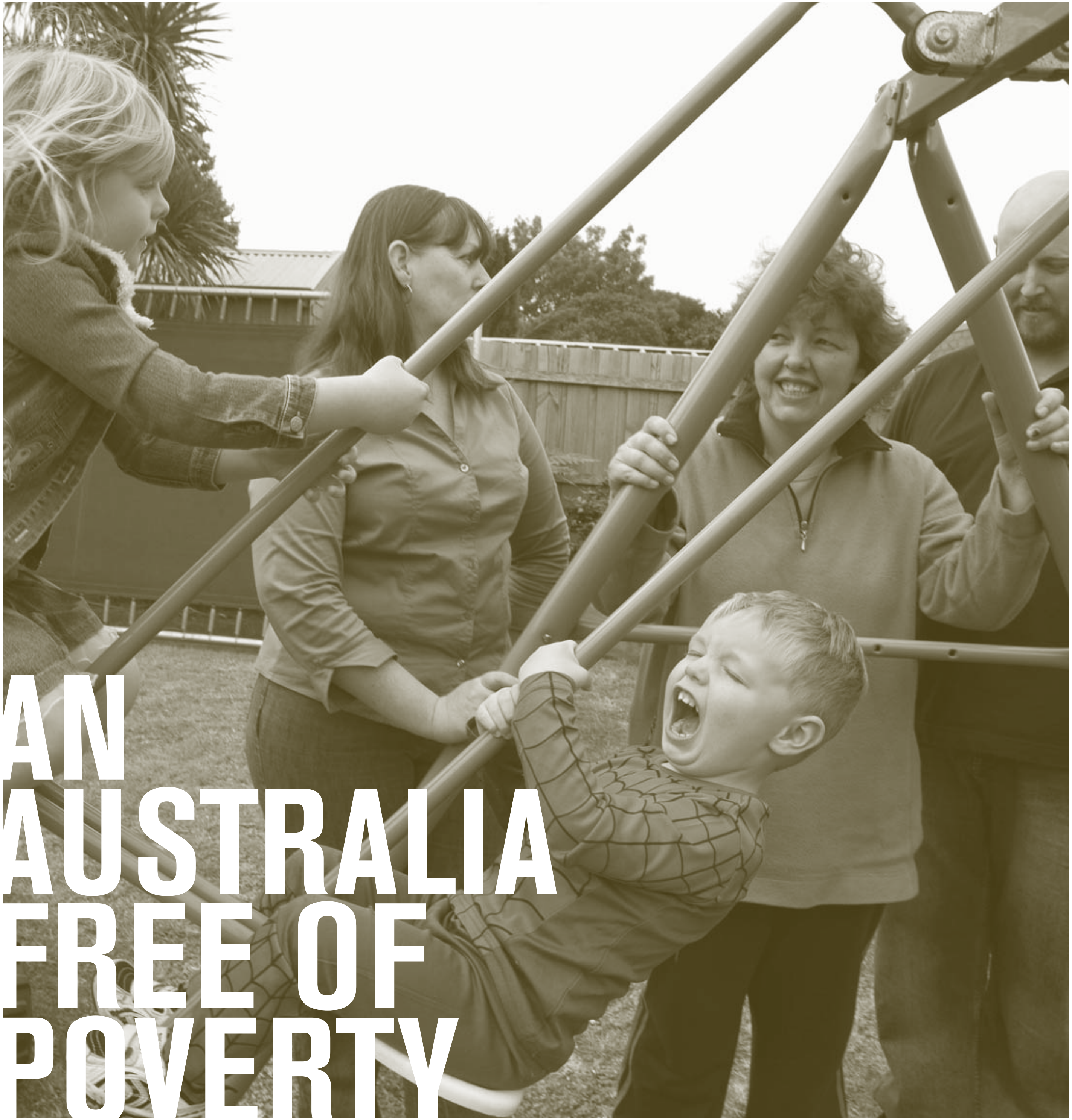


Brotherhood of St Laurence

Working for an Australia free of poverty

FINANCIAL REPORT 2007

CONTENTS

ORGANISATION INFORMATION

ABN 24 603 467 024

The Brotherhood is incorporated under the *Brotherhood of St Laurence (Incorporation) Act 1971*, number 8188 of the Victorian Parliament and is domiciled in Australia. The registered office of the Brotherhood is at 67 Brunswick Street, Fitzroy VIC 3065.

The Brotherhood conducts the majority of its activities in metropolitan Melbourne.

The financial report incorporates all activities undertaken by the Brotherhood. The organisation's functional and presentation currency is AUD($).

A description of the organisation's operations and of its principal activities is included in the review of operations and activities in the directors' report on pages 3 to 11. The directors' report does not form part of the Annual Financial Report.

DIRECTORS' REPORT

The directors present their report together with the financial report of the Brotherhood of St Laurence (the Brotherhood) and of the Group, being the Brotherhood and its subsidiary for the financial year ended 30 June 2007 and the auditor's report thereon.

Lady Southey AM is Patron of the Brotherhood.

The President of the Brotherhood is the Anglican Archbishop of Melbourne.

1 Directors

The names and details of Brotherhood's directors in office during the financial year and until the date of this report are set out below. Directors were in office for the entire period unless otherwise stated. All directors serve the Brotherhood on a voluntary basis except for the Executive Director. No director holds any legal interest in the Brotherhood.

Bishop Philip Huggins MA, BEc (Non-Executive Chair)

Bishop of the Northern and Western Regions, Diocese of Melbourne. Chair, General Synod Ecumenical Relations Commission. Chair, Mission to Seafarers Victoria. Executive Member, National Council of Churches and Christian World Service Commission. Member, Finance (to April 2007), Nomination and Remuneration Committees. Appointed to Brotherhood Board in November 2004. Appointed Chair in December 2005.

Jenny Trethewey BA, MA Prelim (Deputy Chair)

Manager New Projects, Leadership Victoria. Fellow of Leadership Victoria's Williamson Community Leadership Program. Trustee of the Ronald Henderson Research Foundation. Company Secretary, Australian Embassy for Timor-Leste Fund. Member, Audit and Risk, Nomination, Remuneration Committees; Aged and Community Care Future Directions Working Group. Appointed to the Board in 2001.

Tony Nicholson BA, BSW (Executive Director)

Executive Director, Brotherhood of St Laurence since October 2004. Previously Chief Executive Officer, Hanover Welfare Services. Director, Media Team Australia. Member of the Finance, Audit and Risk, Nomination and Remuneration Committees. Appointed to the Board in October 2004.

The Rev Barbara Colliver BSW (Hons), BA, BD

Vicar, St George's, Ivanhoe East. Facilitator for Supervised Theological Field Education, Diocese of Melbourne. Council Member, Anglicare Victoria. Member, North Western Mental Health Research and Ethics Committee. Member, Archbishop-in-Council Melbourne. Member, Aged and Community Care Future Directions Working Group. Appointed to the Board in April 2003. On leave of absence September–October 2006.

Celia Gerreyn BEc, LLB, MBA, FAICD, FICS

Fellow, Chartered Secretaries Australia. Fellow, Australian Institute of Company Directors. Fellow, Leadership Victoria's Williamson Community Leadership Program. ACLA Australian Government Lawyer of the Year 2004. General Counsel, Pacifica Group Limited (subsidiary of Robert Bosch GmbH). Member, Finance Committee. Appointed to the Board in August 2003. On leave of absence July 2006.

Mike James BComm

Fellow, Institute of Chartered Accountants. Fellow, Taxation Institute of Australia. Member, Certified Practising Accountants of Australia. Retired Partner, PricewaterhouseCoopers. Chair, Finance Committee. Appointed to the Board in March 2007.

Professor Jack Keating BEcon, TSTC, PhD

Professorial Fellow, University of Melbourne. Associate Director, Centre for Post Compulsory Education and Lifelong Learning, University of Melbourne. Fellow, Australian College of Educators. Member, Victorian Registration and Qualifications Authority. Appointed to the Board in March 2007.

The Hon. Rob Knowles AO

Chair, Foodstandards Australia New Zealand. Chair, Mental Health Council of Australia. President, Mental Illness Fellowship of Australia. Former Victorian Minister for Health, Aged Care and Housing. Commissioner for Complaints for the Commonwealth Government's Aged Care Program. Appointed to the Board in December 2005; took up the position in March 2006.

Father James Minchin BA (Hons) (Classics), MA (Politics), ThL (Hons)

Vicar of Christ Church, St Kilda. Member, Standing Committee of the Commission for Christian World Service (National Council of Churches in Australia). Founding member of Christ Church Mission Inc. Appointed to the Board in June 1998.

Evan Thornley LLB, BComm

Co-founder, LookSmart Ltd. Board Member, Chifley Research Centre. Member, Council of the University of Melbourne (Governor-in-Council appointment to December 2006). Co-owner, Pluto Press Australia. National Secretary, Australian Fabian Society. Director, GetUp.org.au (to April 2007). Chair, Per Capita think tank. Appointed to the Board in August 2003.

Alison McClelland BA, Dip Soc Stud, MA

Executive Director, Strategic Policy, Research and Communications Division, Department for Victorian Communities. Member, Melbourne Institute of Economic and Social Research Advisory Committee. Previously Associate Professor, School of Social Work and Social Policy, La Trobe University. Appointed to the Board in December 2005, resigned November 2006.

John Wilson LLB, MBA, Dip Theol.

Member, Anglican Archdiocese of Melbourne Diocesan Stipends Committee. Member, Clergy Housing Equity Fund. Member, Diocesan Synod. Administrator, Leith Charitable Trust. Former and founding CEO, Anglicare Victoria. Former Acting CEO, Sacred Heart Mission. Former Acting Executive Director, Brotherhood of St Laurence (January to October 2004). Chair of the Finance Committee (to December 2006). Appointed to the Board in September 2003. On leave of absence for October to December 2006. Resigned from the Board in December 2006.

2 Secretary

Jennifer Grayling LLB

Jennifer Grayling has held a range of senior management roles in publicly listed companies in Australia and Asia. Former Non-Executive Director of Hanover Welfare Services for 5 years. Appointed Company Secretary October 2005.

3 Directors' meetings

The number of meetings of directors (including meetings of committees of directors) held during the year and the number of meetings attended by each director was as follows:

	DIRECTORS' MEETINGS		FINANCE		AUDIT & RISK	
Number of meetings held during the year:		10		11		4
	Attended	Held*	Attended	Held*	Attended	Held*
The Rt Revd Philip Huggins	10	10	5	8	–	–
Tony Nicholson	10	10	9	11	4	4
The Revd Barbara Colliver	6	8	–	–	–	–
Celia Gerreyn	9	9	8	11	–	–
Mike James	4	4	2	3	–	–
Professor Jack Keating	2	2	–	–	–	–
The Hon. Rob Knowles	6	10	–	–	–	–
Alison McClelland	2	4	–	–	–	–
Father James Minchin	10	10	–	–	–	–
Evan Thornley	6	10	–	–	–	–
Jenny Trethewey	9	10	–	–	3	4
John Wilson	3	3	4	6	–	–

* Held while the Board member was a member of the respective committee

4 Principal activities

The principal activities of the Brotherhood during the course of the financial year were the provision of community services including aged care, employment services and child and family programs in Victoria, the recycling and sale of recycled goods, the importing and wholesaling of optical frames and undertaking research and social advocacy work on behalf of all Australians.

There have been no significant changes in the nature of those activities during the year.

5 Operating and financial review

Organisational overview

Established during the Great Depression over 70 years ago, the Brotherhood was the vision and creation of Father Gerard Tucker, a man who combined Christian faith with a vigorous determination to promote social justice.

Today the Brotherhood is an independent organisation dedicated to broad service delivery. This includes getting people into work, caring for older people, supporting communities, helping families with early childhood programs and carrying out research and advocacy to improve the well-being of our communities.

Performance indicators

Management and the Board monitor the organisation's performance, from implementation of the mission statement and strategic plan through to the performance of the organisation against operating plans and financial budgets. Performance indictors are reported to the Board on a monthly basis using a Balanced Scorecard approach. This enables directors to monitor the Brotherhood's performance in four main areas: Strategic Priorities, Governance, Organisational Capacity and Health, and the Impact of Our Work.

Significant changes in the state of affairs

On 5 October 2006, the Brotherhood was bequeathed Pelican Investments Pty Ltd, a corporate investment entity. Pelican Investments Pty Ltd formed part of the Group with effect 5 October 2006. On 27 June 2007, the available-for-sale investments of Pelican Investments Pty Ltd were sold to the Brotherhood for consideration. Other than the matter discussed above, there were no other significant changes in the state of affairs of the Group that occurred during the financial year under review.

Results for the year

The total surplus for the year is a surplus of $23.4 million compared to a surplus of $5.7 million in 2005/2006, and the result this year from operating activities is a deficit of $490 thousand, down from $817 thousand in 2005/2006.

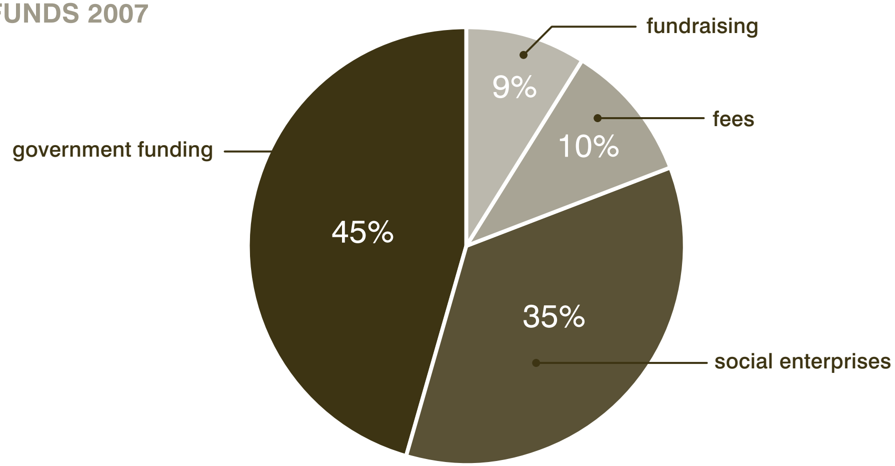
A number of significant bequests were received this year, including 100 per cent of the shares in an investment company, Pelican Investments Pty Ltd, as noted above. The income statement and balance sheet of this company are consolidated in the results for this year. The total bequest income received for the year was $22.5 million compared to $4.9 million in 2005/2006; this is the most significant factor in the increase in surplus from last year.

Significant progress has been made towards our goal of meeting operating expenses from operating revenue over recent years following strategic focus on a number of activities, revenue growth and cost containment and reduction strategies throughout the organisation. Projections for 2007/2008 and 2008/2009 show an expectation of this financial objective being achieved.

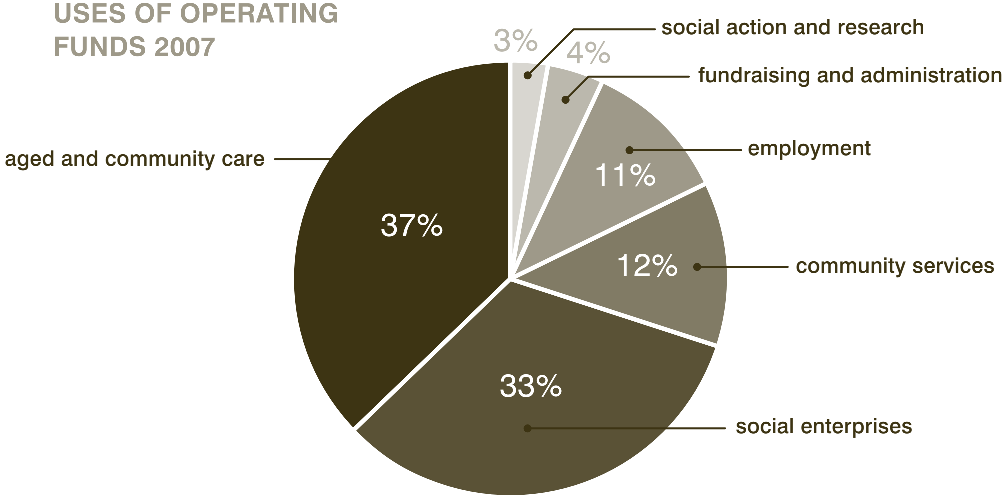
The current year surplus will be used to fund strategic initiatives designed to further the objectives of the organisation as well as contribute to a number of capital projects currently being planned and developed.

Sources and uses of operating funds for the current and prior financial years are shown graphically on the page opposite. They have been prepared on a comparable basis for both years. The 2007 graphs show the increase in activity within social enterprises, and although the amount of donations received has remained fairly consistent, its percentage of total revenue has fallen slightly. The percentages of other sources and uses of operating funds have not changed significantly from year to year.

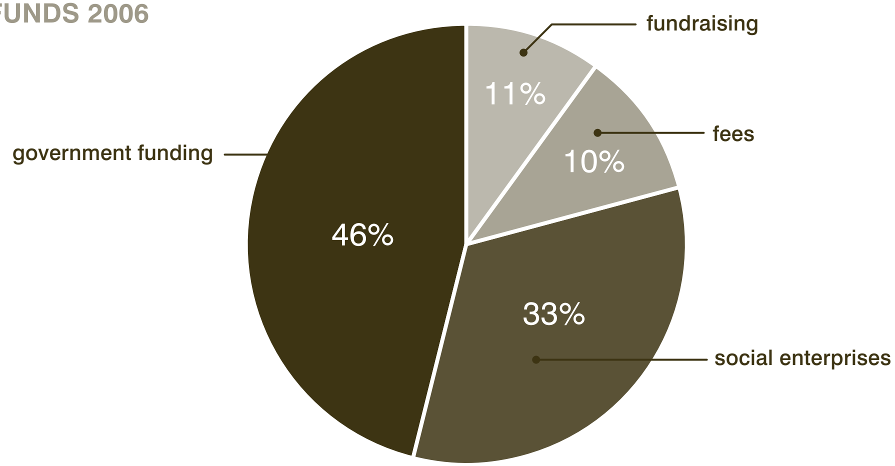
SOURCES OF OPERATING FUNDS 2007



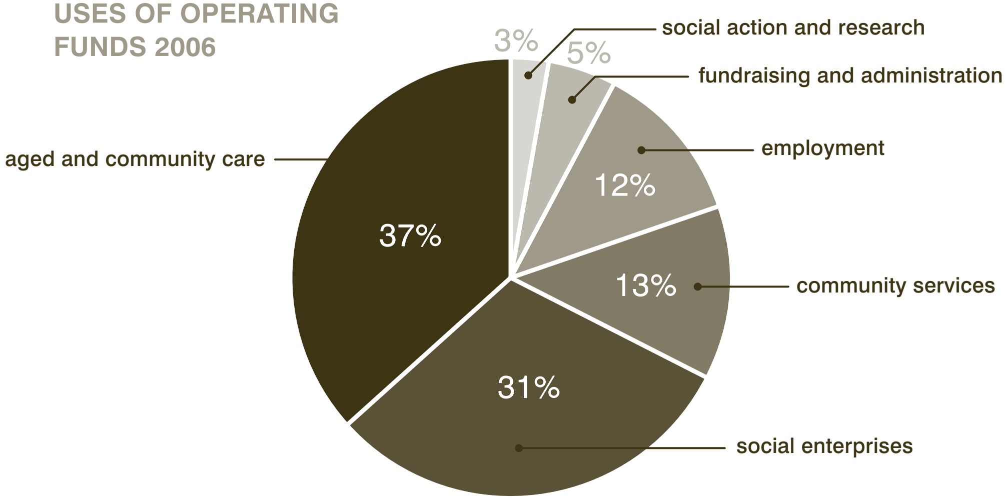
USES OF OPERATING FUNDS 2007



SOURCES OF OPERATING FUNDS 2006



USES OF OPERATING FUNDS 2006



Review of the financial condition

Cash and investment balances increased by $23.5 million from those held at the end of 2005/2006. This reflects the significant bequests received during the year, including the 100 per cent ownership of Pelican Investments Pty Ltd, as noted above. The majority of the assets held by this company were investments, which were subsequently bought by the Parent during the year.

The carrying value of Property, Plant and Equipment is $55.7 million as at 30 June 2007. The revaluation increase of $12.4 million on land and buildings was the substantial element of the increase from the previous year.

The consolidated total equity as at 30 June 2007 is $92.8 million.

Investments for the future

Practical completion is close to being achieved on our High Street Community Centre in Frankston and it will be fully operational by the end of 2007. This project has involved the major redevelopment of the former Uniting Church site and it will provide facilities for some of the Brotherhood's community services programs and also opportunities for other community organisations to deliver their services to the Peninsula community.

The organisation delivers respite to families with ageing members who suffer dementia and social isolation from a former residential building in Frankston. Demand and need for these services and other community care services is increasing and hence we are currently in the final stages of planning to build a larger more customised facility to enable expansion and the development of these vital services. It is anticipated that this facility will be completed by mid 2008.

6 Corporate governance statement

The following principles, practices and structures establish the framework for the governance of the Brotherhood.

Charter Members

Up to 40 Charter Members are permitted under the Brotherhood's constitution, including the Executive Director, at least eight of whom must be clerics in Holy Orders of the Anglican Church in Australia.

The Charter Members at any time during or since the end of the 2006/2007 financial year are:

Ms Joanna Baevski (from November 2006)	Mr Michael Feeney
Mr Ernest Barr	Mr William Ford
Mr Chris Barrett (from November 2006)	Mr Carrillo Gantner AO
Ms Diana Batzias	Ms Celia Gerreyn
Ms Cath Bradley	Mr David Green (from November 2006)
Mr Neville Brooke OAM	Ms Susan Gribben
The Revd Ron Browning (to November 2006)	The Rt Revd Philip Huggins
The Revd Barbara Colliver	Mr James Jacoby
Dr Terry Cutler	The Hon Rob Knowles AO
Mr Tony Darvall AM (to November 2006)	Ms Elizabeth Loftus
The Revd Elizabeth Dean	Dr Ian Manning
Mr Ivan Deveson AO (to November 2006)	Ms Patrice Marriott (to November 2006)
The Rt Revd David Farrer	The Revd Dr Peter Marshall

Ms Alison McClelland	The Revd Clemence Taplin
Mr John McInnes OAM	Mr Evan Thornley MLC
Father James Minchin	Ms Jenny Trethewey
Mr Baillieu Myer AC (to November 2006)	Mr David Triplow APM
Mr Tony Nicholson	The Revd Janet Turpie-Johnstone
Dr Apollo Nsubuga-Kyobe (from November 2006)	Ms Angela Were (to October 2006)
Mr Ian Reid	Mr John Wilson
Dr Nouria Salehi OAM	Mr Graeme Wise
Fiona Smith (from November 2006)	

Life Members

Life membership has been conferred on the following members who have given significant service to the Brotherhood:

Professor Connie Benn AM	The Rt Revd Dr Peter Hollingworth AC OBE
The Rt Revd Michael Challen AM	Professor Brian Howe AM
Mr Sandy Clark (from November 2006)	Mrs Jean McCaughey AO
Dr Stephen Duckett	Mr David Scott AO
Mr Kurt Eisner	Mrs Catherine Smith
The Revd Nicolas Frances MBE	The Rt Revd Andrew St John
Mr Eric Hart	Mrs Thelma Tuxen

Under the constitution of the Brotherhood the Life and Charter Members receive and adopt the reports of the Board and of the auditors, receive and adopt the annual financial statements, elect Board Members and fix the remuneration of the auditors as well as transacting any other business at general meetings.

Role of the Board

The Board is responsible for setting the strategic direction and establishing the policies of the Brotherhood. It is responsible for monitoring the performance of the activities of the Brotherhood and overseeing its financial state on behalf of the Charter and Life Members. It is also responsible for ensuring that risks are adequately managed.

Composition of the Board

The Brotherhood's constitution limits the number of Board Members to 14, including the Executive Director and at least two people who are clerics in Holy Orders of the Anglican Church of Australia. Further, the Chair is required to be a communicant member of the Anglican Church of Australia.

The Board meets at least ten times per annum. Currently there are ten directors including the Executive Director.

Board sub-committees

Audit and Risk Management Committee

Formed as a Committee of the Board, the Audit and Risk Management Committee's role is to ensure that all significant financial and non-financial risks are identified and properly addressed by management on a timely basis. The Committee is made up of Board Members and external members who bring independence and external expertise to the Committee. Members during or since the end of the financial year are Michael Feeney (Committee Chair), Karen Corry (until March 2007), David Buxbaum (from June 2007), Roger Johnson, Jenny Trethewey and Tony Nicholson. The Committee meets quarterly.

Finance Committee

Formed as a Committee of the Board, the Finance Committee assists the Board in overseeing the proper financial management of the organisation. The Committee Members during or since the end of the financial year are John Wilson (Committee Chair until December 2006), Bishop Philip Huggins (until April 2007), Mike James (Committee Chair from March 2007), Celia Gerreyn (leave of absence until August 2006) and Tony Nicholson. The Committee meets monthly.

Nominations Committee

This Committee of the Board reviews and recommends nominations for Board membership. The members during or since the end of the financial year are Bishop Philip Huggins (Committee Chair), Jenny Trethewey and Tony Nicholson. The Committee meets at least annually.

Remuneration Committee

This Committee of the Board is responsible for the remuneration policy for senior management of the organisation and reviewing and approving remuneration packages of senior management. The members during or since the end of the financial year are Bishop Philip Huggins (Committee Chair), Jenny Trethewey, John Wilson (to December 2006) and Tony Nicholson. The Committee meets at least annually.

Mod-Style Committee of Management

The Committee was formed to oversee the management of the Mod-Style optical frame wholesale business acquired by the Brotherhood in July 2000. The Committee Members during or since the end of the financial year are Ernest Barr (Committee Chair), Ian Reid, Tony Nicholson, Royce Jackson, Ian McHutchison (to January 2007), Jeff Moon (from May 2007), Peter Furze (from May 2007) and John Niddrie (from July 2007). The Committee meets monthly.

Other Committees

A number of other committees / work groups are established by the Board from time to time to oversee a particular task or project such as the Aged and Community Care Future Directions Working Group and the Strategy Review Committee. The committees operate only for the period of time required to complete the task or project, and are not ongoing Board sub-committees.

Executive Team

The Executive Director is responsible for the day-to-day management of the activities of the Brotherhood as delegated by the Board. The following management team is responsible for the implementation of organisational strategies, development of policies and management of issues, and of the performance of the organisation:

- Tony Nicholson, Executive Director
- Nicola Ballenden, General Manager Communications and Development (from July 2006)
- Susan Campbell, Executive Manager (to December 2006)
- Jenny Grayling, General Manager Organisational Services; Company Secretary
- Sandra Hills, General Manager Aged and Community Care
- Ian McHutchison, General Manager Social Enterprises (to January 2007)
- Jeff Moon, General Manager Social Enterprises (from May 2007)
- Father Jeff O'Hare, Chaplain (from October 2006)
- Cath Scarth, General Manager Community Services
- Professor Paul Smyth, General Manager, Research and Policy
- Caterina Wooden, Chief Financial Officer (Maternity leave from January 2007)
- Jonathan Lee, Acting Chief Financial Officer (from January 2007)

Planning and control

The Brotherhood produces a three-year strategic plan, annual plans and detailed budgets, which are approved and regularly monitored by the Board and its committees.

Risk assessment

The Board, its sub-committees and the Executive Team are responsible for identifying, measuring and assessing business, legal, financial, environmental and other risks in the activities of the Brotherhood. In particular, the Audit and Risk Committee and the Board consider all significant risks, their implications and strategies and the Finance Committee oversees the financial affairs of the organisation.

Independent professional advice

The Board, General Managers and senior staff have access to appropriate external professional advice. Legal, investment, tax and accounting advice is coordinated by the Chief Financial Officer and Company Secretary through: Freehills, Deutsche Bank, and KPMG, respectively. Legal advice is provided by Freehills on a pro bono basis.

Audit and accounts

The Brotherhood's constitution requires that proper books of accounts are kept and true and complete accounts are maintained and audited annually by a registered company auditor and the financial statements and the auditors' report are laid before the Annual General Meeting. In order that monthly management and annual accounts represent best practice and are of the highest standard, the Brotherhood complies with all applicable accounting standards and guidelines, as well as relevant Corporations Law provisions. The Brotherhood's auditors are KPMG.

7 Events subsequent to reporting date

On 28 July 2007, two properties owned by the Group were sold for $1.4 million at a net gain on disposal of $375,000. The properties are:

- 1/19 Carramar Avenue, Camberwell (owned by the Parent)
- 2/19 Carramar Avenue, Camberwell (owned by the subsidiary).

Other than the matter 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 Brotherhood, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

8 Likely developments

There are no likely developments or foreshadowed developments that have not otherwise been disclosed in this report.

9 Environmental regulation and performance

The Brotherhood's operations are subject to environmental regulations under both state and Commonwealth legislation. The Brotherhood has a policy of complying with its environmental performance obligations. No environmental breaches have been notified by any government agency during the year ended 30 June 2007.

10 Indemnification and insurance of directors and officers

The Brotherhood has agreed to indemnify to the extent permitted by law, each current and former officer. The indemnity of these officers is against any claim or for any expense or cost, which may arise in the discharge of the duties of the officers in relation to the Brotherhood.

Insurance is provided to the Brotherhood through the Department of Human Services' Insurance Scheme for Non-Government Organisations.

11 Indemnification of auditors

The Brotherhood has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an auditor of the Brotherhood.

12 Remuneration report

The Brotherhood directors volunteer their time and skills to the organisation and as such no remuneration was paid or is payable to the directors in their capacity as Board Members.

13 Non-audit services

KPMG have not provided non-audit services to the Brotherhood during the year.

14 Rounding off

Amounts in the financial report and directors' report have been rounded off to the nearest thousand dollars, unless otherwise stated.

This report is made with a resolution of the directors.

+Philip Huggins

Rt Revd Philip Huggins Chair, Board of Directors	Tony Nicholson Executive Director

Dated at Melbourne on this 25th day of September 2007

INCOME STATEMENTS

For The Year Ended 30 June 2007

	NOTE	CONSOLIDATED 2007 $'000	PARENT 2007 $'000	PARENT 2006 $'000
Revenue				
Service activities				
Employment services		5,537	5,537	4,997
Aged and community care		17,866	17,866	17,077
Community services		5,499	5,499	5,036
Social action and research		265	265	340
Other activities				
Fundraising		2,329	2,329	2,388
Social enterprises sales		16,875	16,875	14,456
Other income		696	696	262
Total revenue from operating activities		**49,067**	**49,067**	**44,556**
Expenses				
Service activities				
Employment services		5,748	5,748	5,222
Aged and community care		18,593	18,593	16,772
Community services		6,122	6,122	5,816
Social action and research		1,299	1,299	1,148
Other activities				
Fundraising		1,169	1,169	1,477
Cost of social enterprises Sales		7,115	7,115	6,360
Social enterprises expenses		8,757	8,757	7,599
Other expenses		754	754	979
Total expenses for operating activities		**49,557**	**49,557**	**45,373**
Deficit from operating activities		**(490)**	**(490)**	**(817)**

	NOTE	CONSOLIDATED 2007 $'000	PARENT 2007 $'000	PARENT 2006 $'000
Financial income		1,549	3,922	974
Financial expenses		(139)	(120)	(84)
Net financing income	8	**1,410**	**3,802**	**890**
Bequests income	6	22,480	10,215	4,914
Bequests costs		(84)	(84)	(133)
Net bequests		**22,396**	**10,131**	**4,781**
Grants and donations for capital projects		834	834	890
Goodwill impairment	10	(674)	(674)	–
Surplus for the period		**23,476**	**13,603**	**5,744**

Certain comparative amounts have been reclassified to conform to the current year's presentation (note 3).

The notes on pages 16 to 35 are an integral part of these consolidated financial statements.

BALANCE SHEETS

As At 30 June 2007

	NOTE	CONSOLIDATED 2007 $'000	PARENT 2007 $'000	PARENT 2006 $'000
Assets				
Current assets				
Cash and cash equivalents	15a	15,538	15,303	10,905
Trade and other receivables	14	3,088	3,088	2,762
Inventories	13	2,332	2,332	2,478
Investments	11	23,000	23,000	4,098
Total current assets		**43,958**	**43,723**	**20,243**
Non-current assets				
Property, plant and equipment	9	55,726	54,199	39,988
Intangible assets	10	6,945	6,945	4,949
Total non-current assets		**62,671**	**61,144**	**44,937**
Total assets		**106,629**	**104,867**	**65,180**

	NOTE	CONSOLIDATED 2007 $'000	PARENT 2007 $'000	PARENT 2006 $'000
Liabilities				
Current liabilities				
Trade and other payables	17	2,851	12,843	2,415
Trust funds	18	2,977	2,977	2,553
Employee benefits	19	4,624	4,624	4,506
Provisions	20	196	196	194
Deferred income	21	2,885	2,885	3,260
Total current liabilities		**13,533**	**23,525**	**12,928**
Non-current liabilities				
Employee benefits	19	293	293	381
Total non-current liabilities		**293**	**293**	**381**
Total liabilities		**13,826**	**23,818**	**13,309**
Net assets		**92,803**	**81,049**	**51,871**
Equity				
Accumulated surplus		50,429	40,556	26,953
Reserves	16	42,374	40,493	24,918
Total equity		**92,803**	**81,049**	**51,871**

The notes on pages 16 to 35 are an integral part of these consolidated financial statements.

STATEMENTS OF CHANGES IN EQUITY

For The Year Ended 30 June 2007

	ACCUM. SURPLUS $'000	ASSET REVALUATION RESERVE PROPERTY $'000	ASSET REVALUATION RESERVE BED LICENCES $'000	FAIR VALUE RESERVE $'000	TOTAL $'000
Parent					
Balance at 1 July 2005	21,209	24,106	–	550	45,865
Change in fair value of available-for-sale assets	–	–	–	262	262
Total non-surplus items recognised directly in equity	–	–	–	262	262
Net surplus for the period	5,744	–	–	–	5,744
Total recognised income and expense	5,744	–	–	262	6,006
Balance at 30 June 2006	**26,953**	**24,106**	**–**	**812**	**51,871**
Balance at 1 July 2006	26,953	24,106	–	812	51,871
Change in fair value of available-for-sale assets	–	–	–	630	630
Change in fair value of property	–	12,275	–	–	12,275
Change in fair value of bed licences	–	–	2,670	–	2,670
Total non-surplus items recognised directly in equity	–	12,275	2,670	630	15,575
Net surplus for the period	13,603	–	–	–	13,603
Total recognised income and expense	13,603	12,275	2,670	630	29,178
Balance at 30 June 2007	**40,556**	**36,381**	**2,670**	**1,442**	**81,049**
Consolidated					
Balance at 1 July 2006	26,953	24,106	–	812	51,871
Change in fair value of available-for-sale assets	–	–	–	2,436	2,436
Change in fair value of property	–	12,350	–	–	12,350
Change in fair value of bed licences	–	–	2,670	–	2,670
Total non-surplus items recognised directly in equity	–	12,350	2,670	2,436	17,456
Net surplus for the period	23,476	–	–	–	23,476
Total recognised income and expense	23,476	12,350	2,670	2,436	40,932
Balance at 30 June 2007	**50,429**	**36,456**	**2,670**	**3,248**	**92,803**

The notes on pages 16 to 35 are an integral part of these consolidated financial statements.

STATEMENTS OF CASH FLOWS

For The Year Ended 30 June 2007

	NOTE	CONSOLIDATED		PARENT
		2007	2007	2006
		$'000	$'000	$'000
Cash flow from operating activities				
Cash receipts in the course of operations		52,083	52,083	47,151
Cash paid to suppliers and employees		(51,296)	(51,296)	(47,711)
Net cash from operations		787	787	(560)
Bequests income		9,620	9,620	4,914
Bequests costs		(84)	(84)	(133)
Proceeds from capital grant		834	834	889
Net cash from operating activities	**15b**	**11,157**	**11,157**	**5,110**
Cash flow from investing activities				
Acquisition of property, plant and equipment		(2,403)	(2,403)	(1,350)
Proceeds from sale of property, plant and equipment		9	9	143
Interest income		659	635	492
Acquisition of investments		(5,000)	(5,000)	–
Proceeds from sale of investments		139	–	–
Acquisition of subsidiaries	6	72	–	–
Net cash from/(used in) investing activities		**(6,524)**	**(6,759)**	**(715)**
Net increase in cash and cash equivalents		4,633	4,398	4,395
Cash and cash equivalents at 1 July		10,905	10,905	6,510
Cash and cash equivalents at 30 June	**15a**	**15,538**	**15,303**	**10,905**

The notes on pages 16 to 35 are an integral part of these consolidated financial statements.

NOTES TO THE FINANCIAL STATEMENTS

1 Reporting entity

The Brotherhood of St Laurence (the "Parent") is an association domiciled in Australia. The address of the entity's registered office is 67 Brunswick Street, Fitzroy, Victoria 3065. The consolidated financial statements as at and for the year ended 30 June 2007 comprise the Parent and its subsidiary (together referred to as the "Group").

2 Basis of preparation

a) Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including the Australian Accounting Interpretations) adopted by the Australian Accounting Standards Board (AASB).

The financial statements were approved by the Board of Directors on 25 September 2007.

b) Basis of measurement

The consolidated financial statements have been prepared on the historical cost basis except for the following:

- available-for-sale financial assets are measured at fair value
- property and bed licences are measured at fair value.

The methods used to measure fair values are discussed further in note 4.

c) Functional and presentation currency

These consolidated financial statements are presented in Australian dollars, which is the Parent's functional currency and the functional currency of the Group. All financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by Group entities.

The Group has elected to early adopt the following accounting standards and amendments:

- AASB 101 Presentation of Financial Statements (October 2006)
- ED 151 Australian Additions to, and Deletions from, IFRSs.

Certain comparative amounts have been reclassified to conform to the current year's presentation. In 2006, net financing income and net bequest income were included in the surplus/deficit from operating activities.

a) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Group. Control exists when the Group has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

In assessing control, potential voting rights that presently are exercisable are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. In the entity's financial statements, investments in subsidiaries are carried at cost.

Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

b) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated on foreign currencies at the reporting date are retranslated to the functional currency at the foreign exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in functional currency at the beginning of the period, adjusted for effective interest and payments during the period, and the amortised cost in foreign currency translated at the exchange rate at the end of the period.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments.

c) Financial instruments

(i) Non-derivative financial instruments

Non-derivative financial instruments comprise investments in equity and debt securities, trade and other receivables, cash and cash equivalents, trade and other payables and trust funds.

Non-derivative financial instruments are recognised initially at fair value plus, for instruments not at fair value through profit or loss, any directly attributable transaction costs, except as described below. Subsequent to initial recognition non-derivative financial instruments are measured as described below.

A financial instrument is recognised if the Group becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Group's contractual rights to the cash flows from the financial assets expire or if the Group transfers the financial asset to another party without retaining control or substantially all risks and rewards of the asset. Regular way purchases and sales of financial assets are accounted for at trade date, that is, the date that the Group commits itself to purchase or sell the asset. Financial liabilities are derecognised if the Group's obligations specified in the contract expire or are discharged or cancelled.

Cash and cash equivalents comprise cash on hand, cash balances and at-call deposits.

Accounting for finance income and expenses is discussed in note 3(m).

(ii) Available-for-sale financial assets

The Group's investments in equity securities and certain debt securities are classified as available-for-sale financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign exchange gains and losses on available-for-sale monetary items are recognised as a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

(iii) Other

Other non-derivative financial instruments are measured at amortised cost using the effective interest method, less any impairment losses.

d) Property, plant and equipment

(i) Recognition and measurement

Plant and equipment are measured at cost-less accumulated depreciation and impairment losses. Land and buildings are measured at fair value less accumulated depreciation on buildings and any impairment loss recognised after the date of revaluation. The cost of property, plant and equipment at 1 July 2004, the date of transition to AASBs, was determined by reference to its fair value at that date.

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

(ii) Revaluation

Formal revaluations of land and buildings are performed every three years. The fair value of land and buildings is determined from market-based evidence by appraisal that is undertaken by independent professional qualified valuers. The directors review the carrying value of land and buildings at each balance date to assess whether there has been a material change in valuation of land and buildings that is required to be recorded in the financial statements.

If the carrying amount of land and buildings is increased as a result of a revaluation, the net revaluation increase is credited directly to the revaluation reserve. However, the net revaluation increase is recognised in profit or loss to the extent that it reverses a net revaluation decrease of the land and buildings previously recognised in profit or loss.

If the carrying amount of land and buildings is decreased as a result of a revaluation, the net revaluation decrease is recognised in profit and loss. However, the net revaluation decrease is debited directly to the revaluation reserve to the extent of any credit balance existing in the revaluation reserve in respect of land and buildings.

Revaluation increases and decreases relating to individual assets within a class of property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes.

(iii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The costs of the day-to-day servicing of the property, plant and equipment are recognised in profit or loss as incurred.

(iv) Depreciation

Depreciation is recognised in profit or loss on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

The estimated useful lives for the current and comparative periods are as follows:

buildings	40 years
plant and equipment	7 to 10 years
fixtures and fittings	7 to 10 years
leasehold improvements	3 to 10 years

Depreciation methods, useful lives and residual values are reassessed at the reporting date.

e) Intangible assets

(i) Goodwill

Goodwill (negative goodwill) arises on the acquisition of business operations.

Goodwill represents the excess of the cost of the acquisition over the Group’s interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree. When the excess is negative (negative goodwill), it is recognised immediately in profit or loss.

Subsequent measurement
Goodwill is measured at cost less accumulated impairment losses.

(ii) Other intangible assets

Bed licences were granted by government to the Brotherhood for no consideration. Bed licences are carried at a revalued amount, being its fair value at the date of revaluation, less any subsequent accumulated impairment loss. The useful life of bed licences is considered to be indefinite and hence they are not amortised. Bed licences are tested for impairment annually and reviewed to determine whether indefinite life assessment continues to be supportable.

(iii) Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specified asset to which it relates. All other expenditure, including the expenditure on internally generated goodwill and brands, is recognised in profit or loss when incurred.

f) Inventories

Inventories are valued at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle and includes expenditure in acquiring the inventory and bringing them to their existing location and condition. In the case of work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of selling expenses.

g) Impairment

(i) Financial assets

A financial asset is considered to be impaired if objective evidence indicates that one or more events have had a negative effect on the estimated future cash flows or that asset.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the original effective interest rate. An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its current value.

Individually significant financial assets are tested for impairment on a individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

All impairment losses are recognised in profit or loss. Any cumulative loss in respect of an available-for-sale financial asset recognised previously in equity is transferred to profit or loss.

An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost and available-for-sale financial assets that are debt securities, the reversal is recognised in profit or loss. For available-for-sale financial assets that are equity securities, the reversal is recognised directly in equity.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill and intangible assets that have indefinite lives or that are not yet available for use, recoverable amount is estimated at each reporting date.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount. A cash-generating unit is the smallest identifiable asset group that generates cash flows that largely are independent from other assets and groups. Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro rata basis.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. The recoverable amount of property, plant and equipment is the greater of their fair value less costs to sell and value in use. Value in use is determined as the depreciated replacement costs of the assets.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

h) Employee benefits

(i) Defined contribution superannuation funds

The Brotherhood contributes to an industry defined contribution superannuation fund. Contributions are recognised in profit and loss when they are due.

(ii) Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on costs; that benefit is discounted to determine its present value. The discount rate is the yield at the reporting date on Commonwealth Government bonds that have maturity dates approximating the terms of the Group's obligations.

(iii) Termination benefits

Termination benefits are recognised as an expense when the Group is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to terminate employment before the normal retirement date. Termination benefits for voluntary redundancies are recognised if the Group has made an offer encouraging voluntary redundancy, it is probable that the offer will be accepted, and the number of acceptances can be estimated reliably.

(iv) Short-term benefits

Liabilities for employee benefits for wages, salaries and annual leave represent present obligations resulting from employees' services provided to reporting date and are calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay as at reporting date including related on-costs, such as workers compensation insurance. Non-accumulating non-monetary benefits, such as cars and free or subsidised goods and services, are expenses based on the net marginal cost to the Group as the benefits are taken by the employees.

i) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

Provisions are determined by discounting the expected future cash flow at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Self insurance

In 1991/1992 the Brotherhood established a Provision for Self Insurance to provide for a significant element of self insurance, thereby limiting the cost of providing full insurance cover through traditional means. Increases in the provision are charged as an expense as claims are made. Insurance claims paid are recorded against the provision. The provision is classified as a liability and disclosed under ‘Provisions’.

j) Trust funds

The organisation provides accounting services and holds funds on behalf of a number of projects and organisations which are operated and managed externally to the administration of the Brotherhood. Any unutilised funds of these projects are disclosed under ‘Trust funds’.

k) Revenue

(i) Goods sold

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

(ii) Government funding and specified donations

Government funding received is brought to income in the financial year in which the Group has control of the contribution. Government funds and specified donations for which control has not yet passed to the Group in that they are tied to a specific project obligation which has not yet been completed, are treated as a liability until the project obligation has been met and are disclosed as Government funds in advance under “Deferred Income”.

Funding for capital projects is recognised in profit or loss in the financial year in which the work being funded is carried out.

Aged Care Facility Concessional subsidies and Accommodation Bond income is brought to operating income as received.

(iii) Bequests

Bequests are recognised as revenue upon control of the bequest assets being transferred to the Group.

l) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

m) Finance income and expenses

Finance income comprises interest income on funds invested, dividend income and gains on the disposal of available-for-sale financial assets at fair value. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised on the date that the Group’s right to receive payment is established, which in the case of quoted securities is the ex-dividend date.

Finance expenses comprise management fees on investments and is recognised in profit and loss as this accrues.

n) Income tax

The Brotherhood is a Public Benevolent Institution as defined in the *Income Tax Assessment Act 1936* and is therefore exempt from Income Tax. As a Public Benevolent Institution the Brotherhood has also been endorsed as a Deductible Gift Recipient.

o) Goods and services tax

Revenue, 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 the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the balance sheet.

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

p) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing related products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments. The Group's primary format for segment reporting is based on business segments.

q) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the Group in the period of initial application. They are available for early adoption at 30 June 2007, but have not been applied in preparing this financial report:

- AASB 7 Financial Instruments: Disclosures (August 2005) replaces the presentation requirements of financial instruments in AASB 132. AASB 7 is applicable for annual reporting periods beginning on or after 1 January 2007, and will require additional disclosures with respect to the Group's financial instruments.
- AASB 2005-10 Amendments to Australian Accounting Standards (September 2005) makes consequential amendments to AASB 132 Financial Instruments: Disclosure and Presentation, AASB 101 Presentation of Financial Statements, AASB 114 Segment reporting, AASB 117 Leases, AASB 139 Financial Instruments: Recognition and Measurement, and AASB 1 First time Adoption of Australian Equivalents to International Financial Reporting Standards. AASB 2005-10 is applicable for annual reporting periods beginning on or after 1 January 2007 and is expected to only impact disclosures contained within the consolidated financial report.
- AASB 8 Operating Segments replaces the presentation requirements of segment reporting in AASB 114 Segment Reporting. AASB 8 is applicable for annual reporting periods beginning on or after 1 January 2009 and is not expected to have an impact on the financial results of the Parent and the Group as the standard is only concerned with disclosures.
- AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8 makes amendments to AASB 102 Inventories, AASB 107 Cash Flow Statements, AASB 119 Employee Benefits, AASB 127 Consolidated and Separate Financial Statements and AASB 136 Impairment of Assets. AASB 2007-3 is applicable for annual reporting periods beginning on or after 1 January 2009 and must be adopted in conjunction with AASB 8 Operating Segments. This standard is only expected to impact disclosures contained within the financial report.
- AASB 2007-2 Amendments to Australian Accounting Standards arising from AASB Interpretation 12 makes amendments to AASB 1 First-time Adoption of Australian Equivalents to International Financial Reporting Standards, AASB 117 Leases, AASB 118 Revenue, AASB 121 The Effects of Changes in Foreign Exchange Rates, AASB 127 Consolidated and Separate Financial Statement and AASB 139 Financial Instruments: Recognition and Measurement. AASB 2007-2 is applicable for annual reporting periods beginning on or after 1 January 2008.
- AASB 2007-2 Amendments to Australian Accounting Standards also amends references to 'U19 Interpretation' to interpretations. This amending standard is applicable to annual reporting periods ending on or after 28 February 2007.

4 Determination of fair values

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. Where applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property

The fair value of property is based on market values derived from independent valuations. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

(ii) Intangible assets

The fair value of bed licenses is based on external evidence of market values, such as current independent broker quotations.

(iii) Trade and other receivables

The fair value of trade and other receivables is estimated as the present value of future cash flows, discounted at the market rate of interest at the reporting date.

(iv) Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

(v) Investment in equity and debt security

The fair value of available-for-sale financial assets is determined by reference to their quoted bid (market) price at the reporting date, or where acquired as part of a business combination, the quoted bid (market) price on the date of acquisition.

5 Segment reporting

Segment information is presented in respect of the Group's business segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis.

Business segments

The Group comprises the following main business segments:

- aged care facilities
- service activities
- social enterprises.

Primary—business segments

	SERVICE ACTIVITIES		AGED CARE FACILITIES		SOCIAL ENTERPRISES		CONSOLIDATED	PARENT
	2007	2006	2007	2006	2007	2006	2007	2006
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Services	25,627	23,449	6,565	6,651	–	–	32,192	30,100
Sales	–	–	–	–	16,875	14,456	16,875	14,456
Total segment revenue	**25,627**	**23,449**	**6,565**	**6,651**	**16,875**	**14,456**	**49,067**	**44,556**
Segment result	**(670)**	**(1,058)**	**(823)**	**(256)**	**1,003**	**497**	**(490)**	**(817)**
Unallocated items								
Net finance income							1,410	890
Net bequests							22,396	4,781
Grants and donations for capital projects							834	890
Goodwill impairment							(674)	–
Surplus for the period							**23,476**	**5,744**
Segment assets	**80,493**	**43,687**	**18,757**	**14,078**	**7,379**	**7,415**	**106,629**	**65,180**
Segment liabilities	**10,965**	**11,172**	**1,522**	**315**	**1,339**	**1,822**	**13,826**	**13,309**
Capital expenditure	2,592	1,086	257	148	79	116	2,928	1,350
Depreciation	447	411	350	325	184	224	981	960

Secondary—geographic segments

The Group's operations are based in the single geographic segment of Victoria.

6 Acquisitions of subsidiaries

Business combination

On 5 October 2006, the Brotherhood of St Laurence was bequeathed all of the shares in Pelican Investments Pty Ltd. This company has investments in equity. In the nine months to 30 June 2007, the subsidiary contributed a surplus of $225 thousand. If the acquisition had occurred on 1 July 2006, management estimates that the contribution to the consolidated surplus for the period would have been $389 thousand.

The acquisition had the following effect on the Group's assets and liabilities on acquisition date.

	PRE-ACQUISITION CARRYING AMOUNTS	FAIR VALUE ADJUSTMENTS	RECOGNISED VALUES ON ACQUISITION
	$'000	$'000	$'000
Property, plant and equipment	492	960	1,452
Cash and cash equivalents	72	–	72
Investments	3,976	6,807	10,783
Trade and other payables	(42)	–	(42)
Net identifiable assets and liabilities	**4,498**	**7,767**	**12,265**
Cash acquired	72	–	72
Net cash inflow	**72**	**–**	**72**

A gain of $12,265 thousand has been recorded in the Group's income statement as bequest income representing the fair value of net assets bequeathed. Bequests income includes the following:

	CONSOLIDATED	PARENT	
	2007	2007	2006
	$'000	$'000	$'000
Property bequest	525	525	–
Cash bequests	9,620	9,620	4,914
Investment bequests	70	70	–
Pelican bequests	12,265	–	–
	22,480	**10,215**	**4,914**

Pre-acquisition carrying amounts were determined based on applicable AASBs immediately before the acquisition. The values of assets and liabilities recognised on acquisition are their estimated fair values (see note 4 for methods used in determining fair values).

7 Personnel expenses

	CONSOLIDATED	PARENT	
	2007	2007	2006
	$'000	$'000	$'000
Wages and salaries	18,533	18,533	17,289
Other associated personnel expenses	1,055	1,055	849
Contributions to defined contribution superannuation funds	1,709	1,709	1,615
Annual leave expense	1,601	1,601	1,500
Long-service leave expense	289	289	495
Total	**23,187**	**23,187**	**21,748**

8 Finance income and expense

	CONSOLIDATED	PARENT	
	2007	2007	2006
	$'000	$'000	$'000
Interest income on available-for-sale financial assets	241	203	350
Interest income on bank deposits	728	728	394
Dividend income from subsidiary	–	2,616	–
Dividend income on available-for-sale financial assets	483	202	230
Net gain on disposal of available-for-sale financial assets transferred from equity	97	173	–
Total finance income	**1,549**	**3,922**	**974**
Management expense	(139)	(120)	(84)
Net financing income	**1,410**	**3,802**	**890**

9 Property, plant and equipment

	CONSOLIDATED				PARENT			
	LAND, BUILDINGS AND LEASEHOLD IMPROVEMENTS	PLANT AND EQUIPTMENT	WORK IN PROGRESS	TOTAL	LAND, BUILDINGS AND LEASEHOLD IMPROVEMENTS	PLANT AND EQUIPTMENT	WORK IN PROGRESS	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Fair value or cost								
Balance at 1 July 2005	–	–	–	–	39,768	3,977	–	43,745
Additions	–	–	–	–	1,020	196	134	1,350
Disposals	–	–	–	–	(17)	(126)	–	(143)
Fair value adjustments	–	–	–	–	–	–	–	–
Balance at 30 June 2006	**–**	**–**	**–**	**–**	**40,771**	**4,047**	**134**	**44,952**
Balance at 1 July 2006	40,771	4,047	134	44,952	40,771	4,047	134	44,952
Additions	1,155	374	1,399	2,928	1,155	374	1,399	2,928
Disposals	(55)	(21)	–	(76)	(55)	(21)	–	(76)
Acquisitions through business combinations	1,450	2	–	1,452	–	–	–	–
Fair value adjustments	12,350	–	–	12,350	12,275	–	–	12,275
Balance at 30 June 2007	**55,671**	**4,402**	**1,533**	**61,606**	**54,146**	**4,400**	**1,533**	**60,079**

	CONSOLIDATED				PARENT			
	LAND, BUILDINGS AND LEASEHOLD IMPROVEMENTS $'000	PLANT AND EQUIPMENT $'000	WORK IN PROGRESS $'000	TOTAL $'000	LAND, BUILDINGS AND LEASEHOLD IMPROVEMENTS $'000	PLANT AND EQUIPMENT $'000	WORK IN PROGRESS $'000	TOTAL $'000
Depreciation and impairment losses								
Balance at 1 July 2005	–	–	–	–	1,217	2,787	–	4,004
Depreciation for the year	–	–	–	–	649	311	–	960
Disposals	–	–	–	–	–	–	–	–
Impairment loss	–	–	–	–	–	–	–	–
Balance at 30 June 2006	**–**	**–**	**–**	**–**	**1,866**	**3,098**	**–**	**4,964**
Balance at 1 July 2006	1,866	3,098	–	4,964	1,866	3,098	–	4,964
Depreciation for the year	722	259	–	981	722	259	–	981
Disposals	(49)	(16)	–	(65)	(49)	(16)	–	(65)
Balance at 30 June 2007	**2,539**	**3,341**	**–**	**5,880**	**2,539**	**3,341**	**–**	**5,880**
Carrying amounts								
At 1 July 2005	**–**	**–**	**–**	**–**	**38,551**	**1,190**	**–**	**39,741**
At 30 June 2006	**–**	**–**	**–**	**–**	**38,905**	**949**	**134**	**39,988**
At 1 July 2006	**38,905**	**949**	**134**	**39,988**	**38,905**	**949**	**134**	**39,988**
At 30 June 2007	**53,132**	**1,061**	**1,533**	**55,726**	**51,607**	**1,059**	**1,533**	**54,199**

Land and buildings were revalued based on independent valuations determined using market values on 30 June 2007 by Hollingsworth St Clair Property Pty Ltd. The carrying amount of land and buildings prior to the revaluation was $40.782 million.

10 Intangible assets

	CONSOLIDATED			PARENT		
	GOODWILL	BED LICENCES	TOTAL	GOODWILL	BED LICENCES	TOTAL
	$'000	$'000	$'000	$'000	$'000	$'000
Balance at 1 July 2005	–	–	–	1,093	4,075	5,168
Balance at 30 June 2006	**–**	**–**	**–**	**1,093**	**4,075**	**5,168**
Balance at 1 July 2006	1,093	4,075	5,168	1,093	4,075	5,168
Fair value adjustment	–	2,670	2,670	–	2,670	2,670
Balance at 30 June 2007	**1,093**	**6,745**	**7,838**	**1,093**	**6,745**	**7,838**
Amortisation and impairment losses						
Balance at 1 July 2005	–	–	–	219	–	219
Amortisation for the year	–	–	–	–	–	–
Balance at 30 June 2006	**–**	**–**	**–**	**219**	**–**	**219**
Balance at 1 July 2006	219	–	219	219	–	219
Amortisation for the year	–	–	–	–	–	–
Impairment losses	674	–	674	674	–	674
Balance at 30 June 2007	**893**	**–**	**893**	**893**	**–**	**893**
Carrying amounts						
At 1 July 2005	**–**	**–**	**–**	**874**	**4,075**	**4,949**
At 30 June 2006	**–**	**–**	**–**	**874**	**4,075**	**4,949**
At 1 July 2006	**874**	**4,075**	**4,949**	**874**	**4,075**	**4,949**
At 30 June 2007	**200**	**6,745**	**6,945**	**200**	**6,745**	**6,945**

The recoverability of goodwill is based on its fair value less the costs to sell. Goodwill relates to the Mod-Style optical frame wholesale business (Mod-Style). An impairment charge was recorded based on the directors' assessment of the recoverable amount of the Mod-Style cash generating unit, having due regard to its estimated current market value.

Bed licence fair values are based on market values in an actively traded market (fair value less costs to sell), taking into account the number of bed licences that would be available for sale, location and other any other considerations required to determine an appropriate fair value. The directors have based their 30 June 2007 valuation of bed licences on external market evidence, such as market quotations of bed licences from independent brokers. Refer to note 3.e)(ii) and note 4.(ii).

11 Investments

	CONSOLIDATED	PARENT	
	2007	2007	2006
	$'000	$'000	$'000
Current Investments			
Available-for-sale financial assets	23,000	23,000	4,098
Total	**23,000**	**23,000**	**4,098**

12 Joint venture

The (50%) joint venture was a five-year project to establish a sustainable second-hand clothing store in Queenbeyan in the ACT. In 2006, full ownership was transferred to Anglicare. The Brotherhood was fully repaid with its initial capital investment.

	CONSOLIDATED	PARENT	
	2007	2007	2006
	$'000	$'000	$'000
i) Principal Activities			
The joint venture entity operated a second-hand clothing store in Queenbeyan in the ACT.			
ii) Share of the joint venture entity profits			
Share of the joint venture entity:			
Revenues	–	–	82
Expenses	–	–	76
Net surplus	**–**	**–**	**6**

	CONSOLIDATED	PARENT	
	2007	2007	2006
	$'000	$'000	$'000
iii) Carrying amount of investments in joint venture entity			
Balance at the beginning of the financial year	–	–	26
Share of joint venture entity			6
Net profits(losses) for the financial year	–	–	–
Distributions received from joint venture entity	–	–	(32)
Balance at end of the financial year	**–**	**–**	**–**
iv) Accumulated surplus attributable to the joint venture entity			
Balance at the beginning of the financial year	–	–	16
Share of the joint venture entity profits	–	–	6
Distributions received from joint venture entity	–	–	(22)
Balance at the end of the financial year	**–**	**–**	**–**

13 Inventories

	CONSOLIDATED	PARENT	
	2007	2007	2006
	$'000	$'000	$'000
Raw materials and consumables	254	254	185
Work in progress	3	3	1
Finished goods	2,075	2,075	2,292
Inventories stated at lower of cost and net realisable value	**2,332**	**2,332**	**2,478**

In 2007, the write-down of inventories to net realisable value amounted to $125 thousand (2006: $180 thousand). The write-down is included in cost of sales.

14 Trade and other receivables

	CONSOLIDATED	PARENT	
	2007	2007	2006
	$'000	$'000	$'000
Current			
Trade receivables	2,709	2,709	2,192
Other receivables and prepayments	379	379	570
Total	**3,088**	**3,088**	**2,762**

At 30 June 2007, trade receivables are shown net of an allowance for doubtful debts of $153 thousand (2006: $161 thousand).

15a Cash and cash equivalents

	CONSOLIDATED	PARENT	
	2007	2007	2006
	$'000	$'000	$'000
Cash on hand	37	37	43
Cash at bank	3,611	3,376	2,230
Call deposits	11,890	11,890	8,632
Cash and cash equivalents in the statement of cash flows	**15,538**	**15,303**	**10,905**

The deposits have an average maturity of 30 days (2006: 30 days).

15b Reconciliation of cash flows from operating activities

	NOTE	CONSOLIDATED	PARENT	
		2007	2007	2006
		$'000	$'000	$'000
Cash flows from operating activities				
Surplus for the period		23,476	13,603	5,744
Adjustments for:				
Depreciation	9	981	981	960
Bequest income		(12,860)	(595)	–
Loss on sale of property, plant and equipment		2	2	–
Impairment losses on goodwill	10	674	674	–
Net finance income	8	(1,410)	(3,802)	(890)
Operating surplus before changes in working capital and provisions adjusted for acquisition of subsidiary		**10,863**	**10,863**	**5,814**
Change in trade and other receivables		(326)	(326)	(376)
Change in inventories		146	146	(163)
Change in trade and other payables		393	393	451
Change in trust funds		424	424	155
Change in deferred income		(375)	(375)	(930)
Change in provisions and employee benefits		32	32	159
Net cash from operating activities		**11,157**	**11,157**	**5,110**

Non-cash receipt

Refer to note 6 for details of non-cash bequests.

16 Reserves

Fair value reserve

The fair value reserve comprises the cumulative net change in the fair value of available-for-sale financial assets until the investment is derecognised.

Asset revaluation reserve

The revaluation reserve represents the net revaluation increment in respect of property and bed licences.

17 Trade and other payables

	NOTE	CONSOLIDATED	PARENT	
		2007	2007	2006
		$'000	$'000	$'000
Current				
Trade payables		1,812	1,812	1,464
Net loan from controlled entity	25	–	10,035	–
Non-trade payables and accrued expense		1,039	996	951
Total		**2,851**	**12,843**	**2,415**

At 30 June 2007 the Brotherhood had an unutilised overdraft facility of $200 thousand (2006: $200 thousand).

18 Trust funds

	CONSOLIDATED	PARENT	
	2007	2007	2006
	$'000	$'000	$'000
Residents	84	84	88
Accommodation bonds—aged care	784	784	809
External entities	1,926	1,926	1,497
Other	183	183	159
Total	**2,977**	**2,977**	**2,553**

The organisation provides accounting services and holds funds on behalf of a number of projects and these organisations are run and managed externally to the administration of the Brotherhood.

19 Employee benefits

	CONSOLIDATED	PARENT	
	2007	2007	2006
	$'000	$'000	$'000
Current			
Salaries and wages accrued	680	680	586
Liability for long service leave	1,660	1,660	1,612
Liability for annual leave	2,284	2,284	2,234
Liability for redundancy payments	–	–	74
Total employee benefits—current	**4,624**	**4,624**	**4,506**
Non-current			
Liability for long service leave	293	293	381
Total employee benefits—non-current	**293**	**293**	**381**

20 Provisions

	SELF INSURANCE $'000
Parent	
Balance at 1 July 2006	194
Provisions made during the period	7
Provisions used during the period	(5)
Balance at 30 June 2007	**196**
Consolidated	
Balance at 1 July 2006	194
Balance at 30 June 2007	**196**

In 1991/1992, the Brotherhood established a Provision for Self Insurance to provide for a significant element of self insurance, thereby limiting the cost of providing full insurance cover through traditional means.

21 Deferred income

	CONSOLIDATED	PARENT	
	2007	2007	2006
	$'000	$'000	$'000
Current			
Specified donations	1,242	1,242	1,320
Government grants and project funds in advance	1,643	1,643	1,940
Total	**2,885**	**2,885**	**3,260**

22 Financial instruments

Exposure to credit and interest rate risk arises in the normal course of the Brotherhood's business.

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. The Group does not require collateral in respect of financial assets. Investments are allowed only in liquid sources and only with counter parties that have a credit rating equal to or better than the Group.

At the reporting date there were no significant concentrations of credit risk. The maximum exposure to credit risk is represented by the carrying amount of each financial asset in the balance sheet.

Interest rate risk

In respect of income-earning financial assets, the following table indicates their average effective interest rates at the reporting dates and the periods in which they mature or, if earlier reprice.

Effective interest rates

	NOTE	CONSOLIDATED 2007 AVERAGE EFFECTIVE INTEREST RATE	TOTAL $'000	LESS THAN 1 YEAR $'000	1–5 YEARS $'000	PARENT 2006 AVERAGE EFFECTIVE INTEREST RATE	TOTAL $'000	LESS THAN 1 YEAR $'000	1–5 YEARS $'000
Cash and cash equivalents									
- variable rate instruments	15a	–	3,648	3,648	–	–	2,273	2,273	–
- fixed rate instruments	15a	6.35%	11,890	11,890	–	5.89%	8,632	8,632	–
Investments-fixed interest		8.10%	210	210	–	6.57%	198	198	–

Fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the balance sheet, are as follows:

	NOTE	CONSOLIDATED 2007 CARRYING AMOUNT $'000	FAIR VALUE $'000	PARENT 2006 CARRYING AMOUNT $'000	FAIR VALUE $'000
Consolidated					
Available-for-sale financial assets	11	23,000	23,000	4,098	4,098
Trade and other receivables	14	3,088	3,088	2,762	2,762
Cash and cash equivalents	15a	15,538	15,538	10,905	10,905
Trade and other payables	17	(2,851)	(2,851)	(2,415)	(2,415)
Trust funds	18	(2,977)	(2,977)	(2,553)	(2,553)
Total		**35,798**	**35,798**	**12,797**	**12,797**

Estimation of fair values

The method used in determining the fair values of financial instruments is discussed in note 4.

23 Operating leases

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	CONSOLIDATED	PARENT	
	2007	2007	2006
	$'000	$'000	$'000
Less than one year	3,471	3,471	3,241
Between one and five years	5,033	5,033	3,488
More than five years	1,279	1,279	1,385
Total	**9,783**	**9,783**	**8,114**

Operating lease commitments relate to property rentals, lease of motor vehicles, computer and office equipment. The leases have an average of between three and five years, with an option to renew the lease after that date. Leases provide for additional rent payments that are based on changes in local price index.

24 Capital and other commitments

	CONSOLIDATED	PARENT	
	2007	2007	2006
	$'000	$'000	$'000
Capital expenditure commitments—plant and equipment			
Contracted but not yet provided for and payable:			
Within one year	654	654	–
Total	**654**	**654**	**–**

25 Related parties

Transactions with key management personnel

There were no transactions with or loans to and from key management personnel.

Key management personnel compensation

The key management personnel compensation included in personnel expenses (see note 7) is as follows:

	CONSOLIDATED	PARENT	
	2007	2007	2006
	$	$	$
Short-term employee benefits	1,047,613	1,047,613	745,554
Other long-term benefits	10,423	10,423	22,048
Termination benefits	17,377	17,377	–
Total	**1,075,413**	**1,075,413**	**767,602**

No salaries, compensations or other benefits were paid or are payable to the directors in their capacity as Board Members.

Non-key management personnel transactions

Subsidiary

During the year, Pelican Investments Pty Ltd paid a dividend to the Brotherhood during the year of $2,616,268. During the year, Pelican Investments Pty Ltd also sold its available-for-sale financial assets to the Brotherhood at its fair value of $12,650,644. As a result of the above transactions, the Brotherhood owed its subsidiary $10,034,376 at year end.

26 Group entities

Subsidiaries

	COUNTRY OF INCORPORATION	OWNERSHIP INTEREST	
		2007	2006
Pelican Investments Pty Ltd	Australia	100%	0%

In the financial statements of the Group, investments in subsidiaries are measured at cost. Refer to note 6 for information on the acquisition of Pelican Investments Pty Ltd.

27 Auditor's remuneration

	CONSOLIDATED	PARENT	
	2007	2007	2006
	$	$	$
Audit services			
Auditor of the Company			
KPMG Australia:			
Audit and review of financial reports	49,000	49,000	–
Other regulatory audit services	11,000	11,000	–
	60,000	**60,000**	**–**
Other auditors			
Audit and review of financial reports	–	–	66,000
Other regulatory audit services	–	–	15,100
Total	**–**	**–**	**81,100**

28 Subsequent event

On 28 July 2007, two properties owned by the Group were sold for $1.4 million at a net gain on disposal of $375,000. The properties are:

- 1/19 Carramar Avenue, Camberwell (owned by the Parent)
- 2/19 Carramar Avenue, Camberwell (owned by the subsidiary).

The financial effects of the above transaction have not been brought to account as at 30 June 2007.

DIRECTORS' DECLARATION

In the opinion of the directors of the Brotherhood of St Laurence:

(a) the financial statements and notes, set out on pages 12 to 35 are in accordance with the Australian Accounting Standards (including the Australian Accounting Interpretations) so as to present fairly the Parent's and the Group's financial position as at 30 June 2007 and of their performance, for the financial year ended on that date; and

i. comply with the *Brotherhood of St Laurence (Incorporation) Act 1971* (Vic) and the Brotherhood of St Laurence's Constitution; and

(b) there are reasonable grounds to believe that the Brotherhood will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the directors:

+Philip Huggins

Rt Revd Philip Huggins
Chair, Board of Directors

Tony Nicholson
Executive Director

Dated at Melbourne on this 25th day of September 2007

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF THE BROTHERHOOD OF ST LAURENCE

Report on the financial report

We have audited the accompanying financial report of the Brotherhood of St Laurence, which comprises the balance sheets as at 30 June 2007, the income statements, statements of changes in equity and cash flow statements for the year ended on that date, a summary of significant accounting policies and other explanatory notes set out on pages 12 to 35 of the Group comprising the Brotherhood of St Laurence and the Entity it controlled at the year's end and from time to time during the financial year.

Directors' responsibility for the financial report

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

Auditor's responsibility

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

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

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), a view which is consistent with our understanding of the Brotherhood of St Laurence's and the Group's financial position and of their performance and their cash flows.

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

Auditor's opinion

In our opinion:

(a) the financial report presents fairly, in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations), the financial position of the Brotherhood of St Laurence and the Group as of 30 June 2007 and of their performance and their cash flows for the financial year ended on that date.

KPMG

KPMG

Tony Batsakis
Partner
Melbourne
25 September 2007

Brotherhood of St Laurence
67 Brunswick Street
Fitzroy Vic 3065
Ph: (03) 9483 1183

www.bsl.org.au

Brotherhood of St Laurence
Working for an Australia free of poverty