

Annual  
Financial  
Report  
2007



**The Benevolent Society** ABN 95 084 695 045  
**Annual financial report - 30 June 2007**

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This financial report covers The Benevolent Society. The financial report is presented in the Australian currency.

The Society is a company limited by guarantee, incorporated and domiciled in Australia. Its registered place of business is:

The Benevolent Society  
Level 1, 188 Oxford Street  
Paddington NSW 2021

A description of the nature of the Society's operations and its principal activities is included in the review of operations and activities in the Directors' report.

The financial report was authorised for issue by the directors on 16 October 2007. The company has the power to amend and reissue the financial report.

## Directors

Bill Webster F Fin MAICD  
*President*

Philip Myles FCPA, AICA  
*Vice President*

Sam Weiss, AB Harvard University, MS Columbia Business School, FAICD  
*Vice President*

Robert Fitzgerald AM, B Com, LLB

Tanya Gilerman BEc, CA, MAICD  
*Honorary Treasurer*

Margaret Hetherton MA, Dip Soc Wk, Dip Soc Res

Denise Lynch B Soc Wk, M Crim

Gary Moore B Soc Wk, M Mgt

Julie Rosenberg LLB (Hons), LLM (Hons)

Simone Schwarz BA M App Social Research

## Secretary

Sheri Norton BEc, MLS (CommLaw)

## Chief Executive Officer

Richard Spencer LLB, MProfEthics

## Chief Financial Officer

Wendy Miller BEc, CA

## General Managers

### Operations

Maree Walk B Soc Wk

### Social Initiatives

Keith Bryant BEc, LLB, MBA

### Social Policy & Research

Annette Michaux BA (Hons), B Soc Wk (Hons), M Ed

### Human Resources

Kerri-ann Jones BA, Grad Dip Ed, Grad Dip HRM, Grad Dip ATSSIS

### Ageing

Barbara Squires B Soc Stud (Hons)

## Senior Managers

### Ageing Residential

Catherine Wallace RN, Grad Dip Psych Old Age, M Clinical Nursing

### Central Coast, Hunter & New England

Ted Smeaton BA. MMT

### Eastern & Central Sydney

Greg Antcliff M Ed, Mlitt (Psych), Grad Dip Ed, BA

### Sydney Leadership Centre

Robbie Macpherson MA

### Northern Sydney, Western Sydney, Western NSW

Linda Livingstone BSW, MA

### Queensland

Michael Tizard BA, BSW, Grad Cert Arts Social Administration

### Southern Sydney

Gabrielle Taylor RN, BA, M Soc Admin

### South Western Sydney

Jenni Hutchins BA (Welfare Studies), Grad Dip (Child and Family), MAPS, JP

<b>Notice of annual general meeting</b>	The annual general meeting of the Society
<b>will be held at</b>	The Benevolent Society Level 1 188 Oxford Street Sydney NSW, 2021
<b>time</b>	12.15 pm
<b>date</b>	9 November 2007
<b>Principal registered office in Australia</b>	188 Oxford Street Paddington NSW 2021 (02) 9339 8000
<b>Auditors</b>	<b>PricewaterhouseCoopers</b> Darling Park Tower 2 201 Sussex Street Sydney 1171
<b>Bankers</b>	Commonwealth Bank 363 George Street Sydney NSW 2000
<b>Website address</b>	<a href="http://www.bensoc.org.au">www.bensoc.org.au</a>

## Directors' report

The directors of The Benevolent Society present their report on The Benevolent Society ("the Society") and the auditors' report therein.

### Directors

The following persons were directors of the Society during the financial year and up to the date of this report:

**President: Bill Webster F Fin, MAICD** (director since 15 October 2002)

A member of the Board since October 2002, Bill was elected President in November 2003. He serves as a non-executive Director of several "MLC" branded companies in the National group of companies. He has significant general management experience, most recently as an Executive Director of Lend Lease Corporation from 1987-1999. He was a Director of the MS Society of NSW from 2000 to 2004.

**Vice President: Philip Myles FCPA, AICA** (director since 12 September 1996)

Philip is Vice President of the Board, having been a member since 1996. He is a Fellow of the Australian Society of Certified Practising Accountants and was the Managing Director of Honeywell from 1972 - 1995.

**Vice President: Sam Weiss AB Harvard University, MS Columbia Business School, FAICD** (director since 14 July 2005)

Sam is Chairman of Ecos Corporation, Deputy Chairman of GLG Corp Limited, the lead independent director of Orotongroup Ltd and is a Director of Open Universities Australia, IPGA Limited, the Harvard Alumni Association and the Sydney Festival. He is President of the Harvard Club of Australia and serves as a senior mentor with Social Ventures Australia.

**Honorary Treasurer: Tanya Gilerman BEc, CA, MAICD** (director since 15 March 2005)

Tanya is a partner in KPMG Sydney's Audit and Risk Advisory Services. She is a member of the Institute of Chartered Accountants in Australia and the Australian Institute of Company Directors.

**Robert Fitzgerald AM, BCom, LLB** (director since 20 November 2006)

Formerly a commercial solicitor, Robert is currently a full time Commissioner with the Productivity Commission, and was formerly NSW Community and Disability Services Commissioner. He is a past President of ACOSS and founding Chair of the National Roundtable of Nonprofit Organisations.

**Margaret Hetherington MA, Dip Soc Wk, Dip Soc Res** (director since 21 October 1997)

Now retired Margaret was formerly the Chief Executive of the Mercy Family Centre. She is a member of the Boards of the Sisters of St Joseph Aged Care Services NSW and Karlaminda Hostel. She is a consultant to the Edmund Rice Centre for Justice and Community Education, is involved in research and advocacy work with refugees and has published in the area of social research.

**Denise Lynch B Soc Wk, M Crim** (director since 9 November 1995)

Denise joined the Board in 1995. She is a Lecturer in the School of Social Work and Policy Studies in the Faculty of Education and Social Work at the University of Sydney. Her areas of interest are family welfare, child protection and she has a research interest in child refugees.

**Gary Moore B Soc Wk, M Mgmt** (director since 20 November 2006)

Gary is Director of Community Services at Marrickville Council, located in the inner west of Sydney. From 1995 to 2006, he was the Director (CEO) of the Council of Social Service of NSW (NCOSS), the State's peak non-government human services body. Gary is currently a Board member of Charities Aid Foundation Australia, the Public Interest Advocacy Centre, Network of Community Activities and Centre for Volunteering.

**Julie Rosenberg LLB (Hons), LLM (Hons)** (director since 20 March 2001)

Julie has a background in corporate & finance law with Corrs Chambers Westgarth, Herbert Smith and Mallesons Stephen Jaques. She was General Legal Counsel to the Sydney Paralympic Organising Committee. She is currently Business Development Manager at Australian Theatre for Young People.

**Simone Schwarz BA M App Social Research** (director since 21 October 1997)

Simone is Manager of the Strategic Planning Unit of the Sutherland Shire Council, a Visiting Associate to the UTS Centre for Local Government and a past President of the NSW Local Government Community Services Association.

## Directors' report (continued)

The following director held office for part of the financial year:

Scott Walters was a director from 11 December 2001 until his retirement on 3 November 2006.

All directors are members of the Society.

### Company Secretary

**Sheri Norton BEc, MLS(CommLaw)** (company secretary since 16 October 2007)

Sheri has formal qualifications in both Accounting and Commercial Law and has extensive management experience across a broad range of sectors including property, banking, not-for-profit, government and education.

Keith Bryant was company secretary from 18 May 2004 until his resignation on 19 June 2007.

Michelle Bergman was company secretary from 19 June 2007 until her resignation on 15 October 2007.

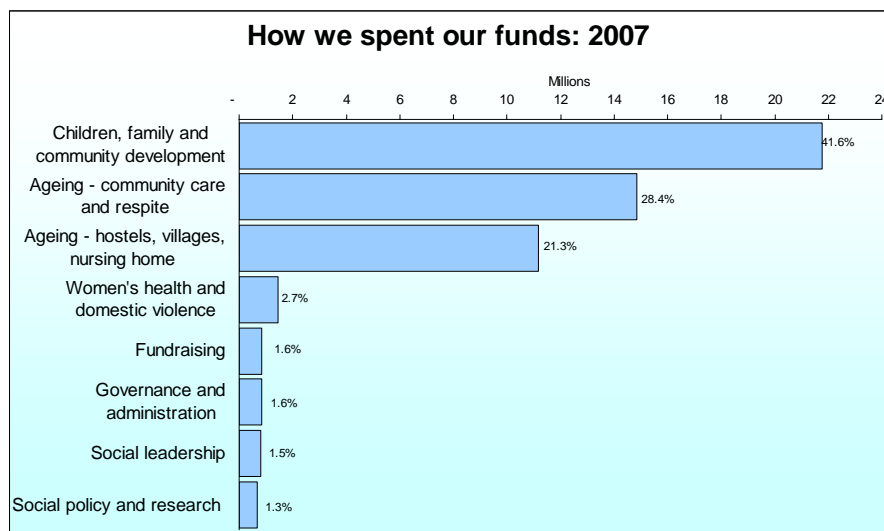
### Principal activities

The Society's purpose is to create caring and inclusive communities and a just society. We achieve our purpose by delivering leading edge services and by finding innovative solutions to complex social challenges. Our vision is that every person is healthy, safe, connected and has a meaningful and productive role in their community.

We help the most vulnerable people in society. We work to ensure **children** are nurtured and safe with their families, protected from abuse and neglect. We help **women** make positive futures for themselves and their families and support them to move on from domestic violence. We help **older people** to age well and to live independently for as long as possible with dignity and respect. We support **people who are carers** for a loved one. We provide information, counselling and support for **people affected by adoption**. We are improving the financial skills and knowledge of people who are vulnerable to financial exclusion, through our **financial education programs**. We create opportunities through our **social leadership** and **community development programs** for people to lead change in their own communities.

We support people from all backgrounds, including indigenous Australians and people from culturally and linguistically diverse communities. We provide services in metropolitan, regional and rural areas across NSW, reaching more than 15,700 children and adults each year.

We do this with the support of our staff and volunteers. The Society employs 800 staff, the equivalent of 526 fulltime staff throughout NSW. Approx. 900 volunteers are working across our services and programs as well as in individual roles with our support services.



There were no significant changes in the nature of the activities of the Society during the year.

### Review of operations and results

The Society experienced another year of significant growth. This growth resulted from new funding received to expand our early intervention children's programs, known as Brighter Futures, into metro, regional and rural NSW. Increased funding was received to continue to focus on the core activities of children, women's health, ageing and social leadership. Funding will also be received in the next financial year to expand our children's services into Southern Queensland.

During the year substantial time was invested in the Year 1 activities detailed in the Society's 3 year strategic plan.

The year 1 activities are detailed under the 4 strategies developed to achieve our purpose:

## Review of operations and results (continued)

### Strategy 1 Create and deliver leading edge programs and services

Our programs will be creative and pioneering. This means they are flexible, aligned with purpose, informed by evidence and evolving to meet changing community needs.

#### Other Year 1 activities:

- Established a business planning process to ground leading edge initiatives in all services.
- Established a business case process to facilitate our decision making on new initiatives.
- Undertook an in depth analysis of some services to ensure alignment with purpose.
- Developed systems and tools necessary to evaluate our programs and improve practice.
- Built strong relationships with major funders.

### Strategy 2 Grow knowledge and intellectual capacity about social issues in Australia

We are a knowledgeable and informed organisation, good at learning and sharing ideas, with evidence driving our policies and practices.

#### Year 1 activities:

- Established a research agenda reflecting future trends and issues relevant to our clients and Australians.
- Commenced developing a framework for learning and leadership opportunities across the Society.

### Strategy 3 Advocate and influence on key social issues and solutions

We have a clear and coordinated approach to advocacy and influence and are a significant voice on important social issues.

#### Year 1 activities:

- Developed a comprehensive and rigorous model of change that will underpin our advocacy work.
- Commenced the preparation of Position Statements for each of our focus issues.

### Strategy 4 Continue building a thriving organisation

We have the systems and mechanisms in place that enable us to implement our strategies and support our work.

#### Year 1 activities:

- Continued building a strong workforce culture that included people working collaboratively and volunteers used effectively.
- Examined our values and how they translate into behaviours.
- Revised the development of our communication strategy.
- Revised the logo and clear and consistent branding on all communications material.
- Implemented a centralised information technology platform.
- Developed an information technology 3 year strategic plan.
- Reviewed the support business systems and identified 5 systems for improvement .
- Restructured the management of the Society to align with the future direction and reflect regions rather than type of service delivery .

#### *Net surplus*

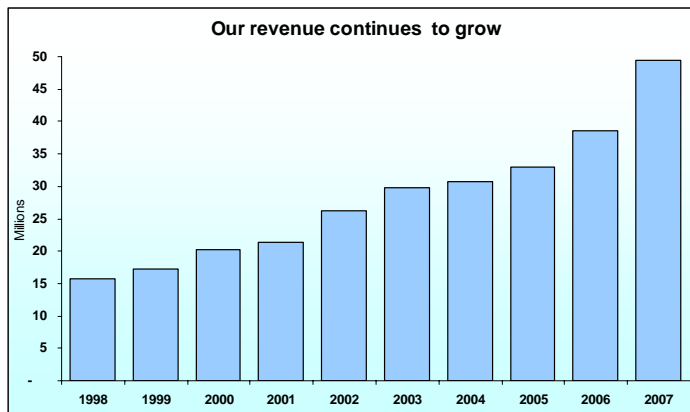
The net surplus for the year ended 30 June 2007 was \$3,985,000 (2006: \$4,966,000). The main reasons for this result were unusually high receipts of managed fund distributions of \$5,331,000 (2006: \$4,211,000) as a result of continuing high returns from global investment markets and restricted grants from government & foundations of \$4,037,000 (2006: \$3,747,000). These grants were received prior to 30 June 2007 for programs that will commence or incur related expenditure in future periods. The Society is restricted in its use of these grants by the terms and conditions of the grants.

The net operating surplus, excluding the net movement in restricted grants, as reflected by the movement in the retained surplus was \$4,401,000 (2006: \$2,241,000).

**Review of operations and results (continued)**

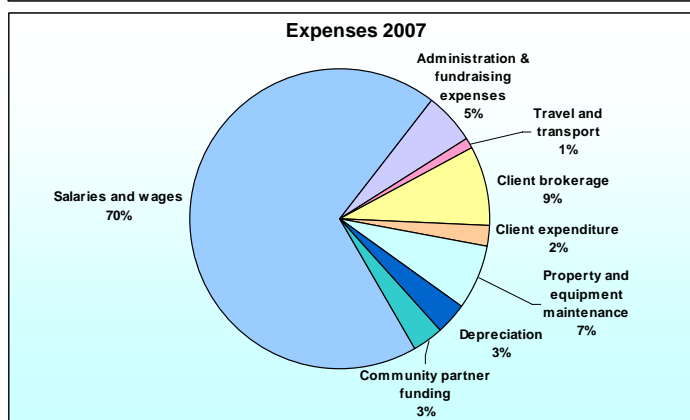
*Revenue*

Revenue from continuing operations grew by 17% in 2007. The main reason for this increase was due to Government funding increasing by 68% in children programs primarily as a result of the NSW State Government Brighter Futures programs in the Hunter region, Central Coast, New England, Central West, Bankstown, Fairfield, Liverpool and North Sydney. Government funding also increased by 13% in our community ageing programs primarily in Southern Sydney.



*Expenses*

Total expenses showed an increase over 2006 of 22%. Expenses increased in all areas with the main increases occurring in salaries and related expenditure by 22%, administration, fundraising & information technology costs by 36%, community partner expenditure by 82% and property & maintenance by 30%. Many of these increased costs resulted from the initial establishment costs for the new Brighter Futures programs



*Financial assets*

The financial assets, referred to as the managed fund investments grew by 12% to \$56,633,000. The increase of \$6,261,000 arose from investing property sale proceeds and the reinvestment of distributions. The investment strategy, whilst providing ongoing annual income for the programs, also provides for future income growth through the reinvestment of the long term portfolio income. Growth in this area is particularly important to provide capital & income streams to fund future initiatives.

*Assets*

Total assets grew by 9% to \$116,409,000. This growth was primarily due to growth in the managed fund investments and an increase in unpaid residential entry payments for our residential facilities as many residents are choosing to pay interest rather than a bond.

*Liabilities*

Liabilities have increased by 19% to \$25,166,000. The increase in liabilities was as a result of the increase in resident contributions for the aged care facilities and provision for government grants received in advance.

*Society's funds*

Total Society's funds grew by 7% to \$91,243,000. The increase was due to net operating surplus excluding the movement in restricted grants of \$4,401,000, a decrease in the net restricted grants received in advance of \$419,000 and an increase in the asset revaluation reserve as a result of revaluing the managed fund investments by \$1,881,000.

*Cash flows*

Cash reserves increased by \$3,176,000 this year. Cash of \$2,674,000 was generated from operating activities and \$361,000 was generated through the net receipts from resident contributions. \$369,000 was the net investment in the managed fund portfolio and the net investment in property plant and equipment was \$510,000.

**Significant changes in the state of affairs**

There was no significant change in the state of affairs of the Society during the financial year.

**Matters subsequent to the end of the financial year**

There has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Society, the results of those operations, or the state of affairs of the Society in future financial years.

**Likely developments and expected results of operations**

In the opinion of the directors there are no likely changes in the operations of the Society which will adversely affect the results of the Society in future years.

**Dividends**

The Society is a company limited by guarantee. It is prohibited by its Constitution from paying dividends to members.

**Environmental regulation**

The Society is not subject to any significant environmental regulation.

**Meetings of directors**

The following table sets out the numbers of meetings of the Society's board of directors (including meetings of committees of directors) held during the year ended 30 June 2007 and the number of meetings attended by each director (while they were a director or committee member). During the year, 9 board meetings, 5 audit and finance meetings, and 4 human resources meetings were held.

Director	Board of directors		Audit & finance committee		Human resources committee	
	Number eligible to attend	Number attended	Number eligible to attend	Number attended	Number eligible to attend	Number attended
Robert Fitzgerald	6	6	-	-	-	-
Tanya Gilerman	9	9	5	5	-	-
Margaret M. Hetheron	9	9	5	5	4	4
Denise G. Lynch	9	9	-	-	4	4
Gary Moore	6	4	-	-	-	-
Philip F. Myles	9	8	5	4	-	-
Julie A. Rosenberg	9	8	-	-	-	-
Simone C. Schwarz	9	8	-	-	4	2
Scott C. Walters	2	2	-	-	-	-
William A.H. Webster	9	9	5	5	4	4
Sam Weiss	9	9	5	5	-	2

**Remuneration of directors**

Directors of the Society are not remunerated, though expenses incurred on Society business may be reimbursed.

**Insurance of officers**

During the financial year the Society paid premiums of \$22,575 (2006: \$21,075) to insure the directors of the Society, the company secretary and all executive officers of the Society against a liability incurred as such a director, secretary or executive officer to the extent permitted by the Corporations Act 2001.

The Society is insured for any loss for which a director or officer becomes legally obligated to pay resulting from a wrongful act and any amount for which the Society indemnifies any director or officer in respect of any claims made against the director or officer arising from a wrongful act.

The Society has not otherwise, during or since the financial year, indemnified or agreed to indemnify an officer or auditor of the Society against a liability incurred as such an officer or auditor.

**Non-audit services**

The Society may decide to employ the auditors on assignments additional to their statutory audit duties where the auditor's expertise and experience with the Society are important.

Details of the amounts paid or payable to the auditors (PricewaterhouseCoopers) for audit and non-audit services provided during the year are set out below.

The board of directors has considered the position and, in accordance with the advice received from the audit and finance committee is satisfied that the provision of the non-audit services is compatible with the general standard of independence for auditors imposed by the *Corporations Act 2001*. The directors are satisfied that the provision of non-audit services by the auditors, as set out below, did not compromise the auditors independence requirements of the *Corporations Act 2001* for the following reasons:

All non-audit services have been reviewed by the audit and finance committee to ensure they do not impact the impartiality and objectivity of the auditors;

Not one of the services undermines the general principles relating to auditors independence as set out in APES 110 *Code of ethics for Professional Accountants*.

During the year the following fees were paid or payable for services provided by the auditors of the Society, its related practices and non-related audit firms:

	2007 \$	2006 \$
<b>Assurance services</b>		
<b>1. Audit services</b>		
PricewaterhouseCoopers Australian firm:		
Audit of financial reports and other audit work under the <i>Corporations Act 2001</i>	<b>51,084</b>	50,000
Non-PricewaterhouseCoopers audit firm	-	-
<b>Total remuneration for audit services</b>	<b>51,084</b>	50,000
<b>2. Other assurance services</b>		
PricewaterhouseCoopers Australian firm:		
Review of government grant financial reports	15,000	13,400
Non-PricewaterhouseCoopers audit firm	-	-
<b>Total remuneration for other assurance services</b>	<b>15,000</b>	13,400
<b>Total remuneration for assurance services</b>	<b>66,084</b>	63,400
<b>Advisory services</b>		
PricewaterhouseCoopers Australian firm:		
Advice on information technology governance and facilitation of risk assessment process	-	5,040
Advice on salary packaging	-	4,590
Review of residential bond procedures	-	18,150
<b>Total remuneration for advisory services</b>	-	27,780

**Auditors' independence declaration**

A copy of the auditors' independence declaration as required under section 307C of the *Corporations Act 2001* is set out on page 11.

**Rounding of amounts**

The Society is a company of the kind referred to in Class Order 98/0100 issued by the Australian Securities and Investments Commission, relating to the "rounding off" of amounts in the directors' report. Amounts in the directors' report have been rounded off in accordance with that Class Order to the nearest thousand dollars, and in certain cases, to the nearest dollar.

**Auditors**

PricewaterhouseCoopers continues in office in accordance with section 327 of the *Corporations Act 2001*.

This report is made in accordance with a resolution of directors



W. A.H. Webster  
Director

Sydney  
16 October 2007

PricewaterhouseCoopers  
ABN 52 780 433 757

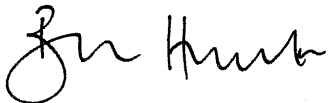
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DX 77 Sydney  
Australia  
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Facsimile +61 2 8266 9999

### Auditors' Independence Declaration

As lead auditors for the audit of the Benevolent Society for the year ended 30 June 2007, I declare that, to the best of my knowledge and belief, there have been:

- (a) no contraventions of the auditors independence requirements of the *Corporations Act 2001* in relation to the audit;  
and
- (b) no contraventions of any applicable code of professional conduct in relation to the audit.

This declaration is in respect of The Benevolent Society during the period.



B K Hunter  
Partner  
PricewaterhouseCoopers

Sydney  
16 October 2007

## Governance statement

**We are social pioneers and innovators.**

**Our purpose is to create caring and inclusive communities and a just society.**

**We value community life that is healthy and safe, connected, productive and participatory, rich in cultural and recreational activities, just and fair.**

**We are committed to conducting our affairs and services with the highest standards of personal and corporate integrity. Anything less is unacceptable.**

The Benevolent Society (the Society) is a public benevolent institution operating as a company limited by guarantee. Its activities are regulated by the Corporations Law and other State and Commonwealth Laws as applicable and the Company's Constitution.

### The board of directors

The Society has a board of directors which is chaired by the President. No directors receive remuneration, though expenses incurred on Society business may be reimbursed.

### Responsibilities

The duties and responsibilities of the board are as follows:

- to set our strategic direction
- to ensure that the Society is managed responsibly and competently
- to ensure that the Society is responsible and accountable to all stakeholders
- to ensure a sound financial performance which enables the Society to meet its strategic goals
- to ensure the Society complies with the law and a high level of ethical standards
- to ensure effective management of risks
- to monitor the effectiveness of all services

This statement is written to help the board and all the Society's stakeholders to understand how board directors perform their roles.

#### 1. *Directors' personal engagement with the Society*

We expect our directors to support and promote our core values.

We have an induction program that ensures new directors understand our organisation and the wider community context in which we operate. We provide an induction kit to new directors that includes:

- Our governance statement, the current 3 year strategic plan, the 2 most recent Annual Reports, the Constitution and By-Laws, the agreed delegations to senior management, details of board Committees with membership and charters, the organisational policies that have been most recently discussed by the board and a copy of the minutes of board meetings held during the previous 2 years.

The President and senior staff aim to ensure that new directors understand our strategic and operational position and initiatives, as well as the rights and responsibilities of directors. We also ensure new directors understand our responsibilities to our various stakeholders.

Directors are expected to visit or attend a range of Society facilities, services and functions each year.

Directors are regularly invited, together with management, to attend addresses by and discussions with experts in social policy and service delivery.

### Strategic Planning

Management, in conjunction with the board, prepares a strategic plan every 3 years. The board requires management to report at least annually against the outcomes set in that plan.

At an annual planning session (a full day) each year involving the board and senior executives, the Society's strategic goals, priorities, and resource allocations are discussed and affirmed.

The board ensures that annual business plans produced by the operating units of the Society are aligned with annual budgets and the 3 year strategic plan.

## **2. The board lays solid foundations for effective management**

We have clearly defined roles for the board and management. The President and Chief Executive Officer (CEO) have a role in ensuring that directors and management understand these agreed roles and responsibilities. Induction and ongoing development programs are a part of this.

The board's role involves setting strategic direction and objectives and ensuring that management can competently and responsibly deliver against the objectives.

Management's role is to implement the strategic plan, within the risk, financial and other frameworks set by the board. In addition management is expected to introduce to the board outcomes of research and suggestions for additional initiatives that are aligned with the Society's purpose.

To enable management to fulfill its roles appropriately the board:

- appoints the CEO and reviews his performance;
- participates in developing and approving the strategic objectives of the organisation;
- ratifies and monitors implementation of strategic goals through the review of annual business plans and budgets;
- approves and monitors the major initiatives that may affect the overall financial performance and financial health of the Society;
- regularly monitors financial performance;
- reviews annually risk management and compliance systems;
- delegates authority to the CEO;
- periodically and as required reviews ethical policies, standards and codes of conduct;
- actively considers the interests of stakeholders in its decision making; and
- meets regularly with other members of the Society's executive.

The day-to-day management of the Society's activities is delegated to the CEO.

The board has also delegated some of its functions to board committees within clearly defined limits.

The CEO briefs the President regularly (usually fortnightly) on emerging and ongoing issues, and updates all directors on any matters of importance, as appropriate, between board meetings.

## **3. The board adds value and is structured accordingly**

The Society believes that its interests will be best served if the board incorporates the appropriate range of skills and experience not only to govern the Society's affairs properly, but to deliver the highest practical quality of services and thought leadership. It is not expected that any individual director will be expert in all facets of the Society's governance and activities. It is expected that collectively the board will have the expertise to address all issues and challenges the Society is likely to face.

Directors are expected to prepare for, and participate in, board and committee meetings. Directors also have ready access to the CEO and members of the executive at all times to enquire about matters and provide advice and guidance.

The Constitution stipulates that the number of directors of the Society will be not less than 5 and not more than 20. We currently have 10 directors.

At least 1/3 of directors must retire each year, by rotation. They may offer themselves for re-election at the Annual General Meeting. Directors appointed by the board during the course of the year must submit themselves for election by the members at the next Annual General Meeting (AGM).

Office bearers (President, Vice-Presidents and Treasurer) cannot serve more than 5 consecutive years in 1 position.

### **Appointment of directors**

When seeking an additional director for appointment the board follows a policy of considering and then attracting the best talent that may be available. To ensure this policy is enacted, an external consultant is used for all appointments.

A committee of the board, headed by the President, will be authorised to consider potential appointees, conduct interviews and make recommendations to the full board. The committee will typically comprise the President, Vice-Presidents and 1 or 2 directors with experience pertinent to the potential appointee's area of expertise.

We select directors who identify with and support our core values.

### **Board review**

The board follows a policy of inviting an external consultant to conduct a board review from time to time. The last review was in July 2006. The purpose of the review is to identify issues relating to the skills on the board, behaviours, relationships or practices that might be inhibiting the board from being fully effective. The board believes that constructive feedback from an external expert should assist the board in addressing the dynamic nature of the services and environment within which the Society operates.

A director's decision to continue on the board is the result of self-assessment and discussion with the President ahead of the AGM at which re-election is an option.

The board has 2 standing committees: audit and finance, and human resources, with charters set by the board and specific delegated authority on some matters. Other committees are created on an ad hoc basis, usually with limited duration to address a specific matter or initiative.

### **4. We respect the rights and interests of our stakeholders**

We deal with our stakeholders in accordance with our values.

Stakeholders include: clients and former clients, recipients of our services including some of the most disadvantaged people in society, program funders, donors and grantors, members, staff, volunteers, the alumni of the Society's social leadership programs, individuals who have a demonstrated interest in the Society's work including academics and public thinkers who have an interest in the fields in which the Society works, and the wider communities in those areas in which we operate, including individuals, other agencies and government entities. Particular attention is paid to the relationship between the Society and various government bodies that fund a large number of the Society's programs and to whom the Society reports on the effectiveness of those programs.

Our decision-making framework ensures the needs of our stakeholders are considered. We encourage feedback from our stakeholders and take this into account when developing services and procedures.

### **5. We desire a special relationship with our members**

The board is accountable to the members for the conduct of the Society's affairs. In particular the board looks to members to hold it accountable in relation to the long term management of the Society's financial endowment.

The Society seeks to have its various stakeholders represented in its membership.

The Society hopes that in addition to fulfilling their responsibilities under the Corporations Law and its Constitution its members will engage with the Society to:

- support the direction and purpose of the Society's work;
- participate in some measure in the activities of the Society

Accordingly members receive bulletins, newsletters and donor communications to ensure that they are continuously informed about the Society's activities and progress.

### **6. We require integrity in financial management and reporting**

Appropriate management of the Society's financial affairs is fundamental to the financial health of the Society and its future ability to satisfy its expanding service obligations.

**The audit and finance committee** is a standing committee of the board. Its objectives are to assist the board to discharge its responsibilities in respect of the Society's:

- financial management
- internal control systems
- risk management system
- protection of its assets
- financial reporting
- application of accounting policies
- business policies and practices
- compliance with applicable laws, regulations, standards and practice guidelines

In doing this it is intimately involved in the annual budgeting process, the investment policy, insurance program and interfacing with the external auditors.

The committee comprises at least 3 directors. The CEO, Chief Financial Officer (CFO), General Manager of Social Initiatives (GM SI), General Manager of Operations (GM Ops) and external auditors are invited to attend meetings.

Once a year the committee interviews the external auditors, without management being present.

The Treasurer, who chairs the audit and finance committee meetings, reports to the full board at the next board meeting and submits recommendations to the board as determined by the committee. The Treasurer reports to the board annually on the committee's review of internal controls.

We require a written report from the CEO and CFO that our financial reports present a true and fair view of all aspects of the Society's financial performance and position.

### **7. We manage risk and monitor compliance**

We have a risk management plan that is reviewed at least 6-monthly by the audit and finance committee. Assessment, control and treatment of risks are built into our annual cycle of risk review and operating plans.

Compliance is managed in the following ways:

- the human resources (HR) committee reviews all matters to do with personnel, including OH&S and other statutory requirements for the safety and wellbeing of our staff and volunteers
- the audit and finance committee reviews compliance with applicable laws, regulations, standards and practice guidelines
- the board reviews compliance with the various compliance provisions and accreditation regimes for our clients including child care and aged care
- All research projects require approval by a research approval committee, and are subjected to scrutiny by a research ethics committee
- all breaches of policies other than human resources policies are required to be reported to the audit & finance committee

### **8. We value our people**

The people who work in an organisation such as the Society are typically people who put the needs of others ahead of their own needs, have a very strong social conscience and a strong desire to be loyal to their clients and our organisation. It is vitally important that we respect their contribution to society at large and to the Society in particular. Accordingly, our HR practices must be of the highest quality.

**The human resources committee** is a standing committee of the board.

Its responsibilities include:

- advising the board on HR policies
- reviewing the annual HR plan and recommending it to the board for adoption
- reviewing key strategic HR policies (e.g. the executive remuneration policy)
- monitoring compliance with HR policies
- monitoring implementation of human resources' initiatives
- monitoring key employment ratios, data and trends and approving priorities for management action
- reviewing annually salary and award levels and movements in the community and government sectors
- reviewing the CEO's recommendations for remuneration changes for individual senior management as a result of their annual review

The committee comprises at least 3 directors. The CEO and General Manager Human Resources are invited to attend meetings.

The Chairman of the committee reports to the full board at the next meeting and submits recommendations to the board as determined by the committee.

The CEO's performance and remuneration are reviewed by the full board.

We have a strong volunteering culture and offer a range of opportunities for individuals and organisations to contribute to our community work. We value and publicly recognise the contribution of our volunteers in various forums and formats throughout the year.

Notwithstanding the need to have policies, protocols and procedures in place to fulfil its obligations properly, the board is fully aware that the Society will perform to its potential only if its people, in whatever capacity they operate, exemplify a culture of adherence to the 'values' of the Society. It is not possible to legislate for 'good behaviour'.

Nor is it possible to ensure by policies or direction that the Society's people constantly strive to 'do the right thing' or have 'duty of care' as their guiding light. Yet this is the essence of what the Society is about. Without recognition of this, the governance statement would be incomplete.

#### ***Our values***

##### **Optimism**

We are hopeful that even the most complex social issues can be solved and we work towards the best possible results for clients and their communities.

##### **Integrity**

We are an ethical, trustworthy and responsible organisation. Those who come into contact with the Society will experience us as open, fair and reliable.

##### **Respect**

We show regard and appreciation for people from all walks of life and honour human difference and diversity.

##### **Collaboration**

We work jointly with others as we believe that together we can tackle the things that prevent communities and society from being caring and just.

##### **Effectiveness**

Our efforts result in us reaching and fulfilling our organisational purpose.

**The Benevolent Society**  
**Income statement**  
For the year ended 30 June 2007

	Notes	2007 \$'000	2006 \$'000
<b>Revenue from continuing operations</b>		<b>45,386</b>	38,585
Restricted grants received in advance		<u>4,037</u>	<u>3,747</u>
Total revenue	4	<b>49,423</b>	42,332
Community program expenses		<b>(43,965)</b>	(35,475)
Fundraising and marketing expenses		<b>(687)</b>	(666)
Infrastructure and investment expenses		<u>(786)</u>	<u>(1,225)</u>
Total expenses	5	<b>(45,438)</b>	(37,366)
<b>Surplus before income tax</b>		<b>3,985</b>	4,966
Income tax expense		<u>-</u>	<u>-</u>
<b>Surplus for the year</b>		<b><u>3,985</u></b>	<u>4,966</u>

*The above income statement should be read in conjunction with the accompanying notes.*

**The Benevolent Society**  
**Balance sheet**  
As at 30 June 2007

	Notes	2007 \$'000	2006 \$'000
<b>ASSETS</b>			
<b>Current assets</b>			
Cash and cash equivalents	6	7,551	4,375
Trade and other receivables	7	3,975	1,771
Other financial assets	8	-	14,173
<b>Total current assets</b>		<b><u>11,526</u></b>	<b><u>20,319</u></b>
<b>Non-current assets</b>			
Receivables	9	100	100
Other financial assets	10	56,633	36,199
Property, plant and equipment	11	48,150	49,831
<b>Total non-current assets</b>		<b><u>104,883</u></b>	<b><u>86,130</u></b>
<b>Total assets</b>		<b><u>116,409</u></b>	<b><u>106,449</u></b>
<b>LIABILITIES</b>			
<b>Current liabilities</b>			
Trade and other payables	12	4,816	2,905
Resident contributions		17,209	15,397
Provisions	13	2,501	2,257
<b>Total current liabilities</b>		<b><u>24,526</u></b>	<b><u>20,559</u></b>
<b>Non-current liabilities</b>			
Provisions	14	640	510
<b>Total non-current liabilities</b>		<b><u>640</u></b>	<b><u>510</u></b>
<b>Total liabilities</b>		<b><u>25,166</u></b>	<b><u>21,069</u></b>
<b>Net assets</b>		<b><u>91,243</u></b>	<b><u>85,380</u></b>
<b>SOCIETY'S FUNDS</b>			
Asset revaluation reserve	15(a)	5,468	3,587
Restricted grants reserve	15(b)	5,478	5,897
Retained surplus	15(c)	80,297	75,896
<b>Total Society's funds</b>		<b><u>91,243</u></b>	<b><u>85,380</u></b>

*The above balance sheet should be read in conjunction with the accompanying notes.*

**The Benevolent Society**  
**Statement of changes in Society funds**  
For the year ended 30 June 2007

	<b>2007</b>	2006
Notes	<b>\$'000</b>	\$'000
<b>Total Society's funds at the beginning of the financial year</b>	<u><b>85,380</b></u>	<u>78,667</u>
<b>Net income recognised directly in Society's funds</b>	<b>1,878</b>	1,747
<b>Surplus for the year</b>	<u><b>3,985</b></u>	<u>4,966</u>
<b>Total recognised income and expense for the year</b>	<u><b>5,863</b></u>	<u>6,713</u>
<b>Total Society's funds at the end of the financial year</b>	<u><b>91,243</b></u>	<u>85,380</u>

*The above statement of changes in society's funds should be read in conjunction with the accompanying notes.*

**The Benevolent Society**  
**Cash flow statements**  
For the year ended 30 June 2007

	Notes	2007 \$'000	2006 \$'000
<b>Cash flows from operating activities</b>			
Receipts from government funding and clients (inclusive of goods and services tax)		44,598	40,802
Payments to suppliers and employees (inclusive of goods and services tax)		<u>(44,015)</u>	<u>(38,155)</u>
		583	2,647
Managed fund distributions, franking credits and interest received		<u>2,091</u>	<u>1,622</u>
<b>Net cash (outflow)/inflow from operating activities</b>	22	<u>2,674</u>	<u>4,269</u>
<b>Cash flows from investing activities</b>			
Payment for managed fund investments		(5,400)	(5,000)
Proceeds from managed funds		5,031	-
Payments for property, plant and equipment		(2,945)	(985)
Proceeds from sale of property, plant and equipment		<u>3,455</u>	<u>341</u>
<b>Net cash (outflow)/inflow from investing activities</b>		<u>141</u>	<u>(5,644)</u>
<b>Cash flows from financing activities</b>			
Proceeds from resident contributions		4,552	10,912
Repayment of resident contributions		<u>(4,191)</u>	<u>(9,365)</u>
<b>Net cash inflow/(outflow) from financing activities</b>		<u>361</u>	<u>1,547</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
Cash and cash equivalents at the beginning of the financial year		<u>4,375</u>	<u>4,203</u>
<b>Cash and cash equivalents at end of year</b>	6	<u>7,551</u>	<u>4,375</u>

*The above cash flow statements should be read in conjunction with the accompanying notes.*

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## 1 Summary of significant accounting policies

The principal accounting policies adopted in the preparation of the financial report are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### (a) Basis of preparation

This general purpose financial report has been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards board, Urgent Issues Group Interpretations and the *Corporations Act 2001*.

#### *Compliance with IFRSs*

Australian Accounting Standards include Australian equivalents to International Financial Reporting Standards (AIFRS). Compliance with AIFRS ensures that the financial statements and notes of the Society comply with International Financial Reporting Standards (IFRS).

#### *Early adoption of standards*

The Society has elected to apply the following standards to the annual reporting period beginning 1 July 2006:

- revised AASB 101 *Presentation of Financial Statements* (issued October 2006)

This includes applying the pronouncement to the comparatives in accordance with AASB 108 *Accounting Policies, Changes in Accounting Estimates and Errors*. No adjustments to any of the financial statements were required for the above pronouncement, but certain disclosures are no longer required and have therefore been omitted.

#### *Historical cost convention*

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets.

#### *Critical accounting estimates*

The preparation of financial statements in conformity with AIFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Society's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

### (b) Segment reporting

The principal activity of the Society is the provision of community services.

#### *(i) Adoption of accounting policy for segment reporting*

Segment reporting does not apply to general purpose accounts of not-for-profit entities. However on the 10 February 2005, amendments to the *Aged Care Act 1997* require the treatment of residential aged care as a reportable segment within the meaning of AASB 114 *Segment Reporting*. The Society has adopted segment reporting on the Residential Aged Care segment to conform with the *Aged Care Act 1997* from the 1 July 2004 (refer note 3).

### (c) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates and amounts collected on behalf of third parties.

Revenue is recognised when the Society has control of the contribution. Revenue is recognised for the major business activities as follows:

#### *(i) Sale of goods and disposal of assets*

Revenue from the sale of goods and disposal of other assets is recognised when the Society has passed control of the goods or other assets to the buyer.

#### *(ii) Interest and investment income*

Interest is recognised when received. Investment income is recognised on an accrual basis.

#### *(iii) Government, trust and foundation grants*

Restricted grants received in advance from government, trusts and foundations are recognised on receipt of the funding irrespective of whether the related costs which they were intended to compensate will occur in future periods.

## 1 Summary of significant accounting policies (continued)

### (d) Trade and other receivables

Trade receivables are recognised at the amounts receivable as they are due for settlement no more than 30 days from the date of recognition.

Collectibility of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off. A provision for impairment is established when there is objective evidence that the Society will not be able to collect all amounts due, according to the original terms of receivables.

### (e) Impairment of assets

Property, plant & equipment are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount through the income statement. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

### (f) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of 9 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

### (g) Other financial assets (managed fund investments)

#### *Available-for-sale financial assets*

Available-for-sale financial assets comprise mainly managed funds. The Society takes a long term view with its investment funds and it does this by recording only income from the portfolios in revenue from continuing activities in the income statement. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the balance sheet date.

Available-for-sale financial assets are subsequently carried at fair value with unrealised changes reflected in the Society's funds.

When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in the Society's funds are included in the income statement as gains and losses from investment securities.

### (h) Property, plant and equipment

Land and buildings are shown at deemed cost as at transition date. All other property, plant and equipment is stated at historical cost with accumulated depreciation stated separately. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Society and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the income statement during the financial period in which they are incurred.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

- Buildings	40 years or the life of the lease
- Plant and equipment	3-10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 1(e)).

Gains and losses on disposals are determined by comparing proceeds with carrying amount. These are included in the income statement.

## 1 Summary of significant accounting policies (continued)

### (i) Trade and other payables

These amounts represent liabilities for goods and services provided to the Society prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

### (j) Provisions

Provisions are recognised when the Society has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

### (k) Employee benefits

#### (i) Wages and salaries, annual leave

Liabilities for wages and salaries, including non-monetary benefits and annual leave expected to be settled within 12 months of the reporting date are recognised in other payables in respect of employees' services up to the reporting date and are measured at the amounts expected to be paid when the liabilities are settled.

#### (ii) Long service leave

The liability for long service leave is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date.

#### (iii) On-costs

Employee benefit on-costs, including superannuation and workers compensation, are recognised and included in employee benefit expenses when the employee benefits to which they relate, are recognised as liabilities.

### (l) Goods and Services Tax (GST)

Revenue, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

### (m) Resident contributions

Resident contributions are the amounts hostel and village residents loan to the Society by deed of loan, which are payable on vacation of a unit by a resident, less the amount allowed to be retained by the Society, as determined by the deed of the loan.

### (n) Leased assets

Leases in which a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases (note 18). Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a basis which reflects the pattern in which economic benefits from the leased asset are consumed. The Society has no finance lease obligations.

### (o) Net current liabilities

While net current assets are in deficit due to the classification of Residential Bonds as a current liability as required by the Australian Accounting Standards, the Society does not expect to have to repay these Bonds in full within the next 12 months.

### (p) Rounding of amounts

The company is of a kind referred to in Class order 98/0100, issued by the Australian Securities and Investments Commission, relating to the 'rounding off' of amounts in the financial report. Amounts in the financial report have been rounded off in accordance with that Class Order to the nearest thousand dollars, or in certain cases, the nearest dollar.

## 1 Summary of significant accounting policies (continued)

### (q) New accounting standards and UIG interpretations

Certain new accounting standards and UIG interpretations have been published that are not mandatory for 30 June 2007 reporting periods. The Society's assessment of the impact of these new standards and interpretations is set out below.

(i) *AASB 7 Financial Instruments: Disclosures and AASB 2005-10 Amendments to Australian Accounting Standards* [AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023 & AASB 1038]  
AASB 7 and AASB 2005-10 are applicable to annual reporting periods beginning on or after 1 January 2007. The Society has not adopted the standards early. Application of the standards will not affect any of the amounts recognised in the financial statements, but will impact the type of information disclosed in relation to the Society's financial instruments.

(ii) *AASB-I 10 Interim Financial Reporting and Impairment*  
AASB-I 10 is applicable to reporting periods commencing on or after 1 November 2006. The Society does not prepare interim financial reports and therefore AASB-I 10 does not apply.

## 2 Critical accounting estimates and judgements

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the entity and that are believed to be reasonable under the circumstances.

### (a) Critical accounting estimates and assumptions

The Society makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. There are no estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

## 3 Segment information

### (a) Description of segments

#### **Business segments**

The Society is organised into the following divisions by product and service type:

#### *Residential aged care*

Includes aged care residential hostels and nursing homes.

#### *Community services*

Includes women's health programs, children's services and childcare centres, aged care community services, social leadership and social ventures.

#### *Other activities*

Includes marketing, investments, infrastructure costs and unallocated activities that cannot reasonably be allocated to community services or residential aged care. These activities do not constitute a separate reportable segment.

#### **Geographical segments**

The Society operates in 1 main geographical area being New South Wales, Australia.

### 3 Segment information (continued)

#### (b) Primary reporting format - business segments

2007	Residential aged care \$'000	Community services \$'000	Other \$'000	Total \$'000
<b>Segment revenue</b>				
Fundraising income/bequests	24	810	538	1,372
Other revenue	<u>9,153</u>	<u>31,827</u>	<u>7,071</u>	<u>48,051</u>
<b>Total segment revenue</b>	<b>9,177</b>	<b>32,637</b>	<b>7,609</b>	<b>49,423</b>
<b>Segment result (notes (i) (ii))</b>	<b><u>(1,024)</u></b>	<b><u>(1,234)</u></b>	<b><u>6,243</u></b>	<b><u>3,985</u></b>
Income tax expense	-	-	-	-
<b>Net surplus/(deficit)</b>	<b><u>(1,024)</u></b>	<b><u>(1,234)</u></b>	<b><u>6,243</u></b>	<b><u>3,985</u></b>
<b>Segment assets and liabilities</b>				
<b>Segment assets</b>	<u>18,380</u>	<u>14,978</u>	<u>83,051</u>	<u>116,409</u>
<b>Segment liabilities (notes (i) (ii))</b>	<u>17,914</u>	<u>5,273</u>	<u>1,979</u>	<u>25,166</u>
<b>Other segment information</b>				
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	<u>130</u>	<u>1,771</u>	<u>986</u>	<u>2,887</u>
Depreciation and amortisation expense	<u>480</u>	<u>583</u>	<u>502</u>	<u>1,565</u>
2006	Residential aged care \$'000	Community services \$'000	Other \$'000	Total \$'000
<b>Segment revenue</b>				
Fundraising income/bequests	24	1,535	457	2,016
Other revenue	<u>9,104</u>	<u>25,922</u>	<u>5,290</u>	<u>40,316</u>
<b>Total segment revenue</b>	<b>9,128</b>	<b>27,457</b>	<b>5,747</b>	<b>42,332</b>
<b>Segment result (notes (i) (ii))</b>	<b><u>(1,329)</u></b>	<b><u>2,351</u></b>	<b><u>3,944</u></b>	<b><u>4,966</u></b>
Income tax expense	-	-	-	-
<b>Net surplus/(deficit)</b>	<b><u>(1,329)</u></b>	<b><u>2,351</u></b>	<b><u>3,944</u></b>	<b><u>4,966</u></b>
<b>Segment assets and liabilities</b>				
<b>Segment assets</b>	<u>17,049</u>	<u>17,077</u>	<u>72,323</u>	<u>106,449</u>
<b>Segment liabilities (notes (i) (ii))</b>	<u>16,424</u>	<u>3,934</u>	<u>711</u>	<u>21,069</u>
<b>Other segment information</b>				
Acquisitions of property, plant and equipment, intangibles and other non-current segment assets	<u>446</u>	<u>403</u>	<u>136</u>	<u>985</u>
Depreciation and amortisation expense	<u>490</u>	<u>581</u>	<u>631</u>	<u>1,702</u>

### 3 Segment information (continued)

#### (c) Notes to and forming part of the segment information

*(i) Accounting policies*

Segment information is prepared in conformity with the accounting policies of the Society as disclosed in note 1(b) and accounting standard AASB 114 *Segment Reporting*.

Segment revenues, expenses, assets and liabilities are those that are directly attributable to a segment and the relevant portion that can be allocated to the segment on a reasonable basis. Segment assets include all assets used by a segment and consist primarily of operating cash, receivables, property, plant and equipment net of related provisions. While most of these assets can be directly attributable to individual segments, the carrying amounts of certain assets used jointly by segments are allocated based on reasonable estimates of usage. Segment liabilities consist primarily of trade and other creditors, and employee benefits. Segment assets and liabilities do not include income taxes.

*(ii) Inter-segment transfers*

Segment revenues, expenses and results include transfers between segments. Such transfers are priced on an 'arms-length' basis and are eliminated on aggregation.

### 4 Revenue

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
<b>(a) From continuing operations</b>		
Government funding	27,497	24,085
Client fees and charges	7,239	6,884
Bequests and legacies	34	89
Fundraising (refer to note 23)	1,537	1,803
Other income (refer to note 4(d))	3,061	1,111
	<u>39,368</u>	<u>33,972</u>
<b>(b) From other revenue</b>		
Interest	687	402
Managed fund distributions	5,331	4,211
	<u>6,018</u>	<u>4,613</u>
	<u>45,386</u>	<u>38,585</u>
<b>(c) Restricted grants</b>		
Restricted grants received in advance	<u>4,037</u>	<u>3,747</u>
<b>Total revenue</b>	<u>49,423</u>	<u>42,332</u>
<b>(d) Other income</b>		
Corporate funding	458	123
Rent	424	394
Resident retentions	274	360
Treasury funded superannuation	166	121
Reimbursements	82	71
Net profit on sale of property, plant & equipment	452	42
Funds raised for Social Ventures Australia	1,205	-
	<u>3,061</u>	<u>1,111</u>

## 5 Expenses

	2007 \$'000	2006 \$'000
<b>Surplus before income tax includes the following specific expenses:</b>		
<i>Depreciation</i>		
Buildings	737	749
Plant and equipment	<u>828</u>	<u>953</u>
Total depreciation	<u>1,565</u>	<u>1,702</u>
<i>Net loss on disposal of property, plant and equipment</i>	-	7
<i>Rental expenses relating to operating leases</i>		
Lease payments	450	160
<i>Net transfers to provisions</i>		
Employee entitlements	541	414
<i>Impairment of trade receivables</i>	112	39

## 6 Current assets - Cash and cash equivalents

	2007 \$'000	2006 \$'000
Cash at bank and on hand	943	1,992
Short term deposit	<u>6,608</u>	<u>2,383</u>
	<u>7,551</u>	<u>4,375</u>

The above figures are reconciled to cash at the end of the financial year as shown in the cash flow statements.

The Society holds these cash reserves, as they represent part resident bonds held, government and trust & foundation funding provided for a specific purpose or grants received in advance (refer note 12 & 15). The related expenditure the funding is intended to compensate will not occur until a future period and the Society is restricted in its use of these funds by the terms and conditions of the funding.

### (a) Cash at bank and on hand

These are interest bearing cheque accounts with an average rate of 4.35% (2006: 4.15%)

### (b) Short term deposit

The deposits are at call accounts and bank bills with rates between 5.70% and 6.31% (2006: 5.3% and 5.72%). These deposits have an average maturity of 30 days.

## 7 Current assets - Trade and other receivables

	2007 \$'000	2006 \$'000
Trade receivables	1,301	1,550
Provision for impairment	(159)	(47)
Residential contributions	<u>2,558</u>	<u>-</u>
	<u>3,700</u>	<u>1,503</u>
Prepayments	<u>275</u>	<u>268</u>
	<u>3,975</u>	<u>1,771</u>

## 7 Current assets - Trade and other receivables (continued)

### (a) Bad and impaired trade receivables

The Society has recognised a loss of \$112,000 (2006: \$39,000) in respect of bad and impaired trade receivables during the year ended 30 June 2007.

### (b) Effective interest rates and credit risk

Information concerning the effective interest rate and credit risk of both current and non-current receivables is set out in note 16.

## 8 Current assets – Other financial assets

	2007 \$'000	2006 \$'000
<b>Other financial assets available for sale</b>		
Managed funds at the end of the year were invested as follows		
ANZ Executors and Trustees Company Limited		
- Australian equities and debt securities	-	14,173

Managed funds are now classified as non-current assets as they are not expected to be realised in the next 12 months.

## 9 Non-current assets - Receivables

	2007 \$'000	2006 \$'000
Receivables	100	100

The receivable outstanding at the end of the current and prior year is an unsecured loan to an ex-resident . This receivable is repayable in full when the ex-resident vacates their current residential facility.

## 10 Non-current assets - Other financial assets

	2007 \$'000	2006 \$'000
<b>Other financial assets available for sale</b>		
At fair value:		
Managed funds at the end of the year were invested as follows		
<u>Medium term managed fund investments:</u>		
ANZ Executors and Trustees Company Limited		
- Australian equities and debt securities	13,293	-
MLC (NCIT) Conservative Trust		
- Conservative trust	15,640	12,092
<u>Long term managed fund investments:</u>		
Russell Investment Group		
- Balanced fund	27,700	24,107
At end of year	56,633	36,199

## 10 Non-current assets - Other financial assets (continued)

### Movements

At beginning of year	36,199	40,723
Additions	5,400	5,000
Reinvestment of distributions	4,011	3,407
Redemption	(5,031)	(505)
Reclassification of current assets	14,173	(14,173)
Revaluation surplus transfer to Society's funds	1,881	1,747
At end of year	<u>56,633</u>	<u>36,199</u>

The medium-term managed fund investments are required to be of a quantum to include all residential contributions (not already accounted for in the cash reserves) and other expenditures that may potentially occur in the following three years (refer note 8). The medium term portfolio is readily realisable.

The long-term managed fund investments comprise financial assets that the Society wishes to invest over the long-term, to maintain, or increase the real value of the managed fund investments.

## 11 Non-current assets - Property, plant and equipment

2007	Land \$'000	Buildings \$'000	Plant and equipment \$'000	Total \$'000
<b>Gross carrying amount</b>				
Balance as at 1 July 2006	27,219	22,929	7,571	57,719
Additions	470	471	1,946	2,887
Disposals	(1,607)	(1,029)	(2,201)	(4,837)
Impairment	-	-	-	-
Balance as at 30 June 2007	<u>26,082</u>	<u>22,371</u>	<u>7,316</u>	<u>55,769</u>
<b>Accumulated depreciation / amortisation</b>				
Balance as at 1 July 2006	-	(3,171)	(4,717)	(7,888)
Disposals	-	173	1,661	1,834
Depreciation expense	-	(737)	(828)	(1,565)
Balance as at 30 June 2007	<u>-</u>	<u>(3,735)</u>	<u>(3,884)</u>	<u>(7,619)</u>
<b>Net book value 2007</b>	<u>26,082</u>	<u>18,636</u>	<u>3,432</u>	<u>48,150</u>
2006	Land \$'000	Buildings \$'000	Plant and equipment \$'000	Total \$'000
<b>Gross carrying amount</b>				
Balance as at 1 July 2005	27,219	22,889	7,155	57,263
Additions	-	40	945	985
Disposals	-	-	(529)	(529)
Impairment	-	-	-	-
Balance as at 30 June 2006	<u>27,219</u>	<u>22,929</u>	<u>7,571</u>	<u>57,719</u>
<b>Accumulated depreciation / amortisation</b>				
Balance as at 1 July 2005	-	(2,422)	(3,944)	(6,366)
Disposals	-	-	180	180
Depreciation expense	-	(749)	(953)	(1,702)
Balance as at 30 June 2006	<u>-</u>	<u>(3,171)</u>	<u>(4,717)</u>	<u>(7,888)</u>
<b>Net book value 2006</b>	<u>27,219</u>	<u>19,758</u>	<u>2,854</u>	<u>49,831</u>

## 11 Non-current assets - Property, plant and equipment (continued)

### (a) Valuations of land and buildings

The valuation basis of land and buildings is deemed cost as at transition date (1 July 2004).

### (b) Assets in the course of construction

The carrying amounts of the assets disclosed above include the following expenditure recognised in relation to property, plant and equipment which is in the course of construction and development:

2007	Land \$'000	Buildings \$'000	Plant and equipment \$'000	Total \$'000
Total assets in the course of construction and development	-	367	-	367

The Society is currently exploring development options for a new model of housing and care for older people at its Bondi site.

### (c) Use of non-current assets

At the end of the financial year the Society's non-current assets were used for the following purposes:

	2007 \$'000	2006 \$'000
Residential aged care facilities (includes nursing homes and hostels)	15,634	16,075
Community services (includes women's and children's programs, aged care community programs and villages)	14,781	16,725
Other activities (includes administration offices, information technology and housing used for community programs rented on an 'arms length' basis)	17,735	17,031
	<u>48,150</u>	<u>49,831</u>

## 12 Current liabilities - Trade and other payables

	2007 \$'000	2006 \$'000
Trade payables	1,578	1,495
Other payables	1,126	1,410
Government grants received in advance	2,112	-
	<u>4,816</u>	<u>2,905</u>

## 13 Current liabilities - Provisions

	2007 \$'000	2006 \$'000
Employee benefits - annual leave	1,982	1,761
Employee benefits - long service leave	519	496
	<u>2,501</u>	<u>2,257</u>

## 14 Non-current liabilities - Provisions

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000
Employee benefits - long service leave	<u>640</u>	<u>510</u>

## 15 Reserves and retained surplus

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000

### (a) Asset revaluation reserve

Other financial assets revaluation reserve	<u>5,468</u>	<u>3,587</u>
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#### Movements:

Balance 1 July 2006	3,587	1,840
Revaluation (refer note 10)	<u>1,881</u>	<u>1,747</u>
Balance 30 June 2007	<u>5,468</u>	<u>3,587</u>

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000

### (b) Restricted grants reserve

	<u>5,478</u>	<u>5,897</u>
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#### Movements:

Balance 1 July 2006	5,897	3,172
Transfer to accumulated surplus of restricted grant expenditure during the year	<b>(4,456)</b>	(1,022)
Transfer from accumulated surplus of restricted grants received but unexpended during the year	<u>4,037</u>	<u>3,747</u>
Balance 30 June 2007	<u>5,478</u>	<u>5,897</u>

	<b>2007</b>	2006
	<b>\$'000</b>	\$'000

### (c) Retained surplus

	<u>80,297</u>	<u>75,896</u>
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Movements in retained surplus were as follows:

Balance 1 July 2006	75,896	73,655
Prior year adjustment	<b>(3)</b>	-
Net surplus for the year	<b>3,985</b>	4,966
Transfer to accumulated surplus of restricted grant expenditure during the year	<b>2,344</b>	1,022
Transfer from accumulated surplus of restricted grants received but unexpended during the year	<u>(1,925)</u>	<u>(3,747)</u>
Balance 30 June 2007	<u>80,297</u>	<u>75,896</u>

## 15 Reserves and retained surplus (continued)

### (d) Nature and purpose of reserves

#### (i) Other financial assets revaluation reserve

Changes in the fair value of managed fund investments classified as available-for-sale financial assets, are taken to the other financial assets revaluation reserve, as described in note 1(g). Amounts are recognised in the income statement surplus or deficit when the associated assets are sold or impaired.

#### (ii) Restricted grants reserve

The restricted grants reserve has been set up as a result of the need to comply with AASB 1004 *Contributions* which requires Government, trust and foundation funding to be recognised as revenue when received. The reserve represents grants received during this financial year and previous financial years which have been provided for a specific purpose. The related expenditure the grants are intended to compensate will not occur until a future period and the Society is restricted in its use of these funds by the terms and conditions of the grant.

## 16 Financial risk

### (a) Significant accounting policies

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement and the basis on which revenues and expenses are recognised, in respect of each class of financial asset, financial liability and equity instrument are disclosed in note 1 to the financial statements.

### (b) Interest rate risk

The Society's exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following tables.

2007	Average interest rate %	Variable interest rate \$'000	Fixed interest maturing in:			Non- interest bearing \$'000	Total \$'000
			1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000		
<i>Financial assets</i>							
Cash	4.35	943	-	-	-	-	943
Short term deposits	6.02	2,408	4,200	-	-	-	6,608
Trade and other receivables	-	-	-	-	-	1,417	1,417
Resident contributions	10.37	2,558	-	-	-	-	2,558
Managed funds	-	-	-	-	-	56,633	56,633
	-	5,909	4,200	-	-	58,050	68,159
<i>Financial liabilities</i>							
Trade and other payables	-	-	-	-	-	2,704	2,704
Government Funding received in advance	4.35	2,112	-	-	-	-	2,112
Resident contributions	-	-	-	-	-	17,209	17,209
	-	2,112	-	-	-	19,913	22,025
Net financial assets	-	8,021	4,200	-	-	38,137	46,134

**16 Financial risk (continued)**

2006	Average interest rate %	Variable interest rate \$'000	Fixed interest maturing in:			Non- interest bearing \$'000	Total \$'000
			1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000		
<i>Financial assets</i>							
Cash	4.35	1,992	-	-	-	-	1,992
Short term deposits	5.51	1,383	1,000	-	-	-	2,383
Trade and other receivables	-	-	-	-	-	1,503	1,503
Managed funds	-	-	-	-	-	<u>50,372</u>	<u>50,372</u>
	-	<u>3,375</u>	<u>1,000</u>	-	-	<u>51,875</u>	<u>56,250</u>
<i>Financial liabilities</i>							
Trade and other payables	-	-	-	-	-	2,905	2,905
Resident contributions	-	-	-	-	-	<u>15,397</u>	<u>15,397</u>
	-	-	-	-	-	<u>18,302</u>	<u>18,302</u>
Net financial assets	-	<u>3,375</u>	<u>1,000</u>	-	-	<u>33,573</u>	<u>37,948</u>

**(c) Credit risk**

There is no concentration of credit risk with respect to current and non-current receivables, as the Society has a large number of clients, dispersed throughout New South Wales, Australia.

**(d) Market risk**

*(i) Foreign exchange risk*

Foreign exchange risk arises when future commercial transactions and recognised assets and liabilities are denominated in a currency that is not the Society's functional currency.

The Society operates nationally and therefore is not exposed to foreign exchange risk.

*(ii) Price risk*

The Society is not exposed to equity securities price risk as it does not invest directly in the equity market. The Society is not exposed to commodity price risk.

**(e) Net fair value risk**

The Society's fair value risk arises from medium to long-term investments in managed funds. The Society enters into a range of managed fund portfolios to manage risk in accordance with our Investment Policy approved by the board of directors. This policy has been complied with at the year end. The Society's recognised financial instruments are carried at net fair value which approximates current market value.

## 17 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditors of the Society, its related practices and non-related audit firms:

	2007	2006
	\$	\$
<b>(a) Assurance services</b>		
<i>Audit services</i>		
PricewaterhouseCoopers Australian firm		
Audit of financial reports and other audit work under the <i>Corporations Act 2001</i>	51,084	50,000
Review of government grant financial reports	15,000	13,400
Total remuneration for audit services	66,084	63,400
<b>(b) Advisory services</b>		
PricewaterhouseCoopers Australian firm		
Advice on information technology governance and facilitation of risk assessment process	-	5,040
Advice on salary packaging	-	4,590
Review of residential bond procedures	-	18,150
Total remuneration for advisory services	-	27,780

It is the Society's practice to employ PricewaterhouseCoopers on assignments additional to their statutory audit duties where PricewaterhouseCoopers' expertise and experience with the Society are important. These assignments are principally indirect tax advice or systems advice.

## 18 Commitments

### (a) Operating lease commitments

	2007	2006
	\$'000	\$'000
Commitments in relation to rental of premises contracted for at the reporting date but not recognised as liabilities, payable:		
Within 1 year	442	173
Later than 1 year but not later than 5 years	255	132
Later than 5 years	-	-
	697	305

## 19 Related party transactions

### (a) Social Ventures Australia

The Society has a 25% interest in Social Ventures Australia Limited, amounting to \$2.00. Social Ventures Australia Limited is a company limited by guarantee, incorporated and operating in Australia.

Transactions between the Society and Social Ventures Australia Limited comprise the Society providing accommodation, administrative support and staffing resources on a cost recovery basis. These transactions ceased on 30 June 2007.

For the year ended 30 June 2007 services provided on a cost recovery basis amounted to \$1,205,000 (2006: \$864,000) and an amount of \$85,000 (2006: \$85,000) was contributed via administrative and cash contributions.

## 19 Related party transactions (continued)

### (b) Transactions with a director

Mr William A.H. Webster is a non-executive director of MLC Investments Limited which acts as the responsible entity of MLC (NCIT) Conservative Trust in which the Society invests part of its investment portfolio. Mr Webster has declared his interest and takes no part in board decisions regarding this investment.

This investment is based on normal commercial terms and conditions.

The aggregate amounts of these transactions relating to a director of the Society:

	<b>2007</b>	<b>2006</b>
	\$	\$
<b>Amounts recognised as revenue:</b>		
Managed fund distributions – MLC (NCIT) Conservative Trust	<u>1,367,372</u>	<u>701,648</u>
<b>Amounts recognised as assets as at balance date:</b>		
Non-current assets		
Managed funds – MLC (NCIT) Conservative Trust	<u>15,639,521</u>	<u>12,092,076</u>

## 20 Key management personnel disclosures

### (a) Directors

The following persons were non-executive directors of the Society during the financial year:

William A.H. Webster (President)	(since 15 October 2002)
Philip Myles (Vice President)	(since 12 September 1996)
Sam Weiss (Vice President)	(since 14 July 2005)
Tanya Gilerman (Honorary Treasurer)	(since 15 March 2005)
Robert Fitzgerald	(since 20 November 2006)
Margaret M. Hetherington	(since 21 October 1997)
Denise G. Lynch	(since 9 November 1995)
Gary Moore	(since 20 November 2006)
Julie A. Rosenberg	(since 20 March 2001)
Simone C. Schwarz	(since 20 October 1997)
Scott C. Walters	(commenced 11 December 2001, retired 4 November 2006)

### (b) Directors compensation

Directors of the Society are not remunerated, though expenses incurred on Society business may be reimbursed.

### (c) Other key management personnel

The following persons also had authority and responsibility for planning, directing and controlling the activities of the Society, directly or indirectly, during the financial year:

Richard Spencer	Chief Executive Officer
Wendy Miller	Chief Financial Officer
<i>General managers</i>	
Maree Walk	Operations
Keith Bryant	Social Initiatives
Annette Michaux	Social Policy & Research
Kerri-ann Jones	Human Resources
Barbara Squires	Ageing
Sarah Kennington	Marketing (till 4 May 2007)
Robyn Brookes	Women's Health (till 2 March 2007)

All of the above persons were also key management persons during the year ended 30 June 2006.

## 20 Key management personnel disclosures (continued)

### (d) Other key management personnel compensation

	<b>2007</b>	<b>2006</b>
	<b>\$</b>	<b>\$</b>
Total compensation	<u><b>1,361,329</b></u>	<u><b>1,289,681</b></u>

## 21 Events occurring after the balance sheet date

There has not been any matter or circumstance that has arisen since the end of the financial year that has significantly affected, or may significantly affect, the operations of the Society, the results of those operations, or the state of affairs of the Society in future financial years.

## 22 Reconciliation of surplus to net cash inflow from operating activities

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
Surplus for the year	<b>3,985</b>	4,966
Resident contribution retentions	<b>(322)</b>	(391)
Managed fund investments	<b>(4,010)</b>	(2,902)
(Profit)/loss on sale of non-current assets	<b>(394)</b>	7
Depreciation of non-current assets	<b>1,565</b>	1,702
Change in operating assets and liabilities		
Decrease/(Increase)in trade debtors	<b>(374)</b>	(739)
(Decrease)/increase in trade creditors	<b>2,242</b>	1,212
(Decrease)/increase in other current provisions	<b>(151)</b>	337
(Decrease)/increase in other non-current provisions	<b>133</b>	<u>77</u>
Net cash (outflow)/inflow from operating activities	<u><b>2,674</b></u>	<u><b>4,269</b></u>

## 23 Additional information furnished under the Charitable Fundraising Act 1991 and the Regulations

### (a) Details of aggregate gross income and expenditure of fundraising appeals

	<b>2007</b>	<b>2006</b>
	<b>\$'000</b>	<b>\$'000</b>
Gross proceeds of fundraising from trusts and foundations	<b>649</b>	1,113
Gross proceeds of fundraising appeals and events	<u><b>888</b></u>	<u>690</u>
Total proceeds of fundraising (i)	<b>1,537</b>	1,803
Total direct costs of fundraising appeals and events	<u><b>(199)</b></u>	<u>(155)</u>
Net surplus from fundraising	<u><b>1,338</b></u>	<u><b>1,648</b></u>

(i) Total proceeds of fundraising exclude bequests.

(ii) Total proceeds of fundraising for 2007 excludes Social Ventures Australia trust and foundation revenue of \$1,205,000.

## 23 Additional information furnished under the Charitable Fundraising Act 1991 and the Regulations (continued)

### (b) Statement showing how funds received were applied to charitable purposes

	2007 \$'000	2006 \$'000
Net surplus from fundraising	1,338	1,648

This was applied to charitable purposes in the following manner:

Community program expenditure	43,965	35,475
Administration expenses (i)	1,274	1,736
Total charitable purpose expenditure	45,239	37,211
Shortfall in funds available from fundraising	43,901	35,563

(i) Administration expenses include depreciation, bequest expenditure, asset impairment and a portion of indirect overheads including Finance, Corporate Support, Information Technology, Asset Management, Social, Policy & Research and Marketing.

### (c) Shortfall of \$43,901,000 financed from the following sources:

	2007 \$'000	2006 \$'000
Government grants and subsidies	34,595	27,832
Client fees	7,239	6,884
Bequests and legacies	34	89
Interest, dividend and managed fund distribution revenue	2,033	758
Shortfall in funds available from fundraising	43,901	35,563

### (d) Fundraising appeals conducted during the financial year

Direct mail appeals included 3 mail appeals to raise donations for our children's services. Unsolicited donations were also received through 3 editions of our supporter newsletter, Arena, and other donor communications as well as donations given to our program sites. Special events included the Art and Sea dinner in May 2007 and funds were also raised by events held by other volunteer committees such as Scarba Volunteers Family Fund and Cycle to Break the Cycle. Applications were made to a number of Trusts and Foundations to gain funding for various programs. Corporate support was given through payroll giving programs and sponsorships for Sydney Leadership participants.

### (e) Fundraising ratios

	2007 \$'000	%	2006 \$'000	%
Total cost of fundraising / Gross income from fundraising	199 / 1,537	13	155 / 1,803	9
Net surplus from fundraising / Gross income from fundraising	1,338 / 1,537	87	1,648 / 1,803	91
Total cost of community programs / Total expenditure	43,901 / 45,438	96	35,563 / 37,366	95
Total cost of community programs / Total revenue from continuing activities	43,901 / 47,498	92	35,563 / 38,585	92

These comparisons and percentages are required to be disclosed under the *Charitable Fundraising Act 1991* and the Regulations.

## **23 Additional information furnished under the Charitable Fundraising Act 1991 and the Regulations (continued)**

### **(f) Government funding**

The Society acknowledges the financial support received from the following NSW and Australian Government departments and agencies in delivering our programs and services:

#### **Ageing**

The Aged Care Facilities, the Help at Home Programs, Assistance with Care and Housing for the Aged, the Community and In-Home Flexible Respite Programs and South East Sydney Commonwealth Carer Respite and Carelink Centre received funding from the Commonwealth Department of Health and Ageing. Respite for Carers of Young People with Disabilities and Young Carers Programs received funding from the Commonwealth Department of Family and Community Services. St George & Sutherland Live at Home Programs, Community Care Eastern Sydney, Greenwood Cottage Day Centre, Northern Beaches Food Services, Home Assistance programs and Flexible Respite (Dementia) received funding through the NSW Department of Ageing, Disability and Home Care through a combination of Home and Community Care, Disability Services and Veterans Affairs funding. ComPACK funding was received by the NSW Health Department.

#### **Children**

Maurice O'Sullivan and Sir Philip Baxter Child Care Centres received funding from the NSW Department of Community Services. The Early Intervention Program, Strengths Based Practice in Children's Services and Eastern Sydney Scarba Service were funded by the South Eastern Sydney/Illawarra Area Health Service, while Central Sydney Scarba Service and the South West Sydney Scarba Service were funded by Sydney South West Area Health Service. Brighter Futures programs in Northern Sydney, Bankstown, Fairfield, Liverpool, Upper and Lower Hunter, Central West and New England were funded by the NSW Department of Community Services, as were the Post Adoption Resource Centre, Eastern Volunteer Home Visiting, Inner West Volunteer Home Visiting, and First Five Years Macarthur (Homestart) programs. Woolloomooloo Community Connector and South East Sydney Parenting Coordination received funding from Families NSW. Communities For Children (Campbelltown & Southern Lakes), Partnerships in Early Childhood, NIDS Transform and Wheely Good Fun Supported Playgroup were funded by the Commonwealth Department of Families, Community Services and Indigenous Affairs. Central Coast programs received funding from the NSW Department of Community Services, Commonwealth Department of Families, Community Services and Indigenous Affairs, and Northern Sydney/Central Coast Area Health Service.

#### **Women's Health**

The Domestic Violence Team and Mid to Older Women's Health Team are funded by Sydney South West Area Health Service. The Domestic Violence (Women with Disabilities) Project and Naala Aboriginal Women's Project were funded by the Department of Infrastructure.

#### **Sydney Leadership**

Sydney Leadership received scholarship funding for the 2006 & 2007 Sydney Leadership programs from government including Australian Council for the Arts, Human Rights & Equal Opportunity Commission, NSW Department of Health, Australian Government-Centrelink, Northern Sydney/Central Coast Area Health, NSW Department of Education and Training, NSW Native Title Services Ltd and State Library of NSW.

## Directors' declaration

In the directors' opinion:

- (a) the financial statements and notes set out on pages 17 to 39 are in accordance with the *Corporations Act 2001*, including:
  - (i) complying with Accounting Standards, the *Corporations Regulations 2001* and other mandatory professional reporting requirements; and
  - (ii) giving a true and fair view of the Society's financial position as at 30 June 2007 and of its performance, as represented by the results of its operations, changes in society's funds and its cash flows, for the financial year ended on that date; and
- (b) there are reasonable grounds to believe that the Society will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



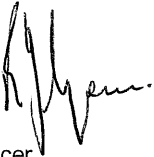
W.A.H. Webster  
Director

Sydney  
16 October 2007

## Declaration by Chief Executive Officer in respect of fundraising appeals

I, Richard Spencer, Chief Executive Officer of The Benevolent Society declare that in my opinion:

- (a) the income statement gives a true and fair view of all income and expenditure of The Benevolent Society with respect to fundraising appeals; and
- (b) the balance sheet gives a true and fair view of the state of affairs with respect to fundraising appeals; and
- (c) the provisions of the *Charitable Fundraising Act 1991*, the Regulations under the Act and the conditions attached to the authority have been complied with; and
- (d) the internal controls exercised by The Benevolent Society are appropriate and effective in accounting for all income received and applied by The Benevolent Society from all of its fundraising appeals.



R.J. Spencer  
Chief Executive Officer

Sydney  
16 October 2007



## Independent auditor's report to the members of The Benevolent Society

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### Report on the financial report

We have audited the accompanying financial report of The Benevolent Society (the Society), which comprises the balance sheet as at 30 June 2007, and the income statement, statement of changes in Society's funds and cash flow statement for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

#### *Directors' responsibility*

The directors of the Society are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Act 2001*. This responsibility includes establishing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's responsibility*

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

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

Our procedures include reading the other information in the Annual Report to determine whether it contains any material inconsistencies with the financial report.

For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

Liability limited by a scheme approved under Professional Standards Legislation



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

*Matters relating to the electronic presentation of the audited financial report*

This audit report relates to the financial report of the Society for the financial year ended 30 June 2007 included on The Benevolent Society web site. The Society's directors are responsible for the integrity of The Benevolent Society web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

*Independence*

In conducting our audit, we have complied with the independence requirements of the *Corporations Act 2001*.

*Auditor's opinion*

In our opinion the financial report of The Benevolent Society is in accordance with the *Corporations Act 2001*, including:

- (a) giving a true and fair view of the Society's financial position as at 30 June 2007 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.

A handwritten signature in black ink, appearing to read 'PricewaterhouseCoopers'.

PricewaterhouseCoopers

A handwritten signature in black ink, appearing to read 'Brian Hunter'.

Brian Hunter  
Partner

Sydney  
16 October 2007

## **Independent auditor's report to the members of The Benevolent Society**

### *The fundraising appeals report and directors' responsibility*

The preparation of the financial report for the year ended 30 June 2007 is the responsibility of the Directors of The Benevolent Society.

### *Auditor's responsibility*

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

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

Our procedures include reading the other information in the financial report to determine whether it contains any material inconsistencies with the financial report.

For further explanation of an audit, visit our website <http://www.pwc.com/au/financialstatementaudit>.

Our audit did not involve an analysis of the prudence of business decisions made by directors or management.

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

## *Matters relating to the electronic presentation of the audited financial report*

This audit report relates to the financial report of The Benevolent Society (the Society) for the financial year ended 30 June 2007 included on The Benevolent Society web site. The Society's directors are responsible for the integrity of The Benevolent Society web site. We have not been engaged to report on the integrity of this web site. The audit report refers only to the financial report identified above. It does not provide an opinion on any other information which may have been hyperlinked to/from the financial report. If users of this report are concerned with the inherent risks arising from electronic data communications they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

## *Independence*

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

## *Auditor's opinion*

In our opinion, the financial report presents fairly, in all material respects, the financial position of the Benevolent Society as at 30 June 2007 and its financial performance for the year then ended in accordance with the accounting policies described in Note 1 to the financial statements.

- 1) the financial report and associated records have been properly kept in accordance with
  - sections 20 (1), 22 (1-2), 24 (1-3) of the NSW Charitable Fundraising Act 1991 ("the Act");
  - sections 4 (1-3), 7 (1-5), 7 (7), 7 (9), 8, 18, 20 (1-2), 21, 22 and 26 of schedule 1 to the Authority to Fundraise Under the Charitable Fundraising Act dated 12 October 2003; and
  - sections 8 (6) and 9 of the NSW Charitable Fundraising Regulations 1993 (the Regulations")during the period 1 July 2006 to 30 June 2007; and
- 2) the money received as a result of fundraising appeals conducted during the year ended 30 June 2007 have been properly accounted for and applied in accordance with the above mentioned sections in the Act and the Regulations during the period 1 July 2006 to 30 June 2007.



PricewaterhouseCoopers



Brian Hunter  
Partner

Sydney  
24 October 2007

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Paddington NSW 2021

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