



Financial Report
for the year ended 30 June 2006





promoting *independence*
after spinal cord injury

6 Holker St

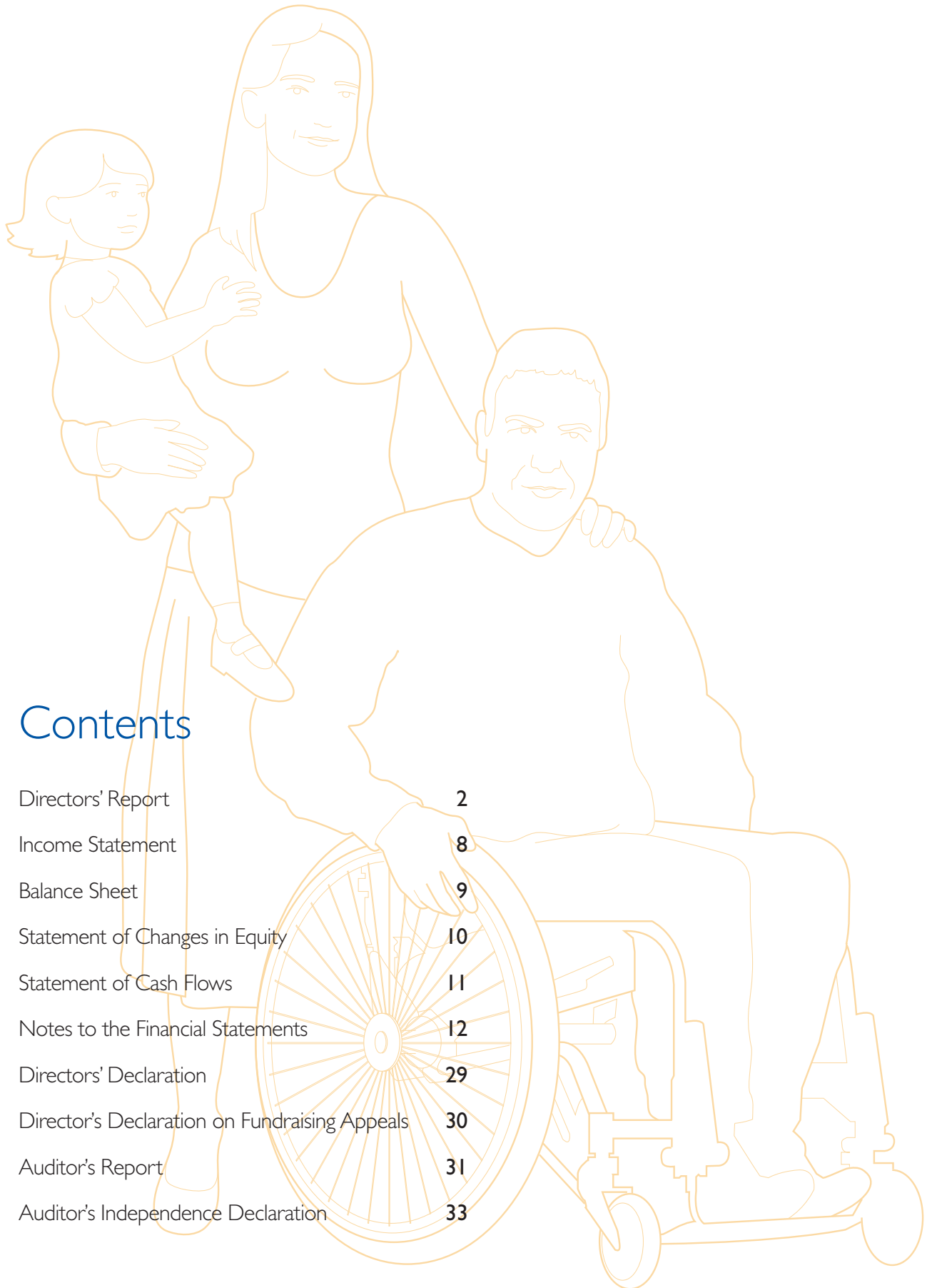
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Directors' Report

Directors

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

Peter Andersen

LLB, Solicitor

Appointed December 2004

Principal, PJA Legal since 2005

Internal legal advisor to:

- major defence contractor (1994 – 97)
 - leading transport group (2000-02)
 - high-tech engineering R&D group (2002-04)
- Director various private companies (1982-94)

Committees

Member of Governance Committee

Michael Briggs

MBA, BComm, ACA, ACIS

Appointed June 2004. Deputy Chairman

Director Independence Solutions Ltd
(ParaQuad NSW representative)

Director Northcott Society

Director OMNI Industries Holdings Pte Ltd

Director Tennyson Strategic Solutions Pty Ltd

Management consultant and business investor

Committees

Member of Finance & Risk Committee; Chair of Finance & Risk Committee (commencing 9 Dec 2005); member Governance Committee.

David Currie

BBus (Acc), FCPA

Appointed June 2004; resigned 25 May 2006

Director Western Area Community Housing Ltd

Member of Penrith City Council

Access Committee

Director Planetary Naturals Australia Pty Ltd

Committees

Member of Finance & Risk Committee
(resigned from committee 24 January 2006)

Dianne Davis

*MBA, MA (Intl. Relations),
BA (Hons), AAMI, MAICD*

Appointed June 2004; resigned 29 August 2006

Director, Health Industry Group Training
Company Director, Griffin Theatre Company

Former Chair, Marketing Taskforce
- Securities Institute of Australia

Former corporate marketing executive,
including Director of Marketing – Australian
Stock Exchange & Price Waterhouse

Marketing Consultant and Managing Director
of Davis & Associates Strategic Marketing

Committees

Member of Remuneration Committee
(resigned from committee 29 August 2006)

Ray Fewell

(FFIA)

Appointed 27 July 2006

Fellow, Fundraising Institute Australia Ltd

Served five years on Fundraising Institute
Executive Committee in NSW

Director R J Fewell Promotions Pty
Limited – Fundraising Consultants

Former General Manager
– Garvey Direct Marketing,

Former National Marketing Manager – Kwikasair

Former National Advertising Manager – Sebel Ltd

Anders Halvorsen

MBA, JP

Appointed December 2004

Director Independence Solutions Ltd
(ParaQuad NSW representative)

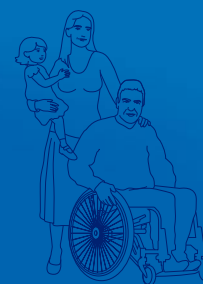
Director North Coast Community
Housing Company Ltd

Business management consultant and investor

Committees

Member of Finance & Risk Committee

The directors present their report on the Paraplegic & Quadriplegic Association of NSW for the financial year ended 30 June 2006.



Gregory Keating

*DipLaw, Solicitor, Accredited Specialist
Personal Injury Lawyer*

Appointed August 2002

Partner, McClellands Lawyers since 1983
Director, WorkCover Authority of
NSW since October 1998

Committees

Member Law Society Personal
Injury Committee

Former Acting Judge of the
District Court of NSW

Member of Finance & Risk Committee;
Member of Remuneration Committee

Matt (Richard) Laffan

Appointed September 2004

Lawyer with the New South Wales Office
of the Director of Public Prosecutions
Member of the Disability Council of New South
Wales since 2003 and a member of the New
South Wales Rugby Judiciary since 1996

Committees

Member of Remuneration Committee

Carole Molyneux

BA (Hons)

Appointed March 2006

CEO, Suzanne Grae Corp Pty Ltd
Former Director of Bantex Australia Pty Ltd
Former Director of Zonta Club of Sydney
Former General Manager, Grace Bros Sydney
Member of AICD and The CEO Syndicate

Wendy Potter

*Cert. IV Community Services Welfare
DipDist. Community Services Welfare
Cert, IV Workplace Training & Assessment*

Appointed May 2003

Chairman since December 2004

Past President, People with Disabilities
Australia Inc.

Committees

Member of Governance Committee

Dr Susan Rutkowski

MB, BS, FAFRM (RACP), MHA

Appointed August 1998

Director Spinal Cord Injury Outpatient
Services and Research, Royal North
Shore Hospital

Honorary Medical Officer, Moorong
Spinal Unit, Royal Rehabilitation
Centre, Sydney

Life Governor, Sydney Hospital

Clinical Senior Lecturer, Faculty of
Medicine, University of Sydney

Wendy Spencer

Appointed December 2004; resigned 27 September 2006

T4 complete paraplegic with 40 years
experience living with a traumatic spinal
cord injury; 25 years married
to a C5-6 incomplete quadriplegic.

Dr Edward Watts

BAppEc (Hons), PhD

Appointed August 1995

Former Treasurer (resigned as
Treasurer 8 December 2005)

Senior Lecturer in the Department of
Accounting & Finance, Macquarie University

Member of the Homecare Advisory Board

Chairman Independence Solutions Ltd
(ParaQuad NSW representative)

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

Directors' Report

DIRECTORS' MEETINGS

	Board Meetings		Finance and Risk Committee		Governance Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Peter Andersen	11	8*	-	-	4	1*	-	-
Michael Briggs	11	8	14	12	4	4	-	-
David Currie	9	6	8	5	-	-	-	-
Dianne Davis	11	9	-	-	-	-	3	3
Ray Fewell	-	-	-	-	-	-	-	-
Anders Halvorsen	11	11	14	14	-	-	-	-
Gregory Keating	11	9	14	13	-	-	3	3
Richard Laffan	11	7	-	-	-	-	3	3
Carole Molyneux	4	3	-	-	-	-	-	-
Wendy Potter	11	11	-	-	4	4	-	-
Dr Susan Rutkowski	11	7	-	-	-	-	-	-
Wendy Spencer	11	9	-	-	-	-	-	-
Dr Edward Watts	11	10	7	6	4	4	-	-

*Board and Governance Committee approved leave of absence for 2 meetings during the financial year.

COMPANY SECRETARY

The following person held the position of company secretary at the end of the financial year:

Martin Gardiner

CPA, BBus (major Accounting, sub-major Finance)

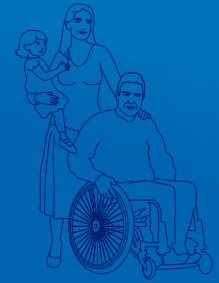
Appointed 30 March 2006

Experience – General Manager Corporate Services ParaQuad NSW; Treasurer John Wycliffe Christian School Association; former Group Manager Financial and Commercial Services Wesley Mission; former financial accountant David Jones; former Treasurer Lottie Stewart Hospital

PRINCIPAL ACTIVITIES

ParaQuad exists to empower people with a spinal cord injury to achieve their potential. During the financial year, ParaQuad continued to provide a range of services, equipment and accommodation primarily to people with a spinal cord injury living within NSW and the ACT. ParaQuad's business operations (Independence Solutions) and advocacy and information services were provided to a broader population.

No fundamental change in the nature of ParaQuad's activities occurred during the course of the year.



ADOPTION OF AUSTRALIAN EQUIVALENTS TO IFRS

As a result of the introduction of Australian equivalents to International Financial Reporting Standards (AIFRS), the company's financial report has been prepared in accordance with those Standards. A reconciliation of adjustments arising on the transition of AIFRS is included in Note 2 of this report.

OPERATING RESULTS

The net operating loss after income tax of the company for the financial year was \$1,155,447 (2005: \$438,223).

DIVIDENDS PAID OR RECOMMENDED

The Company is restricted from paying dividends under its Constitution.

REVIEW OF OPERATIONS

The past year has been one with major challenges to address as we concentrated our efforts on building a more financially secure operation, better able to deliver quality services to our members.

Early in the year we undertook a major internal review as a result of major financial deficits in our operation. Since ParaQuad relies to a large extent on funding from Independence Solutions to enable it to deliver services to members, this home delivery business is of increasing importance. The review highlighted the need to review both pricing, which in numerous cases had remained unchanged over many years, as well as freight costs. Significantly, freight alone represented a loss of nearly half a million dollars, as past practice had been not to include freight consistently. We could no longer afford to let this continue.

Another area that this review highlighted was that many of our business processes were inefficient, resulting in delays in customer payment for goods received and higher operating costs. Moreover, our computer systems did not integrate efficiently with changing business requirements.

The review also identified that our banking arrangements were not in line with current banking trends; affecting our ability to manage our liquidity effectively and meaning that we were paying a higher rate than the market.

As a result, the Board and Management undertook a major program of change resulting in significant restructure in the first quarter of this year. This restructure resulted in:

- closure of the ParaQuad Engineering business
- centralising of our warehousing operation at Newington
- divesting a low margin part of the Independence Solutions business in Queensland
- accelerating the changes already begun in clinical services, focusing on consultancy,
- changing of the organisational structure, with one less general manager being required, together with the recruitment of two new general managers: Kris Hume, General Manager Sales Marketing and Customer Relations; and Tonina Harvey, General Manager Community Services
- increased focus on working capital management with reductions in inventory levels and tightening of debtor collection policies and procedures, and
- transfer of banking arrangements to a new banker to provide improved financing facilities at a lower cost.

None of these decisions was taken lightly, but they were necessary to give ParaQuad a more secure financial footing.

The changes to clinical services which had already begun under the Health Promotion program were accelerated under the restructure, meaning that clients were transferred to community health services. ParaQuad now has a consultancy role, working together with community health professionals to give specialist spinal cord injury advice. With ongoing support from NRMA Insurance, our new corporate sponsor, we have been able to fund a new social worker to complement the Primary Health Care consultancy team.

Directors' Report

REVIEW OF OPERATIONS (cont.)

The internal organisational changes undertaken in 2006 have also better positioned ParaQuad to grow with changes in the wider community. One of the recent changes has been the passing of legislation by the NSW Government (the Lifetime Care and Support Scheme) that determines the care provided to people with acquired spinal cord or brain injury as a result of a motor vehicle accident.

Also, over the past year, our financial performance has given increased importance to Independence Solutions, a commercial venture between three state ParaQuads (NSW, Victoria and Tasmania). Independence Solutions is a commercial operation that exists solely to augment funding from other sources to enable ParaQuad NSW to provide services to members. The operation of Independence Solutions by some ParaQuad NSW staff is critical for our future development and members should note the importance of this to building a sustainable ParaQuad.

ParaQuad incurred restructuring costs of \$418,781 during the year, being made up of redundancy, consultancy and other costs associated with the changes outlined above. These costs made our result for the year significantly worse but were necessary in order for ParaQuad to live within its means in the future.

These changes have had a significant effect on the financial performance of ParaQuad, with a small profit having been achieved in both of the first two months of the new financial year. Other examples of the level of improvement that has been achieved include:

- We are now recovering close to 100% of our freight costs which represents an improvement of nearly \$500,000 over prior years;
- Gross margins in the Independence Solutions business have increased by over 3% compared to the same period last year;

While the Board believes that significant progress has now been made toward putting ParaQuad on a sound financial footing, there is no room

for complacency. There is still significant further work to be done to address our worker's compensation insurance costs which were over \$1m in 2005/06. In addition, the improvement of our processes, particularly as they relate to the Independence Solutions business, remains a work in progress, with many on-going improvements being made to the customer service and warehouse functions to lift our service levels and efficiency.

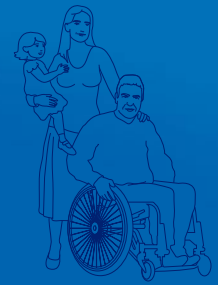
In the near future, we hope to announce definitive plans for the redevelopment of Ferguson Lodge, including the accommodation of our 26 permanent residents. Much work has been undertaken to develop a new facility next door to the existing Lidcombe facility, and as would be appreciated, land swap arrangements have proven to be protracted. This, coupled with higher than expected capital work estimates, has caused a major review of the design and cost of the new facility. On a positive note, we have virtually concluded individual assessments for all the residents, which will provide a sound basis for ensuring that their individual requirements are factored into the revised design criteria.

In May 2006 the CEO of ParaQuad, Greg Smith, accepted another appointment, resulting in the Board undertaking an exhaustive search for a new CEO.

The Board was very pleased that the recruitment process secured the services of Max Bosotti as the new CEO of ParaQuad NSW. Max commenced in early August 2006. Max will bring to ParaQuad a number of years experience in leadership roles across a variety of industries including petroleum, financial services, high technology, automotive and more recently not-for-profit.

The Board would like to take this opportunity to thank Martin Gardiner for so ably filling the role as acting CEO during the period while Max was being recruited.

The Board believes that Max, together with Martin and the new general managers, Kris and Tonina, provide ParaQuad with a high calibre team to deal with the current challenges and to take ParaQuad to the next level.



SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

No significant changes in the company's state of affairs occurred during the financial year.

AFTER BALANCE DATE EVENTS

No matter or circumstance has arisen since the end of the financial year which significantly affected or may significantly affect the company's operations, the result of those operations, or its state of affairs in future financial years.

FUTURE DEVELOPMENTS

The company intends to continue to carry on operations in accordance to its constitution with no significant deviations planned.

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.

REMUNERATION REPORT

The directors have not paid been paid any form of remuneration during the year ended 30 June 2006.

OPTIONS

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

INDEMNITIES OF OFFICERS OR AUDITORS

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.

During the financial year, the company paid a premium of \$5,552 plus GST to insure all of the directors of the company. The liabilities insured include costs and expenses that may be incurred in defending civil or criminal proceedings that may be brought against the directors in their capacity as directors of the company. No other premiums have been paid.

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.

AUDITOR'S INDEPENDENCE DECLARATION

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 32.

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

W Potter
Chairman

Sydney, 28 September 2006

Income Statement

FOR THE YEAR ENDED 30 JUNE 2006

	Note	2006	2005
		\$	\$
Revenue	3	30,077,660	28,815,600
Changes in inventories		(158,031)	(245,640)
Product purchases		(16,468,681)	(13,935,316)
Employee related expenses		(10,833,998)	(10,705,416)
Operating and administration expenses		(3,207,465)	(4,130,380)
Finance costs		(145,238)	(131,481)
Restructuring costs		(418,781)	-
Other expenses from ordinary activities		(913)	(105,590)
Loss before income tax		(1,155,447)	(438,223)
Income tax expense		-	-
Net loss after income tax expense		(1,155,447)	(438,223)

The financial statements should be read in conjunction with the accompanying notes.

Balance Sheet

FOR THE YEAR ENDED 30 JUNE 2006



	Note	2006	2005
		\$	\$
CURRENT ASSETS			
Cash and cash equivalents	6	501,199	538,829
Trade and other receivables	7	2,331,437	3,423,949
Inventories	8	639,479	797,510
Other current assets	9	192,100	(4,829)
TOTAL CURRENT ASSETS		3,664,215	4,755,459
NON-CURRENT ASSETS			
Financial assets	10	2,233,278	2,122,296
Property, plant and equipment	11	7,423,255	7,874,762
TOTAL NON-CURRENT ASSETS		9,656,533	9,997,058
TOTAL ASSETS		13,320,748	14,752,517
CURRENT LIABILITIES			
Trade and other payables	12	2,856,517	3,641,080
Short-term provisions	13	705,613	1,138,795
Short-term borrowings	14	97,635	1,344,225
TOTAL CURRENT LIABILITIES		3,659,765	6,124,100
NON-CURRENT LIABILITIES			
Long-term provisions	13	488,884	111,853
Long-term borrowings	14	1,700,000	-
Other	15	652,167	652,167
TOTAL NON-CURRENT LIABILITIES		2,841,051	764,020
TOTAL LIABILITIES		6,500,816	6,888,120
NET ASSETS		6,819,932	7,864,397
EQUITY			
Reserves	16	417,420	306,438
Retained earnings		6,402,512	7,557,959
TOTAL EQUITY		6,819,932	7,864,397

The financial statements should be read in conjunction with the accompanying notes.

Statement of Changes in Equity

FOR THE YEAR ENDED 30 JUNE 2006

	Asset Revaluation Reserve	Retained Earnings	Total
	\$	\$	\$
Balance at 1 July 2004	136,877	7,996,182	8,133,059
Available for sale securities - gains recognised in equity	169,561	-	169,561
Net income recognised directly in equity	169,561	-	169,561
Loss for the period	-	(438,223)	(438,223)
Total recognised income and expense for the period	169,561	(438,223)	(268,662)
Balance as at 30 June 2005	306,438	7,557,959	7,864,397
Available for sale securities - gains recognised in equity	110,982	-	110,982
Net income recognised directly in equity	110,982	-	110,982
Loss for the period	-	(1,155,447)	(1,155,447)
Total recognised income and expense for the period	110,982	(1,155,447)	(1,044,465)
Balance as at 30 June 2006	417,420	6,402,512	6,819,932

The financial statements should be read in conjunction with the accompanying notes.

Statement of Cash Flows

FOR THE YEAR ENDED 30 JUNE 2006



	Note	2006	2005
		\$	\$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from customers		22,059,399	19,720,981
Receipts from government departments		8,127,781	5,251,685
Payments to suppliers and employees		(31,325,999)	(26,517,493)
Donations received		548,904	2,199,870
Distributions received from managed funds		222,319	184,150
Interest received		14,845	1,813
Interest paid		(145,238)	(131,481)
Net cash (used in)/ provided by operating activities	23(a)	(497,989)	709,525
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for property, plant and equipment		(402,003)	(702,852)
Proceeds from sale of equipment		408,952	565,308
Net cash provided by/ (used in) investing activities		6,949	(137,544)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from commercial bills		1,700,000	-
Proceeds from insurance premium funding		97,635	-
Net cash provided by financing activities		1,797,635	-
Net increase in cash held		1,306,595	571,981
Cash at the beginning of the financial year		(805,396)	(1,377,377)
Cash at the end of the financial year	6	501,199	(805,396)

The financial statements should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

FOR THE YEAR ENDED 30 JUNE 2006

I. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

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

The Paraplegic & Quadriplegic Association of NSW ('ParaQuad') is a company limited by guarantee, incorporated and domiciled in Australia.

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

The company has prepared financial statements in accordance with the Australian equivalents to International Financial Reporting Standards (AIFRS) from 1 July 2005.

In accordance with the requirements of AASB 1: First-time Adoption of Australian Equivalents to International Financial Reporting Standards, adjustments to the company's accounts resulting from the introduction of AIFRS have been applied retrospectively to 2005 comparative figures excluding cases where optional exemptions available under AASB 1 have been applied. These accounts are the first financial statements of ParaQuad to be prepared in accordance with Australian equivalents to IFRS.

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, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

Accounting Policies

a) Going Concern Basis of Accounting

The financial report has been prepared on a going concern basis, notwithstanding the operating losses and deficiency in the current asset ratio. As noted in the Directors' Report, the directors are implementing a plan to improve the future profitability of the company. If required, the directors have also arranged additional bank finance facilities and can realise other liquid assets, including the managed fund investments, such that the company can meet its debts as and when they fall due.

b) Income Tax

Under Section 50-5 of the Income Tax Assessment Act 1997, the income of ParaQuad is exempt from income tax.

c) Inventories

Inventories are measured at the lower of cost and net realisable value. Costs are assigned to individual items on the basis of weighted average cost.

d) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

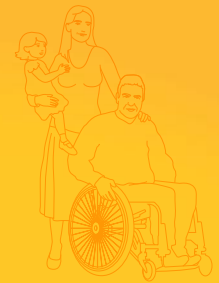
Property

Freehold land and buildings are carried at the lower of cost less accumulated depreciation or recoverable amount.

Plant and equipment

Plant and equipment are measured on the cost basis.

The carrying amount of 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 of an asset is determined as the higher of fair value less costs to sell, and value in use, with value in use being determined as the written-down current cost (depreciated replacement cost) of the asset.



Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Depreciation

The depreciable amount of all fixed assets including buildings and capitalised leased assets, but excluding freehold land, is depreciated on a straight-line basis over their estimated useful lives commencing from the time the asset is held ready for use. Leasehold improvements are depreciated 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 assets are:

Class of Fixed Asset	Depreciation Rate
Buildings	2.5%
Leasehold improvements	28.5%
Plant and equipment	10-27%

The assets' useful lives are reviewed and adjusted, if appropriate, at each balance sheet 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.

e) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that is transferred to the Company, are classified as finance leases. There were no finance leases in existence during and since year-end.

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 under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

f) Financial Instruments

Recognition

Financial instruments are initially measured at cost on trade date, which includes transaction costs, when the related contractual rights or obligations exist. Subsequent to initial recognition these instruments are measured as set out below.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are stated at amortised cost using the effective interest rate method.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not included in the above categories. Available-for-sale financial assets are reflected at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity.

Financial liabilities

Non-derivative financial liabilities are recognised at amortised cost, comprising original debt less principal payments and amortisation.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions and reference to similar instruments.

