

CAREFLIGHT
(a company limited by guarantee)

ABN 18 210 132 023

ANNUAL FINANCIAL REPORT

30 APRIL 2005

CareFlight
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CAREFLIGHT DIRECTORS REPORT
ABN 18 210 132 023

The Directors present their report together with the accounts for the financial year ended 30 April 2005 and the Auditor's report thereon.

Directors

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

<i>Name</i>	<i>Qualifications and Experience</i>	<i>Special Responsibilities</i>	<i>Interest in contracts or proposed contracts with the company</i>	<i>Director Since</i>
Ian BADHAM	BSc, OAM, Journalist. Founder of civil helicopter rescue services in Australia	Chairman	None	9 May 86
Sean BEEHAN	MB, ChB, FANZCA Specialist Anaesthetist	None	Subsequent to 30 April 2005, Dr S.J.Beehan Practice Pty Ltd provides medical services to the HIRT project	18 Jul 02
Derek COLENBRANDER	BA, LLB, Solicitor and Notary Public Former Partner – Abbott Tout Lawyers	Chief Executive Officer	Until 30 November 2004 acted as Client Liaison Partner for Abbott Tout Lawyers advising CareFlight on legal matters	9 Dec 03
Norman HILTON	B Com, FCA. Managing Director Profin Consulting - specialising in strategic, corporate and financial advice. Director of various private companies. Former senior partner of international accountancy firm Touche Ross	Chairman of the Audit Committee	Subsequent to 30 April 2005, Profin Consulting provides corporate advisory services to CareFlight	22 Mar 99
David LAMB	B Bus, Grad. Dip. Tax Law, MAICD, FCA. Managing Director of Business and Corporate Solutions	Member of the Audit Committee	None	18 Jul 02 Resigned 19 Jun 04
Douglas PEARCE	BSc, MBA, ASA, MACS, FCIS Group Executive – Insurance Strategy, Insurance Australia Group. Member of the Motor Accident Council	Member of the Audit Committee	Representative of major sponsor (NRMA)	6 May 97
John SZANGOLIES	FAICD, FCIA (Tourism, Hospitality & Catering Institute of Australia) Managing Director of Lowenbrau Keller	None	None	31 Aug 04

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	8	8	1	1
S Beehan	8	8	N/A	N/A
D Colenbrander	8	7	N/A	N/A
N Hilton	8	5	1	1
D Pearce	8	7	1	0
J Szangolies	4	4	N/A	N/A
D Lamb	0	0	N/A	N/A

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Principal Activity

The principal activity of the Company during the course of the financial year was to provide an aero-medical rescue and retrieval service to the community.

Operating Result

The operating result of the Company for the financial year was a surplus of \$340,847 compared with a surplus of \$6,982 in 2004.

Major Transactions

During the course of the financial year the Company entered into following major contracts:

1. On 10 May 2004 CareFlight entered into a commercial hire purchase agreement with Westpac Banking Corporation for the financing of an Agusta A119 Koala helicopter. The agreement was for an initial term of nine months expiring on 16 February 2005. The financing transaction was rolled into a new commercial hire purchase agreement with Westpac Banking Corporation on 2 March 2005.
2. On 18 May 2004, CareFlight entered into an agreement with Insurance Australia Limited (Trading as NRMA Insurance) (“NRMA Insurance”), pursuant to which NRMA Insurance agreed to fund a three year clinical trial (the “Head Injury Retrieval Trial” or “HIRT”) to demonstrate empirically that the accelerated retrieval and pre-hospital management of patients with severe head injuries by physician-led teams will lead to a substantial improvement in medical outcomes, both in terms of mortality rates and a reduction of disability levels in survivors.
3. On 19 May 2004 CareFlight entered into a purchase agreement with Capital Heliflite Pty Limited for the purchase of an Agusta A109E Power helicopter to undertake HIRT. The helicopter was subsequently sold to Westpac Banking Corporation and leased back under a commercial hire purchase agreement which commenced on 2 June 2004.
4. On 16 February 2005 CareFlight entered into the HIRT Co-operation Agreement with the Ambulance Service of NSW, pursuant to which the parties established a formal framework for co-operation, collaboration and consultation between CareFlight and the Ambulance Service in relation to the implementation and ongoing conduct of HIRT.

The impact of the new HIRT project has been to significantly increase cash and deferred revenue due to funding received from NRMA Insurance.

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.

State of Affairs

Apart from the ramp-up of the HIRT trial, in the opinion of the Directors there were no significant changes in the state of affairs of the Company that occurred during the financial year under review.

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Environmental Regulation

The Company's operations are subject to significant environmental regulations under both Commonwealth and State legislation.

The Directors believe that the Company has adequate systems in place for the management of its environmental regulations under either Commonwealth or State legislation.

The Directors are not aware of any significant breaches during the period covered by this report.

Events Subsequent to Balance Date

For reporting periods starting on or after 1 January 2005, the Company must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board. At balance date, the effect of the convergence to IFRS has yet to be quantified.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material or unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the entity, the results of those operations, or the state of affairs of the entity, in future financial years.

Likely Developments

The Funding and Performance Agreement (FPA) under which CareFlight receives grants from the NSW Government, via NSW Health and the Ambulance Service of NSW, concluded at the end of February 2005. Under an interim arrangement, the FPA has been extended for six months until the end of August 2005. It is likely that a further six months extension of the interim FPA will be required before negotiations are finalised for a new FPA, which the Health Department has indicated is likely to be for a ten year period.

Directors' and Senior Executives' Emoluments

All Directors are registered as being members of the Company as at the date of this report.

Since the end of the previous financial year no Director of the Company has received or become entitled to receive any benefit, other than:

- (a) a benefit included in the aggregate amount of remuneration received or due and receivable by Directors shown in the accounts, or
- (b) the fixed salary of a full-time employee of the Company.

Indemnification and Insurance of Officers

The Company has provided for and paid premiums totalling \$11,304 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 omissions or acts (other than dishonesty) by them, whilst acting in their individual or collective capacity as Directors or Officers of the Company.

Signed in accordance with a resolution of Directors:



DEREK COLENBRANDER

Director

Signed at Sydney on *30 August* 2005.

CAREFLIGHT

Statement of financial performance
For the year ended 30 April 2005

	Note	2005 \$	2004 \$
Revenue from fundraising	3	11,281,586	7,958,842
Other revenues from ordinary activities	3	6,738,307	10,776,380
		<hr/>	<hr/>
Total revenue	3	18,019,893	18,735,222
Service revenue expenditure		4,805,081	3,602,773
Costs of fundraising		4,546,360	3,519,992
Borrowing costs		389,972	197,158
Employee expenditure		5,038,167	4,223,760
Depreciation and amortisation expenditure		908,674	455,101
Other expenditure from ordinary activities		1,454,373	1,215,555
Costs of disposal of non current assets		249,059	5,513,901
		<hr/>	<hr/>
		17,391,686	18,728,240
		<hr/>	<hr/>
Net Surplus before devaluation		628,207	6,982
Devaluation		287,360	-
		<hr/>	<hr/>
Net surplus	16	<u>340,847</u>	<u>6,982</u>

The Statement of financial performance is to be read in conjunction with the Notes to the financial statements set out on pages 9 to 32.

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Statement of financial position

As at 30 April 2005

	Note	2005	2004
		\$	\$
Current assets			
Cash assets	7	5,659,991	931,911
Receivables	8	737,413	1,380,370
Inventories	9	394,906	429,985
Other	10	261,846	576,316
		<hr/>	<hr/>
Total current assets		7,054,156	3,318,582
		<hr/>	<hr/>
Non-current assets			
Property, plant and equipment	11	8,529,292	4,074,127
Other	10	11,987	71,914
		<hr/>	<hr/>
Total non-current assets		8,541,279	4,146,041
		<hr/>	<hr/>
Total assets		15,595,435	7,464,623
		<hr/>	<hr/>
Current liabilities			
Payables	12	4,574,597	1,698,467
Interest bearing liabilities	13	1,242,299	2,408,599
Provisions	14, 20	717,221	476,957
		<hr/>	<hr/>
Total current liabilities		6,534,117	4,584,023
		<hr/>	<hr/>
Non-current liabilities			
Payables	12	500,000	-
Interest bearing liabilities	13	5,550,834	222,014
Provisions	14, 20	64,084	53,033
		<hr/>	<hr/>
Total non-current liabilities		6,114,918	275,047
		<hr/>	<hr/>
Total liabilities		12,649,035	4,859,070
		<hr/>	<hr/>
Net assets		2,946,400	2,605,553
		<hr/>	<hr/>
Capital funds			
Reserves	15	-	1,010,497
Retained surplus	16	2,946,400	1,595,056
		<hr/>	<hr/>
Total capital funds		2,946,400	2,605,553
		<hr/>	<hr/>

The Statement of financial position is to be read in conjunction with the Notes to the financial statements set out on pages 9 to 32.

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**Statement of cashflows
For the year ended 30 April 2005**

		2005	2004
		\$	\$
	Note		
Cashflows from operating activities			
Cash receipts in the course of operations		19,164,736	14,674,016
Cash payments in the course of operations		(12,767,319)	(14,403,144)
Interest received		170,486	30,228
Borrowing costs paid		(389,972)	(197,158)
Net cash provided by operating activities	19(b)	6,177,931	103,942
Cashflows from investing activities			
Payments for plant and equipment		(558,128)	(192,430)
Gross proceeds on disposal of non-current assets		287,887	5,368,916
Less: Expenses incurred on disposal of non-current assets		-	(399,210)
Net cash used in investing activities		(270,241)	4,777,276
Cash flows from financing activities			
Net finance lease payments		1,016,241	(6,764,130)
Net cash used in financing activities		1,016,241	(6,764,130)
Net (decrease)/increase in cash held		6,923,931	(1,882,912)
Cash at the beginning of the financial year		(1,263,940)	618,972
Cash at the end of the financial year	19(a)	5,659,991	(1,263,940)

The Statement of cashflows is to be read in conjunction with the Notes to the financial statements set out on pages 9 to 32.

CAREFLIGHT

1. Statement of significant accounting policies

The significant accounting policies which have been adopted in the preparation of this financial report are:

(a) **Basis of presentation**

The financial report is a general purpose financial report, which has been prepared in accordance with Accounting Standards, Urgent Issues Group Consensus Views, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

It has been prepared on the basis of historical costs except where stated.

These accounting policies have been consistently applied by the Company and, except where there is a change in accounting policy, are consistent with those of the previous year.

(b) **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 2005, CareFlight reported a surplus of \$340,847 and current assets exceeded current liabilities by \$520,039 at year end.

(c) **Revenue recognition**

Revenues are recognised at fair value of the consideration received net of the amount of goods and services tax (GST) payable to the taxation authority.

Sales of goods

Revenue from the sale of goods is recognised (net of returns, discounts and allowances) when control of the goods passes to the customer.

Rendering of services

Revenue from rendering services is recognised in the period in which the service is provided

Interest revenue

Interest revenue is recognised as it accrues

Sale of non-current assets

The gross proceeds of non-current asset sales are included as revenue at the date control of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Any related balance in the asset revaluation reserve is transferred to the capital surplus reserve on disposal.

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1. Statement of significant accounting policies (continued)

(c) Revenue recognition (continued)

Donation revenue

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

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 Statement of financial performance.

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 Statement of financial performance at fair value, with an equal amount being capitalised to the fixed asset to which they relate.

Insurance cost recoveries

Claims raised on insurance companies for cost recovery on rescues are treated as income when funds are received, since the Company is unable to ascertain with any degree of certainty whether or not the claim submitted by the injured party will be successful.

HIRT

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

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

(d) Foreign currency transactions

Foreign currency transactions are translated to Australian currency at the rates of exchange ruling at the dates of the transactions. Amounts receivable and payable in foreign currencies at reporting date are translated at the rates of exchange ruling on that date.

Exchange differences relating to amounts payable and receivable in foreign currencies are brought to account as exchange gains or losses in the statement of financial performance in the financial year in which the exchange rates change, except where:

- Hedging specific anticipated transactions or net investments in self-sustaining operations

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1. Statement of significant accounting policies (continued)

(d) Foreign currency (continued)

- Relating to amounts payable or receivable in foreign currency forming part of a net investment in a self-sustaining foreign operation. In this case, the exchange difference, together with any related income tax expense/revenue, is transferred to the foreign currency translation reserve on consolidation
- Relating to acquisition of qualifying assets

(e) Goods and services tax

Revenues, 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 Statement of financial position.

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

(f) Borrowing costs

Borrowing costs include interest, amortisation of discounts or premiums relating to borrowings, amortisation of ancillary costs incurred in connection with the arrangement of borrowings, foreign exchange losses net of hedged amounts on borrowings, including trade creditors and lease finance charges.

(g) Taxation

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

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1. Statement of significant accounting policies (continued)

(h) Acquisition of assets

All assets acquired including property, plant and equipment are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable are recorded at their present value, discounted at the rate applicable to the Company if a similar borrowing were obtained from an independent financier under comparable terms and conditions.

Expenditure other than research and development costs, is only recognised as an asset when the entity controls future economic benefits as a result of the costs incurred, it is probable that those future economic benefits will eventuate, and the costs can be measured reliably.

Research and development costs

Research and development expenditure is expensed as incurred except to the extent that its recoverability is assured beyond any reasonable doubt, in which case it is deferred.

Subsequent additional costs

Costs incurred on assets subsequent to initial acquisition are capitalised when it is probable that future economic benefits in excess of the originally assessed performance of the asset will flow to the consolidated entity in future years.

Costs that do not meet the criteria for capitalisation are expensed as incurred.

(i) Receivables

The collectibility of debts is assessed at balance date and specific provision is made for any doubtful accounts.

Trade debtors

Trade debtors to be settled within 30 days are carried at amounts due.

(j) Inventories

Inventories are carried at the lower of cost and net realisable value.

Net realisable value

Net realisable value is determined on the basis of each inventory line's normal selling pattern. Expenses of marketing, selling and distribution to customers are estimated and are deducted to establish net realisable value.

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1. Statement of significant accounting policies (continued)

(k) Leased assets

Leases under which the Company assumes substantially all the risks and benefits of ownership are classified as finance leases. Other leases are classified as operating leases.

Finance leases

Finance leases are capitalised. A lease asset and a lease liability equal to the present value of the minimum lease payments are recorded at the inception of the lease.

Lease liabilities are reduced by repayments of principal. The interest components of the lease payments are expensed. Contingent rentals are expensed as incurred.

Operating leases

Payments made under operating leases are expensed on a straight-line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

(l) Recoverable amount of non-current assets valued on cost basis

The carrying amounts of non-current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non-current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is expensed in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, the recoverable amount is assessed in relation to that group of assets.

In assessing recoverable amounts of non-current assets, the relevant cashflows have not been discounted to their present value, except where specifically stated.

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1. Statement of significant accounting policies (continued)

(m) Depreciation and amortisation

Useful lives

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:

	2005	2004
Helicopters	5% - 10%	5%
Other plant and equipment – owned and leased	10% - 40%	10% - 40%
Hangars	2.5%	2.5%

(n) Payables

Liabilities are recognised for amounts to be paid in the future for goods or services received. Trade payables are normally settled within 30 days.

(o) Employee benefits

Wages, salaries and annual leave

Liabilities for employee entitlements to wages, salaries and annual leave represent obligations resulting from employees' services provided up to the reporting date, calculated at undiscounted amounts based on expected wage and salary rates including related on-costs.

Long service leave

The provision for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made resulting from employees' services provided to reporting date.

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1. Statement of significant accounting policies (continued)

(o) Employee benefits (continued)

Superannuation Fund

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

(p) Revaluation of non-current assets

The Company has applied AASB 1041 as follows:

Hangar facilities, plant and equipment

The Company has adopted the cost basis for the hangar facilities at Westmead and Orange and the plant and equipment.

Helicopter

The Company has adopted the fair value basis of valuation for the Agusta A119 Koala helicopter and Agusta A109 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 that amounts reversing a decrement previously recognised as an expense are recognised as revenues. Revaluation decrements are only offset against revaluation increments relating to the same class of asset and any excess is recognised as an expense.

Other plant and equipment

The Company has continued to adopt the cost basis for other plant and equipment.

2. Company status

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 2005, the Company had 13 members (2004: 13), six of whom were Directors of the Company.

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	Note	2005 \$	2004 \$
3. Revenue from ordinary activities			
Revenue from fundraising activities	28	11,281,586	7,958,842
		<hr/>	<hr/>
Other revenues:			
Operating income		6,103,933	5,368,306
Gross proceeds from sale of non-current assets		287,887	5,368,916
Interest received from other parties		170,486	30,228
Exchange rate gain		163,011	-
Sundry income		12,990	8,930
		<hr/>	<hr/>
Total other revenues		6,738,307	10,776,380
		<hr/>	<hr/>
Total revenue from ordinary activities		18,019,893	18,735,222
		<hr/> <hr/>	<hr/> <hr/>
4. Surplus from ordinary activities			
Surplus from ordinary activities has been arrived at after charging/(crediting) the following items:			
Depreciation of:			
Plant and equipment		265,343	200,751
Amortisation of:			
Leased plant and equipment		643,331	254,350
		<hr/>	<hr/>
Total depreciation and amortisation		908,674	455,101
		<hr/>	<hr/>
Borrowing costs:			
Finance charges on capitalised leases		389,972	197,158
Net expense from movements in provision for:			
Employee entitlements		251,315	84,922
Doubtful trade debtors		-	51,071
Net (gain)/loss on disposal of non-current assets		(38,828)	144,985

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	2005	2004
	\$	\$
5. Auditor's remuneration		
Audit services:		
Auditors of the Company – KPMG	53,333	59,063

KPMG donated \$21,333 of the audit fee (2004: \$18,837) back to Careflight.

6. 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.

7. Cash assets

Cash on hand	2,686	1,403
Cash at bank - unrestricted	2,451,962	837,312
Cash at bank – restricted	3,205,343	93,196
	<u>5,659,991</u>	<u>931,911</u>

The increase in the cash balance is mainly due to the advance payment by NRMA Insurance of grant funding for the HIRT project. As at 30 April 2005 the amount paid on account of the HIRT project, but not yet spent was \$3 million. Contractually, these funds are dedicated to the HIRT project, and can not be applied by CareFlight for any other purpose.

8. Receivables

<i>Current</i>		
Trade debtors	737,413	1,380,370

9. Inventories

Bear stock	318,279	291,223
Fuel stock	49,127	38,574
Thomas Packs	4,527	775
Helicopter spare parts – at written down value	22,973	99,413
	<u>394,906</u>	<u>429,985</u>

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	2005	2004
	\$	\$
10. Other assets		
<i>Current</i>		
Prepaid expenses	176,422	123,319
Receivables	13,512	381,085
Other	71,912	71,912
	261,846	576,316
<i>Non-current</i>		
Other Receivable	71,914	131,841
Less: Provision	(59,927)	(59,927)
	11,987	71,914
11. Property, plant and equipment		
<i>Hangar facilities at Westmead - owned</i>		
At cost	15,355	15,355
Accumulated depreciation	(1,625)	(1,241)
	13,730	14,114
<i>Hangar facilities at Orange - owned</i>		
At cost	731,356	731,356
Accumulated depreciation	(73,136)	(54,853)
	658,220	676,503
<i>Plant and equipment – owned</i>		
At cost	2,205,721	1,680,987
Accumulated depreciation	(1,530,525)	(1,297,048)
	675,196	383,939

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11. Property, plant and equipment (continued)

	2005	2004
	\$	\$
<i>Helicopter owned</i>		
<i>Agusta A119 Koala Helicopter – owned</i>		
At valuation	-	2,616,279
	<u> </u>	<u> </u>
<i>Helicopters hire purchase</i>		
<i>Agusta A109 Helicopter - hire purchase</i> (refer Note (a))		
At valuation	4,416,848	-
<i>Agusta A119 Koala Helicopter – hire purchase</i> (refer Note (a))		
At valuation	2,112,406	-
	<u> </u>	<u> </u>
	<u>6,529,254</u>	<u> </u>
	<u> </u>	<u> </u>
<i>Other plant and equipment – leased</i>		
At cost	693,726	553,178
Accumulated amortisation	(40,834)	(169,886)
	<u> </u>	<u> </u>
	<u>652,892</u>	<u>383,292</u>
	<u> </u>	<u> </u>
Total property, plant and equipment		
Net book value	<u>8,529,292</u>	<u>4,074,127</u>
	<u> </u>	<u> </u>

(Note 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 2005 are based on a valuation by Heliflite Pty Limited, the distributors of these helicopters in Australia. The valuation at 30 April 2004 was likewise based on a valuation 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 0.78 (2004: 0.72).

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	2005	2004
	\$	\$
11. Property, plant & equipment (continued)		
Reconciliations		
Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:		
<i>Hangar facilities at Westmead - owned</i>		
Carrying amount at the beginning of the year	14,114	14,497
Depreciation	(384)	(383)
Carrying amount at the end of the year	13,730	14,114
<i>Hangar facilities at Orange - owned</i>		
Carrying amount at the beginning of the year	676,503	694,787
Depreciation	(18,283)	(18,284)
Carrying amount at the end of the year	658,220	676,503
<i>Plant and equipment – owned</i>		
Carrying amount at the beginning of the year	383,939	444,373
Additions	558,128	228,921
Disposals	(20,195)	(107,271)
Depreciation	(246,676)	(182,084)
Carrying amount at the end of the year	675,196	383,939
<i>Agusta A119 Koala helicopter – owned</i>		
Carrying amount at the beginning of the year	2,616,279	-
Additions	-	2,616,279
Transfer to leased assets	(2,616,279)	-
Carrying amount at the end of the year	-	2,616,279

CAREFLIGHT

	2005	2004
	\$	\$
11. Property, plant & equipment (continued)		
Reconciliations (continued)		
<i>Other plant and equipment – leased</i>		
<i>Agusta Power A109 Helicopter – hire purchase</i>		
Carrying amount at the beginning of the year	-	-
Additions	4,768,237	-
Amortisation	(437,088)	-
Revaluation	85,699	-
Carrying amount at the end of the year	4,416,848	-
 <i>Agusta A119 Koala Helicopter – hire purchase</i>		
Carrying amount at the beginning of the year	-	2,969,502
Additions	2,616,279	-
Amortisation	(130,814)	(168,903)
Devaluation	(373,059)	(184,320)
Transfer to owned assets	-	(2,616,279)
Carrying amount at the end of the year	2,112,406	-
 <i>Bell 412HP Helicopter – leased</i>		
Carrying amount at the beginning of the year	-	4,948,702
Amortisation	-	(6,552)
Disposals	-	(4,942,150)
Carrying amount at the end of the year	-	-
 <i>Other plant and equipment – leased</i>		
Carrying amount at the beginning of the year	383,292	371,153
Additions	573,892	158,678
Disposals	(228,863)	(67,644)
Amortisation	(75,429)	(78,895)
Carrying amount at the end of the year	652,892	383,292

CAREFLIGHT

	2005	2004
	\$	\$
12. Payables		
<i>Current</i>		
Trade creditors	462,908	787,441
Sundry creditors	452,572	394,461
Income received in advance		
- restricted funds	3,205,343	93,196
- unrestricted sponsorship income received in advance	333,333	334,696
- deferred revenue	120,441	88,673
	4,574,597	1,698,467
	4,574,597	1,698,467

The increase in income received in advance is mainly due to the advance payment by NRMA Insurance of grant funding for the HIRT project. As at 30 April 2005 the amount paid on account of the HIRT project, but not yet spent was \$3.3 million. Contractually, these funds are dedicated to the HIRT project, and can not be applied by CareFlight for any other purpose.

Non current

Income received in advance – restricted funds	500,000	-
	500,000	-
	500,000	-

13. Interest bearing liabilities

Current

Bank overdraft	-	2,195,851
Hire purchase and lease liabilities	1,242,299	212,748
	1,242,299	2,408,599
	1,242,299	2,408,599

Non-current

Hire purchase and lease liabilities	5,550,834	222,014
	5,550,834	222,014
	5,550,834	222,014

Financing arrangements

The Company's hire purchase and lease liabilities of \$6,793,133 (2004: \$434,762) are secured by the leased assets and, in the event of default, the assets revert to the financier.

14. Provisions

Current

Annual leave	598,033	320,626
Long service leave	119,188	156,331
	717,221	476,957
	717,221	476,957

Non-current

Long service leave	64,084	53,033
	64,084	53,033
	64,084	53,033

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	2005	2004
	\$	\$
15. Reserves		
Asset revaluation reserve at the beginning of the year	1,010,497	1,160,707
Revaluation (decrement)/increment on Agusta A119 Helicopter	-	(184,320)
Revaluation (decrement)/increment on motor vehicle		34,110
Transfer to retained earnings	(1,010,497)	-
	-	1,010,497
	-	1,010,497

16. Retained surplus

Retained surplus at the beginning of the year	1,595,056	1,588,074
Transfer from asset revaluation reserve	1,010,497	-
Net surplus for the year	340,847	6,982
	2,946,400	1,595,056
	2,946,400	1,595,056

17. Additional financial instruments disclosure

2005	Note	Weighted average interest rate %	Floating interest rate \$	1 year or less \$	1 to 5 years \$	More than 5 years \$	Non- interest bearing \$	Total \$
Financial assets								
Cash assets	7	4.98%	5,458,473	-	-	-	201,518	5,659,991
Receivables	8	-	-	-	-	-	737,413	737,413
			5,458,473	-	-	-	938,931	6,397,404
Financial liabilities								
Payables	12	-	-	-	-	-	4,574,597	4,574,597
Interest bearing liabilities	13	7.10%	-	1,242,299	5,550,834	-	-	6,793,133
Employee entitlements	20	-	-	-	-	-	781,305	781,305
			-	1,242,299	5,550,834	-	5,355,902	12,149,035

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17. Additional financial instruments disclosure (continued)

2004	Note	Weighted Average interest rate %	Floating interest rate \$	1 year or less \$	1 to 5 years \$	More than 5 years \$	Non- interest bearing \$	Total \$
Financial assets								
Cash assets	7	3.25%	930,508	-	-	-	1,403	931,911
Receivables	8	-	-	-	-	-	1,380,370	1,380,370
			<u>930,508</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,381,773</u>	<u>2,312,281</u>
Financial liabilities								
Payables	12	-	-	-	-	-	1,698,467	1,698,467
Bank Overdraft	13	8.7%		2,195,851				2,195,851
Interest bearing liabilities	13	6.37%	-	212,748	169,828	52,186	-	434,762
Employee entitlements	20	-	-	-	-	-	529,990	529,990
			<u>-</u>	<u>2,408,599</u>	<u>169,828</u>	<u>52,186</u>	<u>2,228,457</u>	<u>4,859,070</u>

2005
\$

2004
\$

18. Commitments

Hire purchase and finance lease payment commitments

Hire purchase and finance lease commitments are payable:

Within one year	1,663,037	240,636
One year or later and no later than five years	5,983,746	183,258
Later than five years	-	54,813
	<u>7,646,783</u>	<u>478,707</u>
Less: Future hire purchase and lease finance charges	(853,650)	(43,945)
	<u>6,793,133</u>	<u>434,762</u>
Hire purchase and lease liabilities provided:		
Current	1,242,299	212,748
Non-current	5,550,834	222,014
Total hire purchase and lease liability	<u>6,793,133</u>	<u>434,762</u>

CAREFLIGHT

18. Commitments (continued)

Operating lease commitments	2005	2004
	\$	\$
Within one year	480,000	480,000
One year or later and no later than five years	-	480,000
Total operating lease commitments	<u>480,000</u>	<u>960,000</u>

19. 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, net of outstanding bank overdrafts. Cash as at the end of the financial year as shown in the Statement of cashflows is reconciled to the related items in the Statement of financial position as follows:

Cash on hand	2,686	1,403
Cash at bank	5,657,305	930,508
Bank overdraft	-	(2,195,851)
	<u>5,659,991</u>	<u>(1,263,940)</u>

(b) Reconciliation of (deficit)/surplus from ordinary activities to net cash provided by operating activities.

Surplus from ordinary activities	340,847	6,982
Add/(less) items classified as investing/financing activities:		
Net loss/gain on disposals of non-current assets	(38,828)	144,985
Add/(less) non-cash items:		
Amortisation	643,331	254,350
Depreciation	265,343	200,751
Devaluation	287,360	-
Amounts set aside to provisions	251,315	135,993
Net cash provided by operating activities before change in assets and liabilities	<u>1,749,368</u>	<u>743,061</u>
Change in assets and liabilities		
Decrease in trade debtors	642,957	306,718
Decrease in inventory	35,079	119,138
Decrease/(increase) in other assets	374,397	(436,913)
Increase/(decrease) in payables	3,376,130	(628,062)
Net cash provided by operating activities	<u>6,177,931</u>	<u>103,942</u>

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19. Notes to the Statement of cashflows (continued)

(c) Non-cash financing and investing activities

During the financial year the Company acquired plant and equipment with an aggregate value of \$5,342,129 (2004: \$158,678) by means of finance leases. These acquisitions are not reflected in the Statement of cashflows.

	2005	2004
	\$	\$
20. Employee benefits		
Aggregate liability for employee entitlements, including on-costs:		
Current	717,221	476,957
Non-current	64,084	53,033
	781,305	529,990
<i>Number of employees</i>		
Number of employees at year end	62	51

Superannuation commitment

The Company contributes to a number of superannuation plans for employees, the major one being IOOF 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.

	2005	2004
	\$	\$
Details of contributions during the year are as follows:		
Employer contributions to the plans	379,424	309,032

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21. Directors' remuneration

Directors' income

The number of Directors of the Company whose income from the Company or any related party falls within the following bands:

	2005 No	2004 No
\$ 0- \$ 9,999	4	6
\$ 70,000 - \$ 79,999	1	-
\$100,000 - \$109,999	1	-
\$310,000 - \$319,999	-	1

Total income paid or payable, or otherwise made available to all Directors of the Company and related parties from the Company or any related party

\$183,428	\$314,895
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22. Related parties

Directors

The names of each person holding the position of Director of CareFlight during the financial year are J D Colenbrander, C I Badham, J Szangolies, D Pearce, N Hilton and S Beehan.

With the exception of two Directors, all other Directors act in an honorary capacity. Details of Directors' remuneration and retirement benefits are set out in Note 21.

No Director has entered into a material contract with the Company since the end of the previous financial year and there were no material contracts involving Directors' interests at year-end.

23. Economic dependency

The operation of CareFlight has continuing financial support from the NSW Government, sponsors and the community. CareFlight has a written agreement with the Ambulance Service of NSW for the provision of rotary wing aeromedical services which concluded on the 28 February 2005. An interim agreement with Ambulance Service of NSW was finalised to extend the agreement

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

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24. Events subsequent to balance date

For reporting periods starting on or after 1 January 2005, the Company must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board. At balance date, the effect of the convergence to IFRS has yet to be quantified.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material nature and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the entity, the results of those operations, or the state of affairs of the entity, in future financial years.

25. Registered charity

CareFlight is an authority holder under the Charitable Fundraising Act (NSW) 1991.

26. International Financial Reporting Standards

For reporting periods beginning on or after 1 January 2005, the Company must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian Accounting Standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the Company's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

The Company has not quantified the effects of the differences discussed below. Accordingly, there can be no assurances that the Company's financial performance and financial position would not be significantly different if determined in accordance with IFRS.

The key potential implications of the conversion to IFRS are as follows:

- Impairments of assets will be determined on a discounted basis, with strict tests for determining whether cash generating units have been impaired;
- The determination of whether a lease is classified as a financial lease or an operating lease is based on substance over form and no longer includes quantitative guidelines. As a result, certain leases may be re-classified;
- Increments/decrements due to revaluation of non-current assets will be recognised on an individual asset basis, not on a class of assets basis

CAREFLIGHT

26. International Financial Reporting Standards (Continued)

- Restoration and rehabilitation provisions must be recognised on acquisition of an asset / make good provisions on operating and finance leases. This may result in additional fixed assets and provisions being recognised on transition; and
- Changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosures of prior year effects.

27. Information and declaration to be furnished under the Charitable Fundraising Act, 1991

Fundraising appeals conducted by the Company:

Christmas
Taxation
Newsletter
Corporate

These appeals supplement the funds received from the NSW Health Department and are mainly used to continue the Company's role of providing emergency medical retrieval services.

28. Statement of income and expenditure

	2005	2004
Revenue	\$	\$
Bear sales	4,624,565	3,731,502
Taxation appeal	266,079	228,513
Sponsors-excluding HIRT	1,000,000	1,241,599
-HIRT	1,857,594	210,805
Christmas appeal	178,764	157,436
Newsletter	95,306	196,640
Marketing/Product	1,630,022	402,331
Donations	1,629,256	1,790,016
Gross revenue from fundraising appeals	11,281,586	7,958,842
	=====	=====
Expenditure		
Bear sales	3,467,362	3,092,877
Taxation appeal	56,315	38,516
Christmas appeal	31,066	46,512
Newsletter	68,661	72,474
Marketing/Product	920,648	194,432
Donations	2,308	75,181
Total costs of fundraising appeals	4,546,360	3,519,992
Net surplus from fundraising appeals	6,735,226	4,438,850
	=====	=====

CAREFLIGHT

28. Statement of income and expenditure (Continued)

	2005	2004
	\$	\$
Other revenue		
Operating income-HIRT	13,252	-
-excluding HIRT	6,090,681	5,368,306
Interest	170,486	30,228
Net gain on disposal of non-current assets	38,825	-
Exchange rate gain	163,011	-
Sundry income	12,990	8,930
	<u>6,489,245</u>	<u>5,407,464</u>
Other expenditure		
HIRT		
Operations - personnel & administration	483,613	150,328
Aircraft & field operations	306,464	39,257
Base & equipment	506,178	-
General administration & overheads	253,470	30
Finance & Legal	318,639	21,190
Excluding HIRT		
Operations - personnel & administration	4,554,554	3,945,052
Aircraft & field operations	4,124,473	3,327,908
Base & equipment	402,493	455,100
General administration & overheads	1,049,522	1,121,383
Finance & Legal	596,858	634,099
Devaluation of helicopters	287,360	-
Net loss on disposal of non-current assets		144,985
	<u>12,883,624</u>	<u>9,839,332</u>
Total revenue	<u>17,770,831</u>	<u>13,366,306</u>
Total expenditure	<u>17,429,984</u>	<u>13,359,324</u>
Net surplus transferred to retained surpluses	<u>340,847</u>	<u>6,982</u>

CAREFLIGHT

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

	2005	2004
	\$	\$
Net surplus from fundraising appeals	6,735,226	4,438,850

This was applied to the charitable purposes in the following manner:

Expenditure on general operating and administration costs as denoted by the appeal	6,735,226	4,438,850
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The shortfall of \$6,148,398 between the \$6,735,226 surplus available from fundraising appeals conducted and total expenditure of \$12,883,624 was provided from the following sources:

Operating income	6,103,933	5,368,306
Interest	170,486	30,228
Sundry income	12,990	8,930
Net gain on sale of non-current assets	38,825	-
Exchange rate gain	163,011	-
	6,489,245	5,407,464
Less: Shortfall between surplus available from fundraising appeals conducted and total expenditure	6,148,398	5,400,482
	340,847	6,982

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

Gross income	4,624,565	3,731,502
	4,624,565	3,731,502
Total expenditure incurred	3,467,362	3,092,877
	3,467,362	3,092,877

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31. Comparisons of certain monetary figures and percentages

Comparisons	2005 \$	2005 %	2004 \$	2004 %
Total cost of fundraising / gross income from fundraising	4,546,360 / 11,281,586	40	3,519,992 / 7,958,842	44
Net surplus from fundraising / gross income from fundraising	6,735,226 / 11,281,586	60	4,438,850 / 7,958,842	56
Total costs of services / total expenditure	10,377,775 / 17,429,984	60	7,917,645 / 13,359,324	59
Total costs of services / total income received	10,377,775 / 17,770,831	58	7,917,645 / 13,366,306	59

32. Information on any material occurrence

No material events occurred to the date of the report other than those disclosed in the Directors' Report.

CAREFLIGHT

Declaration by Director in respect of fundraising appeals

I, Derek Colenbrander, Director of CareFlight, declare in my opinion:

- (a) the financial report 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 2005;
- (b) the Statement of financial position gives a true and fair view of the state of affairs with respect to fundraising appeal activities as at 30 April 2005;
- (c) the provisions of the Charitable Fundraising Act 1991 and Regulations and the conditions attached to the authority have been complied with for the financial year ended 30 April 2005; 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 30 August 2005.



Derek Colenbrander – Director

CAREFLIGHT

Directors' declaration

- 1 In the opinion of the Directors of CareFlight
- (a) the financial statements and notes, set out on pages 6 to 32, 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 2005 and of their performance, as represented by the results of their operations and their 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 *30 August* 2005.

Signed in accordance with a resolution of the Directors:



Derek Colenbrander

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 2005, consisting of the Statement of financial performance, Statement of financial position, 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 pages 6 to 34. The Company's directors are responsible for 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.

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 has been formed on the above basis.

(continued overleaf)

Independent audit report to the members of CareFlight (continued)

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 2005 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.

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 2005;
- b) the financial report has been properly drawn up, and the associated records have been properly kept for the period from 1 May 2004 to 30 April 2005, 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 2004 to 30 April 2005 has been properly accounted for and applied in accordance with the Charitable Fundraising (NSW) Act 1991 and Regulations; and

(continued overleaf)

Independent audit report to the members of CareFlight (continued)

- 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

Sydney

 August 2005