Opinion

In our opinion the financial report presents fairly, in all material respects, the financial position of the Australian Olympic Foundation as of 31 December 2012 and its financial performance and its cash flows for the year then ended in accordance with the accounting policies described in Note 2 to the financial statements.

Basis of Accounting

Without modifying our opinion, we draw attention to Note 2 to the financial report which describes the basis of accounting. The financial report is prepared to assist the Australian Olympic Foundation to meet the requirements of the Trust Deed. As a result the financial report may not be suitable for another purpose.

A large, stylized handwritten signature in black ink that reads 'EY + Yoy'.

Ernst & Young

A handwritten signature in black ink that reads 'EA Lang'.

EA Lang
Partner
Sydney
15 March 2013