



CAREFLIGHT
(a company limited by guarantee)

ACN 003 093 445

ANNUAL FINANCIAL REPORT
30 APRIL 2006

CareFlight
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CAREFLIGHT DIRECTORS' REPORT

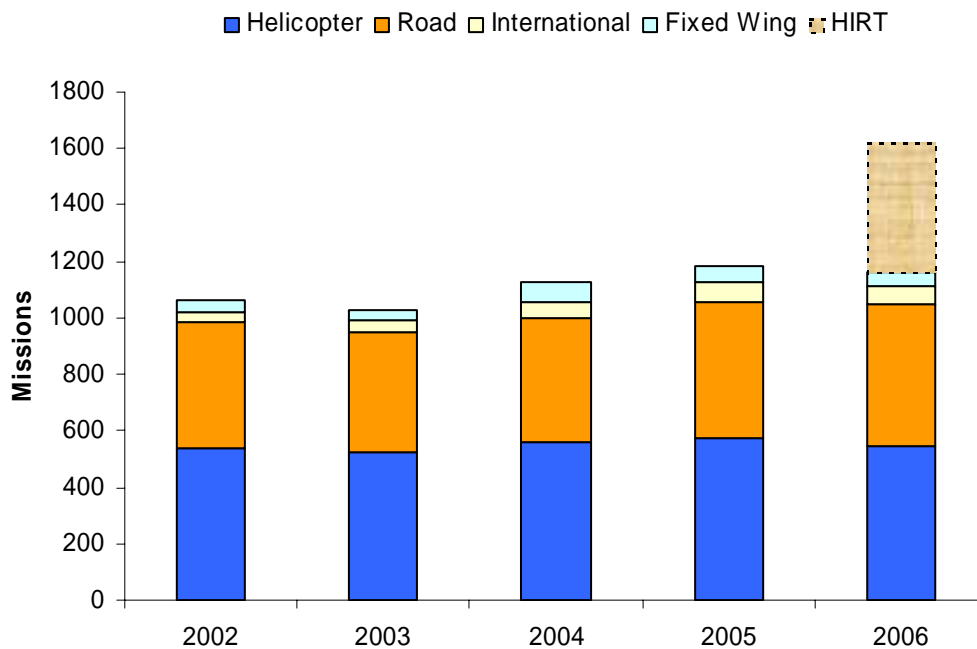
1. 20 years of saving lives

This is a very special year for CareFlight as we celebrate our 20th anniversary. We started operations on 12 July 1986, and two days later undertook our first mission, transporting two children from a car crash at Lithgow to hospital in Sydney. That mission marked the beginning of our collaboration with the Ambulance Service of NSW, with whom we continue to work in the chain of survival for critically ill and injured patients.

2. The year in review

Demand for our service has grown rapidly over the last 20 years. In our first year of operation we mounted 178 missions. This year, we conducted 1,624 missions, which includes 463 missions conducted by our Head Injury Retrieval Trial (HIRT) crews in their first year of service.

Medical Missions



HIRT missions are not directly comparable with our core missions because a significant proportion does not result in patient transfer/treatment. The nature of the HIRT trial 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.

There were times during the year when we had five medical teams in action at the same time: three from Westmead, one from the Central West and one team on an international mission.

3. Becoming the world leader

Last year, we articulated our vision ‘to become the world leader in rapid response critical care’. This year, we have set about achieving the vision. Our progress for this year includes:

Medical: Increased funding from NSW Health allowed us to provide a full-time retrieval doctor in the Central West for the first time ever, significantly improving our service capability across the rural community. Funding from generous suppliers, the Commonwealth Government and the Motor Accidents Authority allowed us to rebuild and substantially enhance our medical disaster cache.

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Aviation: After a break of several years, we recommenced Crew Resource Management and simulation training at the SAS Flight Academy in Stockholm, Sweden. We conducted a detailed review of potential helicopters and systems in preparation for new arrangements with the Ambulance Service of NSW.

Safety: Funded by a generous donor, we built a helicopter winch simulator that allows more frequent training of winch rescue retrieval and medical procedures in the confined space of a helicopter. We introduced a new world-class Safety Management and Reporting system.

Brand Management: We entered into a Brand Custodian Agreement with CareFlight Queensland, putting in place a legal framework for the management and development of the CareFlight brand.

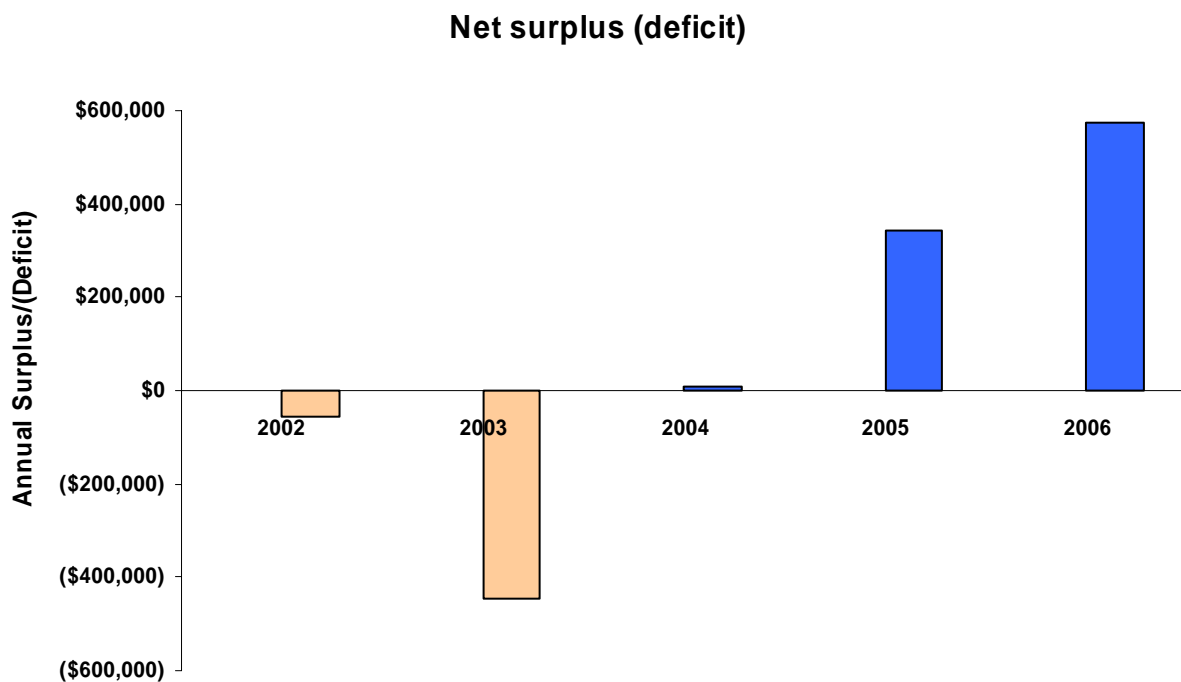
Fundraising: We reviewed our fundraising operations and re-structured our Fundraising Department to focus on recurring revenue streams. As a result of the review, we put our Bear telemarketing program out to tender and engaged a new telemarketing provider.

IT: We reviewed our current IT systems, defined our future requirements and documented a strategy for achieving them. We conducted a competitive tender process for IT services and commenced a reconfiguration and simplification of our IT systems.

Insurance: We consolidated our aviation, medical indemnity and general insurance portfolio, achieving considerable cost savings.

4. Financial position

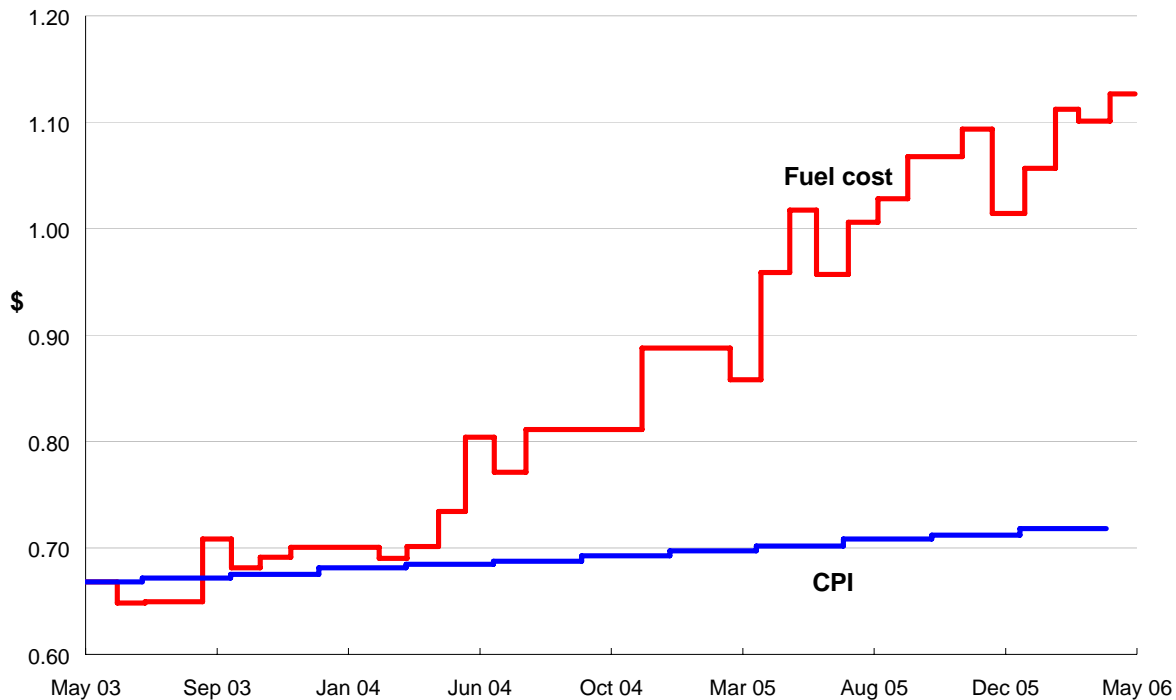
We ended the year with a \$575,205 surplus, maintaining the upward trend in our surpluses over recent years.



We achieved this surplus in the face of rising costs. The greatest cost pressures come from fuel, maintenance and employee costs. Fuel price increases provide the starkest illustration of the financial pressure on all the Helicopter Emergency Medical Service Operators.

CAREFLIGHT DIRECTORS' REPORT

Fuel cost/litre v CPI



The chart compares the actual increase in fuel prices with a CPI adjusted fuel price, using the fuel price in May 2003 as a base.

We are working to minimise increases in costs without reducing our service delivery capability, cutting back on training or compromising safety. We are also working to increase income. Our single largest source of income is from NSW Health and the Ambulance Service of NSW. The level of funding was negotiated six years ago and has risen only by CPI, not real costs. Repricing will occur via the tender process initiated by the Ambulance Service – see “Events subsequent to reporting date”. We have also sought access to Medicare rebates for work performed by CareFlight doctors and have invested in fundraising with the aim of generating more recurring income.

5. 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”

6. 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.

CAREFLIGHT DIRECTORS' REPORT

7. Indemnification and insurance of officers

The Company has provided for and paid premiums totalling \$10,490 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.

8. Lead auditor's independence declaration

The Lead auditor's independence declaration is set out on page 43 and forms part of the Directors' report for the financial year 2006.

9. Events subsequent to reporting date

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 until the end of June 2006. Recent experience suggests that the Ambulance Service will extend the FPA for a further interim period, but the term of any proposed extension is presently unknown.

On 18 May 2006 the Ambulance Service called tenders for the provision of "Rotary Wing Patient Transfer Services in the Greater Sydney Area". Tenders close on 12 July 2006, and the Company is presently formulating a response. The Directors believe that the Company will present the Ambulance Service with an exceptional value proposition, in terms of cost, quality and reliability of service.

If either of the following events occur:

- the Ambulance Service awards the entire contract for the Greater Sydney Area to another operator; or
- the Ambulance Service splits the contract for the Greater Sydney Area between multiple operators, and the Company does not secure a viable component of the new configuration,

there would be significant uncertainty that the Company would be able to continue as a going concern, and therefore whether the Company would be able to realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial statements.

While acknowledging this uncertainty, the Directors believe that, as a practical matter, any scaling down of operations following an unsuccessful tender outcome would be managed in an orderly way, in co-operation with the Ambulance Service and the successful tenderer.

Other than the tender process and our interim arrangements with the Ambulance Service of NSW, 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 Company, the results of those operations, or the state of affairs of the Company, in future financial years.

CAREFLIGHT DIRECTORS' REPORT

10. 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 and Government and Media Relations Manager Executive Director	60	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	48	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	52	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 9 December 2003
Norman HILTON B Com, FCA Independent Non-Executive Director	60	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
Douglas PEARCE BSc, MBA, ASA, MACS, FCIS Independent Non-Executive Director	50	Extensive experience in corporate administration and insurance industry Former senior group executive of Insurance Australia Group Past member of the Motor Accident Authority. Member of the Audit Committee Director since 6 May 1997
Peter SWAN BBus, CPA, MAICD, SA Fin Non-Executive Director	50	Extensive experience in corporate finance and insurance industry CEO Insurance Manufacturers of Australia Pty Ltd. Head of Personal Insurance Manufacturing for Insurance Australia Group IAG Nominee Director since 22 September 2005
John SZANGOLIES FAICD, FCIA Independent Non-Executive Director	59	Extensive experience in marketing and corporate administration and the hospitality and catering industry Founder and Managing Director of Lowenbrau Keller Director since 31 August 2004

CAREFLIGHT DIRECTORS' REPORT

11. 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	7	6	3	3
S Beehan	7	6	N/A	N/A
D Colenbrander	7	7	N/A	N/A
N Hilton	7	6	3	3
D Pearce	7	6	3	2
P Swan	5	5	N/A	N/A
J Szangolies	7	6	N/A	N/A

12. 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:

- (a) provides strategic leadership and direction for CareFlight
- (b) sets management's goals and approves the annual budget
- (c) 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 Chief Executive Officer.

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:

- (a) advising the Board on strategic direction
- (b) ensuring business activities are in accordance with CareFlight's annual operating plan
- (c) keeping the Board informed of all major business proposals and developments through regular reports and
- (d) ensuring the Company conducts its affairs within the law.

CAREFLIGHT DIRECTORS' REPORT

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. At present 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:

- (a) reflecting the need for talent, commercial acumen and diversity - a mix of people with a broad range of skills, qualifications and experience;
- (b) reflecting the need for financial expertise - at least one person with financial qualifications and experience;
- (c) reflecting the medical focus of CareFlight - at least one person with a medical background;
- (d) 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 3 years without submitting for re-election. Any director, who, at the time he or she submits for re-election at an AGM, has then held office for a continuous period of more than 8 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 non-executive Directors 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:-

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

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.

CAREFLIGHT DIRECTORS' REPORT

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 three occasions during the year and Committee members' attendance is recorded in the Directors' Report.

The Company's external auditor, the Chief Executive Officer 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:

- (a) the financial, operational and strategic reporting which occurs in the context of the Board papers and Board meetings
- (b) the annual audit conducted by the Company's external Auditor
- (c) the review function of the Audit Committee and
- (d) 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:

- (a) the Annual Report for the Company which includes summarised financial statements and
- (b) 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.

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.

CAREFLIGHT DIRECTORS' REPORT

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.

13. Thank you

None of our achievements over the past year would have been possible without the dedication and talent of the people who make up the NRMA CareFlight team, and our army of supporters in business and the community. To all of you – staff, supporters, donors, sponsors, volunteers, service providers and professional advisers – we offer our grateful thanks and appreciation for your contribution to our mission:

“to save lives, speed recovery and serve the community”

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.
- The Ambulance Service for their support and co-operation in the establishment and operation of HIRT.
- Our non-executive directors who, on a voluntary basis, contribute substantial time, experience and expertise to the governance of CareFlight.
- Our Chief Pilot John Hoad, who marks 20 years of service to NRMA CareFlight, and who has instilled a culture of aviation safety and excellence at CareFlight.
- Our recently retired Executive Assistant Marie Dewhirst for her 17 years of dedicated service to CareFlight.

Dated at Sydney on 20 June 2006

Signed in accordance with a resolution of the Directors:



Ian Badham
Chairman



Derek Colenbrander
Chief Executive Officer

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Income statement For the year ended 30 April 2006

	Note	2006 \$	2005 \$
Ambulance Service of NSW		3,520,682	3,184,400
Fundraising	27	12,979,448	11,281,586
Other helicopter and medical retrieval revenue		2,770,410	2,919,533
Sundry revenue		23,318	51,815
Total revenue		19,293,858	17,437,334
Employee benefits		6,276,685	5,038,167
Direct costs of helicopter operations and medical retrieval		3,941,685	4,430,937
Costs of fundraising	27	5,435,491	4,546,360
Depreciation and amortisation		1,068,322	908,674
Insurance		559,991	495,563
Professional fees		746,897	528,699
Other expenses		782,709	804,252
Net loss on disposal of non-current assets		11,960	-
		18,823,740	16,752,652
Net surplus before net financing costs and revaluation/ (devaluation) of helicopters		470,118	684,682
Financial income	3	251,367	333,497
Finance costs	3	433,640	389,972
Net financing costs		182,273	56,475
Net surplus before revaluation/devaluation of helicopters		287,845	628,207
Revaluation/(devaluation) of helicopters	10a	287,360	(287,360)
Net surplus for the year	16	575,205	340,847

The Income statement is to be read in conjunction with the notes to the financial statements set out on pages 15 to 37.

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Statement of recognised income and expenditure For the year ended 30 April 2006

	Note	2006 \$	2005 \$
Revaluation of helicopters	10a),15	709,697	-
Net income recognised directly in capital funds		709,697	-
Surplus for the year	16	575,205	340,847
Total recognised income and expenditure for the year		1,284,902	340,847

The Statement of recognised income and expenditure is to be read in conjunction with the notes to the financial statements set out on pages 15 to 37.

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Balance sheet As at 30 April 2006

	Note	2006 \$	2005 \$
Current assets			
Cash and cash equivalents	6	4,972,096	5,659,991
Receivables	7	974,713	737,413
Inventories	8	220,471	394,906
Other receivables	9	258,850	261,846
Total current assets		6,426,130	7,054,156
Non-current assets			
Helicopters	10	6,894,723	6,529,254
Property, plant and equipment	11	2,212,215	2,000,038
Other receivables	9	-	11,987
Total non-current assets		9,106,938	8,541,279
Total assets		15,533,068	15,595,435
Current liabilities			
Payables	12	4,321,778	4,574,597
Interest bearing borrowings	13	2,813,828	1,242,299
Employee benefits	14	860,250	717,221
Total current liabilities		7,995,856	6,534,117
Non-current liabilities			
Payables	12	-	500,000
Interest bearing borrowings	13	3,204,070	5,550,834
Employee benefits	14	101,840	64,084
Total non-current liabilities		3,305,910	6,114,918
Total liabilities		11,301,766	12,649,035
Net assets		4,231,302	2,946,400
Capital funds			
Reserves	15	709,697	-
Retained surplus	16	3,521,605	2,946,400
Total capital funds		4,231,302	2,946,400

The Balance sheet is to be read in conjunction with the notes to the financial statements set out on pages 15 to 37.

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Statement of cashflows
For the year ended 30 April 2006

	Note	2006 \$	2005 \$
Cashflows from operating activities			
Cash generated from operating activities			
Cash receipts		21,398,966	19,164,736
Cash paid to suppliers and employees		(20,467,528)	(12,767,319)
Interest income		250,413	170,486
Financing costs		(433,640)	(389,972)
Net cash from operating activities	19	748,211	6,177,931
Cashflows from investing activities			
Payments for plant and equipment		(532,192)	(558,128)
Gross proceeds on disposal of non-current assets		278,427	287,887
Net cash used in investing activities		(253,765)	(270,241)
Cash flows from financing activities			
Finance lease payments		(1,182,341)	1,016,241
Net cash used in financing activities		(1,182,341)	1,016,241
Net (decrease)/increase in cash held		(687,895)	6,923,931
Cash and cash equivalents at the beginning of the year		5,659,991	(1,263,940)
Cash and cash equivalents at the end of the year	6	4,972,096	5,659,991

The Statement of cashflows is to be read in conjunction with the notes to the financial statements set out on pages 15 to 37.

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Notes to financial statements

1. Statement of significant accounting policies

The financial report for CareFlight (the Company) was authorised for issue by the Directors on 20 June 2006.

a) Statement of compliance

1) Legal and accounting standards framework

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001. International Financial Reporting Standards form the basis of Australian Accountancy Standards adopted by the AASB, and for the purpose of this report are called Australian equivalents to IFRS to distinguish from previous Australian GAAP.

This is the Company's first financial report prepared in accordance with Australian Accounting Standards, being AIFRS (and IFIRS) and AASB 1 First-time Adoption of Australian Equivalent to International Financial Reporting Standards has been applied. An explanation of how the transition to AIFRS has affected the reported balance sheet, income statement and cash flows of the Company is provided in note 25.

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 2006, the Company had 16 members (2005: 13), seven of whom were Directors of the Company.

b) Basis of presentation

The financial report is presented in Australian dollars. The Company has elected to early adopt the following revised accounting standards:

- AASB 2004-3 Amendments to Australian Accounting Standards (December 2004) amending AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004), AASB 101 Presentation of Financial Statements, AASB 124 Related Party Disclosures.
- AASB 2005-1 Amendments to Australian Accounting Standards (May 2005) amending AASB 139 Financial Instruments: Recognition and Measurement.
- AASB 2005-4 Amendments to Australian Accounting Standards (June 2005) amending AASB 139 Financial Instruments: Recognition and Measurement, AASB 132 Financial Instruments: Disclosure and Presentation; AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004), AASB 1023 General Insurance Contracts, AASB 1038 Life Insurance Contracts.
- AASB 2005-5 Amendments to Australian Accounting Standards (June 2005) amending AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards (July 2004), and AASB 139 Financial Instruments: Recognition and Measurement.
- AASB 2005-8 Amendments to Australian Accounting Standards (June 2005) amending AASB 1 First-time Adoption of Australian equivalents to International Financial Reporting Standards (July 2004).
- AASB 2005-9 Amendments to Australian Accounting Standards (September 2005) amending AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts, AASB 132 Financial Instruments: Disclosure and Presentation, and AASB 139 Financial Instruments: Recognition and Measurement.

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1. Statement of significant accounting policies (continued)

b) Basis of presentation (continued)

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

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 estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revision affects both current and future periods.

The accounting policies have been applied consistently to all periods presented in the financial report and in preparing an opening AIFRS balance sheet at 1 May 2004 for the purposes of the transition to Australian Accounting Standards – AIFRS.

c) 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 2006, the Company reported a surplus of \$575,205. At year end, current liabilities exceeded current assets by \$1,569,726. This is because the hire purchase agreement with Westpac Banking Corporation for the Agusta A119 Koala aircraft will expire on 29 March 2007, requiring the total liability under the hire purchase agreement to be stated as a current liability.

The Company intends to refinance the Agusta A119 Koala aircraft subject to a successful outcome of the tender process referred to in note 23.

The Company's budget for the year ending 30 April 2007, projects positive cashflows. Under current circumstances, the preparation of the financial report on a going concern basis at 30 April 2006 is appropriate.

d) Helicopters, property, plant and equipment

1) Owned assets

Items of property, plant and equipment except helicopters (refer note d) 6) below) are stated at cost or deemed cost less accumulated depreciation (see below) and impairment losses (see accounting policy h). 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.

Where parts of an item of property, plant and equipment have different useful lives they are accounted for as separate items of property, plant and equipment.

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1. Statement of significant accounting policies (continued)

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

2) Leased assets

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

3) Subsequent costs

The Company recognises in the carrying amount of an item of property, plant and equipment the cost of replacing part of such an item when the cost is incurred if it is probable that the future economic benefits embodied within the item will flow to the Company and the cost of the item can be measured reliably. All other costs are recognised in the income statement as an expense as incurred.

4) 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:

	2006	2005
Helicopters	5%-10%	5%-10%
Other plant and equipment – owned and leased	10%-40%	10%-40%
Hangars	2.5%	2.5%

5) 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.

6) Helicopters (owned and leased)

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 to the extent that this reverses an impairment loss which had previously been recognised in the income statement, then 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.

e) Trade and other receivables

Trade and other receivables are stated at their cost less impairment losses (see accounting policy h)

f) Inventories

Inventories are stated at the lower of cost 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.

CAREFLIGHT

1. Statement of significant accounting policies (continued)

g) Cash and cash equivalents

Cash and cash equivalent comprises cash balances, petty cash and bank bills

h) Impairment

1) Recognition of impairment loss

The carrying amounts of the Company's assets, other than inventories (see accounting policy f) are reviewed at each balance reporting date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated (see accounting policy h) 2)).

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 through 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.

2) 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.

i) Trade and other payables

Trade and other payables are stated at cost.

CAREFLIGHT

1. Statement of significant accounting policies (continued)

j) Revenue

1) 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.

2) 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.

3) Donation revenue

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

4) 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.

5) 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.

6) 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.

CAREFLIGHT

1. Statement of significant accounting policies (continued)

j) Revenue (continued)

7) 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.

k) Expenses

1) Net financing costs

Net financing costs 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.

2) 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.

3) 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.

l) Employee benefits

1) 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.

2) 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.

CAREFLIGHT

1. Statement of significant accounting policies (continued)

l) Employee benefits (continued)

3) Superannuation

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

m) 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/receivable in foreign currencies are brought to account as exchange gains/losses in the income statement in the financial year in which the exchange rates change.

n) 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.

o) 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.

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	2006	2005
	\$	\$
2. Net surplus for the year		
Surplus from ordinary activities has been arrived at after charging/(crediting) the following items:		
Write down of helicopter spare parts to net realisable value	22,973	-
Impairment loss on other receivables	-	59,927
Operating lease charges: VH-IME helicopter		
Depreciation of:		
Plant and equipment	331,013	265,343
Amortisation of:		
Leased helicopters, plant and equipment	737,309	643,331
	1,091,295	968,601
3. Net financing costs		
Interest income	(250,413)	(170,486)
Exchange rate gain	(954)	(163,011)
Financial income	(251,367)	(333,497)
Finance charges on capitalised leases	433,640	389,972
Financing cost	433,640	389,972
Net financing costs	182,273	56,475
4. Auditor's remuneration		
Audit services:		
Auditors of the Company – KPMG	46,350	53,000

CAREFLIGHT

5. Segment reporting

The Company operates predominantly in one industry. The principal activity of the Company is the operation of a rapid response critical care service. The Company operates predominantly in Australia.

6. Cash and cash equivalents

	2006	2005
	\$	\$
Cash on hand	2,099	2,686
Cash at bank – unrestricted	2,056,288	2,451,962
Cash at bank – restricted	2,913,709	3,205,343
	4,972,096	5,659,991

At 30 April 2006 the amount received from NRMA Insurance paid on account of the Head Injury Retrieval Trial (HIRT) project, but not yet spent was \$2 million. Contractually, these funds are dedicated to the HIRT project, and cannot be applied by the Company for any other purpose.

7. Receivables

	2006	2005
	\$	\$
Trade debtors	974,713	737,413

8. Inventories

Bear stock	174,309	318,279
Fuel stock	39,863	49,127
Thomas packs	6,299	4,527
Helicopter spare parts (at net realisable value)	-	22,973
	220,471	394,906

9. Other receivables

Current

Prepaid expenses	175,427	176,424
Receivables	10,367	13,512
Other	73,056	71,910
	258,850	261,846

Non-current

Other receivables	-	71,914
Less: impairment losses	-	(59,927)
	-	11,987

CAREFLIGHT

10. Helicopters

Note	Agusta A119 Koala VH-CFO Owned \$	Agusta A119 Koala VH-CFO Leased \$	Agusta A109 Power VH-IAG Owned \$	Total \$
At Valuation				
Balance at 1 May 2004	2,616,279	-	-	2,616,279
Acquisitions	-	2,616,279	4,768,237	7,384,516
Transfer to leased assets	(2,616,279)	-	-	(2,616,279)
Amortisation for the year	-	(130,814)	(437,088)	(567,902)
Revaluation/(devaluation)	-	(373,059)	85,699	(287,360)
Balance at 30 April 2005	-	2,112,406	4,416,848	6,529,254
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 gain	-	149,874	847,182	997,056
Balance at 30 April 2006	-	2,121,453	4,773,270	6,894,723
Carrying amounts				
At 1 May 2004	2,616,279	-	-	2,616,279
At 30 April 2005	-	2,112,406	4,416,848	6,529,254
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

10 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 2006 are based on a valuation by Heliflite Pty Limited, the distributors of these helicopters in Australia. The valuation at 30 April 2005 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 0.7542 (2005: 0.7811). In accordance with significant accounting policies (note 1 d) 6)) total revaluation increment for 2006 amounted to \$997,056. A revaluation increment of \$287,360 was credited to the income statement reversing a decrement of the same amount recognised as an expense in the previous year. The remaining increment was credited to the revaluation reserve (refer note 15).

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11. 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 2004	15,355	731,356	1,680,987	553,178	2,980,876
Acquisitions	-	-	558,128	573,892	1,132,020
Disposals	-	-	(33,394)	(433,344)	(466,738)
Balance at 30 April 2005	15,355	731,356	2,205,721	693,726	3,646,158
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
Depreciation and impairment losses					
Balance at 1 May 2004	1,241	54,853	1,297,048	169,886	1,523,028
Depreciation charge for the year	384	18,283	246,676	75,429	340,772
Disposals	-	77-	(13,199)	(204,481)	(217,680)
Balance at 30 April 2005	1,625	73,136	1,530,525	40,834	1,646,120
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
Carrying amounts					
At 1 May 2004	14,114	676,503	383,939	383,292	1,457,848
At 30 April 2005	13,730	658,220	675,196	652,892	2,000,038
At 1 May 2005	13,730	658,220	675,196	652,892	2,000,038
At 30 April 2006	13,346	639,937	938,703	620,229	2,212,215

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12. Payables	2006	2005
	\$	\$
Current		
Trade creditors	563,054	462,908
Other payables and accrued expenses	383,350	452,572
Income received in advance		
- restricted funds	2,913,709	3,205,343
- unrestricted sponsorship income received in advance	333,333	333,333
- deferred revenue	128,332	120,441
	4,321,778	4,574,597

At 30 April 2006 the amount paid on account of the HIRT project, but not yet spent was \$2 million. Contractually, these funds are dedicated to the HIRT project, and cannot be applied by the Company for any other purpose.

Non-current	2006	2005
	\$	\$
Income received in advance – restricted funds	-	500,000

13. Interest bearing borrowings

Current	2006	2005
Hire purchase and lease liabilities	2,813,828	1,242,299

Non-current	2006	2005
Hire purchase and lease liabilities	3,204,070	5,550,834

Financing arrangements

The Company's hire purchase and lease liabilities of \$6,017,898 (2005: \$6,793,133) are secured by the leased assets and, in the event of default, the assets revert to the financier.

14. Employee benefits	2006	2005
	\$	\$
Current		
Liability for annual leave	713,119	598,033
Liability for long service leave	147,131	119,188
	860,250	717,221
Non-current		
Liability for long service leave	101,840	64,084

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15. Reserves

	2006	2005
	\$	\$
Asset revaluation reserve at the beginning of the year	-	1,010,497
Revaluation /increment on helicopters	709,697	-
Transfer to retained earnings	-	(1,010,497)
	709,697	-

16. Retained surplus

Retained surplus at the beginning of the year	2,946,400	1,595,056
Transfer from asset revaluation reserve	-	1,010,497
Net surplus for the year	575,205	340,847
Retained surplus at the end of the year	3,521,605	2,946,400

17. Additional financial instruments disclosure

2005	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	6	4.98%	5,458,473	-	-	-	201,518	5,659,991
Receivables	7	-	-	-	-	-	737,413	737,413
			5,458,473	-	-	-	938,931	6,397,404
Financial liabilities								
Payables	12	-	-	-	-	-	4,574,597	4,574,597
Interest bearing borrowing	13	7.10%	-	1,242,299	5,550,834	-	-	6,793,133
			-	1,242,299	5,550,834	-	4,574,597	11,367,730

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17. Additional financial instruments disclosure (continued)

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	6	4.85%	4,666,511	-	-	-	305,585	4,972,096
Receivables	7	-	-	-	-	-	974,713	974,713
			4,666,511	-	-	-	1,280,298	5,946,809
Financial liabilities								
Payables	12	-	-	-	-	-	4,321,778	4,321,778
Interest bearing borrowing	13	7.80%	-	2,813,828	3,204,070	-	-	6,017,898
			-	2,813,828	3,204,070	-	4,321,778	10,339,676

18. Commitments

Hire purchase and finance lease payment commitments

Hire purchase and finance lease commitments are payable:

	2006 \$	2005 \$
Within one year	3,175,991	1,663,037
One year or later and no later than five years	3,309,371	5,983,746
	6,485,362	7,646,783
Less: Future hire purchase and lease finance charges	(467,464)	(853,650)
	6,017,898	6,793,133
Hire purchase and lease liabilities provided:		
Current	2,813,828	1,242,299
Non-current	3,204,070	5,550,834
Total hire purchase and lease liability	6,017,898	6,793,133

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18. Commitments (continued)

Operating lease commitments	2006	2005
	\$	\$
Within one year	480,000	480,000
	480,000	480,000

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. Cash at the end of the financial year as shown in the statement of cashflows is reconciled to the related items in the balance sheet as follows:

	2006	2005
	\$	\$
Cash on hand	2,099	2,686
Cash at bank	4,969,997	5,657,305
	4,972,096	5,659,991

(b) Reconciliation of cashflow from operating activities

Net surplus for the period	575,205	340,847
Add/(less) items classified as investing/financing activities:		
Net loss/(gain) on disposals of non-current assets	11,960	(38,828)
Add/(less) non-cash items:		
Amortisation	737,309	643,331
Depreciation	331,013	265,343
(Reversal of impairment losses)/impairment losses	(287,360)	287,360
Operating surplus before changes in working capital and provisions	1,368,127	1,498,053
(Increase)/decrease in trade debtors	(237,300)	642,957
(Increase)/decrease in inventory	174,435	35,079
(Increase)/decrease in other receivables	14,983	374,397
Increase/(decrease) in payables	(752,819)	3,376,130
Increase in employee benefits	180,785	251,315
Net cash from operating activities	748,211	6,177,931

(c) Non-cash financing and investing activities

During the financial year the Company acquired plant and equipment with an aggregate value of \$407,103 (2005: \$5,342,129) by means of finance leases. These acquisitions are not reflected in the statement of cashflows.

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20. Employee benefits

Aggregate liability for employee entitlements, including on-costs:

Current
Non-current

2006	2005
\$	\$
860,250	717,221
101,840	64,084
962,090	781,305

Number of employees

Number of employees at year end

77	62
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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.

Details of contributions during the year are as follows:
Employer contributions to the plans

2006	2005
\$	\$
455,570	379,424

21. 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

Paul FREEMAN Fundraising Director
Alan GARNER Medical Director
John HOAD Chief Pilot
Ross LARSEN Orange Base Manager
Mark LEES Corporate and Community Relations Manager
(resigned 14 April 2006)
Duncan LOCKWOOD Chief Engineer
Richard NEST Chief Pilot HIRT Project
Jude PETTITT Clinical and Human Resources Manager
Rajini SURENDRAN Finance Manager

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21. Key management personnel disclosure (continued)

a) Transactions with key management personnel

	2006	2005
	\$	\$
Short term employee benefits	1,224,260	921,315
Long term employee benefits	105,140	80,663
Termination benefits	39,583	37,500
	1,368,983	1,039,478

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 \$37,969 (2005: nil) was paid to Sean Beehan Practice Pty Ltd during the year under normal market rates for these types of services.

The Company used corporate advisory services of Profin Consulting, a company of which Norman Hilton is a Director. During the year \$19,800 (2005: nil) was paid to Profin Consulting under normal market rates for these types of services.

During the year, Ian Badham repaid \$1,091 (2005:\$1,091) of a payment made by the Company on his behalf. Outstanding balance of the loan at the end of the reporting period was \$473 (2005: \$1,564).

22. Economic dependency

The Company 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 aero medical services which concluded on 28 February 2005. An interim agreement was signed with the Ambulance Service of NSW to extend the agreement until 30 June 2006.

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

23. Events subsequent to reporting date

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 until the end of June 2006. Recent experience suggests that the Ambulance Service will extend the FPA for a further interim period, but the term of any proposed extension is presently unknown.

On 18 May 2006 the Ambulance Service called tenders for the provision of "Rotary Wing Patient Transfer Services in the Greater Sydney Area". Tenders close on 12 July 2006, and the Company is presently formulating a response. The Directors believe that the Company will present the Ambulance Service with an exceptional value proposition, in terms of cost, quality and reliability of service. .

If either of the following events occur:

- the Ambulance Service awards the entire contract for the Greater Sydney Area to another operator; or
- the Ambulance Service splits the contract for the Greater Sydney Area between multiple contractors, and the Company does not secure a viable component of the new configuration,

there would be significant uncertainty that the Company would be able to continue as a going concern, and therefore whether the Company would be able to realise its assets and extinguish its liabilities in the normal course of business at the amounts stated in the financial statements.

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23. Events subsequent to reporting date (continued)

While acknowledging this uncertainty, the Directors believe that, as a practical matter, any scaling down of operations following an unsuccessful tender outcome would be managed in an orderly way, in co-operation with the Ambulance Service and the successful tenderer.

Other than the tender process and our interim arrangements with the Ambulance Service, 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 Company, the results of those operations, or the state of affairs of the Company, in future financial years.

24. Registered charity

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

25. International financial reporting standards

Explanation of transition to AIFRS

As stated in the statement of significant accounting policies note (a), these are the Company's first financial statements prepared in accordance with AIFRS.

The policies set out in the statement of significant accounting policies section of the report have been applied in preparing the financial statements for the year ended 30 April 2006, the comparative information presented in these financial statements for the year ended 30 April 2005 and in the preparation of an opening AIFRS balance sheet at 1 May 2004.

In preparing its opening AIFRS balance sheet, the Company has adjusted amounts reported previously in financial statements prepared in accordance with its former basis of accounting (previous GAAP). An explanation of how the transition from previous GAAP to AIFRS has affected the Company's financial position, financial performance and cash flows is set out in the following tables and the notes that accompany the following table.

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25. International Financial Reporting Standards (continued)

Explanation of transitions to AIFRS	Note	Previous GAAP	Effect of transition to AIFRS	AIFRS
Revenue				
Ambulance Service of NSW		3,184,400	-	3,184,400
Fundraising		11,281,586	-	11,281,586
Other revenue				
Net gain on disposal of non-current assets	b	-	38,825	38,825
Interest	a	170,486	(170,486)	-
Exchange rate gain	a	163,011	(163,011)	-
Gross proceeds on disposal of non-current assets	b	287,887	(287,887)	-
Sundry income		12,990	-	12,990
Other helicopter and medical retrieval revenue		2,919,533	-	2,919,533
Total other revenue		3,553,907	(582,559)	2,971,348
		18,019,893	(582,559)	17,437,334
Expenditure				
Employee benefits		5,038,167	-	5,038,167
Direct costs of helicopter operation and medical retrieval		4,430,937	-	4,430,937
Cost of fundraising		4,546,360	-	4,546,360
Depreciation and amortisation		908,674	-	908,674
Insurance		495,563	-	495,563
Professional fees		528,699	-	528,699
Other expenses		804,252	-	804,252
Borrowing costs	c	389,972	(389,972)	-
Costs of disposal of non-current assets	b	249,062	(249,062)	-
		17,391,686	(639,034)	16,752,652
Financial income	a	-	333,497	333,497
Financing costs	c	-	(389,972)	(389,972)
Net financing costs		-	(56,475)	(56,475)
Net surplus before revaluation/devaluation of helicopters		628,207	-	628,207
Revaluation/(devaluation) of helicopters		(287,360)	-	(287,360)
Net surplus		340,847	-	340,847

a. Financing income

Under the previous GAAP, interest revenue of \$170,486 and exchange rate gain of \$163,011 were disclosed as other income. Under AIFRS, both interest revenue and exchange gain is reclassified as financing income for the year ended 30 April 2005.

b. Net gain on disposal of non-current assets

Proceeds on sale of non-current assets were disclosed as revenue under previous GAAP. This had the effect of "grossing up" the income statement. Under AIFRS (AASB 118) proceeds on disposal of non-current assets will no longer be disclosed as revenue. Gains on disposal of non-current assets will be disclosed on a net basis. An amount of \$249,062 of costs of disposal of non-current assets was transferred from expenditure to revenue and was set off against \$287,887 of gross proceeds on disposal of non-current assets for the year ended 30 April 2005.

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25. International Financial Reporting Standards (continued)

c) Financing costs

Interest expense on capitalised leases of \$389,972 was disclosed as borrowing costs. Under AIFRS this was reclassified as financing costs for the year ended 30 April 2005.

There are no other material differences between the balance sheet and the statement of cashflows presented under AIFRS and the statement of financial position and the statement of cashflows presented under previous GAAP.

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

Fundraising appeals conducted by the Company:

- a. Christmas
- b. Taxation
- c. Newsletter
- d. 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.

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27. Statement of income and expenditure	2006 \$	2005 \$
Fundraising revenue		
Bear sales	4,938,727	4,624,565
Sponsors - excluding HIRT project	1,000,000	1,000,000
- HIRT project	2,745,321	1,857,594
Appeals	731,799	540,149
Marketing/Product Income	2,061,972	1,317,567
Donations	1,501,629	1,941,711
Gross revenue from fundraising	12,979,448	11,281,586
Fundraising expenditure		
Cost of selling bears	3,786,245	3,467,362
Appeals	176,345	156,042
Marketing and promotion	1,286,330	866,661
Donations	186,571	56,295
Total costs of fundraising	5,435,491	4,546,360
Net surplus from fundraising	7,543,957	6,735,226
Other revenue		
Ambulance Service of NSW - excluding HIRT project	3,520,682	3,171,148
- HIRT project	-	13,252
Other helicopter and medical retrieval revenue	2,770,410	2,919,533
Financial income	251,367	333,497
Net gain on disposal of non-current assets	-	38,825
Revaluation of assets	287,360	-
Other income	23,318	12,990
	6,853,137	6,489,245
Other expenditure – HIRT project		
Employee benefits	1,340,383	483,613
Direct costs of helicopter operation and medical retrieval	247,488	306,464
Depreciation and amortisation	568,197	506,178
Insurance	151,617	94,540
Professional fees	38,599	87,938
Other expenses	118,267	157,342
Financing costs	273,075	232,289
Other expenditure – excluding HIRT		
Employee benefits	4,936,302	4,554,554
Direct costs of helicopter operation and medical retrieval	3,694,197	4,124,473
Depreciation and amortisation	500,125	402,496
Insurance	408,374	401,023
Professional fees	708,298	440,761
Other expenses	664,442	646,910
Financing costs	160,565	157,683
Net loss on disposal of non-current assets	11,960	-
Devaluation of assets	-	287,360
	13,821,889	12,883,624
Total revenue	19,832,585	17,770,831
Total expenditure	19,257,380	17,429,984
Net (deficit)/surplus transferred to retained surplus	575,205	340,847

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28. Statement showing how funds received from fundraising appeals was applied to charitable purposes

	2006	2005
	\$	\$
Net surplus from fundraising	7,543,957	6,735,226
This was applied to the charitable purposes in the following manner:		
Expenditure on general operating and administration costs	7,543,957	6,735,226
Total other expenditure	13,821,889	12,883,624
Less: Net surplus from fundraising	(7,543,957)	(6,735,226)
Shortfall	6,277,932	6,148,398
Shortfall of \$6,277,932 (2005: \$6,148,398) was provided from the following sources:		
Ambulance Service of NSW - excluding HIRT	3,520,682	3,171,148
- HIRT Project	-	13,252
Other helicopter and medical retrieval income	2,770,410	2,919,533
Financial income	251,367	333,497
Net gain on disposal of non-current assets	-	38,825
Revaluation of assets	287,360	-
Other income	23,318	12,990
	6,853,137	6,489,245
Less: Shortfall between surplus available from fundraising appeals conducted and total expenditure	6,277,932	6,148,398
Net surplus	575,205	340,847

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

	2006	2005
	\$	\$
Gross income	5,879,654	5,462,348
Total expenditure incurred	4,492,685	4,094,559

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30. Comparisons of certain monetary figures and percentages

Comparisons	2006 \$	2006 %	2005 \$	2005 %
Total cost of fundraising / gross income from fundraising	5,435,491 / 12,979,448	42	4,546,360 / 11,281,586	40
Net surplus from fundraising / gross income from fundraising	7,543,957 / 12,979,448	58	6,735,226 / 11,281,586	60
Total costs of services / total expenditure	10,218,370 / 19,257,380	53	10,377,775 / 17,429,984	60
Total costs of services / total income	10,218,370 / 19,832,585	52	10,377,775 / 17,770,831	58

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Declaration by Director in respect of fundraising appeals

I, Derek Colenbrander, 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 2006;
- (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 2006;
- (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 2006; 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 20 June 2006.



Derek Colenbrander
Director

CAREFLIGHT

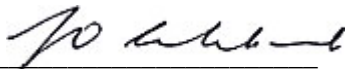
Directors' declaration

1 In the opinion of the Directors of CareFlight

- (a) the financial statements and notes, set out on pages 15 to 37, 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 2006 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) subject to the effects, if any, of the uncertainty regarding continuation as a going concern as set out in note 1 c) and note 23, 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 20 June 2006.

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 2006, 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 pages 38 to 39. 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. The directors are also responsible for preparing the relevant reconciling information regarding the adjustments required under the Australian Accounting Standard AASB 1 *First-time Adoption of Australian equivalents to International Financial Reporting Standards*.

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 2006 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 2006;
- b) the financial report has been properly drawn up, and the associated records have been properly kept for the period from 1 May 2005 to 30 April 2006, 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 2005 to 30 April 2006 has been properly accounted for and applied in accordance with the Charitable Fundraising (NSW) Act 1991 and Regulations; and
- d) subject to the effects, if any, of the uncertainty regarding continuation as a going concern as set out in the emphasis of matter below, there are reasonable grounds to believe that CareFlight will be able to pay its debts as and when they fall due.

Inherent uncertainty regarding continuation as a going concern

Without qualification to the opinion expressed above, attention is drawn to the following matter. As a result of the matters described in note 1(c) and note 23, there is significant uncertainty whether the Company will be able to continue as a going concern and therefore, whether it will realise its assets and extinguish its liabilities in the normal course of business and at the amounts stated in the financial report.



KPMG



Phillip M Napier
Partner

Dated at Sydney on 20 June 2006

Lead Auditors 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 2006, 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



Partner

Dated at Sydney on 20 June 2006