BROTHERHOOD OF ST LAURENCE

FINANCIAL REPORT 2010

Brotherhood of St Laurence

Working for an Australia free of poverty

Building better lives since 1930

A mother and her baby enjoy Baby Book Club

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, Victoria, 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 its principal activities is included in the review of operations and activities in the Directors' Report on pages 3 to 8. The Directors' Report forms 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 the 'Parent') for the financial year ended 30 June 2010 and the auditor's report thereon. In the previous year, the Brotherhood owned an operating subsidiary that was dormant in 2010, and therefore the comparative financial statements include the Brotherhood and its subsidiary as a consolidated entity.

Lady Southey AC is Patron of the Brotherhood.

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

1 DIRECTORS

The names and details of the 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. Executive Member, National Council of Churches and Christian World Service Commission. Member, Nomination and Remuneration committees. Appointed to the Board in November 2004. Appointed Chair in December 2005.

Ms Jenny Trethewey BA, MA Prelim. (Deputy Chair)

Social Policy Consultant. Fellow, Leadership Victoria's Williamson Community Leadership Program. Company Secretary, Australian Embassy for Timor-Leste Fund. Chair, Brotherhood Audit and Risk Management Committee. Member of the Brotherhood Social Enterprises, Nomination and Remuneration committees. Appointed to the Board in 2001 and reappointed to the Board in November 2007.

Mr Tony Nicholson BA, BSW (Executive Director)

Executive Director, Brotherhood of St Laurence since October 2004. Previously Chief Executive Officer, Hanover Welfare Services. Chair of the Prime Minister's Council on Homelessness. Member of the federal government's Australian Social Inclusion Board. Member of the Victorian Government's Community Advisory Council. Director, Media Team Australia (to May 2010). Director, GoodStart Childcare Limited (to July 2010). Member, Brotherhood Finance, Audit and Risk Management, Nomination and Remuneration committees. Appointed to the Board in October 2004.

The Reverend 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. Appointed to the Board in April 2003 and reappointed to the Board in November 2008.

Ms Celia Gerreyn BEc, LLB, MBA, FAICD, FICS

Qualified lawyer and accountant with an MBA from the University of Melbourne. Fellow, Chartered Secretaries Australia. Fellow, Australian Institute of Company Directors. Fellow, Leadership Victoria's Williamson Community Leadership Program (2005). ACLA Australian Government Lawyer of the Year 2004. Member, Brotherhood Finance Committee (to April 2010) and Audit and Risk Management Committee (from May 2010). Appointed to the Board in August 2003 and reappointed to the Board in November 2008.

Mr Stephen Grant BA (Marketing), FCA

CEO, Asia Pacific Business Coalition on AIDS (APBCA). Formerly CEO, Victorian Transport Accident Commission (TAC). Chair, Victorian Trauma Foundation (VTF). Director, Monash Accident Research Centre. Chair of Alfred Health. Chair, Brotherhood Social Enterprises Committee. Appointed to the Board in April 2009.

Mr Mike James BCom

Fellow, Institute of Chartered Accountants. Member, Certified Practising Accountants of Australia. Retired Partner, PricewaterhouseCoopers Australia. Chair, Social Traders Limited. Director, GoodStart Childcare Limited. Chair, Brotherhood Finance Committee. Appointed to the Board in March 2007.

Professor Jack Keating BEc, TSTC, PhD

Professorial Fellow, University of Melbourne. Director, Education Policy and Leadership Unit, University of Melbourne. Fellow, Australian College of Educators. Member, Leadership Fellow—Foundation for Young Australians. Appointed to the Board in March 2007.

The Hon. Rob Knowles AO

Chair, Mental Health Council of Australia. President, Mental Illness Fellowship of Australia. Previously, Commissioner, National Health and Hospital Reform Commission. Former Victorian Minister for Health, Aged Care and Housing. Member, Brotherhood Finance Committee (from August 2009). Appointed to the Board in December 2005; took up the position in March 2006.

Mr Evan Thornley LLB, BCom

CEO, Better Place Australia. Chair, Per Capita think tank. Member, University of Melbourne Centre for Jewish History and Culture Advisory Board. Formerly the ALP Member for Southern Metropolitan Region, Victorian Parliament, and Parliamentary Secretary to the Premier. Co-founder, LookSmart Ltd. Appointed to the Board in August 2003 and reappointed in November 2008.

2 COMPANY SECRETARY

Ms Jennifer Grayling LLB

Jenny 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 five years and of East Ivanhoe Community Bank for three years, and currently Non-executive Director of VicRelief Foodbank. Appointed Company Secretary in 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 AND RISK	
Number of meetings held during the year		11		11		4
	ATTENDED	HELD*	ATTENDED	HELD*	ATTENDED	HELD*
The Rt Revd Philip Huggins	8	11	–	–	–	–
Ms Jenny Trethewey	9	11	–	–	4	4
Mr Tony Nicholson	11	11	8	11	1	4
The Revd Barbara Colliver	8	11	–	–	–	–
Ms Celia Gerreyn	9	11	7	9	1	1
Mr Stephen Grant	8	9	–	–	–	–
Mr Mike James	11	11	11	11	–	–
Professor Jack Keating	9	11	–	–	–	–
The Hon. Rob Knowles	4	11	6	10	–	–
Mr Evan Thornley	6	7	–	–	–	–

* Held while the Board Member was eligible to attend.

Additional Board sub-committees include the Nominations, Remuneration and Social Enterprises committees.

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 wellbeing 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 indicators 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

The controlled entity, Pelican Investments Pty Ltd, was deregistered on 25 July 2010. This entity became dormant in 2010 and any amounts receivable from this entity were written off as at 30 June 2010. There were no other significant changes in the state of affairs of the Group that occurred during the financial year under review.

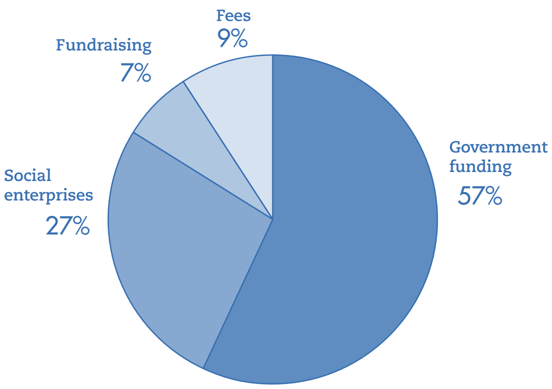
Results for the year

The surplus for the year is $1.4 million compared to a group deficit of $1.4 million in 2008–09, with the increase in net finance income and the transaction services fee from GoodStart Childcare being the main drivers for the positive variance. The deficit from operating activities has increased by $1.7 million from 2008–09 to a deficit of $6.9 million in 2009–10. Reduction in net contributions from Fundraising and Social Enterprises were the main factors in this result.

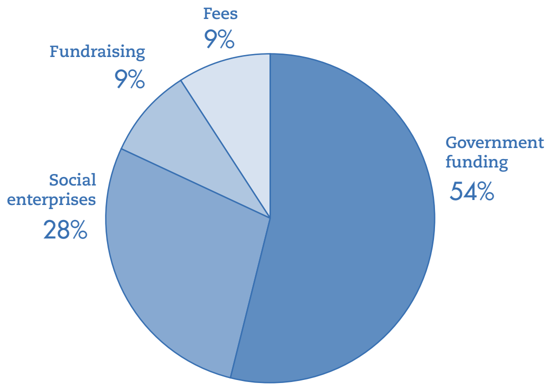
This year's net finance income increased by $1.6 million from that received in 2008–09. This was mainly due to a decrease in the realised loss from disposal of investments.

Sources and uses of operating funds for the current and previous financial years are shown graphically below. The percentage of operating funds received from the government has increased by 3% due to the commencement of the national rollout of the Saver Plus financial inclusion program, the continued rollout of the Home Interaction Program for Parents and Youngsters (HIPPY) and increased activity in our Community Care programs. The increase in Saver Plus and HIPPY funds is also reflected in the higher percentage of operating funds used by Community Services in 2009–10. A decline in the receipt of donations from trusts and foundations is reflected in a 2% decrease in the percentage of operating funds generated from fundraising.

SOURCES OF OPERATING FUNDS 2010

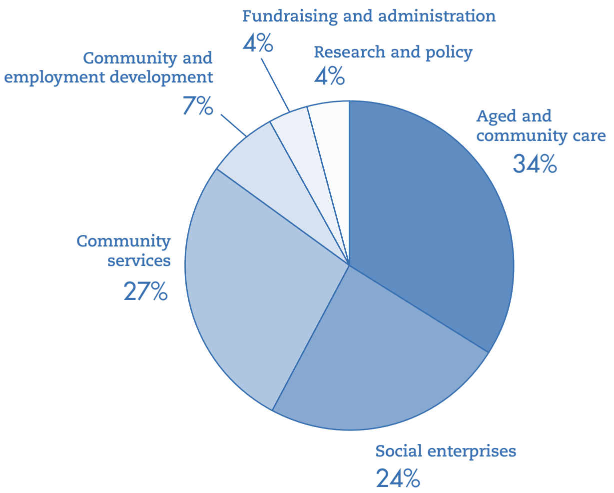


SOURCES OF OPERATING FUNDS 2009

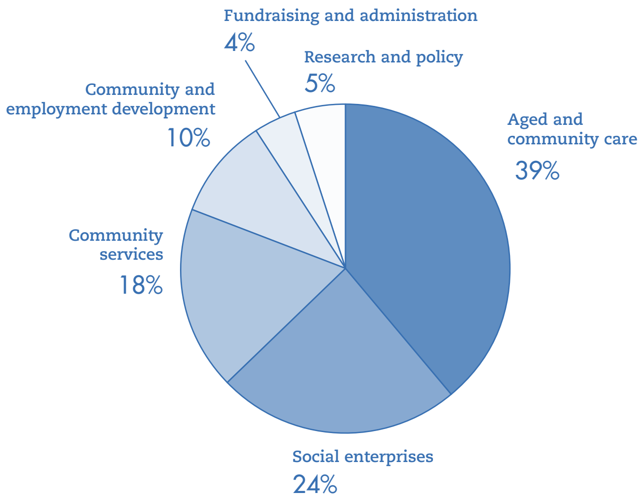


The above charts classify operating funds received on the basis of the specific type of external funding source, rather than by the Brotherhood's internal service activity, the latter being the basis of revenue classification adopted in the statement of comprehensive income.

USES OF OPERATING FUNDS 2010



USES OF OPERATING FUNDS 2009



Review of financial condition

The value of investments held by the organisation as at 30 June 2010 has increased by $15 million from the value at 30 June 2009. This is due to the reinvestment of income earned, an appreciation of investment capital values and the investment of funds received relating to the sale of the Tucker Settlement. The Tucker Settlement sale proceeds are also recorded as a current liability, due to certain conditions of the contract of sale not being satisfied as at 30 June 2010. It is expected that the contract will be fully satisfied during the 2010–11 financial year.

An independent valuation of all of the organisation's land and buildings, with the exception of land and buildings classified as held for sale, was completed as at 30 June 2010. This resulted in a net revaluation increment of $7 million.

The total equity as at 30 June 2010 is $97 million.

Investments for the future

In December 2009, the organisation purchased land in Clifton Hill, adjacent to our current residential aged care facility, and intends to develop an innovative housing model that can operate on this site.

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 them 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 2009–10 financial year are:

Ms Joanna Baevski
Ms Diana Batzias
Mr David Buxbaum (from December 2009)
Ms Cath Bradley
The Revd Barbara Colliver
Dr Terry Cutler
The Rt Revd David Farrer (leave of absence)
Mr William Ford
Mr Carrillo Gantner AO
Ms Celia Gerreyn
Mr Stephen Grant (from December 2009)
Mr David Green
Ms Susan Gribben
The Rt Revd Philip Huggins
Mr James Jacoby
Mr Mike James
Mr Roger Johnson
Professor Jack Keating
The Hon. Rob Knowles AO
Dr Ian Manning
Ms Alison McClelland
Mr John McInnes OAM
Mr Tony Nicholson
Dr Apollo Nsubuga-Kyobe
Dr Nouria Salehi OAM
Ms Fiona Smith
The Revd Clemence Taplin
Mr Evan Thornley
Ms Jenny Trethewey
Mr David Triplow APM
The Revd Janet Turpie-Johnstone
Mr John Wilson
Mr Michael Wilson (from December 2009)
Mr Graeme Wise

Life Members

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

Mr Ernest Barr
Professor Connie Benn AM
The Rt Revd Michael Challen AM
Mr Sandy Clark
Dr Stephen Duckett
Mr Kurt Eisner
Mr Michael Feeney
The Revd Nicolas Frances MBE
Mr Eric Hart
The Rt Revd Dr Peter Hollingworth AC OBE
The Hon. Professor Brian Howe AO
Ms Elizabeth Loftus
Father James Minchin (from December 2009)
Dr Jean McCaughey AO
Mr Ian Reid
Mr David Scott AO
Mrs Catherine Smith (deceased, 15 December 2009)
The Rt Revd Andrew St John
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 Jenny Trethewey (Committee Chair), Roger Johnson, Guy Mendelson, Catherina Toh, David Errington, Celia Gerreyn (from May 2010) 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 Mike James (Committee Chair), Celia Gerreyn (to April 2010), Gayle Wilson, Rob Knowles (from August 2009) and Tony Nicholson. The committee meets monthly. The Finance Committee meets as a Finance and Investment Committee at least twice yearly, with Mark Dutton as an additional member.

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, Sandy Clark 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 and Tony Nicholson. The committee meets at least annually.

Social Enterprise Committee

This committee of the Board was formed in April 2010 and is responsible for providing strategic advice in relation to social enterprises. The membership since establishment is Stephen Grant (Committee Chair) and Jenny Trethewey. Subject matter experts from the finance, banking, business and legal sectors have been recruited to the committee.

Mod-Style Committee of Management (to April 2010)

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 were Ernest Barr (Committee Chair), Ian Reid, Tony Nicholson, Royce Jackson and Jeff Moon. The committee met monthly throughout 2009 and early 2010. Having undertaken an assessment of Mod-Style as a mature business, the committee retired its service. Governance of the business will now be monitored under the umbrella of the newly constituted Social Enterprise Committee.

Other committees

A number of other committees or workgroups are established by the Board from time to time to oversee a particular task or project. These 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:

Mr Tony Nicholson, Executive Director

Ms Lyn Amy, Acting General Manager Communications and Development (from December 2009)

Ms Nicola Ballenden, General Manager Public Affairs and Development (maternity leave from December 2009)

Ms Jenny Grayling, General Manager Organisational Services; Company Secretary

Ms Sarina Greco, General Manager Community Services

Rebecca Huang, Acting Chief Financial Officer—Strategy (from December 2008 to December 2009)

Mr Jonathan Lee, Chief Financial Officer—Operations

Mr Jeff Moon, General Manager Social Enterprises

Ms Christine Morka, General Manager Aged and Community Care

Father Jeff O'Hare, General Manager Chaplaincy and Diocesan Partnerships

Professor Paul Smyth, General Manager Research and Policy

Ms Caterina Wooden, Chief Financial Officer—Strategy (maternity leave to December 2009)

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 Management 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, risk, investment, and tax and accounting advice is coordinated by the Chief Financial Officer—Operations and the Company Secretary through Freehills, Piper Alderman and Clayton Utz; Deloitte; Deutsche Bank and JBWere; and KPMG, respectively. Some legal advice is provided by Freehills and Piper Alderman on a pro bono basis.

Audit and accounts

The Brotherhood's Constitution requires that proper books of accounts are kept, true and complete accounts are maintained and audited annually by a registered company auditor, and the financial statements and the auditor's 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 external auditor is KPMG. In addition, the Brotherhood engages Deloitte for internal audit services.

7 EVENTS SUBSEQUENT TO REPORTING DATE

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 2010.

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 that 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 provided taxation services (2010—$9,680; 2009—$8,090) to the Group 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.

Rt Revd Philip Huggins
Chair, Board of Directors

Tony Nicholson
Executive Director

Dated at Melbourne on this 28th day of September 2010

STATEMENTS OF FINANCIAL POSITION

As at 30 June 2010

	NOTE	PARENT 2010 $'000	CONSOLIDATED 2009 $'000	PARENT 2009 $'000
ASSETS				
CURRENT ASSETS				
Cash and cash equivalents	17a	4,530	10,415	10,415
Trade and other receivables	15	4,367	3,277	3,349
Inventories	14	2,231	1,867	1,867
Investments	13	41,956	26,943	26,943
Assets classified as held for sale	8	8,911	8,933	8,933
Total current assets		**61,995**	**51,435**	**51,507**
NON-CURRENT ASSETS				
Property, plant and equipment	11	57,839	44,349	44,349
Intangible assets	12	6,520	6,945	6,945
Trade and other receivables	15	5,074	–	–
Total non-current assets		**69,433**	**51,294**	**51,294**
Total assets		**131,428**	**102,729**	**102,801**
LIABILITIES				
CURRENT LIABILITIES				
Bank borrowings	22	2,000	–	–
Trade and other payables	19	12,452	3,172	3,172
Trust funds	20	3,510	3,492	3,492
Employee benefits	21	4,236	3,937	3,937
Deferred income	23	8,307	4,184	4,184
Total current liabilities		**30,505**	**14,785**	**14,785**
NON-CURRENT LIABILITIES				
Bank borrowings	22	3,500	2,000	2,000
Employee benefits	21	396	334	334
Total non-current liabilities		**3,896**	**2,334**	**2,334**
Total liabilities		**34,401**	**17,119**	**17,119**
Net assets		**97,027**	**85,610**	**85,682**
EQUITY				
Accumulated surplus		59,929	57,567	58,015
Reserves		37,098	28,043	27,667
Total equity		**97,027**	**85,610**	**85,682**

The notes on pages 14 to 33 are an integral part of these consolidated financial statements.

STATEMENTS OF COMPREHENSIVE INCOME

For the year ended 30 June 2010

	NOTE	PARENT 2010 $'000	CONSOLIDATED 2009 $'000	PARENT 2009 $'000
REVENUE				
SERVICE ACTIVITIES				
Community and Employment Development		3,500	5,053	5,053
Aged and Community Care		19,964	19,997	19,997
Community Services		13,592	8,307	8,307
Research and Policy Centre		450	675	675
OTHER ACTIVITIES				
Fundraising		2,259	2,658	2,658
Social Enterprises sales of goods		14,695	13,567	13,567
Other revenue and income		278	210	210
Revenue and other income from operating activities		**54,738**	**50,467**	**50,467**
EXPENSES				
SERVICE ACTIVITIES				
Community and Employment Development		4,242	5,454	5,454
Aged and Community Care		20,660	21,296	21,296
Community Services		16,360	9,932	9,932
Research and Policy Centre		2,152	2,379	2,379
OTHER ACTIVITIES				
Fundraising		858	619	619
Cost of goods of Social Enterprises sales		5,789	5,038	5,038
Social Enterprises expenses		9,337	7,970	7,970
Other expenses		2,287	2,941	2,950
Expenses for operating activities		**61,685**	**55,629**	**55,638**
Deficit from operating activities		**(6,947)**	**(5,162)**	**(5,171)**
Finance income		2,913	2,598	3,266
Finance expenses		(710)	(2,000)	(2,253)
Net finance income excluding impairment losses	10	2,203	598	1,013
Bequests income	7	3,204	3,151	3,151
Bequests costs		(188)	(140)	(140)
Net bequests		3,016	3,011	3,011
GoodStart Childcare transaction services fee	16	2,500	–	–
Grants and donations for capital projects		850	845	845
Goodwill impairment	12	(200)	–	–
Impairment loss on available-for-sale investments—financial expense	13	–	(715)	(715)
Surplus/(deficit) for the period		**1,422**	**(1,423)**	**(1,017)**
OTHER COMPREHENSIVE INCOME				
Change in fair value of available-for-sale assets	10	2,496	(3,394)	3,041
Impairment of available-for-sale assets transferred to profit and loss	10	–	715	715
Change in fair value of property	8, 11	7,527	(1,534)	(1,509)
Change in fair value of bed licences		(100)	–	–
Other comprehensive income/(deficit) for the period		**9,923**	**(4,213)**	**(3,835)**
Total comprehensive income/(deficit) for the period		**11,345**	**(5,636)**	**(4,852)**

The notes on pages 14 to 33 are an integral part of these consolidated financial statements.

STATEMENTS OF CHANGES IN EQUITY

For the year ended 30 June 2010

	ACCUMULATED SURPLUS	ASSET REVALUATION RESERVE—PROPERTY	ASSET REVALUATION RESERVE—BED LICENCES	FAIR VALUE RESERVE	TOTAL
	$'000	$'000	$'000	$'000	$'000
PARENT					
Balance at 1 July 2008	56,222	35,004	2,670	(3,362)	90,534
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD					
Deficit for the period	(1,017)	–	–	–	(1,017)
OTHER COMPREHENSIVE INCOME					
Net change in fair value of available-for-sale assets	–	–	–	(3,041)	(3,041)
Impairment of available-for-sale assets transferred to profit and loss	–	–	–	715	715
Sale of property, plant and equipment	2,810	(2,810)	–	–	–
Net change in fair value of property	–	(1,509)	–	–	(1,509)
Total other comprehensive income	2,810	(4,319)	–	(2,326)	(3,835)
Total comprehensive income for the period	1,793	(4,319)	–	(2,326)	(4,852)
Balance at 30 June 2009	**58,015**	**30,685**	**2,670**	**(5,688)**	**85,682**
Balance at 1 July 2009	58,015	30,685	2,670	(5,688)	85,682
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD					
Surplus for the period	1,422	–	–	–	1,422
OTHER COMPREHENSIVE INCOME					
Net change in fair value of available-for-sale assets	–	–	–	2,496	2,496
Sale of property, plant and equipment	492	(492)	–	–	–
Net change in fair value of property	–	7,527	–	–	7,527
Change in fair value of bed licences	–	–	(100)	–	(100)
Total other comprehensive income	492	7,035	(100)	2,496	9,923
Total comprehensive income for the period	1,914	7,035	(100)	2,496	11,345
Balance at 30 June 2010	**59,929**	**37,720**	**2,570**	**(3,192)**	**97,027**

The notes on pages 14 to 33 are an integral part of these consolidated financial statements.

For the year ended 30 June 2010

	ACCUMULATED SURPLUS $'000	ASSET REVALUATION RESERVE—PROPERTY $'000	ASSET REVALUATION RESERVE—BED LICENCES $'000	FAIR VALUE RESERVE $'000	TOTAL $'000
CONSOLIDATED					
Balance at 1 July 2008	55,385	35,824	2,670	(2,633)	91,246
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD					
Deficit for the period	(1,423)	–	–	–	(1,423)
OTHER COMPREHENSIVE INCOME					
Net change in fair value of available-for-sale assets	–	–	–	(3,394)	(3,394)
Impairment of available-for-sale assets transferred to profit and loss	–	–	–	715	715
Sale of property, plant and equipment	3,605	(3,630)	–	–	(25)
Net change in fair value of property	–	(1,509)	–	–	(1,509)
Total other comprehensive income	3,605	(5,139)	–	(2,679)	(4,213)
Total comprehensive income for the period	2,182	(5,139)	–	(2,679)	(5,636)
Balance at 30 June 2009	**57,567**	**30,685**	**2,670**	**(5,312)**	**85,610**

As at 30 June 2009, the consolidated equity was $85,610 thousand and the parent equity was $85,682 thousand. The difference of $72 thousand was an intercompany receivable recorded in the Parent’s books.

During the 2009–10 year, Pelican Investments Pty Ltd became dormant and the intercompany debt was forgiven. Pelican Investments does not have any assets and liabilities as at 30 June 2010 and ceased to be a controlled entity as at this date.

The notes on pages 14 to 33 are an integral part of these consolidated financial statements.

STATEMENTS OF CASH FLOWS

For the year ended 30 June 2010

	NOTE	PARENT 2010 $'000	CONSOLIDATED 2009 $'000	PARENT 2009 $'000
CASH FLOW FROM OPERATING ACTIVITIES				
Cash receipts in the course of operations		63,282	53,341	54,956
Cash paid to suppliers and employees		(65,811)	(59,408)	(59,303)
Net cash from operations		(2,529)	(6,067)	(4,347)
Bequests income	7	1,796	2,671	2,671
Bequests costs		(188)	(140)	(140)
Proceeds from capital grant		850	845	845
Dividend, interest, trust and imputation credit income		2,787	4,421	4,421
Net cash from operating activities	**17b**	**2,716**	**1,730**	**3,450**
CASH FLOW FROM INVESTING ACTIVITIES				
Acquisition of property, plant and equipment	11	(7,694)	(5,595)	(5,595)
Proceeds from sale of property, plant and equipment		–	2,120	2,120
Proceeds from sale of assets classified as held for sale		9,452	1,720	–
Acquisition of investments		(27,800)	(20,903)	(20,903)
Proceeds from sale of investments		16,441	18,709	18,709
Disposal of Donated Goods Division		–	200	200
Loan for subordinated debt		(2,500)	–	–
Net cash used in investing activities		**(12,101)**	**(3,749)**	**(5,469)**
CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from bank borrowings		3,500	2,000	2,000
Net cash from financing activities		**3,500**	**2,000**	**2,000**
Net decrease in cash and cash equivalents		(5,885)	(19)	(19)
Cash and cash equivalents at 1 July		10,415	10,434	10,434
Cash and cash equivalents at 30 June	**17a**	**4,530**	**10,415**	**10,415**

The notes on pages 14 to 33 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 financial statements as at and for the year ended 30 June 2010 relate to the Parent, whilst the consolidated financial statements for the year ended 30 June 2009 relate to the Parent and its subsidiary (together referred to as the 'Group'). The subsidiary was dormant as at 30 June 2010 and was deregistered on 25 July 2010.

The Parent provides 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.

2 BASIS OF PREPARATION

a) Statement of compliance

The financial report is a general purpose financial report that 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 28 September 2010.

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.

e) Changes in accounting policies

Starting from 1 July 2009, the Group has changed its accounting policies in:

- the presentation of financial statements
- the accounting for borrowing costs.

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.

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 currently 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. The accounting policies of the subsidiaries have been changed when necessary to align them with the policies adopted by the Group. In the parent entity's financial statements, investments in subsidiaries are carried at cost.

The subsidiary, Pelican Investments Pty Ltd, was dormant as at 30 June 2010, and does not have any assets and liabilities. Accordingly, there is no longer a consolidated group as at 30 June 2010.

Investment in associates

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Group holds between 20% and 50% of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Board has determined that the Brotherhood's interest in GoodStart Childcare (refer to note 16) is not deemed to be of significant influence in that entity. This is based on the following:

- The Board does not have a blocking vote.
- Voting power is equal amongst all the founding members.
- There is no Board influence to distribute the assets of GoodStart Childcare in a non–arm's length transaction or to a related party.
- There are no agreements established with GoodStart in the current financial year to make any distributions to the Brotherhood or to any of the Brotherhood's affiliated entities.
- The Brotherhood's representation on the GoodStart Board is one of nine Directors.

The Board will assess the extent of its influence regarding its interest in GoodStart Childcare each year.

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 the 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 assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial assets comprise investments in equity and debt securities, loans and receivables, and cash and cash equivalents. 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(n).

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise trade and other receivables.

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 equity instruments, are recognised in other comprehensive income and presented within equity in the fair value reserve as a separate component of equity. When an investment is derecognised, the cumulative gain or loss in equity is transferred to profit or loss.

(ii) Non-derivative financial liabilities

Non-derivative financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date at which the Group becomes a party to the contractual provisions of the instrument. The Group derecognises a financial liability when its contractual obligations are discharged or cancelled or expire. Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Non-derivative financial liabilities comprise loans and borrowings, bank overdrafts, trade and other payables and trust funds.

Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest rate method.

d) Property, plant and equipment

(i) Recognition and measurement

Plant and equipment are measured at cost less accumulated depreciation and accumulated 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.

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 and capitalised borrowing costs (see below). Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment. Borrowing costs related to the acquisition, construction or production of qualifying assets are recognised in profit or loss as incurred.

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.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within 'other revenue and income' or 'other expenses' in profit or loss. When revalued assets are sold, the amounts included in the asset revaluation reserve are transferred to accumulated surplus.

Change in accounting policy

In respect of borrowing costs relating to qualifying assets for which the commencement date for capitalisation is on or after 1 July 2009, the Brotherhood capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Previously the Group immediately recognised all borrowing costs as an expense. This change in accounting policy was due to the adoption of AASB 123 Borrowing Costs (2007) in accordance with the transitional provisions of that standard, which did not impact the 2010 annual financial statements; comparative figures have not been restated.

(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 has increased as a result of a revaluation, the net revaluation increase is recognised in other comprehensive income and accumulated in equity under the heading of 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 has decreased as a result of a revaluation, the net revaluation decrease is recognised in profit and loss. However, the net revaluation decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of land and buildings. The net revaluation decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation reserve.

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 reviewed at each financial year end and adjusted if appropriate.

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 the 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 expenditure on internally generated goodwill and brands, is recognised in profit or loss as 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 inventories 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 (including receivables)

A financial asset is assessed at each reporting date to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset and that the loss event had a negative effect on the estimated future cash flows of that asset and that can be measured reliably.

Objective evidence that financial assets (including equity securities) are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its costs is objective evidence of impairment. The Group uses the criteria of nine months or 30% as its criteria for assessing impairment.

The Group considers evidence of impairment for receivables at both a specific asset and collective level. All individually significant receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Receivables that are not individually significant are collectively assessed for impairment by grouping together receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

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. Losses are recognised in profit or loss and reflected in an allowance account against receivables. When a subsequent event causes the asset's amount of impairment loss to decrease, the decrease in impairment loss is reversed through the profit and loss.

An impairment loss in respect of an available-for-sale financial asset is calculated by reference to its fair value. Impairment losses on available-for-sale investment securities are recognised by transferring the cumulative loss that has been recognised in other comprehensive income, and presented in the fair value reserve in equity, to profit or loss. The cumulative loss that is removed from other comprehensive income and recognised in profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss.

If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed, with the amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(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, the recoverable amount is estimated each year at the same time.

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. Value in use is determined as the depreciated replacement costs of the assets. Refer to note 3(d) (ii) for revaluations of land, buildings and leasehold improvements. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the 'cash-generating unit'). The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to cash-generating units that are expected to benefit from the synergies of the combination.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its estimated recoverable amount. 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.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in previous 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) Non-current assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter, generally the assets are measured at the lower of their carrying amount and fair values less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

i) Employee benefits

(i) Defined contribution superannuation funds

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a personnel expense in profit or loss in the periods during which services are rendered by employees.

(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 previous 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 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 as an expense 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

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided.

j) 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 flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

k) Trust funds

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

The organisation holds accommodation bonds paid by some residents for permanent entry to an organisation residential aged care facility.

l) 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, and the amount of revenue can be measured reliably.

(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 that 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 account as operating income as received.

(iii) Bequests

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

m) 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.

n) Finance income and costs

Finance income comprises interest income on funds invested, dividend income, trust income, imputation credit income and net gains on the disposal of available-for-sale financial assets. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised in profit or loss 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 costs comprise management fees on investments, interest expense and fees on borrowings, and net loss on disposal of available-for-sale financial assets.

o) 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.

p) 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 that are recoverable from, or payable to, the ATO are classified as operating cash flows.

q) Segment reporting

The Group does not qualify for the criteria required to adopt AASB 8 *Operating Segments*.

r) Presentation of financial statements

The Group applies revised AASB 101 *Presentation of Financial Statements* (2007), which became effective as of 1 January 2009. Comparative information has been represented so that it also conforms with the revised standard.

s) New standards and interpretations not yet adopted

The following standard has been identified as that which may impact the Group in the period of initial application.

It is available for early adoption at 30 June 2010 but has not been applied in preparing this financial report:

- AASB 9 *Financial Instruments* includes requirements for the classification and measurement of financial assets resulting from the first part of Phase 1 of the project to replace AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 will become mandatory for the Group's 30 June 2014 financial statements. Retrospective application is generally required, although there are exceptions, particularly if the entity adopts the standard for the year ended 30 June 2012 or earlier. The Group has not yet determined the potential effect of the standard.
- AASB 2009–5 *Further amendments to Australian Accounting Standards arising from the Annual Improvements Process* affect various AASBs resulting in minor changes for presentation, disclosure, recognition and measurement purposes. The amendments, which become mandatory for the Group's 30 June 2011 financial statements, are not expected to have a significant impact on the financial statements.

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. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

(i) Property—land and buildings

The fair value of property is based on market values and replacement cost 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. The replacement cost value is the estimated amount for which a property can be replaced.

(ii) Intangible assets

The fair value of bed licences 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) Investments in equity and debt securities

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

5 FINANCIAL RISK MANAGEMENT

The Group has exposure to the following risks from their use of financial instruments:

- credit risk
- liquidity risk
- market risk
- operational risk.

This note presents information about the Group's exposure to each of the above risks, its objectives, and policies and processes for measuring and managing risk. Further quantitative disclosures are included throughout this financial report.

The Board has overall responsibility for the establishment and oversight of the risk management framework. The Board has established the Audit and Risk Management Committee ('the committee'), which is responsible for developing and monitoring risk management policies. The committee reports regularly to the Board on its activities.

Risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in conditions and Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations.

The Audit and Risk Management Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The committee is assisted in its oversight role by Internal Audit. Internal Audit undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the committee.

a) Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from operating activities and investment securities.

(i) Trade and other receivables

The Parent's and Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer, client and funding organisations ('the parties'). The demographics of the Group's customer base, including the default risk of the industry in which the parties operate, have less influence on credit risk.

The Parent and Group have established an allowance for impairment that represents their estimate of incurred losses in respect of trade and other receivables and investments. The main components of this allowance are a specific loss component that relates to individually significant exposures. The collective loss allowance is determined based on historical data or payment statistics for similar financial assets.

(ii) Investments

The Group limits its exposure to credit risk by only investing in liquid securities and only with counterparties that have a credit rating equal to or better than the predetermined threshold set by the Group. Given these high credit ratings, management does not expect any counterparty to fail to meet its obligations.

b) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet its financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

c) Market risk

Market risk is the risk that changes in market prices, such as foreign exchange rates, interest rates and equity prices will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

All investment transactions are carried out within the guidelines of the Group's Investment Policy, as set by the Finance and Investment Committee.

d) Currency risk

The Group is exposed to currency risk on purchases that are denominated in a currency other than the respective functional currency of the Group, the Australian dollar. The currency in which these transactions primarily are denominated are United States dollars and Euros; there are no amounts receivable or payable at balance date.

e) Interest rate risk

The Group uses a combination of variable and fixed rate bills within any bank borrowings to manage its interest rate risk.

f) Operational risk

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Group's processes, personnel and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of the Group operations.

The Group's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to the Group's reputation with overall cost-effectiveness, and to avoid control procedures that restrict initiative and creativity.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported by a program of periodic reviews undertaken by Deloitte as the Brotherhood's internal auditor. The results of internal audit reviews are discussed with the management of the business unit to which they relate, with summarises submitted to the Audit and Risk Management Committee and senior management of the Group.

6 RESIDENTIAL AGED CARE OPERATIONS

The following disclosure is in respect of the residential aged care operations only.

	2010 $'000	2009 $'000
Revenue	3,839	5,436
Depreciation	275	362
Result	(664)	(1,186)
Assets	14,502	18,190
Liabilities	3,296	3,349
Capital expenditure	34	122

7 BEQUEST INCOME

Bequest income includes the following:

	PARENT 2010 $'000	CONSOLIDATED 2009 $'000	PARENT 2009 $'000
Cash bequests	1,796	2,671	2,671
Investment bequests	1,408	480	480
	3,204	**3,151**	**3,151**

8 ASSETS CLASSIFIED AS HELD FOR SALE

2010

The land and buildings at Frankston–Dandenong Road, Carrum Downs (Tucker Settlement) continue to be presented as assets held for sale as at 30 June 2010, as all contractual conditions are not expected to be met until 2010–11, although the contract for sale is in place and the settlement proceeds have been received. As at 30 June 2010, the Tucker Settlement property had a fair value of $8,911 thousand; an increase in fair value adjustments of $508 thousand on the remeasurement of the asset reflecting its fair value has been recognised through the asset revaluation reserve. The sale of the property at 298 Victoria Road, Thornbury, occurred in February 2010 at its recorded fair value of $530 thousand; this was presented as an asset held for sale as at 30 June 2009.

2009

The land and buildings at Frankston–Dandenong Road, Carrum Downs (Tucker Settlement) and the property at 298 Victoria Road, Thornbury are presented as assets held for sale as all contractual conditions are not expected to be met until 2009–10 although the contracts for sale are in place. At 30 June 2009, the Tucker Settlement and the Victoria Road property had fair values of $8,403 thousand and $530 thousand respectively. As land and buildings are carried at fair value, a decrease in fair value adjustments of $2,009 thousand and an increase of $53 thousand on the remeasurement of the assets, reflecting their revised fair values respectively, have been recognised through the asset revaluation reserve.

	PARENT 2010 $'000	CONSOLIDATED 2009 $'000	PARENT 2009 $'000
Property, plant and equipment	8,911	8,933	8,933
Net assets held for sale	**8,911**	**8,933**	**8,933**

9 PERSONNEL EXPENSES

	PARENT 2010 $'000	CONSOLIDATED 2009 $'000	PARENT 2009 $'000
Wages and salaries	20,950	20,741	20,741
Other associated personnel expenses	1,168	1,080	1,080
Termination benefits	131	343	343
Contributions to defined contribution superannuation funds	2,034	1,941	1,941
Annual leave expense	1,886	1,817	1,817
Long service leave expense	251	72	72
Total	**26,420**	**25,994**	**25,994**

10 FINANCE INCOME AND COSTS RECOGNISED IN SURPLUS/(DEFICIT)

	PARENT 2010 $'000	CONSOLIDATED 2009 $'000	PARENT 2009 $'000
Recognised in surplus/(deficit)			
Dividend income on available-for-sale financial assets	1,141	1,055	1,055
Interest income on available-for-sale financial assets	508	249	249
Trust income on available-for-sale financial assets	249	471	471
Imputation credit income	678	556	556
Interest income on bank deposits	263	267	267
Dividend income from subsidiary	–	–	668
Interest income from subordinated debt	74	–	–
Total finance income	**2,913**	**2,598**	**3,266**
Management expense	(216)	(276)	(171)
Interest and fees on bank borrowings	(244)	(32)	(32)
Net loss on disposal of available-for-sale financial assets transferred from equity	(250)	(1,692)	(2,050)
Total finance expense	**(710)**	**(2,000)**	**(2,253)**
Net finance income recognised in surplus/(deficit)	**2,203**	**598**	**1,013**
Recognised in other comprehensive income			
Net change in fair value of available-for-sale assets	2,496	(3,394)	(3,041)
Impairment of available-for-sale assets transferred to surplus/(deficit)	–	715	715
Net financing income recognised in other comprehensive income	**2,496**	**(2,679)**	**(2,326)**

11 PROPERTY, PLANT AND EQUIPMENT

PARENT (2009: PARENT AND CONSOLIDATED)	LAND, BUILDINGS AND LEASEHOLD IMPROVEMENTS $'000	PLANT AND EQUIPMENT $'000	WORK IN PROGRESS $'000	TOTAL $'000
FAIR VALUE OR COST				
Balance at 1 July 2008	54,612	4,063	681	59,356
Additions	1,148	512	3,935	5,595
Disposals/write offs	(2,848)	(125)	–	(2,973)
Assets held for sale	(8,933)	–	–	(8,933)
Fair value adjustments	(1,509)	–	–	(1,509)
Balance at 30 June 2009	**42,470**	**4,450**	**4,616**	**51,536**
Balance at 1 July 2009	42,470	4,450	4,616	51,536
Additions	5,552	671	1,471	7,694
Write offs	(43)	(178)	–	(221)
Transfer from WIP	4,616	–	(4,616)	–
Fair value adjustments	7,019	–	–	7,019
Balance at 30 June 2010	**59,614**	**4,943**	**1,471**	**66,028**

PARENT (2009: PARENT AND CONSOLIDATED)				
DEPRECIATION AND IMPAIRMENT LOSSES				
Balance at 1 July 2008	3,246	3,085	–	6,331
Depreciation for the year	763	250	–	1,013
Disposal/write offs	(40)	(117)	–	(157)
Balance at 30 June 2009	**3,969**	**3,218**	**–**	**7,187**
Balance at 1 July 2009	3,969	3,218	–	7,187
Depreciation for the year	921	274	–	1,195
Write offs	(16)	(177)	–	(193)
Balance at 30 June 2010	**4,874**	**3,315**	**–**	**8,189**
CARRYING AMOUNTS				
At 1 July 2008	51,366	978	681	53,025
At 30 June 2009	38,501	1,232	4,616	44,349
At 1 July 2009	38,501	1,232	4,616	44,349
At 30 June 2010	54,740	1,628	1,471	57,839

Land and buildings were revalued based on independent valuations determined using market values and replacement cost values on 30 June 2010 by Armstrong Biggs Valuers Pty Ltd. These valuations have been adopted as at 30 June 2010, with a net fair value increment of $7,019 thousand recorded as at 30 June 2010.

12 INTANGIBLE ASSETS

PARENT (2009: PARENT AND CONSOLIDATED)	GOODWILL $'000	BED LICENCES $'000	TOTAL $'000
Balance at 1 July 2008	200	6,745	6,945
Balance at 30 June 2009	**200**	**6,745**	**6,945**
Balance at 1 July 2009	200	6,745	6,945
Disposal	–	(225)	(225)
Impairment losses	(200)	–	(200)
Balance at 30 June 2010	**–**	**6,520**	**6,520**
CARRYING AMOUNTS			
At 1 July 2008	200	6,745	6,945
At 30 June 2009	200	6,745	6,945
At 1 July 2009	200	6,745	6,945
At 30 June 2010	–	6,520	6,520

Goodwill relates to the Mod-Style optical frame wholesale business ('Mod-Style'). Mod-Style is a mature business, operates in an increasingly competitive market and its contribution to the organisation was significantly reduced in 2009–10, which has resulted in the Board assessing the fair value of the goodwill and impairing this to $nil.

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 any other considerations required to determine an appropriate fair value. The Directors have based their 30 June 2010 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).

During 2009–10 the Brotherhood was successful in an application to the Department of Health and Ageing to convert five high care bed licences to five Extended Aged Care at Home (EACH) packages delivered by the Brotherhood. The number of bed licences has accordingly reduced and this reduction is recognised as a disposal above.

13 INVESTMENTS

	PARENT 2010 $'000	CONSOLIDATED 2009 $'000	PARENT 2009 $'000
CURRENT INVESTMENTS—AVAILABLE-FOR-SALE ASSETS			
Equity securities	22,960	20,855	20,855
Debt securities	18,996	6,088	6,088
Total	**41,956**	**26,943**	**26,943**

Sensitivity analysis—market price risk

A 2% increase in equity prices would have increased equity by $459 thousand (2009: an increase of $417 thousand); an equal change in the opposite direction would occur by a 2% decrease. A 2% increase in market prices of debt securities would have increased equity by $380 thousand (2009: an increase of $122 thousand); an equal change in the opposite direction would occur by a 2% decrease.

Investments within the available-for-sale financial asset class were reviewed for impairment at balance date. It has been assessed that no impairment adjustment is required in 2009–10. In 2008–09 an impairment loss of $715 thousand was recognised with regard to the property equity investments.

The Group's exposure to credit risk is disclosed in note 24.

14 INVENTORIES

	PARENT 2010 $'000	CONSOLIDATED 2009 $'000	PARENT 2009 $'000
Consumables	26	19	19
Finished goods	2,205	1,848	1,848
Inventories stated at lower of cost and net realisable value	**2,231**	**1,867**	**1,867**

At 30 June 2010 there was no write-down of inventories to net realisable value (2009: $52 thousand).

15 TRADE AND OTHER RECEIVABLES

	PARENT 2010 $'000	CONSOLIDATED 2009 $'000	PARENT 2009 $'000
CURRENT			
Trade receivables	2,246	1,592	1,592
Other receivables and prepayments	2,121	1,295	1,295
Other assets	–	390	390
Net loan to controlled entity	–	–	72
Total	**4,367**	**3,277**	**3,349**
NON-CURRENT			
GoodStart Childcare subordinated debt	5,074	–	–
Total	**5,074**	**–**	**–**

Refer to note 16 for details on the GoodStart Childcare subordinated debt.

At 30 June 2010, there is no allowance for doubtful debts (2009: $15 thousand).

The Group's exposure to credit risk and impairment losses is disclosed in note 24.

16 GOODSTART CHILDCARE SUBORDINATED DEBTS

GoodStart Childcare Limited ('GoodStart') was formed in 2009–10 to acquire substantially all of the business of the ABC Learning Centres Limited. GoodStart was established by Social Ventures Limited, Mission Australia, the Benevolent Society and the Brotherhood of St Laurence as the founding members of GoodStart.

The Brotherhood of St Laurence has provided in cash $2.5 million to contribute to the purchase price and in return has received $2.5 million of Members' Subordinated Notes. The repayment term of this facility is a bullet repayment at eight plus years from the date of acquisition. Interest of 15% per annum is to be capitalised on the outstanding principal and repaid at the time of the bullet repayment.

GoodStart engaged all founding members to provide services in order to successfully complete the transaction of acquiring the business of ABC Learning Centres Limited. The fee charged for these services by each founding member was $2.5 million and payment was made by GoodStart through the issue of $2.5 million Members' Deeply Subordinated Notes. The repayment term of this facility is a bullet payment at 20 years from the date of acquisition. Interest of 15% per annum is to be capitalised on the outstanding principal and repaid at the time of the bullet repayment.

The loans are disclosed as non-current receivables and as at 30 June 2010 have a balance of $5,074 thousand (2009: nil) comprising $5,000 thousand principal and $74 thousand interest.

17A CASH AND CASH EQUIVALENTS

	PARENT 2010 $'000	CONSOLIDATED 2009 $'000	PARENT 2009 $'000
Cash on hand	46	42	42
Cash at bank	1,008	4,051	4,051
Call deposits	546	1,487	1,487
Cash management accounts	2,930	4,835	4,835
Cash and cash equivalents in the statement of cash flows	**4,530**	**10,415**	**10,415**

The deposits have an average maturity of 90 days (2009: 90 days).

17B RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES

	NOTE	PARENT 2010 $'000	CONSOLIDATED 2009 $'000	PARENT 2009 $'000
CASH FLOWS FROM OPERATING ACTIVITIES				
Surplus/(deficit) for the period		1,422	(1,423)	(1,017)
Adjustments for:				
Depreciation	11	1,195	1,013	1,013
Bequest income	7	(1,408)	(480)	(480)
Property, plant and equipment written off		28	671	680
Loss on sale of bed licences		125	–	–
GoodStart transaction services fee and subordinated debt interest		(2,574)	–	–
Goodwill impairment	12	200	–	–
Impairment loss on available-for-sale investments	13	–	715	715
Realised (gain)/loss on investments sold	10	250	1,692	2,050
Operating surplus/(deficit) before changes in working capital and provisions adjusted for acquisition of subsidiary and divisions sold		**(762)**	**2,188**	**2,961**
Change in trade and other receivables		(1,018)	1,677	2,615
Change in inventories		(364)	(175)	(175)
Change in trade and other payables		358	129	138
Change in trust funds		18	(966)	(966)
Change in deferred income		4,123	300	300
Change in provisions and employee benefits		361	(1,423)	(1,423)
Net cash from operating activities		**2,716**	**1,730**	**3,450**

2009 comparative information

The proceeds on the disposal of the Donated Goods Division assets in 2007–08 of $350,000 were reflected in the 2008–09 Statements of Cash Flows to the extent of cash amounts received of $200,000.

The Group's exposure to interest rate risk and a sensitivity analysis are disclosed in note 24.

18 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 or impaired.

Asset revaluation reserve

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

19 TRADE AND OTHER PAYABLES

	PARENT 2010 $'000	CONSOLIDATED 2009 $'000	PARENT 2009 $'000
CURRENT			
Trade payables	2,168	1,420	1,420
Non-trade payables and accrued expenses	1,362	1,752	1,752
Other payables	8,922	–	–
Total	**12,452**	**3,172**	**3,172**

Other payables relates to consideration received in respect of the Tucker Settlement (refer to note 8). This amount is recorded as a payable, as contractual conditions for a sale have not all been met at 30 June 2010.

The Group's exposure to liquidity risk is disclosed in note 24.

20 TRUST FUNDS

	PARENT 2010 $'000	CONSOLIDATED 2009 $'000	PARENT 2009 $'000
Residents	61	72	72
Accommodation bonds—aged care	2,896	2,558	2,558
External entities*	279	664	664
Other	274	198	198
Total	**3,510**	**3,492**	**3,492**

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

21 EMPLOYEE BENEFITS

	PARENT 2010 $'000	CONSOLIDATED 2009 $'000	PARENT 2009 $'000
CURRENT			
Salaries and wages accrued	518	134	134
Liability for long service leave	1,198	1,149	1,149
Liability for annual leave	2,466	2,438	2,438
Liability for redundancy payments	54	216	216
Total employee benefits—current	**4,236**	**3,937**	**3,937**
NON-CURRENT			
Liability for long service leave	396	334	334
Total employee benefits—non-current	**396**	**334**	**334**

22 BANK BORROWINGS

	PARENT 2010 $'000	CONSOLIDATED 2009 $'000	PARENT 2009 $'000
CURRENT			
Secured bank loan	2,000	–	–
Total	**2,000**	**–**	**–**
NON-CURRENT LIABILITIES			
Secured bank loan	3,500	2,000	2,000
Total	**3,500**	**2,000**	**2,000**

During 2009–10, the Brotherhood obtained a $3.5 million bank loan to assist in the purchase of land in Clifton Hill, adjacent to our Sambell Lodge residential aged care facility. During 2008–09, a $2 million bank loan was obtained to assist in the funding of the construction of the Community Respite Centre and office buildings in Frankston.

At 30 June 2010, the Brotherhood had an unutilised overdraft facility of $200 thousand (2009: $200 thousand).

The Group's exposure to interest rate risk is disclosed in note 24.

Terms and debt repayment schedule

Terms and conditions of outstanding loans were as follows:

	CURRENCY	NOMINAL INTEREST RATE 2010	NOMINAL INTEREST RATE 2009	YEAR OF MATURITY	30 JUNE 2010 FACE VALUE $'000	30 JUNE 2010 CARRYING AMOUNT $'000	30 JUNE 2009 FACE VALUE $'000	30 JUNE 2009 CARRYING AMOUNT $'000
Secured bank loan	AUD	4.58%	3.23%	2011	1,000	1,000	1,000	1,000
Secured bank loan	AUD	4.73%	3.23%	2011	1,000	1,000	1,000	1,000
Secured bank loan	AUD	4.73%	–	2012	1,000	1,000	–	–
Secured bank loan	AUD	4.48%	–	2012	1,250	1,250	–	–
Secured bank loan	AUD	5.34%	–	2012	1,250	1,250	–	–

The bank loans are secured over term deposits of $200 thousand (2009: $200 thousand).

Financing facilities

As at 30 June 2010, the Group had unutilised financing facilities of $1,695 thousand (2009: $1,690 thousand).

Interest terms

With regard to the $2 million loan, currently this entire loan is at variable interest rates. At the end of September 2010, $1 million will move to fixed interest rates until the revised maturity date of the loan on 20 August 2011. The remaining $1 million will remain at variable interest rates for the remainder of the loan period.

With regard to the $3.5 million loan, $1.25 million is at a fixed interest rate of 5.34% per annum up to 26 March 2012 and $1.25 million is at a fixed interest rate of 4.48% per annum up to 26 September 2010, although the application of fixed interest rates on this portion of the loan will be extended for a further 12 months following the maturity of this bill. The remaining $1 million is at variable interest rates until the maturity of the loan on 21 December 2012.

23 DEFERRED INCOME

	PARENT 2010 $'000	CONSOLIDATED 2009 $'000	PARENT 2009 $'000
CURRENT			
Specified donations	1,021	1,129	1,129
Government grants and project funds in advance	7,286	3,055	3,055
Total	**8,307**	**4,184**	**4,184**

24 FINANCIAL INSTRUMENTS

Credit risk

Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	NOTE	PARENT 2010 $'000	CONSOLIDATED 2009 $'000	PARENT 2009 $'000
Available-for-sale financial assets	13	41,956	26,943	26,943
Trade and other receivables—current	15	4,367	3,277	3,349
Trade and other receivables—non-current	15	5,074	–	–
Cash and cash equivalents	17a	4,530	10,415	10,415
Total		**55,927**	**40,635**	**40,707**

The Group's exposure to credit risk for trade receivables and other receivables at the reporting date by geographic region was entirely Australian.

The Group's maximum exposure to credit risk for trade and other receivables at the reporting date by segment was:

	PARENT 2010 $'000	CONSOLIDATED 2009 $'000	PARENT 2009 $'000
Service activities	1,314	664	664
Aged care facilities	4	8	8
Social enterprises	928	928	928
Other	7,195	1,677	1,749
Total	**9,441**	**3,277**	**3,349**

In addition, included in the Group's available-for-sale investments are debt securities (refer to note 13) of $18,996 thousand (2009: $6,088 thousand). These receivables mainly represent investment in listed fixed income securities that are not considered to be of significant credit risk.

Impairment losses

The ageing of the Group's trade and other receivables at the reporting date was:

	PARENT		CONSOLIDATED		PARENT	
	GROSS 2010 $'000	IMPAIRMENT 2010 $'000	GROSS 2009 $'000	IMPAIRMENT 2009 $'000	GROSS 2009 $'000	IMPAIRMENT 2009 $'000
Not past due	9,053	–	2,916	–	2,988	–
Past due 0–30 days	193	–	232	–	232	–
Past due 31–120 days	94	–	123	–	123	–
Past due 121 days to one year	83	–	9	3	9	3
More than one year	18	–	12	12	12	12
	9,441	**–**	**3,292**	**15**	**3,364**	**15**

Based on historic default, the Group believes that no impairment allowance is necessary in respect of the above receivables. Details of the subordinated debts owing from GoodStart Childcare are disclosed in note 16.

The movement in the allowance for impairment in respect of trade receivables during the year was as follows:

	PARENT 2010 $'000	CONSOLIDATED 2009 $'000	PARENT 2009 $'000
Balance at 1 July	15	15	15
Impaired receivables written off	(15)	–	–
	–	**15**	**15**

The Group believes that no impairment allowance is necessary in respect of trade or other receivables.

Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreement:

Parent
30 June 2010
Non-derivative financial liabilities

	CARRYING AMOUNT $'000	CONTRACTUAL CASH FLOWS $'000	6 MONTHS OR LESS $'000	6–12 MONTHS $'000	1–2 YEARS $'000	2–5 YEARS $'000	MORE THAN 5 YEARS $'000
Trade and other payables	12,452	(12,452)	(12,452)	–	–	–	–
Trust funds	3,510	(3,510)	(3,510)	–	–	–	–
Secured bank loan	5,500	(6,252)	(183)	(183)	(2,266)	(3,620)	–
	21,462	**(22,214)**	**(16,145)**	**(183)**	**(2,266)**	**(3,620)**	**–**

Consolidated
30 June 2009
Non-derivative financial liabilities

	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	6 MONTHS OR LESS	6–12 MONTHS	1–2 YEARS	2–5 YEARS	MORE THAN 5 YEARS
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other payables	3,172	(3,172)	(3,172)	–	–	–	–
Trust funds	3,492	(3,492)	(3,492)	–	–	–	–
Secured bank loan	2,000	(2,107)	(46)	(46)	(2,015)	–	–
	8,664	**(8,771)**	**(6,710)**	**(46)**	**(2,015)**	**–**	**–**

Parent
30 June 2009
Non-derivative financial liabilities

	CARRYING AMOUNT	CONTRACTUAL CASH FLOWS	6 MONTHS OR LESS	6–12 MONTHS	1–2 YEARS	2–5 YEARS	MORE THAN 5 YEARS
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Trade and other payables	3,172	(3,172)	(3,172)	–	–	–	–
Trust funds	3,492	(3,492)	(3,492)	–	–	–	–
Secured bank loan	2,000	(2,107)	(46)	(46)	(2,015)	–	–
	8,664	**(8,771)**	**(6,710)**	**(46)**	**(2,015)**	**–**	**–**

Interest rate risk

At the reporting date, the interest rate profile of the Parent entity's and the Group's interest-bearing financial instruments were:

	NOTE	PARENT 2010 $'000	CONSOLIDATED 2009 $'000	PARENT 2009 $'000
VARIABLE RATE INSTRUMENTS				
FINANCIAL ASSETS				
Call deposits	17a	546	1,487	1,487
Cash management accounts	17a	2,930	4,835	4,835
Total		**3,476**	**6,322**	**6,322**
FINANCIAL LIABILITIES				
Secured bank loan	22	(3,000)	(1,000)	(1,000)
Total		**(3,000)**	**(1,000)**	**(1,000)**

Fair value sensitivity analysis for fixed and variable rate instruments

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore, a change in interest rate at the reporting date would not affect the surplus or deficit.

A change of 100 basis points in interest rates in either direction would have increased or decreased the Group's and Parent's profit and loss by $4 thousand (2009: $53 thousand). The interest earned on cash at bank is excluded from this analysis as these accounts are typically earning interest at low rates.

Whilst the debt securities set out in note 13 are exposed to market price risk, market prices of fixed interest debt securities are typically influenced by changes in interest rates.

Fair values

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

ASSETS CARRIED AT FAIR VALUE	NOTE	PARENT 2010 CARRYING AMOUNT $'000	PARENT 2010 FAIR VALUE $'000	CONSOLIDATED 2009 CARRYING AMOUNT $'000	CONSOLIDATED 2009 FAIR VALUE $'000	PARENT 2009 CARRYING AMOUNT $'000	PARENT 2009 FAIR VALUE $'000
Available-for-sale financial assets	13	41,956	41,956	26,943	26,943	26,943	26,943
Total		**41,956**	**41,956**	**26,943**	**26,943**	**26,943**	**26,943**

ASSETS CARRIED AT AMORTISED COST	NOTE	PARENT 2010 CARRYING AMOUNT $'000	PARENT 2010 FAIR VALUE $'000	CONSOLIDATED 2009 CARRYING AMOUNT $'000	CONSOLIDATED 2009 FAIR VALUE $'000	PARENT 2009 CARRYING AMOUNT $'000	PARENT 2009 FAIR VALUE $'000
Trade and other receivables	15	9,441	9,441	3,277	3,277	3,349	3,349
Cash and cash equivalents	17a	4,530	4,530	10,415	10,415	10,415	10,415
Total		**13,971**	**13,971**	**13,692**	**13,692**	**13,764**	**13,764**

LIABILITIES CARRIED AT AMORTISED COST	NOTE	PARENT 2010 CARRYING AMOUNT $'000	PARENT 2010 FAIR VALUE $'000	CONSOLIDATED 2009 CARRYING AMOUNT $'000	CONSOLIDATED 2009 FAIR VALUE $'000	PARENT 2009 CARRYING AMOUNT $'000	PARENT 2009 FAIR VALUE $'000
Trade and other payables	19	(12,452)	(12,452)	(3,172)	(3,172)	(3,172)	(3,172)
Trust funds	20	(3,510)	(3,510)	(3,492)	(3,492)	(3,492)	(3,492)
Secured bank loans	22	(5,500)	(5,500)	(2,000)	(2,000)	(2,000)	(2,000)
Total		**(21,462)**	**(21,462)**	**(8,664)**	**(8,664)**	**(8,664)**	**(8,664)**

Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices)

Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs)

	NOTE	LEVEL 1 $'000	LEVEL 2 $'000	LEVEL 3 $'000	TOTAL $'000
PARENT					
30 June 2010					
Available-for-sale assets	13	32,997	8,959	–	41,956
		32,997	**8,959**	**–**	**41,956**

Disclosure of previous year comparative figures is not required due to this being its first year of application.

25 OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	PARENT 2010 $'000	CONSOLIDATED 2009 $'000	PARENT 2009 $'000
Less than one year	3,300	3,551	3,551
Between one and five years	3,563	4,293	4,293
More than five years	1,087	1,174	1,174
Total	**7,950**	**9,018**	**9,018**

Operating lease commitments relate to property rentals and to 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.

During the year ended 30 June 2010, an amount of $3,677 thousand (2009: $3,906 thousand) was recognised as an expense in the Statement of Comprehensive Income.

26 CAPITAL AND OTHER COMMITMENTS

	PARENT 2010 $'000	CONSOLIDATED 2009 $'000	PARENT 2009 $'000
CAPITAL EXPENDITURE COMMITMENTS			
Contracted but not yet provided for and payable:			
Within one year	535	3,879	3,879
Total	**535**	**3,879**	**3,879**

2010

The Brotherhood has a contractual commitment to complete the extension of an owned property in Fitzroy.

2009

The Brotherhood had a contractual commitment to purchase land in Clifton Hill in 2009–10 and complete the construction of the Community Respite Centre in Frankston.

27 RELATED PARTIES

Transactions with key management personnel

During the 2009–10 financial year, the Australian distribution rights of ‘Floodsax’, a portable and environmentally friendly alternative to the traditional sandbag, were transferred from Jeff Moon (General Manager Social Enterprises) to the Brotherhood for $nil consideration. There were no other 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 9) is as follows:

	PARENT 2010 $	CONSOLIDATED 2009 $	PARENT 2009 $
Short-term employee benefits	1,412,196	1,215,045	1,215,045
Other long-term benefits	30,799	21,090	21,090
Total	**1,442,995**	**1,236,135**	**1,236,135**

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, there were a number of transactions between the wholly owned subsidiary, Pelican Investments Pty Ltd, and the Brotherhood:

- Pelican Investments' net tax receipts of $1,308 were received by the Brotherhood (2009: net tax payments of $102,508).
- Pelican Investments' tax advisory expenses of $11,080 were paid by the Brotherhood (2009: $6,690).
- Pelican Investments' closing bank balance of $150 was transferred to the Brotherhood (2009: $nil).
- Pelican Investments' debt of $87,972 owing to the Brotherhood was forgiven (2009: $nil).
- Pelican Investments' other expenses of $212 were paid by the Brotherhood (2009: $401).
- There was no dividend paid by Pelican Investments to the Brotherhood (2009: $668,034).
- There were no proceeds of the sale of Pelican Investments' property received by the Brotherhood (2009: $1,731,892).

28 AUDITOR'S REMUNERATION

	PARENT 2010 $	CONSOLIDATED 2009 $	PARENT 2009 $
AUDIT SERVICES			
AUDITOR OF THE COMPANY—KPMG AUSTRALIA			
Audit and review of financial reports	68,500	65,000	65,000
Other regulatory audit services	24,255	24,130	24,130
	92,755	89,130	89,130
OTHER AUDITORS			
Audit services	1,000	900	900
	93,755	**90,030**	**90,030**
OTHER SERVICES			
AUDITOR OF THE COMPANY—KPMG AUSTRALIA:			
Tax advisory services	9,680	8,090	–
Carbon Pollution Reduction Scheme consultancy services	–	72,727	72,727
	9,680	**80,817**	**72,727**

DIRECTORS' DECLARATION

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

(a) the financial statements and notes, set out on pages 14 to 33, 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 2010 and their financial performance, for the year then 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 of St Laurence will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

Rt Revd Philip Huggins
Chair, Board of Directors

Tony Nicholson
Executive Director
Dated at Melbourne on this 28th day of September 2010

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, including the consolidated entity in the competitive year comprising the Brotherhood of St Laurence and the entity it controlled, which comprises the statements of financial position as at 30 June 2010, the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes set out on pages 14 to 33.

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 that is consistent with our understanding of the Brotherhood of St Laurence's and the consolidated entity'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.

Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

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 as of 30 June 2010 and of its financial performance and its cash flows for the year then ended on that date.

KPMG

KPMG

Tony Batsakis
Partner
Melbourne
28 September 2010

The Banksia Community Respite Centre offers
a variety of programs for older people

Cover: A Sumner House resident enjoys a 'Celebration of Life' event

Photography: Ross Bird

Graphic design: Ben Galpin

Brotherhood of St Laurence

Working for an Australia free of poverty

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

www.bsl.org.au

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