

2013 Financial Statements

Financial Statements

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

The Benevolent 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 Benevolent 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 23 September, 2013. The Directors have the power to amend and reissue the financial report.

Through the use of the internet, we have ensured that our reporting is timely and complete. All press releases, financial reports and other information are available on our website:

www.benevolent.org.au

ABN 95 084 695 045

Auditor

PricewaterhouseCoopers
201 Sussex Street
Sydney NSW 2000

Bankers

Commonwealth Bank
363 George Street
Sydney NSW 2000

Solicitors

Baker & McKenzie
50 Bridge Street
Sydney NSW 2000

King & Wood Mallesons
1 Farrer Place
Sydney NSW 2000

Governance Statement

We are committed to conducting our affairs and services with the highest standards of personal and corporate integrity.

The Benevolent Society is a public benevolent institution operating as a company limited by guarantee. Its activities are regulated by the *Corporations Act* and other State and Commonwealth Laws as applicable and The Benevolent Society's Constitution. Since December 2012, we have been regulated by the Australian Charities and Not-for-profits Commission (ACNC), the Commonwealth Government's independent regulator of charities.

The Benevolent Society has a Board of Directors which is chaired by the Chairman. No Directors receive remuneration, though reasonable expenses incurred on Society business may be reimbursed.

The duties and responsibilities of the Board are as follows:

- to set our strategic direction
- to ensure that The Benevolent Society is managed responsibly and competently
- to ensure that The Benevolent Society is responsible and accountable to all stakeholders
- to ensure The Benevolent Society's sound financial performance
- to ensure The Benevolent 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 Benevolent Society's stakeholders to understand how the Board of Directors perform their roles.

1

Directors' personal engagement with The Benevolent Society

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

It is the Board's responsibility to ensure that The Benevolent Society maximises opportunities to achieve its purpose.

The Board works with Management to prepare a Strategic Plan. Management reports on a regular basis against the objectives set out in that Plan.

The Benevolent Society's strategic goals, priorities, and resource allocations are reviewed, discussed and affirmed by the Board and Management at a joint annual planning session.

Directors are expected to visit or attend a range of The Benevolent Society's facilities, services and functions each year, including presentations by practitioners and social policy experts.

We have an induction program to help new Directors understand The Benevolent Society's strategic and operational position, our responsibilities to our various stakeholders and the wider community context in which we operate.

2

The Board lays solid foundations for effective management

Our Board and Management have clearly defined roles. The Chairman and CEO ensure that our Directors and Management team understand their responsibilities.

The Board approves The Benevolent Society's strategic objectives and holds Management accountable to competently and responsibly achieve them.

Management is responsible for the implementation of 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 Benevolent Society's purpose.

To enable Management to fulfil its role appropriately, the Board:

- appoints the CEO
- delegates authority to the CEO and reviews the CEO's performance annually
- appoints the company secretary
- 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 major initiatives that may affect the overall financial performance and financial health of The Benevolent Society
- approves the annual budget and regularly monitors financial performance

- reviews risk management and compliance systems on an ongoing basis
- periodically and as required reviews ethical policies, standards and codes of conduct
- actively considers the interests of stakeholders in its decision making
- meets regularly with members of The Benevolent Society's Management team.

The Board has delegated some of its functions to Board Committees within clearly defined limits.

The day-to-day management of The Benevolent Society's activities is delegated to the CEO. The CEO briefs the Chairman regularly on emerging and ongoing issues, and updates all Directors on matters of importance, as appropriate, between Board meetings.

The Company Secretary is responsible to the Board on governance matters. The Company Secretary supports the effectiveness of the Board and gives practical effect to the Board's decisions. The Company Secretary also administers the Governance Manual which outlines the key governance arrangements of The Benevolent Society and a Board Protocol.

3

The Board adds value and is structured accordingly

The Benevolent Society believes that its interests will be best served if the Board incorporates an appropriate range of skills and experience to govern The Benevolent Society's affairs properly and that collectively, the Board will have the expertise to address all issues and challenges The Benevolent 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 Management team at all times to enquire about matters and provide advice and guidance.

The Constitution stipulates that the number of Directors of The Benevolent Society will be not less than five and not more than 12.

Any Director who is not an Office Bearer, who has held office for 3 years since last being elected, must retire from office. They may offer themselves for re-election at the Annual General Meeting (AGM). Directors appointed by the Board during the course of the year must submit themselves for election by the Members at the next AGM.

Office Bearers (Chairman, Deputy Chairman and Chairman of the Audit, Finance and Risk Committee) cannot serve more than five consecutive years in one position.

Appointment of Directors

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

When seeking an additional Director for appointment the Board follows a policy of attracting the best talent that may be available. A Board Committee, headed by the Chairman, is authorised to consider potential appointees, conduct interviews and make recommendations to the full Board. The Committee will typically comprise the Chairman, Deputy

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; program funders, donors and grantors; Members; suppliers; staff and volunteers; graduates of The Benevolent Society's social leadership programs; individuals who have a demonstrated interest in The Benevolent Society's work; academics and public thinkers who have an interest in the fields in which The Benevolent Society works; and the wider communities in which we operate, including individuals, other agencies and government entities. Particular attention is paid to the relationship between The Benevolent Society and the various government bodies that fund a large number of The Benevolent Society's programs and to whom we are required to report to demonstrate our effectiveness.

We encourage feedback from our stakeholders, and our decision-making framework ensures their needs are considered when we develop services and procedures.

Chairman and one or two other Directors. Where appropriate, an external executive search firm may be used.

Board Review

The Board undertakes Board reviews via internal and external means. The most recent Board Review was completed at the start of the reporting period in July 2012. The purpose of the review is to identify issues relating to the skills, behaviours, relationships or practices that might be inhibiting the Board from being fully effective.

The Board has three standing Committees: Audit, Finance and Risk, Human Resources and National Policy and Advocacy, with charters set by the Board and specific delegated authority on some matters. The Board also has a standing advisory Endowment Investment Committee.

Other committees are created on an ad hoc basis, usually with limited duration to address a specific matter or initiative. In 2013 the Board formed two Advisory Committees; Property and IT.

5

We desire a special relationship with our Members

The Board is accountable to the Members for the conduct of The Benevolent Society's affairs. In particular the Board expects Members to hold it accountable for the long-term management of The Benevolent Society's financial resources. The Benevolent Society seeks to have its various stakeholders represented in its membership.

Members are encouraged to engage with The Benevolent Society to support the direction and purpose of The Benevolent Society's work and participate in some measure in The Benevolent Society's activities.

Members receive regular communications about The Benevolent Society's activities and progress.

6

We require integrity in financial management and reporting

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

The Audit, Finance and Risk Committee is a standing Committee of the Board. Its objectives are to assist the Board to discharge its responsibilities in respect of The Benevolent Society's:

- financial management
- internal control systems
- risk management system
- protection of its assets
- annual budget and 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, investment policies, insurance policy management and engagement with external auditors.

The Audit, Finance and Risk Committee comprises at least three Directors. The CEO, CFO, and from time to time other executives, are invited to attend meetings. The Committee is provided with written reports from the CEO and CFO confirming that the financial reports present a true and fair view of all aspects of The Benevolent Society's financial results.

Once a year the Audit, Finance and Risk Committee interviews the external auditors, without Management being present.

The Chairman of the Audit, Finance and Risk Committee, who chairs the Committee meetings, reports to the full Board at the next Board meeting and submits recommendations to the Board as determined by the Committee.

7

We manage risk and monitor compliance

We have a risk management plan that is reviewed regularly by the Audit, Finance and Risk 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 Work Health and Safety (WHS) and other statutory requirements for the safety and wellbeing of our staff and volunteers.
- The Audit, Finance and Risk Committee receives and considers management representations confirming The Benevolent Society's compliance with relevant legislation including, without limitation, the Corporations Act, fundraising legislation, the Australian Charities and Not-for-profits Commission (ACNC) and Australian Securities and Investment Commission (ASIC) requirements and our taxation status.
- 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 staff research approval committee, and are subjected to scrutiny by a Research Ethics Committee.
- All material breaches of policies other than HR policies are required to be reported to the Audit, Finance and Risk Committee.

Legal risk is monitored, reviewed and managed by The Benevolent Society's General Counsel and reported to the Board.

8

We value our people

The people who work at The Benevolent Society demonstrate a high level of concern for the disadvantaged, a strong social conscience and a passionate loyalty to our clients and our organisation. It is vitally important that The Benevolent Society respects their contribution to society at large and to The Benevolent Society in particular. Accordingly, our HR practices must be of the highest quality.

The HR Committee is a standing Committee of the Board and is responsible for:

- reviewing the overall HR strategy and monitoring its implementation
- monitoring the implementation of strategic HR policies and plans relating to remuneration and benefits, talent management, culture and employee engagement, performance management and WHS
- recommendations to the Board regarding the remuneration and other terms and conditions for the CEO and Management team members
- recommendations to the Board of budget parameters for the annual remuneration review
- reviewing the selection and remuneration of direct reports to the CEO
- monitoring development and succession plans of the Management team and other 'business critical' roles
- monitoring the culture and engagement levels of the organisation
- reviewing annual salary and award levels in the community and government sectors.

The Committee comprises at least three Directors. The CEO and Director of 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 positive and engaged 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.

The Board recognises good governance goes beyond policies, protocols and procedures and values-driven behaviour cannot be forced. When The Benevolent Society's people embrace the organisation's beliefs and bring them to life every day, in everything they do, The Benevolent Society will achieve its purpose.

The Benevolent Society's regulatory environment

As a registered non-profit organisation and a public company limited by guarantee, The Benevolent Society operates within the following legal and regulatory framework:

- Since December 2012, we are regulated by the Australian Charities and Not-for-profits Commission (ACNC), the Commonwealth's independent regulator of charities.
- We are authorised under the Charitable Fundraising Act 1991 to fundraise in NSW.
- We are registered as a charity under the provisions of the Queensland Government Collections Act 1966 to fundraise in Queensland.
- We are registered as a public benevolent institution with the Australian Taxation Office and endorsed to access the following tax concession:
 - Income tax exemption
 - Goods and Services Tax (GST) charity concessions
 - Fringe Benefits Tax (FBT) exemption subject to a threshold
 - Refunds on franking credits.

We are also endorsed as a Deductible Gift Recipient.

As part of our service delivery we also comply with various service-specific legislation and regulations ranging from childcare to ageing.

Directors' Report

30 June 2013

The Directors present their Report for the year ended 30 June 2013.

Directors

The following people were Directors of The Benevolent Society during the whole of the financial year up to the date of this Report:

Sam Weiss (Chairman)

Robert Fitzgerald AM (Deputy Chairman) (resigned 23 July 2013)

Robert Warren (Chairman, Audit, Finance and Risk Committee)

Kathleen Conlon (appointed 14 February 2013)

Joan Lind (resigned 18 March 2013)

Tanya Gilerman (resigned 3 September 2012)

Gary Moore

Justin Ryan

Jan Carter

Lisa Chung

Tim Beresford (appointed 14 February 2013)

Karen Healy

All Directors are members of The Benevolent Society (*see note 16(a) for more information*).

Purpose

As Australia's first charity, The Benevolent Society has been a catalyst for social change for 200 years. Our purpose is to empower and educate for personal and societal change and our vision is for a just and compassionate society where everyone thrives.

Growing disparity in income and job opportunities is reshaping Australia, creating affluence and privilege in some areas while concentrating social and economic disadvantage in others. That is why we invest energy and resources into grass roots projects in areas characterised by disadvantage.

Supporting people of all ages to build a sense of hope and belonging helps them to cope better with life's challenges. All Australians deserve the chance to reach their full potential, no matter where they're born or live.

Strategies

Our Strategic Plan gives us direction, highlights the social policy changes we believe are needed and helps us bring our purpose to life. Defining measurable goals and targets helps to keep us on track and ensures our efforts lead to tangible social impact.

During the past Financial Year, we have worked towards the objectives in our 2012-2015 Interim Strategic Plan, which are grouped under three Strategic Goals:

1. Influence social change nationally

We will grow our knowledge, leadership and capacity to influence social change in Australia and be recognised.

2. Results in communities

We will support children, young people, families and older people to become more resilient and connected in their communities.

3. Be an agile and robust learning organisation

We will develop people, culture, systems and resources we need to deliver our services effectively. We will use new technologies to drive our business and support innovation, social enterprise and corporate partnerships.

This year we also presented our new Strategic Plan to the Board. This took effect from 1 July 2013 and will guide our activities for the three year period 2013-2016.

Principal Activities

People find themselves vulnerable for all sorts of reasons: financial hardship, mental health issues, family breakdown, or simply as a result of growing older.

The breadth of our service offering allows us to be flexible in how we respond to these social issues, so we can find a way to help people cope with life's challenges, whatever their circumstances.

We work with people of all ages and backgrounds, in 474 postcodes across New South Wales, Queensland, Victoria and South Australia. We create positive social change 'on the ground' by delivering quality community services and offering training and development to other non-profits. We influence social policy nationally through our research and advocacy work, our thought leadership activities and by bringing the community, corporate and government sectors together in our social leadership programs, to collaborate on finding new answers to social issues.

Building stronger families and resilient children is the main area of focus, and includes foster care, child protection, early intervention and community capacity building work. We also provide services that offer pathways to better mental health and wellbeing, including programs to address domestic violence and drug and alcohol addiction. We continue to provide counselling and support for people affected by adoption, which has national reach through online networks.

We have increased our focus on early intervention because it makes common sense and economic sense. Early action refers to intervening as early as possible to tackle problems for children and young people before they become difficult and costly to fix and we have expanded our work in mental health support services, working with young people to de-stigmatise mental illness.

Everything we do is underpinned by the skills of our workforce, the passion of our volunteers and our generous donors, corporate partners and funders. The Benevolent Society employs 992 staff, the equivalent of 724 full time staff

throughout New South Wales, Queensland, Victoria and South Australia. Approximately 722 volunteers are involved in our community services and in 'back office' roles supporting our corporate services teams, including Communications, Fundraising and our 200 Years Celebration campaign. We also partner with a wide range of non-profit agencies, academic bodies and government departments.

Performance measurement

The Benevolent Society monitors performance through a series of benchmarks including:

- the cost-effectiveness of fundraising activities
- the cost of administration and indirect costs to support operations
- actual performance versus budgeted performance
- program outputs versus targeted outputs
- wages and salaries.

We also evaluate program delivery outcomes through client feedback surveys and evaluation studies.

Review of operations and results

The Benevolent Society experienced another year of significant growth. Additional funding was received for Fostering Young Lives and Brighter Futures. Funding was also secured to set up two Family Mental Health Support Services, two Family Referral Services, and Community Programs on the Central Coast.

Revenue from The Benevolent Society's Help at Home and Consumer Directed Care services grew by 14% due to increases in client numbers in South West and Western Sydney.

Significant capital was spent on our information technology and business systems which has expanded our infrastructure and network capacity to support growth.

Substantial time was invested in the 'Year Three' activities detailed in our 2012-2015 Strategic Plan. We particularly focused on developing our community-centred practice approach, implementing a resilience practice framework, publishing more Research to Practice Briefings, finalising our Reconciliation Action Plan and speaking out about early intervention.

Total Comprehensive Income

Total comprehensive income for the year was \$4,347,000 (2012: \$2,351,000) comprising a net surplus of \$1,240,000 (2012: \$3,105,000) and a net increase in the fair value of available-for-sale financial assets of \$3,107,000 (2012: net decrease of \$754,000).

Revenue

See Revenue chart on page 46.

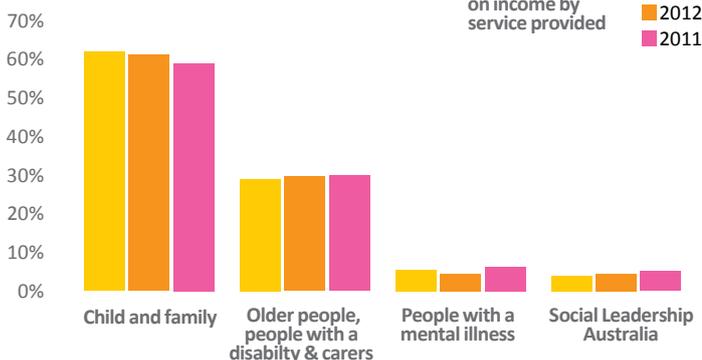
- Revenue from continuing operations grew by 12% this year from \$81,748,000 to \$91,960,000.
- An increase in government funding of 12% has driven this revenue growth.
- Revenue from our investment in the Endowment and in Goodstart amounted to \$6,037,000 (2012: \$3,731,000).

Expenses

See Expenses chart below.

- Expenses from continuing operations grew by 13% from \$80,431,000 to \$90,720,000.
- This is in line with the growth in our funding.
- The cost of managing The Benevolent Society's Endowment portfolio and investment in Goodstart was less than 1% of Endowment assets.

Principal Activities (%)



How we spent our funds



Assets

Total assets increased by 7% from \$110,206,000 to \$117,388,000.

Liabilities

Liabilities increased by 15% to \$21,990,000. The increase of \$2,835,000 was primarily due to increases in trade payables due to increased activity and growth.

Net Assets

The Benevolent Society's net assets increased by 5% to \$95,398,000. The increase of \$4,347,000 was primarily due to increases in the value of the Endowment and the surplus for the year.

Cash Flows

Cash reserves increased by \$2,283,000 this year.

- Operating activities generated a cash surplus of \$340,000 primarily due to cash generated from operating surpluses for the year of \$1,240,000.
- Our investment activities generated a cash surplus of \$2,012,000 resulting mainly from managed fund distributions, franking credits and interest received.
- Financing activities generated a cash deficit of \$69,000 resulting from the repayment of resident contributions.

Significant changes in the state of affairs

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

Matters subsequent to the end of the financial year

Subsequent to balance date, The Benevolent Society agreed to invest \$1,000,000 in Social Benefit Bonds to be issued by Perpetual Corporate Trust Limited as trustee for The Benevolent Society Social Benefit Trust No.1.

The purpose of the issue of bonds is to finance a \$10,000,000 intensive family support service. The service offers support to families whose children are at risk of being placed in out-of-home care. The service will be conducted by The Benevolent Society over a 5 year period commencing in October 2013.

There has not been any other 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 Benevolent Society, the results of those operations, or the state of affairs of The Benevolent Society in future financial years.

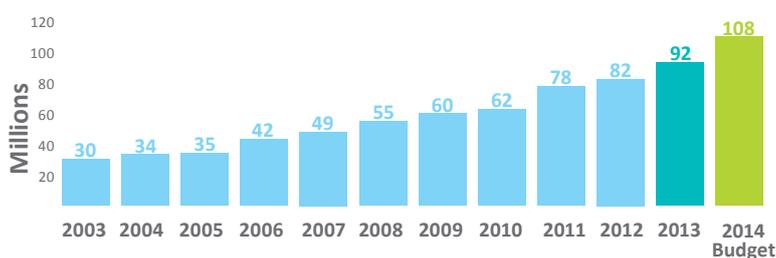
Likely developments and expected results of operations

In the opinion of the Directors there are no likely changes in The Benevolent Society's operations which will adversely affect The Benevolent Society.

Dividends

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

Our revenue continues to grow



Information on Directors

The people listed below were Directors of The Benevolent Society during the financial year and up to the date of this report.

Directors' meetings

This table below shows the number of Board and Board sub-committee meetings held while the person was a Director, during the year ended 30 June 2013, and the number of meetings attended by each Director:

Retirement, election and continuation in office of Directors

Robert Fitzgerald was a Director and Deputy Chairman from the beginning of the financial year until his resignation on 23 July 2013.

Tim Beresford and Kathleen Conlon were appointed as Directors on 14 February 2013 and continue in office at the date of this report.

Tanya Gilerman was a Director from the beginning of the financial year until her resignation on 3 September 2012.

Joan Lind was a Director from the beginning of the financial year until her resignation on 18 March 2013.

Remuneration of Directors

The Benevolent Society's Directors are not remunerated.

Loans to Directors and executives

There are no loans to The Benevolent Society's Directors or Executives.

Insurance of officers

During the financial year, The Benevolent Society paid premiums of \$26,450 (2012: \$34,992) to insure its Directors, Secretary, and all executive officers of The Benevolent Society against a liability incurred by them, to the extent permitted by the *Corporations Act 2001*.

The Benevolent 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 Benevolent Society indemnifies any Director, Secretary or executive officer in respect of any claims made against the Director or officer arising from a wrongful act.

In 2013, The Benevolent Society has entered into deeds of access, indemnity and insurance for the benefit of Directors, executive officers and senior management.

Proceedings on behalf of The Benevolent Society

No person has applied to the Court under section 237 of the *Corporations Act 2001* for leave to bring proceedings on behalf of The Benevolent Society, nor to intervene in any proceedings to which The Benevolent Society is a party, for the purpose of taking responsibility on behalf of The Benevolent Society for all or part of those proceedings.

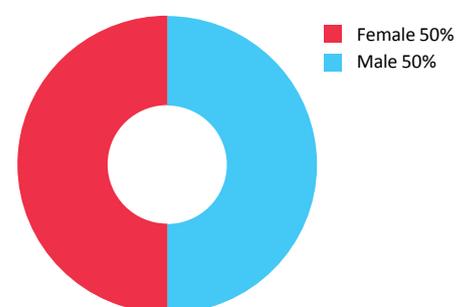
No proceedings have been brought or intervened in on behalf of The Benevolent Society, with leave of the Court under section 237 of the *Corporations Act 2001*.

Non-audit services

The Benevolent Society may decide to employ the auditors (PricewaterhouseCoopers) on assignments additional to their statutory audit duties, where the Auditor's

Director	Board of Directors		Audit, Finance and Risk Committee		Human Resources Committee	
	Held	Attended	Held	Attended	Held	Attended
Tim Beresford	3	2	3	1	–	–
Jan Carter	8	6	4	3	–	–
Lisa Chung	8	7	4	2	–	–
Kathleen Conlon	3	3	–	–	1	1
Robert Fitzgerald	8	8	–	–	–	–
Tanya Gilerman	2	2	–	–	–	–
Karen Healy	8	6	–	–	3	2
Joan Lind	6	5	–	–	3	2
Gary Moore	8	6	–	–	–	–
Justin Ryan	8	6	–	–	3	3
Robert Warren	8	8	4	4	–	–
Sam Weiss	8	8	4	4	3	2

Composition of the Board



expertise and previous experience with The Benevolent Society is relevant. These assignments are principally in relation to assurance on the acquittal of government grants.

It is The Benevolent Society's policy to seek competitive tenders for all major consulting projects. Details of the amounts paid or payable to the auditors for audit and non-audit services provided during the year are set out below.

In accordance with advice received from the Audit, Finance and Risk Committee, the Board of Directors is satisfied that the provision of 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 Auditor's independence requirements of the *Corporations Act 2001* for the following reasons:

- All non-audit services have been reviewed by the Audit, Finance and

Risk Committee to ensure they do not impact the impartiality and objectivity of the auditors.

- None of the services undermine the general principles relating to Auditor's independence as set out in *APES 110 Code of Ethics for Professional Accountants*.

External audit policy

The Benevolent Society's external audit policy is to not exceed a ratio of 1:1 for audit work to non-audit work fees.

Auditor's independence declaration

A copy of the auditor's independence declaration is set out on page 49, as required under section 307c of the *Corporations Act 2001*.

Rounding of amounts

In relation to the "rounding off" of amounts in the Directors' Report, The Benevolent Society is a company of the

kind referred to in *Class Order 98/100* issued by the Australian Securities and Investments Commission.

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.

Auditor

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.



Sam Weiss
Chairman
Sydney
23 September 2013

	2013 \$	2012 \$
Assurance Services		
Audit services		
PricewaterhouseCoopers: Audit of financial reports and other audit work under the <i>Corporations Act 2001</i>	62,500	62,500
Total remuneration for audit services	62,500	62,500
Other assurance services		
PricewaterhouseCoopers: Review of government grant financial reports	22,500	22,500
Total remuneration for other assurance services	22,500	22,500
Total remuneration for assurance services	85,000	85,000

Auditor's Independence Declaration

As lead auditor for the audit of The Benevolent Society for the year ended 30 June 2013, I declare that to the best of my knowledge and belief, there have been:

- a) no contraventions of the auditor 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.



N R McConnell
Partner
PricewaterhouseCoopers

Sydney
23 September 2013

Endowment Report

30 June 2013

For an overview, features and benefits of the Benevolent Endowment, refer to page 28.

Governance

The Endowment is governed by The Endowment Investment Advisory Committee (“the Committee”) in accordance with its Charter as agreed by the Board. It is a standing advisory committee to the Board.

The purpose of the Committee is to advise the Board on the following aspects of the Endowment:

- Investment and disbursement policy
- Investment strategy
- Implementation of the investment strategy
- Reviewing the outcomes
- Evolution of policy and strategy
- Reporting on disbursements, distributions and investment performance.

Members

The Committee Members as appointed by the Board are shown with full bios on page 29 of this report.

Chairman: Bill Webster F Fin, MAICD
(Appointed March 2009).

John Bowers MCom Newcastle, A.M. Harvard University, CFA, FAICD (Appointed March 2009. Resigned 13 May 2013).

Paul Heath BCom, ASIA (Appointed March 2009).

Justin Wood PhD Fin, BCom (Hons), CFA
(Appointed July 2009).

Craig Ueland AB Ec (Stanford), MBA (Hons), CFA
(Appointed May 2013).

The Endowment structure

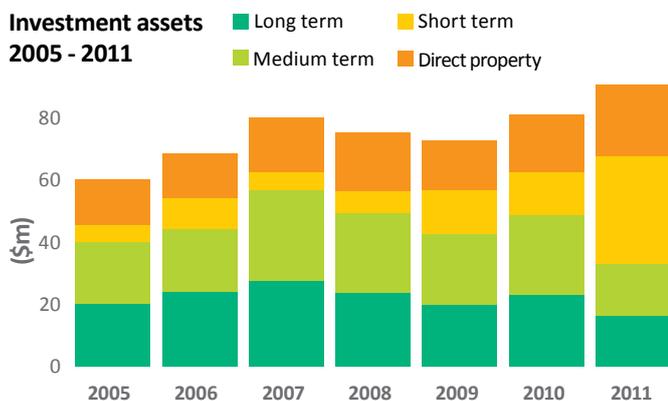
In the latter part of the 2011 financial year, after delineating which assets would be included in the Endowment and managed under advice by the Committee, the portfolio underwent a substantial restructuring where specific business and freehold property assets were separated from Endowment assets.

Previously The Benevolent Society’s investment assets were in four portfolios: short term (effectively cash), medium term, long term and freehold property. The medium and long term portfolios had separate objectives and risk profiles.

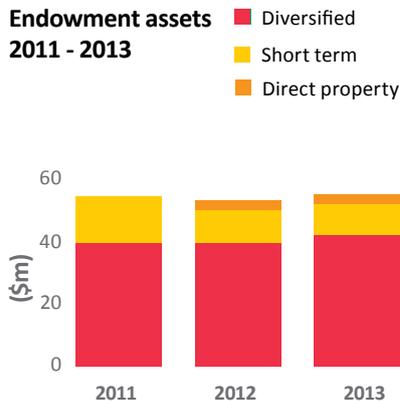
With effect from the beginning of the 2011 financial year the Endowment has been structured as a well diversified portfolio designed specifically to provide a high probability of meeting The Benevolent Society’s ongoing needs (income) and longer term needs (maintenance of capital value in real terms).

A Strategic Asset Allocation (on page 51) has been determined that will govern the shape of the portfolio. Under advice from the Committee the actual exposures may deviate from this allocation, provided rational arguments are presented to the Board. The long term Strategic Asset Allocations are subject to review annually.

Investment assets 2005 - 2011



Endowment assets 2011 - 2013



The exposures as at 30 June 2012 and 30 June 2013 were:

	Strategic Asset Allocation	Actual Allocation 2012	Actual Allocation 2013
Equities	52%	52%	52%
Domestic Equities	36%	35%	35%
International Equities (Unhedged)	8%	14%	11%
International Equities (Hedged)	8%	3%	6%
Property	20%	19%	19%
Domestic Direct Property	20%	4%	4%
Domestic Direct Property (proxy)	–	15%	15%
Bonds & cash	28%	29%	29%
Domestic Inflation Linked Bonds	15%	16%	13%
Domestic Fixed Income	8%	6%	5%
Domestic cash	5%	7%	11%
	100%	100%	100%

In order to maintain value and provide some yield, part of the property exposure has been proxied with a holding of cash and inflation linked bonds. Appropriate freehold property held by The Benevolent Society has not been available for inclusion in the Endowment. This is seen as a temporary position.

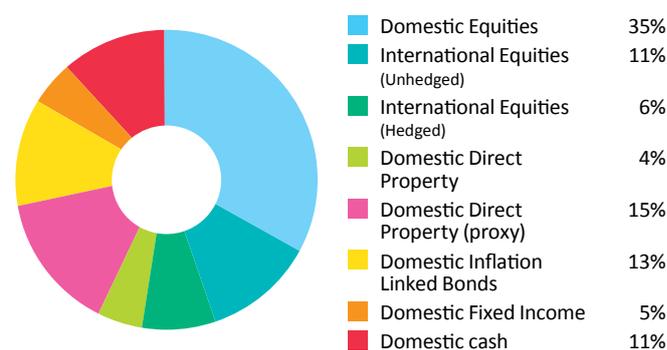
The Strategic Asset Allocation did not change over the year.

- The Strategic Asset Allocation has been designed to produce, over a 7 year time frame, a real return averaging about 3.5% p.a. with volatility close to 10%.
- A long term disbursement rate of 3.5% has been agreed for 2014 which will result in approximately \$2,000,000 for The Benevolent Society's programs (2013: \$2,000,000).

2013 performance

The Endowment assets returned 14.1% (2012: 2.6%) for the year ended 30 June 2013, which represents a real return after inflation of 11.4%. The expected long term real return for the Endowment is 3.5% p.a. The graphs on page 52 show total Benevolent Society returns over the 7 years to 2013. Prior to 2011 the portfolio included business assets used for operating its programs.

Actual allocation can be further represented as:



Current Strategy

Investors continue to face significant uncertainty, whether relating to future economic growth, the financial stability of a number of countries, the future direction of interest rates or volatile currencies. In such circumstances the Committee is of the view that it is prudent for the Endowment's portfolio to be well diversified with exposures limited to high quality assets and managed with investment expertise. It is more important to focus on conditions and risks that may evolve over the next 3-5 years than on the immediate future. The structure and investment exposures of the Endowment reflect this view and the Committee will continue to recommend changes to exposures accordingly.

During the year the Committee met with the Endowment's investment managers and made some changes to mandates and the portfolio structure based on the information gathered. At the start of the year the Endowment had a tactical tilt in its international equity holdings towards an unhedged versus hedged exposure. This reflected a concern that the risk of a decline in the Australian dollar exchange rate outweighed the risk of further appreciation over the longer term. Following a fall in the exchange rate over the year, the tilt has been reduced but not yet eliminated.

Mid-way through the year, the Endowment replaced an enhanced yield strategy in Australian equities with an index strategy. While high yield strategies have continued to perform throughout the year, the change reflects a concern about the risk of such strategies should economic conditions deteriorate.

Finally, the Endowment has continued to hold a tactical tilt towards short-term bank deposits rather than traditional bond funds to reduce duration risk and take advantage of the premiums banks have been willing to pay to increase their domestic sources of funding.

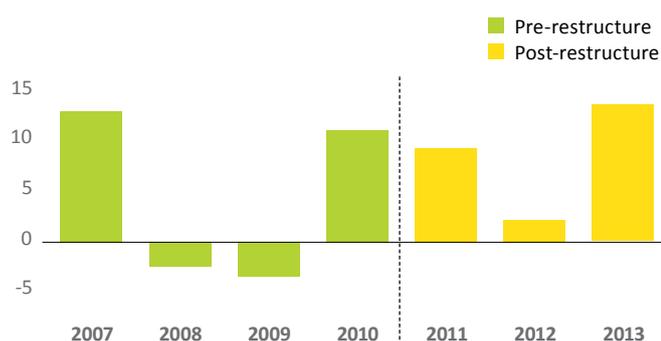
The Committee recognises that it is likely that there will be years in which the Endowment's investment returns will fall short of the long term objective, but believes its diversified approach and the risk reducing tactical positions adopted increases the probability of achieving the long term objective. After adjusting for inflation, the real return achieved over the seven years to June 2013 has been 3.4% p.a., which is in line with the Endowment's expected real return of 3.5% p.a. over the next seven years.

Investment Managers

The Committee appoints investment managers to manage the Endowment's investments. As at 30 June 2013 the following managers invested funds on behalf of the Endowment:

	2013	2012
Antares Fixed Income	18%	20%
ANZ Trustees Limited	21%	20%
MLC Investments Limited	17%	4%
Russell Investment Management Limited	5%	35%
BlackRock Investment Management (Australia) Limited	15%	–
Cash deposits and direct property are managed by The Benevolent Society.	24%	21%
	100%	100%

Total returns (%)



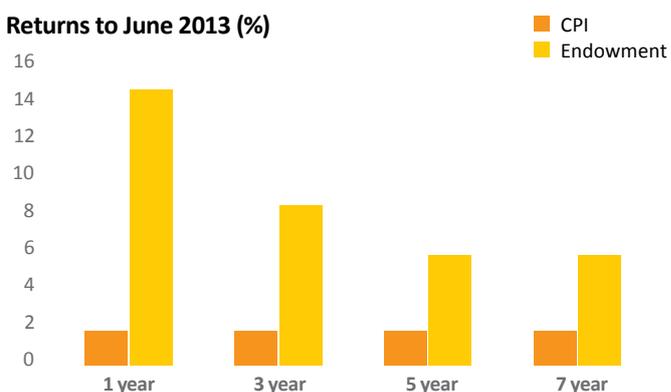
How we spent these funds

During the 2013 financial year The Benevolent Society Endowment provided funding of \$1,963,000 to support our wider innovation strategy and provided the resources to enhance and support specific initiatives that had been identified and part funded by donors. We invested in the following initiatives:

Social Benefit Bonds

Development of the Social Benefit Bond project is an important initiative between the NSW Government, The Benevolent Society and our consortium partners, Westpac and Commonwealth Bank. The consortium has established an intensive family support service funded by a social benefit bond. The service offers support to families whose children are at risk of being placed in out-of-home care. The consortium will mobilise sources of private capital to fund the service by the issue of a social benefit bond. Social Benefit Bonds are financial instruments that pay a return based upon the performance of a service provider (in this case The Benevolent Society) in addressing a social problem. Development of social benefit bonds has two benefits for The Benevolent Society and the wider charity sector. First it provides access to a substantial pool of risk capital that has been difficult to access for such innovations. Second it provides a model to move evaluation of the sector towards outcomes that have a direct benefit for people in need rather than simple output measures.

Returns to June 2013 (%)



Growing Communities Together (including Taste Food Tours)

For some time we have worked with the Bankstown community to develop community projects to bridge cultural and generational gaps, improve employment pathways and empower residents to get more involved locally.

Taste Tours uses food to break down the stereotypes and builds community pride. Originating in Bankstown, Taste Tours now operates in 17 different communities. All tours are led by local guides who share their stories of food, culture and place.

Family Health & Mother-Baby Hub

This initiative provides a new model of wellbeing centre for families which combines a comprehensive range of GP and midwife-led health and community services, all located under one roof in Strathpine, Queensland.

Service Delivery Management System

We believe that our employees providing important social services deserve the best support. Systematic collection of high quality data is central to our program delivery and development. In order to ensure that we continue to be a leader in technological advances in the Community Services sector, the Endowment has enabled us to make further investments in our IT and case management systems.

We are implementing a new Service Delivery Management System, which will integrate all data collection systems resulting in a more comprehensive picture in relation to the outcomes of our services. This will strengthen service planning, reporting and the identification of key issues for clients.

National influence

Influencing social change through research, evaluation, social policy development and advocacy is an important part of The Benevolent Society. Throughout our history we have advocated for change. The contribution from the Endowment has allowed The Benevolent Society to engage in advocacy that could not be supported from funds directly tied to existing projects. This advocacy is not built around access to additional funding for our organisation but rather to advocate for new initiatives that might be undertaken directly by government or where appropriate, the non-government sector. This continues our 200 year tradition of developing and promoting social support in response to changes in the needs of society.

During the year we continued building social policy in the area of early intervention, advocated for policy reform in relation to the assistance available to vulnerable families seeking

employment and continued developing best practice in evaluation in the non-government sector.

The ability to fund initiatives such as these (especially with other organisations) requires patient capital (and the awareness that results are not immediate) and involves the development of knowledge and infrastructure that is notoriously hard to fund through annual donations.

Future plans

- We propose to use disbursements from the Endowment strategically to invest with other donors since we recognise social initiatives are more powerful when undertaken alongside like-minded donors.
- We will continue to provide a long term investment vehicle for donors.
- We will focus on funding new initiatives that have the capacity to introduce lasting social change.

The Endowment assets and income are included in the Balance Sheet and Statement of Income and Comprehensive Income (see Note 22 for more details).

Statement of Income and Comprehensive Income

For the year ended 30 June 2013

	Notes	2013 \$'000	2012 \$'000
Revenue from continuing operations	4	91,960	81,748
Total revenue from continuing operations	4	91,960	81,748
Expenses			
Community program expenses		(85,303)	(76,318)
Fundraising and communications expenses		(1,811)	(1,221)
Social initiatives expenses		(1,684)	(1,577)
Infrastructure and investment expenses		(1,922)	(1,315)
Total expenses from continuing operations	5(a)	(90,720)	(80,431)
Surplus before income tax		1,240	1,317
Income tax expense	1(c)	–	–
Surplus from continuing operations		1,240	1,317
Surplus from discontinued operations	6(b)	–	1,788
Surplus for the year		1,240	3,105
Other comprehensive income			
Changes in the fair value of available-for-sale financial assets	15(a)	5,019	(690)
Realised gains on disposal of available-for-sale financial assets	15(a)	(1,912)	(64)
Income tax relating to components of other comprehensive income		–	–
Other comprehensive income for the year, net of tax		3,107	(754)
Total comprehensive income for the year		4,347	2,351

The above Statement of Income and Comprehensive Income should be read in conjunction with the accompanying notes.

Balance Sheet

As at 30 June 2013

	Notes	2013 \$'000	2012 \$'000
ASSETS			
Current assets			
Cash and cash equivalents	7	27,507	25,224
Trade and other receivables	8	3,006	2,213
Total current assets		30,513	27,437
Non-current assets			
Receivables	9	7,016	6,695
Available-for-sale financial assets	10	42,822	40,321
Held-to-maturity investments	11	100	—
Property, plant and equipment	12	36,937	35,753
Total non-current assets		86,875	82,769
Total assets		117,388	110,206
LIABILITIES			
Current liabilities			
Trade and other payables	13	20,358	17,608
Resident contributions		478	540
Total current liabilities		20,836	18,148
Non-current liabilities			
Provisions	14	1,154	1,007
Total non-current liabilities		1,154	1,007
Total liabilities		21,990	19,155
Net assets		95,398	91,051
THE BENEVOLENT SOCIETY FUNDS			
Available-for-sale financial assets reserve	15(a)	2,691	(416)
Restricted grants reserve	15(b)	274	274
Retained surplus	15(c)	92,433	91,193
Total funds		95,398	91,051

The above Balance Sheet should be read in conjunction with the accompanying notes.

Statement of Changes in The Benevolent Society Funds

For the year ended 30 June 2013

	Notes	Restricted grants reserve \$'000	Assets available for sale \$'000	Retained surpluses \$'000	Total \$'000
Balance as at 1 July 2011		382	338	87,980	88,700
Transfer to retained surpluses	15(b)	(108)	–	108	–
Surplus for the year	15(c)	–	–	3,105	3,105
Other comprehensive income (loss) for the year	10(d)	–	(754)	–	(754)
Balance as at 30 June 2012		274	(416)	91,193	91,051
Surplus for the year	15(c)	–	–	1,240	1,240
Other comprehensive income for the year	10(d)	–	3,107	–	3,107
Balance as at 30 June 2013		274	2,691	92,433	95,398

The above Statement of Changes in The Benevolent Society Funds should be read in conjunction with the accompanying notes.

Cash Flow Statement

For the year ended 30 June 2013

	Notes	2013 \$'000	2012 \$'000
Cash flows from operating activities			
Receipts from government funding and clients (inclusive of goods and services tax)		93,742	81,404
Payments to suppliers and employees (inclusive of goods and services tax)		(93,402)	(80,747)
Net cash inflow from operating activities		340	657
Cash flows from investing activities			
Payments for property, plant and equipment		(4,278)	(1,768)
Payments for investments		(25,150)	(18,050)
Managed fund distributions, franking credits and interest received		4,039	3,646
Proceeds from sale of investments		27,274	2,470
Proceeds from sale of property, plant and equipment		127	13,713
Net cash inflow from investing activities		2,012	11
Cash flows from financing activities			
Repayment of resident contributions		(69)	(7,327)
Net cash (outflow) from financing activities		(69)	(7,327)
Net increase/(decrease) in cash and cash equivalents		2,283	(6,659)
Cash and cash equivalents at the beginning of the financial year		25,224	31,883
Cash and cash equivalents at the end of the financial year	7	27,507	25,224

The above Cash Flow Statement should be read in conjunction with the accompanying notes.

Notes to the Financial Statements

30 June 2013

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1. Summary of significant accounting policies

The principal accounting policies adopted in this 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 – Reduced Disclosure Requirements, and Interpretations issued by the Australian Accounting Standards Board and the *Corporations Act 2001*. The Benevolent Society is a not-for-profit entity for the purpose of preparing this financial report.

(i) Compliance with Australian Accounting Standards Reduced Disclosure Requirements

The Benevolent Society's financial report complies with Australian Accounting Standards – Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB).

The Benevolent Society has continued to disclose the following non-required disclosures to assist with transparency: financial risk management (Note 2), interest rate risk exposure (Note 2(a)), movements in the provision for impairment of receivables (Note 8), non-current receivables and receivables past due (Note 9(a)), and non-current receivables risk exposure (Note 9(b)).

(ii) Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets at fair value.

(b) 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 for the major business activities as follows:

(i) Government grants

The Benevolent Society receives grants from the government for the provision of community services. Grants received from the government are recognised at their fair value when The Benevolent Society has reasonable assurance that the grant will be received and The Benevolent Society will comply with all attached conditions. Government grants relating to costs are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to compensate.

(ii) Investment and interest income

Interest income is recognised when the right to receive payment is established.

(iii) Client and consulting fees

The Benevolent Society provides client and consultancy services. Revenue from these services is recognised in the period the services are rendered.

(iv) Sale of goods and disposal of assets

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

(v) Donations

Donations are recognised when The Benevolent Society has control of the contribution. Major donations received for specific purposes are deferred and recognised in the income statement over the period necessary to match them with the costs that they are intended to fund.

(c) Income Tax

As a public benevolent institution, The Benevolent Society is endorsed for income tax exemption under subdivision 50-B of the *Income Tax Assessment Act 1997*.

(d) Leases

Leases in which a significant portion of the risks and rewards of ownership are not transferred to The Benevolent Society as Lessee are classified as operating leases (note 18). Payments made under operating leases (net of any incentives received from the lessor) are charged to the Statement of Income and Comprehensive Income on a basis which reflects the pattern in which economic benefits from the leased asset are consumed. The Benevolent Society has no finance lease obligations.

Lease income from operating leases where The Benevolent Society is a lessor is recognised in income on a straight line basis over the lease term. The respective leased assets are included in the balance sheet based on their nature.

(e) Impairment of assets

The Benevolent Society recognises land and buildings using the cost model in accordance with AASB 116 Property, Plant and Equipment. Property, plant and 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. The recoverable amount is the asset's fair value less costs to sell, or value in use, whichever is the higher. Non-financial assets that have 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 include cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of six 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) 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.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectable are written off by reducing the carrying amount directly. An allowance for doubtful debts is used when there is objective evidence that The Benevolent Society will not be able to collect all amounts due, according to the original terms of receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 30 days overdue) are considered to be indicators that the trade receivable is doubtful. The amount of the impairment allowance and cash flows relating to short-term receivables are not discounted as the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the Statement of Income and Comprehensive Income within bad debts expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectable in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against bad debts in the Statement of Income and Comprehensive Income.

(h) Discontinued operations

A discontinued operation, is defined as a component of the entity that is being disposed of, or classified as held for sale, and which represents a separate major line of business or geographical area of operations, and is part of a single coordinated plan to dispose of such a line of business or area of operations. In July 2011, The Benevolent Society sold its remaining aged care facility, Sans Souci Gardens Hostel. The results of discontinued operations are presented separately in the Statement of Income and Comprehensive Income.

Current assets (or disposal groups) are classified as discontinued operations if their carrying amount will be recovered principally through a sale transaction, rather than through continuing use. They are measured at the lower of their carrying amount and fair value, less costs to

sell. An impairment loss is recognised for any initial or subsequent write down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non current asset (or disposal group) is recognised at the date of derecognition. Current assets are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised. Current assets classified as held for sale, and the assets of a disposal group classified as held for sale, are presented separately from the other assets in the balance sheet.

The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the balance sheet.

(i) Investments and other financial assets

(i) Classification

The Benevolent Society classifies its investments as available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(ii) Loans and Receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting period which are classified as non-current assets.

(iii) Available-for-sale financial assets

Available-for-sale financial assets comprise mainly managed funds. The Benevolent Society takes a long-term view with its investment funds by recording only income from the portfolios in revenue from continuing activities in the Statement of Income and Comprehensive Income. They are included in non-current assets unless Management intends to dispose of the investment within 12 months of the Balance Sheet date.

(iv) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets quoted in an active market with fixed or determinable payments and fixed maturities that Management has the positive intention and ability to hold to maturity. If Management were to sell other than an insignificant amount of held-to-maturity financial assets, the whole category would be tainted and reclassified as available-for-sale.

Held-to-maturity financial assets are included in non-current assets, except for those with maturities less than 12 months from the end of the reporting period, which would be classified as current assets.

(v) Recognition and derecognition

Purchases and sales of financial assets are recognised on trade date – the date on which The Benevolent Society commits to purchase or sell the asset. Financial assets are de-recognised when the rights to receive cash flows from the financial assets have expired or have been transferred, and The Benevolent Society has transferred substantially all the risks and rewards of ownership. When securities classified as available-for-sale are sold or impaired, the accumulated fair value adjustments recognised in The Benevolent Society's funds are included in the Statement of Income and Comprehensive Income as gains and losses from investment securities.

(vi) Measurement

At initial recognition, The Benevolent Society measures an available-for-sale financial asset at its fair value plus, in the case of a financial asset not at fair value through the Statement of Income and Comprehensive Income, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through the Statement of Comprehensive Income are expensed in the Statement of Income and Comprehensive Income.

Available-for-sale financial assets are subsequently carried at fair value. Changes in the fair value of investments classified as available-for-sale are recognised in Other Comprehensive Income.

(vii) Impairment

Impairment of assets carried at fair value

At each balance date, The Benevolent Society assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of managed funds classified as available-for-sale, a significant or prolonged decline in the fair value of a fund below its cost is considered as an indicator that the funds are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in the Statement of Income and Comprehensive Income – is reclassified from The Benevolent Society's funds and recognised in the Statement of Income and Comprehensive Income.

Impairment losses recognised in the Statement of Income and Comprehensive Income on investments classified as

available-for-sale are not reversed through the Statement of Income and Comprehensive Income.

Impairment of assets carried at amortised cost

For held-to-maturity investments, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If a held-to-maturity investment has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, The Benevolent Society may measure impairment on the basis of an instrument's fair value using an observable market price.

(j) Property, plant and equipment

Land and buildings are shown at deemed cost as at transition to Australian Equivalent of International Reporting Standards (AIFRS) date. All other property, plant and equipment is stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the assets.

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to software and systems. Costs capitalised include external direct costs of materials and service and direct payroll and payroll related costs of employees' time spent on the project. Amortisation is calculated on a straight-line basis over periods generally ranging from 3 to 5 years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where Management has an intention and ability to use the asset.

Assets are generally capitalised if greater than \$5,000. If Government funding contracts state a different level for capitalisation, then that level is applied in relation to assets purchased under the specific Government contract.

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 Benevolent Society and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance are charged

to the Statement of Income and Comprehensive Income 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
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 Statement of Income and Comprehensive Income.

(k) Intangible assets

IT development and software

Costs incurred in developing products or systems and costs incurred in acquiring software and licences that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised to IT software. Costs capitalised include external direct costs of materials and service. Amortisation is calculated on a straight-line basis over periods generally ranging from 3 to 5 years. IT development costs include only those costs directly attributable to the development phase and are only recognised following completion of technical feasibility and where The Benevolent Society has an intention and ability to use the asset.

(l) Trade and other payables

These amounts represent liabilities for goods and services provided to The Benevolent Society prior to the end of financial year which are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition. Trade and other payables are presented as current liabilities unless payment is due later than 12 months from the reporting date. They are recognised at cost.

(m) Provisions

Provisions are recognised when The Benevolent 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.

Provisions are measured at the cost of the best estimate of the expenditure required to settle the present obligation at the reporting date. The amount of the expenditure relating to provisions are not discounted as the effect of discounting is immaterial.

Resident contributions are payable on vacation of a unit by a resident, and are defined as the amounts Hostel and Village residents loan to The Benevolent Society by deed of loan, less the amount allowed to be retained by The Benevolent Society, as determined by the deed of the loan.

(n) Employee benefits

(i) Wages and salaries, annual leave

Liabilities for wages and salaries, including nonmonetary 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. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. The obligations are presented as current liabilities in the Balance Sheet if the entity does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

(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.

(iv) Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. The Benevolent Society recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12

months after the end of the reporting period are discounted to present value.

(o) Goods and Services Tax (GST)

Revenues, 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 flows.

(p) Rounding of amounts

The Benevolent Society is of a kind referred to in *Class Order 98/100*, 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.

(q) New accounting standards and interpretations

AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010) and AASB 2012-6 Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures (effective from 1 January 2015)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular The Benevolent Society's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale financial assets, for example, will therefore have to be recognised directly in

profit or loss. In the current reporting period, The Benevolent Society recognised \$3,107,000 of such gains in other comprehensive income.

There will be no impact on The Benevolent Society's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and The Benevolent Society does not have any such liabilities. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement and have not been changed. The Benevolent Society will adopt the new standard from its operative date.

AASB 10 Consolidated Financial Statements, AASB 11 Joint Arrangements, AASB 12 Disclosure of Interests in Other Entities, revised AASB 127 Separate Financial Statements, AASB 128 Investments in Associates and Joint Ventures, AASB 2011-7 Amendments to Australian Accounting Standards arising from the Consolidation and Joint Arrangements Standards and AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments (effective 1 January 2013)

In August 2011, the AASB issued a suite of five new and amended standards which address the accounting for joint arrangements, consolidated financial statements and associated disclosures. AASB 10 replaces all of the guidance on control and consolidation in AASB 127 Consolidated and Separate Financial Statements, and Interpretation 12 Consolidation – Special Purpose Entities. The core principle that a consolidated entity presents a parent and its subsidiaries as if they are a single economic entity remains unchanged, as do the mechanics of consolidation. However, the standard introduces a single definition of control that applies to all entities. It focuses on the need to have both power and rights or exposure to variable returns. The Benevolent Society does not expect the new standard to have a significant impact on its financial statements.

AASB 13 Fair Value Measurement and AASB 2011-8 Amendments to Australian Accounting Standards arising from AASB 13 (effective 1 January 2013)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Benevolent Society will adopt the new standard from its operative date, which means that it will be applied in the annual reporting period ending 30 June 2014.

Notes to the Financial Statements (continued)

2. Financial risk management

The Benevolent Society's activities expose it to a variety of financial risks: market risk (including interest rate risk and price risk), credit risk and liquidity risk. The Benevolent Society's overall financial risk management program focuses on financial markets and seeks to control potential adverse effects on the long term financial performance of The Benevolent Society. The Benevolent Society uses different investments to minimise certain risk exposures. At call accounts, bank bills and term deposits are exclusively used for short-term purposes of excess cash flow. Managed Funds and bonds are used for medium and long term investment purposes where a greater risk tolerance is accepted.

The Benevolent Society holds the following financial instruments:

	Notes	2013	2012
Financial assets			
Cash and cash equivalents	7	27,507	25,224
Trade and other receivables	8	3,006	2,213
Non-current receivables	9	7,016	6,695
Available-for-sale financial assets	10	42,822	40,321
Held-to-maturity investments	11	100	–
		80,451	74,453
Financial liabilities			
Trade payables	13	4,727	2,841
Other payables	13	3,039	2,927
Resident contributions		478	540
Government funding received in advance	13	8,530	8,498
		16,774	14,806

(a) Market risk

(i) Foreign exchange risk

The Benevolent Society operates within Australia and therefore is not exposed to direct foreign exchange risk. The Benevolent Society is indirectly exposed to foreign exchange risk due to global equities included in funds under management.

(ii) Price risk

The Benevolent Society does not directly invest in equities and therefore is not exposed to direct price risk. The Benevolent Society is exposed to equity securities price risk as it invests indirectly in the equity market through its investment fund managers. The Benevolent Society is not exposed directly to commodity price risk but does have an indirect exposure via its investment in the equity market.

(iii) Cash flow and fair value interest rate risk

The Benevolent Society's main interest rate risk arises from short term investments and Goodstart Early Learning Loan Notes. The risk is reduced due to the fixed rates associated with the Goodstart notes.

The Benevolent Society uses a combination of variable and fixed rate investments to manage its interest rate risk.

The Benevolent Society's overall exposure to interest rate risk and the effective weighted average interest rate by maturity periods is set out in the following table:

	Average interest rate	Variable interest rate	Fixed interest maturing in:			Non interest bearing	Total 2013	Total 2012
	%	\$'000	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	\$'000	\$'000	\$'000
Financial assets								
Cash	3.08	5,968	–	–	–	–	5,968	8,206
Short term deposits	4.44	–	21,539	–	–	–	21,539	17,018
Trade and other receivables	–	–	–	–	–	3,006	3,006	2,213
Non-current receivables	15.00	–	–	3,508	3,508	–	7,016	6,695
Held-to-maturity Investments	5.00	–	–	100	–	–	100	–
Available-for-sale financial assets	–	–	–	–	–	42,822	42,822	40,321
		5,968	21,539	3,608	3,508	45,828	80,451	74,453
Financial liabilities								
Trade payables	–	–	–	–	–	4,727	4,727	2,841
Other payables	–	–	–	–	–	3,039	3,039	2,927
Government funding received in advance	–	–	–	–	–	8,530	8,530	8,498
Resident contributions payable	–	–	–	–	–	478	478	540
		–	–	–	–	16,774	16,774	14,806
Net financial assets		5,968	21,539	3,608	3,508	29,054	63,677	59,647

(b) Credit risk

Credit risk arises from cash and cash equivalents and deposits with banks and financial institutions, as well as outstanding receivables and committed transactions. The Benevolent Society uses banks and financial institutions with a minimum credit rating of AA. There is no concentration of credit risk with respect to current and non-current receivables, as The Benevolent Society has a large number of clients, dispersed throughout New South Wales and Queensland, Australia. The majority of clients are required to settle using direct debit or major credit cards. The funding provided by government is also spread between Australian federal and state government funding. During the year The Benevolent Society invested \$100,000 in Newpin Social Benefit Bonds (SBB). The Newpin SBB will pay a minimum coupon of 5% per annum over the first three years. Principal protection is 75% in the first three years and 50% from four to seven years. As the investment is held-to-maturity the maximum exposure to credit risk at the end of the reporting period is 75% of the carrying amount of the investment.

(c) Liquidity risk

Prudent liquidity risk management implies maintaining sufficient cash and marketable securities. The Benevolent Society manages liquidity risk by monitoring forecast and actual cash flows and matching the maturity profiles of financial assets and liabilities. 83% (2012: 81%) of The Benevolent Society's funding is provided in advance by government and surplus funds are generally only invested in instruments that are tradeable in highly liquid markets.

(d) Fair value measurements

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement and for disclosure purposes.

AASB 7 Financial Instruments: Disclosures requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1),
- (b) inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (as prices) or indirectly (derived from prices) (level 2), and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (level 3).

The following table presents The Benevolent Society's financial assets and liabilities measured and recognised at fair value at 30 June 2013.

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
Available-for-sale financial assets				
Investments – managed funds	42,822	–	–	42,822
Total available-for-sale financial assets	42,822	–	–	42,822

The Benevolent Society uses fair value estimation for medium to long-term investments in managed funds. The Benevolent Society's managed funds are carried at fair value which approximates current market value. The Benevolent 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 during the year.

The carrying values less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short term nature. The fair values of financial liabilities for disclosure purposes are estimated to approximate their carrying values due to the holding term.

3. Critical accounting estimates and judgments

The Benevolent 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 or assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

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

Notes to the Financial Statements (continued)

4. Revenue

	Notes	2013 \$'000	2012 \$'000
(a) From continuing operations			
Government funding		76,037	67,902
Client fees and charges		6,190	6,345
Bequests and legacies		275	629
Corporate funding		699	549
Trusts and foundations	21(a)	1,574	1,204
Fundraising appeals and events	21(a)	764	821
Treasury funded superannuation		36	37
Other income	4(d)	348	530
		85,923	78,017
(b) From investments			
Interest		2,277	2,456
Investment distributions		1,848	1,807
Realised gain/(loss) on sale of investments		1,912	(532)
	22	6,037	3,731
Total revenue from continuing operations		91,690	81,748
(c) From discontinued operations			
Government funding		–	53
Client fees and charges		–	58
Net profit on sale of assets		–	1,806
Resident retentions		–	7
Total revenue from discontinued operations	6(b)	–	1,924
Total revenue		91,960	83,672
(d) Other income			
Rent		375	288
Resident retentions		24	24
Reimbursements		98	122
Sale of goods		86	49
Net profit/(loss) on sale of property, plant & equipment		(235)	47
Total		348	530

5. Expenses

	Notes	2013 \$'000	2012 \$'000
(a) Expenses from continuing operations			
Salaries and wages		56,311	53,258
Administration expenses		4,340	3,462
Information technology		2,418	1,251
Fundraising and communications		1,995	982
Travel and transport		2,604	2,286
Client and brokerage expenditure		9,871	7,690
Community partners		4,867	4,050
Property and equipment maintenance		5,572	5,684
Impairment of buildings	12(c)	949	–
Depreciation and amortisation		1,793	1,768
Total expenses from continuing operations		90,720	80,431
(b) Expenses from discontinued operations			
Salaries and wages		–	96
Administration expenses		–	6
Client and brokerage expenditure		–	11
Property and equipment maintenance		–	23
Total expenses from discontinued operations	6(b)	–	136
Total expenses		90,720	80,567
(c) Surplus before income tax includes the following specific expenses:			
Depreciation			
Buildings		272	319
IT Software		182	–
Plant and equipment		1,339	1,449
Total depreciation		1,793	1,768
Rental expenses relating to operating leases			
Lease payments		2,624	2,297
Net transfers to provisions			
Employee entitlements		1,416	387
Receivables written off during the year as uncollectable		16	15

Notes to the Financial Statements (continued)

6. Discontinued operations

(a) Description

On 19 May 2008 The Benevolent Society began implementing its decision to cease operating aged care nursing homes and hostels. During the 2009 financial year, The Benevolent Society transitioned out of all its aged care nursing homes and the majority of hostels, with the remaining hostel, Sans Souci Gardens, being sold in August 2011.

(b) Financial performance

	Notes	2013 \$'000	2012 \$'000
Revenue	4	–	1,924
Expenses	5	–	(136)
Surplus before income tax		–	1,788
Income tax expense		–	–
Surplus from discontinued operations		–	1,788
Net cash inflow from operating activities		–	1
Net cash inflow from investing activities		–	3,605
Net cash (outflow) from financing activities		–	(7,302)
Net (decrease) in cash generated by discontinued operations		–	(3,696)
Assets		–	–
Liabilities		–	–
Net assets (liabilities)		–	–

7. Current assets – Cash and cash equivalents

	2013 \$'000	2012 \$'000
Cash at bank and on hand	5,968	8,206
Short term deposit – working capital	10,370	8,000
Short term deposit – Endowment	11,169	9,018
	27,507	25,224

The Benevolent Society holds working capital cash reserves of \$16,338,000 (2012: \$16,206,000). This includes residential contributions held of \$478,000 (2012: \$540,000) and government and trust funding provided for specific purpose of \$8,530,000 (2012: \$8,498,000). Refer to note 13.

The related expenditure will not occur until a future period and The Benevolent Society is restricted in its use of these funds by the terms and conditions of the funding.

At the end of the Financial Year The Benevolent Society also held Endowment cash reserves in market term deposits of \$11,169,000 (2012: \$9,018,000).

(a) Cash at bank and on hand

These are interest bearing cheque accounts with an average rate of 1.25% (2012: 1.29%) and at call accounts with rates between 2.70% and 3.45% (2012: 3.45% and 4.70%).

(b) Short term deposit

Deposits are with the Commonwealth Bank of Australia and ANZ Bank. Term deposit rates are between 4.00% and 5.49% (2012: 4.61% and 6.20%). These deposits have a maturity of 30 to 244 days.

(c) Interest rate risk exposure

The Benevolent Society's exposure to interest rate risk is discussed in note 2.

(d) Reconciliation of cash at the end of the year

The above figures are reconciled to cash at the end of the financial year as shown in the Statement of Cash Flows as follows:

	2013 \$'000	2012 \$'000
	27,507	25,224
Balances as per Cashflow Statement	27,507	25,224

8. Current assets – Trade and other receivables

	2013 \$'000	2012 \$'000
Trade receivables	1,230	1,104
Provision for impairment of receivables	(5)	(21)
Investment Income receivable	770	264
	1,995	1,347
Prepayments	1,011	866
	3,006	2,213

Movements in the provision for impairment of receivables are as follows:

	2013 \$'000	2012 \$'000
At 1 July	21	18
Provision for write-off recognised during the year	46	42
Receivables written off during the year as uncollectible	(16)	(15)
Unused amount reversed	(46)	(24)
	5	21

The creation and release of the provision for impaired receivables has been included in 'community program expenditure' in the Statement of Income and Comprehensive Income. Amounts charged to the allowance account are generally written off when there is no expectation of recovery.

Notes to the Financial Statements (continued)

9. Non-current assets – Receivables

	2013 \$'000	2012 \$'000
Receivables	7,016	6,695

The receivables outstanding at the end of the current year are subordinated and deeply subordinated notes in Goodstart Early Learning of \$5,000,000 (2012: \$5,000,000) and capitalised interest earned to date on these notes of \$2,016,000 (2012: \$1,695,000).

(a) Impaired receivables and receivables past due

None of the non-current receivables are impaired or past due but not impaired.

(b) Risk exposure

Information about The Benevolent Society's exposure to credit risk and interest rate risk is provided in note 2.

10. Non-current assets – Other financial assets

	2013 \$'000	2012 \$'000
Other financial assets available-for-sale		
At fair value:		
Investments at the end of the year were managed as follows:		
BlackRock Investment Management Limited	8,675	–
JANA Investment Advisers Pty Ltd (JANA)	10,022	–
ANZ Executors and Trustees Company Limited	11,823	10,138
MLC Investments Limited	9,299	12,255
Russell Investment Management Group	3,003	17,928
	42,822	40,321

(a) Managed funds

The managed funds hold assets in line with The Benevolent Society's approved asset allocation. An approved disbursement of \$1,963,000 (2012: \$1,988,000) was used to fund The Benevolent Society's social initiatives.

(b) Investments in related parties

Refer to note 19 for information on available-for-sale financial assets held in related parties.

(c) Non-current assets pledged as security

The Benevolent Society does not hold any non-current assets pledged as security.

(d) Impairment and risk exposure

The maximum exposure to credit risk at the reporting date is the fair value of the managed funds classified as available-for-sale.

The net increase in the fair value of available-for-sale financial assets of \$3,107,000 (2012: net decrease of \$754,000) has been recognised in the Statement of Other Comprehensive Income for the year and taken to equity in the available-for-sale financial assets reserve. This net change is comprised of \$5,019,000 unrealised gain (2012: \$690,000 unrealised loss) less \$1,912,000 realised gain on disposal of investments (2012: \$64,000 realised loss). Refer to note 22.

All available-for-sale financial assets are denominated in Australian currency. For an analysis of the sensitivity of available-for-sale financial assets to price and interest rate risk refer to note 2.

11. Non-current assets – Held-to-maturity investments

	2013 \$'000	2012 \$'000
Social Benefit Bond	100	–

(a) Social Benefit Bonds

The carrying amount of the investment in the Newpin Social Benefit Bond is \$100,000 (2012: nil). Refer to Note 2(b).

(b) Impairment and risk exposure

The maximum exposure to credit risk at the end of the reporting period is 75% of the carrying amount of the investment. Refer to Note 2(b).

The Social Benefit Bond is denominated in Australian currency. As a result, there is no exposure to foreign currency risk. There is also no exposure to price risk as the investments will be held to maturity.

Notes to the Financial Statements
(continued)

12. Non-current assets – Property, plant and equipment

	Work In Progress		Land \$'000	Buildings \$'000	IT Software \$'000	Plant and equipment \$'000	Total \$'000
	Assets in the course of construction \$'000	IT Development and Software \$'000					
Gross carrying amount							
Balance as at 1 July 2012	94	77	21,062	11,687	1,040	10,102	44,062
Additions	1,498	2,120	–	–	283	377	4,278
Reclassification	(1,075)	(591)	826	(826)	591	1,075	–
Impairment	–	–	–	(2,026)	–	(52)	(2,078)
Disposals	–	–	–	–	(520)	(1,405)	(1,925)
Balance as at 30 June 2013	517	1,606	21,888	8,835	1,394	10,097	44,337
Accumulated depreciation							
Balance as at 1 July 2012	–	–	–	(3,310)	(786)	(4,213)	(8,309)
Reclassification	–	–	–	–	–	–	–
Impairment	–	–	–	1,087	–	42	1,129
Disposals	–	–	–	–	520	1,053	1,573
Depreciation expense	–	–	–	(272)	(182)	(1,339)	(1,793)
Balance as at 30 June 2013	–	–	–	(2,495)	(448)	(4,457)	(7,400)
Net book value 2013	517	1,606	21,888	6,340	946	5,640	36,937
Net book value 2012	94	77	21,062	8,377	254	5,889	35,753

(a) Leased assets

The Benevolent Society did not have any finance leases (2012: nil).

(b) Valuations of land and buildings

Land and buildings were deemed at cost as at transition to AIFRS date (1 July 2004). Valuations performed between September and November 2011 by Dobrow Valuations showed recoverable values as greater than carrying values thus an impairment loss did not occur (refer note 1(e)), with the exception of Note 12(c).

Buildings on crown land are valued at \$3,050,000 (2012: \$6,350,000).

(c) Impairment of buildings

During the 2013 financial year there was an impairment in relation to buildings erected on Crown Land, due to the expiry of the Crown Lease. The impairment expense was \$949,000 (2012: nil).

(d) Restricted assets

The Benevolent Society does not have any material restrictions on title, property, plant and equipment. Minor restrictions relating to approved plant and equipment purchases through government funded contracts may include asset maintenance, security, risk responsibility, any insurance and registration requirements, disposal approval requirements and using the asset for the purpose for which it was funded.

13. Current liabilities – Trade and other payables

	2013 \$'000	2012 \$'000
Trade payables	4,727	2,841
Other payables	3,039	2,927
Unexpended grants: Government funding received in advance	8,530	8,498
Employee benefits – annual leave	3,472	2,810
Employee benefits – long service leave	590	532
	20,358	17,608

Risk exposure

Information about The Benevolent Society's exposure to foreign exchange risk is provided in note 2.

14. Non-current liabilities – Provisions

	2013 \$'000	2012 \$'000
Employee benefits – long service leave	1,154	1,007

15. Reserves and retained surplus

	2013 \$'000	2012 \$'000
(a) Available-for-sale financial assets reserve		
Balance 1 July 2012	(416)	338
Transfer to Statement of Income on disposal of investments	(1,912)	(64)
Changes in fair value recognised in other comprehensive income	5,019	(690)
Balance 30 June 2013	2,691	(416)
(b) Restricted grants reserve		
Balance 1 July 2012	274	382
Transfer to accumulated surplus of restricted grant expenditure during the year	–	(108)
Balance 30 June 2013	274	274
(c) Retained surplus		
Balance 1 July 2012	91,193	87,980
Net surplus for the year	1,240	3,105
Transfer from restricted grants reserve during the year	–	108
Balance 30 June 2013	92,433	91,193

(d) Available-for-sale financial assets revaluation reserve

Changes in the fair value of managed fund investments classified as available-for-sale financial assets, are taken to this reserve, as described in note 1(i).

(e) Restricted grants reserve

Restricted grants received in advance from government, major donors, trusts and foundations are recognised when The Benevolent Society has control of the contribution. The reserve represents grants received during previous financial years over which The Benevolent Society was deemed to have control. The related expenditure the grants are intended to compensate will not occur until a future period and The Benevolent Society is restricted in its use of these funds by the terms and conditions of the grant.

16. Key management personnel disclosures

(a) Directors

The following people were non-executive Directors of The Benevolent Society during the financial year:

Sam Weiss (Chairman) AB Harvard University, MS Columbia Business School, FAICD	since 14 July 2005
Robert Fitzgerald (Deputy Chairman) AM BCom, LLB	since 20 November 2006 to 23 July 2013
Robert Warren (Chairman, Audit, Finance and Risk Committee) BEc, CA, GDIPAppFin, GAICD	since 19 July 2010
Tim Beresford BEc (Hons), LLB, MPhil (International Relations) ASIA, MAICD	since 14 February 2013
Jan Carter AM MPhil, MSci (Econ), BA, Dip SocStud	since 4 April 2011
Lisa Chung LLB, FAIM, FAPI, MAICD	since 27 June 2011
Kathleen Conlon BA (Econ), MBA	since 14 February 2013
Tanya Gilerman BEc, ACA, CPA	since 15 March 2005 to 3 September 2012
Karen Healy PhD, BSocWk (Hons)	since 4 April 2011
Joan Lind BA	from 18 August 2008 to 27 September 2011, then from 30 September 2011 to 18 March 2013
Gary Moore BA, BSocWk, MMgt	since 20 November 2006
Justin Ryan BEc, LLB (Sydney), MBA (Wharton), F Fin, FAICD	since 15 August 2008

(b) Directors' compensation

Directors of The Benevolent Society are not remunerated.

(c) Other key management personnel

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

Geoff Aigner Director Social Leadership Australia	
Damien Byers Director Human Resources	since March 2013
Sarah Fogg Acting General Manager Social Policy and Research	since September 2012
Matthew Gardiner State Director Queensland	since March 2013
Wendy Haigh Chief Financial Officer / General Manager Corporate Services / Company Secretary	
Steve Hawkins General Manager Business Development	
Anne Hollonds Chief Executive Officer	
Elaine Leong Company Secretary / General Counsel	to December 2012
Annette Michaux General Manager Social Policy and Research	to September 2012
Alexandra Rose Company Secretary / General Counsel	since October 2012
Nicole Schleicher General Manager Community Services	
Joanne Toohey State Director New South Wales	since April 2013
Tracey Young Head of Communications	

(d) Other key management personnel compensation

	2013 \$'000	2012 \$'000
Short term employee benefits (total compensation)	1,647	1,499

(e) Loans to key management personnel

The Benevolent Society does not hold any loans with key management personnel.

(f) Other transactions with key personnel

During the year, The Benevolent Society has entered into deeds of access, indemnity and insurance for the benefit of key management personnel.

17. Contingencies

The Benevolent Society had no contingent liabilities at 30 June 2013 (2012: nil) in relation to continuing operations. The Benevolent Society had no contingent assets at 30 June 2013 (2012: nil).

18. Commitments

(a) Capital commitments

The Benevolent Society had commitments for \$781,000 of capital expenditure payable within one year, contracted for at the reporting date in addition to that already recognised as liabilities (2012: nil).

(b) Operating lease commitments

	2013 \$'000	2012 \$'000
Commitments in relation to rental of premises contracted for at the reporting date but not recognised as liabilities, payable:		
Within 1 year	1,941	1,896
Later than 1 year but not later than 5 years	4,730	4,232
Later than 5 years	1,019	1,716
	7,690	7,844

(c) Repairs and maintenance: property

The Benevolent Society had no contractual obligation for future repairs and maintenance in existence at the reporting date other than those recognised as liabilities.

(d) Remuneration commitments

The Benevolent Society had no commitments for the payment of salaries and other remuneration under long term employment contracts in existence at the reporting date other than those recognised as liabilities.

19. Related party transactions

(a) Social Ventures Australia

The Benevolent Society is one of the four founding members of Social Ventures Australia Limited. Social Ventures Australia Limited is a company limited by guarantee, incorporated and operating in Australia.

During the year The Benevolent Society invested \$100,000 (2012: nil) in Newpin Social Benefit Bonds. Newpin SBB Pty Ltd is the Trustee and Social Ventures Australia is the manager of the Newpin SBB Trust.

In 2013 there were no financial transactions between The Benevolent Society and Social Ventures Australia Limited (2012: nil).

(b) Goodstart Early Learning

The Benevolent Society is one of four founding members of Goodstart Early Learning. Goodstart is a company limited by guarantee, incorporated and operating in Australia.

In 2013 The Benevolent Society had interest income of \$1,043,000 (2012: \$880,000) and \$7,016,000 (2012: \$6,695,00) principal and capitalised interest receivable in relation to subordinated and deeply subordinated notes in Goodstart Early Learning.

(c) The Benevolent Society Social Benefit Trust No 1

The Benevolent Society has been appointed as the manager and is the sole Initial Charitable Member of The Benevolent Society Social Benefit Trust No 1. The Trust was established in June 2013 to raise funds for, and otherwise assist and support, children and families in New South Wales who are disadvantaged, in need or vulnerable through the trial of a pilot social benefit bond. The Benevolent Society will be engaged as a subcontractor of the Trust to provide intensive family support services to families whose children are at risk of being placed in out-of-home care. There were no financial transactions between The Benevolent Society and The Benevolent Society Social Benefit Trust No 1 in 2013.

(d) Transactions with Directors

In 2012/13 The Benevolent Society has entered into deeds of access, indemnity and insurance for the benefit of Directors.

(e) Key management personnel

Disclosures relating to key management personnel are set out in note 16.

20. Events occurring after the reporting period

Subsequent to balance date, The Benevolent Society agreed to invest \$1,000,000 in Social Benefit Bonds to be issued by Perpetual Corporate Trust Limited as trustee for The Benevolent Society Social Benefit Trust No.1.

The purpose of the issue of the Social Benefit Bonds is to finance a \$10,000,000 intensive family support service. The service offers support to families whose children are at risk of being placed in out-of-home care. The service will be conducted by The Benevolent Society over a 5 year period.

There has not been any other 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 Benevolent Society, the results of those operations, or the state of affairs of The Benevolent Society in future financial years.

21. Additional information furnished under the NSW Charitable Fundraising Act 1991 and the Regulations

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

	2013 \$'000	2012 \$'000
Gross proceeds of fundraising from trusts and foundations	1,574	1,204
Gross proceeds of fundraising appeals and events	764	821
Total proceeds of fundraising	2,338	2,025
Total direct costs of fundraising appeals and events (see (i) below)	(379)	(274)
Net surplus from fundraising	1,959	1,751

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

	2013 \$'000	2012 \$'000
Net surplus from fundraising	1,959	1,751
This was applied to charitable purposes in the following manner:		
Community program expenditure	75,556	68,079
Administration expenses (i)	13,835	12,078
Total cost of community programs	89,391	80,157
Discontinued operations expenditure (refer note 6)	–	136
Total charitable purpose expenditure	89,391	80,293
Shortfall in funds available from fundraising (ii)	87,432	78,542

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

(ii) Shortfall in funds available from fundraising is funded through government contracts, endowment income distributions, investment income, corporate funding, client fees and bequests.

(c) Shortfall of funds available from fundraising was financed from the following sources:

	2013	2012
	\$'000	\$'000
Government grants and subsidies	76,037	67,902
Client fees	6,190	6,345
Bequests and legacies	275	629
(Surplus) / deficit for the year	(1,240)	(3,105)
Interest, dividend and managed fund distribution revenue	6,037	3,731
Other income	133	3,040
Shortfall in funds available from fundraising	87,432	78,542

d) Fundraising appeals and events conducted during the financial year

This year we reached out to our existing donors with 4 appeals asking them to support our child and family services. These donors also received 2 supporter newsletters updating them about our programs and sharing success stories. We also sent out 3 appeals to the general public to reach out to new donors. Celebrating 200 years gave us the opportunity to create some new fundraising events and this is still continuing. Significant events in the past year included our inaugural Race for Change corporate bike race, public collections at State Rail stations on our birthday in May 2013, and fundraising through community events like the City to Surf and Gold Coast Marathon. Events held by volunteer committees such as the Scarba Volunteers Family Fund and Friends of Scarba helped raise funds for our early years programs.

(e) Fundraising ratios

	2013		2012	
	\$'000	%	\$'000	%
Total cost of fundraising : Gross income from fundraising	379 : 2,338	16	274 : 2,025	14
Net surplus from fundraising : Gross income from fundraising	1,959 : 2,338	84	1,751 : 2,025	86
Total cost of community programs : Total expenditure	75,556 : 90,720	83	68,079 : 80,567	85
Total cost of community programs : Total revenue from continuing activities	75,556 : 91,960	82	68,079 : 81,748	83

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

22. Endowment investments

The Endowment assets and income are included in The Benevolent Society's Balance Sheet and Statement of Income and Comprehensive Income as follows:

	Notes	Endowment \$'000	Operations \$'000	Total \$'000
Current assets				
Cash and cash equivalents	7	11,169	16,338	27,507
Other assets	8	–	3,006	3,006
Non-current assets				
Receivables	9	–	7,016	7,016
Other financial assets	10,11	42,822	100	42,922
Property, plant and equipment*	12	2,240	34,697	36,937
Total assets		56,231	61,157	117,388
Statement of income				
Interest		435	1,842	2,277
Investment distributions		1,848	–	1,848
Realised gain on sale of investments		1,912	–	1,912
Total income	4(b)	4,195	1,842	6,037
Other comprehensive income				
Changes in the fair value of available-for-sale financial assets	15(a)	5,019	–	–
Realised gains on disposal of available-for-sale financial assets	15(a)	(1,912)	–	–
Total income	10(d)	3,107	–	–

(*November 2011 valuation of the Endowment property was \$2,240,000)

The assets in the Endowment are assets that may be readily bought, or sold, and can be valued. Business assets that are important to The Benevolent Society's delivery of charitable works are excluded, as is working capital. The types of asset held are those that an investor would expect to see in a well-managed, diversified investment portfolio. Direct property holdings, despite their comparative illiquidity, will be held if unencumbered and not required for business purposes.

Directors' Declaration

30 June 2013

In the Directors' opinion:

- (a) the financial statements and notes set out on pages 35 to 80 are in accordance with the *Corporations Act 2001*, including:
 - (i) complying with Accounting Standards – Reduced Disclosure requirement, the *Corporations Regulations 2001* and other mandatory professional reporting requirements, and
 - (ii) giving a true and fair view of The Benevolent Society's financial position as at 30 June 2013 and of its performance for the financial year ended on that date, and
- (b) there are reasonable grounds to believe that The Benevolent 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.



Robert Warren

Chairman of the Audit, Finance and Risk Committee
Sydney
23 September 2013

Declaration by the Chairman

30 June 2013

Declaration by Chairman in respect of fundraising appeals

I, Sam Weiss, Chairman of The Benevolent Society declare that in my opinion:

- (a) the Statement of Income and Comprehensive Income 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 *NSW 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.



Sam Weiss

Chairman

Sydney

23 September 2013



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

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 2013, the statement of income and comprehensive income, statement of changes in equity 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 for the financial report

The directors of the Society are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, the *Corporations Act 2001* and the *NSW Charitable Fundraising Act 1991* and the *NSW Charitable Fundraising Regulation 2008* and for such internal control as the directors determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Independence

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

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Auditor's opinion

In our opinion:

- (a) the financial report of The Benevolent Society is in accordance with the *Corporations Act 2001*, including:
 - (i) giving a true and fair view of the Society's financial position as at 30 June 2013 and of its performance for the year ended on that date; and
 - (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements, the *Corporations Regulations 2001* and the NSW Charitable Fundraising Act 1991 and the NSW Charitable Fundraising Regulation 2008.
- (b) the financial report and associated records have also been properly kept in accordance with:
 - (i) sections 20(1), 22(1-2), 24(1-3) of the *NSW Charitable Fundraising Act 1991* (the Act);
 - (ii) sections 3(1-3), 6(1-5), 7(1), 18, 19(1) and 23 of schedule 1 of the *Authority to Fundraise Under the Charitable Fundraising Act* dated 8 October 2008, and
 - (iii) sections 9(6) and 10 of the *NSW Charitable Fundraising Regulations 2008* (the Regulation); and
 - (iv) the funds received as a result of fundraising appeals conducted for the year ended 30 June 2013 have been properly accounted for and applied in accordance with the above mentioned sections of the Act and Regulations during the ended 30 June 2013.

PricewaterhouseCoopers

N R McConnell
Partner

Sydney
23 September 2013

We are The Benevolent Society

We help people change their lives through support and education and we speak out for a just society where everyone thrives.

We're Australia's first charity. We're a not-for-profit and non-religious organisation and we've helped people, families and communities achieve positive change for 200 years.

Our Annual Report plays an important role in our ongoing stakeholder communications. We use it to demonstrate how we have performed financially, and how we are tracking against our strategic goals, but it only tells part of our story. Our website, our social media sites and our other print and digital publications also help us to deliver progress reports, share our success stories, call for action and invite people to join us in working for a just Australia where everyone thrives.

Visit www.benevolent.org.au to find out more about how we're making a difference every day.

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