



Brotherhood
of St Laurence

FINANCIAL REPORT 2016



CONTENTS

Organisational information	2
Directors' report	3
Statement of financial position	9
Statement of profit or loss and other comprehensive income	10
Statement of changes in equity	11
Statement of cash flows	12
Notes to the financial statements	13
Directors' declaration	26
Independent auditor's report	27
Lead auditor's independence declaration	28

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 2015 to 30 June 2016. 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 2016 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 2015–16 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 Most Revd Dr Philip Freier

(Non-executive Chair from November 2015)

In 2006 Philip Leslie Freier became the 13th Anglican Archbishop of Melbourne and in 2014 the Anglican Primate of Australia. He has a PhD from James Cook University, a Master of Educational Studies from the University of Newcastle, a Bachelor of Divinity from the Melbourne College of Divinity, a Diploma of Education from the University of Queensland and a Bachelor of Applied Science from the Queensland Institute of Technology. He is a Fellow of the Australian Institute of Company Directors.

From 1999 to 2006 The Most Revd Dr Philip Freier was Bishop of the Northern Territory; he has a particular concern for Indigenous people and as Archbishop, has worked to bring about reconciliation. He has advocated for a new social contract for Australia, upholding a vision of the common good in which there is a sense of mutual obligation to one another and responsibility for one another. Chair, Brotherhood Nominations and Remuneration Committees (from November 2015). The Most Revd Dr Philip Freier was appointed to the Brotherhood Board in November 2015.

The Hon. Rob Knowles AO

(Non-executive Chair to November 2015)

Commissioner with the National Mental Health Commission. Previously Commissioner, National Health and Hospital Reform Commission. Former Victorian Minister for Health, Aged Care and Housing. Chair, Brotherhood Nominations and Remuneration Committees (to November 2015). Former member, Brotherhood Finance Committee. Appointed to the Brotherhood Board in December 2005, took up the position in March 2006, reappointed in December 2010. Appointed Chair in December 2014, term finished November 2015.

Mr Mike James BCom (Deputy Chair)

Fellow, Institute of Chartered Accountants. Member, Certified Practising Accountants of Australia. Graduate member of Australian Institute of Company Directors. Retired Partner, PricewaterhouseCoopers Australia. Chair, Social Traders Limited. Chair of the David Scott School Committee (from June 2016). Member, Brotherhood Audit and Risk Management Committee and Remuneration Committee. Former Chair, Brotherhood Finance Committee. Appointed to the Brotherhood 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, Remuneration, Nominations and Social Enterprises Committees. Appointed to the Brotherhood Board in October 2004.

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

Member of the Parish Council of St Peters Anglican Church, Melbourne. Member of the 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); Professor of Education and Associate Dean (Teaching and Learning) of the combined faculties of Economics, Commerce, Education and Law at The University of Western Australia; Director of the Centre of School Decision Making and Management, Monash University. Member, Brotherhood Nominations Committee. Appointed to the Brotherhood Board in November 2012.

Mr Stephen Grant Grad Dip (Marketing), FCA (to November 2015)

Chief Executive Officer, Asia Pacific Business Coalition on AIDS (APBCA). Previously CEO, Victorian Transport Accident Commission (TAC). Previously Chair, Alfred Health; Chair, Victorian Trauma Foundation (VTF); Managing Director, Laura Ashley PLC (UK). Chair, Brotherhood Social Enterprises Committee (to November 2015). Appointed to the Brotherhood Board in April 2009 and reappointed in December 2014. Resigned from the Brotherhood Board November 2015.

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

Vicar, St Peter's Eastern Hill. Area Dean, Diocese of Melbourne. Co-director, Kempster Consultants. Adjunct Faculty Member, Trinity College Theological School, University of Divinity. Previously Senior Chaplain, Geelong Grammar School; Vicar, Parish of St Columba, Auckland, New Zealand. Appointed to the Brotherhood Board in November 2012.

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

Vice-Chancellor's Senior Research Fellow, Centre for Sustainable Organisations and Work, RMIT University. Previously Executive Director, Equity Research Centre; Director, Victorian Welfare Rights Unit; Director, Wesley Mission Victoria; Director, AFL SportsReady Group Training Company. Appointed to the Brotherhood 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 and Chair Risk and Audit for the Victorian Government's Metropolitan Planning Authority. Non-Executive Director and Chair of Finance, Assurance and Risk Management Committee of South East Water. Previously Non-Executive Director, Deputy Chair and then Chair of Victorian Abalone Central Zone the Victorian Government's Interim Board; CEO of Abalone Victoria (Central Zone); Non-Executive Director, Ruyton Girls School; Non-

DIRECTORS' REPORT

Executive Director and Deputy Chair Waverley Industries (an Adult Disability Enterprise); Director Policy, Business Council of Australia; DLO Taxation Adviser Federal Treasurer's Office; Federal Treasury Economist; Policy Adviser in State Government central and line agency roles and a consultant. Member, Brotherhood Finance Committee. Member, David Scott School Committee (from June 2016). Appointed to the Brotherhood 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. Director and Chair of Audit Committee, Independence Australia. Chair, Brotherhood Finance Committee. Appointed to the Brotherhood Board in December 2013.

The Revd Dr Richard Treloar BTheol (MCD), TheoIM (MCD), PhD (Monash) (to April 2016)

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 Brotherhood Board in December 2014. Resigned from the Brotherhood Board in April 2016.

Mr Mike Tucker BBm, MAICD, AFAIM (from February 2016)

Co-author of *Professional Purchasing and Materials Management in Practice* and author of eight Supply Chain training manuals. Awarded a fellow of Australian Institute of Purchasing and Supply Management and a founding member of The Chartered Institute of Purchasing and Supply Australasia. Previously led Supply Chain Governance and Excellence group for a Chinese State Owned Enterprise. Member (Chair from February 2016) of Brotherhood Social Enterprises Committee. Appointed to the Brotherhood Board in February 2016.

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; Non-executive Director of East Ivanhoe Community Bank for three years; 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 in the table below.

4 Principal activities

The principal activities of the Brotherhood during the course of the financial year 2015–16 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.

	Directors' meetings		Finance		Audit and Risk Management		Social Enterprises	
	Attended	Held*	Attended	Held*	Attended	Held*	Attended	Held*
Number of meetings held during the year		10		10		4		4
The Most Revd Dr Philip Freier	5	5	-	-	-	-	-	-
The Hon. Rob Knowles	4	5	-	-	-	-	-	-
Mr Mike James	9	10	-	-	4	4	-	-
Mr Tony Nicholson	9	10	7	10	3	4	4	4
Professor Judith Chapman AM	9	10	-	-	-	-	-	-
Mr Stephen Grant	1	5	-	-	-	-	2	2
The Revd Dr J Hugh Kempster	10	10	-	-	-	-	-	-
Dr Fiona Macdonald	9	10	-	-	-	-	-	-
Ms Freya Marsden	4	8	5	7	-	-	-	-
Ms Catherina Toh	9	10	10	10	-	-	-	-
The Revd Dr Richard Treloar	6	7	-	-	-	-	-	-
Mr Mike Tucker	4	4	-	-	-	-	2	2

* Held while the Board Member was eligible to attend.

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

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

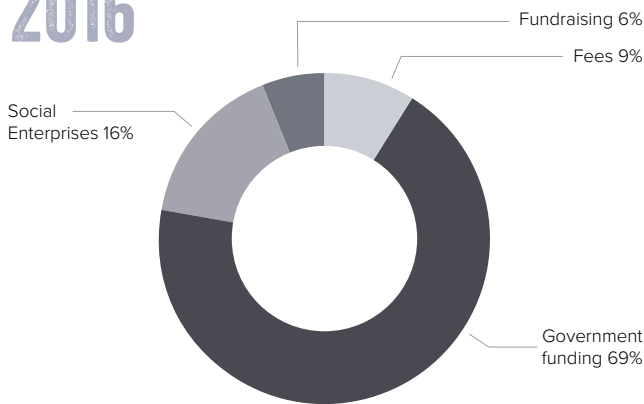
The surplus for the year is \$0.5 million compared to \$3.4 million in 2014–15. This result is mainly due to a \$2.4 million decrease in bequest income and a \$0.5 million increase in the deficit from operating activities. The operating deficit is \$5.6 million in 2015–16, which is higher than 2014–15 due to an increased investment in Youth programs, partly offset by a higher net contribution from Fundraising.

Total donations, excluding bequests, were \$4.9 million in 2015–16 (2014–15: \$5.3 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 graphically below. Total operating revenue has increased by 10% since 2014–15 which is largely due to an increase in government funding. The 4 percentage points increase in Children, Youth and Families expenditure reflects the increased investment in Youth programs and the increase in activity in the HIPPIY Australia program, which is fully funded by the additional government funding received. Although the percentage of operating funds used by Retirement, Ageing and Financial Inclusion has decreased by 5 percentage points, the net amount of funds invested in this area has remained relatively stable.

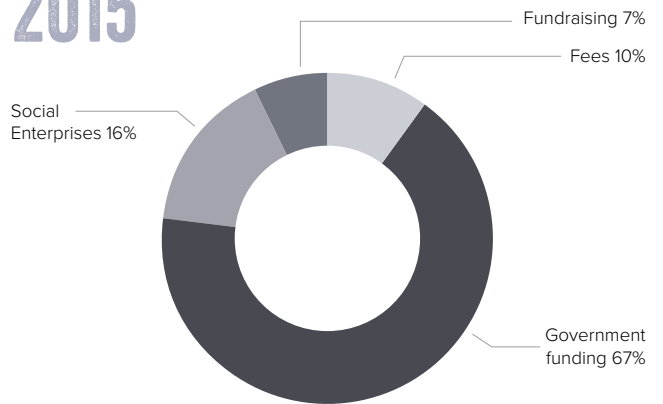
WHERE OUR OPERATING FUNDS CAME FROM

2016



WHERE OUR OPERATING FUNDS CAME FROM

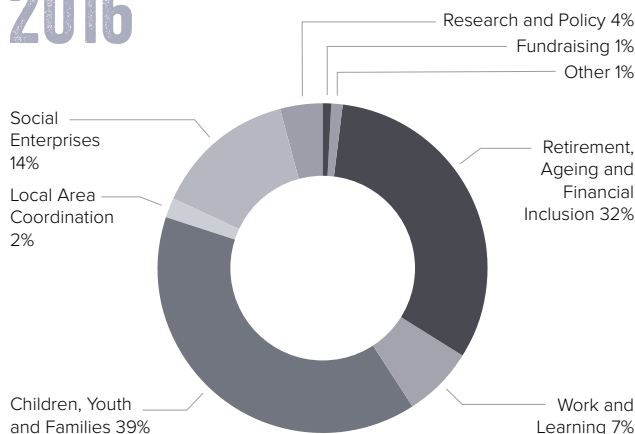
2015



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.

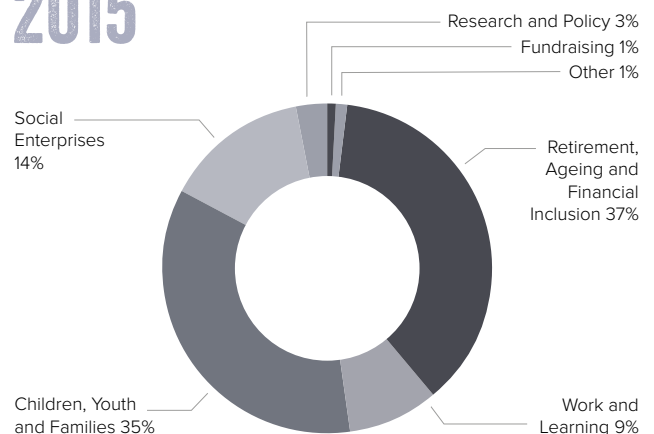
WHERE OUR OPERATING FUNDS WERE SPENT

2016



WHERE OUR OPERATING FUNDS WERE SPENT

2015



DIRECTORS' REPORT

Review of financial condition

The total equity of the organisation increased by \$4.1 million from 1 July 2015, to \$107.2 million as at 30 June 2016. This increase is due to a land and buildings revaluation increment of \$6.1 million and the \$0.5 million surplus for the year, partly offset by a \$2.5 million decrease in the market value of investments.

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 2015–16 financial year were:

Ms Joanna Baevski
 Ms Diana Batzias
 Ms Cath Bradley
 Mr David Buxbaum (to December 2015)
 Professor Jan Carter (from November 2015)
 Emeritus Professor Judith Chapman AM
 Ms Celia Clarke
 The Revd Barbara Colliver
 The Revd Don Edgar
 Ms Christine Edwards
 The Rt Revd David Farrer
 Mr William Ford (to December 2015)
 The Most Revd Dr Philip Freier (from November 2015)
 Mr Stephen Grant (to November 2015)
 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
 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
 Dr Nouria Salehi OAM
 Ms Fiona Smith
 The Revd Clemence Taplin

Mr Evan Thornley (to November 2015)

Ms Catherina Toh

The Revd Dr Richard Treloar

Mr David Triplow APM

Mr Mike Tucker (from February 2016)

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 (deceased March 2016)

The Rt Revd Dr Peter Hollingworth AC OBE

The Hon. Professor Brian Howe AO

Ms Elizabeth Loftus

Ms Alison McClelland AO

Father James Minchin

Mr Ian Reid

The Rt Revd Andrew St John

Ms Jenny Trethewey

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 nine 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), Guy Mendelson, Mike James, Malcolm Haynes, Maree McCabe (from March 2016) 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 Catherina Toh (Committee Chair), Catherine McKean (leave of absence), Tony Hallam, Zac Hatzantonis (from October 2015), Freya Marsden 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 the Hon. Rob Knowles (Committee Chair to November 2015), the Most Revd Dr Philip Freier (Member and Committee Chair from November 2015), Sandy Clark, Emeritus Professor Judith Chapman, Jenny Trethewey 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 the Hon. Rob Knowles (Committee Chair to November 2015), the Most Revd Dr Philip Freier (Member and Committee Chair from November 2015), 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 to November 2015), Mike Tucker (Committee Chair from February 2016), David Errington, Joe Gehrig and Tony Nicholson. The Committee meets at least three times a year.

Other committees

A number of other committees or workgroups are established by the Board from time to time to oversee a particular task or project. These committees operate only for the period of time required to complete the task or project, and are not ongoing Board sub-committees.

Executive team

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

Mr Tony Nicholson, Executive Director

Ms Victoria Carmody, General Manager Children, Youth and Families (to September 2015)

Ms Katrina Currie, General Manager Work and Learning

Ms Mara Erhardt-Rumpe, General Manager Service Development (from April 2016)

Ms Farah Farouque, Principal Advisor, Public Affairs and Policy

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

Ms Alison Hill, General Manager Community Relations (from December 2015)

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, 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 to April 2016), General Manager Local Area Coordination Service (from April 2016).

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

DIRECTORS' REPORT

activities of the Brotherhood. In particular, the Audit and Risk Management Committee and the Board consider all significant risks, their implications and strategies, and the Finance Committee oversees the financial affairs of the organisation.

Independent professional advice

The Board, its sub-committees, 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, Rigby Cooke and HWL Ebsworth Lawyers; Pitcher Partners; Deutsche Bank and JBWere; and KPMG, respectively. Some 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, 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 Pitcher Partners 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 2016.

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 Victorian Government's 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 has performed other services in addition to the audit of the financial statements. These services were in regard to the Home Energy Efficiency Upgrade Project (\$9,000) and the Youth Foyer program (\$45,370).

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 2016.

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 Most Revd Dr Philip Freier

Chair, Board of Directors



Tony Nicholson

Executive Director

Dated at Melbourne on this 27th day of September 2016

STATEMENT OF FINANCIAL POSITION

As at 30 June 2016

	Note	2016 \$'000	2015 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	16	18,201	17,723
Trade and other receivables	14	4,074	3,484
Inventories	13	779	656
Investments	12	55,389	55,711
Total current assets		78,443	77,574
Non-current assets			
Property, plant and equipment	10	59,596	53,777
Intangible assets	11	1,720	1,720
Trade and other receivables	14	3,364	3,354
Total non-current assets		64,680	58,851
TOTAL ASSETS		143,123	136,425
LIABILITIES			
Current liabilities			
Trade and other payables	18	5,292	4,684
Auspice and resident funds	19	2,330	2,759
Employee benefits	20	6,236	5,496
Deferred income	21	21,660	20,092
Total current liabilities		35,518	33,031
Non-current liabilities			
Employee benefits	20	454	350
Total non-current liabilities		454	350
TOTAL LIABILITIES		35,972	33,381
NET ASSETS		107,151	103,044
EQUITY			
Accumulated surplus		71,533	71,071
Reserves		35,618	31,973
TOTAL EQUITY		107,151	103,044

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 2016

	Note	2016 \$'000	2015 \$'000
REVENUE			
Service activities			
Work and Learning		5,128	4,952
Retirement, Ageing and Financial Inclusion		27,796	28,678
Children, Youth and Families		28,623	23,623
Local Area Coordination		1,498	-
Research and Policy		1,338	513
Other activities			
Fundraising	7	2,688	2,428
Social Enterprises:			
- Sales of goods		7,893	6,854
- Services		3,467	4,006
Other revenue and income		354	399
Revenue and other income from operating activities		78,785	71,453
EXPENSES			
Service activities			
Work and Learning		6,266	6,639
Retirement, Ageing and Financial Inclusion		27,437	28,341
Children, Youth and Families		32,652	26,528
Local Area Coordination		1,498	-
Research and Policy		3,126	2,498
Other activities			
Fundraising		833	1,151
Cost of goods of Social Enterprises sales		1,554	1,236
Social Enterprises expenses		10,216	9,698
Other expenses		801	456
Expenses for operating activities		84,383	76,547
DEFICIT FROM OPERATING ACTIVITIES		(5,598)	(5,094)
Finance income		4,636	4,589
Finance expenses		(255)	(239)
Net finance income	9	4,381	4,350
Bequests income	8	1,791	4,195
Bequests costs		(112)	(82)
Net bequests		1,679	4,113
SURPLUS		462	3,369
Other comprehensive income			
Items that will never be reclassified to profit or loss:			
Net change in fair value of property	10	6,095	-
Items that may be reclassified to profit or loss:			
Net change in fair value of available-for-sale assets		(2,450)	(400)
Other comprehensive income		3,645	(400)
TOTAL COMPREHENSIVE INCOME		4,107	2,969

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 2016

	Accumulated surplus \$'000	Asset revaluation reserve \$'000	Fair value reserve \$'000	Total \$'000
Balance at 1 July 2014	67,702	28,692	3,681	100,075
TOTAL COMPREHENSIVE INCOME				
Surplus	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	3,369	-	(400)	2,969
BALANCE AT 30 JUNE 2015	71,071	28,692	3,281	103,044
Balance at 1 July 2015	71,071	28,692	3,281	103,044
TOTAL COMPREHENSIVE INCOME				
Surplus	462	-	-	462
Other comprehensive income				
Net change in fair value of available-for-sale assets	-	-	(2,450)	(2,450)
Net change in fair value of property	-	6,095	-	6,095
Total other comprehensive income	-	6,095	(2,450)	3,645
Total comprehensive income	462	6,095	(2,450)	4,107
BALANCE AT 30 JUNE 2016	71,533	34,787	831	107,151

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 2016

	Note	2016 \$'000	2015 \$'000
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		87,830	86,050
Cash paid to suppliers and employees		(89,943)	(81,077)
NET CASH (USED IN)/FROM OPERATIONS		(2,113)	4,973
Bequests income	8	1,713	4,122
Bequests costs		(112)	(82)
Dividend, interest, trust and imputation credit income		4,158	4,808
NET CASH FROM OPERATING ACTIVITIES		3,646	13,821
CASH FLOW FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(1,503)	(889)
Proceeds from sale of bed licences		-	349
Proceeds from sale of equity investment		-	393
Acquisition of available-for-sale investments		(20,153)	(22,305)
Proceeds from sale of available-for-sale investments		18,488	13,137
NET CASH USED IN INVESTING ACTIVITIES		(3,168)	(9,315)
CASH FLOW FROM FINANCING ACTIVITIES			
Receipt of subordinated debt		-	2,500
NET CASH FROM FINANCING ACTIVITIES		-	2,500
Net increase in cash and cash equivalents		478	7,006
Cash and cash equivalents at 1 July		17,723	10,717
CASH AND CASH EQUIVALENTS AT 30 JUNE	16	18,201	17,723

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 27 September 2016.

b) Basis of measurement

The financial statements have been prepared on the historical cost basis except for the following material items which are measured on an alternative basis on each reporting date:

- 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, management has made judgements, estimates and assumptions that affect the application of Brotherhood's 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.

e) Change in accounting policy

The Brotherhood has consistently applied the accounting policies set out in note 3 to all periods presented in these Financial Statements.

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

Interests 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. Interests in associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost.

The Board has determined that the Brotherhood's interest in GoodStart Early Learning (refer to note 15) 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 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. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

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

Non-derivative financial assets comprise loans and receivables, cash and cash equivalents and available-for-sale financial assets.

(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 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 such derecognised 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 currently has a legally enforceable 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

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 on hand, 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 expenditure

Subsequent expenditure is only capitalised if it is probable that the future economic benefits associated will flow to the Brotherhood.

(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.

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, the disappearance of an active market for a security or observable data indicating that there is a measurable decrease in the expected cash flows from a group of financial assets. 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.

NOTES TO THE FINANCIAL STATEMENTS

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. Impairment losses recognised in profit or loss for an investment in an available-for-sale equity security is not reversed through profit or loss.

(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 cash generating units (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 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.

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.

(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' in note 19.

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 19.

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.

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 2015, 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 includes revised guidance on the classification and measurement of financial instruments, 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 with early adoption permitted. 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 a 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 with early adoption permitted. The Brotherhood is assessing the potential impact on its financial statements resulting from the application of AASB 15.

AASB 16 *Leases*

AASB 16 removes the lease classification test for lessees and requires all leases (including operating leases) to be brought into the balance sheet. The definition of a lease is also amended and is now the new on/off balance sheet test for lessees. Short-term leases, less than 12 months, and leases of low value assets are exempt from the lease accounting requirements.

AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019 with early adoption permitted where AASB 15 *Revenue from Contracts with Customers* is adopted at the same time. The Brotherhood is assessing the potential impact on its financial statements resulting from the application of AASB 16.

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 land is valued using the market approach. 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 buildings are valued using the cost approach. The cost approach considers the depreciated replacement cost of buildings.

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 policy and practices are established to identify and analyse the risks faced by the Brotherhood, to set appropriate risk limits and controls and adherence to limits. The risk management policy, practices 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.

d) Other market price risk

The Brotherhood is exposed to equity price risk, which arises from available-for-sale equity securities held as investments. The Brotherhood Finance and Investment Committee is responsible for setting the organisation's investment strategy and ensuring this is adhered to through compliance with its investment policy. The proportion of equity securities in its investment portfolio is determined by the asset allocation strategy within the investment policy.

The broad objective of the Brotherhood's investment strategy is to maximise real returns but to achieve this within appropriate risk and liquidity constraints. The Finance and Investment Committee and management are assisted by external investment advisors.

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.

	2016 \$'000	2015 \$'000
Revenue	5,705	5,542
Depreciation	248	258
Result	(404)	(340)
Assets	17,304	15,434
Liabilities	6,466	6,248
Capital expenditure	26	43

7 Fundraising income

The following income excludes bequests.

	2016 \$'000	2015 \$'000
Total fundraising income	4,853	5,270
Less: specified fundraising income transferred to Service Activities	(2,165)	(2,842)
UNSPECIFIED FUNDRAISING INCOME	2,688	2,428

8 Bequest income

Bequest income includes the following:

	2016 \$'000	2015 \$'000
Cash bequests	1,713	4,122
Investment bequests	78	73
	1,791	4,195

9 Finance income and costs recognised in surplus

	2016 \$'000	2015 \$'000
Recognised in surplus		
Dividend income on available-for-sale financial assets	2,062	1,312
Interest income on available-for-sale financial assets	513	816
Trust income on available-for-sale financial assets	496	493
Imputation credit income	620	509
Interest income on bank deposits	44	211
Interest income from subordinated debt	516	674
Net gain on disposal of available-for-sale financial assets transferred from other comprehensive income	385	574
Total finance income	4,636	4,589
Management expense	(255)	(239)
Total finance expense	(255)	(239)
NET FINANCE INCOME RECOGNISED IN SURPLUS	4,381	4,350

10 Property, plant and equipment

	Land, buildings and leasehold improvements \$'000	Plant and equipment \$'000	Total \$'000
Fair value or cost			
Balance at 1 July 2015	57,206	4,332	61,538
Additions	844	659	1,503
Write offs	(56)	(10)	(66)
Revaluation	6,095	-	6,095
Transfers	(36)	36	-
BALANCE AT 30 JUNE 2016	64,053	5,017	69,070
Depreciation and impairment losses			
Balance at 1 July 2015	4,561	3,200	7,761
Depreciation for the year	1,209	570	1,779
Write offs	(56)	(10)	(66)
BALANCE AT 30 JUNE 2016	5,714	3,760	9,474
Carrying amounts			
At 1 July 2015	52,645	1,132	53,777
At 30 June 2016	58,339	1,257	59,596

Land and buildings were revalued based on independent valuations determined using market values on 30 June 2016 by Armstrong Biggs Valuers Pty Ltd.

11 Intangible assets

	Bed licences \$'000
Balance at 1 July 2015	1,720
BALANCE AT 30 JUNE 2016	1,720
Carrying amounts	
At 1 July 2015	1,720
At 30 June 2016	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 2016 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.

12 Investments

	2016 \$'000	2015 \$'000
Current investments—available-for-sale assets		
Equity securities	30,864	32,842
Debt securities	24,525	22,869
TOTAL, AT FAIR VALUE	55,389	55,711

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 2015–16 (2014–15 \$nil).

13 Inventories

	2016 \$'000	2015 \$'000
Finished goods	779	656
INVENTORIES STATED AT LOWER OF COST AND NET REALISABLE VALUE	779	656

At 30 June 2016 there was no write-down of inventories to net realisable value (2015: \$nil).

14 Trade and other receivables

	2016 \$'000	2015 \$'000
Current – loans and receivables		
Trade receivables	2,076	1,638
Other receivables and prepayments	1,998	1,846
TOTAL	4,074	3,484
Non-current receivable – loans and receivables		
GoodStart Early Learning subordinated debt	3,364	3,354
TOTAL	3,364	3,354

Refer to note 15 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:

	2016 \$'000	2015 \$'000
Balance at 1 July	6	1
Impaired receivables written off	-	(1)
Impairment loss recognised	1	6
BALANCE AT 30 JUNE	7	6

15 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 loan is disclosed as a non-current receivable and as at 30 June 2016 has a balance of \$3.364 million (2015: \$3.354 million) comprising \$2.5 million Members' Deeply Subordinated Notes principal and \$0.864 million capitalised interest.

16 Cash and cash equivalents

	2016 \$'000	2015 \$'000
Cash on hand	37	43
Cash at bank	10,925	11,234
Call deposits *	2,246	2,590
Cash management accounts	4,993	3,856
CASH AND CASH EQUIVALENTS IN THE STATEMENT OF CASH FLOWS	18,201	17,723

* The deposits at call can be recalled within three months or less. Included in this is an amount of \$2.042 million, representing cash from accommodation bonds, which the Brotherhood is allowed to use to fund the operations of its residential aged care facilities.

17 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 separate classes of property.

18 Trade and other payables

	2016 \$'000	2015 \$'000
Current – amortised cost		
Trade payables	2,578	2,120
Non-trade payables and accrued expenses	2,714	2,564
TOTAL	5,292	4,684

19 Auspice and resident funds

	2016 \$'000	2015 \$'000
Residents	96	96
Refundable accommodation deposits—aged care	1,960	2,355
External entities *	187	232
Other	87	76
TOTAL	2,330	2,759

* 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.

20 Employee benefits

	2016 \$'000	2015 \$'000
Current		
Salaries and wages accrued	1,490	1,015
Liability for long service leave	1,912	1,745
Liability for annual leave	2,834	2,736
TOTAL EMPLOYEE BENEFITS—CURRENT	6,236	5,496
Non-current		
Liability for long service leave	454	350
TOTAL EMPLOYEE BENEFITS—NON-CURRENT	454	350

The Brotherhood has paid contributions of \$3.11 million to defined contributions plans on behalf of employees for the year ended 30 June 2016 (2015: \$2.87 million).

21 Deferred income

	2016 \$'000	2015 \$'000
Current		
Specified donations	2,380	2,880
Government grants and project funds in advance	19,280	17,212
TOTAL	21,660	20,092

22 Operating leases

Leases as lessee

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

	2016 \$'000	2015 \$'000
Less than one year	3,390	3,134
Between one and five years	5,126	4,692
More than five years	841	910
TOTAL	9,357	8,736

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 2016, an amount of \$4.448 million (2015: \$4.374 million) was recognised as an operating lease expense in the statement of profit or loss and other comprehensive income.

23 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 or joint 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 \$2.13 million for the year ended 30 June 2016 (2015: \$2.11 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 2016 and of its performance, for the financial year ended on that date;
 - (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Australian Charities and Not-for-profits Commission Regulation 2013; and
 - (iii) complying 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 Most Revd Dr Philip Freier

Chair, Board of Directors



Tony Nicholson

Executive Director

Dated at Melbourne on this 27th day of September 2016

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 2016, 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 23 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 2016 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
27 September 2016

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 2016 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
27 September 2016



Brotherhood
of St Laurence

Working for an Australia free of poverty

**FINANCIAL
REPORT
2016**

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