

AUSTRALIAN WILDLIFE CONSERVANCY

ACN 068 572 556

SPECIAL PURPOSE FINANCIAL REPORT

FOR THE YEAR ENDED 30TH JUNE, 2004

(Incorporating Fund)

AUSTRALIAN WILDLIFE CONSERVANCY
ACN 068 572 556
DIRECTORS' REPORT

The directors present their report together with the special purpose financial report of Australian Wildlife Conservancy for the year ended 30th June, 2004 and the Auditor's Report thereon.

Principal Activities

The principal activities of AWC during the year were directed toward the conservation of Australia's wildlife, particularly threatened species and ecosystems. These activities included:

- the establishment of wildlife sanctuaries including through the acquisition of land;
- the implementation of on-ground conservation programs including translocations of threatened wildlife, feral animal control, weed control and fire management;
- the conduct of strategic research; and
- the carrying out of public education and visitor programs designed to enhance awareness of conservation issues.

There has been no significant change in the nature of the principal activities of AWC during the year.

Result and Review of Operations

The surplus for the year was \$7,692,437 (2003: \$3,590,397). However, the surplus for this year included a grant received in advance from the Federal Government to cover the acquisition cost of Brooklyn station, which was \$4.2 million. The grant funds have been expended since the end of the financial year to complete the Brooklyn acquisition.

During the year, AWC operations successfully carried out the organisation's principal activities. As a charitable organisation, AWC development activities raised sufficient funds for the execution of these activities.

Key outcomes from AWC operations included:

- The acquisition of Taravale was completed and a contract signed for the acquisition of Brooklyn station. As indicated above, settlement has occurred on the Brooklyn contract since the end of the financial year.
- Substantial on ground conservation programs were implemented at AWC sanctuaries around Australia. For example: translocations of threatened wildlife occurred at Karakamia, Paruna and Faure Island sanctuaries; a fire management and destocking program commenced at Mornington; work continued on the Scotia Endangered Mammal Recovery Project in NSW including the establishment of an 8,000 hectare feral predator-free area; and on going sanctuary management programs continued at AWC's other properties.

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- Important research projects commenced at Faure Island, Mt Zero-Taravale and several other AWC properties; a Field Research Centre was established at Mornington; and a collaborative research project was initiated at Scotia with Sydney University and the NSW National Parks and Wildlife Service.
- Environmental education and visitor programs were carried out at several sanctuaries, notably through the Mornington Wilderness Camp, at Karakamia sanctuary and through the hosting of school visits at Yookamurra sanctuary.

As an organisation entered in the Register of Environmental Organisations, and as a Deductible Gift Recipient, AWC is exempt from liability for income tax. Donations to AWC are tax deductible in the hands of the donor. The greatest challenge for AWC is to raise sufficient funds for the management of existing sanctuaries and any future sanctuaries.

Dividends

The constitution of AWC does not permit the payment of any dividends.

State of Affairs

Except as set out below, there was no significant change in the state of affairs of AWC during the year.

- The net assets of AWC increased from \$9.7 million to \$17.4 million. This increase is principally a result of the receipt of a grant for the acquisition of Brooklyn station (\$4.2 million) and a donation made for the specific purpose of repaying certain loans (\$2.35m).
- Income from sanctuary management, including the sale of cattle as part of AWC's destocking program, increased from \$360,000 to \$880,000.

Events Since the End of the Financial Year

Except as set out below, the Director's are not aware of any matter or circumstance that has arisen since the end of the financial year to the date of this report that has significantly affected, or may significantly affect, the operations, results of operations or state of affairs of AWC in future financial years.

- The purchase of Brooklyn was settled on 1st September, 2004, the settlement amount being \$4,529,522, inclusive of GST.
- For reporting periods starting on or after 1st July, 2005, AWC must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board. At balance date, it was not possible to quantify the effect of the convergence to IFRS as key IFRS and AASBs are currently under development.

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Future Developments

AWC expects to continue to carry out the principal activities identified above. In the opinion of the Directors, the inclusion of additional information on future developments would be likely to result in unreasonable prejudice to AWC.

Directors

The names of directors in office at any time during or since the end of the year, and their qualifications, experience and special responsibilities, are set out below.

<i>Name of Director</i>	<i>Director Since</i>	<i>Number of Meetings attended in 2003/04</i>
Martin Copley (Chairperson)	24 March, 1995	(7 of 7)
Ross E Ledger	24 March, 1995	(4 of 7)
Peter Underwood	30 October, 2001	(5 of 7)
Timothy Flannery	20 December, 1999	(2 of 7)
Graeme Morgan	3 November, 2003	(5 of 6)
Barry Wilson	24 March, 1995 - resigned 27 September 2004	(6 of 7)

Mr Martin Copley

Non Executive Director
Special Responsibilities: Chairman

Founder of AWC and Chairman of the Board of Directors since 1995. Martin is a member of the Institute of Chartered Accountants in England and Wales. He was Chairman of Domestic and General Group Ltd, a listed UK insurer from its early formation until his retirement to Australia in 1998. He is also a trustee of the Spinifex Trust.

Mr Ross E Ledger

Non Executive Director
Special Responsibilities: Company Secretary from 24-3-1995 till 30-6-2004

Director since 1995. Ross Ledger is a Chartered Accountant and a Fellow of the Australian Institute of Company Directors. A Director of Perron Group Ltd. He has had fifty years experience in accounting and business and was a partner of Hendry Rae and Court (now Grant Thornton) for twenty five years. He has conducted his own practice, R E Ledger Pty Ltd, for the last fourteen years. A trustee of the AWC Fund, the Stan Perron Charitable Trust, the Sphinx Foundation Inc and Spinifex Trust. A deputy member of the Real Estate and Business Agents Supervisory Board.

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Professor Peter Underwood

Non Executive Director

Director since 2000. Peter Underwood is Adjunct Professor of International and Public Health, Murdoch University, WA, and a medical doctor, farmer, poet, writer, and conservationist. Peter has experience managing land for conservation.

Dr Timothy Flannery

Non Executive Director

Director since 1999. Dr Tim Flannery is the Director of the South Australian Museum. Dr Flannery Chairs the South Australian Premier's Science and Research Council and the Sustainable Round Table. He is also a member of the Regional National Geographic Society. Dr Flannery spent a year as Professor of Australian Studies at Harvard University, where he drew international attention to Australia and its unique biodiversity, character and history. He is one of Australia's leading biodiversity scientists.

Mr Graeme Morgan

Non Executive Director

Director since 2003. Graeme Morgan has extensive experience in the Financial Services Industry and as a director of a number of private companies. In recent years, Graeme has been involved in the management of investment portfolios and numerous private equity and venture capital projects. He is a former director of the Investment Funds Association and a Fellow of the Australian Institute of Company Directors.

Dr Barry Wilson

Non Executive Director

Director since 1995, resigned as of 27 September 2004. Dr Barry Wilson is Chairman of the Marine Parks and Reserves Authority (WA) and a Fellow of the Australian Academy of Technological Sciences and Engineering. His fields of particular expertise include: Nature Conservation and Biodiversity Policy Development and Protected Area Management; marine ecology and taxonomy and Museum curation and administration.

Environmental Regulation

The organisation's operations are subject to State and Commonwealth environmental regulations. No significant obligation is outstanding.

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Indemnity and Insurance

AWC's constitution provides that every director, executive officer, and if the directors so determine, any auditor be indemnified on a full indemnity basis and to the full extent permitted by law for all losses or liabilities incurred by the person as an officer or auditor of the company including, but not limited to, a liability for negligence or for reasonable costs and expenses incurred in defending any proceedings whether civil or criminal in which judgement is given in their favour or in which they are acquitted or in connection with any application in which relief is granted to them under the Corporations Act.

Since the end of the previous financial year, the organisation has not indemnified, or made a relevant agreement for indemnifying against a liability, any person who is or has been an officer or auditor of AWC.

AWC maintains a Directors' and Officers' insurance policy. During the financial year, AWC paid a premium of \$8,453 (2003: \$7,864) in respect of contracts insuring all the directors and officers of Australian Wildlife Conservancy under that policy.

Registered office

Australian Wildlife Conservancy is incorporated in Australia. The address of the registered office is: 14 Emerald Terrace, West Perth, Western Australia.

DATED at Perth this 11th day of November 2004.

Signed in accordance with a resolution of the directors.



MARTIN COPLEY



ROSS LEDGER

AUSTRALIAN WILDLIFE CONSERVANCY
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PROFIT AND LOSS STATEMENT
FOR THE YEAR ENDED 30TH JUNE, 2004

	Note	2004	2003
INCOME			
Donations and Gifts		5,487,664	4,447,286
Grants		4,500,000	733,000
Investment Income		71,053	36,790
Sanctuary Income		<u>883,067</u>	<u>357,278</u>
		<u>10,941,784</u>	<u>5,574,354</u>
EXPENDITURE			
Administration and Development			
Administration		269,523	265,668
Development (Fundraising)		<u>287,512</u>	<u>284,071</u>
		557,035	549,739
Conservation Programs			
Conservation Assessment and Policy		101,928	32,322
Conservation Programs (Sanctuary Management)			
• Southwest Region (Faure, Karakamia, Mt Gibson, Paruna)		551,360	600,689
• Kimberley Region (Mornington)		1,307,857	727,413
• Queensland Region (Curramore, Mt Zero/Taravale)		170,174	112,813
• Southeast Region (Buckaringa, Dakalanta, Scotia, Yookamurra)		<u>560,993</u>	<u>731,461</u>
		2,692,312	2,204,698
TOTAL EXPENDITURE		<u>3,249,347</u>	<u>2,754,437</u>
EXCESS OF INCOME OVER EXPENDITURE		<u>7,692,437</u>	<u>2,819,917</u>
Transfer from Australian Wildlife Conservancy Fund		-	<u>770,480</u>
NET SURPLUS	2	<u>\$7,692,437</u>	<u>\$3,590,397</u>

The statement of profit and loss statement is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 20.

AUSTRALIAN WILDLIFE CONSERVANCY
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BALANCE SHEET
AS AT 30TH JUNE, 2004

	Note	2004	2003
CURRENT ASSETS			
Cash		6,664,839	1,610,637
Receivables	3	6,541	8,240
Other	4	<u>102,894</u>	<u>150</u>
TOTAL CURRENT ASSETS		<u>6,774,274</u>	<u>1,619,027</u>
NON CURRENT ASSETS			
Property, plant, equipment	6	24,754,339	20,423,510
Livestock	5	<u>-</u>	<u>264,750</u>
TOTAL NON CURRENT ASSETS		<u>24,754,339</u>	<u>20,688,260</u>
TOTAL ASSETS		<u>31,528,613</u>	<u>22,307,287</u>
CURRENT LIABILITIES			
Bank Overdraft		89,688	177,809
Payables	7	5,143,402	1,190,997
Provisions	9	66,991	64,420
Borrowings	8	<u>4,500,000</u>	<u>3,100,000</u>
TOTAL CURRENT LIABILITIES		<u>9,800,081</u>	<u>4,533,226</u>
NON CURRENT LIABILITIES			
Borrowings	8	4,296,824	8,046,824
Provisions	9	<u>22,867</u>	<u>10,833</u>
TOTAL NON CURRENT LIABILITIES		<u>4,319,691</u>	<u>8,057,657</u>
TOTAL LIABILITIES		<u>14,119,772</u>	<u>12,590,883</u>
NET ASSETS		<u>\$17,408,841</u>	<u>\$ 9,716,404</u>
REPRESENTED BY			
Accumulated surplus	13	17,408,841	6,886,630
Fund Reserve Account	12	<u>-</u>	<u>2,829,774</u>
TOTAL EQUITY		<u>\$17,408,841</u>	<u>\$ 9,716,404</u>

The statement of balance sheet is to be read in conjunction with the notes to and forming part of the financial statements set out on pages 10 to 20.

AUSTRALIAN WILDLIFE CONSERVANCY
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STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30TH JUNE, 2004

	Note	2004	2003
Cash flows from operating activities			
Cash receipts in the course of operations		885,587	1,081,883
Cash payments in the course of operations		(1,868,252)	(2,169,971)
Proceeds from grant income		4,500,000	733,000
Proceeds from donation income		5,487,664	4,447,286
Transfer from Australian Wildlife Conservancy Fund		-	770,480
Interest received		<u>71,053</u>	<u>36,790</u>
Net cash provided by operating activities	14(ii)	<u>9,076,052</u>	<u>4,899,468</u>
Cash flows from investing activities			
Payments for property, plant and equipment		(1,583,730)	(6,026,723)
Payments for investments		<u>-</u>	<u>(150)</u>
Net cash used in investing activities		<u>(1,583,730)</u>	<u>(6,026,873)</u>
Cash flows from financing activities			
Proceeds from borrowings from related entities		-	2,100,000
Repayment of borrowings		<u>(2,350,000)</u>	<u>(500,000)</u>
Net cash provided by/(used in) financing activities		<u>(2,350,000)</u>	<u>1,600,000</u>
Net increase in cash held		5,142,322	472,595
Cash at the beginning of the financial year		<u>1,432,829</u>	<u>960,234</u>
Cash at the end of the financial year	14(i)	<u>\$6,575,151</u>	<u>\$1,432,829</u>

The statement of cash flows is to be read in conjunction with
the notes forming part of the financial statements set out on pages 10 to 20.

AUSTRALIAN WILDLIFE CONSERVANCY
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NOTES TO AND FORMING PART OF THE
FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE, 2004

1. STATEMENT OF ACCOUNTING POLICIES

(a) Basis of Preparation

In the opinion of the directors, the entity is not a reporting entity. The financial report of the organisation has been drawn up as a special purpose financial report for distribution to the members and for the purpose of fulfilling the requirements of the Corporations Act 2001.

The financial report has been prepared on the accrual basis of accounting as defined in AASB 1001, Accounting Policies, using the historical cost convention and a going concern assumption. Except where stated, it does not take into account changing money values or current valuations of non-current assets.

The accounting policies have been consistently applied and, except where there is a change in accounting policy, are consistent with those of the previous year.

The financial report has been prepared in accordance with the requirements of the Corporations Act 2001, the recognition and measurement aspects of all applicable Accounting Standards, Urgent Issues Group Consensus Views and other authoritative pronouncements of the Australian Accounting Standards Board that have material effect. The financial report does not include the disclosure requirements of the following pronouncements having a material effect:-

AASB 1004	Revenue
AASB 1005	Segment Reporting
AASB 1017	Related Party Disclosures
AASB 1018	Statement of Financial Performance
AASB 1028	Accounting for Employee Entitlements
AASB 1033	Presentation and Disclosure of Financial Instruments
AASB 1040	Statement of Financial Position
AASB 1041	Revaluation of Non Current Assets

(b) Income Tax

The entity is exempt from Income Tax under Section 23(e) of the Income Tax Assessment Act.

(c) Acquisition of Assets

All assets acquired including property, plant and equipment are initially recorded at their cost of acquisition at the date of acquisition, being the fair value of the consideration provided plus incidental costs directly attributable to the acquisition.

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(d) Depreciation

All non current assets have limited useful lives and are depreciated over their estimated useful lives.

Assets are depreciated from the date of acquisition.

Depreciation rates are reviewed annually for appropriateness. When changes are made, adjustments are reflected prospectively in current and future periods only. Depreciation is expensed.

The depreciation rates used for each class of asset, for the current and previous years, are as follows:

- Freehold and leasehold improvements 5%
- Plant and equipment Between 6% and 33%

(e) Revenue Recognition

Grants Received

Grant revenue is recognised when it is received.

Interest

Interest revenue is recognised as it accrues.

Rental Income

Rental income is recognised as it accrues over the period that the properties are leased to third parties.

Donations and Gifts

Donations and gifts received or receivable from the Australian Wildlife Conservancy Fund are recognised in the profit and loss statement when it is received/receivable.

Sale of Livestock

The gross proceeds from the sale of livestock net of selling expenses is recognised as revenue.

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(f) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). 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.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

Cash flows are included in the statement of cash flows on a net basis. The GST component of cash flows arising from investing and financial activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(g) Livestock

Australian Wildlife Conservancy has certain obligations under pastoral lease legislation in Western Australia, Queensland and New South Wales. Any livestock kept on an Australian Wildlife Conservancy property to ensure compliance with such legislation is, as from 1st July, 2003, expensed as incurred. This represents a change in accounting policy as in the prior year livestock was classified as a non-current asset and valued at the lower cost and recoverable amount. The reason for the change is that such livestock is only held to ensure compliance with the pastoral lease legislation and is not viewed by Australian Wildlife Conservancy to be an asset, but rather akin to maintenance costs. The financial effect of this change is a change to the Profit and Loss of \$264,750 in the current year.

(h) Self Generating and Regenerating Assets

The principles of the accounting standard AASB 1037 *Self Generating and Regenerating Assets* are not applicable to the organisation, because it manages native fauna for conservation purposes and does not manage the fauna for profit generation.

(i) Recoverable Amount of Non Current Assets Valued at Cost Basis

The carrying amounts of non current assets valued on the cost basis are reviewed to determine whether they are in excess of their recoverable amount at balance date. If the carrying amount of a non current asset exceeds its recoverable amount, the asset is written down to the lower amount. The write-down is recognised as an expense in the net profit or loss in the reporting period in which it occurs.

Where a group of assets working together supports the generation of cash inflows, recoverable amount is assessed in relation to that group of assets.

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In assessing recoverable amounts of non current assets, the relevant cash flows have not been discounted to their present value, except where specifically stated.

Except where specifically stated, non current assets are recorded at the lower of cost and recoverable amount.

(j) Employee Entitlements

Wages, salaries and annual leave

Liabilities for employee entitlements to wages, salaries and annual leave to be settled within twelve months of reporting date, represent present obligations resulting from employees' services provided up to the reporting date, calculated at undiscounted amounts based on expected wage and salary rates that the company expects to pay including related and on costs.

Long service leave

The provision for employee benefits for long service leave represents the present value of the future cash outflows to be made resulting from employees services provided up to reporting date.

2. NET SURPLUS

The net surplus for the year has been arrived at after charging the following items.

Depreciation	2004	2003
Freehold and Leasehold Improvements	140,777	75,283
Plant and Equipment	<u>153,058</u>	<u>129,841</u>
	<u>\$293,835</u>	<u>\$205,124</u>
Writeoff of Livestock	<u>\$264,750</u>	<u>\$ -</u>

3. RECEIVABLES

Amounts Receivable	<u>\$ 6,541</u>	<u>\$ 8,240</u>
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4. OTHER

Prepayments	102,744	-
Shares – Earth Sanctuaries Ltd (at cost)	<u>150</u>	<u>150</u>
	<u>\$102,894</u>	<u>\$ 150</u>

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5. LIVESTOCK	2004	2003
Current		
Cattle	-	250,000
Sheep and Rams	-	<u>14,750</u>
	<u>\$ -</u>	<u>\$264,750</u>

6. PROPERTY, PLANT AND EQUIPMENT

Property is included in the financial statements on the following basis:-

Freehold Land and Improvements (at cost less accumulated depreciation, where applicable)

Paruna Sanctuary	7,285,345	7,339,029
Karakamia Sanctuary	1,250,732	1,250,732
Buckaringa	1,058,854	1,058,854
Yookamurra Sanctuary	807,435	807,435
Dakalanta	29,978	29,978
Curramore	<u>302,245</u>	<u>302,245</u>
	<u>\$10,734,589</u>	<u>\$10,788,273</u>

Pastoral Leases and Improvements (at cost less accumulated depreciation, where applicable)

Brooklyn	4,200,500	-
Faure Island	505,035	505,035
Ningaloo Station – 25%	477,831	477,831
Mornington Wildlife Sanctuary	2,206,948	2,191,519
Mount Gibson Wildlife Sanctuary	360,354	360,354
Mount Zero	1,015,999	1,015,999
Scotia Sanctuary	3,000,493	3,000,493
Taravale Wildlife Sanctuary	<u>1,145,043</u>	<u>1,127,111</u>
	<u>\$12,912,203</u>	<u>\$ 8,678,342</u>

The Western Australian pastoral leases expire 30th June, 2015. The WA Government has confirmed it will renew the leases at that time. Accordingly none of the leases have been amortised.

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6. PROPERTY, PLANT AND EQUIPMENT (Cont)	2004	2003
<u>Plant and Equipment</u>		
<i>Buckaringa</i>		
At cost	13,636	13,636
Accumulated depreciation	<u>(990)</u>	<u>(308)</u>
Written down value	<u>\$ 12,646</u>	<u>\$ 13,328</u>
<i>Curramore</i>		
At cost	3,006	-
Accumulated depreciation	<u>(259)</u>	<u>-</u>
Written down value	<u>\$ 2,747</u>	<u>\$ -</u>
<i>Faure Island</i>		
At cost	24,442	23,479
Accumulated depreciation	<u>(9,096)</u>	<u>(5,587)</u>
Written down value	<u>\$ 15,346</u>	<u>\$ 17,892</u>
<i>Karakamia Sanctuary</i>		
At cost	189,830	186,550
Accumulated depreciation	<u>(134,475)</u>	<u>(108,468)</u>
Written down value	<u>\$ 55,355</u>	<u>\$ 78,082</u>
<i>Mornington Wildlife Sanctuary</i>		
At cost	267,573	176,279
Accumulated depreciation	<u>(97,190)</u>	<u>(58,662)</u>
Written down value	<u>\$170,383</u>	<u>\$ 117,617</u>
<i>Mt Gibson Wildlife Sanctuary</i>		
At cost	23,908	23,908
Accumulated depreciation	<u>(14,330)</u>	<u>(9,724)</u>
Written down value	<u>\$ 9,578</u>	<u>\$ 14,184</u>
<i>Mt Zero/Taravale</i>		
At cost	62,152	31,847
Accumulated depreciation	<u>(5,212)</u>	<u>(362)</u>
Written down value	<u>\$ 56,940</u>	<u>\$ 31,485</u>
<i>Office, Corporate</i>		
At cost	66,932	58,245
Accumulated depreciation	<u>(28,271)</u>	<u>(15,062)</u>
Written down value	<u>\$ 38,661</u>	<u>\$ 43,183</u>

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6. PROPERTY, PLANT AND EQUIPMENT (Cont)	2004	2003
<i>Paruna Sanctuary</i>		
At cost	3,917	2,973
Accumulated depreciation	<u>(954)</u>	<u>(598)</u>
Written down value	<u>\$ 2,963</u>	<u>\$ 2,375</u>
<i>Scotia Sanctuary</i>		
At cost	629,231	483,123
Accumulated depreciation	<u>(80,556)</u>	<u>(35,554)</u>
Written down value	<u>\$ 548,675</u>	<u>\$ 447,569</u>
<i>Yookamurra</i>		
At cost	225,804	206,681
Accumulated depreciation	<u>(31,551)</u>	<u>(15,501)</u>
Written down value	<u>\$ 194,253</u>	<u>\$ 191,180</u>
Total Property, Plant and Equip net book value	<u>\$24,754,339</u>	<u>\$20,423,510</u>
7. PAYABLES		
Trade creditors	522,594	13,120
Other creditors and accruals	520,808	109,720
Owing under contract for Purchase of Properties	<u>4,100,000</u>	<u>1,068,157</u>
	<u>\$ 5,143,402</u>	<u>\$1,190,997</u>
8. BORROWINGS		
Current		
Loan from Director Related Entities		
- Yilgarn Nominees Pty Ltd – No. 1 Account	<u>4,500,000</u>	<u>3,100,000</u>
	<u>\$ 4,500,000</u>	<u>\$3,100,000</u>
Non Current		
Loan from Director Related Entities		
- Yilgarn Nominees Pty Ltd – No. 1 Account	4,296,824	7,796,824
- Yilgarn Nominees Pty Ltd – No. 2 Account	<u>-</u>	<u>250,000</u>
	<u>\$ 4,296,824</u>	<u>\$8,046,824</u>

The loans from Yilgarn Nominees Pty Ltd are interest free and unsecured.

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8. BORROWINGS (Cont)

No.1 Account

On 26th September, 2001 Yilgarn Nominees Pty Ltd entered into an irrevocable Deed of Release in respect of the No. 1 Loan Account whereby it would release the organisation from its then indebtedness of \$9,796,824 over a five year period. In the event that donations are received from Mr M Copley or his family such donations can be applied in repayment of the outstanding liability. Repayments of \$1,000,000 have been made since then.

No. 2 Account

The No. 2 loan of \$250,000 at 30th June, 2003 was incurred in the purchase of cattle as part of the acquisition of the Mornington Station lease, and has been repaid out of cattle proceeds.

9. PROVISIONS	2004	2003
Current		
Employee entitlements – annual leave	<u>\$66,991</u>	<u>\$64,420</u>
Non Current		
Employee entitlements – long service leave	<u>\$22,867</u>	<u>\$10,833</u>
Number of employees at year end	29	27

10. MEMBERS EQUITY

The organisation is an organisation limited by guarantee and hence has no issued capital.

Each of the seven founding members has guaranteed an amount of \$50.

11. AUDITOR'S REMUNERATION

Auditing of the Financial Statements - KPMG	<u>\$11,500</u>	<u>\$11,066</u>
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12. FUND RESERVE ACCOUNT

In a prior year, the directors had resolved to transfer amounts received from the Australian Wildlife Conservancy Fund to this Reserve Account. At their discretion the Reserve Account can be used for the acquisition of assets, funding special projects or funding operating expenditure. Movements on the account during the year were:-

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12. FUND RESERVE ACCOUNT (Cont)	2004	2003
Balance 1st July	2,829,774	2,059,294
Transfer from retained earnings	-	770,480
Transfer to retained earnings	<u>2,829,774</u>	<u>-</u>
	<u>\$ -</u>	<u>\$2,829,774</u>

13. ACCUMULATED FUNDS

Accumulated funds at the beginning of the year	6,886,630	4,066,713
Net Surplus for the year	7,692,437	3,590,397
Transfer from Fund Reserve Account	2,829,774	-
Transfer to Fund Reserve Account	-	<u>(770,480)</u>
Accumulated funds at the end of the year	<u>\$17,408,841</u>	<u>\$6,886,630</u>

14. NOTES TO STATEMENT OF CASH FLOWS

(i) Reconciliation of Cash

For the purpose of the Statement of Cash Flows, cash includes cash on hand and at bank and deposits maturing with the year, net of overdrafts. Cash at the end of the financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:-

Cash at bank	6,664,839	1,610,637
Bank Overdraft	<u>(89,688)</u>	<u>(177,808)</u>
	<u>\$6,575,151</u>	<u>\$1,432,829</u>

(ii) Reconciliation of operating surplus to net cash used in operating activities

Operating surplus	7,692,437	3,590,397
Add/Less non cash items:-		
- Depreciation	293,835	205,124
- Writeoff of livestock	264,750	-
Increase in provision for employee benefits	<u>14,605</u>	<u>46,551</u>
Net cash provided by operating activities before change in assets and liabilities	8,265,627	3,842,072
Change in assets and liabilities during the financial year		
(Increase)/decrease in receivables	1,699	1,020,623
(Decrease)/increase in payables	911,470	36,773
(Increase)/decrease in other assets	<u>(102,744)</u>	<u>-</u>
Net cash provided by operating activities	<u>\$9,076,052</u>	<u>\$4,899,468</u>

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15. CONTINGENT LIABILITY

Under the terms of the grant agreements between Department of the Environment & Heritage and Australian Wildlife Conservancy "AWC", AWC must seek to:

- Protect the land held at Brooklyn Pastoral Holding for 99 years, with a minimum spend of \$750,000 over 5 years from the date of the agreement.
- Protect the land held at Scotia Sanctuary, Taravale Station and Mt Zero for 99 years under voluntary conservation agreements.

16. SUBSEQUENT EVENTS

a. *International Financial Reporting Standards*

For reporting periods beginning on or after 1st January, 2005, the company must comply with International Financial Reporting Standards (IFRS) as issued by the Australian Accounting Standards Board.

This financial report has been prepared in accordance with Australian accounting standards and other financial reporting requirements (Australian GAAP). The differences between Australian GAAP and IFRS identified to date as potentially having a significant effect on the consolidated entity's financial performance and financial position are summarised below. The summary should not be taken as an exhaustive list of all the differences between Australian GAAP and IFRS. No attempt has been made to identify all disclosure, presentation or classification differences that would affect the manner in which transactions or events are presented.

Australian Wildlife Conservancy has not quantified the effects of the differences discussed below. Accordingly, there can be no assurances that the financial performance and financial position as disclosed in this financial report would not be significantly different if determined in accordance with IFRS.

Regulatory bodies that promulgate Australian GAAP and IFRS have significant ongoing projects that could affect the differences between Australian GAAP and IFRS described below and the impact of these differences relative to the company's financial reports in the future. The potential impact on the company's financial performance and financial position of the adoption of IFRS, including system upgrades and other implementation codes which may be incurred, has not been quantified as at the transition date of 1st July, 2004 due to the short timeframe between the finalisation of the IFRS standards and the date of preparing this report. The impact on future years will depend on the particular circumstances prevailing in those years.

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16. SUBSEQUENT EVENTS (Cont)

The key potential implications of the conversion to IFRS on Australian Wildlife Conservancy are as follows:-

- changes in accounting policies will be recognised by restating comparatives rather than making current year adjustments with note disclosure of prior year effects.
 - impairment of assets will be determined on a discounted basis, with strict tests for determining whether cash generating operations have been impaired.
 - Financial instruments must be recognised in the Balance Sheet and derivatives and most financial assets must be carried at fair value.
- b. The purchase of Brooklyn was settled on 1st September, 2004, the settlement amount being \$4,529,522, inclusive of GST.

Other than the matters discussed above, there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors of the organisation, to affect significantly the operations, the results of those operations, or the state of affairs of the organisation in subsequent financial years.

AUSTRALIAN WILDLIFE CONSERVANCY
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DIRECTORS' DECLARATION

1. In the opinion of the directors of Australian Wildlife Conservancy:-
- (a) The organisation is not a reporting entity.
 - (b) The financial statements and notes, set out on pages 7 to 20, are in accordance with the Corporations Act 2001; including:-
 - (i) Giving a true and fair view of the financial position of the company as at 30th June, 2004 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date in accordance with the basis of accounting described in Note 1(a);
 - (ii) Complying with Accounting Standards in Australia and the Corporations Regulations 2001 and other mandatory professional requirements to the extent described in Note 1(a); and
 - (c) There are reasonable grounds to believe that the organisation will be able to pay its debts as and when they become due and payable.

DATED this 11th day of November, 2004.

Signed in accordance with a resolution of the directors.



MARTIN COPLEY



ROSS LEDGER



Independent audit report to the members of Australian Wildlife Conservancy

Scope

The special purpose financial report and directors' responsibility

The special purpose financial report comprises the balance sheet, profit and loss statement, statement of cash flows, accompanying notes to the financial statements and the directors' declaration, for Australian Wildlife Conservancy ("the Company"), for the year ended 30 June 2004.

The directors of the Company are responsible for the preparation and true and fair presentation of the special purpose financial report in accordance with the Corporations Act 2001. This includes the responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

The directors have determined that the basis of accounting described in Note 1 to the financial statements is appropriate to meet the requirements of the Corporations Act 2001 and the needs of the members.

Audit approach

We conducted an independent audit in order to express an opinion to the members of the Company. We are not responsible for any reliance on this audit report or the special purpose financial report, by any person other than the members, or for any reason other than fulfilling the directors' financial reporting requirements under the Corporations Act 2001.

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

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Corporations Act 2001 and the accounting policies described in Note 1 to the financial statements, a view which is consistent with our understanding of the Company's financial position, and its performance as represented by the results of its operations and cash flows. These policies do not require the application of all Accounting Standards and other mandatory financial reporting requirements in Australia. We do not express an opinion on whether the accounting policies used are appropriate for the needs of members.

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

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





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

Independence

In conducting our audit, we followed applicable independence requirements of Australian professional ethical pronouncements and the Corporations Act 2001.

Audit opinion

In our opinion, the financial report of Australian Wildlife Conservancy is in accordance with:

- a) the Corporations Act 2001, including:
 - i. giving a true and fair view of the Company's financial position as at 30 June 2004 and of its performance for the financial year ended on that date in accordance with the accounting policies described in Note 1 to the financial statements; and
 - ii. complying with AASB 1025 "Application of the Reporting Entity Concept and Other Amendments", AASB 1018 "Statement Of Financial Performance", AASB 1040 "Statement of Financial Position", AASB 1034 "Financial Report Presentation and Disclosures" and other Accounting Standards in Australia, to the extent described in Note 1, and the Corporations Regulations 2001; and
- b) other mandatory professional reporting requirements in Australia, to the extent described in Note 1 to the financial statements.

KPMG
KPMG

W G Robinson
W G ROBINSON
Partner

Perth

Date: 11.11.04.