



AGRI-FOOD
INDUSTRY SKILLS
COUNCIL



AGRI-FOOD INDUSTRY SKILLS COUNCIL ANNUAL REPORT 2005-06

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Agri-Food Industry Skills Council Limited
ANNUAL REPORT 2005-06
(Incorporated in the Australian Capital Territory
as a company limited by guarantee)

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Agri-Food Industry Skills Council

The council was established in May 2004 as the peak body for skills and workforce development in the agri-food industry in Australia. It was established by the Australian Government to develop and deliver industry-driven training and skills development products and services across all agri-food industry sectors. The council represents the agri-food industry through its 14-member private sector board and is responsible for the broad industry sectors listed below:

Food processing

- beverages (including wine) and pharmaceuticals

Rural and related industries

- rural production (agriculture)
- amenity horticulture
- conservation and land management
- animal care and management

Meat

- abattoirs
- smallgoods
- meat processing
- meat retailing

Seafood

- aquaculture
- fishing operations
- seafood processing
- fishing compliance
- fishing charter operations

Racing

- thoroughbred
- harness
- greyhound

The council's strategic intent is to improve the business performance of the agri-food industry through the development and implementation of innovative skill and workforce solutions. It operates in partnership with its industry, enterprise and government stakeholders to address the skills and workforce issues facing industry and to refine, simplify and implement high-quality, nationally recognised training products and services that serve industry needs.

The council operates as a registered private company. The council receives its core funding from the Australian Government Department of Education, Science and Training, and competes for other funding from industry and government programs.

Report from the Chairman

I have pleasure in presenting the second annual report of the Agri-Food Industry Skills Council. Although commencing operations just two years ago the council has already made strong progress in identifying, understanding and putting in place strategic and innovative structures and processes to address the major people and skills shortages facing the agri-food industry.

Australia continues to experience significant skill and workforce shortages in a number of key industries despite the issue being at the forefront of debate in policy circles and over boardroom tables.

Nowhere is the impact of skill shortages more acutely felt than in regional, rural and remote areas of the country where, already faced with a chronic shortage of people in a broad sense, enterprises are increasingly forced to compete with metropolitan and urban Australia for their 'share' of a shrinking workforce.

Agri-food products generate a turnover of over \$90 billion a year, representing a significant proportion of Australia's export earnings. Almost 800,000 workers are employed in these industries and provide the backbone of many communities throughout the country.

A feature of the council's operations is its intensive consultation and engagement with industry, small and large enterprises, governments and communities across all states and territories. This has facilitated the growth of influential networks, the demonstration of expertise and innovation in vocational and technical education by the council.

This provides the council with a unique understanding of the nature of people and skills shortages, their economic impact on industry sustainability and growth and practical ways to overcome these challenges.

Armed with these powerful sources of research and information, the board has overseen the updating of the national skills

report developed a year earlier, and made good progress with the concurrent review of eight of the nine training packages managed by the council.

These reviews are critical to ensuring that training products are tailored to meet industry needs and incorporate the flexibility and employability skills demanded by changing industry demands.

The council has used an innovative integrated framework model to address duplication and complexity in training packages and to assess the feasibility of merging several agri-food training products.

During the 2005-06 financial year emphasis has been given to working closely with industry and training providers on the implementation of Training packages, the application of skills sets, up-skilling and the delivery of specialist short courses required by industry.

Also, a high level Registered Training Organisation Reference Group was established to guide contemporary training implementation and the board's adoption of a capability building action plan to enhance the professional development of providers.

Over the past year emphasis has been given also to developing and promoting business and workforce planning in enterprises, looking at incentives to attract and retain workers, and demonstrating the importance of creating and designing challenging and rewarding jobs and career pathways.

I would like to take this opportunity to express my appreciation of the contributions of all directors, the Chief Executive Officer and staff for their contributions to a very productive year.

**John Baker
Chairman**

Report from the Chief Executive Officer

After two years of operation, the council has activated and met the performance and time commitments of the 28 projects contained in the initial three-year business plan.

Moreover, with access to project-specific funds accessed for other sources the level of activity has increased significantly, with about 60 projects now included in the council's portfolio. A number of observations can be made on achievements during the period 1 July 2005 - 30 June 2006.

All contract commitments to the Department of Education, Science and Training (DEST) have been met and acknowledged by the Department as satisfying our obligation.

Projects have covered a broad range of activities. Key achievements include:

- the establishment of an innovative and widely accepted approach to rationalisation of training packages (TPs);
- undertaking concurrently reviews of all TPs (except sugar milling);
- initiation of additional projects funded from non-core sources to augment coverage in priority areas such as Workplace English Language and Literacy (WELL), new apprenticeships, industry support, and the implementation of training packages.

A Registered Training Organisation Reference Group has been a valuable addition to our advisory processes.

The council held Australia-wide consultations, redeveloped the roles and operations of industry standing committees and provided more focused strategic advice to the board. The council has led a comprehensive technical consultation process - implemented in the course of training package reviews - and captured intelligence and research to complete the first national skills report for the agri-food industry.

At the organisation development level, a best-practice governance model was developed and implemented to guide operations, transparency and accountability. This ensured that the board emerged as a strong and cohesive body, firmly guiding the organisation and its performance through the CEO and staff.

The council also has been active in setting up and consolidating the Industry Standing Committees' CEOs' Forum, which has extended to meetings of the ISCs chairmen. This has emerged as an influential and well recognised expert body, which engages at high levels with industry and government agencies and committees.

An effective communication strategy has been put in place enhancing coverage and debate on core activities, and building a broadly based network.

Industry consultation and engagement

The inaugural National Skills Report was completed in mid-2005, and further comprehensive national consultations, involving board members and executive staff, took place in the first half of 2006.

The outcome of these follow-up consultations was a collection of more structured data and information and the engagement of a wide range of enterprise CEOs and other key stakeholders.

A reassuring outcome was the broad revalidation of the key skills and workforce findings of the previous year's report, leading to the joint development of a major integrated regional initiative with the Resources and Infrastructure Industry Skills Council. This document developed a strong case for a major assault of the chronic people, skills and workforce shortages in regional and remote Australia and the economic benefits of doing so.

Communication and interaction

Key emphasis was given in 2005-06 to the implementation of a communications and promotions strategy to broaden the coverage of the council's activities and to engage on an interactive basis many of the council's stakeholders. Booklets, pamphlets and a newsletter were developed to explain the work and activities of the council to the wide and diverse audience in our coverage. Significant media coverage was also achieved on key issues.

One of the most significant developments was the construction of a user-friendly website which has proven to be a valuable facility for managing and communing the business of the council, and for sharing ideas among stakeholders.

Arthur Blewitt
Chief Executive Officer

FINANCIAL REPORT FOR THE YEAR ENDED 30TH JUNE 2006

DIRECTORS' REPORT

The directors of Agri-Food Industry Skills Council Limited present their report on the company for the financial year ended 30th June 2006.

Directors

The names of the directors in office at any time during or since the end of the financial year and details of their qualifications are as follows:

Name of Director	Occupation	Qualifications	Appointment (A)/ Resignation (R) Dates
John Baker	Managing Director	BSc	
Gordon Buxton			15/7/2005 (R)
Wayne Cornish	Farmer, Grazier/Horticulturalist		
Jennifer Dowell	Federal Secretary Food & Confectionery Division Australian Manufacturing Workers Union		
Kathleen Evans	Union Secretary	Grad Dip Health Science (Rehabilitation Counselling)	
Peter Griffin			
Donald Hayes			
Sylvia Healy	HR Manager – Learning & Development	B App Sci, Grad Dip Ed, Grad Cert Management	
John Hughes	General Manager, Operational Improvement		
Rob Jacobs	Chair, Primary Industry Skills Council (South Australia)		17/11/2005 (A)
Ralph Leutton	Program Manager	BSc MSc MAICD	
Richard Lindsay	Chief Executive Officer, Australian Seafood Industry Council		5/4/2006 (A) 14/6/2006 (R)
Robert Pennington	Professional Fisherman	B Eng, Dip T, Master Class V Certificate	
John Roach	Managing Director	Business Agriculture Certificate	6/1/2006 (R)
Douglas Stevens	National Industrial Officer	Indentured Machine Toolmaker, Production Engineering Technical Certificate Aust Public Service	
Roderick Thirkell-Johnston AM	Farmer, Grazier	BScAg FAIST	
Sheila Thompson	Nurseryman, Horticulturalist	BSc Hort	17/11/2005 (R)
Ian Curry	Alternate director for J Dowell	National Projects Officer, Australian Manufacturing Workers' Union	17/11/2005 (A)
Jenny Kroonstuiver	Alternate director for J Hughes	Executive Officer, National Meat Industry Training Advisory Council	17/11/2005 (A)
Martin Pritchard	Alternate director for D Stevens	Branch Secretary, Western Australian Branch, National Union of Workers	17/11/2005 (A)

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

Company Secretary

Arthur Blewitt – his qualifications are BA FAICD FAIM. Mr Blewitt was appointed as company secretary on 17/8/2004. He is also the chief executive officer of the company.

Principal Activities and Review of Operations

The principal activities of the Agri-Food Industry Skills Council Limited during the financial year were:

For the following industries: Food, Beverage and Pharmaceutical Manufacturing, Meat, Racing, Rural and Related Industries and Seafood:

- (a) advance education and training and to identify generic and emerging skills to support the employability of individuals and provide for local community development and to give strategic advice to government on these issues;
- (b) support the development, implementation and continuous improvement of high quality, nationally recognised training products and services, including enhancing innovation, rationalising materials where there are cross-industry synergies, and improving efficiency;
- (c) assist the Industry enterprises and their workforce to integrate skills development with business goals;
- (d) support accurate industry intelligence on future directions, including provision of strategic advice on industry skills and training needs to the National Industry Skills Forum;
- (e) work with the Industry to set the future direction for education and training within the Industry in order to meet both current and future needs;
- (f) research, collect, plan, coordinate and provide input to national research and develop strategies relating to education and training within the Industry;

There were no significant changes in the nature of these activities during the financial year.

Operating Results

The net surplus after providing for income tax was \$34,460 (2005: \$187,583).

Dividends Paid or Proposed

The constitution prohibits the payment of dividends to members of the Company.

Significant Changes in the State of Affairs

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

After Balance Date Events

At the date of this report, the company had a contract for 6 months grant funding from July 2006 to December 2006. As no agreement for future grant funding has been finalised, the Directors will be making a decision on the company's future operations within the next month.

Except for the matter noted above, no other matter 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.

Future Developments and Results

The directors believe that there are no other likely developments that will significantly adversely affect the company in the coming year, except for the matter noted above.

Indemnifying Officers or Auditor

The company has not, during or since the financial year, in respect of any person who is or has been an officer or auditor of the company or a related body corporate:

- indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings; or
- paid or agreed to pay a premium in respect of a contract insuring against a liability incurred as an officer for the costs or expenses to defend legal proceedings; with the exception of the following matters.

During the financial year the company has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the company, other than conduct involving a wilful breach of duty in relation to the company. In accordance with normal commercial practices, under the terms of the insurance contract, the nature of the liabilities insured against and the amount of premiums paid are confidential.

Meeting of Directors

During the financial year, 9 meetings of directors were held. Attendances by each director during the year were as follows:

	Directors' Meetings	
	Number of meetings eligible to attend	Number of meetings attended
John Baker	9	9
Gordon Buxton	-	-
Wayne Cornish	9	9
Jennifer Dowell	9	3
Kathleen Evans	9	7
Peter Griffin	9	9
Donald Hayes	9	9
Sylvia Healy	9	6
Rob Jacobs	3	3
John Hughes	9	7
Richard Lindsay	1	1
Ralph Leutton	9	8
Robert Pennington	9	8
John Roach	6	6
Douglas Stevens	9	7

Roderick Thirkell-Johnston AM	9	9
Sheila Thompson	5	5
Ian Curry (alternate director)	3	1
Jenny Kroonstuiver (alternate director)	1	1
Martin Pritchard (alternate director)	-	-

Auditor's Independence Declaration

The auditor's independence declaration for the year ended 30th June 2006 has been received and can be found in the financial report.

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



John Baker
Director

Dated: 11th October 2006
Canberra



Wayne Cornish
Director

INDEPENDENT AUDIT REPORT

To the members of the Agri-Food Industry Skills Council Limited

Scope

We have audited the financial report of the Agri-Food Industry Skills Council Limited for the financial year ended 30th June 2006 as set out on pages 8 to 22. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia and statutory requirements so as to present a view which is consistent with our understanding of the company's financial position, and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

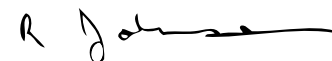
Audit Opinion

In our opinion, the financial report of the Agri-Food Industry Skills Council Limited is in accordance with:

- a) the Corporations Act 2001 including:
 - i) giving a true and fair view of the company's financial position as at 30th June 2006 and of its performance for the year ended on that date; and
 - ii) complying with Accounting Standards in Australia and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia.

HARDWICKE'S

Chartered Accountants



Robert Johnson, F.C.A.
Partner

Dated: 16th October 2006
Canberra

AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 307C OF THE
CORPORATIONS ACT 2001 TO THE
DIRECTORS OF AGRI-FOOD INDUSTRY
SKILLS COUNCIL LIMITED

I declare that, to the best of my knowledge and belief, during the year ended 30th June 2006 there have been:

- a) no contraventions of the auditor independence requirements as set out in 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.

HARDWICKE'S
Chartered Accountants



Robert Johnson, F.C.A.
Partner

Dated: 16th October 2006
Canberra

DIRECTORS' DECLARATION

The directors of the company declare that:

- a) the financial statements and notes, as set out on pages 9 to 22, are in accordance with the Corporations Act 2001:
 - i) comply with Accounting Standards and the Corporations Regulations 2001; and
 - ii) give a true and fair view of the financial position as at 30th June 2006 and of the performance for the year ended on that date of the company;
- b) 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 Board of Directors.



John Baker
Director

Dated: 11th October 2006
Canberra



Wayne Cornish
Director

INCOME STATEMENT FOR THE YEAR ENDED 30TH JUNE 2006

	Note	2006 \$	2005 \$
Revenue	4	3,050,351	1,649,805
Employee benefits expenses		(677,929)	(201,173)
Depreciation expense		(58,853)	(19,211)
Other expenses		(2,279,109)	(1,241,838)
Surplus before income tax expense		34,460	187,583
Income tax expense	3	Nil	Nil
Surplus after income tax expense		34,460	187,583

BALANCE SHEET AS AT 30TH JUNE 2006

	Note	2006 \$	2005 \$
CURRENT ASSETS			
Cash and cash equivalents	6	338,540	905,295
Trade and other receivables	7	185,332	673,860
Other current assets	9	3,317	20,572
Total Current Assets		527,189	1,599,727
NON-CURRENT ASSETS			
Property, plant and equipment	8	116,843	135,499
Total Non-Current Assets		116,843	135,499
TOTAL ASSETS		644,032	1,735,226
CURRENT LIABILITIES			
Trade and other payables	10	386,036	1,534,278
Short-term provisions	11	35,953	13,365
Total Current Liabilities		421,989	1,547,643
TOTAL LIABILITIES		421,989	1,547,643
NET LIABILITIES		222,043	187,583
MEMBERS' FUNDS			
Retained surplus		222,043	187,583
Total Members' funds		222,043	187,583

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

	Note	Retained Surplus \$
Balance at 1st July 2004		–
Surplus		187,583
Balance at 30th June 2005		187,583
Surplus		34,460
Balance at 30th June 2006		222,043

CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE 2006

	Note	2006 \$	2005 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operating activities		2,535,165	2,600,988
Payments to suppliers and employees		(3,090,101)	(1,567,164)
Interest received		28,378	26,181
Net cash provided by/(used in) operating activities	12(b)	(526,558)	1,060,005
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of plant and equipment		(40,197)	(154,710)
Net cash used in investing activities		(40,197)	(154,710)
Net increase/(decrease) in cash held		(566,755)	905,295
Cash at the beginning of the financial year		905,295	–
Cash at the end of the financial year	12(a)	338,540	905,295

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

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial report covers Agri-Food Industry Skills Council Limited as an individual entity. Agri-Food Industry Skills Council Limited is an unlisted public company limited by guarantee, incorporated and domiciled in Australia.

The financial report of Agri-Food Industry Skills Council Limited complies with all Australian equivalents to International Financial Reporting Standards (AIFRS) in their entirety.

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.

Basis of preparation

First-time adoption of Australian Equivalents to International Financial Reporting Standards

Agri-Food Industry Skills Council Limited have prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) from 1st July 2005.

In accordance with the requirements of AASB 1: First-time adoption of Australian Equivalents to International Financial Reporting Standards, the optional exemptions available under AASB 1 have been applied. These accounts are the first financial statements of Agri-Food Industry Skills Council Limited to be prepared in accordance with Australian equivalents to IFRS.

The accounting policies set out below have been consistently applied to all years presented. The company has elected to adopt the exemptions available under AASB 1 relating to AASB 132: Financial Instruments: Disclosure and Presentation, and AASB 139: Financial Instruments: Recognition and Measurement. Refer to Note 19 for further details on changes in accounting policy.

There have been no adjustments required to the Balance Sheet or Income Statement for the AIFRS therefore, no reconciliation of the transition from previous Australian GAAP to AIFRS is provided.

Reporting basis and conventions

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets for which fair value basis of accounting has been applied.

a) Cash and cash equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of four months or less, and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the balance sheet.

b) Property, plant and equipment

Property, plant & equipment are carried at cost or fair value less any accumulated depreciation and impairment losses. The carrying amount of property, plant and equipment is reviewed annually by directors to ensure it is not in excess of the recoverable amount from those assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets employment and subsequent disposal. The expected net cash flows have not been discounted to present values in determining recoverable amounts.

The depreciable amount of all fixed assets are depreciated on a straight line basis over their useful lives to the company commencing from the time the asset is held ready for use. The depreciation rate used for plant & equipment is 33.3%.

The assets residual values and useful lives are reviewed, and adjusted if appropriate, at each balance date. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount. Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the income statement.

c) Employee benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits have been measured at the amounts expected to be paid when the liability is settled. Contributions are made by the company to employee superannuation funds and are charged as expenses when incurred.

d) Revenue

Revenue from the sale of goods is recognised upon the delivery of goods to customers. Revenue from the provision of services is recognised when the service has been provided to the customers. All revenue is stated net of goods and services tax (GST).

e) Financial instruments

Financial assets are measured on the cost basis. At each reporting date, the association assess whether there is objective evidence that a financial instrument has been impaired. Impairment losses are recognised in the income statement.

f) 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 the expense. Receivables and payables in the balance sheet are shown as inclusive of GST. Cash flows are presented in the cash flow statement on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

g) Impairment of assets

At each reporting date, the company reviews the carrying values of its tangible and intangible assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the income statement. Where it is not possible to estimate the recoverable amount of an individual asset, the company estimates the recoverable amount as the depreciated replacement cost of the asset.

h) Leases

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

i) Comparatives

The company was incorporated on 18 June 2004, accordingly the figures for the 2005 financial year are from the date of incorporation to 30 June 2005.

NOTE 2 MEMBERS' GUARANTEE

The company is incorporated under the Corporations Act 2001 as a company limited by guarantee. At 30th June 2006, there were 13 members guaranteeing to contribute up to \$50 each in the event of the company being wound up.

NOTE 3 INCOME TAX

The company is considered to be exempt from income tax under sections 50-40 and 50-45 of the Income Tax Assessment Act 1997.

NOTE 4 REVENUE

	2006 \$	2005 \$
OPERATING ACTIVITIES		
Grant income	2,791,973	1,572,690
Project income	110,000	50,000
Interest income	28,378	26,181
Sundry income	120,000	934
Total revenue	3,050,351	1,649,805

NOTE 5 SURPLUS

Surplus before income tax has been determined after:

	2006 \$	2005 \$
CHARGING AS EXPENSES		
Rental expense on operating leases	60,825	43,391

NOTE 6 CASH AND CASH EQUIVALENTS

	2006 \$	2005 \$
Cash on hand	200	200
Cash at bank	288,340	855,095
Cash on deposit	50,000	50,000
	338,540	905,295

NOTE 7 TRADE AND OTHER RECEIVABLES

	2006 \$	2005 \$
CURRENT		
Trade receivables	185,332	673,860

NOTE 8 PROPERTY, PLANT AND EQUIPMENT

	2006 \$	2005 \$
Office furniture & equipment – at cost	194,907	154,710
Accumulated depreciation	(78,064)	(19,211)
	116,843	135,499

Movements in Carrying Amounts

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

	2006 \$
OFFICE FURNITURE & EQUIPMENT	
Balance at the beginning of the financial year	135,499
Additions	40,197
Depreciation expense	(58,853)
Carrying amount at the end of the year	116,843

NOTE 9 OTHER ASSETS

	2006 \$	2005 \$
CURRENT		
Prepayments	3,317	20,572

NOTE 10 TRADE AND OTHER PAYABLES

	2006 \$	2005 \$
CURRENT		
Trade payables	218,505	167,457
Accruals	17,531	13,316
Grants in advance	150,000	1,353,505
	386,036	1,534,278

NOTE 11 PROVISIONS

	2006 \$	2005 \$
CURRENT		
Provision for employee benefits	35,953	13,365
Opening balance at 1st July 2005	13,365	
Additional provision	42,568	
Amounts used	(19,980)	
Balance at 30th June 2006	35,953	

NOTE 12 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 items in the balance sheet as follows:

	2006 \$	2005 \$
Cash on hand	200	200
Cash at bank	288,340	855,095
Cash on deposit	50,000	50,000
	338,540	905,295

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

	2006 \$	2005 \$
Surplus after income tax	34,460	187,583
Non-cash flows in surplus		
Depreciation	58,853	19,211

CHANGES IN ASSETS AND LIABILITIES

	2006 \$	2005 \$
(Increase)/decrease in Trade receivables	488,528	(673,860)
(Increase)/decrease in Prepayments	17,255	(20,572)
Increase/(decrease) in Provisions	22,588	13,365
Increase/(decrease) in Trade payables	51,048	167,457
Increase/(decrease) in Accruals	4,215	13,316
Increase/(decrease) in Grants in advance	(1,203,505)	1,353,505
Cashflow from operations	(526,558)	1,060,005

The company has no credit standby or financing facilities in place.

NOTE 13 AUDITORS' REMUNERATION

	2006 \$	2005 \$
REMUNERATION OF THE AUDITOR FOR		
auditing the financial report	6,000	5,400
other services	1,530	5,342
	7,530	10,742

NOTE 14 RELATED PARTY DISCLOSURES

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other parties unless otherwise stated.

a) Director-related entities

	2006 \$	2005 \$
Consultancy fees paid to Optimum Training Solutions Pty Ltd in which John Baker has a beneficial interest	25,974	4,860

NOTE 15 ECONOMIC DEPENDENCY

The company is reliant on grant funding from the Commonwealth Government. At the date of this report, the company had a contract for 6 months grant funding from July 2006 to December 2006. As no agreement for future grant funding has been finalised, the Directors will be making a decision on the company's future operations within the next month.

NOTE 16 LEASING COMMITMENTS

Non-cancellable operating leases contracted for but not capitalised in the financial statements.

	2006 \$	2005 \$
PAYABLE – MINIMUM LEASE PAYMENTS		
not later 12 months	60,825	61,451
between 12 months and 5 years	16,968	78,629
	77,793	140,080

The property lease is a non-cancellable lease with a 3 year term, with rent payable monthly in advance. Contingent rental provisions within the lease agreement require the minimum lease payments shall be increased by CPI in September 2005 & 2006. An option exists to renew the lease at the end of the 3 year term for an additional 2 years. The photocopier lease is a non-cancellable lease with a 3 year term, with rent payable monthly in advance.

NOTE 17 SEGMENT INFORMATION

The company operates in the ACT and in the education and training industry within Australia.

NOTE 18 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:

FIXED INTEREST RATE MATURING							
	Weighted Average Effective Interest Rate	Floating Interest Rate \$	Within one year \$	1 to 5 years \$	Over 5 years \$	Non- interest Bearing \$	Total \$
2006							
Financial Assets							
Cash	4.0	288,340	50,000	–	–	200	338,540
Receivables	–	–	–	–	–	185,332	185,332
Total Financial Assets		288,340	50,000	–	–	185,532	523,872
Financial Liabilities							
Payables	–	–	–	–	–	386,036	386,036
Total Financial Liabilities		–	–	–	–	386,036	386,036
2005							
Financial Assets							
Cash	5.0	855,095	50,000	–	–	200	905,295
Receivables	–	–	–	–	–	673,860	673,860
Total Financial Assets		855,095	50,000	–	–	674,060	1,579,155
Financial Liabilities							
Payables	–	–	–	–	–	1,534,278	1,534,278
Total Financial Liabilities		–	–	–	–	1,534,278	1,534,278

b) Credit risk

Credit risk on the company's financial assets is the loss that would be recognised if the other parties failed to perform their contractual obligations. 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, net of any provision for doubtful debts of those assets as disclosed in the balance sheet and notes to the financial statements.

Except for the following concentration of credit risk, the company has no significant concentration of credit risk arising in respect of receivables. \$179,523 of receivables due to the company is owed by a single debtor.

c) Net fair values

For financial assets and financial liabilities, the net fair value approximates their carrying value. No financial assets and financial liabilities are readily traded on organised markets in standardised form. Financial assets where the carrying amount exceeds net fair values have not been written down as the company intends to hold those assets to maturity. The aggregate net fair values and carrying amounts of financial assets and financial liabilities are disclosed in the balance sheet and notes to the financial statements.

NOTE 19 CHANGE IN ACCOUNTING POLICY

The following Australian Accounting Standards issued or amended which are applicable to the company but are not yet effective and have not been adopted in preparation of the financial statements at reporting date.

AASB Amendment	AASB Standard Affected	Nature of change in accounting policy and impact	Application date of standard	Application date for company
2004-3	AASB 1: First time adoption of AIFRS	No change, no impact	1 Jan 2006	1 Jul 2006
	AASB 101: Presentation of financial statements	No change, no impact	1 Jan 2006	1 Jul 2006
	AASB 124: Related party disclosures	No change, no impact	1 Jan 2006	1 Jul 2006
2005-1	AASB 139: Financial instruments: Recognition and Measurement	No change, no impact	1 Jan 2006	1 Jul 2006
2005-4	AASB 132: Financial instruments: Disclosure and Presentation	No change, no impact	1 Jan 2006	1 Jul 2006
	AASB 139: Financial instruments: Recognition and Measurement	No change, no impact	1 Jan 2006	1 Jul 2006
	AASB 1: First time adoption of AIFRS	No change, no impact	1 Jan 2006	1 Jul 2006
	AASB 1023: General insurance contracts	No change, no impact	1 Jan 2006	1 Jul 2006
	AASB 1038: Life insurance contracts	No change, no impact	1 Jan 2006	1 Jul 2006
2005-5	AASB 1: First time adoption of AIFRS	No change, no impact	1 Jan 2006	1 Jul 2006
	AASB 139: Financial instruments: Recognition and Measurement	No change, no impact	1 Jan 2006	1 Jul 2006
2005-6	AASB 3: Business combinations	No change, no impact	1 Jan 2006	1 Jul 2006
2005-9	AASB 132: Financial instruments: Disclosure and Presentation	No change, no impact	1 Jan 2006	1 Jul 2006
	AASB 139: Financial instruments: Recognition and Measurement	No change, no impact	1 Jan 2006	1 Jul 2006
	AASB 4: Insurance contracts	No change, no impact	1 Jan 2006	1 Jul 2006
	AASB 1023: General insurance contracts	No change, no impact	1 Jan 2006	1 Jul 2006
2005-10	AASB 139: Financial instruments: Recognition and Measurement	No change, no impact	1 Jan 2007	1 Jul 2007
	AASB 101: Presentation of Financial Statements	No change, no impact	1 Jan 2007	1 Jul 2007
	AASB 114: Segment reporting	No change, no impact	1 Jan 2007	1 Jul 2007
	AASB 117: Leases	No change, no impact	1 Jan 2007	1 Jul 2007
	AASB 133: Earnings per share	No change, no impact	1 Jan 2007	1 Jul 2007
	AASB 132: Financial instruments: Disclosure and Presentation	No change, no impact	1 Jan 2007	1 Jul 2007
	AASB 1: First time adoption of AIFRS	No change, no impact	1 Jan 2007	1 Jul 2007
	AASB 4: Insurance contracts	No change, no impact	1 Jan 2007	1 Jul 2007
	AASB 1023: General insurance contracts	No change, no impact	1 Jan 2007	1 Jul 2007

	AASB 1038: Life insurance contracts	No change, no impact	1 Jan 2007	1 Jul 2007
2006-1	AASB 121: The effects of changes in foreign exchange rates	No change, no impact	1 Jan 2006	1 Jul 2006
New standard	AASB 7: Financial instruments: Disclosure	No change, no impact	1 Jan 2007	1 Jul 2007
New standard	AASB 119: Employee benefits: December 2004	No change, no impact	1 Jan 2006	1 Jul 2006

NOTE 20 COMPANY INFORMATION

The registered office of the company is:

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COUNCIL**

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