



CAREFLIGHT
(a company limited by guarantee)

ACN 003 093 445

ANNUAL FINANCIAL REPORT

30 APRIL 2007

CareFlight
Westmead Hospital
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Northmead NSW 2152

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CAREFLIGHT DIRECTORS' REPORT

1. Principal activity

The principal activity of the Company during the course of the financial year was:

“to save lives, speed recovery and serve the community by providing the highest standard of rapid response critical care by air and road with team dedication to safety, education, innovation and sustainability”

2. The year in review

Organisational

The decision in December 2006 by the Ambulance Service of NSW (ASNSW) to contract a commercial for-profit aviation company to provide helicopters for medical retrievals in the Greater Sydney area was the catalyst for significant change and transformation of CareFlight. As a result of the decision we were compelled to wind-down our ASNSW aviation operations during the latter part of the year. In the face of the setback we were able to secure our medical services and retain our core aviation capability. We achieved this by:

- negotiating with ASNSW a seven-year contract for the provision of CareFlight doctors to the medical retrieval system. CareFlight will supply over half the retrieval doctors in the Greater Sydney area.
- negotiating with the NSW Government an expansion of our Head Injury Retrieval Trial (HIRT) in terms of geography, operating hours and number of helicopters, securing in-principle agreement from the Motor Accidents Authority to provide funding of \$7m. We believe this will result in the retention of most of CareFlight's aviation capability.

At the same time, CareFlight also significantly expanded its international retrieval operation, increasing the number of missions by more than 60% and opening a new base in Darwin.

CareFlight broadened its membership base during the year to reflect the aero-medical nature of the organisation by appointing five new members, all with aviation backgrounds.

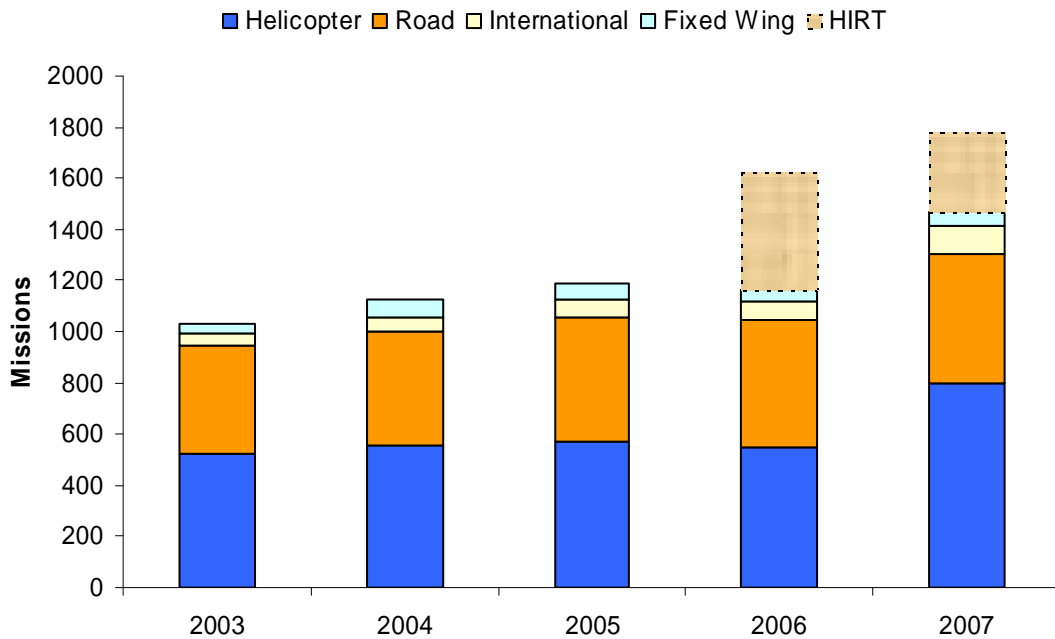
Operational

Against a background of significant change, CareFlight's operations have grown safely and effectively:

- CareFlight conducted 1,781 missions for the year, an increase of 10% on last year
- The CareFlight HIRT project recruited 110 head-injured patients into the trial for the year, approximately half of whom were treated by the HIRT medical teams. In total the HIRT medical teams treated 101 patients for the year
- CareFlight helicopters flew 1,247 hours in an accident-free year
- CareFlight continued advanced helicopter simulation training and converted the BK-117 helicopter ready for night vision goggle operations

CAREFLIGHT DIRECTORS' REPORT

Medical Missions



HIRT missions are not directly comparable with other missions because a significant proportion does not result in patient transfer/treatment. The nature of the HIRT project requires very quick response, which means the missions are activated on minimal initial information, usually received via “000” calls from the public. As more detail becomes available, it often becomes apparent that no head or other serious injury is involved, and the team is called off by the Sydney Ambulance Co-ordination Centre. The call-off rate experienced by HIRT is comparable to that of leading rapid-response trauma helicopter services in Europe, where up to half the responses do not result in a patient being transported or treated by the flying trauma team.

Personal

We are delighted to report that CareFlight’s Medical Chairman, Dr Alan Garner, was awarded an Order of Australia Medal “For services to emergency, disaster and retrieval medicine, particularly through activities associated with CareFlight.”

3. The year ahead

The year ahead will be a combination of consolidation and growth. The consolidation will be the decommissioning of our ASNSW helicopter retrieval operation, including the closure of the Central West base, redundancies of roles at Westmead and the Central West, the sale of the A119 Koala helicopter, and the recommissioning of the BK-117 helicopter for HIRT operations.

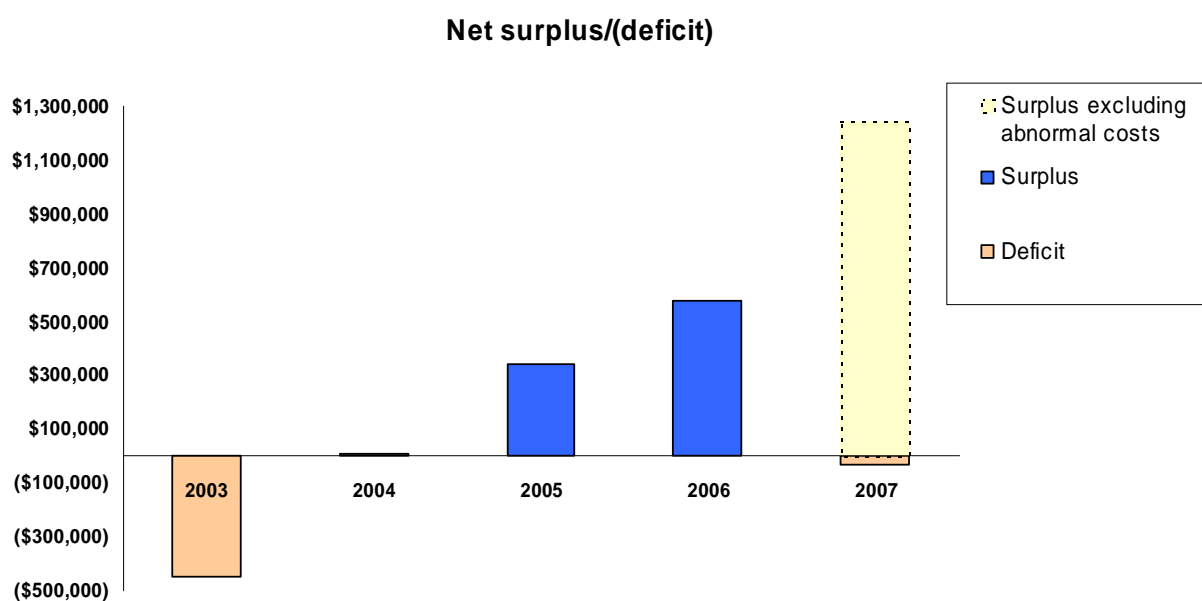
The growth will be a result of investments in our international medical retrieval operation, medical training, aviation training and new aviation services.

CAREFLIGHT DIRECTORS' REPORT

4. Financial position

Our operating surplus, before abnormal costs of \$1,275,523 (2006:\$424,346) associated with the tender, was \$1,242,563. We ended the year with a deficit of \$32,960 (2006: surplus of \$575,205) after deducting these abnormal costs. Abnormal costs relating to the tender were:

- expenditure of \$460,245 incurred in preparing CareFlight's tender for the Ambulance Service helicopter contract
- impairment loss of \$691,461 in connection with the surrender of the Orange hangar lease
- staff redundancy costs of \$89,951 and
- administration fee of \$33,866 imposed in relation to the withdrawal of refundable deposits placed to secure production slots for new helicopters



5. Dividends

No portion of the income of the Company has been paid or can be paid by way of dividend to the members under the Constitution of the Company.

6. Indemnification and insurance of officers

The Company has provided for and paid premiums totalling \$7,705 during the year for Directors and Officers Liability Insurance. The insurance is in respect of legal liability for damages and legal costs arising from claims made by reason of any acts or omissions (other than dishonesty) by Directors and Officers, while acting in their individual or collective capacity as Directors or Officers of the Company.

7. Lead auditor's independence declaration

The lead auditor's independence declaration is set out on page 46 and forms part of the Directors' Report for the financial year 2007.

CAREFLIGHT DIRECTORS' REPORT

8. Events subsequent to reporting date

The Funding and Performance Agreement for the supply of helicopter services to the Ambulance Service of NSW (ASNSW) expired on 14 May 2007, triggering the following events subsequent to the reporting date:

- decommissioning and consigning for sale of A119 Koala VH-CFO
- decommissioning of leased BK-117 VH-IME
- redundancies of roles at Westmead and the Central West

A seven-year medical services agreement was signed on 11 May 2007 to provide doctors to ASNSW.

At the time of writing, Insurance Australia Group (IAG) and CareFlight (on the one hand) and ASNSW (on the other hand) are negotiating a unique sponsorship agreement which will provide a solid financial base for the expansion of HIRT.

CAREFLIGHT DIRECTORS' REPORT

9. Director details

The Directors of the Company at any time during or since the end of the financial year are:

Name, qualifications and independence status	Age	Experience and special responsibilities
Ian BADHAM OAM, BSc Chairman, Government and Media Relations Manager Executive Director	61	Extensive experience in journalism and corporate administration and the development of civil helicopter rescue services in Australia since 1971. Member of the Audit Committee. Director since 9 May 1986. Appointed Chairman 9 December 2003.
Sean BEEHAN MB, ChB, FANZCA Independent Non-Executive Director	49	Specialist anaesthetist in public hospital system, private practice and retrieval medicine. Experienced operational CareFlight crew doctor since 1989. Director since 18 July 2002.
Derek COLENBRANDER BA, LLB Chief Executive Officer Executive Director	54	Long career in private legal practice as a corporate and commercial lawyer, followed by general management experience. Solicitor and Notary Public. Former partner Abbott Tout Lawyers. Director since 19 December 2003.
Gary DRANSFIELD Non-Executive Director	44	Extensive experience in banking and financial services, information technology and insurance industry. Head of Retail Sales and Service, Insurance Australia Group. Appointed IAG Nominee Director 15 June 2007.
Norman HILTON BCom, FCA Independent Non-Executive Director	61	Extensive experience in strategic, corporate and financial advice. Managing Director Profin Consulting. Director of various private companies. Former senior partner of international accountancy firm Touche Ross. Chairman of the Audit Committee. Director since 22 March 1999.

CAREFLIGHT DIRECTORS' REPORT

Name, qualifications and independence status	Age	Experience and special responsibilities
Douglas PEARCE BSc, MBA, ASA, MACS, FCIS Independent Non-Executive Director	51	Extensive experience in corporate administration and insurance industry. Former senior group executive of Insurance Australia Group. Past member of the Motor Accidents Authority. Member of the Audit Committee. Director since 6 May 1997.
Peter SWAN BBus, CPA, MAICD, SA Fin Non-Executive Director	51	Extensive experience in corporate finance and insurance industry. Formerly CEO Insurance Manufacturers of Australia Pty Ltd. Formerly Head of Personal Insurance Manufacturing for Insurance Australia Group. Appointed IAG Nominee Director 22 September 2005. Resigned 5 June 2007.
John SZANGOLIES FAICD, FCIA Independent Non-Executive Director	60	Extensive experience in marketing and corporate administration and the hospitality and catering industry. Founder and CEO of Bavarian Hospitality Group Pty Ltd. Director since 31 August 2004.

CAREFLIGHT DIRECTORS' REPORT

10. Directors' meetings

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of the Company during the financial year are:

DIRECTOR	BOARD		AUDIT COMMITTEE	
	Eligible to Attend	Attended	Eligible to Attend	Attended
I Badham	10	10	2	2
S Beehan	10	8	N/A	N/A
D Colenbrander	10	10	N/A	N/A
N Hilton	10	9	2	2
D Pearce	10	9	2	2
P Swan	10	9	N/A	N/A
J Szangolies	10	8	N/A	N/A

11. Corporate governance statement

Board of Directors

The Company's Constitution provides for at least three Directors and such greater number as the Directors may determine. The Board currently comprises seven directors, five of whom are non-executive directors.

Role of the Board

The Board:

- provides strategic leadership and direction for CareFlight
- sets management's goals and approves the annual budget
- progressively monitors and reviews the Company's risk management strategies including the integrity of internal control and management information systems.

The Board may, subject to the Corporations Act and CareFlight's Constitution, delegate a range of functions, powers and duties to committees and Management.

The Board monitors and reviews the Company's compliance with its statutory obligations, not only to meet the Company's legal obligations, but also to provide assurance to the thousands of generous CareFlight supporters that their decision to support CareFlight is making a difference in the community.

Chief Executive Officer

The Board appoints and monitors the performance of the Chief Executive Officer (CEO). The Board approves the terms of employment of the CEO.

The CEO is accountable to the Board for the management of CareFlight within the policy and delegated authority levels approved by the Board. The CEO's responsibilities include:

- advising the Board on strategic direction
- ensuring business activities are in accordance with CareFlight's annual operating plan

CAREFLIGHT DIRECTORS' REPORT

- keeping the Board informed of all major business proposals and developments through regular reports and
- ensuring the Company conducts its affairs within the law.

Board processes

The Board meets at least six times a year and meets on an ad hoc basis to address specific significant matters. To assist in the execution of its responsibilities, the Board may establish committees. The Board has established the Audit Committee. Meetings attended by Directors during the financial year are recorded in the Directors' Report.

Director education

The Company has a formal process to educate new directors about the nature of the business, current issues, corporate strategy and expectations concerning the performance of directors. Directors also have the opportunity to visit the Company's operational bases and meet Management to gain a better understanding of the business.

Independent professional advice and access to company information

Each director has the right of access to all relevant Company information and to the Company's executives. Subject to prior approval by the Board Chairman or committee chairman (as appropriate), the Board, an individual director or a committee may engage an independent external adviser, at the Company's expense, in relation to any Board or committee matter.

Composition of the Board

The names of the Directors in office at the date of this report are set out in the Directors' Report. The Board is constituted in accordance with the Company's Constitution. The Board will comprise:

- reflecting the need for talent, commercial acumen and diversity - a mix of people with a broad range of skills, qualifications and experience;
- reflecting the need for financial expertise - at least one person with financial qualifications and experience;
- reflecting the medical focus of CareFlight - at least one person with a medical background;
- reflecting the need for adherence to principles of good corporate governance - a majority of non-executive Directors who are determined by the Board to be independent.

No director may retain office for more than three years without submitting for re-election. Any director, who, at the time he or she submits for re-election at an annual general meeting, has then held office for a continuous period of more than eight years, may only be re-elected by special resolution.

Remuneration policies

The non-executive Directors serve in an honorary capacity and no remuneration is payable to them for their services as Directors. They are however entitled to re-imbursment of any out-of-pocket expenses incurred by them in the performance of their duties and responsibilities as Directors.

Two executive Directors receive remuneration in their roles as salaried officers. In accordance with the requirements of the NSW Charitable Fundraising Act 1991, this arrangement has been approved by:-

- the Minister for Gaming & Racing under Section 48 of the Act;
- the CareFlight Board which approved the remuneration packages as being on reasonable commercial terms;
- a meeting of Members which confirmed the appointments, conditions of service and remuneration of the two executive Directors.

CAREFLIGHT DIRECTORS' REPORT

The Board considers the remuneration of the CEO and senior management and agrees the broad bands of salary levels for staff in general. The Board may from time to time obtain independent advice on the appropriate level of remuneration packages.

Audit Committee

The primary function of the Audit Committee is to assist the Board in fulfilling its responsibilities by reviewing the financial information to be provided to Members and other stakeholders and assessing the adequacy of internal control systems, accounting policies and the audit process. The Committee comprises three Directors, two of whom are non-executive Directors.

The names of the Directors who were members of the Audit Committee during the year are set out in the Directors' Report. The Committee met on two occasions during the year and Committee members' attendance is recorded in the Directors' Report.

The Company's external auditor, the CEO and the Finance Manager are invited to Audit Committee meetings at the discretion of the Committee.

Risk management

The Board considers that risk management and compliance underpin sound management and that oversight of these matters is an important responsibility of the Board. The Company has developed a risk management plan which has been approved by the Board. The plan identifies the Company's key strategic, operational, legal, reputational and financial risks and provides a framework for the periodic review and assessment of these risks.

The Board requires the CEO and the Finance Manager to provide certification that the Company's financial reports are based on a sound system of risk management and internal control. From a risk management perspective this certification is supported by:

- the financial, operational and strategic reporting which occurs in the context of the Board papers and Board meetings
- the annual audit conducted by the Company's external Auditor
- the review function of the Audit Committee and
- the periodic assessment by the Board of the risks identified in the risk management plan.

Communication with Members

The principal avenues of communication with Members are through the fortnightly e-update newsletter, quarterly newsletter to supporters and the Company website (www.careflight.org). Prior to, and for purposes of the annual general meeting, the Company distributes to Members

- the Annual Report for the Company which includes summarised financial statements and
- the audited financial statements of the Company.

The external Auditor attends the annual general meeting of Members to answer questions concerning the conduct of the audit, the preparation and content of the Auditor's report, accounting policies adopted by the Company and the independence of the Auditor in relation to the conduct of the audit.

Ethical standards

Directors and employees are expected to act with the highest ethical standards, having regard to CareFlight's mission and values, its charitable status and its community service ethos.

CAREFLIGHT DIRECTORS' REPORT

Conflict of interests

Directors are required to keep the Board advised on an ongoing basis of any interest that could potentially conflict with those of the Company. Subject to the Corporations Act and the Constitution, Directors are required to absent themselves from Directors' meetings where matters in which Directors have a material personal interest are to be considered.

Code of conduct

The Board has approved a code of conduct that requires employees to conduct themselves ethically, with integrity and in a professional manner so as to achieve the highest standards of behaviour.

The Board supports and observes the Code of Conduct for Directors issued by the Australian Institute of Company Directors.

12. Thank you

We celebrated NRMA CareFlight's 21st birthday during the year. To our hundreds of thousands of supporters in business and the community we extend our grateful thanks for your generosity - financial and physical - over those years. Your support has enabled NRMA CareFlight's dedicated and talented team of people to deliver on our mission:

"to save lives, speed recovery and serve the community"

We look forward to your continued support as we re-position the Company in a new, challenging and exciting environment. Our aim is to make you proud that you choose to support CareFlight. We invite you to help us take our patients for the ride of their lives.

We would like to acknowledge and thank the following in particular:

- NRMA for providing support far in excess of their contractual commitment to NRMA CareFlight under our sponsorship arrangement.
- John Hoad for his long and dedicated service as Chief Pilot of NRMA CareFlight, over a period of more than 20 years. Although John has stepped down from the Chief Pilot role, we are delighted that he continues to serve NRMA CareFlight in the role of line pilot.
- Peter Swan, NRMA nominee Director on the NRMA CareFlight Board, who has left IAG and has therefore, relinquished his position on the NRMA CareFlight Board. We are indebted to Peter for the significant role he has played in revitalising and re-energising the relationship between our Company and its major sponsor, NRMA.
- Our non-executive directors who, on a voluntary basis, contribute substantial time, experience and expertise to the governance of CareFlight.

Dated at Sydney on 19 July 2007

Signed in accordance with a resolution of the Directors:



Ian Badham
Chairman

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Income statement for the year ended 30 April 2007

	Note	2007 \$	2006 \$
Ambulance Service of NSW		4,222,825	3,520,682
Other medical and helicopter retrieval revenue		4,038,973	2,770,410
Fundraising	30	12,665,022	12,979,448
Other revenue	6	4,465	23,318
Total revenue		20,931,285	19,293,858
Operations and administration - costs of personnel		6,955,420	6,276,685
Direct costs of medical and helicopter retrieval		4,964,610	3,941,685
Costs of fundraising	30	4,522,616	5,435,491
Depreciation and amortisation		1,256,843	1,068,322
Insurance		361,022	559,991
Professional fees		961,925	746,897
General overheads		1,052,790	782,709
Impairment loss on non-current assets		691,461	-
Net loss on disposal of non-current assets		-	11,960
Total expenditure		20,766,687	18,823,740
Surplus before net finance costs		164,598	470,118
Finance income	7	240,616	251,367
Finance expense	7	438,174	433,640
Net finance income and expense		197,558	182,273
Surplus before revaluation		242,040	287,845
Revaluation/(devaluation)		-	287,360
Net (deficit)/surplus for the year		(32,960)	575,205

The Income statement is to be read in conjunction with the notes to the financial statements set out on pages 16 to 40.

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Statement of recognised income and expenditure for the year ended 30 April 2007

	Note	2007 \$	2006 \$
Statement of recognised income and expenditure			
Revaluation of helicopters	14a)	21,836	709,697
Net income recognised directly in equity		21,836	709,697
(Deficit)/surplus for the year	20	(32,960)	575,205
Total recognised income and expenditure for the year		(11,124)	1,284,902

The statement of recognised income and expenditure is to be read in conjunction with the notes to the financial statements set out on pages 16 to 40.

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Balance sheet as at 30 April 2007

	Note	2007 \$	2006 \$
Current assets			
Cash assets	9	3,928,634	4,972,096
Receivables	10	1,373,679	974,713
Inventories	11	134,938	220,471
Asset held for sale	12	2,056,120	-
Other	13	1,065,453	258,850
Total current assets		8,558,824	6,426,130
Non-current assets			
Helicopter	14	4,112,240	6,894,723
Property, plant and equipment	15	1,532,984	2,212,215
Total non-current assets		5,645,224	9,106,938
Total assets		14,204,048	15,533,068
Current liabilities			
Payables	16	5,334,411	4,321,778
Interest bearing liabilities	17	3,526,388	2,813,828
Provisions	18	963,708	860,250
Total current liabilities		9,824,507	7,995,856
Non-current liabilities			
Payables	16	-	-
Interest bearing liabilities	17	11,174	3,204,070
Provisions	18	148,189	101,840
Total non-current liabilities		159,363	3,305,910
Total liabilities		9,983,870	11,301,766
Net assets		4,220,178	4,231,302
Capital funds			
Reserves	19	731,533	709,697
Retained surplus	20	3,488,645	3,521,605
Total capital funds		4,220,178	4,231,302

The Balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 16 to 40.

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Statement of cashflows for the year ended 30 April 2007

	Note	2007 \$	2006 \$
Cashflows from operating activities			
Cash generated from operating activities			
Cash receipts in the course of operations		22,799,172	21,398,966
Cash payment in the course of operations		(20,645,321)	(20,467,528)
Interest income	7	240,616	250,413
Interest paid	7	(438,174)	(433,640)
Net cash from operating activities	23	1,956,293	748,211
Cashflows from investing activities			
Acquisition of plant and equipment	15	(500,539)	(532,192)
Proceeds on disposal of non-current assets		220,207	278,427
Net cash used in investing activities		(280,332)	(253,765)
Cash flows from financing activities			
Net finance lease payments		(2,719,423)	(1,182,341)
Net cash used in financing activities		(2,719,423)	(1,182,341)
Net (decrease)/increase in cash held		(1,043,462)	(687,895)
Cash and cash equivalents at 1 May 2006		4,972,096	5,659,991
Cash and cash equivalents at 30 April 2007		3,928,634	4,972,096

The Statement of cashflows is to be read in conjunction with the notes to the financial statements set out on pages 16 to 40.

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Notes to financial statements

1. Reporting entity

CareFlight (the 'Company') is a company domiciled in Australia. The address of the Company's registered office is Westmead Hospital, Redbank Road Entrance, Northmead, NSW 2152. The principal activity of the Company is the operation of a medical rescue helicopter service.

The Company is limited by guarantee.

In the event of the Company being wound up, a member's liability for the Company's debts and liabilities, costs, charges and expenses of winding up and adjustment of the rights of the contributories among themselves, is limited to an amount as may be required, not exceeding ten dollars (\$10.00). Members are liable on the above basis up to one year after they cease to be members.

At 30 April 2007, the Company had 22 Members (2006: 16), seven of whom were Directors of the Company

2. Basis of preparation

a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AAS) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The financial statements were approved by the Board of Directors on ## July, 2007.

b) Basis of measurement

The financial report is prepared on the historical cost basis except helicopters, which are stated at their fair value.

c) Functional and presentation currency

The financial report is presented in Australian dollars, which is the Company's functional currency.

d) Use of estimates and judgements

The preparation of a financial report in conformity with Australian Accounting Standards requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets and liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates. These accounting policies have been consistently applied by the Company.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

e) Going concern

The financial report has been prepared on a going concern basis which contemplates continuity of normal business activities, the realisation of assets, and settlement of liabilities in the ordinary course of business. In the year ended 30 April 2007, the Company reported a deficit of \$32,960. At year end, current liabilities exceeded current assets by \$1,265,683. This is because the hire purchase agreement with Westpac Banking Corporation for the Agusta A109 Power aircraft will expire before 30 April 2008, requiring the total liability under the hire purchase agreement to be stated as a current liability.

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3. Statement of significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these financial statements.

a) Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currency of the Company at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

b) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in trade and other receivables, cash and cash equivalents, loans and borrowings, and trade and other payables.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition, non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Company becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Company's contractual rights to the cash flows from the financial assets expire or if the Company transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Purchases and sales of financial assets made in the normal course of business are accounted for at trade date, i.e., the date that the Company commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Company's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash balances and call deposits. Accounting for finance income and expense is discussed in Note 3 i).

c) Helicopters, property, plant and equipment

(i) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and impairment losses.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of material and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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3. Statement of significant accounting policies (continued)

c) Helicopters, property, plant and equipment (continued)

(ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Company and its costs can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

(iii) Depreciation and amortisation

All assets have limited useful lives and are depreciated/amortised over their estimated useful lives.

Assets are depreciated or amortised from the date of acquisition. Depreciation and amortisation rates and methods are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation and amortisation are expensed.

The depreciation/amortisation rates or useful lives used for each class of asset are as follows:

	2007	2006
Helicopters	5%-10%	5%-10%
Other plant and equipment – owned and leased	10%-40%	10%-40%
Hangars	2.5%	2.5%

(iv) Owned assets

Items of property, plant and equipment except helicopters (refer note c) (i) above) are stated at cost or deemed cost less accumulated depreciation (refer note c) (iii) above) and impairment losses (refer note d) below). The cost of self-constructed assets includes the cost of materials, direct labour, the initial estimate, where relevant, of the costs of dismantling and removing the items and restoring the site on which they are located, and an appropriate proportion of production overheads.

(v) Leased assets

Leases in terms of which the Company assumes substantially all the risks and rewards of ownership are classified as finance leases.

(vi) Hangar facilities, plant and equipment

The Company has adopted the cost basis for the hangar facilities at Westmead and Orange and for plant and equipment. The Company has provided for impairment loss of the hangar facilities and obsolete plant and equipment in Orange as a result of the conclusion of the Funding and Performance Agreement with the Ambulance Service of NSW (ASNSW) referred to in Note 27.

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3. Statement of significant accounting policies (continued)

c) Helicopters, property, plant and equipment (continued)

(vii) Helicopters (owned and leased)

The Company has adopted the fair value basis of valuation for the Agusta A119 Koala helicopter and Agusta A109 Power helicopter. As this value is determined on the international market, normally in US dollars, it may fluctuate from year to year. Revaluation increments on a class of asset basis are recognised in the asset revaluation reserve except to the extent that this reverses an impairment loss which had previously been recognised in the income statement, in which case the reversal of that impairment loss is also recognised in the income statement. Revaluation decrements are only offset against revaluation increments relating to the same class of asset and any excess is recognised firstly against the balance of the corresponding asset revaluation reserve. If this reserve is exhausted then the balance is charged directly to the income statement.

d) Impairment

(i) Recognition of impairment loss

The carrying amounts of the Company's assets are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (refer note d) (ii) below).

An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless an asset has previously been revalued, in which case the impairment loss is recognised as a reversal to the extent of that previous revaluation, with any excess recognised in the income statement.

When a decline in the fair value of an available-for-sale financial asset has been recognised directly in equity and there is objective evidence that the asset is impaired, the cumulative loss that had been recognised directly in equity is recognised in the income statement even though the financial asset has not been derecognised. The amount of the cumulative loss that is recognised in the income statement is the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the income statement.

(ii) Calculation of recoverable amount

The recoverable amount of the Company's investments in held-to-maturity securities and receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred. Significant receivables are individually assessed for impairment. Impairment testing of significant receivables that are not assessed as impaired individually is performed by placing them into portfolios of significant receivables with similar risk profiles and undertaking a collective assessment of impairment. Non-significant receivables are not individually assessed.

Instead, impairment testing is performed by placing non-significant receivables in portfolios of similar risk profiles, based on objective evidence from historical experience adjusted for any effect of conditions existing at each reporting date.

The recoverable amount of other assets is the greater of their fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a discount rate that reflects current market assessment of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

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3. Statement of significant accounting policies (continued)

e) Assets held for sale

Assets for disposal groups comprising assets and liabilities that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets or components of a disposal group are remeasured in accordance with the Company's accounting policies. Thereafter generally the assets for disposal groups are measured at their fair value less cost to sell.

f) Employee benefits

(i) Wages, salaries, annual leave and sick leave

Liabilities for employee benefits for wages, salaries, annual leave and sick leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided up to the reporting date. The liabilities are calculated at undiscounted amounts based upon remuneration wage and salary rates that the Company expects to pay as at reporting date including related on-costs, such as workers compensation insurance.

Non-accumulating non-monetary benefits, such as medical care, housing, cars and free or subsidised goods and services, are expensed based on the net marginal cost to the Company as the benefits are taken by the employees.

(ii) Long service leave

The Company's net obligation in respect of long-term service benefits, other than pension plans, is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the reporting date which have maturity dates approximating to the terms of the Company's obligations.

(iii) Superannuation

The Company contributes to employee superannuation funds. Contributions are charged against income as they are incurred

g) Revenue

(i) Goods sold and services rendered

Revenue from the sale of goods is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer. Revenue from services rendered is recognised in the income statement in proportion to the stage of completion of the transaction at the reporting date. The stage of completion is assessed by reference to surveys of work performed. No revenue is recognised if there are significant uncertainties regarding recovery of the consideration due, the costs incurred or to be incurred cannot be measured reliably, there is a risk of return of goods or there is continuing management involvement with the goods.

(ii) Government grants

Recurrent Government grants/funding is recognised in the income statement when grants become receivable. Any other Government grant is recognised in the balance sheet initially as deferred income when there is reasonable assurance that it will be received and that the Company will comply with the conditions attached to it.

Grants that compensate the Company for expenses incurred are recognised as revenue in the income statement on a systematic basis in the same periods in which the expenses are incurred for the cost of an asset.

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3. Statement of significant accounting policies (continued)

g) Revenue (continued)

(iii) Donation revenue

Donation revenue is brought to account in the period in which it is received.

(iv) Donations of fixed assets

All assets donated to the Company are initially recorded at fair value at the date of acquisition, being the estimated net realisable value of the assets at the date the assets are donated to the Company. This value is recognised as a donation in the income statement.

(v) Donations “in kind”

Donations “in kind” occur from time to time as part of major capital projects. These are recorded as revenue from fundraising in the income statement at fair value, with an equal amount being capitalised to the fixed asset to which they relate.

(vi) Insurance cost recoveries

Claims raised on insurance companies for cost recovery on missions are treated as income when funds are received, since the Company is unable to determine with any degree of certainty whether the claim submitted by the injured party will be successful.

(vii) HIRT project

The agreement between CareFlight and NRMA Insurance results in NRMA Insurance reimbursing CareFlight for specified expenses as set out in the NRMA HIRT project agreement. Sponsorship funding for the HIRT project is recognised as these expenses are incurred. If cash is received from NRMA Insurance before expenses are incurred, it is classified as deferred revenue.

At each reporting date an assessment is made on the projected financial result of the project and if a deficit on the project is anticipated, a provision will be recognised.

h) Lease payments

(i) Operating lease payments

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease.

(ii) Finance lease payments

Minimum lease payments are apportioned between the finance charge and the reduction of the outstanding liability. The finance charges are allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

i) Finance income and expense

Finance income and expense comprise interest payable on capitalised leases calculated using the effective interest method. Interest receivable on funds invested, foreign exchange gains and losses are recognised in the income statement.

Interest income is recognised in the income statement as it accrues, using the effective interest method. The interest expense component of finance lease payments is recognised in the income statement using the effective interest method. Finance expense comprises interest expense in borrowings, foreign currency loss and impairment losses recognised on financial assets. All borrowing costs are recognised in the income statement using the effective interest method.

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3. Statement of significant accounting policies (continued)

j) Goods and services tax

Revenue, expenditure 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 taxation authority. 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 Australian Taxation Office (ATO) is included as a current asset or liability in the balance sheet.

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

k) Income tax

The Company is an authorised fundraiser under the provisions of the Charitable Fundraising (NSW) Act, 1991 and is exempt from income tax under section 50-5 of the Income Tax Assessment Act, 1997.

l) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Company in the period of initial application. They are available for early adoption at 30 June 2007, but have not been applied in preparing this financial report.

- AASB 7 *Financial Instrument: Disclosure* (August 2005) replaces the presentation requirements of financial instruments in AASB 132 *Financial Instruments: Presentation*. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require extensive additional disclosures with respect to the Company's financial instruments.
- AASB 2005-10 Amendments to Australian Accounting Standards (September 2005) makes consequential amendments to AASB 132 *Financial Instruments: Presentation*, AASB 101 *Presentation of Financial Statements*, AASB 114 *Segment Reporting*, AASB 117 *Leases*, AASB 139 *Financial Instruments: Recognition and Measurement* and AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007 and is expected to only impact disclosures contained within the consolidated financial report.
- AASB 8 *Operating Segments* replaces the presentation requirements of segment reporting in AASB 114 *Segment Reporting*. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on the financial results of the Company as the standard is only concerned with disclosures.
- AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 makes amendments to AASB 5 *Non-current Assets Held for Sale and Discontinued Operation*, AASB 102 *Inventories*, AASB 107 *Cash Flow Statements*, AASB 119 *Employee Benefits*, AASB 127 *Consolidated and Separate Financial Statements*. AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be adopted in conjunction with AASB 8 *Operating Segments*. This standard is only expected to impact disclosures contained within the financial report.

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3. Statement of significant accounting policies (continued)

l) New standards and interpretations not yet adopted (continued)

- Interpretation 12 *Service Concession Arrangements* addresses the accounting for service concession operators, but not grantors, for public to private service concession arrangements. Interpretation 12 will apply for the Company's 2009 financial report. The potential effect of the interpretation on the financial report has not yet been determined. At this time a company must adopt the revised Interpretation 4 *Determining when an arrangement contains a lease* and Interpretation 129 *Service Concession Arrangements: Disclosures*.
- AASB 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12 makes amendments to AASB 1 *First-time Adoption of Australian Equivalents to International Financial Reporting Standards*, AASB 117 *Leases*, AASB 118 *Revenue*, AASB 120 *Accounting for Government Grants and Disclosure of Government Assistance*, AASB 121 *The Effects of Changes in Foreign Exchange Rates*, AASB 127 *Consolidated and Separate Financial Statements*, AASB 131 *Interest in Joint Ventures*, and AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 2007-2 is applicable for annual reporting periods beginning on or after 1 January 2008 and must be applied at the same time as Interpretation 12 *Service Concession Arrangements*.
- AASB 2007-2 Amendments to Australian Accounting Standards also amends references to "UIG Interpretation" to interpretations. This amending standard is applicable to annual reporting periods ending on or after 28 February 2007.

4. Determination of fair values

A number of the Company's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

a) Helicopters

The fair value of helicopters is based on market values. The market value of each helicopter is the estimated amount for which a helicopter could be exchanged on the date of valuation between a willing buyer and a willing seller in such an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

b) Inventory

Inventories are stated at the lower of costs and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. Cost of inventories is based on the first-in-first-out principle and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition.

c) Trade and other receivables

The fair value of trade and other receivables, is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

d) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases the market rate of interest is determined by reference to similar lease agreements.

5. Segment reporting

The Company operates predominantly in one industry. The principal activity of the Company is the operation of a medical rescue helicopter service. The Company operates predominantly in Australia.

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	2007 \$	2006 \$
6. Other revenue		
Net gain on disposal of non-current assets	1,455	-
Sundry income	3,010	23,318
	4,465	23,318
7. Net finance income and expense		
Interest income	(240,616)	(250,413)
Exchange rate gain	-	(954)
Finance income	(240,616)	(251,367)
Finance charges on capitalised leases	369,035	433,640
Exchange rate loss	69,139	-
Finance expense	438,174	433,640
Net finance income and expense	197,558	182,273
8. Auditor's remuneration		
Audit services:		
Auditors of the Company – KPMG	43,333	46,350
Services other than statutory audit		
Advisory and professional services – KPMG	22,660	-
	65,993	46,350

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9. Cash and cash equivalents	Note	2007 \$	2006 \$
Cash on hand		2,000	2,099
Cash at bank – unrestricted		682,460	2,056,288
Cash at bank – restricted		3,244,174	2,913,709
		3,928,634	4,972,096
10. Receivables			
Trade debtors		1,373,679	974,713
		1,373,679	974,713
11. Inventories			
Bear stock at cost		93,471	174,309
Fuel stock at cost		34,242	39,863
Thomas packs at cost		7,225	6,299
		134,938	220,471
12. Asset held for sale			
Agusta A119 Koala VH-CFO	12 a), 14	2,056,120	-
		2,056,120	-
<p>a) As at the reporting date, Agusta A119 Koala helicopter is held for sale as a result of the conclusion of the Funding and Performance Agreement with ASNSW referred to in Note 27.</p>			
13. Other assets			
Current			
Prepaid expenses		179,589	175,427
Receivables		4,059	10,367
Refundable deposit for new helicopters	13 a)	812,771	-
Other		69,034	73,056
		1,065,453	258,850

- a) A refundable deposit of USD 700,000 (AUD 846,637) was placed with Heliflite Pty Limited, the distributors of Agusta helicopters in Australia to secure production slots for new Agusta helicopters following the Company's submission of the tender for Rotary Wing Patient Transfer Services in the Greater Sydney Area. As a result of the unsuccessful outcome of the tender the Company has decided to request the deposit be refunded which incurs an administration fee of \$33,866. The administration fee has been deducted from the refundable deposit.

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14. Helicopters

Note	Agusta A119 Koala VH-CFO Leased \$	Agusta A109 Power VH-IAG Leased \$	Total \$
At Valuation			
Balance at 1 May 2005	2,112,406	4,416,848	6,529,254
Amortisation for the year	(140,827)	(490,760)	(631,587)
Revaluation/(devaluation)	149,874	847,182	997,056
Balance at 30 April 2006	2,121,453	4,773,270	6,894,723
Balance at 1 May 2006	2,121,453	4,773,270	6,894,723
Transfer to asset held for sale	(2,056,120)	-	(2,056,120)
Amortisation for the year	(151,536)	(596,663)	(748,199)
Revaluation/(devaluation)	86,203	(64,367)	21,836
Balance at 30 April 2007	-	4,112,240	4,112,240
Carrying amounts			
At 1 May 2005	2,112,406	4,416,848	6,529,254
At 30 April 2006	2,121,453	4,773,270	6,894,723
At 1 May 2006	2,121,453	4,773,270	6,894,723
At 30 April 2007	-	4,112,240	4,112,240

a) Agusta A119 Koala Helicopter and Agusta A109 Power Helicopter

The Directors' valuations of the A119 Koala helicopter and A109 Power helicopter at 30 April 2007 are based on valuations by Heliflite Pty Limited, the distributors of these helicopters in Australia. Directors' valuations at 30 April 2006 were likewise based on valuations by Heliflite Pty Limited. The helicopters are valued in US Dollars and are converted to Australian currency at the exchange rate at year end which was 0.8268 (2006: 0.7542). In accordance with significant accounting policies (Note 3 c) vii)), total revaluation increment for 2007 amounted to \$21,836 (2006: \$997,056).

At the end of the 2006 financial year, the leased Agusta A119 Koala and Agusta A109 Power helicopters were revalued by Heliflite Pty Limited. Based on the valuations performed, the helicopters were revalued upwards by \$997,056. During the 2005 financial year, the same revaluation process resulted in a devaluation of \$287,360 which was recognised in the 2005 income statement. In accordance with CareFlight's accounting policies (Note 3 c) vii)), \$287,360 of the upward revaluation was recognised in the 2006 financial year income statement as it 'reverses an impairment loss which had previously been recognised in the income statement.' The remaining \$709,697, in accordance with this policy, was recognised in the asset revaluation reserve in 2006 financial year.

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15. Property, plant and equipment

	Hangar facilities Westmead Owned \$	Hangar facilities Orange Owned \$	Other Plant and Equipment Owned \$	Other Plant and Equipment Leased \$	Total \$
Cost					
Balance at 1 May 2005	15,355	731,356	2,205,721	693,726	3,646,158
Acquisitions	-	-	532,192	407,103	939,295
Leased assets capitalised	-	-	47,487	(47,487)	-
Disposals	-	-	(314,200)	(388,725)	(702,925)
Balance at 30 April 2006	15,355	731,356	2,471,200	664,617	3,882,528
Balance at 1 May 2006	15,355	731,356	2,471,200	664,617	3,882,528
Acquisitions	-	-	500,539	336,797	837,336
Leased assets capitalised	-	-	67,697	(67,697)	-
Disposals	-	-	(401,126)	(292,173)	(693,299)
Balance at 30 April 2007	15,355	731,356	2,638,310	641,544	4,026,565
Depreciation and impairment losses					
Balance at 1 May 2005	1,625	73,136	1,530,525	40,834	1,646,120
Depreciation charge for the year	384	18,283	312,346	105,722	436,735
Disposals	-	-	(310,374)	(102,168)	(412,542)
Balance at 30 April 2006	2,009	91,419	1,532,497	44,388	1,670,313
Balance at 1 May 2006	2,009	91,419	1,532,497	44,388	1,670,313
Depreciation charge for the year	384	18,283	385,230	104,747	508,644
Impairment loss	-	731,356	-	-	731,356
Disposals	-	(109,702)	(246,246)	(60,784)	(416,732)
Balance at 30 April 2007	2,393	731,356	1,671,481	88,351	2,493,581
Carrying amounts					
At 1 May 2005	13,730	658,220	675,196	652,892	2,000,038
At 30 April 2006	13,346	639,937	938,700	620,229	2,212,215
At 1 May 2006	13,346	639,937	938,700	620,229	2,212,215
At 30 April 2007	12,962	-	966,829	553,193	1,532,984

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16. Payables	2007	2006
	\$	\$
Current		
Trade creditors	660,900	563,054
Other payables and accrued expenses	533,862	383,350
Income received in advance		
- restricted funds	3,244,174	2,913,709
- unrestricted sponsorship income received in advance	366,666	333,333
- deferred revenue	528,809	128,332
	5,334,411	4,321,778
17. Interest bearing liabilities		
Current		
Hire purchase and lease liabilities	3,526,388	2,813,828
Non-current		
Hire purchase and lease liabilities	11,174	3,204,070
Financing arrangements		
The company's hire purchase and lease liabilities of \$3,537,562 (2006; \$6,017,898) are secured by the leased assets and, in the event of default, the assets revert to the financier.		
18. Provisions		
Current		
Liability for annual leave	802,316	713,119
Liability for long service leave	161,392	147,131
	963,708	860,250
Non-current		
Liability for long service leave	148,189	101,840
19. Reserves		
Asset revaluation reserve at the beginning of the year	709,697	-
Revaluation/increment on helicopters	21,836	709,697
	731,533	709,697
20. Retained surplus		
Retained surplus at the beginning of the year	3,521,605	2,946,400
Net (deficit)/surplus for the year	(32,960)	575,205
Retained surplus at the end of the year	3,488,645	3,521,605

CAREFLIGHT

21. Financial instruments

Exposure to credit, interest rate and currency risks arises in the normal course of the Company's business.

a) Credit risk

The Company has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The Company does not require collateral in respect of financial assets.

Investments are allowed only in bank bills. At the reporting date there were no significant concentrations of credit risk.

b) Interest rate risk

The Company's investments in fixed-rate borrowings are exposed to a risk of change in their fair value due to changes in interest rates. Investments in short-term receivables and payables are not exposed to interest rate risk.

c) Foreign currency risk

The Company is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the functional currency of the Company. The currency giving rise to this risk is primarily U.S Dollars.

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21. Financial instruments (continued)

d) Effective interest rates and re-pricing analysis

In respect of income earning financial assets and interest bearing financial liabilities, the following tables indicate their average effective interest rates at the reporting date and the periods in which they mature or, if earlier, re-price.

2006	Note	Effective rate of interest %	Floating interest rate \$	1 year or less \$	1 to 5 years \$	More than 5 years \$	Non-interest bearing \$	Total \$
Financial assets								
Cash and cash equivalents	9	4.85%	4,666,511	-	-	-	305,585	4,972,096
Receivables	10	-	-	-	-	-	974,713	974,713
			4,666,511	-	-	-	1,280,298	5,946,809
Financial liabilities								
Payables	16	-	-	-	-	-	4,321,778	4,321,778
Interest bearing liabilities	17	7.80%	-	2,813,828	3,204,070	-	-	6,017,898
			-	2,813,828	3,204,070	-	4,321,778	10,339,676

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21. Financial instruments (continued)

2007	Note	Effective rate of interest %	Floating interest rate \$	1 year or less \$	1 to 5 years \$	More than 5 years \$	Non- interest bearing \$	Total \$
Financial assets								
Cash and cash equivalents	9	5.35%	3,789,172	-	-	-	139,462	3,928,634
Receivables	10	-	-	-	-	-	1,373,679	1,373,679
			3,789,172	-	-	-	1,513,141	5,302,313
Financial liabilities								
Payables	16	-	-	-	-	-	5,334,411	5,334,411
Interest bearing liabilities	17	7.17%	-	3,526,388	11,174	-	-	3,537,562
			-	3,526,388	11,174	-	5,334,411	8,871,973

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21. Financial instruments (continued)

f) Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	Note	2007		2006	
		Carrying amount	Fair value	Carrying amount	Fair value
Cash assets	9	3,928,634	3,928,634	4,972,096	4,972,096
Receivables	10	1,373,679	1,373,679	974,713	974,713
Helicopter held for sale	12	2,056,120	2,056,120	-	-
Other current assets	13	1,065,453	1,065,453	258,850	258,850
Payables	16	(5,334,411)	(5,334,411)	(4,321,778)	(4,321,778)
Interest bearing liabilities	17	(3,537,562)	(3,537,562)	(6,017,898)	(6,017,898)
		(448,087)	(448,087)	(4,134,017)	(4,134,017)
Unrecognised (loss)/ gain			-		-

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22. Commitments

Hire purchase and finance lease payment commitments

Hire purchase and finance lease commitments are payable:

Within one year

One year or later and no later than five years

Less: Future hire purchase and lease finance charges

2007	2006
\$	\$
3,647,635	3,175,991
11,701	3,309,371
<u>3,659,336</u>	<u>6,485,362</u>
<u>(121,774)</u>	<u>(467,464)</u>
<u>3,537,562</u>	<u>6,017,898</u>

Hire purchase and finance lease liabilities provided:

Current

Non-current

Total hire purchase and finance lease liabilities

3,526,388	2,813,828
11,174	3,204,070
<u>3,537,562</u>	<u>6,017,898</u>

Operating lease commitments

Within one year

The operating lease for BK 117 helicopter was due to expire on 30 April 2007, however this was extended for a further term of 12 months ending 30 April 2008.

<u>480,000</u>	<u>480,000</u>
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23. Notes to the statement of cashflows

(a) Reconciliation of cash

For the purposes of the statement of cashflows, cash includes cash on hand and at bank and short term deposits at call. Cash at the end of the year as shown in the statement of cashflows is reconciled to the related items in the balance sheet as follows:

	2007	2006
	\$	\$
Cash on hand	2,000	2,099
Cash at bank	3,926,634	4,969,997
	3,928,634	4,972,096

(b) Reconciliation of cashflow from operating activities

Net (deficit)/surplus for the period	(32,960)	575,205
Add/(less) items classified as investing/financing activities:		
Net loss/(gain) on disposal of non-current assets	(1,455)	11,960
Add/(less) non-cash items:		
Amortisation	852,946	737,309
Depreciation	403,897	331,013
(Reversal of impairment losses)/impairment losses	691,461	(287,360)
Operating surplus before changes in working capital and provisions	1,913,889	1,368,127
(Increase)/decrease in trade debtors	(398,966)	(237,300)
(Increase)/decrease in inventory	85,533	174,435
(Increase)/decrease in other receivables	(806,603)	14,983
Increase/(decrease) in payables	1,012,633	(752,819)
Increase in provisions	149,807	180,785
Net cash from operating activities	1,956,293	748,211

(c) Non-cash financing and investing activities

During the year the Company acquired plant and equipment with an aggregate value of \$336,797 (2006: \$407,103) by means of finance leases. These acquisitions are not reflected in the statement of cashflows.

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24. Employee benefits

	2007	2006
Aggregate liability for employee entitlements, including on-costs:	\$	\$
Current	963,708	860,250
Non-current	148,189	101,840
	1,111,897	962,090
Number of employees		
Number of employees at year end	81	77

Superannuation commitment

The Company contributes to a number of superannuation funds for employees, the major one being BT Superannuation Fund.

Types of benefits

The funds provide benefits which represent the accumulation of contributions to employees, providing lump sum or annuity benefits upon retirement, death or disability.

Contributions

The Company was under a legal obligation during the year to contribute 9% of each employee's base salary to a superannuation fund.

	2007	2006
Details of contributions during the year are as follows:	\$	\$
Employer contributions to the funds	497,180	455,570

25. Key management personnel disclosure

The following were key management personnel of the Company at any time during the reporting period.

Non-executive directors

Sean BEEHAN
Norman HILTON
Douglas PEARCE
Peter SWAN
John SZANGOLIES

Executive directors

Ian BADHAM Chairman
Derek COLENBRANDER Chief Executive Officer

Other executives

Luke BRADSHAW Chief Engineer (appointed 8.3.07)
Paul FREEMAN Fundraising Director
Alan GARNER Medical Director
John HOAD Chief Pilot (resigned as Chief Pilot 7.3.07)
Jeff KONEMANN Chief Pilot (appointed 8.3.07)
Ross LARSEN Orange Base Manager
Duncan LOCKWOOD Chief Engineer (resigned as Chief Engineer 7.3.07)
Richard NEST Transition Project Manager
Jude PETTITT Clinical and Human Resources Manager
Rajini SURENDRAN Finance Manager

CAREFLIGHT

25. Key management personnel disclosure (continued)

a) Transactions with key management personnel

	2007	2006
	\$	\$
Short term employee benefits	1,262,970	1,224,260
Long term employee benefits	107,864	105,140
Termination benefits	-	39,583
	1,370,834	1,368,983

b) Loans and other transactions with key management personnel

Sean Beehan, Director of the Company, provides medical services to the HIRT project. An amount of \$17,514 (2006:\$ 37,969) was paid to Sean Beehan Practice Pty Ltd during the year under normal market rates for these types of services. Ian Badham, Chairman of the Company purchased a motor vehicle from the Company for \$40,000 under normal market rates.

c) Other related party transactions

During the year, the Company employed Karen Gillespie, wife of Richard Nest, Transition Project Manager, on a casual basis to assist the Clinical and Human Resources Manager. She was paid a salary of \$18,250 for these services under normal market rates.

26. Economic dependency

The Company has continuing financial support from the NSW Government, sponsors and the community. The Funding and Performance Agreement with the Ambulance Service of NSW (ASNSW) for the supply of helicopter services concluded on 14 May 2007 (note 27). A seven-year medical services agreement was signed on 11 May 2007 to provide doctors to ASNSW.

CareFlight has a sponsorship agreement with NRMA Insurance, which is operative until 28 February 2009.

27. Events subsequent to reporting date

The Funding and Performance Agreement for the supply of helicopter services to the Ambulance Service of NSW (ASNSW) expired on 14 May 2007, triggering the following events subsequent to the reporting date:

- decommissioning and consigning for sale of A119 Koala VH-CFO
- decommissioning of leased BK-117 VH-IME
- redundancies of roles at Westmead and the Central West

A seven-year medical services agreement was signed on 11 May 2007 to provide doctors to ASNSW.

At the time of writing, Insurance Australia Group (IAG) and CareFlight (on the one hand) and ASNSW (on the other hand) are negotiating a unique sponsorship agreement which will provide a solid financial base for the expansion of HIRT.

28. Registered charity

The Company is an authorised fundraiser under the provisions of the Charitable Fundraising (NSW) Act, 1991.

CAREFLIGHT

29. Information and declaration to be furnished under the Charitable Fundraising (NSW) Act, 1991

Fundraising appeals conducted by the Company:

- Christmas
- Taxation
- Newsletter
- Corporate

These appeals supplement the funds received from the Ambulance Service of NSW and are mainly used to continue the Company's role of providing rapid response critical care services.

CAREFLIGHT

30. Statement of income and expenditure	2007 \$	2006 \$
Revenue		
Telemarketing bears	4,462,481	4,938,727
Sponsors - excluding HIRT	1,016,667	1,000,000
- HIRT project	2,642,459	2,745,321
Direct mail appeals	952,330	731,799
Marketing and promotion	1,927,879	2,061,972
Donations	1,663,206	1,501,629
Gross revenue from fundraising	12,665,022	12,979,448
Expenditure		
Telemarketing bears	3,166,945	3,786,245
Direct mail appeals	336,798	176,345
Marketing and promotion	936,622	1,286,330
Donations	82,251	186,571
Total costs of fundraising	4,522,616	5,435,491
Net surplus from fundraising	8,142,406	7,543,957
Other revenue		
Ambulance Service of NSW	4,222,825	3,520,682
Other medical and helicopter retrieval revenue	4,038,973	2,770,410
Finance income	240,616	251,367
Net gain on disposal of non-current assets	1,455	-
Revaluation of assets	-	287,360
Sundry income	3,010	23,318
	8,506,879	6,853,137
Other expenditure – HIRT project		
Operations and administration – costs of personnel	1,268,217	1,340,383
Direct costs of medical and helicopter retrieval	189,377	247,488
Depreciation and amortisation	674,262	568,197
Insurance	133,960	151,617
Professional fees	20,094	38,599
General overheads	119,820	118,267
Finance costs	236,735	273,075
Other expenditure – excluding HIRT		
Operations and administration – costs of personnel	5,687,203	4,936,302
Direct costs of medical and helicopter retrieval	4,775,233	3,694,197
Depreciation and amortisation	582,581	500,125
Insurance	227,062	408,374
Professional fees	941,831	708,298
General overheads	932,970	664,442
Finance costs	201,439	160,565
Impairment loss on non-current assets	691,461	11,960
	16,682,245	13,821,889
Total revenue	21,171,901	19,832,585
Total expenditure	21,204,861	19,257,380
Net (deficit)/surplus transferred to retained surplus	(32,960)	575,205

CAREFLIGHT

31. Statement showing how funds received from fundraising appeals were applied to charitable purposes

	2007	2006
	\$	\$
Net surplus from fundraising	8,142,406	7,543,957
This was applied to the charitable purposes in the following manner:		
Expenditure on general operating and administration costs	8,142,406	7,543,957
Total other expenditure	16,682,245	13,821,889
Less: Net surplus from fundraising	(8,142,406)	(7,543,957)
Shortfall	8,539,839	6,277,932
Shortfall of \$8,539,839 (2006: \$6,277,932) was provided from the following sources:		
Ambulance Service of NSW	4,222,825	3,520,682
Other medical and helicopter retrieval revenue	4,038,973	2,770,410
Finance income	240,616	251,367
Net gain on disposal of non-current assets	1,455	-
Revaluation of assets	-	287,360
Sundry income	3,010	23,318
	8,506,879	6,853,137
Less: Shortfall between surplus available from fundraising appeals conducted and total expenditure	8,539,839	6,277,932
Net (deficit)/surplus	(32,960)	575,205

32. Details of gross income and aggregate expenditure of appeals conducted jointly with traders

	2007	2006
	\$	\$
Gross income	5,313,433	5,879,654
Total expenditure incurred	3,807,472	4,492,685

CAREFLIGHT

33. Comparisons of certain monetary figures and percentages

Comparisons	2007 \$	2007 %	2006 \$	2006 %
Total cost of fundraising / gross income from fundraising	4,522,616 / 12,665,022	36	5,435,491 / 12,979,448	42
Net surplus from fundraising / gross income from fundraising	8,142,405 / 12,665,022	64	7,543,957 / 12,979,448	58
Total costs of services / total expenditure	11,920,030 / 21,204,861	56	10,218,370 / 19,257,380	53
Total costs of services / total income	11,920,030 / 21,171,901	56	10,218,370 / 19,832,585	52

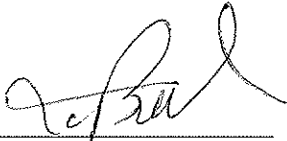
CAREFLIGHT

Declaration by Director in respect of fundraising appeals

I, Ian Badham, Director of CareFlight, declare in my opinion:

- (a) the income statement gives a true and fair view of all income and expenditure of CareFlight with respect to fundraising appeal activities for the financial year ended 30 April 2007;
- (b) the balance sheet gives a true and fair view of the state of affairs with respect to fundraising appeal activities as at 30 April 2007;
- (c) the provisions of the Charitable Fundraising Act 1991, the Regulations under the Act and the conditions attached to the authority have been complied with for the financial year ended 30 April 2007; and
- (d) the internal controls exercised by CareFlight are appropriate and effective in accounting for all income received and applied from any fundraising appeals.

Signed at Sydney on 19 July 2007.



Ian Badham

CAREFLIGHT

Directors' declaration

1 In the opinion of the Directors of CareFlight

- (a) the financial statements and notes, set out on pages 12 to 40, are in accordance with the Corporations Act 2001, including:
 - (i) giving a true and fair view of the financial position of the Company as at 30 April 2007 and of its performance, as represented by the results of its operations and its cashflows, for the year ended on that date; and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Dated at Sydney on 19 July 2007.

Signed in accordance with a resolution of the Directors:



Ian Badham

Independent audit report to the Members of CareFlight

Pursuant to the Corporations Act 2001 and Charitable Fundraising (NSW) Act 1991 and Regulations.

Scope

We have audited the financial report of CareFlight for the financial year ended 30 April 2007, consisting of the income statement, statement of recognised income and expenditure, balance sheet, statement of cashflows and accompanying notes and the declaration by the Chief Executive Officer in respect of fundraising appeals and the directors' declaration set out on page 41. The Company's directors are responsible for the financial report. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

We have conducted an independent audit of the financial report in order to express an opinion on it to the Members of the Company. Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements and statutory requirements in Australia so as to present a view which is consistent with our understanding of the Company's financial position, and performance as represented by the results of its operations and its cashflows.

The audit opinion expressed in this report pursuant to the Corporations Act 2001 has been formed on the above basis.

Additional scope pursuant to the Charitable Fundraising (NSW) Act 1991

In addition, our audit report has also been prepared for the Members of the Company in accordance with Section 24(2) of the Charitable Fundraising (NSW) Act 1991. The Charitable Fundraising (NSW) Act commenced on 1 September 1993. Accordingly we have performed additional work beyond that which is performed in our capacity as auditors pursuant to the Corporations Act 2001. These additional procedures included obtaining an understanding of the internal control structure for fundraising appeal activities and examination, on a test basis, of evidence supporting compliance with the accounting and associated record keeping requirements for fundraising appeal activities pursuant to the Charitable Fundraising (NSW) Act 1991 and Regulations.

(continued overleaf)

Independent audit report to the Members of CareFlight (continued)

It should be noted that the accounting records and data relied upon for reporting on fundraising appeal activities are not continuously audited and do not necessarily reflect after the event accounting adjustments and the normal year end financial adjustments for such matters as accruals, prepayments, provisions and valuations necessary for year-end financial report preparation.

The performance of our statutory audit included a review of internal controls for the purpose of determining the appropriate audit procedures to enable an opinion to be expressed on the financial report. This review is not a comprehensive review of all those systems or of the system taken as a whole and is not designed to uncover all weaknesses in those systems.

The audit opinion expressed in this report pursuant to the Charitable Fundraising (NSW) Act 1991 has been formed on the above basis.

Qualification

Completeness of Fundraising Revenue

Fundraising revenue is a significant source of revenue for CareFlight. CareFlight has determined that it is impracticable to establish controls over the collection of fundraising revenue prior to entry into its financial records. Accordingly, as the evidence available to us regarding revenue from this source was limited, our audit procedures with respect to fundraising revenue had to be restricted to the amounts recorded in the financial records. We therefore are unable to express an opinion whether the fundraising revenue CareFlight obtained is complete.

In respect of the qualification however, based on our review of the internal controls, nothing has come to our attention which would cause us to believe that the internal controls over revenue from fundraising appeal activities by the Company are not appropriate.

Qualified audit opinion pursuant to the Corporations Act 2001

In our opinion, except for the effects on the financial report of such adjustments, if any, as might have been required had the matter referred to in the qualification paragraphs not existed; the financial report of CareFlight is in accordance with:

- a) the Corporations Act 2001, including:
 - i. giving a true and fair view of the Company's financial position as at 30 April 2007 and of its performance for the year ended on that date; and
 - ii. complying with Accounting Standards and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements.

(continued overleaf)

Qualified audit opinion pursuant to the Charitable Fundraising (NSW) Act 1991

In our opinion, except for the effects on the financial report of such adjustments, if any, as might have been required had the matter referred to in the qualification paragraphs not existed:

- a) the financial report gives a true and fair view of the financial result of fundraising appeal activities for the financial year ended 30 April 2007;
- b) the financial report has been properly drawn up, and the associated records have been properly kept for the period from 1 May 2006 to 30 April 2007, in accordance with the Charitable Fundraising (NSW) Act 1991 and Regulations;
- c) money received as a result of fundraising appeal activities conducted during the period from 1 May 2006 to 30 April 2007 has been properly accounted for and applied in accordance with the Charitable Fundraising (NSW) Act 1991 and Regulations; and
- d) there are reasonable grounds to believe that CareFlight will be able to pay its debts as and when they fall due.

KPMG

Phillip M Napier
Partner

Dated at Sydney on 19 July 2007

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: the Directors of CareFlight

I declare that to the best of my knowledge and belief, in relation to the audit for the year ended 30 April 2007, there have been:

- No contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- No contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Phillip M Napier
Partner

Dated at Sydney on 19 July 2007