



Brotherhood of St Laurence
Working for an Australia free of poverty

FINANCIAL REPORT

2015

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ORGANISATIONAL INFORMATION

ABN 24 603 467 024

The Brotherhood of St Laurence (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 during the period 1 July 2014 to 30 June 2015. 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 Financial Report.

DIRECTORS' REPORT

The Directors present their report together with the financial statements of the Brotherhood of St Laurence (the 'Brotherhood') for the financial year ended 30 June 2015 and the auditor's report thereon.

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 2014–15 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.

The Hon. Rob Knowles AO

(Non-executive Chair from December 2014)

Commissioner with the National Mental Health Commission. Previously Commissioner, National Health and Hospital Reform Commission. Former Victorian Minister for Health, Aged Care and Housing. Member, Brotherhood Finance Committee (to November 2014). Chair, Brotherhood Nominations Committee and Remuneration Committee (from December 2014). Appointed to the Board in December 2005, took up the position in March 2006, reappointed in December 2010. Appointed Chair in December 2014.

Bishop Philip Huggins MA, BEc

(Non-executive Chair to December 2014)

Assistant Bishop, Diocese of Melbourne. Member, Christian World Service Commission (ACT for Peace). Member, Board of St Laurence Community Services. Member, Board of the Centre for Dialogue, La Trobe University. Member, Australian Intercultural Society Advisory Board. Member, Community Reference Group, Rabbinical Council of Victoria. Member, Multi-faith Advisory Group – Office of Multiculturalism and Citizenship. Member, Brotherhood Nominations and Remuneration committees (to December 2014). Appointed to the Board in November 2004. Appointed Chair in December 2005, term finished December 2014.

Mr Mike James BCom (Deputy Chair)

Fellow, Institute of Chartered Accountants. Member, Certified Practising Accountants of Australia. Retired Partner, PricewaterhouseCoopers Australia. Chair, Social Traders Limited. Member, Brotherhood Audit & Risk Management Committee (from December 2014). Member (Chair to November 2014), Brotherhood Finance Committee (to December 2014). Member, Brotherhood Remuneration Committee. Appointed to the Board in March 2007 and reappointed in December 2013.

Mr Tony Nicholson BA, BSW (Executive Director)

Executive Director, Brotherhood of St Laurence since October 2004. Member, Brotherhood Finance, Audit and Risk Management, Nomination, Remuneration and Social Enterprises Committees. Appointed to the Board in October 2004.

Emeritus Professor Judith Chapman AM, BA, BEd, EdDd, FACE, FACEA, FWAIEA

Member, Parish Council of St Peters Anglican Church, Melbourne. Member, Academic Reference Group of the Bishop Perry Institute for parish renewal in the Anglican Church. Previously Dean of Faculty of Education at Australian Catholic University (ACU). Previously Professor of Education and Associate Dean (Teaching & Learning) of the combined faculties of Economics, Commerce, Education and Law at The University of Western Australia. Previously Director of the Centre of School Decision Making and Management, Monash University. Member, Brotherhood Nominations Committee (from April 2015). Appointed to the Board in November 2012.

Mr Stephen Grant Grad Dip (Marketing), FCA

Chief Executive Officer, Asia Pacific Business Coalition on AIDS (APBCA). Previously Chief Executive Officer, Victorian Transport Accident Commission (TAC). Previously Chair, Alfred Health. Previously Chair, Victorian Trauma Foundation (VTF). Previously Managing Director, Laura Ashley PLC (UK). Chair, Brotherhood Social Enterprises Committee. Appointed to the Board in April 2009 and reappointed in December 2014.

Revd Dr J. Hugh Kempster BEng, MTheol, PhD, Grad Dip (Education)

Vicar, St Peter's Eastern Hill. Area Dean, Diocese of Melbourne. Co-director, Kempster Consultants. Previously Senior Chaplain, Geelong Grammar School. Previously Vicar, Parish of St Columba, Auckland, New Zealand. Appointed to the Board in November 2012.

Dr Fiona Macdonald BBSoc, GradDipCounselPsych, MArts(SocPol), PhD

Vice-Chancellor's Senior Research Fellow, Centre for Sustainable Organisations and Work, RMIT University. Previously Executive Director, Equity Research Centre. Previously Director, Victorian Welfare Rights Unit. Previously Director, Wesley Mission Victoria. Appointed to the Board in November 2012.

Ms Freya Marsden BAgResEco (Hons), MCom (Specialising in Economics), GAICD

A policy economist with a strong interest in participation and social inclusion. Consultant, covering governance, strategy, policy and economic issues. Member, Australian Institute of Company Directors. Authority Member, Victorian Government's Metropolitan Planning Authority. Non-Executive Director and Deputy Chair, Victorian Abalone Central Zone Victorian Government's Interim Board. Non-Executive Director, Ruyton Girls School. Non-Executive

DIRECTORS' REPORT

Director, Waverley Industries (an Adult Disability Enterprise). Previously Director Policy, Business Council of Australia. Previously DLO Taxation Adviser, Federal Treasurer's Office. Previously Federal Treasury Economist. Previously Policy Adviser in State Government central and line agency roles and a consultant. Member, Brotherhood Finance Committee. Appointed to the Board in May 2014.

Ms Catherina Toh BA(Hons), LLB(Hons), GAICD Practising Member LIV

A lawyer with her own practice specialising in legal and regulatory compliance in the financial services sector. Member, Audit Committee of the State Electricity Commission of Victoria. Chair, Social Venture Partners Melbourne and the Social Venture Partners Australia Fund. Member (Chair from December 2014), Brotherhood Finance Committee (from September 2014). Member, Brotherhood Audit and Risk Management Committee (to September 2014). Appointed to the Board in December 2013.

Revd Dr Richard Treloar BTheol (MCD), TheolM (MCD), PhD (Monash) (from December 2014)

Vicar, Christ Church South Yarra. President and Chair of the Board, Christ Church Grammar School. Honorary Research Associate,

The University of Divinity. Christ Church South Yarra Lecturer in Old Testament and Ministry Studies, Trinity College Theological School (The University of Melbourne). Appointed to the Board in December 2014.

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. Previously Non-executive Director of Hanover Welfare Services for five years. Previously Non-executive Director of East Ivanhoe Community Bank for three years. Previously Non-executive Director of Foodbank Victoria for seven years. 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 Management		Social Enterprises	
Number of meetings held during the year	12		10		4		4	
	Attended	Held*	Attended	Held*	Attended	Held*	Attended	Held*
The Hon. Rob Knowles AO	12	12	2	4	—	—	—	—
The Rt Revd Philip Huggins	4	5	—	—	—	—	—	—
Mr Mike James	11	12	5	5	3	3	—	—
Mr Tony Nicholson	12	12	8	10	3	4	3	4
Professor Judith Chapman AM	10	12	—	—	—	—	—	—
Mr Stephen Grant	4	7	—	—	—	—	4	4
Revd Dr Hugh Kempster	11	12	—	—	—	—	—	—
Dr Fiona Macdonald	8	12	—	—	—	—	—	—
Ms Freya Marsden	10	12	8	10	—	—	—	—
Ms Catherina Toh	10	12	8	9	1	1	—	—
Revd Dr Richard Treloar	5	8	—	—	—	—	—	—

* Held while the Board Member was eligible to attend. Eligibility to attend takes account of leave of absence. There were 12 meetings held this year as two Board meetings were held in February 2015, one of which was an Extraordinary Board meeting.

Additional Board sub-committees include the Nominations and Remuneration committees.

4 Principal activities

The principal activities of the Brotherhood during the course of the financial year 2014–15 were the provision of community services across the four life transition stages, the early years, the transition from school to work, the shifts in and out of work and retirement and ageing; together with the recycling and sale of recycled goods, 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 80 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

There were no significant changes in the state of affairs of the Brotherhood that occurred during the financial year under review.

Results for the year

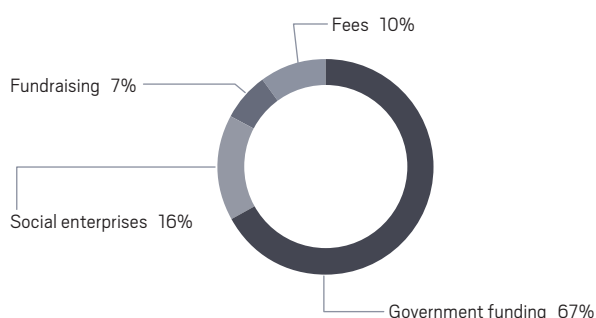
The surplus for the year is \$3.4 million compared to \$1.8 million in 2013–14. This improvement is mainly due to an increase in

bequest income and finance income, partly offset by an increase in the deficit from operating activities. The operating deficit is \$5.1 million in 2014–15, which is \$0.7 million higher than in 2013–14. This increase is largely due to an increase in investment in Children, Youth and Families, Work and Learning and Research and Policy.

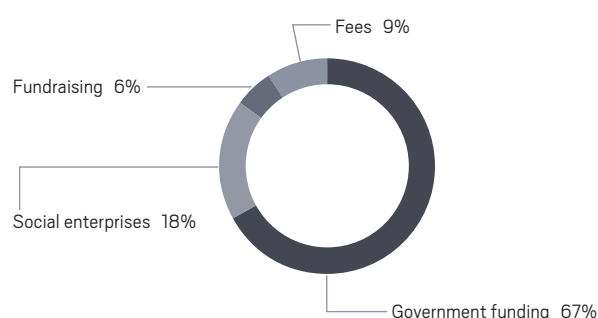
Total donations, excluding bequests, were \$5.3 million in 2014–15 (2013–14: \$5.2 million), including specified funds for designated programs and unspecified discretionary funds.

Sources and uses of operating funds for the current and previous financial years are shown in graphs below. The increase in the investment in Children, Youth and Families is illustrated by the 5% increase in the percentage of total operating expenditure. Whilst there was an increase in the investment in Work and Learning and Research and Policy, this was not reflected in an increase in their respective percentages of operating funds used due to the overall increase in the organisation's total operating expenditure. Although the percentage of operating funds used by Retirement, Ageing and Financial Inclusion has decreased by 4%, the amount of funds used has remained relatively stable.

WHERE OUR OPERATING FUNDS CAME FROM 2015

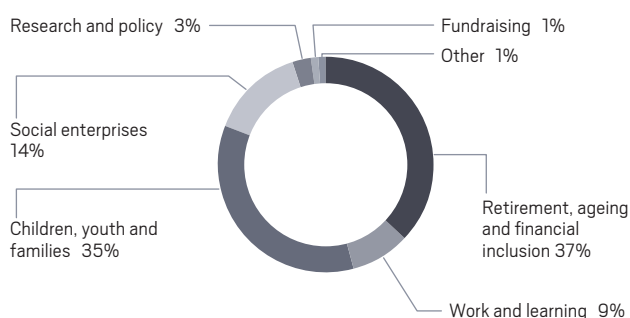


WHERE OUR OPERATING FUNDS CAME FROM 2014

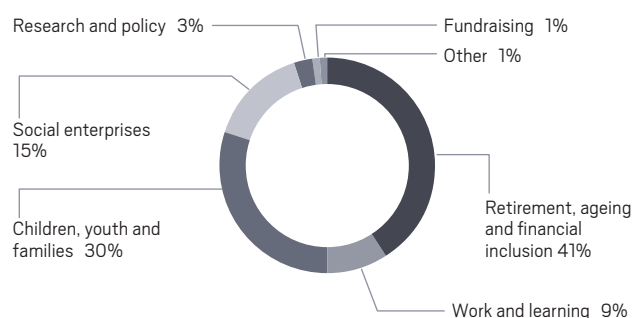


The above charts classify operating funds received on the basis of the specific type of external funding source, rather than by the Brotherhood's internal service activity, the latter being the basis of revenue classification adopted in the Statement of Profit or Loss and Other Comprehensive Income.

WHERE OUR OPERATING FUNDS WERE SPENT 2015



WHERE OUR OPERATING FUNDS WERE SPENT 2014



DIRECTORS' REPORT

Review of financial condition

The total equity of the organisation increased by \$3 million from 1 July 2014, to \$103 million as at 30 June 2015. This increase is mainly as a result of the surplus generated for the year.

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.

The Charter Members at any time during or since the end of the 2014–15 financial year were:

Ms Joanna Baevski
 Ms Diana Batzias
 Ms Cath Bradley
 Mr David Buxbaum
 Emeritus Professor Judith Chapman AM
 Ms Celia Clarke
 The Revd Barbara Colliver
 The Revd Don Edgar (from December 2014)
 Ms Christine Edwards
 The Rt Revd David Farrer (leave of absence)
 Mr William Ford
 Mr Stephen Grant
 Ms Sarina Greco
 Mr David Green
 The Rt Revd Philip Huggins
 Mr James Jacoby
 Mr Mike James
 Mr Roger Johnson
 The Revd Dr J. Hugh Kempster
 The Hon. Rob Knowles AO
 Ms Alison McClelland AO (to December 2014)
 Mr John McInnes OAM
 Dr Fiona Macdonald
 Dr Ian Manning
 Ms Freya Marsden
 Mr Tony Nicholson
 Dr Apollo Nsubuga-Kyobe
 The Revd Jeff O'Hare (from December 2014)
 Dr Nouria Salehi OAM
 Ms Fiona Smith
 The Revd Clemence Taplin
 Mr Evan Thornley
 Ms Catherina Toh
 The Revd Dr Richard Treloar (from December 2014)

Ms Jenny Trethewey (to December 2014)
 Mr David Triplow APM
 The Revd Janet Turpie-Johnstone
 Dr Jonathon Welch AM
 Mr Trevor Williams
 Mr John Wilson
 Mr Michael Wilson
 Mr Graeme Wise
 Ms Caterina Wooden

Life Members

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

Mr Ernest Barr (deceased September 2015)
 The Rt Revd Michael Challen AM
 Mr Sandy Clark
 Dr Stephen Duckett
 Mr Michael Feeney
 Mr Nicolas Frances MBE
 Mr Eric Hart
 The Rt Revd Dr Peter Hollingworth AC OBE
 The Hon. Professor Brian Howe AO
 Ms Elizabeth Loftus
 Ms Alison McClelland AO (from December 2014)
 Father James Minchin
 Mr Ian Reid
 The Rt Revd Andrew St John
 Ms Jenny Trethewey (from December 2014)
 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. The Board meets monthly.

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. Currently there are 10 Directors including the Executive Director.

Board sub-committees

Audit and Risk Management Committee

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 Dana Hlavacek (Committee Chair), Catherina Toh (to September 2014), David Errington (to September 2014), Roger Johnson (to March 2015), Guy Mendelson, Mike James (from December 2014), Malcolm Haynes (from June 2015) and Tony Nicholson. The Committee meets quarterly.

Finance Committee

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 to November 2014, Member to December 2014), Catherina Toh (from September 2014, Committee Chair from December 2014), Gayle Wilson (to March 2015), Hon. Rob Knowles (to November 2014), Catherine McKean (leave of absence from November 2014), Freya Marsden, Tony Hallam (from November 2014) 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

The Nominations Committee reviews and recommends nominations for Board and sub-committees' membership. The members during or since the end of the financial year are Bishop Philip Huggins (Committee Chair to December 2014), Hon. Rob Knowles (Committee Chair from December 2014), Sandy Clark, Emeritus Professor Judith Chapman (from April 2015), Jenny Trethewey (from June 2015) and Tony Nicholson. The Committee meets at least annually.

Remuneration Committee

The Remuneration Committee 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 to December 2014), Hon. Rob Knowles (Committee Chair from December 2014), Mike James and Tony Nicholson. The Committee meets at least annually.

Social Enterprise Committee

The Social Enterprises Committee is responsible for providing strategic advice in relation to social enterprises. The members during or since the end of the financial year are Stephen Grant (Committee Chair), David Errington, Joe Gehrig, Michael Tucker, John Mann (to March 2015) and Tony Nicholson. The Committee meets at least three times a year.

Other committees

In 2014 a special committee was established to oversight further work in our Retirement and Ageing division. This and 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 Victoria Carmody, General Manager Children, Youth and Families (to September 2015)

Ms Katrina Currie, General Manager Work and Learning

Ms Michelle Eunson, General Manager Communications and Development (to December 2014)

Ms Farah Farouque, Principal Advisor, Public Affairs and Policy

Ms Jenny Grayling, Group General Manager Organisational Services; Company Secretary

Mr Rob Hudson, Group General Manager Programs and Policy

Mr Jonathan Lee, Chief Financial Officer

Professor Shelley Mallett, General Manager Research and Policy

Ms Christine Morka, General Manager Retirement and Ageing and Financial Inclusion

Ms Niamh O'Malley, General Manager Social Enterprises (from August 2015)

Ms Marian Pettit, National Manager HIPPY Australia

Ms Debra Saffrey-Collins, General Manager Chaplaincy and Diocesan Partnerships

Dr Tricia Szirom, Acting General Manager Children, Youth and Families (from August 2015)

Mr Rodney Weston, General Manager Business Planning and Social Enterprises (to August 2015); General Manager Business Development (from August 2015)

Planning and control

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

DIRECTORS' REPORT

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 and the Company Secretary through Freehills, M+K Lawyers Pty Ltd, K+L Gates, Madgwicks, Rigby Cooke and HWL Ebsworth Lawyers; Deloitte and Grant Thornton; Deutsche Bank and JBWere; and KPMG, respectively. Some legal advice is provided by Freehills, Rigby Cooke and M+K Lawyers Pty Ltd 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 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. The Brotherhood's external auditors are KPMG. In addition, the Brotherhood engaged Deloitte and Grant Thornton for internal audit services, during the period.

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, the results of those operations, or the state of affairs of the Brotherhood, 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 2015.

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 Non-audit services

KPMG did not provide any non-audit services to the organisation during the year.

13 Lead auditor's independence declaration

The Lead Auditor's Independence Declaration is set out on page 28 and forms part of the Directors' Report for the financial year ended 30 June 2015.

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.



The Hon. Rob Knowles AO
Chair, Board of Directors



Tony Nicholson
Executive Director

Dated at Melbourne on this 29th day of September 2015

STATEMENT OF FINANCIAL POSITION

As at 30 June 2015

	Note	2015 \$'000	2014 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	17	17,723	10,717
Trade and other receivables	15	3,484	6,798
Inventories	14	656	736
Investments	13	55,711	46,296
Assets held for sale	9	–	291
Total current assets		77,574	64,838
Non-current assets			
Property, plant & equipment	11	53,777	54,267
Intangible assets	12	1,720	1,720
Trade and other receivables	15	3,354	6,731
Total non-current assets		58,851	62,718
TOTAL ASSETS		136,425	127,556
LIABILITIES			
Current liabilities			
Trade and other payables	19	4,684	2,724
Auspice and resident funds	20	2,759	2,693
Employee benefits	21	5,496	5,418
Deferred income	22	20,092	16,321
Total current liabilities		33,031	27,156
Non-current liabilities			
Employee benefits	21	350	325
Total non-current liabilities		350	325
TOTAL LIABILITIES		33,381	27,481
NET ASSETS		103,044	100,075
EQUITY			
Accumulated surplus		71,071	67,702
Reserves		31,973	32,373
TOTAL EQUITY		103,044	100,075

The notes on pages 13 to 25 are an integral part of these Financial Statements.

STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 30 June 2015

	Note	2015 \$'000	2014 \$'000
REVENUE			
Service activities			
Work & Learning		4,952	4,794
Retirement, Ageing & Financial Inclusion		28,678	28,642
Children, Youth and Families		23,623	18,552
Research and Policy		513	497
Other activities			
Fundraising	7	2,428	2,341
Social Enterprises:			
- Sales of goods		6,854	6,008
- Services		4,006	4,831
Other revenue and income		399	437
Revenue and other income from operating activities		71,453	66,102
EXPENSES			
Service activities			
Work & Learning		6,639	6,104
Retirement, Ageing & Financial Inclusion		28,341	28,618
Children, Youth and Families		26,528	20,777
Research and Policy		2,498	2,126
Other activities			
Fundraising		1,151	1,053
Cost of goods of Social Enterprises sales		1,236	1,267
Social Enterprises expenses		9,698	9,569
Other expenses		456	996
Expenses for operating activities		76,547	70,510
DEFICIT FROM OPERATING ACTIVITIES		(5,094)	(4,408)
Finance income		4,589	4,237
Finance expenses		(239)	(225)
Net finance income	10	4,350	4,012
Bequests income	8	4,195	2,326
Bequests costs		(82)	(153)
Net bequests		4,113	2,173
SURPLUS FOR THE YEAR		3,369	1,777
Other comprehensive income			
Items that may be reclassified to profit or loss:			
Net change in fair value of available-for-sale assets	10	(400)	2,720
Other comprehensive income for the year		(400)	2,720
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		2,969	4,497

The notes on pages 13 to 25 are an integral part of these Financial Statements.

STATEMENT OF CHANGES IN EQUITY

For the year ended 30 June 2015

	Accumulated surplus \$'000	Asset revaluation reserve \$'000	Fair value reserve \$'000	Total \$'000
Balance at 1 July 2013	65,925	28,692	961	95,578
TOTAL COMPREHENSIVE INCOME FOR THE YEAR				
Surplus for the year	1,777	-	-	1,777
Other comprehensive income				
Net change in fair value of available-for-sale assets	-	-	2,720	2,720
Total other comprehensive income	-	-	2,720	2,720
Total comprehensive income for the year	1,777	-	2,720	4,497
BALANCE AT 30 JUNE 2014	67,702	28,692	3,681	100,075
Balance at 1 July 2014	67,702	28,692	3,681	100,075
TOTAL COMPREHENSIVE INCOME FOR THE YEAR				
Surplus for the year	3,369	-	-	3,369
Other comprehensive income				
Net change in fair value of available-for-sale assets	-	-	(400)	(400)
Total other comprehensive income	-	-	(400)	(400)
Total comprehensive income for the year	3,369	-	(400)	2,969
BALANCE AT 30 JUNE 2015	71,071	28,692	3,281	103,044

The notes on pages 13 to 25 are an integral part of these Financial Statements.

STATEMENT OF CASH FLOWS

For the year ended 30 June 2015

	Note	2015 \$'000	2014 \$'000
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		86,050	72,619
Cash paid to suppliers and employees		(81,077)	(76,671)
NET CASH FROM/(USED IN) OPERATIONS		4,973	(4,052)
Bequests income	8	4,122	2,226
Bequests costs		(82)	(153)
Dividend, interest, trust and imputation credit income		4,808	3,912
NET CASH FROM OPERATING ACTIVITIES		13,821	1,933
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property, plant & equipment		(889)	(1,069)
Proceeds from sale of bed licences		349	-
Proceeds from sale of equity investment		393	458
Acquisition of available-for-sale investments		(22,305)	(15,131)
Proceeds from sale of available-for-sale investments		13,137	12,447
NET CASH USED IN INVESTING ACTIVITIES		(9,315)	(3,295)
CASH FLOW FROM FINANCING ACTIVITIES			
Receipt of subordinated debt		2,500	-
NET CASH FROM FINANCING ACTIVITIES		2,500	-
Net increase/(decrease) in cash and cash equivalents		7,006	(1,362)
Cash and cash equivalents at 1 July		10,717	12,079
CASH AND CASH EQUIVALENTS AT 30 JUNE	17	17,723	10,717

The notes on pages 13 to 25 are an integral part of these Financial Statements.

NOTES TO THE FINANCIAL STATEMENTS

1 Reporting entity

The Brotherhood of St Laurence (the 'Brotherhood') is an association domiciled in Australia and is not a for profit entity. The address of the entity's registered office is 67 Brunswick Street, Fitzroy, Victoria 3065.

The principal activities of the Brotherhood includes the provision of community services across the four life transition stages; the early years; the transition from school to work; the shifts in and out of work and retirement and ageing; together with the recycling and sale of recycled goods, and undertaking research and social advocacy work on behalf of all Australians.

2 Basis of accounting

a) Statement of compliance

In the opinion of the Directors, the Brotherhood is not publicly accountable. The Financial Statements are Tier 2 general purpose financial statements that have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (AASB-RDRs) adopted by the Australian Accounting Standards Board (AASB) and the Australian Charities and Not-for-profits Commission Act 2012 (ACNC). These Financial Statements comply with the Australian Accounting Standards – Reduced Disclosure Requirements.

The Financial Statements were approved by the Board of Directors on 29 September 2015.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items in the statement of financial position:

- 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 Financial Statements are presented in Australian dollars, which is the Brotherhood's functional currency. All financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

d) Use of estimates and judgements

In preparing these Financial Statements in conformity with Australian Accounting Standards – Reduced Disclosure Requirements, management has made 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 prospectively.

(i) Change in employee benefit discount rate

During the reporting period the Brotherhood changed the discount rate used in its employee benefit liability calculation from the government bond rate to the high quality corporate bond rate and applied this change as a change in accounting estimate.

This change impacts the 'employee benefits' liability disclosed in the statement of financial position. The financial impact in the current year, upon application of this change in estimate, was not material to the financial statements.

e) Change in accounting policy

Except for the change below, the Brotherhood has consistently applied the accounting policies set out in note 3 to all periods presented in these Financial Statements.

The Brotherhood has adopted the following new amendments to standards, including any consequential amendments to other standards, with a date of initial application of 1 July 2014.

(i) Recoverable Amount Disclosures for Non-Financial Assets (Amendments to AASB136)

As a result of the amendments to AASB136, where appropriate, the Brotherhood has disclosed the recoverable amount of non-financial assets when an impairment is recognised or reversed during the period.

3 Significant accounting policies

The accounting policies set out below have been applied consistently to all periods presented in these Financial Statements.

a) Basis of consolidation

Investment in associates

Associates are those entities in which the Brotherhood has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when the Brotherhood 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.

NOTES TO THE FINANCIAL STATEMENTS

The Board has determined that the Brotherhood's interest in GoodStart Early Learning (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 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 does not currently have representation on the GoodStart Board.

The Board assesses the extent of its influence regarding its interest in GoodStart each year.

b) Foreign currency

Transactions in foreign currencies are translated into the respective functional currency of the Brotherhood at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date.

Foreign currency differences are generally recognised in profit or loss, except for differences arising from the translation of available-for-sale equity instruments, which are recognised in other comprehensive income.

c) Financial instruments

(i) Non-derivative financial assets and financial liabilities – recognition and derecognition

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

The Brotherhood 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 or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the transferred asset. Any interest in transferred financial assets that is created or retained by the Brotherhood is recognised as a separate asset or liability.

The Brotherhood 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 Brotherhood has a legal right to offset the amounts and intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(ii) Non-derivative financial assets – measurement

Non-derivative financial assets comprise loans and receivables, cash and cash equivalents and available-for-sale financial assets. Cash and cash equivalents comprise cash on hand, cash balances and at call deposits.

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.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Brotherhood in the management of its short term commitments.

Available-for-sale financial assets

The Brotherhood's investments in equity securities and 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 currency differences on available-for-sale debt instruments, are recognised in Other Comprehensive Income and presented in the Fair Value Reserve in Equity. When an investment is derecognised, the cumulative gain or loss in equity is reclassified to profit or loss.

(iii) Non-derivative financial liabilities – measurement

Non-derivative financial liabilities comprise trade and other payables and auspice and resident 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 any 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 expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the following:

- The cost of materials and direct labour.
- Any other costs directly attributable to bringing the assets to a working condition for their intended use.
- When the Brotherhood has an obligation to remove the assets or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located.
- Capitalised borrowing costs.

If significant 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.

(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 Brotherhood, 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 and calculated 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.

Items of property, plant and equipment are depreciated from the date that they are installed and ready for use or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

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

- | | |
|--------------------------|---------------|
| • buildings | 40 years |
| • plant and equipment | 7 to 10 years |
| • leasehold improvements | 3 to 10 years |

Depreciation methods, useful lives and residual values are reviewed at each reporting date and adjusted if appropriate.

e) Intangible assets

(i) Bed licences

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.

(ii) 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 is recognised in profit or loss as incurred.

f) Inventories

Inventories are measured at the lower of cost/replacement 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 production or conversion costs and other costs incurred in bringing them to their existing location and condition. Conversion costs for donated goods typically comprise the cost of sorting goods received. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of selling expenses.

NOTES TO THE FINANCIAL STATEMENTS

g) Impairment

(i) Non-derivative financial assets

Financial assets not classified at fair value through profit or loss are assessed at each reporting date to determine whether there is objective evidence of impairment. A financial asset is impaired if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset and that the loss event had an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes default or delinquency by a debtor, restructuring of an amount due to the Brotherhood on terms that the Brotherhood would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers, or 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 cost is objective evidence of impairment. The Brotherhood uses the criteria of nine months and a decline of 30% as its criteria for assessing impairment.

Financial assets measured at amortised cost

The Brotherhood considers evidence of impairment for these assets at both an individual asset and a collective level. All individually significant assets are individually assessed for impairment. Those found not to be impaired are then collectively assessed for any impairment that has been incurred but not yet individually identified. Assets that are not individually significant are collectively assessed for impairment by grouping together assets with similar risk characteristics.

In assessing collective impairment, the Brotherhood uses its historical knowledge of impairment in the specific program area and management's assessment of current economic and credit conditions in determining likely actual losses.

An impairment loss is calculated as the difference between an asset's carrying amount and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account. When the Brotherhood considers that there are no realistic prospects of the recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through the profit or loss.

Available-for-sale financial assets

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 assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity, to profit or loss. The amount reclassified is the difference between the acquisition cost and the current fair value, less any impairment loss previously recognised in profit or loss.

If the fair value of an impaired available-for-sale debt security subsequently increases and the increase can be related objectively to an event occurring after the impairment loss was recognised, then the impairment loss is reversed through profit or loss, otherwise it is reversed through other comprehensive income. 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

At each reporting date, the Brotherhood reviews the carrying amount of its non-financial assets, other than inventories, to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Intangible assets are tested annually for impairment.

For impairment testing, assets 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 CGUs. The recoverable amount of an asset or CGU 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.

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit (CGU) exceeds its recoverable amount. Impairment losses are recognised in profit or loss. They are allocated first to reduce the carrying amount of any goodwill allocated to the CGU and then to reduce the carrying amount of the other assets in the CGU on a pro rata basis.

For other assets, 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) Assets held for sale

Non-current assets are classified as held for sale if it is highly probable that they will be recovered primarily through sale rather than through continuing use. Immediately before classification as held for sale, the assets are remeasured in accordance with the Brotherhood'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 plans

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 expensed as the related service is provided.

(ii) Other long-term employee benefits

The Brotherhood's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs. That benefit is discounted to determine its present value. Remeasurements are recognised in profit or loss in the period in which they arise. Refer to note 2(d)(i) for change in employee benefit discount rate.

(iii) Termination benefits

Termination benefits are expensed at the earlier of when the Brotherhood can no longer withdraw the offer of those benefits and when the Brotherhood recognises cost for restructuring.

(iv) Short-term benefits

Short-term employee benefits are expensed as the related service is provided. A liability is recognised for the amount expected to be paid if the Brotherhood has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

j) Provisions

A provision is recognised if, as a result of a past event, the Brotherhood 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) Auspice and resident funds

The Brotherhood 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 'Auspice and resident funds'.

The Brotherhood holds accommodation bonds paid by some residents for permanent entry to its residential aged care facilities. The Brotherhood also holds funds on behalf of some residents for their personal expenses. These are both disclosed under 'Auspice and resident funds' in note 20.

l) Revenue

(i) Sale of goods

Revenue is measured at the fair value of the consideration received or receivable and net of returns and allowances. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, 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 Brotherhood 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 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 earned.

(iii) Bequests

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

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 Brotherhood's right to receive payment is established.

Finance costs comprise management fees on investments, interest expense and fees on borrowings, and net loss on disposal of available-for-sale financial assets. Interest expense is recognised using the effective interest method.

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.

NOTES TO THE FINANCIAL STATEMENTS

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

r) New standards issued but not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2014, and have not been applied in preparing these Financial Statements. Those which may be relevant to the Brotherhood are set out below. The Brotherhood does not plan to adopt these standards early.

AASB 9 *Financial Instruments* (2014)

AASB 9 (2009), approved in December 2014, replaces the existing guidance in AASB 139 *Financial Instruments: Recognition and Measurement*. AASB 9 includes revised guidance on the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets, and the new general hedge accounting requirements. It also carries forward the guidance on recognition and derecognition of financial instruments from AASB 139.

AASB 9 is effective for annual reporting periods beginning on or after 1 January 2018. The Brotherhood is assessing the potential impact on its financial statements resulting from the application of AASB 9.

AASB 15 *Revenue from Contracts with Customers*

AASB 15 establishes comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 *Revenue*, AASB 111 *Construction Contracts* and IFRIC 13 *Customer Loyalty Programmes*.

AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018. The Brotherhood is assessing the potential impact on its financial statements resulting from the application of AASB 15.

4 Determination of fair values

A number of the Brotherhood'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. The replacement cost value is the estimated amount for which a property can be replaced.

The highest and best use of fair value is considered for land and buildings based on whether the use of the asset by another market participant is physically possible, legally permissible and financially feasible.

(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.

5 Financial risk management

a) Interest rate risk

The Brotherhood uses a combination of variable and fixed rate bills within any bank borrowings to manage its interest rate risk. There are no bank borrowings owing at balance date.

b) Currency risk

The Brotherhood is not significantly exposed to currency risk.

c) Operational risk

The Brotherhood's Board of Directors has overall responsibility for the establishment and oversight of the Brotherhood's risk management framework.

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with the Brotherhood'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 Brotherhood operations.

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

The Brotherhood's risk management policies are established to identify and analyse the risks faced by the Brotherhood, to set appropriate risk limits and controls and adherence to limits. Risk

management policies and systems are reviewed regularly to reflect changes in market conditions and the Brotherhood's activities. The Brotherhood, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

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 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 summaries submitted to the Audit and Risk Management Committee and senior management of the Brotherhood.

6 Residential aged care operations

The following disclosure is in respect to the residential aged care operations RACS ID's 3307 and 3309 with Provider ID 486.

	2015 \$'000	2014 \$'000
Revenue	5,542	5,362
Depreciation	258	250
Result	(340)	(276)
Assets	15,434	15,656
Liabilities	6,248	6,130
Capital expenditure	43	173

7 Fundraising income

The following income excludes bequests.

	2015 \$'000	2014 \$'000
Total fundraising income	5,270	5,151
Less: specified fundraising income transferred to Service Activities	(2,842)	(2,810)
UNSPECIFIED FUNDRAISING INCOME	2,428	2,341

8 Bequest income

Bequest income includes the following:

	2015 \$'000	2014 \$'000
Cash bequests	4,122	2,226
Investment bequests	73	100
	4,195	2,326

NOTES TO THE FINANCIAL STATEMENTS

9 Assets held for sale

2014

In May 2014, the Brotherhood entered into a contract to sell 12 bed licences for \$300 thousand (less commission of \$9 thousand). The execution of the sale was dependant on the Department of Social Services ('Department') approving the transfer, the purchaser securing the appropriate finance and the purchaser receiving approved provider status from the Department. These conditions were not met at 30 June 2014.

2015

The above conditions of sale were not satisfied and the contract to sell expired in December 2014. Subsequently, the Brotherhood entered into a contract to sell the 12 bed licences to another purchaser for \$360 thousand (less commission of \$11 thousand). The sale was settled in May 2015.

	2015 \$'000	2014 \$'000
Bed licences	–	291
NET ASSETS HELD FOR SALE	–	291

10 Finance income and costs recognised in surplus

	2015 \$'000	2014 \$'000
Recognised in surplus		
Dividend income on available-for-sale financial assets	1,312	964
Interest income on available-for-sale financial assets	816	760
Trust income on available-for-sale financial assets	493	339
Imputation credit income	509	413
Interest income on bank deposits	211	197
Interest income from subordinated debt	674	1,004
Net gain on disposal of available-for-sale financial assets transferred from equity	574	560
Total finance income	4,589	4,237
Management expense	(239)	(225)
Total finance expense	(239)	(225)
NET FINANCE INCOME RECOGNISED IN SURPLUS	4,350	4,012

Recognised in other comprehensive income		
Net change in fair value of available-for-sale assets	(400)	2,720
NET FINANCE (COSTS)/INCOME RECOGNISED IN OTHER COMPREHENSIVE INCOME	(400)	2,720

11 Property, plant and equipment

	Land, buildings and leasehold improvements \$'000	Plant and equipment \$'000	Total \$'000
Fair value or cost			
Balance at 1 July 2014	56,829	4,102	60,931
Additions	768	121	889
Write offs	(155)	(127)	(282)
Transfers	(236)	236	-
BALANCE AT 30 JUNE 2015	57,206	4,332	61,538
Depreciation and impairment losses			
Balance at 1 July 2014	3,707	2,957	6,664
Depreciation for the year	929	370	1,299
Write offs	(75)	(127)	(202)
BALANCE AT 30 JUNE 2015	4,561	3,200	7,761
Carrying amounts			
At 1 July 2014	53,122	1,145	54,267
At 30 June 2015	52,645	1,132	53,777

Land and buildings were revalued based on independent valuations determined using market values and replacement cost values on 30 June 2013 by Armstrong Biggs Valuers Pty Ltd. The Directors have re-assessed the fair value of land, buildings and leasehold improvements again at 30 June 2015 and it has been assessed that no material adjustments to fair value are required as at 30 June 2015.

12 Intangible assets

	Bed licences \$'000
Balance at 1 July 2014	1,720
BALANCE AT 30 JUNE 2015	1,720
Carrying amounts	
At 1 July 2014	1,720
At 30 June 2015	1,720

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 2015 valuation of bed licences on external market evidence and the selling price of bed licences disposed of in May 2015. Refer to notes 3(e)(i) and 4(ii). The carrying value of the bed licences approximate the original deemed cost. Accordingly, there are no valuation reserves attached to bed licences.

NOTES TO THE FINANCIAL STATEMENTS

13 Investments

	2015 \$'000	2014 \$'000
Current investments—available-for-sale assets		
Equity securities	32,842	27,463
Debt securities	22,869	18,833
TOTAL, AT FAIR VALUE	55,711	46,296

Investments within the available-for-sale (AFS) financial asset class were reviewed for impairment at balance date. The Directors have assessed that no material impairment adjustment is required in 2014–15 (2013–14 \$nil).

14 Inventories

	2015 \$'000	2014 \$'000
Finished goods	656	736
INVENTORIES STATED AT LOWER OF COST AND NET REALISABLE VALUE	656	736

At 30 June 2015 there was no write-down of inventories to net realisable value (2014: \$nil).

15 Trade and other receivables

	2015 \$'000	2014 \$'000
Current		
Trade receivables	1,638	5,054
Non trade receivables	-	392
Other receivables and prepayments	1,846	1,352
TOTAL	3,484	6,798
Non-current receivable		
GoodStart Early Learning subordinated debt	3,354	6,731
TOTAL	3,354	6,731

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

Impairment losses

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

	2015 \$'000	2014 \$'000
Balance at 1 July	1	6
Impaired receivables written off	(1)	(5)
Impairment loss recognised	6	-
BALANCE AT 30 JUNE	6	1

16 GoodStart Early Learning subordinated debts

GoodStart Early Learning 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.

In 2009–10, the Brotherhood of St Laurence provided \$2.5 million in cash to contribute to the purchase price and in return 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 capitalised on the outstanding principal. Whilst repayment of the loan note and accrued interest was not due until the end of the term, the loan and the related accrued interest was fully repaid by GoodStart in October 2014.

In 2009–10, 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 capitalised on the outstanding principal. Whilst interest is only required to be repaid at the time of the bullet repayment, GoodStart commenced repayment of interest during 2012–13.

The loans are disclosed as non-current receivables and as at 30 June 2015 have a balance of \$3.354 million (2014: \$6.731 million) comprising \$2.5 million Members' Deeply Subordinated Notes principal and \$0.854 million capitalised interest.

17 Cash and cash equivalents

	2015 \$'000	2014 \$'000
Cash on hand	43	41
Cash at bank	11,234	6,130
Call deposits	2,590	2,891
Cash management accounts	3,856	1,655
CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS	17,723	10,717

The deposits have an average maturity of 90 days (2014: 90 days).

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 investments are derecognised or impaired.

Asset revaluation reserve

The Asset Revaluation Reserve represents the net revaluation increment in respect of property.

NOTES TO THE FINANCIAL STATEMENTS

19 Trade and other payables

	2015 \$'000	2014 \$'000
Current		
Trade payables	2,120	1,682
Non-trade payables and accrued expenses	2,564	1,042
TOTAL	4,684	2,724

20 Auspice and resident funds

	2015 \$'000	2014 \$'000
Residents	96	124
Accommodation bonds—aged care	2,355	2,334
External entities *	232	203
Other	76	32
TOTAL	2,759	2,693

*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

	2015 \$'000	2014 \$'000
Current		
Salaries and wages accrued	1,015	1,311
Liability for long service leave	1,745	1,574
Liability for annual leave	2,736	2,533
TOTAL EMPLOYEE BENEFITS—CURRENT	5,496	5,418
Non-current		
Liability for long service leave	350	325
TOTAL EMPLOYEE BENEFITS—NON-CURRENT	350	325

The Brotherhood has paid contributions of \$2.87 million to defined contributions plans on behalf of employees for the ended 30 June 2015 (2014: \$2.619 million).

22 Deferred income

	2015 \$'000	2014 \$'000
Current		
Specified donations	2,880	2,466
Government grants and project funds in advance	17,212	13,855
TOTAL	20,092	16,321

23 Operating leases

Leases as lessee

The future minimum lease payments under non-cancellable operating lease rentals are payable as follows:

	2015 \$'000	2014 \$'000
Less than one year	3,134	3,550
Between one and five years	4,692	4,852
More than five years	910	956
TOTAL	8,736	9,358

Operating lease commitments relate to property rentals and to the lease of motor vehicles, computers and office equipment. The leases typically have an average term of approximately three years, several with options to renew the lease after end of the original lease period. Several leases provide for increases in future payments which are based on changes in the local price index.

During the year ended 30 June 2015, an amount of \$4.374 million (2014: \$4.427 million) was recognised as an operating lease expense in the statement of profit or loss and other comprehensive income.

24 Related parties

Transactions with related parties

There were no transactions with related parties during the year.

Transactions with key management personnel

There were no Directors or other members of key management personnel that had control over the Brotherhood's operations.

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

Key management personnel compensation

No salaries, compensations or other benefits were paid or are payable to the Directors in their capacity as Board Members. The key management personnel compensation was \$2.11 million for the year ended 30 June 2015 (2014: \$2.01 million).

DIRECTORS' DECLARATION

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

- (a) the Brotherhood is not publicly accountable;
- (b) the financial statements and notes that are set out on pages 9 to 25, are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*; including:
 - (i) giving a true and fair view of the Brotherhood's financial position as at 30 June 2015 and of its performance, for the financial year ended on that date;
 - (ii) complying with Australian Accounting Standards – Reduced Disclosure Regime and the Australian Charities and Not-for-profits Commission Regulation 2013; and
 - (iii) comply with the *Brotherhood of St Laurence (Incorporation) Act 1971 (Vic)* and the Brotherhood of St Laurence's Constitution; and
- (c) 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:



The Hon. Rob Knowles AO

Chair, Board of Directors



Tony Nicholson

Executive Director

Dated at Melbourne on this 29th day of September 2015

INDEPENDENT AUDITOR'S 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 (the Entity), which comprises the statement of financial position as at 30 June 2015, and statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, notes 1 to 24 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Entity.

This audit report has also been prepared for the members of the Entity in pursuant to *Australian Charities and Not-for-profits Commission Act 2012* and the *Australian Charities and Not-for-profits Commission Regulation 2013 (ACNC)*.

Directors' responsibility for the financial report

The Directors of the Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the ACNC. The Directors' responsibility also includes such internal control as the Directors determine necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement whether due to fraud or error.

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 of the financial report that gives a true and fair view 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 gives a true and fair view, in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, and the ACNC, a true and fair view which is consistent with our understanding of the Entity's financial position and of its performance.

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 Charities and Not-for-profits Commission Act 2012*.

Auditor's opinion

In our opinion, the financial report of the Brotherhood of St Laurence is in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* including:

- (a) giving a true and fair view of the Entity's financial position as at 30 June 2015 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the *Australian Charities and Not-for-profits Commission Regulation 2013*.

KPMG

Tony Batsakis
Partner

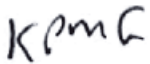
Melbourne
29 September 2015

AUDITOR'S INDEPENDENCE DECLARATION UNDER SUBDIVISION 60-C SECTION 60-40 OF AUSTRALIAN CHARITIES AND NOT-FOR-PROFITS COMMISSION ACT 2012

To: the directors of the Brotherhood of St Laurence

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2015 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



KPMG



Tony Batsakis
Partner

Melbourne
29 September 2015



Brotherhood
of St Laurence

Working for an Australia free of poverty

FINANCIAL REPORT 2015

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