

ODYSSEY HOUSE VICTORIA

ABN 11 005 583 960

FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2008

ODYSSEY HOUSE VICTORIA

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

It has been a privilege and honour to serve the community for another year in my role as Chairman of Odyssey House Victoria. To witness the courage of those who seek our help is truly remarkable, as they embark on the difficult journey of self discovery and change. People do not come to Odyssey 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 with desperation. For these people, Odyssey is a place of hope for a new life. Since Odyssey's inception in 1979, our work equates to savings of over \$200 million to taxpayers in reduced health and crime costs alone, not to mention the difference we have made in the lives of over 20,000 former clients and their family members.

This report provides me with an opportunity to thank my fellow board members, especially the Deputy Chairman David Bullard OBE, for their dedicated service and collective contribution to the outstanding success of Odyssey. All board members work in an honorary capacity and the governance and direction provided by them continues to ensure that Odyssey operates in a transparent and accountable manner, while making efficient and effective use of its resources.

I wish to thank our Chief Executive Officer, Stefan Gruenert, who has ensured that Odyssey continues to remain relevant and successful. I would also like to note the contributions of other executive team members - Eric Allan who manages Odyssey's residential treatment services, Neos Zavrou who manages the Odyssey Institute and Community Services, Peter O'Connell who manages fundraising and public relations, and Jeff Wilson who manages the finances. A particular mention should be made this year of our Human Resources manager Brent Jones who has introduced a range of new policies and procedures to support our staff members. Odyssey's skilled and dedicated group of staff are the cornerstone of our work and as such deserve my greatest appreciation. They continue to approach their work with heart-felt passion and regularly go beyond what is expected of them. I am confident that together, the Odyssey team will continue to deliver supportive and effective programs to those affected by drugs or alcohol.

This year, a new five-year Strategic Plan was developed which provides clear direction for the implementation of Odyssey's vision to create a society, free from the problematic use of drugs or alcohol, in which citizens reach their full potential and are meaningfully engaged in work, family and community life. The Strategic Plan reinforces our values of: promoting hope for change and expectation to reach one's full potential; upholding our pillars of Love, Trust, Honesty, Respect and Concern; and strengthening our commitment to perseverance and innovation to make a real difference in people's lives. Key aspects of the Strategic Plan are the strengthening of our core treatment and program activities, our financial position, and our external relationships and partnerships. The plan also highlights the need to invest in the professional development of our staff and to evaluate and communicate our client outcomes.

During the year, our CEO was invited to attend a United Nations summit in Vienna to contribute to International drug policy. We implemented a range of Quality Assurance systems as we work toward certification with ISO 9001. We partnered with the Judy Lazarus Transitional Prison to provide support for male prisoners as they prepare for a new life after a significant period of incarceration. We secured further government funding for our *Counting the Kids* programs, providing in-home family support to parents with addictions and their children. Furthermore, across Australia, Odyssey's *Counting the Kids* brokerage fund paid out over \$350,000 in grants to over 240 children affected by parental substance dependence, providing them with opportunities and material resources to enhance their well-being.

Our efforts in serving the people of Victoria would not have been possible without the financial and in-kind support of many others. Several Trusts and Foundations and individual donors have joined the spirit of Odyssey and now share in our success. The Perpetual Trustees provided funds for a computer literacy program, the Helen Macpherson Smith Trust are supporting the development of Victorian Guidelines around parental substance dependency and child protection, Ansva Insurance supported our Community Schools project, the Coles Community Fund provided resources for the development of dual diagnosis information booklets for clients and their families, and the Collier Charitable Trust supported our youth program. The Westpac Foundation continued to support our financial counselling and literacy program, while the Jack Brockhoff Foundation funded a new laundry fit out for our Therapeutic Community. Many individuals and organisations have chosen to support Odyssey through the bed sponsorship program, with each \$5,000 activating a residential treatment bed at our Therapeutic Community in Lower Plenty.

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

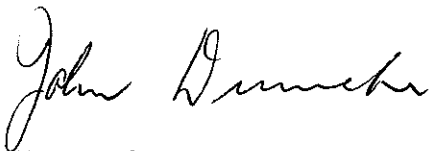
Several Rotary clubs around Melbourne and regional Victoria have generously given their volunteer time and money to support the activities of Odyssey. Activities have included a Golf day held again at Mooroopna, a Geoffrey Archer book launch in Toorak, and Christmas presents, BBQ's and the construction of a fairy garden and basketball area for the children who come into treatment with their parents at our Therapeutic Community.

I would again like to thank our research partners - Latrobe, Melbourne, Deakin and Swinburne Universities and the Australian Centre for Child Protection at the University of South Australia. In addition, other major partnerships include the Quang Minh Temple in Braybrook, JLA Consulting, Thompson's Amcal Pharmacy, our consultant GPs - Dr. Madeline Philip and Dr. Greg Freen, Windana, the Mirabel Foundation, NESAs, Northern Nexus, MacKillop Family Services Taskforce, Youth Projects, Whitelion, Interact, the Alfred and Austin Hospitals, Ted Noffs in Sydney, ADFACT in Canberra, and Palmerston and Cyrenian House in Perth.

The transition to a new Federal Government has been seamless and we continue to enjoy important financial support and positive relationships with departments at both the State and Federal level. Their investments in holistic and intensive drug treatment will pay significant dividends to all Australians, as clients who participate in our training and employment programs, gain jobs and become contributing and tax paying members of our society.

As we prepare to celebrate our 30th year of operations, demand for our services continues to grow significantly and far exceeds our current capacity. Our presence in the media and our leadership role in the drug treatment sector have resulted in long waiting lists for our services. Attracting the necessary funds to re-open our 12 bed residential program near Benalla remains a priority. Similarly, securing recurrent funding to maintain and grow our services to meet demand will continue to be a challenge.

I once again thank each and everyone who has contributed to the achievements of Odyssey House Victoria. With your ongoing support and the dedication of our Board, Executive team, and all other staff, I have no doubt that Odyssey will continue to better the lives of thousands in our community in the years to come.



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 2008.

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
Ms Rowena Allsop
Ms Margarita Frederico
Mr Brian J Mallon
Mr Anthony Brand (resigned 24 July 2007)
Mr Nick McMahon
Mr Andrew Hutchins
Mr Frank O'Sullivan
Ms Judy Yann
Mr Graeme Chipp (resigned 24 July 2007)
Mr John Winneke
Mr David Rosback

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 \$149,912 (2007: \$86,942 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 (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 David Rosback, AM	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.	

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

Board Member	Experience	Special Responsibilities
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
Mr Frank O'Sullivan Ph.c., M.P.S., AACP	<p>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.</p>	
Ms Judy Yann BA, Grad Dip Soc Sci	<p>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.</p>	

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

Board Member	Experience	Special Responsibilities
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

Meetings of Directors

DIRECTORS	DIRECTORS' MEETINGS	
	Number of meetings attended	Number of meetings attended
Mr Nigel A Dick	8	8
Mr David E F Bullard	8	7
Ms Rowena Allsop	8	7
Ms Margarita Frederico	8	5
Mr Brian J Mallon	8	0
Mr Andrew Hutchins	8	7
Mr Frank O'Sullivan	8	6
Ms Judy Yann	8	5
Mr Nick McMahon	8	3
Mr David Rosback	8	6
Mr John Winneke	8	8
Mr Anthony Brand (resigned 24 July 2007)	1	0
Mr Graeme Chipp (resigned 24 July 2007)	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.

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

Auditor Independence

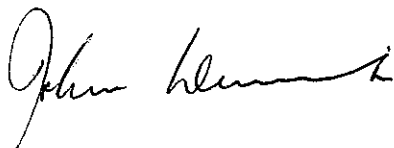
A copy of the auditors' independence declaration as required under section 307C of the Corporation Act 2001 is set out on the following page.

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 Nigel Dick
Director

Dated this 31 October 2008

**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 2008, 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 A Mooney
Partner
PKF
Chartered Accountants

3 October 2008
Melbourne

Tel: 61 3 9603 1700 | Fax: 61 3 9602 3870 | www.pkf.com.au
PKF | ABN 83 236 985 726
Level 14, 140 William Street | Melbourne | Victoria 3000 | Australia
GPO Box 5099 | Melbourne | Victoria 3001

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**ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960
INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008**

	Notes	2008	2007
		\$	\$
Revenue	2	7,872,946	7,079,324
Employee benefits expense		(4,705,558)	(4,437,119)
Depreciation and amortisation expenses	3	(378,946)	(225,459)
Lease expenses	3	(431,149)	(302,277)
Utilities expenses		(238,928)	(254,186)
Resident food and personal needs		(514,376)	(482,692)
Other operating expenses		(1,719,195)	(1,225,545)
Other expenses		(42,591)	(34,209)
Profit/(loss) on sale of assets	3	8,206	(6,895)
Borrowing costs expense	3	(321)	(24,000)
Surplus/(Deficit) before income tax		(149,912)	86,942
Tax expense	1(b)	-	-
Net Surplus/(Deficit)		(149,912)	86,942

The accompanying notes form part of these financial statements.

**ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960
BALANCE SHEET
AS AT 30 JUNE 2008**

	Notes	2008 \$	2007 \$
CURRENT ASSETS			
Cash and cash equivalents	6	975,664	528,836
Trade and other receivables	7	280,998	316,121
Other assets	8	75,318	86,869
TOTAL CURRENT ASSETS		<u>1,331,980</u>	<u>931,826</u>
NON-CURRENT ASSETS			
Property, plant and equipment	9	2,546,101	2,931,020
TOTAL NON-CURRENT ASSETS		<u>2,546,101</u>	<u>2,931,020</u>
TOTAL ASSETS		<u>3,878,081</u>	<u>3,862,846</u>
CURRENT LIABILITIES			
Trade and other payables	10	983,956	640,796
Provisions	11	497,739	459,581
Interest bearing liabilities	12	7,297	206,206
TOTAL CURRENT LIABILITIES		<u>1,488,992</u>	<u>1,306,583</u>
NON-CURRENT LIABILITIES			
Trade and other payables	10	57,199	71,360
Provisions	11	35,332	31,135
Interest bearing liabilities	12	10,204	17,502
TOTAL NON-CURRENT LIABILITIES		<u>102,735</u>	<u>119,997</u>
TOTAL LIABILITIES		<u>1,591,727</u>	<u>1,426,580</u>
NET ASSETS		<u>2,286,354</u>	<u>2,436,266</u>
RETAINED SURPLUS		<u>2,286,354</u>	<u>2,436,266</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 2008**

	Notes	2008 \$	2007 \$
RETAINED SURPLUS			
Balance at the beginning of the year		2,436,266	2,349,324
Surplus/(Deficit) from operations		<u>(149,912)</u>	<u>86,942</u>
Balance at the end of the year		<u>2,286,354</u>	<u>2,436,266</u>

**ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2008**

	Notes	2008 \$	2007 \$
CASH FLOW FROM OPERATING ACTIVITIES			
State and Federal Government funding		6,390,360	5,168,261
Membership subscriptions		55	60
Client fees		727,098	700,913
Payments to suppliers and employees		(7,572,447)	(6,546,905)
Donations and fundraising		722,971	796,731
Interest received		50,780	14,469
Interest paid		(321)	(29,076)
Other receipts received		320,359	274,063
Net cash provided by operating activities	15 (b)	<u>638,855</u>	<u>378,516</u>
CASH FLOW FROM INVESTING ACTIVITIES			
Receipts from disposal of property, plant and equipment		153,997	167,431
Payment for property, plant and equipment		(139,818)	(156,593)
Net cash provided by investing activities		<u>14,179</u>	<u>10,838</u>
CASH FLOW FROM FINANCING ACTIVITIES			
Repayment of Borrowed funds		-	(300,000)
Financing lease repayments		(206,206)	(263,381)
Net cash (used in) financing activities		<u>(206,206)</u>	<u>(563,381)</u>
Net increase/(decrease) in cash held		446,828	(174,027)
Cash and cash equivalents at beginning of financial year		528,836	702,863
Cash and cash equivalents at end of financial year	15 (a)	<u>975,664</u>	<u>528,836</u>

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 2008**

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 principal activity of Odyssey House Victoria is to provide residential and non residential drug rehabilitation services in Victoria.

The registered office of the company is 660 Bridge Road, Richmond, Victoria, and the principal place of business is 28 Bonds Road, Lower Plenty, Victoria. The presentation currency and functional currency is 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 Corporations Act 2001, Australian Accounting Standards and Interpretations and complies with other requirements of the law.

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, are consistent with those of the previous year.

(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. All values are rounded to the nearest dollar.

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

In the application of the company's accounting policies, management is required to make judgements, estimates and assumptions about the carrying value of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period or in the period of the revision and future periods if the revisions affect both current and future periods.

**ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

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

(c) Significant Judgements and Key Assumptions (continued)

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) Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet comprise cash at bank and on hand and short-term deposits with an original maturity of three months or less. Bank overdrafts are shown within borrowings in current liabilities on the balance sheet. For the purposes of the Cash Flow Statements, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(e) Trade and other receivables

Trade receivables are recognised and carried at original invoice amount less an allowance for any uncollectible amounts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written off when identified. Receivables from related parties are recognised and carried at the nominal amount due.

(f) Property, Plant and Equipment

Each class of property, plant and equipment is recorded at cost less any accumulated depreciation and any impairment in value.

Freehold land and buildings are measured at cost. 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. 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 Rate	Depreciation Method
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

Disposals

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gain or loss arising on disposal of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the year the asset is disposed.

**ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

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

(g) Trade and Other Payables

Trade and other payables are recognised when the consolidated entity becomes obliged to make future payments resulting from the purchase of goods and services. The amounts are unsecured and paid within 30 days of recognition.

(h) Provision

Provisions are recognised when the economic entity has a present obligation (legal, equitable or constructive) as a result of a present or past events, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

If the effect of the time value of money is material, provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

(i) 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 reduce the liability.

(j) Employee Entitlements

Wages and salaries and annual leave

Provision for employee benefits relate to liabilities made in respect of wages and salaries, annual leave and other employee benefits when it is possible that settlement will be required and they are capable of being measured reliably. The provision for employee benefits expected to be settled within 12 months of the reporting date are recognised in respect of employees' service up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

Superannuation

The amount charged to the Income Statement in respect of superannuation represents the contributions made by the entity to the employees' nominated superannuation funds.

**ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

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

(k) Revenue

Revenue from the 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.

(l) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST) except:

(i) where the amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense, or

(ii) for receivables and payables which are recognised inclusive of GST, the net amount of GST recoverable from, or payable to the taxation authority is included as part of receivables or payables in the Balance Sheet. Receivables and payables are stated with the amount of GST included.

Cash flows are included in the Cash Flow Statements on a gross basis and the GST component of cash flows arising from investing and financing activities, which is recoverable from, or payable to, the taxation authority, are classified as operating cash flows.

(m) Impairment of Assets

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. Impairment exists when the carrying value of an asset or cash-generating units exceeds its estimated recoverable amount. 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.

(n) Other financial liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

**ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

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

(o) Borrowing costs

Borrowing costs are recognised as an expense in the period in which they are incurred except borrowing costs that are directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period to get ready for its intended use or sale. In this case the borrowing costs are capitalised as part of the cost of such a qualifying asset. No borrowing costs were capitalised during the financial year ended 30 June 2008 (2007: Nil).

(p) 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 11 members.

(q) Comparative Figures

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

(r) New and Revised Accounting Standards and Interpretations

Odyssey House Victoria adopted all of the new and revised Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that are relevant to its operations and effective for annual reporting periods beginning 1 July 2007.

At the date of authorisation of the financial report, the Standards and Interpretations listed below were in issue but not effective.

Initial application of the following Standards and Interpretations is not expected to have any material impact on the financial report of the Company:

Accounting Standards AASB no.	Title	Issue Date	Operative Date (Annual reporting periods beginning on or after)
101	Presentation of Financial Statements (Amended)	September 2007	1 Jan 2009
123	Borrowing Costs (Amended)	June 2007	1 Jan 2009
4	Determining whether an arrangement contains a Lease (revised)	February 2007	1 Jan 2008

**ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

	2008 \$	2007 \$
2. REVENUE		
State Government Grants (DHS)	3,531,268	3,292,230
Client fees	727,098	700,913
Donations and fundraising	662,971	796,731
Interest	54,986	17,287
Other (non DHS) Government Funding	2,591,331	1,968,566
Other revenue	305,292	303,597
	<u>7,872,946</u>	<u>7,079,324</u>
3. RESULT		
Result before income tax has been determined after charging expenses as:		
Borrowing costs:		
- Other persons	<u>321</u>	<u>24,000</u>
Depreciation of non-current assets		
- Buildings	37,315	37,316
- Leasehold improvements	1,143	360
- Motor vehicles	17,425	9,512
- Leased motor vehicles	162,483	14,553
- Plant & Equipment	77,304	81,611
- Improvements	83,276	82,107
Depreciation of property, plant and equipment	<u>378,946</u>	<u>225,459</u>
Remuneration of the auditors for:		
- Audit or review services	13,000	12,500
- Financial statement preparation	4,500	4,500
	<u>17,500</u>	<u>17,000</u>
Rental expense on operating leases	<u>431,149</u>	<u>302,277</u>
(Profit)/loss on sale of non-current assets	<u>(8,206)</u>	<u>6,895</u>
Employee benefits expense	<u>4,348,315</u>	<u>4,115,759</u>
Superannuation contribution expense	<u>357,243</u>	<u>321,360</u>

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 2008**

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
Ms Rowena Allsop
Ms Margarita Frederico
Mr Brian J Mallon
Mr Anthony Brand (resigned 24 July 2007)
Mr Nick McMahon
Mr Andrew Hutchins
Mr Frank O'Sullivan
Ms Judy Yann
Mr Graeme Chipp (resigned 24 July 2007)
Mr John Winneke
Mr David Rosback

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

	2008	2007
	\$	\$
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>110,000</u>	<u>150,584</u>
6. CASH AND CASH EQUIVALENTS		
Cash on hand	8,800	9,750
Cash at bank	966,864	519,086
	<u>975,664</u>	<u>528,836</u>
7. TRADE AND OTHER RECEIVABLES		
CURRENT		
Trade and other debtors	149,611	265,401
Accrued revenue	131,387	50,720
	<u>280,998</u>	<u>316,121</u>

**ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

7. TRADE AND OTHER RECEIVABLES (CONT'D)

As at 30 June 2008, the ageing analysis of trade receivables is as follows:

	Current	30 days	60 days	90 days	Total
2008	\$96,975	\$20,188	\$2,675	\$29,773	\$149,611
2008	64.8%	13.5%	1.8%	19.9%	100%
2007	\$6,691	\$113,334	-	\$145,376	\$265,401
2007	2.5%	42.7%	-	54.8%	100%

Receivables past due but not considered impaired are \$32,448 (2007: \$145,376). Management is satisfied that payment will be received in full.

Fair value and credit risk

Due to the short term nature of these receivables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables.

	2008	2007
	\$	\$
8. OTHER ASSETS		
CURRENT		
Prepaid expenses	8,295	24,052
Security bond	10,000	10,000
Deposit for bank guarantee	57,023	52,817
	<u>75,318</u>	<u>86,869</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>(154,145)</u>	<u>(116,830)</u>
	<u>1,380,944</u>	<u>1,418,259</u>
LEASEHOLD IMPROVEMENTS		
At cost	4,150	4,150
Less accumulated amortisation	<u>(1,628)</u>	<u>(485)</u>
	<u>2,522</u>	<u>3,665</u>
PLANT AND EQUIPMENT		
(a) Plant and equipment		
At cost	1,264,227	1,191,706
Less accumulated depreciation	<u>(1,140,177)</u>	<u>(1,062,873)</u>
	<u>124,050</u>	<u>128,833</u>

**ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

	2008 \$	2007 \$
9. PROPERTY, PLANT AND EQUIPMENT (CONT'D)		
(b) Improvements		
At cost	916,440	832,758
Less accumulated depreciation	<u>(575,489)</u>	<u>(492,213)</u>
	<u>340,951</u>	<u>340,545</u>
(c) Motor vehicles		
At cost	133,087	209,851
Less accumulated depreciation	<u>(76,406)</u>	<u>(145,714)</u>
	<u>56,681</u>	<u>64,137</u>
(d) Motor vehicles – leased		
At cost	26,143	425,778
Less accumulated depreciation	<u>(5,883)</u>	<u>(70,890)</u>
	<u>20,260</u>	<u>354,888</u>
Total plant and equipment	<u>541,942</u>	<u>888,403</u>
Total Property, Plant and Equipment	<u>2,546,101</u>	<u>2,931,020</u>

(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 \$
2008				
Balance at the beginning of the year	620,693	1,418,259	3,665	128,833
Additions	-	-	-	72,521
Disposals	-	-	-	-
Depreciation expense	-	(37,315)	(1,143)	(77,304)
Carrying amount at the end of the year	<u>620,693</u>	<u>1,380,944</u>	<u>2,522</u>	<u>124,050</u>
	Leased Motor Vehicles \$	Motor Vehicles \$	Improvements \$	Total \$
2008				
Balance at the beginning of the year	354,888	64,137	340,545	2,931,020
Additions	-	47,559	83,682	203,762
Disposals	(172,145)	(37,590)	-	(209,735)
Depreciation expense	(162,483)	(17,425)	(83,276)	(378,946)
Carrying amount at the end of the year	<u>20,260</u>	<u>56,681</u>	<u>340,951</u>	<u>2,546,101</u>

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 2008**

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

	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>

	2008 \$	2007 \$
10. TRADE AND OTHER PAYABLES		
CURRENT		
Unsecured liabilities		
Trade and other creditors	261,382	209,216
Sundry creditors and accruals	61,923	-
Unearned income	626,761	380,922
Lease incentive	33,890	50,658
	<u>983,956</u>	<u>640,796</u>
NON CURRENT		
Lease incentive	57,199	71,360
	<u>57,199</u>	<u>71,360</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.

Fair value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value. The maximum exposure to credit risk is the fair value of receivables.

**ODYSSEY HOUSE VICTORIA
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NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

	2008	2007
	\$	\$
11. PROVISIONS		
CURRENT		
Annual leave	306,623	334,424
Long service leave	191,116	125,158
	497,739	459,582
NON-CURRENT		
Long service leave	35,332	31,135
(a) Aggregate employee entitlements liability	533,071	490,716

A provision has been recognised for employee entitlements, relating to annual and long service leave accrued for employees. The measurement and recognition criteria for employee benefits have been included in Note 1 (h) and (j).

12. INTEREST BEARING LIABILITIES		
CURRENT		
Secured liabilities		
Finance lease liability	13(b) 7,297	206,206
NON-CURRENT		
Secured liabilities		
Finance lease liability	13(b) 10,204	17,502

Finance leases are secured by the underlying asset being leased.

13. CAPITAL AND LEASING COMMITMENTS		
(a) Operating Lease Commitments - Premises		
Non-cancellable operating leases contracted for but not capitalised in the financial statements:		
Payable		
- not later than one year	239,346	168,521
- later than one year and not later than five years	285,337	408,964
	524,683	577,485

**ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

13. CAPITAL AND LEASING COMMITMENTS (CONT'D)

(b) Finance Leasing Commitments

The company has finance leases for motor vehicles with a carrying value of \$20,260 (2007: \$354,888).

Payable

- not later than one year	8,625	223,708
- later than one year and not later than five years	10,457	19,082
Minimum lease payments	19,082	242,790
Less future finance charges	(1,581)	(19,082)
Total finance lease liability	17,501	223,708

Represented by:

Current liability – note 12	7,297	206,206
Non current liability – note 12	10,204	17,502
	17,501	223,708

14. SEGMENT REPORTING

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

2008	2007
\$	\$

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	8,800	9,750
Cash at bank	966,864	519,086
	975,664	528,836

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

Net surplus /(deficit)	(149,912)	86,942
Non-cash items included in the surplus /(deficit)		
Depreciation	378,946	225,459
Net (profit)/loss on disposal of property, plant and equipment	(8,206)	6,895
Changes in assets and liabilities		
Decrease/(increase) in receivables	115,790	(104,230)
(Increase)/decrease in other assets	(69,116)	(22,573)
Increase/(decrease) in payables	328,999	96,071
Increase / (decrease) in provisions	42,354	89,952
Cash flow from operations	638,855	378,516

**ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

15. CASH FLOW INFORMATION (CONT'D)

(c) Non-cash investing and financing activities

There were no non-cash investing or financing activities throughout the year (2006: Nil).

(d) Other Disclosures

The entity has an unused overdraft facility for \$200,000 (2007: \$200,000).

16. FINANCIAL INSTRUMENTS

(a) Financial risk management objectives and policies

The company's principal financial instruments comprise receivables, payables, and cash and short-term deposits. These activities expose the company to a variety of financial risks: market risk, interest rate risk, credit risk and liquidity risk.

Although the company does not have documented policies and procedures, the Board manage the different types of risks to which it is exposed by considering risk and monitoring levels of exposure to interest rates and by being aware of market forecasts for interest rates. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through general business budgets and forecasts.

(a) Interest Rate Risk

The company's exposure to market interest rates relates primarily to cash and short term deposits held.

Sensitivity analysis

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period. A 100 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the possible change in interest rates.

At reporting date, if interest rates had been 100 basis points higher or lower and all other variables held constant, the company's net profit and net assets would increase by \$7,500 and decrease by \$7,500 (2007: increase by \$6,000 and decrease by \$6,000). This is mainly attributable to the company's exposure to interest rates on its cash and cash equivalents.

(b) Foreign currency risk

The company is not exposed to fluctuations in foreign currencies.

(c) Liquidity Risk

The company manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Financing arrangements

The company has an overdraft facility as described in Note 15(d).

**ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

16. FINANCIAL INSTRUMENTS (CONT'D)

(c) Liquidity Risk (continued)

Maturities of financial liabilities

The table below analyses the company's financial liabilities.

	Maturing within year	Maturing 1 to 5 years	Total
2008			
Financial liabilities			
Trade and sundry creditors	983,956	57,199	1,041,155
Hire purchase liabilities	7,297	10,204	17,501
Total financial liabilities	<u>991,253</u>	<u>67,403</u>	1,058,656
2007			
Trade and sundry creditors	640,796	71,360	712,156
Hire purchase liabilities	206,206	17,502	223,708
Total financial liabilities	<u>847,002</u>	<u>88,862</u>	935,864

(d) 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 trades only with recognised, creditworthy third parties, and as such collateral is not requested as it is the company's policy to scrutinise its trade or other receivables. All sales are on a cash basis and as such, there is no credit risk on trade receivables.

In addition, receivable balances are monitored on an ongoing basis with the result that the company's exposure to bad debts is not significant. There are no significant concentrations of credit risk.

(e) Price risk

The company is not exposed to any material commodity price risk.

(f) Net Fair Values

The carrying amount of financial assets and financial liabilities recorded in the financial statements approximates their net fair values.

The net fair values of financial assets and financial liabilities are determined as follows:

The net fair value of financial assets and financial liabilities with standard terms and conditions and traded on active liquid markets are determined with reference to quoted market prices; and the net fair value of other financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow theory.

**ODYSSEY HOUSE VICTORIA
ABN 11 005 583 960
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2008**

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
28 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

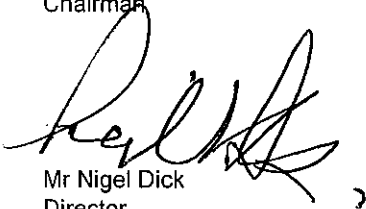
The directors of the company declare that:

1. The financial statements and notes, as set out on pages 11 to 29 are in accordance with the Corporations Act 2001, including;
 - (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 2008 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 Winneke
Chairman



Mr Nigel Dick
Director

Dated this 3rd October 2008

**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 2008, 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 3 October 2008, 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 2008 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
J A Mooney
Partner4 October 2008
MelbourneTel: 61 3 9603 1700 | Fax: 61 3 9602 3870 | www.pkf.com.au
PKF | ABN 83 236 985 726
Level 14, 140 William Street | Melbourne | Victoria 3000 | Australia
GPO Box 5099 | Melbourne | Victoria 3001