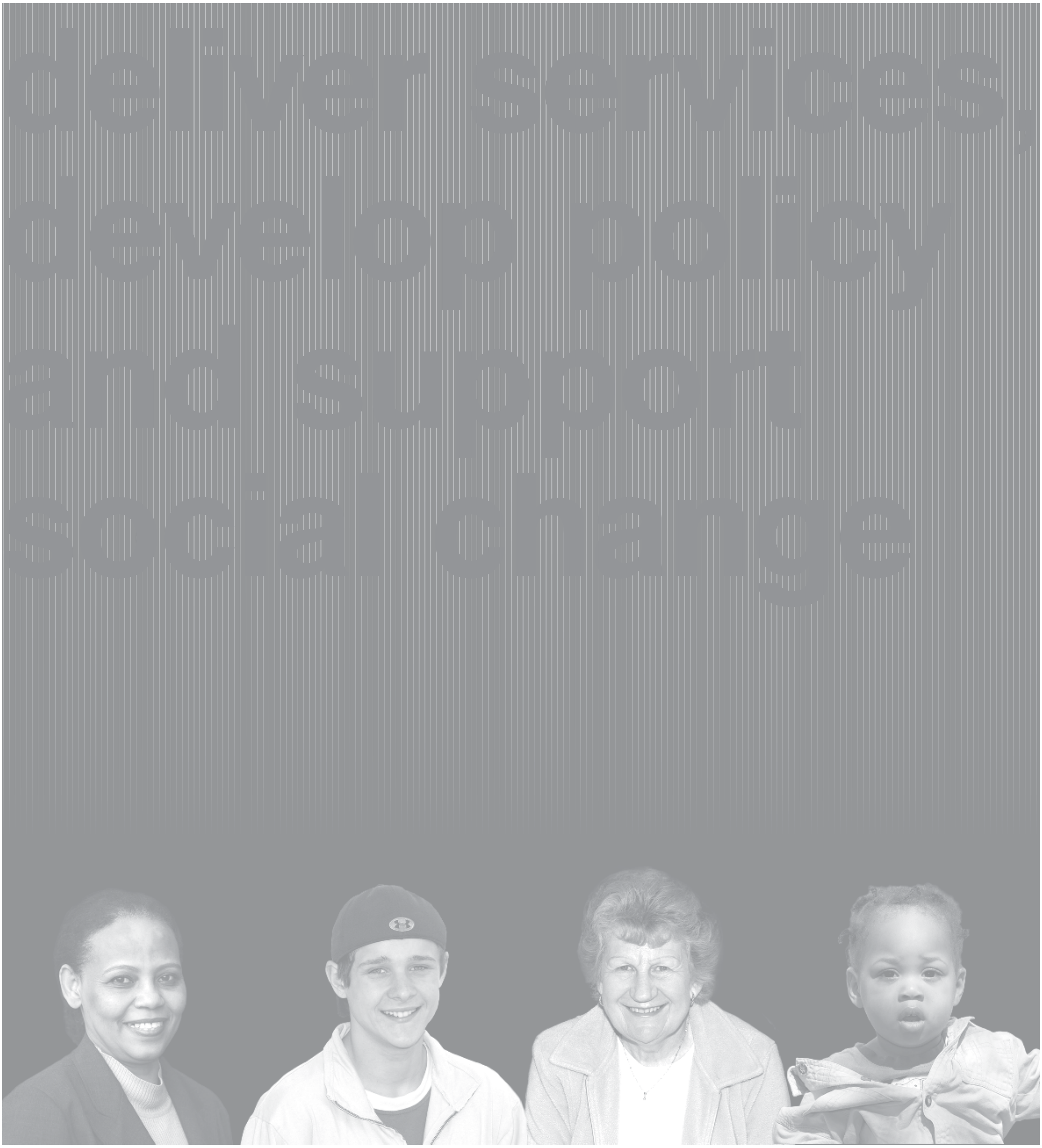
Brotherhood of St Laurence
Working for an Australia free of poverty

FINANCIAL REPORT 06



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ORGANISATION INFORMATION

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

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

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

A description of the organisation's operations and of its principal activities is included in the review of operations and activities in the Directors' Report on pages 5 to 10. The Directors' Report is not part of the Financial Report.

ABN 24 603 467 024

DIRECTORS' REPORT

The Directors present their report for the year ended 30 June 2006.

Lady Southey AM is Patron of the Brotherhood.

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

Directors

The names and details of Brotherhood's directors in office during the financial year and until the date of this report are 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 from December 2005)

Bishop of the Northern Region, Diocese of Melbourne. Vicar of St Stephen's, Richmond. Chair, General Synod Ecumenical Relations Commission. Chair, Mission to Seafarers. Executive Member, National Council of Churches and Christian World Service Commission. Member, Finance, Nomination and Remuneration Committees. Appointed to the Board in November 2004. Appointed Chair December 2005.

Professor Stephen Duckett
BEc, MHA, PhD, FAICD, FASSA (Non-Executive Chair until December 2005)

Executive Director QLD Health, Reform & Developement Unit. Former Professor of Health Policy and Dean, Faculty of Health Sciences; Pro Vice-Chancellor (Learning and Teaching) La Trobe University. Former Secretary, Commonwealth Department of Human Services & Health. Chair, Bayside Health. Chair, Nomination, Remuneration and Strategy Review Committees. Member, Audit & Risk and Finance Committees. Appointed to the Board November 1996. Chair until December 2005. Resigned from the Board December 2005.

Tony Nicholson
BA, BSW (Executive Director)

Executive Director of the Brotherhood since October 2004. Previously Chief Executive Officer Hanover Welfare Services. Director, Media Team Australia. Member of the Finance, Audit & Risk, 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, NorthWestern Mental Health Research and Ethics Committee. Member, Archbishop-in-Council Melbourne. Member, Aged & Community Care Future Directions Working Group and the Governance Working Group. Chair, Ethics Committee. Appointed to the Board in April 2003.

Celia Gerreyn
BEc, LLB, ASA, MAICD, FICS

Fellow, Chartered Secretaries Australia. Williamson Fellow. Member, Australian Institute of Company Directors. Member, Australian Corporate Lawyers Association. ACLA Australian Government Lawyer of the Year 2004. Probity Consultant, Stephen G Marks & Co. Member, Finance and Strategy Review Committees. Appointed to the Board in August 2003. On leave of absence January–July 2006.

Professor Brian Howe
AM

Professorial Associate, Centre for Public Policy, University of Melbourne. Member Board of Australian School of Government. Chair, Board of Melbourne Affordable Housing. Former Deputy Prime Minister of Australia (1991–95). Member of the Federal Cabinet (1984–96) holding a range of Ministerial portfolios in the fields of Defence, Social Security, Health, Housing and Community Services. Appointed to the Board in November 2000. Retired from the Board in December 2005.

DIRECTORS' REPORT CONTINUED

The Hon. Rob Knowles
Member, Board of the Victorian Trauma Foundation. Chair, Mental Illness Fellowship Victoria. Chair, Mental Health Council of Australia. Chair, Food Standards Australia New Zealand. Former Victorian Minister for Health, Aged Care and Housing. Commissioner for Complaints for the Commonwealth Government's Aged Care Program. Appointed to the Board in December 2005; took up the position in March 2006.

Associate Professor Alison McClelland
BA, DipSocStud, MA

Associate Professor and Head of School, Social Work & Social Policy, La Trobe University. Former Director of Social Action & Research, Brotherhood of St Laurence. Member, Melbourne Institute of Applied Economic & Social Research Advisory Board. Trustee of the Ronald Henderson Research Foundation. Appointed to the Board in December 2005.

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

Vicar of Christ Church, St Kilda. Member, Standing Committee of the Commission for Christian World Service (National Council of Churches in Australia). Founding member of Christ Church Mission Inc. Appointed to the Board in June 1998. On leave of absence May–June 2006.

Evan Thornley
LLB, BComm

Co-founder, LookSmart Ltd. Board Member, Chifley Research Centre. Member, Council of the University of Melbourne (Governor-in-Council appointment). Co-owner, Pluto Press Australia. National Secretary, Australian Fabian Society. Director, GetUp.org.au. Member of the Governance Working Group. Appointed to the Board in August 2003. On leave of absence April–June 2006.

Jenny Trethewey
BA, MA Prelim. (Deputy Chair)

Manager New Projects, Leadership Victoria. Williamson Fellow. Trustee of the Ronald Henderson Research Foundation. Company Secretary, Australian Embassy for Timor-Leste Fund. Member, Audit & Risk, Nomination; Remuneration and Strategy Review Committees; Aged & Community Care Future Directions Working Group; Aged & Community Care Research & Policy Advisory Committee. Appointed to the Board in 2001. On leave of absence July–September 2005.

John Wilson
LLB, MBA, DipTheol.

Member, Anglican Archdiocese of Melbourne Diocesan Stipends Committee. Member, Clergy Housing Equity Fund. Member, Diocesan Synod. Administrator, Leith Charitable Trust. Former and founding CEO, Anglicare Victoria. Former Acting CEO, Sacred Heart Mission. Former Acting Executive Director, Brotherhood of St Laurence (January 2004 to 1 October 2004). Chair of the Finance Committee. Appointed to the Board in September 2003.

Company Secretary

Jennifer Grayling
LLB

Jennifer Grayling became the Company Secretary in October 2005. She has held a range of senior management roles in publicly listed companies in Australia and Asia. She was a non-executive director of Hanover Welfare Services for 5 years and is currently a director of East Ivanhoe Community Bank.

Ian McHutchison
BJuris/LLB, FCIS

Ian McHutchsion was company secretary until October 2005. He held the position of company secretary for five years. He previously held the role of Finance Director of a publicly listed company for 17 years and Commercial General Manager of an overseas-owned consortium for 3 years. Member of Mod-Style Committee of Management.

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.

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 programmes and carrying out research and advocacy to improve the well being of our communities.

Performance indicators

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

Operating results for the year

The operating result for the year is a surplus of $4.8million compared with a deficit of $354k in 2004–2005.

The single most significant factor impacting on the 2006 result is the receipt of some $5m in bequest income during the year compared to around $2m in 2005. The current year result has also been impacted by a tightening of the accounting rules in relation to carried forward government funds and specified donations, which meant some amounts accounted for as liabilities in prior years were taken to income in the current year.

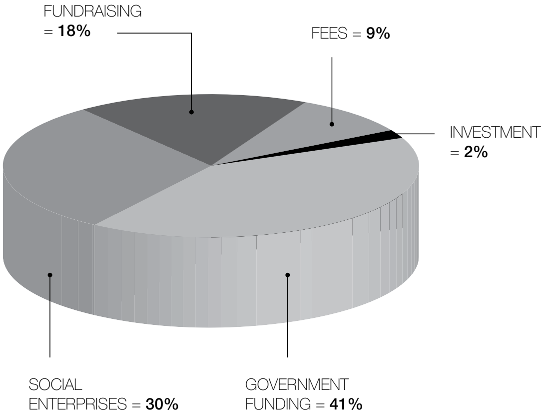
Significant progress has been made towards our goal of meeting operating expenses from operating income. Strategic focus, growth in a number of areas and some cost reduction and efficiency measures have been implemented. The financial impact of these measures can be seen in the current year result.

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

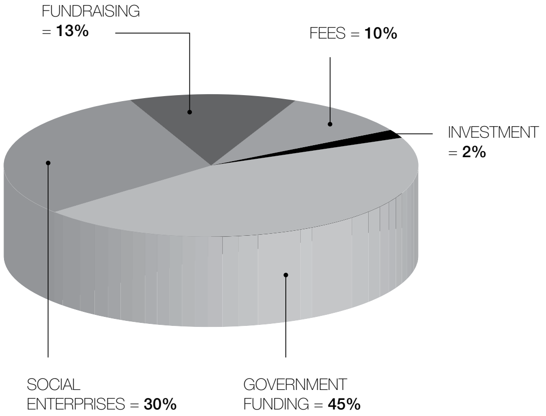
Sources and uses of funds for the current and prior financial years are shown in the graphs following. The 2006 sources of funds graph shows the impact of bequest receipts on the higher fundraising %, being 18% in 2005/2006 and 13% in 2004/2005. The percentages of other sources of funds and the uses of funds have remained relatively consistent from year to year.

DIRECTORS' REPORT
CONTINUED

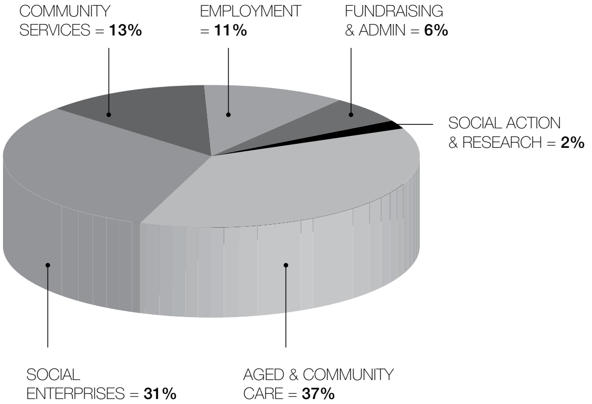
Sources of funds 2005/2006



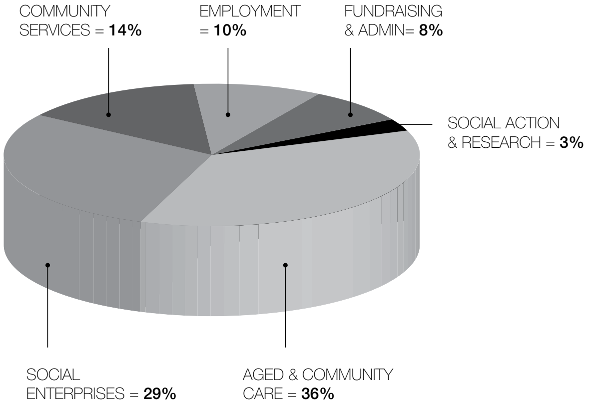
Sources of funds 2004/2005



Use of funds 2005/2006



Use of funds 2004/2005



Review of the financial condition

Cash from operating activities increased from $1.6million in 2004/2005 to $4.6million in 2005/2006, reflecting the improved financial result principally due to bequest receipts, as noted. Payments for property, plant and equipment during the year include $755k incurred on the redevelopment of the former Uniting Church site in Frankston into a regional and community centre on the Peninsula.

The total equity at 30 June 2006 is $52million.

Investments for the future

The organisation operates a high care aged care facility in Frankston from a building which will not meet 2008 certification requirements. It also runs a low care aged care facility in Carrum Downs. The directors have approved a proposal to construct a new facility to house both of these operations at the GK Tucker Settlement in Carrum Downs. Architectural plans have been prepared; however as yet no building permit has been applied for and hence commitments to build have not been undertaken.

In addition, the organisation delivers respite services to families with members who suffer dementia, from a former residential building in Frankston. Demand and need for these services are increasing and hence we are currently considering options to build a larger more customised facility on the site to enable expansion and the development of this important service.

Risk management

In 2005 the Audit and Risk Committee with management carried out an organisation-wide strategic and operational risk assessment. In 2006 a risk management and treatment plan was prepared which details the measures being used to bring risks to a level that is acceptable to the organisation. Progress against this plan as well as a review of the risk assessments are reviewed by the Board on a quarterly basis.

Significant changes in the state of affairs

There have been no significant changes in the state of affairs of the organisation during the financial year.

Significant events after the balance date

No matter or circumstance has arisen since the end of the financial year, which is not otherwise dealt with in this report, that has significantly affected or may significantly affect the operations, the results of those operations or the state of affairs of the Brotherhood in subsequent financial years.

Likely developments

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

Environmental regulation and performance

The Brotherhood's environmental obligations are regulated under both state and federal law. 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 2006.

Indemnification and insurance of Directors and Officers

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

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

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.

DIRECTORS' REPORT CONTINUED

Directors' Meetings

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

	Directors' Meetings		Finance		Audit & Risk	
Number of meetings held during the year:	11		10		4	
	ATTENDED	HELD*	ATTENDED	HELD*	ATTENDED	HELD*
Rt Revd Philip Huggins	10	11	1	4	–	–
Professor Stephen Duckett	4	5	5	5	1	1
Tony Nicholson	11	11	10	10	4	4
Revd Barbara Colliver	6	11	–	–	–	–
Celia Gerreyn	5	5	2	5	–	–
Professor Brian Howe	4	5	–	–	–	–
Hon. Rob Knowles	3	4	–	–	–	–
Assoc. Prof. Alison McClelland	6	6	–	–	–	–
Father James Minchin	8	9	–	–	–	–
Evan Thornley	7	8	–	–	–	–
Jenny Trethewey	6	8	–	–	3	4
John Wilson	9	11	9	10	–	–

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

Auditor independence and non-audit services

The directors received the following declaration from the auditors.

Auditor's independence declaration to the Directors of the Brotherhood of St Laurence

In relation to our audit of the financial report of the Brotherhood of St Laurence for the year ended 30 June 2006, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young
S Alford, Partner
Melbourne, 26 September 2006

Non-audit services

Ernst and Young have not provided non-audit services to the Brotherhood during the year.

Signed in accordance with a resolution of the Directors.

Rt Revd Philip Huggins
Chair, Board of Directors

Jenny Trethewey
Deputy Chair, Board of Directors

Dated on this 26th day of September 2006

CORPORATE GOVERNANCE STATEMENT

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

Charter Members

Up to 40 Charter Members are permitted under the Brotherhood's constitution, including the Executive Director, at least eight of whom must be clerics in Holy Orders of the Anglican Church in Australia.The Charter Members at any time during or since the end of the 2005–06 financial year are:

Mr Ernest Barr
Mr Neville Brooke OAM
Mr Sandy Clark
Dr Terry Cutler
The Revd Elizabeth Dean
Dr Stephen Duckett (to 12/2005)
Mr Michael Feeney
Mr Carrillo Gantner AO
Ms Susan Gribben
Professor Brian Howe AM (to 12/2005)
Mr James Jacoby
Ms Elizabeth Loftus
Ms Patrice Marriott
Assoc Professor Alison McClelland (from 12/2005)
Father James Minchin
Mr Tony Nicholson
Dr Nouria Salehi OAM
Mr Evan Thornley (from 12/2005)
Mr David Triplow APM
Ms Angela Were
Mr Graeme Wise
Ms Diana Batzias
The Revd Ron Browning
The Revd Barbara Colliver (from 12/2005)
Mr Tony Darvall
Mr Ivan Deveson AO
The Rt Revd David Farrer
Mr William Ford
Ms Celia Gerreyn (from 12/2005)
Ms Cathy Hogan
The Rt Revd Philip Huggins
The Hon Rob Knowles (from 12/2005)
Dr Ian Manning
The Revd Dr Peter Marshall
Mr John McInnes
Mr Baillieu Myer AC
Mr Ian Reid
The Revd Clemence Taplin
Ms Jenny Trethewey
The Revd Janet Turpie-Johnstone
Mr John Wilson

Life Members

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

Professor Connie Benn AM
Dr Stephen Duckett (from 12/2005)
The Revd Nicolas Frances MBE
The Rt Revd Dr Peter Hollingworth AC OBE
Mrs Jean McCaughey AO
Mrs Catherine Smith
Mrs Thelma Tuxen
The Rt Revd Michael Challen AM
Mr Kurt Eisner
Mr Eric Hart
Professor Brian Howe AM (from 12/2005)
Mr David Scott AO
The Rt Revd Andrew St John

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

Role of the Board

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

Composition of the Board

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

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

Board Sub-Committees

Audit and Risk Management Committee

Formed as a committee of the Board, the Audit and Risk Management Committee's role is to ensure that all significant financial and non-financial risks are identified and properly addressed by management on a timely basis. The Committee is made up of board members and external members who bring independence and external expertise to the Committee. Members during or since the end of the financial year are Michael Feeney (Committee chair), Karen Corry, Stephen Duckett (until December 2005), Roger Johnson, Jenny Trethewey and Tony Nicholson. The Committee meets quarterly.

CORPORATE GOVERNANCE STATEMENT CONTINUED

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 is made up of both Board and external members. The Committee members during or since the end of the financial year are John Wilson (Committee chair), Stephen Duckett (until December 2005), Bishop Philip Huggins (from December 2005), Mike James (from June 2006), Celia Gerreyn (leave of absence January to July 2006) and Tony Nicholson. The Committee meets monthly.

Nominations Committee
This committee of the Board reviews and recommends nominations for Board Membership. The members during or since the end of the financial year are Stephen Duckett (Committee chair until December 2005), Bishop Philip Huggins (Committee chair from December 2005), Jenny Trethewey and Tony Nicholson. The Committee meets at least annually.

Remuneration Committee
This committee of the Board is responsible for the remuneration policy for senior management of the organisation and reviewing and approving remuneration packages of senior management. The members during or since the end of the financial year are Stephen Duckett (Committee chair until December 2005), Bishop Philip Huggins (Committee chair from December 2005), Jenny Trethewey and John Wilson. The Committee meets at least annually.

Mod-Style Committee of Management
The Committee was formed to oversee the management of the Mod-Style optical frame wholesale business acquired by the Brotherhood in July 2000. The Committee members during or since the end of the financial year are Ernest Barr (Chair), Celia Gerreyn (leave of absence January to July 2006), Ian Reid, and Ian McHutchison. The Committee meets monthly.

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

Executive Team

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

Tony Nicholson, Executive Director

Susan Campbell, Executive Manager (from November 2005)

Jenny Grayling, General Manager Organisational Services; Company Secretary (from October 2005)

Sandra Hills, General Manager Aged and Community Care

Ian McHutchison, General Manager Social Enterprises; Company Secretary (until October 2005)

Cath Scarth, General Manager Community Services

Professor Paul Smyth, General Manager, Social Action & Research

Caterina Wooden, Chief Financial Officer

Planning and control

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

Risk assessment

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

Independent professional advice

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

Audit and accounts

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

INCOME STATEMENT

Income Statement: For the year ended 30 June 2006	**2006 $**	**2005 $**
Revenue		
SERVICE ACTIVITIES:		
Employment Services	4,997,203	4,249,934
Aged and Community Care	17,121,045	15,775,714
Community Services	5,035,914	4,689,063
Social Action and Research	339,546	454,334
OTHER ACTIVITIES:		
Fundraising	2,388,574	2,155,245
Bequests	4,913,970	2,241,093
Social Enterprises sales	14,455,734	12,968,906
Investment and other income	1,298,222	511,286
Total revenue from ordinary activities	**50,550,208**	**43,045,575**
Expenses		
SERVICE ACTIVITIES:		
Employment Services	5,222,640	4,497,925
Aged and Community Care	16,772,348	15,759,394
Community Services	5,815,435	5,909,373
Social Action and Research	1,022,553	1,172,930
OTHER ACTIVITIES:		
Fundraising	1,608,610	1,001,460
Cost of Social Enterprises sales	6,360,294	4,774,292
Social Enterprises expenses	7,599,039	7,792,790
Borrowing costs	0	37,521
Other expenses	1,294,790	2,454,350
Total expenses for ordinary activities	**45,695,709**	**43,400,035**
Operating surplus/(deficit):	**4,854,499**	**(354,460)**
Grants and donations for capital projects	889,474	428,488
Surplus from ordinary activities	**5,743,973**	**74,028**

The Income Statements are to be read in conjunction with the notes to the financial statements set out on pages 17 to 32.

BALANCE SHEET

Balance Sheet: As at 30 June 2006	**Note**	**2006 $**	**2005 $**
Assets			
CURRENT ASSETS:			
Cash assets	17	10,905,119	6,510,175
Receivables	3	2,613,244	2,209,170
Inventories	4	2,478,229	2,315,606
Other financial assets	5	51,550	51,550
Prepayments		148,548	176,190
Sub total		16,196,690	11,262,691
Assets classified as available for sale	6	4,046,365	3,360,869
Total current assets		20,243,055	14,623,560
NON CURRENT ASSETS:			
Joint venture investment	7	0	25,819
Property, plant & equipment	8	39,988,998	39,741,423
Intangible assets and goodwill	9	4,949,029	4,949,029
Total non current assets		44,938,027	44,716,271
Total assets		**65,181,082**	**59,339,831**
Liabilities			
CURRENT LIABILITIES:			
Payables	10	4,942,147	5,473,422
Trust funds	11	2,553,528	2,398,203
Provisions	12	4,113,802	4,042,598
Specified donations	13	1,319,925	1,190,892
Total current liabilities		12,929,402	13,105,115
NON CURRENT LIABILITIES:			
Provisions	12	381,105	293,522
Specified donations	13	0	76,460
Total non current liabilities		381,105	369,982
Total liabilities		**13,310,507**	**13,475,097**
Net assets		**51,870,575**	**45,864,734**
Equity			
Accumulated surplus		26,953,362	21,209,389
Reserves		24,917,213	24,655,345
Total equity		**51,870,575**	**45,864,734**

The Balance Sheets are to be read in conjunction with the notes to the financial statements set out on pages 17 to 32.

STATEMENT OF CHANGES IN EQUITY

Statement of Changes in Equity: For the year ended 30 June 2006

	Asset revaluation reserve	Available-for-sale revaluation reserve	Capital improvements reserve	Accumulated surplus	Total
Balance at 1 July 2004	**24,105,593**	**304,697**	**143,453**	**20,991,908**	**45,545,651**
Movement in fair value of investments in managed funds	–	245,055	–	–	245,055
Transfer to/(from) reserves	–	–	**(143,453)**	143,453	0
Surplus from ordinary activities	–	–	–	74,028	74,028
Balance at 30 June 2005	**24,105,593**	**549,752**	**0**	**21,209,389**	**45,864,734**
Movement in fair value of investments in managed funds	–	261,868	–	–	261,868
Surplus from ordinary activities	–	–	–	5,743,973	5,743,973
Balance at 30 June 2006	**24,105,593**	**811,620**	**0**	**26,953,362**	**51,870,575**

The Statement of Changes in Equity is to be read in conjunction with the notes to the financial statements set out on pages 17 to 32.

CASH FLOW STATEMENT

Cash Flow Statement: For year ended 30 June 2006	**Note**	**2006 $**	**2005 $**
Cash flow from operating activities			
Cash receipts in the course of operations		48,711,052	43,061,172
Cash payments in the course of operations		(45,163,267)	(41,893,759)
Interest and distribution received		1,008,969	501,498
Borrowing costs paid	2	0	(37,521)
Net cash flows from operating activities	**17**	**4,556,754**	**1,631,390**
Cash flow from investing activities			
Payments for property, plant & equipment		(1,206,609)	(1,036,442)
Distributions from joint venture investments		0	33,067
Receipts for capital projects		889,474	428,488
Net receipts to trust funds		155,325	11,347
Net cash used in investing activities		**(161,810)**	**(563,540)**
Cash flow from financing activities			
Repayment of borrowings		0	(280,000)
Net cash used in financing activities		**0**	**(280,000)**
Net increase in cash		**4,394,944**	**787,850**
Cash at beginning of financial year		6,510,175	5,722,325
Cash at end of financial year	**17**	**10,905,119**	**6,510,175**

The Cash flow statements are to be read in conjunction with the notes to the financial statements set out on pages 17 to 32.

NOTES TO THE FINANCIAL STATEMENTS

Notes to the Financial Statements

For the year ended 30 June 2006

1. Summary of significant accounting policies

The significant accounting policies adopted by the Brotherhood in the preparation of this financial report are set out below.

a) Basis of preparation

The financial report is a general purpose financial report which has been prepared in accordance with Accounting Standards. It has been prepared on the basis of historical costs except for land and buildings, available for sale investments and bed licences which have been measured at fair value.

The Brotherhood conducts all activities in its own name, apart from STEP Incorporated, a group training scheme and Mod-Style, an optical frame wholesaler, both of which have been included into these financial statements. The transactions of STEP and Mod Style are accounted for using the same reporting period as the Brotherhood and consistent accounting policies.

b) Statement of compliance

The financial report complies with Australian Accounting Standards which include Australian equivalents to International Financial Reporting Standards (AIFRS). Some Australian equivalents to International Financial Reporting Standards (IFRS) and other Australian Accounting Standards contain requirements specific to not-for-profit entities that are inconsistent with IFRS. As such this report may not comply with IFRS.

This is the first financial report prepared based on AIFRS and comparatives for the year ended 30 June 2005 have been restated accordingly. Reconciliations of AIFRS equity and surplus from ordinary activities for 30 June 2005 to the balances reported in the 30 June 2005 report and at transition to AIFRS are detailed in Note 20.

New accounting standards, and UIG interpretations

Certain Australian Accounting Standards and UIG interpretations have recently been issued or amended but are not yet effective. The changes to these standards relate only to disclosure matters which will be addressed in the period in which they become effective. It is expected that the following standards will have an impact:

- AASB 139 Financial Instruments: Recognition and Measurement;
- AASB 132 Financial Instruments: Disclosure and Presentation;
- AASB 3: Business Combinations;
- AASB 114: Segment Reporting;
- AASB 117: Leases;
- AASB 121: The Effects of Changes in Foreign Currency Rates; and
- AASB 119: Employee Benefits.

c) Significant accounting estimates and assumptions

The carrying amount of certain assets and liabilities are often determined based on estimates and assumptions of future events. The key estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of certain assets and liabilities within the next annual reporting period are:

Impairment of goodwill and intangibles with indefinite useful lives

The organisation determines whether goodwill and intangibles with indefinite useful lives are impaired at least on an annual basis. This requires an estimate of the recoverable amount of the cash generating unit to which goodwill is allocated and reference to an active trading market for intangibles with indefinite useful lives. The assumptions used in the estimation of the recoverable amount, the carrying amount of goodwill and intangibles with indefinite useful lives are discussed in Note 9.

d) Revenue recognition

Revenues are recognised to the extent that it is probable that the economic benefits will flow to the organisation and the revenue can be reliably measured. The following specific recognition criteria are used:

Sale of goods

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer and the transaction can be reliably measured. This is taken to be when control of the goods passes to the customer.

Government funding and specified donations

Government funding and specified donations received are brought to income in the financial year in which the organisation has control of the contribution. Government funds and specified donations for which control has not yet passed to the Brotherhood in that they are tied to a specific project obligation which has not yet been completed, are treated as a liability until the project obligation has been met and disclosed as government funds in advance under Payables and Specified Donations.

Funding for capital projects is brought to income in the financial year in which the work being funded is carried out.

Aged care facility concessional subsidies and accommodation bond income is brought to operating income as received.

e) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of GST, except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Office, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense; and
- 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.

f) Foreign currency transactions and balances

Transactions in foreign currencies are translated to Australian currency at the exchange rate in effect at the date of each transaction. Amounts receivable by the Brotherhood in foreign currencies have been translated at the exchange rates ruling at balance date. Gains and losses arising from fluctuations in exchange rates are included in the Balance Sheet in the financial year in which the exchange rates changed.

g) 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.

h) Cash and cash equivalents

Cash and short-term deposits in the Balance Sheet comprise cash at bank and in hand and short term deposits with an original maturity of three months or less.

i) Receivables

Debtors are carried at amounts due. The collectability of debts is assessed at balance date and specific provision is made for any doubtful accounts, where there is objective evidence that the organisation will not be able to collect the debts. Bad debts are written off when identified.

Rent debtors are to be settled within 14 days, all other trade debtors are to be settled within 30 days.

j) Inventories

Inventories are valued at the lower of cost and net realisable value. This includes collection costs, direct labour and materials costs for retail inventory and purchase costs for Mod-Style inventory. Net realisable value is the estimated selling price in the ordinary course of business.

k) Investments

Available for sale investments

After initial recognition, available for sale investments are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in the profit and loss.

The fair value of investments is determined by reference to quoted market bid prices at the close of business on the Balance Sheet date as those held by the Brotherhood are actively traded in organised financial markets.

Other investments

All other investments are carried at the lower of cost and recoverable amount.

l) Property, plant & equipment

Plant and equipment is stated at cost less accumulated depreciation and any impairment losses.

Land and buildings are measured at fair value less accumulated depreciation on buildings and any impairment losses recognised after the date of revaluation.

Depreciation and amortisation is provided on all property, plant & equipment, other than land, at rates based upon their expected useful lives using the straight line method of depreciation.

Depreciation/amortisation rates used for each class of assets are:

- Buildings 2.5%
- Furniture and fixtures 10.0%–15.0%
- Plant, equipment 10.0%–15.0%
- Leasehold improvements
  Over the term of the lease

The assets' residual values, useful lives and amortisation methods are reviewed, and adjusted if appropriate, at each financial year end.

Certain property, plant & equipment used in providing direct welfare services cannot be sold or encumbered because government grants have been received towards their cost. These grants may be repayable should the Brotherhood discontinue the service that was the initial object of the grant. Provision for the repayment of any grant is only made when such a decision is taken.

Impairment

At each reporting date, the value of each asset is reviewed to ensure that it does not differ materially from the asset's fair value at that date.

Revaluations

Independent valuations of land and buildings are carried out every three years to determine the fair value which is the amount for which the assets could be exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date.

Any revaluation increment is credited to the asset revaluation reserve included in the equity section of the Balance Sheet.

Any revaluation decrease is recognised in the profit and loss, except that a decrease offsetting previous revaluation increase for the same asset class is debited to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset class.

Any accumulated depreciation as at revaluation date is eliminated against the carrying amount of the assets and the net amounts are restated to the revalued amounts of the assets.

Upon disposal, any revaluation reserve relating the particular asset being sold is transferred to accumulated surplus.

Derecognition and disposal

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Any gains or losses arising from derecognition of the asset is included in the income statement in the year the asset is derecognised.

n) Operating leases

Lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense in the Income Statement on a straight line basis over the lease term.

o) Goodwill

Goodwill represents the excess of the purchase consideration plus incidental costs over the fair value of the identifiable net assets acquired. Following initial recognition goodwill is recognised at cost less any impairment losses. Goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. Impairment is determined by assessing the recoverable amount of the cash generating unit to which the goodwill relates.

p) Bed licences

Bed licences were granted by government to the Brotherhood for no consideration. As such the licences have been valued at fair value at the date of transition to AIFRS. Following initial recognition, bed licences are valued at the initial recognition amount less any 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.

q) Payables

Liabilities are recognised for amounts to be paid in the future for goods and services received. Trade accounts payable are normally settled within 30 days.

r) Employee Benefits

Wages, salaries, annual leave and sick leave

Liabilities for wages and salaries and annual leave expected to be settled within 12 months of the reporting date in respect of services up to the reporting date are recognised in payables for wages and salaries and provisions for annual leave. They are measured at the amounts expected to be paid when the liabilities are settled. Liabilities for non-accumulating sick leave are recognised when the leave is taken and measured at the rates paid or payable.

Long service leave

The liability for long service leave is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the reporting date on national government bonds with terms to maturities that match as closely as possible the estimated future cash flows.

Superannuation funds

The Brotherhood contributes to an industry-defined contribution (accumulation) superannuation fund. Contributions are charged against income as they are made.

s) Provision for self insurance

In 1991/1992 the Brotherhood established a provision for self insurance to provide for a significant element of self-insurance, thereby limiting the cost of providing full insurance cover through traditional means. Increases in the provision are charged as an expense as they are made. Insurance claims are charged against the provision. The provision is classified as a liability in the provisions section of the Balance Sheet.

t) Provision of accounting services – trust funds

The organisation provides accounting services and holds funds on behalf of a number of projects and organisations run and managed externally to the administration of the Brotherhood. Any funds of these projects are shown separately in the Balance Sheet as part of the liability entitled Trust Funds.

	2006 $	2005 $
2. Revenue and Expenses		
SURPLUS FROM ORDINARY ACTIVITIES HAS BEEN ARRIVED AT AFTER CHARGING/(CREDITING) THE FOLLOWING ITEMS:		
Interest	(428,480)	(285,171)
Distributions from managed funds	(580,489)	(216,327)
Borrowing costs	0	37,521
Operating lease rental expense	3,136,082	3,146,225
(Profit)/Loss on disposal of plant and equipment	109,209	0
Net bad and doubtful debts expense including movements in provision for doubtful debts	17,198	4,702
Depreciation	959,035	1,026,739
Writedown in value of inventories	180,000	0
EMPLOYEE BENEFITS EXPENSE:		
Salaries and wages	17,768,794	19,077,305
Workers' compensation costs	365,941	480,736
Superannuation contributions expense	1,554,098	1,695,318
Long service leave provision	495,171	459,116
	20,184,004	**21,712,475**

	2006 $	2005 $
3. Receivables		
Trade receivables	2,352,874	1,880,394
Provision for doubtful debts	(160,641)	(149,693)
	2,192,233	1,730,701
Other receivables	421,011	478,469
Net trade receivables	**2,613,244**	**2,209,170**

	2006 $	2005 $
4. Inventories		
Raw materials at cost	185,477	239,016
Work in progress at cost	796	1,751
Finished goods at net realisable value	2,291,956	2,074,839
Total inventories at lower of cost or net realisable value	**2,478,229**	**2,315,606**

Inventory writedowns recognised as an expense totalled $180,000.
This expense is included in the cost of sales line item as a cost of inventories. See Note 1.

	2006 $	2005 $
5. Other financial assets		
Investment in other entities	51,550	51,550
Total other financial assets	**51,550**	**51,550**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	2006 $	2005 $
6. Available for sale financial investments		
Units in managed funds	4,046,365	3,360,869
Total available for sale financial investments	**4,046,365**	**3,360,869**
Available for sale investments consist of units in managed funds and therefore have no fixed maturity date or coupon rate. The units are valued at the market rate at balance date.		
7. Joint venture		
INTEREST IN JOINT VENTURE ENTITY:		
Name	**Ownership Interest Held by Brotherhood**	
Anglicare, Canberra & Goulburn & BSL clothing venture	50%	50%
I) PRINCIPAL ACTIVITIES:		
The Joint Venture Entity operates a second hand clothing store in Queenbeyan in the ACT.		
II) SHARE OF THE JOINT VENTURE ENTITY PROFITS:		
Share of the joint venture entity:		
– revenues	82,238	167,301
– expenses	75,987	151,484
– net profits	**6,251**	**15,817**
III) CARRYING AMOUNT OF INVESTMENTS IN JOINT VENTURE ENTITY:		
Balance at the beginning of the financial year	25,819	58,886
– share of joint venture entity net profits (losses) for the financial year	6,251	15,817
– distributions received from joint venture entity	(32,070)	(48,884)
Balance at end of the financial year	**0**	**25,819**
IV) SHARE OF JOINT VENTURE ENTITY ASSETS AND LIABILITIES:		
Current assets	-	11,412
Non-current assets	-	10,000
Current liabilities	-	-
Non-current liabilities	-	-
Net assets	**0**	**21,412**
V) RETAINED PROFITS OF THE CONSOLIDATED ENTITY ATTRIBUTABLE TO THE JOINT VENTURE ENTITY:		
Balance at the beginning of the financial year	15,819	8,886
Share of the joint venture entity profits	6,251	15,817
Distributions received from joint venture entity	(22,070)	(8,884)
Balance at the end of the financial year	**0**	**15,819**

The joint venture was a five year project to establish a sustainable second hand clothing store in Queenbeyan in the ACT. Now that the store is well established, the Brotherhood will no longer be involved in the project and has been fully repaid the initial capital investement. The store will continue to be run by Anglicare.

	2006 $	2005 $
8. Property, plant & equipment		
LAND:		
At fair value	18,898,000	18,898,000
Total land	**18,898,000**	**18,898,000**
BUILDINGS AND FIXTURES:		
At fair value	20,064,130	19,752,314
Accumulated depreciation	(1,325,283)	(800,859)
Total buildings and fixtures	**18,738,847**	**18,951,455**
LEASEHOLD IMPROVEMENTS:		
At cost	1,943,083	1,172,072
Leasehold amortisation	(539,882)	(469,593)
Total leasehold improvements	**1,403,201**	**702,479**
PLANT AND EQUIPMENT:		
At cost	4,046,608	5,466,028
Accumulated depreciation	(3,097,658)	(4,276,539)
Total plant and equipment	948,950	1,189,489
Total property, plant & equipment	**39,988,998**	**39,741,423**
Reconciliations:		
Reconciliations of the carrying amounts for each grouping of Property, Plant and Equipment are set out below:		
LAND:		
Carrying amount at the beginning of the year	18,898,000	18,898,000
Carrying amount at the end of the year	**18,898,000**	**18,898,000**
BUILDINGS AND FIXTURES:		
Carrying amount at the beginning of the year	18,951,455	18,907,000
Additions	311,815	615,998
Disposals	0	(74,092)
Depreciation	(524,423)	(497,451)
Carrying amount at the end of the year	**18,738,847**	**18,951,455**
LEASEHOLD IMPROVEMENTS:		
Carrying amount at the beginning of the year	702,479	513,154
Additions	842,161	473,895
Disposals	(17,317)	(177,830)
Amortisation	(124,122)	(106,740)
Carrying amount at the end of the year	**1,403,201**	**702,479**

	2006 $	2005 $
PLANT AND EQUIPMENT:		
Carrying amount at the beginning of the year	1,189,489	1,413,565
Additions	196,077	243,776
Disposals	(126,126)	(45,304)
Depreciation	(310,490)	(422,548)
Carrying amount at the end of the year	**948,950**	**1,189,489**

FAIR VALUE OF LAND AND BUILDINGS:

Land and Buildings were independently valued as at 30 June 2004 by W.Keebaugh FAPI (Val) FREI and R.I. St. Clair – AAPI, AAIM. The useful lives of the assets was estimated as follows for both 2005 and 2006 for:

– buildings	40
– furniture, fixtures, plant & equipment	Between 7 and 10 years
– leasehold improvements	Over life of lease

9. Intangibles assets and goodwill

	2006 $	2005 $
Goodwill	874,029	874,029
Bed Licenses	4,075,000	4,075,000
Total	**4,949,029**	**4,949,029**

Goodwill is valued at the net amortised value at the date of transition to AIFRS, the 1st of July 2004. As of this date, goodwill is no longer amortised but subject to annual impairment testing. The test considered the recoverable amount of the Modstyle business based on a value in use calculation using cash flow projections based on financial budgets approved by the Board and Senior Management covering a five year period. The discount rate applied to the cash flow projections was 12%. Bed licenses values are based on the market rate in an actively traded market, taking into account the number of bed licenses that would be available for sale, location and other any other considerations required to determine an appropriate value.

10. Payables

	2006 $	2005 $
Trade creditors	1,464,240	964,539
Other creditors and accruals	1,538,226	1,587,198
Government grants and project funds in advance	1,939,681	2,921,685
Total payables	**4,942,147**	**5,473,422**

11. Trust funds

	2006 $	2005 $
Residents	87,911	89,124
Accommodation bonds-Aged Care	808,836	1,155,341
External organisations	1,497,511	1,007,584
Other	159,270	146,154
Total trust funds	**2,553,528**	**2,398,203**

These items represent amounts held on behalf of other organisations and residents. Refer also to Note 1.

	2006 $	2005 $
12. Provisions		
PROVISION FOR ANNUAL LEAVE & LONG SERVICE LEAVE:		
Opening balance	4,141,758	3,671,276
Increase	2,321,525	2,334,985
Payments	(2,236,362)	(1,864,503)
Ending balance	**4,226,921**	**4,141,758**
PROVISION FOR REDUNDANCIES:		
Opening balance	0	0
Increase	74,299	0
Payments	0	0
Ending balance	**74,299**	**0**
PROVISION FOR INSURANCE FUND:		
Opening balance	194,362	192,839
Increase	135,448	130,748
Payments	(136,123)	(129,225)
Ending balance	**193,687**	**194,362**
Total provisions	**4,494,907**	**4,336,120**
Current	4,113,802	4,042,598
Non-current	381,105	293,522
Total provisions	**4,494,907**	**4,336,120**
NUMBER OF EMPLOYEES:		
Number of employees at year end	448	480
Number of EFT employees at year end	359	382

	2006 $	2005 $
13. Specified donations		
Current	1,319,925	1,190,892
Non-current	0	76,460
Total specified donations	**1,319,925**	**1,267,352**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	2006 $	2005 $
14. Auditors remuneration		
THE AUDITOR OF THE BROTHERHOOD IS ERNST & YOUNG. AMOUNTS RECEIVED OR DUE AND RECEIVABLE BY ERNST & YOUNG FOR:		
Auditing the financial statements	66,000	58,000
Providing other audits required by government	15,100	22,700
Total auditors remuneration	**81,100**	**80,700**
15. Commitments and contingencies		
OPERATING LEASE COMMITMENTS:		
Future operating lease commitments not provided for in the financial statements and payable:		
Within one year	3,240,499	3,219,080
Between one and five years	3,488,217	3,799,268
More than five years	1,385,000	1,451,687
Balance at end of year	**8,113,716**	**8,470,035**

Operating lease commitments relate to property rentals, lease of motor vehicles, computer and office equipment. The leases have an average life of between 3 and 5 years.

16. Related parties

The names of each person holding the position of director of the Board of the Brotherhood of St. Laurence during the financial year were Prof S Duckett (to December 2005), The Revd B Colliver, Rt Revd Huggins, Ms C Gerreyn (leave of absence January-June 2006), Assoc Prof A McClelland (appointed Dec 2005), Hon R Knowles (appointed December 2005, took up position March 2006), Prof B Howe (to December 2005) Fr. J Minchin (leave of absence May-June 2006), Mr. E Thornley (leave of absence April-June 2006) Ms J Trethewey (leave of absence July-September 2005), Mr. T Nicholson and Mr. J C Wilson. No remuneration was paid or is payable to the directors in their capacity as board members.

17. Notes to the cash flow statement

RECONCILIATION OF CASH:

For the purpose of the Cash Flow Statement, “cash” includes cash on hand and on deposit. Cash at the beginning and end of the financial year as shown in the Cash Flow Statement is reconciled to the Balance Sheet as follows:

	2006 $	2005 $
Cash at bank and in hand	2,272,603	2,187,537
Short-term deposits	8,632,516	4,322,638
	10,905,119	**6,510,175**

Included in Cash is $2,553,528 (2005: $2,398,203) of money held in trust for associated organisations and residents. A corresponding liability is shown in Note 11. Cash at bank earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the organisation, and earn interest at the respective short-term deposit rates.

	2006 $	2005 $
FINANCING FACILITIES AVAILABLE:		
The organisation has access to a bank overdraft facility of $200,000 which was not used at 30 June 2006 or 30 June 2005. There are no charges over the organisation's assets for this facility.		
RECONCILIATION OF CASH FLOWS FROM OPERATING ACTIVITIES TO SURPLUS FROM ORDINARY ACTIVITIES:		
Surplus (deficit) from ordinary activities	5,743,973	74,028
Add (Less) items classified as investing/financing activities:		
– Capital income	(889,474)	(428,488)
– Depreciation and amortisation	959,035	1,026,739
Net cash provided by operating activities before change in assets and liabilities change in assets and liabilities	**5,813,534**	**672,279**
– (increase)/decrease in Receivables	(387,380)	(68,059)
– (increase)/decrease in Inventories	(162,623)	(97,698)
– (increase)/decrease in Investments	(659,677)	(234,120)
– (decrease)/increase in Creditors	450,729	302,200
– (decrease)/increase in Provisions	170,410	440,476
– (decrease)/increase in Unrealised gains reserves	261,868	0
– (decrease)/increase in Insurance fund	(675)	1,523
– (decrease)/increase in Specified donations	52,572	63,622
– (decrease)/increase in Government funds in advance	(982,004)	551,167
Net cash generated by operating activities	**4,556,754**	**1,631,390**

18. Events subsequent to balance date

No matter or circumstance has arisen since the end of the financial year, which is not otherwise dealt with in this report, that has significantly affected or may significantly affect the operations, the results of those operations or the state of affairs of the Brotherhood in subsequent financial years.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

	Service Activities		Aged Care Facilities		Social Enterprises	
	2006 $'000	**2005** $'000	**2006** $'000	**2005** $'000	**2006** $'000	**2005** $'000
19. Segment information:						
PRIMARY – BUSINESS SEGMENTS						
REVENUE:						
Sales	0	408,638	0	0	14,455,734	12,968,906
Other	24,462,080	23,634,066	6,651,261	6,393,713	67,162	48,890
Sub-total	**24,462,080**	**24,042,704**	**6,651,261**	**6,393,713**	**14,522,896**	**13,017,795**
Grants and Donations for Major Capital Projects	889,474	428,488	0	0	0	
Total segment revenue	**25,351,554**	**24,471,192**	**6,651,261**	**6,393,713**	**14,522,896**	**13,017,795**
Segment Result Surplus (Deficit)	**142,480**	**(223,877)**	**78,791**	**175,491**	**608,731**	**358,518**
Segment Assets	**43,021,626**	**32,663,634**	**14,876,219**	**14,752,311**	**7,414,672**	**7,801,715**
Segment liabilities	**10,375,639**	**9,935,469**	**1,113,436**	**1,134,141**	**1,821,432**	**2,829,331**
OTHER SEGMENT INFORMATION:						
Acquisition of Property, Plant and Equipment	1,085,881	803,320	148,275	233,192	115,897	297,157
Depreciation	411,239	408,549	324,688	346,908	223,108	271,282

	Eliminations		Consolidated	
	2006 $'000	**2005** $'000	**2006** $'000	**2005** $'000
REVENUE:				
Sales	0	0	14,455,735	12,968,906
Other	0	0	31,180,503	30,076,669
Sub-total	**0**	**0**	**45,636,238**	**43,045,575**
Grants and Donations for Major Capital Projects	0		889,474	428,488
Total segment revenue	**0**	**0**	**46,525,712**	**43,474,063**
Segment Result Surplus (Deficit)	**0**	**0**	**830,003**	**74,028**
Segment Assets	**(131,435)**	**(557,255)**	**65,181,082**	**59,366,831**
Segment liabilities	**0**	**(423,848)**	**13,310,507**	**13,475,097**
OTHER SEGMENT INFORMATION:				
Acquisition of property, plant and equipment			1,350,053	1,333,669
Depreciation			959,035	1,026,739
SECONDARY – GEOGRAPHICAL: THE ORGANISATION OPERATES IN AUSTRALIA				

20. Transition to AIFRS

For all periods up to and including the year ended 30 June 2005, the organisation prepared its financial statements in accordance with Australian generally accepted accounting practice (AGAAP). These financial statements for the year ended 30 June 2006 are the first the organisation is required to prepare in accordance with Australian equivalents to International Financial Reporting Standards (AIFRS).

Accordingly the organisation has prepared financial statements that comply with AIFRS applicable for the period beginning on or after 1 July 2005 and the significant accounting policies meeting those requirements are described in Note 1. In preparing these financial statements, the organisation has started from an opening Balance Sheet as at 1 July 2004, the organisation's date of transition to AIFRS, and made those changes in accounting policies and other restatements required by AASB 1 First-time adoption of AIFRS.

This note explains the principal adjustments made by the organisation in restating its AGAAP Balance Sheet as at 1 July 2004 and its previously published AGAAP financial statements for the year ended 30 June 2005.

Explanation of material adjustments to the Balance Sheet and Profit and Loss

A reconciliation of the Balance Sheet at transition date and at 30 June 2005, and a reconciliation of the Income Statement for the year ended 30 June 2005 under AGGAP and AIFRS are provided on the following pages. Explanation of material adjustments is provided below.

(a) Available for sale investments

AGAAP – Units held in managed funds were carried at the lower of cost and net realisable value, and classified as other financial assets.

AIFRS – Under AASB139, units held in managed funds are classified as available for sale investments and carried at fair value. Movements in the fair value are accounted for in equity.

Impact – An increase in the value of the investments of $811k up to and including the year ended 30 June 2006 in assets, and a corresponding increase in equity in the available for sale revaluation reserve.

(b) Intangible assets – goodwill

AGAAP – Goodwill was amortised over its useful life, being 20 years.

AIFRS – Under AASB136, goodwill is subject to annual impairment testing and is not amortised. An adjustment is required to reverse the amortisation charge for the year ended 30 June 2005.

Impact – An increase in the operating result for the year ended 30 June 2005 of $54,674.

(c) Intangible assets – Bed licences

AGAAP – Bed licences were not accounted for on the Balance Sheet.

AIFRS – Under AASB138, bed licences are classified as an intangible asset with an indefinite useful life and accounted for on the Balance Sheet at fair value at the date of transition less any impairment loss. Bed licences are tested for impairment on an annual basis.

Impact – An increase in intangible assets of $4,075,000 and a corresponding increase in equity.

Explanation of material adjustments to the Cash Flow Statement

There are no material differences between the Cash Flow Statement presented under AIFRS and the Cash Flow Statement presented under previous AGAAP.

Balance sheet reflecting reconciliation of adjustments to AIFRS at 1 July 2004

	Note	AGAAP $	AIFRS Impact $	AIFRS $
CURRENT ASSETS:				
Cash assets		5,722,325		5,722,325
Receivables		2,139,118		2,139,118
Inventories		2,217,908		2,217,908
Other financial assets		51,550		51,550
Assets classified as held for sale	(a)	2,542,912	304,697	2,847,609
Prepayments		144,946		144,946
Total current assets		12,818,759	304,697	13,123,456
NON CURRENT ASSETS:				
Investments accounted for using equity method		58,886		58,886
Property, plant & equipment		39,731,719		39,731,719
Intangible assets	(b), (c)	874,028	4,075,000	4,949,028
Total non current assets		40,664,633	4,075,000	44,739,633
Total assets		**53,483,392**	**4,379,697**	**57,863,089**
CURRENT LIABILITIES:				
Payables		4,585,967		4,585,967
Interest bearing liabilities		280,000		280,000
Trust funds		2,386,856		2,386,856
Provisions		3,623,472		3,623,472
Specified donations		1,106,310		1,106,310
Total current liabilities		11,982,605	0	11,982,605
NON CURRENT LIABILITIES:				
Provisions		237,413		237,413
Specified donations		97,420		97,420
Total non current liabilities		334,833	0	334,833
Total liabilities		**12,317,438**	**0**	**12,317,438**
Net assets		**41,165,954**	**4,379,697**	**45,545,651**
EQUITY:				
Reserves	(a)	24,249,046	304,697	24,553,743
Accumulated surplus	(b), (c)	16,916,908	4,075,000	20,991,908
Total equity		**41,165,954**	**4,379,697**	**45,545,651**

Balance sheet reflecting reconciliation of adjustments to AIFRS at 30 June 2005

	Note	AGAAP $	AIFRS Impact $	AIFRS $
CURRENT ASSETS:				
Cash assets		6,510,175		6,510,175
Receivables		2,209,170		2,209,170
Inventories		2,315,606		2,315,606
Other financial assets		51,550		51,550
Prepayments		176,190		176,190
Sub total		11,262,691		11,262,691
Assets classified as held for sale	(a)	2,811,117	549,752	3,360,869
Total current assets		**14,073,808**	**549,752**	**14,623,560**
NON CURRENT ASSETS:				
Investments accounted for using equity method		25,819		25,819
Property, plant & equipment		39,741,423		39,741,423
Intangible assets	(b), (c)	819,355	4,129,674	4,949,029
Total non current assets		**40,586,597**	**4,129,674**	**44,716,271**
Total assets		**54,660,405**	**4,679,426**	**59,339,831**
CURRENT LIABILITIES:				
Payables		5,473,422		5,473,422
Trust funds		2,398,203		2,398,203
Provisions		4,042,598		4,042,598
Specified donations		1,190,892		1,190,892
Total current liabilities		**13,105,115**	**0**	**13,105,115**
NON CURRENT LIABILITIES:				
Provisions		293,522		293,522
Specified donations		76,460		76,460
Total non current liabilities		**369,982**	**0**	**369,982**
Total liabilities		**13,475,097**	**0**	**13,475,097**
Net Assets		**41,185,308**	**4,679,426**	**45,864,734**
EQUITY:				
Accumulated surplus	(b), (c)	17,079,715	4,129,674	21,209,389
Reserves	(a)	24,105,593	549,752	24,655,345
Total equity		**41,185,308**	**4,679,426**	**45,864,734**

Income Statement for year ended 30 June 2005 reflecting reconciliation of adjustments to AIFRS

Income Statement: for year ended 30 June 2005	AGAAP $	AIFRS Impact $	AIFRS $
Revenue			
SERVICE ACTIVITIES:			
Employment Services	4,249,934		4,249,934
Aged and Community Care	15,775,714		15,775,714
Community Services	4,689,063		4,689,063
Social Action and Research	454,334		454,334
OTHER ACTIVITIES:			
Fundraising	4,396,338		4,396,338
Social Enterprises sales	12,968,906		12,968,906
Investment and other income	511,286		511,286
Total revenue from ordinary activities	**43,045,575**	**0**	**43,045,575**
Expenses			
SERVICE ACTIVITIES:			
Employment Services	4,497,925		4,497,925
Aged and Community Care	15,759,394		15,759,394
Community Services	5,909,373		5,909,373
Social Action and Research	1,172,930		1,172,930
OTHER ACTIVITIES:			
Fundraising	1,001,460		1,001,460
Cost of Social Enterprises sales	4,774,292		4,774,292
Social Enterprises expenses	7,847,464	(54,674)	7,792,790
Borrowing costs	37,521		37,521
Other expenses	2,454,350		2,454,350
Total expenses for ordinary activities	**43,454,709**	**(54,674)**	**43,400,035**
Operating surplus/(deficit)	**(409,134)**	**54,674**	**(354,460)**
Grants and donations for capital projects	428,488		428,488
Surplus from ordinary activities	**19,354**	**54,674**	**74,028**

DIRECTORS’ DECLARATION

In accordance with a resolution of the directors of the Brotherhood of St Laurence, we state that:

In the opinion of the directors:

(a) the financial statements and notes, set out on pages 13 to 32:

i. give a true and fair view of the organisation’s financial position as at 30 June 2006 and of its performance for the year ended on that date;

ii. comply with Accounting Standards; and

iii. 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 organisation will be able to pay its debts as and when they become due and payable.

On behalf of the Board

+ Philip Huggins

Rt Revd Philip Huggins
Chair, Board of Directors

Jenny Trethewey

Jenny Trethewey
Deputy Chair, Board of Directors

INDEPENDENT AUDIT REPORT

Independent audit report to members of Brotherhood of St Laurence

Scope

The financial report and directors' responsibility

The financial report comprises the balance sheet, income statement, statement of changes in equity, statement of cash flows, accompanying notes to the financial statements, and the directors' declaration for the Brotherhood of St Laurence (the Organisation), for the year ended 30 June 2006.

The directors of the Organisation are responsible for preparing a financial report that presents fairly the financial position and performance of the Organisation and that complies with Accounting Standards in Australia, in accordance with the Brotherhood of St Laurence (Incorporation) Act 1971. This includes responsibility for the maintenance of adequate accounting records and internal controls that are designed to prevent and detect fraud and error, and for the accounting policies and accounting estimates inherent in the financial report.

Audit approach

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

We performed procedures to assess whether in all material respects the financial report presents fairly, in accordance with the Brotherhood of St Laurence (Incorporation) Act 1971, including compliance with Accounting Standards, other mandatory financial reporting requirements in Australia, and the Organisation's constitution, a view which is consistent with our understanding of the Organisation's financial position, and of its performance as represented by the results of its operations and cash flows.

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

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

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

We performed procedures to assess whether the substance of business transactions was accurately reflected in the financial report. These and our other procedures did not include consideration or judgement of the appropriateness or reasonableness of the business plans or strategies adopted by the directors and management of the Organisation.

Independence

We are independent of the Organisation, and have met the independence requirements of Australian professional ethical pronouncements. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Audit opinion

In our opinion, the financial report of the Brotherhood of St Laurence presents fairly, in accordance with the Brotherhood of St Laurence (Incorporation) Act 1971, including compliance with Australian Accounting Standards, other mandatory financial reporting requirements in Australia, and the Organisation's constitution, a view which is consistent with our understanding of the Organisation's financial position as at 30 June 2006, and of its performance as represented by the results of its operations and cash flows for the year then ended.

Ernst & Young
Stuart Alford
Partner
Melbourne
26 September 2006

Brotherhood of St Laurence
Working for an Australia free of poverty

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an Australia
free of poverty

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