

**ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960**

**FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2006**

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ODYSSEY HOUSE VICTORIA
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CHAIRMAN'S REPORT ON BEHALF OF THE BOARD

This report covers the last financial year during which time I served as chairman of the board. I was one of those who founded Odyssey House Victoria 28 years ago and I have served as chairman for 22 of the last 28 years. Appropriately, my board colleagues and I have been considering the matter of orderly and proper succession both to the board and the leadership of Odyssey.

We are all delighted that the immediate past President of the Appellant Court of the Supreme Court of Victoria, the Honourable John Winneke AC RFD QC, has accepted our invitation to take over as chairman. John Winneke brings to the chair his many years of experience as a senior judge, a Queen's Counsel and sportsman. The board is very pleased to make him welcome. On a personal note I am delighted that one of Victoria's most respected citizens has agreed to lead the Odyssey board into the future.

I take this opportunity, in what will be my last chairman's report, to thank the founding board members, and those many others who have succeeded them. They have all given dedicated service over many years and their individual and collective contributions have ensured Odyssey's success. I express a special thank you to the present deputy chairman, David Bullard and our present honorary secretary, Barry Hutchins, who have given magnificent and selfless service to Odyssey since its very beginning. I am beholden to both of them for both their wise counsel and their friendship.

It is also fitting that I record how proud I am of our residents and other clients. Over 10,000 family members, including children, have benefited either through direct participation in Odyssey support programs or through having a parent or family member make real changes in their lives. Overcoming the "people" problems that lead to substance abuse is not easy. Odyssey represents a difficult journey of change and I congratulate all those many thousands who have trodden this pathway to a rewarding and positive lifestyle. Our work as honorary board members is well satisfied knowing that Odyssey has indeed made a difference.

I write now of my staff colleagues. They are a dedicated group using their many skills to guide and support our clients as they come to grips with and overcome the people problems that led them to illicit use of drugs and alcohol. They have done this to obliterate their negative, albeit wrong, perception of the world around them. People working in the alcohol and drug field are not driven by high salaries, status or power. Their drive comes from a commitment to help others, dedicating their professional skills to restore the dignity and self respect lost to addicts "on the streets". I thank all my staff colleagues led so very ably by our CEO, David Crosbie.

Illustrative of Odyssey's increased activities, over the seven years David Crosbie has been our CEO, is that our overall operating budget has risen from \$3 million to \$8 million. David Crosbie leads an efficient operation with the focus properly directed to client services. The near three fold increase in budget is a direct reflection of the services we provide the community need for these services, a need that is still, sadly, unsatisfied.

Under David Crosbie's leadership Odyssey has introduced new programmes and initiatives as well as new sources of funding. We have two new residential programmes, the Circuitbreaker programme at our farm in Mollyullah near Benalla, and the Odyssey Peninsula Short Term Engagement Programme (OPSTEP) in Frankston.

The Circuitbreaker programme provides a regional and therefore familiar environment, in which young countrymen and women can confront and deal with their problems. It is a short term 15 bed programme with clients either returning to their own centres for further therapy or, in some cases, being referred to the longer term Odyssey residential programme in Lower Plenty. We are grateful to the Federal Government for the initial funding for this much needed intervention programme. Regrettably, this funding only underwrites operating costs for about six months of each year and we are seeking further financial support.

OFSTEP in Frankston is also a short term intervention programme catering for 12 clients living in houses provided and supervised by Odyssey. Clients come together on a daily basis for group and individual therapy. The programme is in partnership with the Federal Government which provides some funding from the confiscation of assets of convicted drug dealers. It is a very appropriate use of such funds.

We have a number of counselling programmes including

- the Buddhist Temple in Braybrook
- our Counting the Kids programme designed to support children of families afflicted by drug and alcohol abuse
- our After Care programme for those leaving our long term residential programme at Lower Plenty
- our treatment assessment programmes in five locations
- counselling for, and supervision of, the residents of 25 supported accommodation houses in Melbourne and around Shepparton.

Importantly we have our 90 bed long term treatment facility housed in what was originally the Seminary of the Fathers of the Blessed Sacrament at Lower Plenty. The latter, as an accredited training organisation, places emphasis on equipping residents for life after Odyssey.

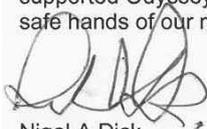
We thank the State Government with whom we enjoy a good relationship and who provide us with ongoing and substantial support. In return we provide Victoria with successful and cost efficient programmes. I know that our new chairman John Winneke, and our CEO David Crosbie, will be seeking to meet with the Government to outline our need to run an "in-house" detoxification programme. At this time we have to rely on external detoxification programmes which often necessitate a delay between the detoxification and treatment phases. Importantly, too, we are confident we could run such a programme at a lesser cost than the "stand-alone" detoxification programmes.

Finally we thank our many private sector donors, philanthropic trusts, commercial organisation and private citizens.

An example of how the private sector can invest in our work is our long-term residential facility at Lower Plenty. It costs \$40,000 to fund one treatment bed for a year providing treatment for up to three people. \$30,000 comes from the State and Federal Government, \$5,000 from the clients leaving a gap of \$5,000.

\$5,000 from the private sector is the missing link that activates a bed for a year. We ask you, to think seriously of how you might be able to help us fund these beds. Donations are tax deductible.

I have told John Winneke that I will remain on the board "at his pleasure." And while I say thankyou to all who have supported Odyssey over my years on the board and as chairman, I also look forward to watching its future success in the safe hands of our new chairman, our board, our CEO and our staff.



Nigel A Dick
Chairman

**ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960**

DIRECTORS' REPORT

Your directors present their report on the company for the financial year ended 30 June 2006.

Directors

The names of the directors in office at any time during or since the end of the financial year are:

Mr Nigel A Dick
Mr David E F Bullard
Mr J Barry Hutchins
Ms Rowena Allsop
Mrs Helen M Charlton (resigned 27 July 2005)
Ms Margarita Frederico
Mr Brian J Mallon
Mr Roger Clifton (resigned 27 June 2006)
Mr Anthony Brand
Mr John Marshall
Mr Nick McMahon
Mr Andrew Hutchins
Mr Frank O'Sullivan
Ms Judy Yann
Mr Graeme Chipp (appointed 27 June 2006)
Mr John Winneke (appointed 27 June 2006)

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated.

Operating Results

The deficit of the company for the financial year amounted to \$192,920 (2005: \$13,502 surplus).

Review of Operations

A review of the operations of the company during the financial year and the results of those operations found that during the year the company continued to engage in its principal activity, the results of which are disclosed in the attached financial statements.

Significant Changes in State of Affairs

There were no significant changes in the state of affairs of the company during the financial year.

Principal Activity

The principal activity of the company during the financial year was the provision of residential and non-residential drug rehabilitation services in Victoria. No significant change in the nature of these activities occurred during the year.

After Balance Date Events

No matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations of the company, the results of those operations, or the state of affairs of the company in future financial years.

Likely Developments

The company expects to maintain the present status and level of operations and hence there are no likely developments in the company's operations.

Environmental Issues

The company's operations are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Dividends Paid or Recommended

The company is not-for-profit and its constitution precludes it from paying dividends.

**ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960**

DIRECTORS' REPORT

Information on Directors

Board Member	Experience	Special Responsibilities
Mr Nigel A Dick AM, MA, FAIA, FAID, SFDCA (dip)	A founding Board Member and life member of a number of charities, Mr Dick was Chief Executive and a director of GTV9, TCN9 and the Broadcasting Corporation of New Zealand, Director of TV and Radio, HWT Limited, Executive Chairman of HSV7 and Southern Cross Communications and a past Chairman of the RACV.	CHAIRMAN
Mr David E F Bullard OBE, RFD, ED, LLB	A founding Board Member and immediate past Chairman, Mr Bullard, a Barrister and Solicitor and Partner of Bullards is a retired Lt. Colonel of the Australian Army Reserve and Chairman of the RACV.	DEPUTY CHAIRMAN
Mr J Barry Hutchins OAM, FCA, FCPA, FTIA	A founding Board Member and past Chairman, Mr Hutchins, a chartered accountant with a number of business and community interests, is a former Senior Partner in Pannell Kerr Forster and a Trustee of the Helen Macpherson Smith Trust.	TREASURER/ SECRETARY
Ms. Rowena Allsop OAM	A Board Member since August 1996, Ms Allsop, whose current involvements include Bail Justice, Civil Marriage Celebrant, and the Moonee Valley Council Festivals, Recreation, and Arts Advisory Committee. In 1994, she received the Victorian of the Year Award for 'Outstanding contributions to the Victorian Community' and in 2001 received a Community Service Award from the City of Moonee Valley. She is Coordinator of the Department of Education and Training's Information and Referral Service.	
Mrs Helen M Charlton	A founding member of the Board and Friends of Odyssey, Mrs Charlton has extensive business and community interests and is a former member of Project Childcare Committee at St. John's Childrens Homes, Canterbury.	
Assoc Prof Margarita Frederico BA., Dip Soc Stud, MSW, MBA.	A Board Member since December 1994, Senior Lecturer, Department of Social Work and Social Policy, La Trobe University, Bundoora, with a particular interest in not for profit governance, is a Board Member of Berry Street Child and Family Services (Vic), Marymead Child and Family Services (ACT), and President of AASW (Vic Branch).	
Mr Brian J Mallon	A Board Member since 1982, Mr Mallon is Executive Director of The Royal Children's Hospital Foundation. Previous positions include Managing Director of HSV7 Melbourne, Managing Director of Crown Communications London, and General Manager of Par Plan Australia.	

**ODYSSEY HOUSE VICTORIA
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DIRECTORS' REPORT

Board Member	Experience	Special Responsibilities
Mr Roger Clifton	A Board Member since June 2001. Mr Clifton is Managing Director of McCann-Erickson, Melbourne and has been involved in advertising since 1965. He has held management positions in a number of agencies and has numerous blue-chip clients and serves on the National Board of Directors for McCann Erickson, plus two other Boards of Directors, one as Chairman. Mr Clifton has also served on the Advertising Institute of Australasia (AIA) Management Committee for over 20 years, being the immediate past President and was inducted as a Life Fellow. The AIA has a charter to improve professional training for members and assists newly trained advertising professionals secure appropriate employment. To address this charter, Mr Clifton served for seven years on the RMIT curriculum committee. He has also worked on the Management Committees for The Richmond Fellowship and the Victorian Deaf Society, in addition to providing assistance to The Smith Family, The Salvation Army, The Starlight Foundation, and Prevention of Youth Suicide. While these activities were pro-bono, Mr Clifton also acted in a paid capacity through the advertising agency he was managing at the time for World Vision.	
Mr Anthony Brand LLB, B.Juris.	A Board Member since November 2000. Mr Brand is a partner with Slades and Partners, Solicitors and is an accredited Law Institute criminal law specialist. Mr Brand was part of the group involved in establishing the outpatient program for Odyssey House.	
Mr John Marshall Bsc, Msc, MAID	A Board Member since November 2002, Mr Marshall has a background in senior management in the food, chemical and energy industries. He worked for ICI in senior roles in Australia and was Regional CEO for Europe, Middle East and Africa for a division of ICI PLC based in Brussels. More recently he was CEO of Solaris Power at the time of privatisation and then Managing Director and CEO of Citipower. He is now an adviser on utilities to the partners of PriceWaterhouseCoopers and a management consultant.	
Mr Nick McMahon	A Board Member since 2003, Mr McMahon has been in the television production business for over 30 years. He originally spent 13 years with Crawfords as the Director of Sales and Marketing, selling Australian products around the world. In 1987 he formed McMahon and Lake Pty Ltd with Michael Lake and was responsible for the Australian production of Paramount's Mission Impossible series, which received international success. In 1990 Nick became Managing Director of Village Roadshow Pictures (Aust) Pty Ltd based on the Gold Coast and rejoined Crawfords in 1999. He has also worked as an international consultant for the US Home Box Office (HBO) and is currently the Pacific Rim Representative of the National Association of Television Program Executives (NAPTPE), a member of the Evaluation and Advisory Committee of Film Victoria and Vice-President of Screen Producers Association of Australia (SPAA).	

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DIRECTORS' REPORT

Board Member	Experience	Special Responsibilities
Mr Andrew Hutchins B.Bus., (Banking and Finance), MBA	A board member since October 2004, Andrew is a Chartered Accountant with a Masters in Business Administration from RMIT University. Andrew has had 15 years experience in senior finance roles across a range of industries, including corporate recoveries, advertising, broadcasting, and the legal industry.	
Mr Frank O'Sullivan Ph.c., M.P.S., AACP	A Board member since October 2004, Frank is a consultant pharmacist that currently supplies medication review services to nursing homes, hostels, and private individuals, being a member of medication committees at several of these facilities. Frank is also a member of the Pharmaceutical Association of Consultant Pharmacists, The Australian Pharmaceutical Society (Vic Branch), has been a community pharmacist for over 40 years and his own pharmacy in Camberwell for 30 years. His association with drug affected people began when he commenced a methadone dispensing service at his pharmacy, which still continues. Frank has also been a member of the Boorondara Drug Action Committee for the past three years and is immediate past president of the Rotary Club, Kew, which he continues to serve as a member of their board.	
Ms Judy Yann BA, Grad Dip Soc Sci	A board member since December 2004, Judy is a marketing consultant with experience in marketing, advertising, and market research. She is currently a consultant with Slater Marketing. She has also worked as a counsellor and board member of Southern Family Life in Sandringham and is a director of Firbank Grammar School.	
Mr Graeme Chipp	Joined the Board in July 2006. Graeme is the Managing Director of Growth Solutions Group, a strategy and marketing advisory firm he co-founded in 1998. Prior to GSG, Graeme had held senior roles with McKinsey & Co and major Australian companies. He is a trustee of the Robert Rose Foundation and founder of the AFL Community Exchange program for young indigenous Australians.	
Mr John Winneke AC. RFD QC	Retired Judge and former President, Court of Appeal, Supreme Court of Victoria; son of Hon. Sir Henry Winneke; educated at Scotch College, and the University of Melbourne; career: QC 1976, joined Victorian Bar 1962; former AFL Commissioner and Hawthorn footballer.	

ODYSSEY HOUSE VICTORIA
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DIRECTORS' REPORT

Meetings of Directors

DIRECTORS	DIRECTORS' MEETINGS	
	Number eligible to attend	Number attended
Mr Nigel A Dick	8	8
Mr David E F Bullard	8	7
Mr J Barry Hutchins	8	6
Ms Rowena Allsop	8	8
Mrs Helen M Charlton (resigned 27 July 2005)	1	0
Ms Margarita Frederico	8	6
Mr Brian J Mallon	8	6
Mr Andrew Hutchins	8	6
Mr Frank O'Sullivan	8	5
Mr Roger Clifton (resigned 27 June 2006)	8	4
Mr Anthony Brand	8	3
Mr John Marshall	8	6
Ms Judy Yann	8	3
Mr Nick McMahon	8	7
Mr Graeme Chipp (appointed 27 June 2006)	1	0
Mr John Winneke (appointed 27 June 2006)	1	0

Options

No options over issued shares or interests in the company were granted during or since the end of the financial year and there were no options outstanding at the end of the financial year.

Indemnification of Officer or Auditor

No indemnities have been given or insurance premiums paid, during or since the end of the financial year, for any person who is or has been an officer or auditor of the company.

Auditor independence

A copy of the auditors' independence declaration as required under section 307C of the Corporation Act 2001 is set out on the following page.

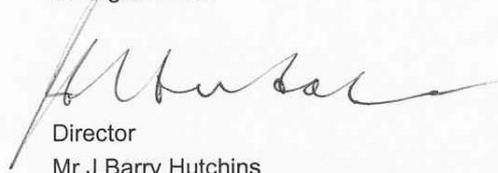
Proceedings on Behalf of the Company

No person has applied for leave of Court to bring proceedings on behalf of the company or intervene in any proceedings to which the company is a party for the purpose of taking responsibility on behalf of the company for all or any part of those proceedings.

The company was not a party to any such proceedings during the year.



Director
Mr Nigel A Dick



Director
Mr J Barry Hutchins

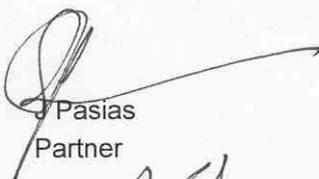
Dated this 26th day of October 2006

INDEPENDENCE DECLARATION

**TO : THE DIRECTORS
ODYSSEY HOUSE VICTORIA**

As lead engagement partner for the audit of Odyssey House Victoria for the year ended 30 June 2006, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditor independence requirements of the Corporations Act in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.



J Pasiadis
Partner



PKF
Chartered Accountants

27 October 2006
Melbourne

ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	Notes	2006 \$	2005 \$
Revenue	2	6,626,291	6,304,847
Employee benefits expense		(4,684,707)	(4,176,055)
Depreciation and amortisation expenses	3	(330,547)	(279,028)
Lease expenses		(217,031)	(212,484)
Utilities expenses		(272,801)	(204,500)
Operating expenses		(1,287,931)	(1,333,038)
Other expenses		(7,558)	(83,336)
Loss on sale of assets		(4,278)	-
Borrowing costs expense	3	<u>(14,358)</u>	<u>(2,904)</u>
Surplus / (Deficit) before income tax		(192,920)	13,502
Tax expense	1(b)	<u>-</u>	<u>-</u>
Net Surplus / (Deficit)		<u><u>(192,920)</u></u>	<u><u>13,502</u></u>

The accompanying notes form part of these financial statements.

ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960

BALANCE SHEET
AS AT 30 JUNE 2006

	Notes	2006 \$	2005 \$
CURRENT ASSETS			
Cash and cash equivalents	6	702,863	342,012
Other financial assets	7	-	40,000
Trade and other receivables	8	211,891	397,428
Other assets	9	64,297	20,059
TOTAL CURRENT ASSETS		<u>979,051</u>	<u>799,499</u>
NON-CURRENT ASSETS			
Property, plant and equipment	10	3,174,212	2,990,236
TOTAL NON-CURRENT ASSETS		<u>3,174,212</u>	<u>2,990,236</u>
TOTAL ASSETS		<u>4,153,263</u>	<u>3,789,735</u>
CURRENT LIABILITIES			
Trade and other payables	11	502,508	457,462
Provisions	12	350,516	389,488
Interest bearing liabilities	13	583,833	149,574
TOTAL CURRENT LIABILITIES		<u>1,436,857</u>	<u>996,524</u>
NON-CURRENT LIABILITIES			
Trade and other payables	11	113,576	-
Provisions	12	50,250	33,404
Interest bearing liabilities	13	203,256	217,563
TOTAL NON-CURRENT LIABILITIES		<u>367,082</u>	<u>250,967</u>
TOTAL LIABILITIES		<u>1,803,939</u>	<u>1,247,491</u>
NET ASSETS		<u>2,349,324</u>	<u>2,542,244</u>
RETAINED SURPLUS		<u>2,349,324</u>	<u>2,542,244</u>

The accompanying notes form part of these financial statements.

**ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960**

**STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006**

	Notes	2006 \$	2005 \$
RETAINED SURPLUS			
Balance at the beginning of the year		2,542,244	2,528,742
Surplus / (Deficit) from operations		<u>(192,920)</u>	<u>13,502</u>
Balance at the end of the year		<u>2,349,324</u>	<u>2,542,244</u>

The accompanying notes form part of these financial statements.

**ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960**

**CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006**

	Notes	2006 \$	2005 \$
CASH FLOW FROM OPERATING ACTIVITIES			
State and Federal Government funding		4,865,916	4,817,421
Membership subscriptions		70	55
Client fees		574,271	576,932
Payments to suppliers and employees		(6,140,584)	(5,840,672)
Donations and fundraising		592,994	563,349
Interest received		10,847	43,983
Interest paid		(12,181)	(2,904)
Other receipts received		688,320	426,441
Net cash provided by operating activities	16 (b)	579,653	584,605
CASH FLOW FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(518,802)	(645,824)
Net cash (used in) investing activities		(518,802)	(645,824)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings		300,000	-
Net cash provided by financing activities		300,000	-
Net increase/(decrease) in cash held		360,851	(61,219)
Cash and cash equivalents at beginning of financial year		342,012	403,231
Cash and cash equivalents at end of financial year	16 (a)	702,863	342,012

The accompanying notes form part of these financial statements.

ODYSSEY HOUSE VICTORIA
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

Introduction

The financial report covers Odyssey House Victoria as an individual entity. Odyssey House is a company limited by guarantee, incorporated and domiciled in Australia.

The registered office of the company is 660 Bridge Road, Richmond, Victoria, and the principal place of business is Bonds Road, Lower Plenty, Victoria. The financial statements are presented in Australian dollars.

The financial report was authorised for issue by the Board of Directors of Odyssey House Victoria on the date shown on the Director's Declaration attached to the Financial Statements.

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report prepared in accordance with the requirement of the applicable Accounting Standards, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The following is a summary of the material accounting policies adopted by the company in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of preparation

The financial report has been prepared on an accruals basis and is based on historical costs. It does not take into account changing money values or, except where stated, current valuations of non-current assets. Cost is based on the fair values of the consideration given in exchange for assets.

This is a first-time adoption of International Financial Reporting Standards (IFRS) financial report. Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial report complies with IFRS. No material financial impact has occurred upon translation to AIFRS. The financial report was authorised for issue by the directors on the date of signing of the Directors' Declaration.

Accounting standards issued but not yet effective, have been considered by the directors and are not expected to make a material impact on the financial report.

(b) Income Tax

No provision for income tax has been raised as the company is exempt from income tax under Division 50 of the Income Tax Assessment Act 1997.

ODYSSEY HOUSE VICTORIA
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT.)

(c) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost or fair value less, where applicable, any accumulated depreciation.

Property

Freehold land and buildings are measured at cost.

Plant and equipment

Plant and equipment are measured on the cost basis.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, are depreciated over their estimated useful lives to the company commencing from the time the asset is held ready for use. Properties held for investment purposes are not subject to a depreciation charge. Leasehold improvements are amortised over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

Class of fixed asset	Depreciation rates	Depreciation basis
Buildings	2 %	Straight Line
Leasehold improvements	20 %	Straight Line
Motor Vehicles	22.5 %	Straight Line
Computer Equipment	33 1/3 %	Straight Line
Improvements	10 %	Straight Line

(d) Leases

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the company are classified as finance leases. Finance leases are capitalised, recording an asset and a liability equal to the present value of the minimum lease payments, including any guaranteed residual values. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the company will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

Lease incentives received under operating leases are recognised as a liability. Lease payments received reduced the liability.

(e) Employee Entitlements

The following liabilities arising in respect of employee benefits are measured at their nominal amounts:

- wages and salaries, annual leave and sick leave expected to be settled within twelve months of the reporting date.
- other employee benefits expected to be settled within twelve months of the reporting date.

All other employee benefit liabilities expected to be settled more than twelve months after the reporting date are measured as the present value of the estimated future cash outflows in respect of services provided up to the reporting date. Liabilities are determined after taking into consideration estimated future increases in wages and salaries and past experience regarding staff departures. Related on-costs are included.

(f) Cash

For the purposes of the Cash Flow Statement, cash includes cash on hand and at call deposits with banks or financial institutions, investments in money market instruments maturing within less than two months and net of bank overdrafts.

(g) Revenue

Revenue from sale of goods is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. Revenue is recognised as follows:

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

Grant revenue is recognised when the right to receive the grant consideration is attained.

Donations and specific purpose grant revenue is recognised when the projects commence.

Client fee revenue is recognised when the fees are received.

(h) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the balance sheet are shown inclusive of GST.

(i) Comparative Figures

Where required by Accounting Standards comparative figures have been adjusted to conform with changes in presentation for the current financial year.

(j) Members Liability

The liability of the members of Odyssey House Victoria is limited. Each member has undertaken to contribute to the assets of Odyssey House Victoria in the event of the Company being wound up while a member, or within one year after ceasing to be a member for payment of debts. The amount of each member's liability is limited to \$50. At balance date there were 14 members.

(k) New and Revised Accounting Standards and Interpretations

All new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to Odyssey House Victoria's operations and effective for annual reporting periods beginning on 1 July 2005 have been adopted by the company.

Consideration has been given to new and revised standards and interpretations issued by AASB that are not yet effective and the Directors do not believe that they will have any material financial impact on the financial statements of the company.

ODYSSEY HOUSE VICTORIA
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 \$	2005 \$
2. REVENUE			
State Government Grants (DHS)		2,924,411	2,901,618
Client fees		574,271	576,932
Donations and fundraising		592,994	563,349
Interest		10,847	43,983
Other (non DHS) Government Funding		1,941,505	1,864,564
Other revenue		582,263	354,401
		6,626,291	6,304,847
3. RESULT			
Result before income tax has been determined after charging expenses as:			
Borrowing costs:			
- other persons		14,358	2,904
Depreciation of non-current assets			
- Buildings		19,135	15,248
- Leasehold improvements		8,997	5,737
- Motor vehicles		42,728	68,825
- Leased motor vehicles		96,937	8,472
- Plant & Equipment		95,895	117,392
- Improvements		66,855	63,354
Depreciation of property, plant and equipment		330,547	279,028
Remuneration of the auditors for:			
- audit or review services		11,500	12,059
- financial statement preparation		6,000	-
- Other assurance services		-	1,350
		17,500	13,409
Rental expense on operating leases		217,031	212,484
Loss on sale of non-current assets		4,279	25,877
Superannuation contribution expense		331,566	305,301

**ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

	Note	2006 \$	2005 \$
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4. DIRECTORS REMUNERATION AND RELATED PARTY TRANSACTIONS

(a) Directors' remuneration

No director received remuneration from the company.

The names of directors who have held office during the financial year are:

Mr Nigel A Dick
 Mr David E F Bullard
 Mr J Barry Hutchins
 Ms Rowena Allsop
 Mrs Helen M Charlton (resigned 27 July 2005)
 Ms Margarita Frederico
 Mr Brian J Mallon
 Mr Roger Clifton (resigned 27 June 2006)
 Mr Anthony Brand
 Mr John Marshall
 Mr Nick McMahon
 Mr Andrew Hutchins
 Mr Frank O'Sullivan
 Ms Judy Yann
 Mr Graeme Chipp (appointed 27 June 2006)
 Mr John Winneke (appointed 27 June 2006)

Mr D Bullard is partner with Bullards Barristers and Solicitors who have provided legal advice on an honorary basis.

5. KEY MANAGEMENT PERSONNEL COMPENSATION

The following table discloses the aggregate of Key Management personnel compensation

Total remuneration	139,384	135,728
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6. CASH AND CASH EQUIVALENTS

Cash on hand	5,950	8,500
Cash at bank	696,913	333,512
	702,863	342,012

7. OTHER FINANCIAL ASSETS

CURRENT

Mortgage Investment	-	40,000
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ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 \$	2005 \$
8. TRADE AND OTHER RECEIVABLES			
CURRENT			
Trade and other debtors		200,719	-
Accrued revenue		<u>11,172</u>	<u>397,428</u>
		<u>211,891</u>	<u>397,428</u>
9. OTHER ASSETS			
CURRENT			
Prepaid expenses		4,297	10,059
Security bond		10,000	10,000
Deposit for bank guarantee		<u>50,000</u>	<u>-</u>
		<u>64,297</u>	<u>20,059</u>

ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 \$	2005 \$
10. PROPERTY, PLANT AND EQUIPMENT			
LAND			
Freehold land:			
At cost		<u>620,693</u>	<u>620,693</u>
BUILDINGS			
At cost		1,535,089	1,452,419
Less accumulated depreciation		<u>(79,514)</u>	<u>(53,898)</u>
		<u>1,455,575</u>	<u>1,398,521</u>
LEASEHOLD IMPROVEMENTS			
At cost		28,095	28,686
Less accumulated amortisation		<u>(26,420)</u>	<u>(26,295)</u>
		<u>1,675</u>	<u>2,391</u>
PLANT AND EQUIPMENT			
(a) Plant and equipment			
At cost		1,163,650	1,064,232
Less accumulated depreciation		<u>(981,262)</u>	<u>(885,367)</u>
		<u>182,388</u>	<u>178,865</u>
(b) Improvements			
At cost		760,542	659,433
Less accumulated depreciation		<u>(410,106)</u>	<u>(343,251)</u>
		<u>350,436</u>	<u>316,182</u>
(c) Motor vehicles			
At cost		182,022	249,852
Less accumulated depreciation		<u>(136,202)</u>	<u>(145,525)</u>
		<u>45,820</u>	<u>104,327</u>
(d) Motor vehicles – leased			
At cost		593,201	377,729
Less accumulated depreciation		<u>(75,576)</u>	<u>(8,472)</u>
		<u>517,625</u>	<u>369,257</u>
Total plant and equipment		<u>1,096,269</u>	<u>968,631</u>
Total property, plant and equipment		<u>3,174,212</u>	<u>2,990,236</u>

ODYSSEY HOUSE VICTORIA
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

(a) Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year

	Freehold land \$	Buildings \$	Leasehold Improvements \$	Plant & equipment \$
2006				
Balance at the beginning of the year	620,693	1,398,521	2,391	178,865
Additions	-	82,670	1,800	99,418
Disposals	-	-	-	-
Depreciation expense	-	25,616	2,516	95,895
Carrying amount at the end of the year	<u>620,693</u>	<u>1,455,575</u>	<u>1,675</u>	<u>182,388</u>

	Leased Motor Vehicles \$	Motor Vehicles \$	Improvements \$	Total \$
Balance at the beginning of the year	369,257	104,327	316,182	2,990,236
Additions	327,449	-	101,109	612,446
Disposals	82,144	15,779	-	97,923
Depreciation expense	96,937	42,728	66,855	330,547
Carrying amount at the end of the year	<u>517,625</u>	<u>45,820</u>	<u>350,436</u>	<u>3,174,212</u>

Note	2006	2005
	\$	\$

11. TRADE AND OTHER PAYABLES

CURRENT

Unsecured liabilities		
Trade and other creditors	346,812	244,052
Sundry creditors and accruals	144,000	213,410
Lease incentive	11,696	-
	<u>502,508</u>	<u>457,462</u>

NON CURRENT

Lease incentive	113,576	-
	<u>113,576</u>	<u>-</u>

In accordance with the lease agreement for the premises on Bridge Road, Odyssey House, was given one year's rental free which is to be expensed over the life of the lease.

ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 \$	2005 \$
12. PROVISIONS			
CURRENT			
Annual leave		271,981	302,839
Long service leave		<u>78,535</u>	<u>86,649</u>
		<u>350,516</u>	<u>389,488</u>
NON-CURRENT			
Long service leave		<u>50,250</u>	<u>33,404</u>
(a) Aggregate employee entitlements liability		<u>400,760</u>	<u>422,891</u>
(b) Number of employees at year end		<u>95</u>	<u>102</u>
13. INTEREST BEARING LIABILITIES			
CURRENT			
Secured liabilities			
Short term Mortgage		300,000	-
Finance lease liability	14	<u>283,833</u>	<u>149,574</u>
		<u>583,833</u>	<u>149,574</u>
NON-CURRENT			
Secured liabilities			
Finance lease liability	14	<u>203,256</u>	<u>217,563</u>
Finance leases are secured by the underlying asset being leased. Short term mortgage is secured by mortgage over the lower plenty land.			
14. CAPITAL AND LEASING COMMITMENTS			
(a) Operating lease commitments - premises and equipment			
Non-cancellable operating leases contracted for but not capitalised in the financial statements:			
Payable			
- not later than one year		192,359	206,520
- later than one year and not later than five years		621,364	750,516
- later than five years		<u>-</u>	<u>63,207</u>
		<u>813,723</u>	<u>1,020,243</u>
(b) Finance leasing commitments			
Payable			
- not later than one year		321,255	177,147
- later than one year and not later than five years		<u>216,807</u>	<u>230,883</u>
Minimum lease payments		<u>538,062</u>	<u>408,030</u>
Less future finance charges		<u>(50,973)</u>	<u>(40,893)</u>
Total finance lease liability		<u>487,089</u>	<u>367,137</u>
Represented by:			
Current liability	13	<u>283,833</u>	<u>149,574</u>
Non current liability	13	<u>203,256</u>	<u>217,563</u>
		<u>487,089</u>	<u>367,137</u>

ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006 \$	2005 \$
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15. SEGMENT REPORTING

The company provides residential and non-residential drug rehabilitation services and operates in Victoria, Australia.

16. CASH FLOW INFORMATION

(a) Reconciliation of cash

Cash at the end of the financial year as shown in the Cash Flow Statement is reconciled to the related items in the balance sheet as follows:

Cash on hand	5,950	8,500
Cash at bank	696,913	333,512
	702,863	342,012

(b) Reconciliation of cash flow from operations with surplus after income tax

Net (Deficit) / Surplus	(192,920)	13,502
Non-cash items included in the (Deficit) / surplus		
Depreciation	330,547	279,028
Net loss on disposal of property, plant and equipment	4,279	25,877
Changes in assets and liabilities		
Decrease/(increase) in other financial assets	(10,000)	446,500
(Increase)/decrease in other assets	191,299	(303,107)
Increase/(decrease) in payables	278,574	75,313
Increase in provisions	(22,126)	47,492
Cash flows from operations	579,653	584,605

(c) Other disclosures

During the year the entity financed the acquisition of motor vehicles for \$327,449 through finance leases. As this is a non cash transaction, the effect is not reflected in the Cash Flow Statement.

The entity has an unused overdraft facility for \$200,000 (2005: \$200,000). This facility is secured by the property at Bonds Road, Lower Plenty.

ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006

17. FINANCIAL INSTRUMENTS

(a) Interest Rate Risk

The company's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates and the effective weighted average interest rates on classes of financial assets and financial liabilities, is as follows:

	Weighted Average		Fixed Interest Rate Maturing					
	Effective Interest Rate		Floating Interest Rate		Within 1 Year		1 to 5 Years	
	2006 %	2005 %	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$
Financial Assets:								
Cash	1.65	1.65	702,863	342,012	-	-	-	-
Investments	-	8.0	-	-	-	40,000	-	-
Total Financial Assets			<u>702,863</u>	<u>342,012</u>	<u>-</u>	<u>40,000</u>	<u>-</u>	<u>-</u>
Financial Liabilities:								
Mortgage	8.0	-	-	-	300,000	-	-	-
Finance lease liabilities	8.95	8.95	-	-	283,833	149,574	203,256	217,563
Total Financial Liabilities			<u>-</u>	<u>-</u>	<u>583,833</u>	<u>149,574</u>	<u>203,256</u>	<u>217,563</u>

	Fixed Interest Rate Maturing					
	Over 5 Years		Non-Interest Bearing		Total	
	2006 \$	2005 \$	2006 \$	2005 \$	2006 \$	2005 \$
Financial Assets:						
Cash	-	-	-	-	702,863	342,012
Receivables	-	-	276,188	417,487	276,188	417,487
Investments	-	-	-	-	-	40,000
Total Financial Assets	<u>-</u>	<u>-</u>	<u>276,188</u>	<u>417,487</u>	<u>979,051</u>	<u>799,499</u>
Financial Liabilities:						
Mortgage	-	-	-	-	300,000	-
Trade and sundry creditors	-	-	616,084	457,462	616,084	457,462
Hire purchase liabilities	-	-	-	-	487,089	367,137
Total Financial Liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>457,462</u>	<u>1,403,173</u>	<u>824,599</u>

**ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

17. FINANCIAL INSTRUMENTS (CONT.)

(b) Credit Risk

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets is the carrying amount of those assets, net of any allowance for doubtful debts, as disclosed in the balance sheet and notes to the financial report.

The company does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into by the company.

(c) Net Fair Values

The net fair value of listed investments have been valued at the quoted market bid price at balance date adjusted for transaction costs expected to be incurred. For other assets and other liabilities the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments. Financial assets where the carrying amount exceeds net fair values have not been written down as the company intends to hold these assets to maturity.

The aggregate net fair values and carrying amount of financial assets and financial liabilities are disclosed in the balance sheet and in the notes to the financial statements.

**ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960**

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2006**

18. COMPANY DETAILS

The registered office of the company is:

Odyssey House Victoria

660 Bridge Road

Richmond Victoria 3121

The principal place of business is:

Odyssey House Victoria

Bonds Road

Lower Plenty Victoria 3093

19. SUBSEQUENT EVENTS

There have been no events subsequent to balance date, which require further disclosure or amendments to this financial report.

20. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The company's bank has provided a guarantee of \$50,000 as security for the premises that the company occupies. The bank holds term deposits as security for this guarantee. Other than the above, the company is not aware of the existence of any other contingent assets or liabilities.

**ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960**

DIRECTORS' DECLARATION

The directors of the company declare that:

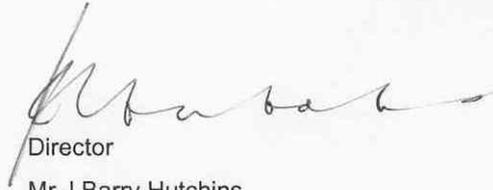
1. The financial statements and notes, as set out on pages 9 to 24 are in accordance with the Corporations Act 2001:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the financial position as at 30 June 2006 and of the performance for the financial year ended on that date of the company.
2. In the directors' opinion there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



Director

Mr Nigel A Dick



Director

Mr J Barry Hutchins

Dated this 26th day of October 2006

**INDEPENDENT AUDIT REPORT
TO MEMBERS OF ODYSSEY HOUSE VICTORIA****Scope****The Financial Report and Directors'
Responsibility**

The financial report comprises the Income Statement, Balance Sheet, Cash Flow Statement, Statement of Changes in Equity, accompanying notes to the financial statements, and the directors' declaration for Odyssey House Victoria for the year ended 30 June 2006.

The directors of the company are responsible for the preparation and true and fair presentation of the financial report in accordance with the Corporations Act 2001. 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.

Audit Approach

We conducted an independent audit in order to express an opinion to the members of the company.

Our audit was conducted in accordance with Australian Auditing Standards in order to provide reasonable assurance as to whether the financial report is free of material misstatement. The nature of an audit is influenced by factors such as the use of professional judgement, selective testing, the inherent limitations of internal control, and the availability of persuasive rather than conclusive evidence. Therefore, an audit cannot guarantee that all material misstatements have been detected.

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001, including compliance with Accounting Standards and other mandatory financial reporting requirements in Australia, a view which is consistent with our understanding of the company's financial position, and of its performance as represented by the results of its operations and cash flows.



PKF
Chartered Accountants

27 October 2006
Melbourne

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Victorian Partnership | ABN 56 527 914 493
Level 11, CGU Tower | 485 La Trobe Street | Melbourne | Victoria 3000 | Australia
GPO Box 5099 | Melbourne | Victoria 3001

We formed our audit opinion on the basis of these procedures, which included:

- (a) examining, on a test basis, information to provide evidence supporting the amounts and disclosures in the financial report, and
- (b) assessing the appropriateness of the accounting policies and disclosures used and the reasonableness of significant accounting estimates made by the directors.

While we considered the effectiveness of management's internal controls over financial reporting when determining the nature and extent of our procedures, our audit was not designed to provide assurance on internal controls.

Independence

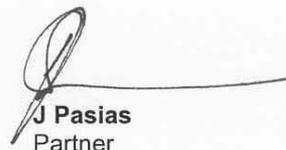
In conducting our audit, we followed applicable independence requirements of Australian

professional ethical pronouncements and the Corporations Act 2001.

Audit Opinion

In our opinion, the financial report of Odyssey House Victoria 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 June 2006 and of its performance for the year ended on that date, and
 - (ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- (b) other mandatory financial reporting requirements in Australia.



J Pasias
Partner