

ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2007

ODYSSEY HOUSE VICTORIA

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**ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960
CHAIRMAN'S REPORT
ON BEHALF OF THE BOARD**

This is my first report serving as chairman of the board of Odyssey House Victoria. During the past financial year I was honoured and humbled to take over from Nigel Dick AM. Nigel was one of the founders of Odyssey House Victoria, and served as its chairman for 22 of the past 29 years. Befittingly, Nigel's outstanding leadership and contribution to those most severely affected by drug and alcohol dependence was recognised in June when he received the nation's highest accolade for service to the Australian drug and alcohol sector, the Prime Minister's 2007 National Drug and Alcohol Award.

Nigel continues to serve on the board and I take this opportunity to thank him and my fellow board members, especially the Deputy Chairman David Bullard OBE, for their dedicated service and collective contribution to ensure that Odyssey has again achieved remarkable success in serving those most in need. All board members work in an honorary capacity and the governance and strategic direction they provide ensures that Odyssey operates in a transparent and accountable manner, focused on meeting the changing needs of clients.

It is with much sadness that Odyssey paid its respects earlier this year to another founding board member, the late Barry Hutchins OAM. Among his many voluntary contributions, Barry gave magnificent and selfless service to Odyssey as company secretary and treasurer. As testament to his legacy, the generosity and contribution of the Hutchins family lives on through Barry's son Andrew who now serves as a board member and has taken over as Treasurer.

This year has also marked the end of another era of leadership within Odyssey House. After 7 years at the helm as CEO, David Crosbie has moved back to Canberra to head up the Mental Health Council of Australia. Odyssey has grown substantially under David's leadership, expanding its residential programs into regional Victoria and attracting significant project funding from the Commonwealth to offer more holistic services to clients and their families, with employment programs and training in hospitality, horticulture and business administration. David's high media profile and client advocacy has also placed Odyssey in a secure position with great community support and recognition for the work it does.

It is with pleasure that the board welcomed Dr. Stefan Gruenert to the role of CEO this year, after his 8 years with Odyssey as a psychologist, researcher and manager. With the support of his executive team consisting of Eric Allan, Peter O'Connell, Jeff Wilson, and Neos Zavrou, I expect that Stefan will continue to advocate for and serve all Victorians affected by drugs or alcohol, as well as attract the additional resources needed to support the thousands of others who need our help.

Throughout the year, I have been greatly impressed by the work of Odyssey. For those with entrenched drug and alcohol dependencies, the Odyssey journey requires great courage and determination. Furthermore, Odyssey expects a high degree of self-responsibility for recovery as clients build respect for themselves and for others. People do not come to Odyssey House with drug or alcohol problems alone. They come with a diverse range of people problems characterised by underlying trauma, family breakdown, and intergenerational violence, emotional or sexual abuse. They come with significant mental health problems, legal issues, unemployment and educational deficits, homelessness and desperation. For these people, Odyssey is a place of hope with a track record of sustained success in turning people's lives around.

Changing lives requires a skilled and dedicated group of staff. In my experience, Odyssey has such a group of staff members who approach their work with heart felt passion and regularly go beyond what is expected of them. Their desire to make a real difference in people's lives is inspiring and deserves special thanks. While the treatment and support Odyssey provides for people is informed by current evidence and medical advances, Odyssey continues to innovate and lead the way in drug treatment, rebuilding lives and reconnecting people in meaningful ways with their communities through training and employment programs.

**ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960
CHAIRMAN'S REPORT
ON BEHALF OF THE BOARD (CONT'D)**

Our efforts in serving the people of Victoria would not have been possible without strong partnerships and the financial and in-kind support from many others. I would like to thank several of our collaborating research partners such as Latrobe, Melbourne, Deakin and Swinburne Universities, as well as other major partners such as the Quang Minh Temple in Braybrook, MacKillop Family Services, Windana, the Mirabel Foundation, NESAs, Northern Nexus, the Alfred Hospital, ADFACT in Canberra, and Cyrenian House in Perth.

Our Spirit of Odyssey campaign has been one of our most successful fundraisers to date. Tattersalls is one of many that have supported this bed sponsorship campaign. We seek \$5,000 per bed, per year to close the funding gap for our 85 bed residential Therapeutic Community at Lower Plenty. We continue to receive ongoing financial support from IOOF, the Bell Charitable Fund, Kimberley Foundation, Fletcher Jones, the Jack Brockhoff Foundation, and the Yakka Foundation. We hope to attract more people and companies who are willing to support the work of Odyssey on an ongoing basis.

Of particular note, Odyssey enjoys important financial support and positive relationships with both the State and Federal Governments. Their investments in holistic and intensive drug treatment for individuals and their families will pay significant dividends to all Australians through reduced healthcare, family breakdown and crime costs, and through increased revenue as clients move on to employment and become contributing and tax paying members of our society.

The year has seen a number of new initiatives take shape. The training we offer to other professional staff has expanded through online delivery of our drug and alcohol courses. We have introduced financial literacy and debt management services to clients, thanks to the support of the Westpac Foundation. Preparations have begun to open an intensive supported accommodation service (ONESTEP) in Wangaratta, following on from the success of OPSTEP in Frankston. Our capacity to better support the mental health needs of our community-based clients has been increased through our Eclipse project thanks to the Helen Macpherson Smith Trust. We provide assistance to teachers and staff at local Community Schools with support from Ansva Insurance, and increased employment options for clients thanks to the Ian Potter Foundation. Through Counting the Kids, Odyssey provides in-home family support to parents with addictions and their children, and brokerage funds to enhance children's wellbeing across Australia.

Despite these successes, or perhaps as a consequence of them, demand for our services has grown significantly and far exceeds our current capacity. Long waiting lists greatly reduce our ability to provide the timely and accessible support we hope to achieve. Attracting the necessary funds to re-open our 12 bed residential Circuit Breaker program near Benalla remains a priority. Similarly, securing recurrent funding for the multitude of short-term contracts we have with several government departments will be a challenge.

Odyssey remains proud of its achievements and the efficient and effective use of resources. I look forward to helping Odyssey continue to achieve outstanding results in the coming year in collaboration with the board, the CEO, executive team, and all our staff.

The Hon John S Winneke AC RFD QC
Chairman,
Odyssey House Victoria

**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 2007.

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 (deceased 20 March 2007)
Ms Rowena Allsop
Ms Margarita Frederico
Mr Brian J Mallon
Mr Anthony Brand
Mr John Marshall (resigned 12 December 2006)
Mr Nick McMahon
Mr Andrew Hutchins
Mr Frank O'Sullivan
Ms Judy Yann
Mr Graeme Chipp
Mr John Winneke
Mr David Rosback (appointed 20 March 2007)

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

Operating Results

The surplus of the company for the financial year amounted to \$86,942 (2006: \$192,920 deficit).

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 (CONT'D)**

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 Chairman of Odyssey House Victoria for 22 of the first 29 years of its existence. He 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.	
Mr David E F Bullard OBE, RFD, ED, LLB	A founding Board Member and past Chairman, Mr Bullard, a Barrister and Solicitor and Partner of Bullards is a retired Lt. Colonel of the Australian Army Reserve and a past Chairman of the RACV.	DEPUTY CHAIRMAN
Ms. Rowena Allsop OAM	A Board Member since 1996, Ms Allsop is involved in honorary community work as a Bail Justice and with the Moonee Valley City Council as a member of both the Festival Committee and Recreation and Arts Advisory Committee. In 1994, she received the Victorian of the Year Award for 'Outstanding contributions to the Victorian Community,' and in 1995 was awarded an Order of Australia Medal (OAM). Rowena is a former teacher and for the past 10 years has worked as a Coordinator of the Information and Referral Service in the Department of Education, Communications Division.	
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.	
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.	

**ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960
DIRECTORS' REPORT (CONT'D)**

Board Member	Experience	Special Responsibilities
Mr David Rosback, AM	<p>Joined the board in March 2007, having worked for 30 years in the textile manufacturing and retail industry. Served as Club President of the Rotary in 1989 and District 9800 Governor in 1994/95. A former director of the LM Portsea Camp redevelopment, Counsellor of St John Ambulance, Chairman of the Development Committee for Australians Against Child Abuse and AACA director, and currently serves as the Chairman of the Epworth Medical Foundation. Mr Rosback was also the CEO of the Australian/ Philippines Business Council for six years.</p>	
Mr Nick McMahon	<p>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).</p>	
Mr Andrew Hutchins B.Bus., (Banking and Finance), MBA	<p>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.</p>	TREASURER

**ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960
DIRECTORS' REPORT (CONT'D)**

Board Member	Experience	Special Responsibilities
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.	CHAIRMAN

**ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960
DIRECTORS' REPORT (CONT'D)**

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	5	0
Ms Rowena Allsop	8	7
Ms Margarita Frederico	8	6
Mr Brian J Mallon	8	1
Mr Andrew Hutchins	8	6
Mr Frank O'Sullivan	8	4
Mr Anthony Brand	8	0
Mr John Marshall	3	2
Ms Judy Yann	8	6
Mr Nick McMahon	8	6
Mr Graeme Chipp	8	5
Mr David Rosback	3	2
Mr John Winneke	8	7

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.

**ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960
DIRECTORS' REPORT (CONT'D)**

Auditor Independence

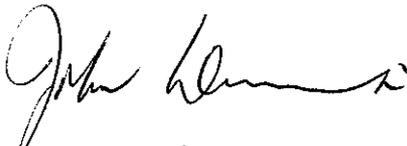
A copy of the auditors' independence declaration as required under section 307C of the Corporation Act 2001 is set out on the following page.

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.

Signed in accordance with a resolution of the Board of Directors:



Mr John Winneke
Chairman



Mr Andrew Hutchins
Director

Dated this *5th* day of October 2007

**AUDITOR'S INDEPENDENCE DECLARATION
TO THE DIRECTORS OF ODYSSEY HOUSE VICTORIA**

As lead auditor for the audit of Odyssey House Victoria for the year ended 30 June 2007, 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 2001 in relation to the audit; and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.



J Pasias
Partner
PKF
Chartered Accountants

4 October 2007
Melbourne

ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007

	Notes	2007	2006
		\$	\$
Revenue	2	7,056,898	6,626,291
Employee benefits expense		(4,526,393)	(4,684,707)
Depreciation and amortisation expenses	3	(225,459)	(330,547)
Lease expenses		(279,851)	(217,031)
Utilities expenses		(270,347)	(272,801)
Resident food and personal needs		(482,692)	(309,451)
Other operating expenses		(1,025,087)	(978,480)
Other expenses		(124,156)	(7,558)
Loss on sale of assets		(6,895)	(4,278)
Borrowing costs expense	3	(29,076)	(14,358)
Surplus/(Deficit) before income tax		86,942	(192,920)
Tax expense	1(b)	-	-
Net Surplus / (Deficit)		86,942	(192,920)

**ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960
BALANCE SHEET
AS AT 30 JUNE 2007**

	Notes	2007 \$	2006 \$
CURRENT ASSETS			
Cash and cash equivalents	6	528,836	702,863
Trade and other receivables	7	316,121	211,891
Other assets	8	86,869	64,297
TOTAL CURRENT ASSETS		<u>931,826</u>	<u>979,051</u>
NON-CURRENT ASSETS			
Property, plant and equipment	9	2,931,020	3,174,212
TOTAL NON-CURRENT ASSETS		<u>2,931,020</u>	<u>3,174,212</u>
TOTAL ASSETS		<u>3,862,846</u>	<u>4,153,263</u>
CURRENT LIABILITIES			
Trade and other payables	10	640,796	502,508
Provisions	11	459,581	350,516
Interest bearing liabilities	12	206,206	583,833
TOTAL CURRENT LIABILITIES		<u>1,306,583</u>	<u>1,436,857</u>
NON-CURRENT LIABILITIES			
Trade and other payables	10	71,360	113,576
Provisions	11	31,135	50,250
Interest bearing liabilities	12	17,502	203,256
TOTAL NON-CURRENT LIABILITIES		<u>119,997</u>	<u>367,082</u>
TOTAL LIABILITIES		<u>1,426,580</u>	<u>1,803,939</u>
NET ASSETS		<u>2,436,266</u>	<u>2,349,324</u>
RETAINED SURPLUS		<u>2,436,266</u>	<u>2,349,324</u>

**ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2007**

	Notes	2007	2006
		\$	\$
RETAINED SURPLUS			
Balance at the beginning of the year		2,349,324	2,542,244
Surplus/(Deficit) from operations		86,942	(192,920)
Balance at the end of the year		<u>2,436,266</u>	<u>2,349,324</u>

**ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2007**

	Notes	2007 \$	2006 \$
CASH FLOW FROM OPERATING ACTIVITIES			
State and Federal Government funding		5,168,261	4,865,916
Membership subscriptions		60	70
Client fees		700,913	574,271
Payments to suppliers and employees		(6,546,905)	(6,385,808)
Donations and fundraising		796,731	592,994
Interest received		14,469	10,847
Interest paid		(29,076)	(12,181)
Other receipts received		274,063	688,320
Net cash provided by operating activities	15 (b)	378,516	334,429
CASH FLOW FROM INVESTING ACTIVITIES			
Receipts from disposal of property, plant and equipment		167,431	(191,303)
Payment for property, plant and equipment		(156,593)	-
Net cash provided by/ (used in) investing activities		10,838	(191,303)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings		-	300,000
Repayment of Borrowed funds		(300,000)	-
Financing lease repayments		(263,381)	(82,275)
Net cash (used in)/ provided by financing activities		(563,381)	217,725
Net (decrease)/ increase in cash held		(174,027)	360,851
Cash and cash equivalents at beginning of financial year		702,863	342,012
Cash and cash equivalents at end of financial year	15 (a)	528,836	702,863

The accompanying notes form part of these financial statements.

**ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

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.

Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). A statement of compliance with International Financial Reporting Standards cannot be made as the Company is considered to be a Not-for-Profit entity and has prepared the financial statements in accordance with the requirements regarding Not-for-Profit entities as contained in Australian Accounting Standards.

(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.

(c) Significant Judgements and Key Assumptions

Judgements made in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements concern depreciation rates. These are reviewed annually by the directors to ensure that assets are being appropriately depreciated.

No key assumptions have been made concerning the future and there are no other key sources of estimation uncertainty at the balance date that the directors consider have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

(d) Property, Plant and Equipment

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

Freehold land and buildings are measured at cost. Plant and equipment are measured on the cost basis.

ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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

(e) 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.

(f) 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.

(g) 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.

**ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(h) 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 during the period the project is completed.

Client fee revenue is recognised when the fees are received.

(i) 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.

(j) Comparative Figures

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

(k) 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 16 members.

(l) Impairment

At each reporting date Odyssey House Victoria reviews the carrying amounts of assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss if any. The recoverable amount is assessed as the higher of fair value less costs to sell or the assets value in use being the depreciated replacement cost.

(m) 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
ABN 11 005 583 960
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	2007	2006
	\$	\$
2. REVENUE		
State Government Grants (DHS)	3,292,230	2,924,411
Client fees	700,913	574,271
Donations and fundraising	796,731	592,994
Interest	17,287	10,847
Other (non DHS) Government Funding	1,968,566	1,941,505
Other revenue	281,171	582,263
	7,056,898	6,626,291
3. RESULT		
Result before income tax has been determined after charging expenses as:		
Borrowing costs:		
- Other persons	29,076	14,358
Depreciation of non-current assets		
- Buildings	37,316	19,135
- Leasehold improvements	360	8,997
- Motor vehicles	9,512	42,728
- Leased motor vehicles	14,553	96,937
- Plant & Equipment	81,611	95,895
- Improvements	82,107	66,855
Depreciation of property, plant and equipment	225,459	330,547
Remuneration of the auditors for:		
- Audit or review services	12,500	11,500
- Financial statement preparation	4,500	6,000
	17,000	17,500
Rental expense on operating leases	279,851	217,031
Loss on sale of non-current assets	6,895	4,279
Superannuation contribution expense	321,360	331,566

**ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

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 (deceased 20 March 2007)
Ms Rowena Allsop
Ms Margarita Frederico
Mr Brian J Mallon
Mr Anthony Brand
Mr John Marshall (resigned 12 December 2006)
Mr Nick McMahon
Mr Andrew Hutchins
Mr Frank O'Sullivan
Ms Judy Yann
Mr Graeme Chipp
Mr David Rosback (appointed 20 March 2007)
Mr John Winneke

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

	2007	2006
	\$	\$
5. KEY MANAGEMENT PERSONNEL COMPENSATION		
The following table discloses the aggregate of Key Management personnel compensation.		
Key management personnel consist of the Chief Executive of the company.		
Total remuneration	<u>150,584</u>	<u>139,384</u>
6. CASH AND CASH EQUIVALENTS		
Cash on hand	9,750	5,950
Cash at bank	<u>519,086</u>	<u>696,913</u>
	<u>528,836</u>	<u>702,863</u>
7. TRADE AND OTHER RECEIVABLES		
CURRENT		
Trade and other debtors	265,401	200,719
Accrued revenue	<u>50,720</u>	<u>11,172</u>
	<u>316,121</u>	<u>211,891</u>

ODYSSEY HOUSE VICTORIA
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

	2007 \$	2006 \$
8. OTHER ASSETS		
CURRENT		
Prepaid expenses	24,052	4,297
Security bond	10,000	10,000
Deposit for bank guarantee	52,817	50,000
	<u>86,869</u>	<u>64,297</u>
9. PROPERTY, PLANT AND EQUIPMENT		
LAND		
Freehold land:		
At cost	<u>620,693</u>	620,693
BUILDINGS		
At cost	1,535,089	1,535,089
Less accumulated depreciation	<u>(116,830)</u>	<u>(79,514)</u>
	<u>1,418,259</u>	<u>1,455,575</u>
LEASEHOLD IMPROVEMENTS		
At cost	4,150	28,095
Less accumulated amortisation	<u>(485)</u>	<u>(26,420)</u>
	<u>3,665</u>	<u>1,675</u>
PLANT AND EQUIPMENT		
(a) Plant and equipment		
At cost	1,191,706	1,163,650
Less accumulated depreciation	<u>(1,062,873)</u>	<u>(981,262)</u>
	<u>128,833</u>	<u>182,388</u>
(b) Improvements		
At cost	832,758	760,542
Less accumulated depreciation	<u>(492,213)</u>	<u>(410,106)</u>
	<u>340,545</u>	<u>350,436</u>
(c) Motor vehicles		
At cost	209,851	182,022
Less accumulated depreciation	<u>(145,714)</u>	<u>(136,202)</u>
	<u>64,137</u>	<u>45,820</u>
(d) Motor vehicles – leased		
At cost	425,778	593,201
Less accumulated depreciation	<u>(70,890)</u>	<u>(75,576)</u>
	<u>354,888</u>	<u>517,625</u>
Total plant and equipment	<u>888,403</u>	<u>1,096,269</u>
Total Property, Plant and Equipment	<u>2,931,020</u>	<u>3,174,212</u>

ODYSSEY HOUSE VICTORIA
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

(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
	\$	\$	\$	\$
2007				
Balance at the beginning of the year	620,693	1,455,575	1,675	182,388
Additions	-	-	2,350	28,056
Disposals	-	-	-	-
Depreciation expense	-	37,316	360	81,611
Carrying amount at the end of the year	<u>620,693</u>	<u>1,418,259</u>	<u>3,665</u>	<u>128,833</u>

	Leased Motor Vehicles	Motor Vehicles	Improvements	Total
	\$	\$	\$	\$
Balance at the beginning of the year	517,625	45,820	350,436	3,174,212
Additions	26,144	27,829	72,216	156,595
Disposals	174,328	-	-	174,328
Depreciation expense	14,553	9,512	82,107	225,459
Carrying amount at the end of the year	<u>354,888</u>	<u>64,137</u>	<u>340,545</u>	<u>2,931,020</u>

2007	2006
\$	\$

10. TRADE AND OTHER PAYABLES

CURRENT

Unsecured liabilities		
Trade and other creditors	209,216	346,812
Sundry creditors and accruals	124,000	144,000
Unearned income	256,922	-
Lease incentive	50,658	11,696
	<u>640,796</u>	<u>502,508</u>

NON CURRENT

Lease incentive	71,360	113,576
	<u>71,360</u>	<u>113,576</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 2007

	2007	2006
	\$	\$
11. PROVISIONS		
CURRENT		
Annual leave	334,424	271,981
Long service leave	125,158	78,535
	<u>459,582</u>	<u>350,516</u>
NON-CURRENT		
Long service leave	31,135	50,250
	<u>31,135</u>	<u>50,250</u>
(a) Aggregate employee entitlements liability	<u>490,717</u>	<u>400,766</u>
	<u>490,717</u>	<u>400,766</u>
12. INTEREST BEARING LIABILITIES		
CURRENT		
Secured liabilities		
Short term Mortgage	-	300,000
Finance lease liability	206,206	283,833
	<u>206,206</u>	<u>583,833</u>
NON-CURRENT		
Secured liabilities		
Finance lease liability	17,502	203,256
	<u>17,502</u>	<u>203,256</u>
Finance leases are secured by the underlying asset being leased.		
13. 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	168,521	192,359
- later than one year and not later than five years	408,964	621,364
- later than five years	-	-
	<u>577,485</u>	<u>813,723</u>
(b) Finance Leasing Commitments		
Payable		
- not later than one year	223,708	321,255
- later than one year and not later than five years	19,082	216,807
Minimum lease payments	<u>242,790</u>	<u>538,062</u>
Less future finance charges	<u>(19,082)</u>	<u>(50,973)</u>
Total finance lease liability	<u>223,708</u>	<u>487,089</u>
Represented by:		
Current liability – note 12	206,206	283,833
Non current liability – note 12	17,502	203,256
	<u>223,708</u>	<u>487,089</u>

ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007

14. SEGMENT REPORTING

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

	2007	2006
	\$	\$
15. 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	9,750	5,950
Cash at bank	519,086	696,913
	<u>528,836</u>	<u>702,863</u>
(b) Reconciliation of cash flow from operations with surplus/(deficit) after income tax		
Net Surplus / (Deficit)	86,942	(192,920)
Non-cash items included in the Surplus / (Deficit)		
Depreciation	225,459	330,547
Net loss on disposal of property, plant and equipment	6,895	4,279
Changes in assets and liabilities		
(Increase) in receivables	(104,230)	185,537
(Increase)/decrease in other assets	(22,573)	(4,238)
(Decrease) / Increase in payables	96,071	278,574
Increase / (decrease) in provisions	89,952	(22,126)
Cash flows from operations	<u>378,516</u>	<u>579,653</u>

(c) Other Disclosures

The entity has an unused overdraft facility for \$200,000 (2006: \$200,000).

ODYSSEY HOUSE VICTORIA
 ABN 11 005 583 960
 NOTES TO THE FINANCIAL STATEMENTS
 FOR THE YEAR ENDED 30 JUNE 2007

16. 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	
	2007	2006	2007	2006	2007	2006	2007	2006
	%	%	\$	\$	\$	\$	\$	\$
Financial Assets:								
Cash	1.65	1.65	528,836	702,863	-	-	-	-
Investments	-	-	-	-	-	-	-	-
Total Financial Assets			528,836	702,863	-	-	-	-
Financial Liabilities:								
Mortgage	-	8.0	-	-	-	300,000	-	-
Finance lease liabilities	8.95	8.95	-	-	206,206	283,833	17,502	203,256
Total Financial Liabilities			-	-	206,206	583,833	17,502	203,256

	Fixed Interest Rate Maturing					
	Over 5 Years		Non-Interest Bearing		Total	
	2007	2006	2007	2006	2007	2006
	\$	\$	\$	\$	\$	\$
Financial Assets:						
Cash	-	-	-	-	528,836	702,863
Receivables	-	-	402,990	276,188	402,990	276,188
Investments	-	-	-	-	-	-
Total Financial Assets	-	-	402,990	276,188	931,826	979,051
Financial Liabilities:						
Mortgage	-	-	-	-	-	300,000
Trade and sundry creditors	-	-	712,156	616,084	712,156	616,084
Hire purchase liabilities	-	-	-	-	223,708	487,089
Total Financial Liabilities	-	-	712,156	616,084	935,864	1,403,173

**ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2007**

16. FINANCIAL INSTRUMENTS (CONT'D)

(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.

17. 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

18. SUBSEQUENT EVENTS

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

19. CONTINGENT LIABILITIES AND CONTINGENT ASSETS

(a) 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.

(b) The ANZ Bank holds an undischarged mortgage over the company's property at 28 Bonds Road, Lower Plenty, Victoria.

**ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960
DIRECTORS' DECLARATION**

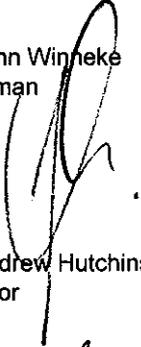
The directors of the company declare that:

1. The financial statements and notes, as set out on pages 10 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 2007 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.



Mr John Winheke
Chairman



Mr Andrew Hutchins
Director

Dated this 5th day of October 2007

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF ODYSSEY HOUSE VICTORIA**

Chartered Accountants
& Business Advisers

We have audited the accompanying financial report of Odyssey House Victoria, which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in equity and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the company are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Act 2001. This responsibility includes establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

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

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001. We confirm that the independence declaration required by the Corporations Act 2001, provided to the directors of Odyssey House Victoria on 4 October 2007, would be in the same terms if provided to the directors as at the date of this auditor's report.

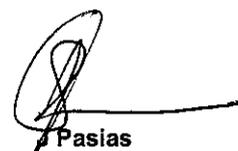
Auditor's Opinion

In our opinion the financial report of Odyssey House Victoria is in accordance with the Corporations Act 2001, including:

- (a) giving a true and fair view of the company's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.



PKF
Chartered Accountants



P. Pasi
Partner

5 October 2007
Melbourne

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