Financial Report

2020

Brotherhood of St Laurence
Working for an Australia free of poverty

Contents

Directors' Report

Brotherhood of St. Laurence (BSL) Corporate Governance

We are committed to the highest standards of corporate governance and believe that accountability and transparency through our corporate governance framework is central to pursuing BSL's mission of pursuing lasting change, to create a more compassionate and just society so that everyone can thrive.

2019–2020 Corporate Governance Highlights

2019–2020 was a significant year for BSL. The corporate governance highlights and focus areas included:

- **Board** – Completed a governance review with the aim of ensuring governance is fit for purpose in an organisation that has a revitalised strategy with a new executive team. Appointed a Company Secretary to drive implementation of the governance review.
- **Strategy** – Driving our new strategy to pursue systemic change for a fairer, more compassionate and just society which is underpinned by our vision for an Australia free of poverty.
- **Risk Management** – Risk management now a whole of enterprise exercise. Annual risk workshops are attended by Board Committee Chairs.
- **Responding to Crisis** – Responded swiftly to the COVID-19 crisis in an agile, effective, efficient and inclusive way, helping the organisation stay calm and focused during the crisis. This is further supported by many in our leadership team having direct experience in responding to crises across the world.

Corporate Governance Framework

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

Lady Southey AC is Patron of BSL.

The President of BSL is the Anglican Archbishop of Melbourne.

Our Members

CHARTER AND LIFE

Up to 40 Charter Members, including the Executive Director, are permitted under BSL's Constitution.

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

Life membership has been conferred on a number of members who have given significant service to BSL. Life Members act as 'friends of BSL', often providing advice and ongoing support to the organisation.

CHARTER MEMBERS

Ms Joanna Baevski
Professor Jan Carter AM
Emeritus Professor Judith Chapman AM
The Revd Barbara Colliver
The Revd Don Edgar (to July 2020)
Ms Christine Edwards
The Rt Revd David Farrer
Associate Professor Jane Freemantle OAM
The Most Revd Dr Philip L Freier
Ms Celia Gerreyn
Ms Sarina Greco
Mr David Green AM, PSM
Ms Dana Hlavacek
Mr James Jacoby (to May 2020)
Mr Michael James (from November 2019)
The Revd Dr J. Hugh Kempster
Ms Conny Lenneberg
Mr John McInnes OAM
Dr Fiona Macdonald
Dr Ian Manning
Ms Freya Marsden (from November 2019)
Emeritus Venerable Barry Martin AM (from November 2019)
Dr Apollo Nsubuga-Kyobe
Mr Ian Paroissien
Dr Nouria Salehi AM, OAM
Ms Fiona Smith AM
The Revd Clemence Taplin
Ms Catherina Toh (from November 2019)
Mr David Triplow APM
Mr Michael Tucker (from November 2019)
Mr Trevor Williams
Mr John Wilson
Mr Michael Wilson

LIFE MEMBERS

The Rt Revd Michael Challen AM
Mr Sandy Clark
Dr Stephen Duckett
Mr Michael Feeney
Mr Nicolas Frances MBE
The Rt Revd Dr Peter Hollingworth AC OBE
The Hon. Professor Brian Howe AO
The Rt Revd Philip Huggins
The Hon. Rob Knowles AO
Ms Elizabeth Loftus
Ms Alison McClelland AM
Father James Minchin
Mr Ian Reid
The Rt Revd Andrew St John
Ms Jenny Trethewey
Mrs Thelma Tuxen

The Board of Directors

The Most Revd Dr Philip L Freier
BAppSc, DipEd, BD, MEdSt, PhD FAICD

Board Chair, Nomination and Governance Committee Chair

In December 2006 Philip Leslie Freier became the thirteenth Anglican Archbishop of Melbourne and was the Anglican Primate of Australia from July 2014 to March 2020. He was ordained priest in 1984 and from 1999 to 2006, Dr Philip Freier was Bishop of the Northern Territory. He has a particular concern for Indigenous people and as Archbishop, has worked to bring about Reconciliation and has advocated for a new social contract for Australia, upholding a vision of the common good in which there is a sense of mutual obligation to one another and responsibility for one another. The Most Revd Dr Philip Freier was appointed to BSL Board in November 2015.

Ms Conny Lenneberg
DLitt (HC La Trobe University)

Executive Director (Jan 2018), Member of the Nominations and Governance Committee, the Quality and Care Governance Committee and the Property Committee

As a leader in the community development and social justice sector, Conny has long been an agent of change in Australia and internationally. She has a special interest in building better lives for children and young people, and their families. Her record of embracing challenges and complex assignments, over three decades, ranges from framing responses to the current Syria humanitarian emergency to community development in Afghanistan, within the settings of international aid organisations including World Vision and Australian Volunteers International. Conny's approach is to always look to the horizon and be aspirational in the truest sense, reflecting BSL's goal to create lasting impacts to secure systemic change in our society. Importantly, Conny does this in partnership with others – reflecting her long recognition of the power of collective action.

Mr Ian Paroissien
BCom, CA ANZ

Non-executive Director (Mar 2017) and Deputy Chair, David Scott School Chair, Property Committee Chair, Member Audit and Risk Committee, Nominations and Governance Committee and Quality and Care Governance Committee

Member of the Institute of Chartered Accountants Australia and New Zealand. Retired partner PwC. Previously, Chair Brighton Grammar School from 2004 to 2016.

Dr Stephen Duckett
PhD, DSc, FASSA, FAHMS, FAICD

Non-executive Director (Oct 2018), Chair Quality and Governance Committee

Director of the Health Program at Grattan Institute. MA (Chicago Theological Seminary). Chair of the Board of Eastern Melbourne Primary Health Network, member of Council of RMIT University. Vicar's Warden and Chair of Parish Council at St Peter's Eastern Hill. Former Director of BSL Board from 1996 to 2005 and Chair of BSL Board from 2000 to 2005.

Associate Professor Jane Freemantle
OAM SRN, MPH, PhD, LMPHAA

Non-executive Director (Dec 2017), Member Quality and Governance Committee (Jun 2019)

A paediatric epidemiologist whose academic career has been directed to using linked population data to provide a solid foundation from which to develop evidence-based policy and evaluate clinical practice and public health initiatives particularly in the area of Aboriginal and Torres Strait Islander children and communities, nationally and internationally. Dr Freemantle was most recently the Senior Data Analyst at Kaiela Institute, Shepparton. Jane holds the position of (Hon) Principal Research Fellow at the School of Population and Global Health, the University of Melbourne. She also holds the positions of Associate Professor Department of Paediatrics and Child Health at University of Western Australia. Dr Freemantle is an Examining Chaplain within the Anglican

Diocese of Melbourne and holds numerous lay positions within the Anglican Dioceses of Melbourne and Wangaratta. Dr Freemantle is a Director of the Mansfield District Hospital Board and the Beolite Village Independent Living Aged Care facility.

Ms Zac Hatzantonis
BCom, MCom

Non-executive Director (Oct 2018), former Member of the Property Committee (Nov 2019 to July 2020) and the Finance and Investment Committee (to May 2019)

Zac is a partner of PwC. One of the leading business operations advisors in the Australian early childhood sector. Zac spent over 10 years in senior public-sector roles in both the Victorian Department of Premier and Cabinet and in Treasury and Finance.

Mr Tony Hallam
BEc, ACA

Non-executive Director (Oct 2018), Chair of the Finance and Investment Committee (Feb 2019 and formerly a Member 2016) and Member of the Property Committee (from Nov 2019)

Tony was a PwC partner for nine years before working in the sports and major events industry including executive positions with Football Federation of Australia and Golf Australia. Former Chairperson of Melbourne Stadiums Limited and current Chairperson of Melbourne Boomers WNBL Club.

Ms Dana Hlavacek
BCom (Hons), MAcc, FCA, GAICD

Non-executive Director (Mar 2017), Chair Audit and Risk Committee (Jun 2014 and formerly a Member Jun 2011) and Member of the Quality and Care Governance Committee (from Jun 2019)

An experienced corporate executive and independent director with expertise in international treasury and finance, audit, risk and compliance. Her executive career includes roles in the resources sector and audit and assurance. Dana is a Director of Zoos Victoria. She is a Member of the Greater Metropolitan Cemeteries Trust where she is the Chair of the Audit and Risk Management Committee. Previously a Director of Melbourne Water Corporation, RSPCA Victoria, Trustee of the Victorian Arts Centre Trust.

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

Non-executive Director (Nov 2012 to Dec 2019)

Vice-Chancellor's Senior Research Fellow, Centre for People, Organisation and Work RMIT University. Previously, Executive Director, Equity Research Centre; Director, Victorian Welfare Rights Unit; Director, Wesley Mission Victoria; Director, AFL SportsReady Group Training Company. Australian Institute of Company Directors graduate, 2016.

Bishop Kate Prowd
BA (Hons), BA (Hons in psych), BDiv, Masters of Psychology (Clinical)

Non-executive Director (Nov 2018), Member David Scott School Council (Feb 2020)

Bishop Prowd was ordained a deacon (1986) and priest (1992) during years of intense debate over the ordination of women. Her consecration took place in October 2018 as Bishop of the Oodthenong Episcopate, which covers parishes and schools in the west and north west of Melbourne and parts of the north east. She is also a Clinical Psychologist and prior to her consecration worked for six years as a clinical psychologist in palliative care and with people diagnosed with progressive neurological diseases at Calvary Health Care Bethlehem. Her interests are in clergy wellbeing, mission, and exploring the connections between spirituality and psychology.

ROLE OF THE BOARD

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

COMPOSITION OF THE BOARD

BSL's Constitution limits the number of Board Members to 14, including the Executive Director and at least two people who are clerics in Holy Orders of the Anglican Church of Australia. Further, the Chair is required to be a communicant member of the Anglican Church of Australia. Currently there are nine Directors including the Executive Director.

REMUNERATION

BSL Directors volunteer their time and skills to the organisation and as such no remuneration was paid or is payable to the Directors in their capacity as Board Members.

BOARD SUB-COMMITTEES

Audit and Risk Committee

The Audit and Risk Committee's role is to ensure that all significant financial and non-financial risks are identified and properly addressed by management on a timely basis. The Committee is made up of Board Members and external members who bring independence and external expertise to the Committee. Members during the 2019–2020 financial year were Dana Hlavacek (Committee Chair), Malcolm Haynes, Guy Mendelson (to June 2020), Ian Paroissien, and Ilan Zipor (from May 2020). The Committee meets quarterly.

Finance and Investment Committee

The Finance and Investment Committee assists the Board in overseeing the proper financial management of the organisation. The Committee members during the 2019–2020 financial year were Tony Hallam, Richard Wilson, Christina Manonian, and Nick Ward. The Committee is scheduled to meet bi-monthly.

Nominations and Governance Committee

The Nominations Committee reviews and recommends nominations for Board and sub committees' membership. The members during the 2019–2020 financial year were The Most Revd Dr Philip Freier (Committee Chair), Ian Paroissien, Celia Gerreyn, The Rt Revd Philip Huggins, Conny Lenneberg. The Committee meets at least annually.

Remuneration Committee

The Remuneration Committee is responsible for the remuneration policy for senior management of the organisation, and reviewing and approving remuneration packages of senior management. The members during the 2019–2020 financial year were The Most Revd Dr Philip Freier (Committee Chair), Conny Lenneberg, Ian Paroissien. The Committee was dissolved by Board resolution in July 2020.

David Scott School Council

The David Scott School is governed by the David Scott School Council. The School Council is comprised of one member of BSL Board, a BSL senior executive and other external members from the education and community sectors. The Council members during the 2019–2020 financial year were Ian Paroissien (Committee Chair), Michael James, Sally James (to June 2020), Noelene Horton, Carol Smith, Claire Murray, Dr Lucia Boxelaar (from June 2020), Bishop Kate Prowd (from February 2020). The Committee is scheduled to meet at least eight times every calendar year.

Quality and Care Governance Committee

The purpose of the Quality and Care Governance Committee is to assist the Board to fulfil its governance role and responsibilities to assure our residents and service clients have quality care that is safe, effective, connected, person-centred services, and that is underpinned by continuous quality improvement. The Committee is made up of Board Members and external members who bring independence and external expertise to the Committee. Members during the 2019–2020 financial year were Dr Stephen Duckett (Chair), Dana Hlavacek, A/Prof. Jane Freemantle, Catherine Joyce, Alex Ross, Ian Paroissien and Conny Lenneberg. The Committee meets bi-monthly.

Property Committee

Established to assist the Board to fulfil its governance role and responsibilities in respect of BSL's property portfolio. The Committee is made up of Board Members and external members who bring independence and expertise in property and development. Members during the 2019–2020 financial year were Ian Paroissien (Chair), Tony Hallam, Zac Hatzantonis, Jenny Trethewey, Peter Hart, Tom Dugdale and Conny Lenneberg.

Other committees

A number of other committees or workgroups are established by the Board from time to time to oversee a particular task or project. These committees operate only for the period of time required to complete the task or project.

Company Secretary

Ms Philippa Allen BA
(Hons) DUNELM, DipCFS Event Man
(to November 2019)

Since moving to Australia and joining BSL in September 2011, Philippa has enjoyed numerous varied roles working in social enterprises, volunteer services, events management, youth transitions and acting as EA to many divisions. She has held the role of Executive Assistant to the Executive Director for over four years. Previously Committee member and Fundraising Committee member of the Melbourne Symphony Orchestra Chorus. Previously Secretary of the Durham University Choral Society. Having provided secretariat support to BSL Board for six years, she was appointed as Interim Company Secretary in May 2019.

Ms Bernadette Doyle
LLB (Hons), Bbus, GAICD (from November 2019)
Company Secretary and General Counsel

Bernadette commenced her appointment at BSL in November 2019. She has an extensive career in legal and governance, including a 15-year career working with organisations throughout Victoria and Queensland in industries concerned with community wellbeing and connectivity including water, transport and special event industries.

Executive Team

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

The members of the Executive Team at any time during or since the end of 2019–2020 financial year were:

Ms Conny Lenneberg, Executive Director

Ms Sonia Bijelic, Director Marketing and Engagement

Dr Lucia Boxelaar, Director Community Programs

Mr Jonathan Lee, Chief Financial Officer (to December 2019)

Mr Cameron Power, Chief Financial Officer (from January 2020)

Professor Shelley Mallett, Director Research and Policy Centre

Mr Tim Nayton, Director Aged Care and Business Architecture (to June 2020)

Mr Sean Spencer, Interim Director Aged Care (from June 2020)

Ms Niamh O'Malley, Director Shared Services

Mr Rodney Weston, Director NDIS

The Directors of BSL in office during the 2019–2020 financial year were:

The Most Revd Dr Philip Freier (Chair)

Ms Conny Lenneberg (Executive Director)

Mr Ian Paroissien (Deputy Chair)

Ms Dana Hlavacek

Mr Tony Hallam

Bishop Kate Prowd

Ms Zac Hatzantonis

Dr Stephen Duckett

A/Prof. Jane Freemantle

Dr Fiona Macdonald

Particulars of the directors' qualifications, experience and special responsibilities are set out on pages 4 and 5 of this report.

Directors' Meetings

During the financial period, BSL held 46 scheduled Board and Committee meetings.

Attendance at meetings of the Board and its committees were:

	Board meeting[2]		Finance and Investment[3]		Audit and Risk[3]		David Scott School Council		Quality Care and Governance		Property	
Number of meetings held during the year	12		8		4		8		8		6	
	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]	Attended	Held[1]
The Most Revd Dr Philip Freier	12	12										
Mr Ian Paroissien	12	12			4	4	8	8	1	1	6	6
Dr Stephen Duckett	12	12							8	8		
A/Prof. Jane Freemantle OAM	12	12							8	8		
Mr Tony Hallam	12	12	8	8							5	6
Ms Zac Hatzantonis	8	12									4	6
Ms Dana Hlavacek	11	12			4	4			8	8		
Ms Conny Lenneberg	11	12							6	8	6	6
Dr Fiona Macdonald	4	4										
Bishop Kate Prowd	10	12					2	3				

1. Held while the Board Member was eligible to attend. Eligibility to attend takes account of leave of absence. The Executive Director is invited to attend all committee meetings. All directors are invited to attend the Finance Committee.
2. This includes Extraordinary Board Meetings.
3. As Conny Lenneberg is not a member of these Committees her attendance has not been recorded.

Principal activities

The principal activities of BSL during the course of the financial year 2019–2020 were the provision of community services across the four life transition stages, the early years, the transition from school to work, the shifts in and out of work and retirement and ageing; together with working with people with disability, the recycling and sale of recycled goods, and undertaking research and social advocacy work on behalf of all Australians.

There have been no significant changes in the nature of those activities during the year.

Organisational overview

Established during the Great Depression almost 90 years ago, BSL was the vision and creation of Father Gerard Tucker, a man who combined Christian faith with a vigorous determination to promote social justice.

Today BSL is an independent organisation dedicated to broad service delivery. This includes getting people into work, caring for older people, supporting communities, helping families with early childhood programs, working with people with disability and carrying out research and advocacy to improve the wellbeing of our communities.

Significant changes in the state of affairs

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

Planning and control

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

Risk assessment

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

Independent professional advice

The Board, its sub-committees, Executive Team and senior staff have access to appropriate external professional advice. Legal, risk, investment, and tax and accounting advice is coordinated by the Chief Financial Officer and the Company Secretary through Freehills, Rigby Cooke and Maddocks; PitcherPartners; Deutsche Bank, Koda Capital, and JBWere; and KPMG, respectively. Some legal advice is provided by Freehills on a pro bono basis.

Audit and accounts

BSL's Constitution requires that proper books of accounts are kept, true and complete accounts are maintained and audited annually by a registered company auditor, and the financial statements and the auditors' report are laid before the Annual General Meeting. In order that monthly management and annual accounts represent best practice and are of the highest standard, BSL complies with all applicable accounting standards and guidelines. BSL's external auditors are KPMG. In addition, BSL engaged Pitcher Partners for internal audit services during the period.

Events subsequent to reporting date

The COVID-19 pandemic has created unprecedented economic uncertainty. Actual economic events and conditions in the future may be materially different from those estimated by BSL at the reporting date. As responses by government continue to evolve, management recognises that it is difficult to reliably estimate with any degree of certainty the potential impact of the pandemic after the reporting date on BSL, its operations, its future results and financial position. The state of emergency in Victoria was extended on 13 September 2020 until 11 October 2020 and the state of disaster is still in place.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may affect the operations of BSL, the results of the operations or the state of affairs of BSL in future financial years.

Likely developments

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

Environmental regulation and performance

BSL's operations are subject to environmental regulations under both State and Commonwealth legislation. BSL has a policy of complying with its environmental performance obligations. No environmental breaches have been notified by or reported to any government agency during the year ended 30 June 2020.

Indemnification and insurance of Directors and officers

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

Insurance is provided to BSL through the Victorian Government's Department of Human Services' Insurance Scheme for Non-government Organisations.

Indemnification of auditors

BSL has not indemnified or made a relevant agreement for indemnifying against a liability any person who is or has been an auditor of BSL.

Non-Audit Services

KPMG has performed other services in addition to the audit of the financial statements. These services were:

	$
Benchmarking	12,500
Cyber Security review (no fee charged)	-
Compilation of Financial Statements	23,000
GST Compliance Review	21,000
AASB 16 Lease Management Software	15,000
	71,500

Auditor's independence declaration

The Auditor's Independence Declaration is set out on page 46 and forms part of the Directors' Report for the financial year ended 30 June 2020.

Rounding

Amounts in the Financial Report and Directors' Report have been rounded to the nearest thousand dollars, unless otherwise stated.

Signed in accordance with a resolution of the Directors:

+Philip Melbourne

The Most Revd Dr Philip Freier
Chair, Board of Directors

Conny Lenneberg

Conny Lenneberg
Executive Director

Melbourne, 13 October 2020

Primary financial statements

Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2020	Notes	2020 $'000	2019 $'000
CONTINUING OPERATIONS			
Revenue		179,770	154,720
Other revenue		4,867	433
	3	184,637	155,153
Expenses	4	(183,682)	(159,413)
Impairment loss on trade receivables	7	(139)	(7)
Impairment loss on intangible assets	12	(3,670)	-
		(187,491)	(159,420)
Deficit before depreciation and finance activities		**(2,854)**	**(4,267)**
Depreciation and amortisation	11, 12, 13	(8,398)	(1,726)
Finance income		2,850	5,961
Finance expenses		(1,721)	(188)
Net finance income	5	1,129	5,773
Total deficit		**(10,123)**	**(220)**
OTHER COMPREHENSIVE INCOME			
Items that are reclassified subsequently to profit or loss:			
Debt investments at FVOCI – net change in fair value		(212)	248
Items that will not be reclassified to profit or loss:			
Net change in fair value of property		-	7,022
Equity investments at FVOCI – net change in fair value		(2,458)	(819)
Equity investments at FVOCI – net realised gains		2,131	517
Total other comprehensive income		(539)	6,968
Total comprehensive income		**(10,662)**	**6,748**

The notes on pages 15 to 41 are an integral part of the Financial Statements.

Statement of Financial Position

As at 30 June 2020	Notes	2020 $'000	2019 $'000
ASSETS			
Current Assets			
Cash and cash equivalents	6	19,053	11,953
Trade and other receivables	7	6,820	7,526
Contract assets		660	-
Inventories	8	349	1,022
Investments	9	47,138	77,099
Assets held for sale	10	-	5,967
Total Current Assets		74,020	103,567
Non-Current Assets			
Trade and other receivables	7	3,366	3,366
Property, plant and equipment	11	94,764	77,454
Intangible assets	12	1,914	1,720
Right-of-use assets	13	14,329	-
Total Non-Current Assets		114,373	82,540
Total Assets		**188,393**	**186,107**
LIABILITIES			
Current Liabilities			
Trade and other payables	15	6,540	11,229
Contract liabilities	18	19,441	37,629
Borrowings	16	3,500	-
Employee benefits	17	10,314	9,463
Lease Liabilities	19	5,134	-
Total Current Liabilities		44,929	58,321
Non-Current Liabilities			
Borrowings	16	9,447	-
Employee benefits	17	945	642
Lease Liabilities	19	9,648	-
Total Non-Current Liabilities		20,040	642
Total Liabilities		**64,969**	**58,963**
Net assets		**123,424**	**127,144**
EQUITY			
Accumulated surplus		81,278	77,787
Reserves	14	42,146	49,357
Total Equity		**123,424**	**127,144**

The notes on pages 15 to 41 are an integral part of the Financial Statements.

Statement of Changes in Equity

For the year ended 30 June 2020	Notes	Accumulated surplus $'000	Asset revaluation reserves $'000	Fair value Reserve $'000	Total $'000
Year ended 30 June 2019					
Balance at 1 July 2018		78,007	37,158	5,231	120,396
Deficit for the period		(220)	-	-	(220)
Other comprehensive surplus/ (deficit) for the year		-	7,022	(54)	6,968
Total Comprehensive Income		(220)	7,022	(54)	6,748
Balance at 30 June 2019		**77,787**	**44,180**	**5,177**	**127,144**
Year ended 30 June 2020					
Adjustment on initial application of AASB 15 and 1058	23	6,942	-	-	6,942
Adjusted balance at 1 July 2019		84,729	44,180	5,177	134,086
Deficit for the period		(10,123)	-	-	(10,123)
Other comprehensive deficit for the year	14	-	-	(539)	(539)
Transfer between equity classes	10	6,672	(6,672)	-	-
Total Comprehensive Income		(3,451)	(6,672)	(539)	(10,662)
Balance at 30 June 2020		**81,278**	**37,508**	**4,638**	**123,424**

The notes on pages 15 to 41 are an integral part of the Financial Statements.

Statement of Cash Flows

For the year ended 30 June 2020	Notes	2020 $'000	2019 $'000
CASH FLOW FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		185,229	176,197
Cash paid to suppliers and employees		(199,986)	(172,065)
Dividends, interest, trust and imputation credit income		3,060	5,729
Net cash from operating activities		(11,697)	9,861
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of investments		46,500	35,583
Proceeds from assets held-for-sale	10	5,967	-
Acquisition of property, plant and equipment	11,12	(24,103)	(14,696)
Acquisition of investments		(17,317)	(36,833)
Net cash used by investing activities		11,047	(15,946)
CASH FLOW FROM FINANCING ACTIVITIES			
Proceeds from borrowings	16	12,947	-
Receipts of income from sub leases		597	-
Payment of lease liabilities	19	(5,727)	-
Interest paid		(67)	-
Net cash from financing activities		7, 750	-
Net increase / (decrease) in cash and cash equivalents		**7,100**	**(6,085)**
Cash and cash equivalents at 1 July		11,953	18,038
Cash and cash equivalents at 30 June	**6**	**19,053**	**11,953**

The notes on pages 15 to 41 are an integral part of the Financial Statements.

Notes to and forming part of the financial statements

1. Reporting entity

Brotherhood of St. Laurence (BSL) is a not-for-profit entity domiciled in Australia, incorporated under the *Brotherhood of St. Laurence (Incorporation) Act 1971*. The address of the entity's registered office is 67 Brunswick Street, Fitzroy, Victoria 3065.

The principal activities of BSL during the year include:

- the provision of community services across the four life transition stages: the early years; the transition from school to work; the shifts in and out of work; and retirement and ageing;
- working with people living with disability;
- the recycling and sale of recycled goods.

This work is underpinned by research and social advocacy on behalf of all Australians.

2. Summary of significant accounting policies

STATEMENT OF COMPLIANCE

These financial statements have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements adopted by the Australian Accounting Standards Board (AASB) and the *Australian Charities and Not-for-profits Commission Act 2012* (ACNC). This simplified tier of reporting is possible as the BSL directors have deemed BSL is not publicly accountable. These financial statements comply with Australian Accounting Standards – Reduced Disclosure Requirements.

This is the first set of BSL's annual financial statements in which AASB 15 *Revenue from Contracts with Customers*, AASB 16 *Leases* and AASB 1058 *Income of Not-For-Profit Entities* have been applied. Changes to significant accounting policies are described in Note 23.

The financial statements of BSL for the year ended 30 June 2020 was authorised for issue in accordance with a resolution of the Board on 13 October 2020.

The financial statements have been prepared on an accruals basis and is based on historical cost except for investments and land and buildings which are measured at fair value.

The methods used to measure fair values are discussed further in notes 9, 11 and 12.

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

a) Functional and presentation currency

These financial statements are presented in Australian dollars, which is BSL's functional currency. All financial information presented in Australian dollars has been rounded to the nearest thousand unless otherwise stated.

Transactions in foreign currencies are translated into the respective functional currency of BSL at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate at the reporting date. Non-monetary assets and liabilities that are measured at fair value in a foreign currency are translated into the functional currency at the exchange rate when the fair value was determined. Non-monetary items that are measured based on historical cost in a foreign currency are translated at the exchange rate at the date of the transaction.

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

b) Use of judgements and estimates

In preparing these financial statements, management has made judgements, estimates and assumptions that affect the application of BSL's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised prospectively.

Information about judgements made in applying accounting policies are included in the following notes – Intangible Assets – Note 12 and Lease Liability – Note 19 (iii).

c) Income tax

BSL is a Public Benevolent Institution as defined in the *Income Tax Assessment Act 1936* and is therefore exempt from Income Tax. As a Public Benevolent Institution, BSL has also been endorsed as a Deductible Gift Recipient.

d) Goods and services tax

Revenue, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the Statement of Financial Position.

Cash flows are included in the statement of cash flows on a gross basis. The GST components of cash flows arising from investing and financing activities that are recoverable from, or payable to, the ATO are classified as operating cash flows.

e) Business Model Assesment

BSL makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to management.

f) Events subsequent to reporting date

The COVID-19 pandemic has created unprecedented economic uncertainty. Actual economic events and conditions in the future may be materially different from those estimated by BSL at the reporting date. As responses by government continue to evolve, management recognises that it is difficult to reliably estimate with any degree of certainty the potential impact of the pandemic after the reporting date on BSL, its operations, its future results and financial position. The state of emergency in Victoria was extended on 13 September 2020 until 11 October 2020 and the state of disaster still in place.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may affect the operations of BSL, the results of the operations or the state of affairs of BSL in future financial years.

3. Revenue

	2020 $'000	2019 $'000
3a) Summary – by Revenue Source		
Government Grants	132,693	114,660
Fee for Service – Government and Non-Government	30,263	26,070
Sale of Goods	7,641	8,945
Donations	7,761	4,378
Bequests	1,412	667
	179,770	154,720
JobKeeper	3,982	-
Other Revenue	885	433
	4,867	433
Revenue before financing activities	**184,637**	**155,153**
3b) Summary – by Area of Activity		
Aged Care	40,127	33,728
Community Programs	62,219	52,845
NDIS	64,346	53,952
Store Sales and other Social Enterprise	9,749	10,703
Research and Policy	3,573	3,492
JobKeeper	3,982	-
Corporate Support Functions	641	433
Revenue before financing activities	**184,637**	**155,153**

Prior year amounts have been represented to conform with current year presentation, where necessary.

BSL receives revenue in the form of government funding, grants, bequests and donations of cash, fundraising and sale of goods.

$nil (2018-2019: $3.335 million) of capital income from the National Disability Insurance Scheme has been excluded from revenue and netted off against property, plant and equipment, consistent with the Accounting Standard for that year.

BSL recognised $1.500 million to retained earnings and $2 million in revenue for Aged Care (Sambell Lodge Redevelopment) in 2019–2020. (2018–2019: $1.500 million was excluded from revenue and netted off against property, plant and equipment). Refer to Note 23 for impact on opening Retained Earnings for change in accounting policy arising from the application of new accounting standards for the first time.

Accounting Policy – from 1 July 2019 (Refer to Note 23 for previous accounting policy)

(i) AASB 15 Revenue from Contracts with Customers and AASB 1058 Income for Not-For-Profit Entities

The effect of initially applying AASB 15 and AASB 1058 on BSL's revenue from contracts with customers is described in Note 23. BSL has used the modified retrospective approach in applying AASB 15 and AASB 1058, therefore comparative information has not been restated to reflect the new requirements.

Revenue from the rendering of services, government grants and fee for service is recognised in accordance with AASB 15 or AASB 1058 when appropriate. In cases where there is an 'enforceable' contract with a customer with 'sufficiently specific' performance obligations, the transaction is accounted for under AASB 15 where income is recognised when (or as) the performance obligations are satisfied (i.e. when transfer of control of the product or service to a customer occurs). Where there are unsatisfied performance obligations, the amount is recognised as a contract liability; where work is performed but not yet billed at the reporting date, the amount is recognised as a contract asset. Revenue is measured based on the consideration to which BSL expects to be entitled in a contract with a customer and excludes amounts collected on behalf of third parties.

Where a revenue stream does not meet the scope of AASB 15, BSL will consider its treatment under AASB 1058. AASB 1058 applies when an NFP entity enters into a transaction where the consideration to acquire an asset is significantly less than the fair value of the asset and the excess of the asset recognised (at fair value) over any 'related amounts' is recognised as income immediately. The impact of initially applying AASB 1058 on BSL's grant revenue is described in Note 23.

(ii) Government funding and specified donations

Government funding received is recognised as revenue in the financial year in which BSL has control of the contribution and is recognised in accordance with AASB 15 if the contract has sufficiently specific performance obligations.

Government funds and specified donations for which control has not yet passed to BSL in that they are tied to a specific performance obligation that has not yet been completed, are treated as a liability until the performance obligation has been met and are disclosed as government funds in advance or specified donations under 'Contract liabilities'.

Aged care facility concessional subsidies and refundable accommodation deposit revenue is brought to account as operating revenue as earned.

Receivables for goods and services, which have 30-day terms, are recognised at the nominal amounts due less any impairment allowance amount. Collectability of debts is reviewed at end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

(iii) Bequests and general donations

Bequests and general donations are recognised as revenue only when BSL gains control, economic benefits are probable, and the amounts can be measured reliably. Bequests and general donations are recognised at the fair value of the benefit received when receipt of the amount is certain and there are no associated performance obligations.

(iv) Sale of goods

Revenue from the sale of goods is measured at the fair value of consideration received or receivable and is recognised at the point in time when control of the goods passes to the customer.

(v) JobKeeper

The JobKeeper subsidy is recognised as revenue only when BSL gains control, economic benefits are probable, and the amounts can be measured reliably. Payments to employees under the JobKeeper scheme are recognised as payroll expenditure.

(vi) Capital funding

Capital funding is recognised on a gross basis as revenue when the criteria under AASB 15 has been met. Prior to 1 July 2019, BSL elected to offset capital contributions against the cost of the asset to which it related.

4. Expenses

	2020 $'000	2019 $'000
Summary – by Area of Activity		
Aged Care	36,199	29,973
Community Programs	57,629	51,487
National Disability Insurance Scheme	56,103	47,460
Store Sales and other Social Enterprise	10,887	9,390
Research and Policy	5,126	4,816
Corporate Support Functions	17,738	16,287
Total Expenses before impairment, depreciation and finance costs	**183,682**	**159,413**

Prior year amounts have been represented to conform with current year presentation where necessary. Expenses are recognised in the profit and loss when they are incurred. Refer to Note 17 for the policy on employee benefits.

5. Net finance income

	2020 $'000	2019 $'000
Finance Income		
Dividend income on equity securities	1,084	3,287
Interest income on debt securities	706	441
Trust income on equity securities	260	714
Imputation credit income	210	715
Interest income on bank deposits	63	217
Interest income from subordinated debt	506	505
Interest income from sub leased right-of-use assets	21	-
Debt securities at FVOCI – net gain on disposal reclassified from OCI	-	82
Total finance income	2,850	5,961
Finance Expenses		
Debt securities at FVOCI – net loss on disposal reclassified from OCI	(759)	-
Fund management	(318)	(188)
Interest on borrowings	(67)	-
Lease interest expense	(577)	-
Total finance expenses	(1,721)	(188)
Net finance income	**1,129**	**5,773**

5. Net finance income (continued)

Accounting Policy

Finance income comprises interest income on funds invested, dividend income, trust income, imputation credit income, interest income on sub lease receivables and net gain on disposal of investments in debt securities carried at FVOCI. Interest income is recognised as it accrues, using the effective interest method. Dividend income is recognised in the profit or loss on the date BSL's right to receive payment is established.

Finance costs comprise management fees on investments, interest expense, fees on borrowings, lease liability interest expense and net loss on disposed of investments in debt securities carried at FVOCI. Interest expense is recognised using the effective interest method.

Interest on lease receivables/liabilities relates to the interest income/expense recognised as the lease receivable/liability is discharged. BSL has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117.

The above lease disclosures should be read in conjunction with the accompanying notes 13, 19 and 23.

6. Cash and cash equivalents – Amortised cost

	2020 $'000	2019 $'000
Cash on hand	43	45
Cash at bank	7,701	7,192
Call deposits*	2,445	2,332
Cash management accounts	8,864	2,384
Total cash and cash equivalents	**19,053**	**11,953**

* Total deposits at call can be recalled within three months or less. Included in this is an amount of $1.500 million (2018-2019: $1.430 million), representing cash from refundable accommodation deposits, which BSL is prohibited to use, for a purpose other than to fund the operations of its residential aged care facilities.

7. Trade and other receivables – Amortised cost

	2020 $'000	2019 $'000
Current receivables		
Trade receivables	3,562	1,463
Less: Impairment loss	(169)	(52)
Sub Lease Receivables	482	-
Other receivables and prepayments	2,945	6,115
Total current receivables	6,820	7,526
Non-current receivables		
GoodStart Early Learning subordinated debt	3,366	3,366
Total non-current receivables	3,366	3,366

An estimate for Expected Credit Losses (ECLs) is made using the simplified approach and recognising lifetime ECLs for trade receivables. The movement in the allowance for ECLs in respect to trade receivables during the year was as follows:

Balance at 1 July	52	45
Net impairment loss provided	139	-
Impairment loss recognised/(reversed)	(22)	7
Total	**169**	**52**

GOODSTART EARLY LEARNING SUBORDINATED DEBTS

GoodStart Early Learning Limited ('GoodStart') was formed in 2009–2010 to acquire substantially all the business of the ABC Learning Centres Limited. GoodStart was established by Social Ventures Limited, Mission Australia, the Benevolent Society and BSL as the founding members.

In 2009-2010, BSL provided $2.5 million in cash to contribute to the purchase price and in return received $2.5 million of Members' Subordinated Notes. The repayment term of this facility was a bullet repayment at eight plus years from the date of acquisition. While repayment of the loan note and accrued interest was not due until the end of the term, the loan and the related accrued interest was fully repaid by GoodStart in October 2014.

In 2009–2010, GoodStart engaged all founding members to provide services in order to successfully complete the transaction of acquiring the business of ABC Learning Centres Limited. The fee charged for these services by each founding member was $2.5 million and payment was made by GoodStart through the issue of $2.5 million Members' Deeply Subordinated Notes. The repayment term of this facility is a bullet payment at 20 years and matures on 28 May 2030. GoodStart commenced repayment of interest during 2012–2013.

The loan is disclosed as a non-current receivable and as at 30 June 2020 has a balance of $3.366 million (2018–2019: $3.366 million) comprising $2.5 million Members' Deeply Subordinated Notes principal and $0.866 million capitalised interest.

INTERESTS IN ASSOCIATES:

Associates are those entities in which BSL has significant influence, but not control, over the financial and operating policies. Significant influence is presumed to exist when BSL holds between 20% and 50% of the voting power of another entity. Interests in associates are accounted for using the equity method (equity accounted investees) and are initially recognised at cost. The Board has determined that BSL's interest in GoodStart Early Learning is not deemed to be of significant influence in that entity.

7. Trade and other receivables – Amortised cost (continued)

This is based on the following:

- The Board does not have a blocking vote.
- Voting power is equal among all the founding members.
- There is no Board influence to distribute the assets of GoodStart in a non-arm's length transaction or to a related party.
- There are no agreements established with GoodStart in the current financial year to make any distributions to BSL or to any of BSL's affiliated entities.
- BSL does not have representation on the GoodStart Board.

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

Accounting Policy

(i) Recognition and measurement

Trade receivables are initially recognised when they are originated. All other financial assets are initially recognised when BSL becomes a party to the contractual provisions of the instrument.

(ii) Classification and subsequent measurement

On initial recognition, a financial asset is classified into the following categories depending on the nature and the purpose of the financial asset as determined at the time of initial recognition – amortised cost; or Fair Value through Profit or Loss (FVTPL).

Loans, receivables and subordinated debt are measured at amortised cost using the effective interest method less impairment. Interest income is recognised by applying the effective interest rate.

A financial asset is measured at amortised cost if it meets both of the following conditions:

- it is held within a business model the objective of which is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of interest and principal.

Assessment whether contractual cash flows are solely payments of principle and interest

For the purpose of this assessment, 'principle' is defined as the fair value of the financial asset on initial recognition. 'Interest' is defined as consideration for the time value of money and for the credit risk associated with the principle amount outstanding during a particular period and for other basic lending risks and costs (e.g. liquidity risk and administrative costs), as well as a profit margin.

In assessing whether the contractual cash flows are solely payments of principal and interest, BSL considers the contractual terms of the instrument. This includes assessing whether the financial asset contains a contractual term that could change the timing or amount of contractual cash flows such that it would not meet this condition.

In making this assessment, BSL considers:

- contingent events that would change the amount or timing of cash flows;
- terms that may adjust the contractual coupon rate, including variable-rate features;
- prepayment and extension feature; and
- terms that limit BSL's claim to cash flows from specified assets (e.g. non-recourse features).

Subsequent measurement and gains and losses

These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

(iii) Derecognition

BSL derecognises a financial asset when the contractual rights to the cash flows from the financial assets expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which BSL neither transfers nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset.

On derecognition of a financial asset in its entirety, the difference between the asset's carrying value, the sum of the consideration received and receivable, and the cumulative gain or loss that had been recognised in other comprehensive income, is recognised in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, BSL currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

(v) Impairment of financial assets

Loss allowances for financial assets measured at amortised cost are deducted from the gross carrying amount of the assets. Loss allowances for trade receivables are always measured at an amount equal to lifetime expected credit losses (ECLs). The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument.

Lifetime ECLs are the ECLs that result from all possible default events over the expected life of a financial instrument. The maximum period considered when estimating ECLs is the maximum contractual period over which BSL is exposed to credit risk.

Measurement of ECLs

ECLs are a probability-weighted estimate of credit losses. Credit losses are measured as the present value of all cash shortfalls (i.e. the difference between the cash flows due to the entity in accordance with the contract and the cash flows that BSL expects to receive).

ECLs are discounted at the effective interest rate of the financial asset.

8. Inventories

	2020 $'000	2019 $'000
Finished goods	349	1,022
Total inventories stated at lower of cost and net realised value	**349**	**1,022**

During 2020, Brotherhood Community Stores inventories were written down to net realisable value, resulting in a $650k expense being recognised in cost of sales.

Accounting Policy

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the 'first-in first-out' principle and includes expenditure in acquiring the inventories and production or conversion costs and other costs incurred in bringing them to their existing location and condition. Conversion costs for donated goods typically comprise the cost of sorting goods received. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of selling expenses.

9. Investments

	2020 $'000	2019 $'000
Current investments – FVOCI		
Equity securities	34,500	61,752
Debt securities	12,638	15,347
Total investments at fair value	**47,138**	**77,099**

Accounting Policy

(i) Recognition and measurement

Financial assets are recognised and derecognised on trade date where purchase or sale of a financial asset is under contract, the terms of which require delivery of the financial asset within the time frame established by the market concerned and are initially measured at fair value. The equity and debt securities have been considered to be measured at FVOCI and are subsequently measured at fair value based on market prices where available, or other valuations methodologies as necessary (level 1). Dividend income on equity investments and interest income on debt instruments are calculated using the effective interest method and are recognised in profit or loss. Foreign exchange gains or losses and impairment losses on debt investments are recognised in the profit and loss. Other net gains and losses are recognised in Other Comprehensive Income (OCI).

The main objective to hold these investments is to maintain and preserve the capital and earn a return. As such, the business model is not to trade. For equity and debt securities, BSL has decided to recognise them under FVOCI.

(ii) Derecognition

BSL derecognises a financial asset when the contractual rights to the cash flows from the financial assets expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which BSL neither transfer nor retains substantially all of the risks and rewards of ownership and it does not retain control of the financial asset. On derecognition, gains and losses accumulated in OCI for debt instruments are reclassified to profit or loss, however gains and losses on equity investments are recongised in OCI and are never reclassified to profit and loss.

(iii) Impairment of financial assets

Debt securities were reviewed for impairment at balance date. The Directors have assessed that no material impairment adjustment is required in 2019–2020 (2018–2019 $Nil). These debt securities are assessed to have low credit risk based on the external credit ratings of the counter parties.

10. Assets held for sale

	2020 $'000	2019 $'000
Property, plant and equipment	-	5,967
Total assets held for sale	**-**	**5,967**

2020

No assets were held for sale in 2019-2020.

The Asset Revaluation Reserve pertaining to the asset held for sale in 2019 was transferred directly to accumulated surplus upon derecognition. This amounted to $6.672 million.

2019

In March 2019 BSL Board approved a variation on the contract of sale regarding the land at 1 South Terrace Clifton Hill, reducing the sales price from $6.500 million to $6.357 million. Settlement occurred on 30 August 2019 and on this basis the asset has been presented as held for sale as at 30 June 2019. The $5.967 million value is equal to the sales price of $6.357 million less estimated costs of sale of $0.390 million.

An impairment loss of $0.533 million was recognised under the other expenses' category.

Accounting Policy

Non-current assets are classified as held-for-sale if it is highly probable that they will be recovered primarily through sale rather than continuing use. Immediately before classification as held for sale, the assets are remeasured in accordance with BSL's accounting policies. Thereafter, generally the assets are measured at the lower of their carrying amount and fair value less cost to sell and are no longer depreciated or amortised. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss.

11. Property, plant and equipment

	Land, Buildings and Leasehold Improvements $'000	Work in Progress $'000	Plant and Equipment $'000	Total $'000
Fair value or cost				
Balance as at 1 July 2019	68,105	11,152	9,669	88,926
Additions	18,184	2,896	2,256	23,336
Transfers to/from WIP	11,152	(11,152)	-	-
Transfers to intangible assets	-	-	(4,166)	(4,166)
Disposals	(952)	-	(940)	(1,892)
Balance as at 30 June 2020	**96,489**	**2,896**	**6,819**	**106,204**
Depreciation and impairment losses				
Balance as at 1 July 2019	7,191	-	4,281	11,472
Depreciation for the year	1,587	-	874	2,461
Transfers to intangible assets	-	-	(786)	(786)
Disposals	(952)		(755)	(1,707)
Balance as at 30 June 2020	**7,826**	**-**	**3,614**	**11,440**

11. Property, plant and equipment (continued)

	Land, Buildings and Leasehold Improvements $'000	Work in Progress $'000	Plant and Equipment $'000	Total $'000
Carrying amounts				
At 1 July 2019	60,914	11,152	5,388	77,454
At 30 June 2020	88,663	2,896	3,205	94,764

Included in the additions and transfers from WIP are construction costs for the Aged Care facility in Clifton Hill of $27.599 million. This asset was constructed between July 2018 and February 2020. BSL received Commonwealth funding of $3.500 million towards the construction cost ($1.500 million received in 2018-2019 and the balance of $2.000 million in 2019–2020).

Land and buildings, with the exception of property under construction, were revalued based on independent valuations determined using market values on 30 June 2019 by certified valuers, Armstrong Biggs Valuers Pty Ltd. BSL has re-assessed that there are no material changes to the land and buildings carrying value at 30 June 2020. The land carrying value of the property under construction was independently revalued at 30 June 2018 and BSL has re-assessed that there are no material changes to the land carrying value at 30 June 2020.

Accounting Policy

(i) Recognition and measurement

Plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. Land and buildings are measured at fair value less accumulated depreciation on buildings and any impairment loss recognised after the date of revaluation. Buildings under construction are recorded at cost, upon completion these are recorded at fair value.

The land is valued using the market approach. The market value of property is the estimated amount for which a property could be exchanged on the date of valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably. The buildings are valued using the cost approach. The cost approach considers the current replacement cost of buildings.

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within 'Other revenue and income' or 'Other expenses' in profit or loss. When revalued assets are sold, the amounts included in the asset revaluation reserve are transferred to accumulated surplus.

(ii) Revaluations

Formal revaluations of land and buildings are performed every three years. The fair value of land and buildings is determined from market-based evidence by appraisal that is undertaken by independent professional qualified valuers. BSL reviews the carrying value of land and buildings at each balance date to assess whether there has been a material change in valuation of land and buildings that is required to be recorded in the financial statements.

If the carrying amount of land and buildings has increased as a result of a revaluation, the net revaluation increase is recognised in other comprehensive income and accumulated in equity under the heading of revaluation reserve. However, the net revaluation increase is recognised in profit or loss to the extent that it reverses a net revaluation decrease of the land and buildings previously recognised in profit or loss.

(ii) Revaluations (continued)

If the carrying amount of land and buildings has decreased as a result of a revaluation, the net revaluation decrease is recognised in profit or loss. However, the net revaluation decrease is recognised in other comprehensive income to the extent of any credit balance existing in the revaluation reserve in respect of land and buildings. The net revaluation decrease recognised in other comprehensive income reduces the amount accumulated in equity under the heading of revaluation reserve.

Revaluation increases and decreases relating to individual assets within a class of property, plant and equipment are offset against one another within that class but are not offset in respect of assets in different classes.

(iii) Depreciation

Depreciation is recognised in the profit or loss and calculated on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated.

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

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

- Buildings — 40 years
- Plant and equipment — 3 to 10 years
- Leasehold improvements — Shorter of lease period or useful life

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

(iv) Impairment

At each reporting date, BSL reviews the carrying amounts of its non-financial assets to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. Indefinite life intangible assets are tested annually for impairment.

For impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or cash generating units (CGUs).

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. Value in use is based on the estimated future cash flows, discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU.

An impairment loss is recognised if the carrying amount of an asset or CGU exceeds its recoverable amount. Impairment losses are recognised in profit or loss. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

12. Intangible assets

	Bed licences $'000	Software $'000	Total $'000
Fair value or cost			
Balance as at 1 July 2019	1,720	–	1,720
Additions	–	767	767
Transfers from PPE	–	4,166	4,166
Balance as at 30 June 2020	**1,720**	**4,933**	**6,653**
Amortisation and impairment losses			
Balance as at 1 July 2019	–	–	–
Amortisation for the year	–	283	283
Transfers from PPE	–	786	786
Impairment losses	1,720	1,950	3,670
Balance as at 30 June 2020	**1,720**	**3,019**	**4,739**
Carrying amounts			
At 1 July 2019	1,720	–	1,720
At 30 June 2020	–	1,914	1,914

Impairment losses of $3.670 million were recognised in 2019–2020 (2018–2019: $nil) in relation to bed licences and software assets.

Bed licenses are regulated and issued by the Commonwealth Department of Health at no cost but can be traded under certain conditions. BSL is not anticipating any trading activity in the foreseeable future. Further, based on the 2017 Aged Care reform regime the Commonwealth Government may deregulate the residential sector and licenses will have a zero value. The directors have considered the above factors and have assessed the licenses for impairment and concluded that the asset is fully impaired.

During the year, BSL implemented a new financial system. Subsequent to the implementation, a review of the system revealed that certain components will need to be reconfigured to meet BSL's business requirements. Therefore, the directors have assessed the asset for impairment and are recognising an expense of $1.950 million which represents expenditure incurred in implementing the components of the system that will need to be reconfigured.

Accounting Policy

(i) Bed licences

Bed licence fair values are based on market values in an actively traded market (fair value less costs to sell), considering the number of bed licences that would be available for sale, location and any other considerations required to determine an appropriate fair value.

Bed licences were granted by the Commonwealth Government to BSL for nil consideration. Bed licences are carried at fair value at the date of acquisition, less any subsequent accumulated impairment loss. The useful life of bed licences is indefinite and hence they are not amortised. Bed licences are tested for impairment annually and reviewed to determine whether indefinite life assessment continues to be supportable.

The fair value of bed licences is based on external evidence of market values.

(ii) Software

Intangible assets with finite lives (software) that are acquired separately are carried at cost less accumulated amortisation and accumulated impairment losses. Amortisation is recognised on a straight-line basis over their estimated useful lives and is recognised in profit or loss. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Subsequent expenditure is capitalised only when it increases the future economic benefits for the specific assets.

The estimated useful life used in the calculation of amortisation is eight years.

13. Right-of-use assets

	Land, Buildings and Leasehold Improvements $'000	Plant and Equipment $'000	Total $'000
Fair value or cost			
Balance as at 1 July 2019	-	-	-
Recognition of right-of-use asset on initial application of AASB 16	15,936	1,154	17,090
Additions	2,637	256	2,893
Disposals	-	-	-
Balance as at 30 June 2020	**18,573**	**1,410**	**19,983**
Depreciation and impairment losses			
Balance as at 1 July 2019	-	-	-
Recognition of right-of-use asset on initial application of AASB 16	-	-	-
Depreciation for the year	5,202	452	5,654
Disposals	-	-	-
Balance as at 30 June 2020	**5,202**	**452**	**5,654**
Carrying amounts			
At 1 July 2019	-	-	-
At 30 June 2020	13,371	958	14,329

Accounting Policy

(i) Lease Right-of-Use (ROU) Assets

BSL recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently depreciated using the straight-line method from the commencement date to the earlier of the end date of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of right-of-use assets are determined on the same basis as those of property, plant and equipment. In addition, the right-of-use asset is periodically reduced by impairment losses, if any, and adjusted for certain remeasurements of the lease liability. Refer to Note 19 for the accounting policy on leases.

14. Reserves

	2020 $'000	2019 $'000
Asset Revaluation Reserve	37,508	44,180
Fair Value Reserve	4,638	5,177
Total reserves	**42,146**	**49,357**

ASSET REVALUATION RESERVE

The asset revaluation reserve represents the net revaluation increment in respect of land and buildings.

FAIR VALUE RESERVE

The fair value reserve comprises:

- the cumulative net change in the fair value of equity securities designated at FVOCI;
- the cumulative net change in the fair value of debt securities designated at FVOCI until the assets are derecognised or reclassified, this amount is reduced by the amount of the loss allowance; and
- the net realised gains or losses on equity investments.
- the fair value reserve of $4.638 million (2019: $5.177 million) includes $2.131 million (2019: $0.517 million) of net realised gains.

15. Trade and other payables – Amortised cost

	2020 $'000	2019 $'000
Current		
Trade payables	1,598	4,953
Non-trade payables and accrued expenses	4,942	6,276
Total trade and other payables	**6,540**	**11,229**

Accounting Policy

i) Recognition and measurement

Financial liabilities are initially recognised when BSL becomes a party to the contractual provisions of the instrument.

A financial liability is initially measured at fair value plus, for an item not at FVTPL, transaction costs that are directly attributable to its acquisition or issue.

(ii) Classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held-for-trading, it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss. Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

(iii) Derecognition

BSL derecognises a financial liability when its contractual obligations are discharge or cancelled or expire. BSL also derecognises a financial liability when its terms are modified and the cash flows of the modified liability are substantially different, in which case a new financial liability based on the modified terms in recognised at fair value.

(iii) Derecognition (continued)

On derecognition of a financial liability, the difference between the carrying amount extinguished and the consideration paid (including any non-cash assets transferred or liabilities assumed) is recognises in profit or loss.

(iv) Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the statement of financial position when, and only when, BSL currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

16. Borrowings

	2020 $'000	2019 $'000
Current – secured		
Loans	3,500	-
Non-Current – secured		
Loans	9,447	-
Total borrowings	**12,947**	**-**

In May 2020, BSL entered into a loan arrangement with the NAB for a cash facility of $5.0 million for the purpose of managing operational cash flow. The loan is secured against BSL's investment portfolio. At 30 June 2020, $3.0 million has been drawn down and was subsequently repaid in July 2020 and is disclosed as a current borrowing.

In March 2020, BSL commissioned a new Aged Care facility in Clifton Hill for $27.599 million. In September 2018 BSL established a loan facility with the ANZ bank for $12.500 million to assist with the funding of the development. The loan is secured against the Clifton Hill facility and 95-97 Brunswick Street, Fitzroy. The loan has been progressively drawn down over 2019–2020 and at 30 June 2020 is drawn down to $9.947 million. It has a termination date of 30 July 2023. Repayment of the loan is due to commence 30 June 2021 at a minimum of $0.500 million per year, this is disclosed as current borrowings. All covenants attached to this loan have been met at 30 June 2020.

Accounting Policy

All borrowings are initially recorded at cost, being the fair value of the consideration received net of issue costs associated with the borrowing. After initial recognition, borrowings are subsequently measured at amortised cost using effective interest rate method. Amortised cost is calculated considering any issue cost and discount premium on settlement.

Interest expenses, and gains and losses are recognised in the profit or loss when the liabilities are derecognised.

17. Employee benefits

	2020 $'000	2019 $'000
Current		
Salaries and wages accrued	1,487	2,446
Liability for long service leave	1,728	1,835
Liability for annual leave	7,099	5,182
Total current employee benefits	**10,314**	**9,463**
Non-current		
Liability for long service leave	945	642
Total non-current employee benefits	**945**	**642**

BSL has paid contributions of $8.199 million to defined superannuation contribution plans on behalf of employees for the year ended 30 June 2020 (2018-2019: $7.97 million).

Accounting Policy

(i) Defined superannuation contribution plans

A defined superannuation contribution plan is a post employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined superannuation contribution plans are expensed as the related service is provided.

(ii) Other long-term employee benefits

BSL's net obligation in respect of long-term employee benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods plus related on-costs. That benefit is discounted to determine its present value using corporate bond rates. Remeasurements are recognised in profit or loss in the period in which they arise.

(iii) Termination benefits

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

(iv) Short-term benefits

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

(v) Provisions

A provision is recognised if, as a result of a past event, BSL has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

18. Contract liabilities

	2020 $'000	2019 $'000
Specified donations	–	4,090
Government grants	9,267	24,996
Home Care Packages	7,627	6,353
Auspice and resident funds		
Residents	132	90
Refundable accommodation deposits – aged care	1,669	1,882
External entities	451	172
Other	295	46
Total contract liabilities	**19,441**	**37,629**

Accounting Policy

(i) Contract liabilities

Government grants are initially recognised as a contract liability at fair value when there is reasonable assurance that they will be received and that BSL will comply with the conditions associated with the grant; they are then recognised in profit or loss as performance obligations are met. Refer to Note 3.

(ii) Auspice and resident funds

BSL provides accounting services and holds funds on behalf of several projects and organisations that are operated and managed externally to the administration of BSL.
Any unutilised funds of these projects are disclosed above.

BSL holds refundable accommodation deposits paid by some residents for permanent entry to its residential aged care facilities. BSL also holds funds on behalf of some residents for their personal expenses.

19. Lease Liabilities

LEASES AS LESSEE

The following amounts are recognised in the statement of profit or loss and other comprehensive income relating to leases:

	Notes	2020 $'000	2019 $'000
Amounts recognised in profit or loss			
Interest on lease liabilities	5	577	-
Depreciation on ROU Assets	13	5,654	-
Expenses relating to low value leases		101	
Expenses relating to short-term leases		53	-
Total leases (under AASB 16)		6,385	-
Lease expense		-	6,471
Contingent rent expense		-	-
Total operating leases (under AASB 117)		-	6,471
Amounts recognised in statement of cash flows		-	-
Total cash outflow for leases		**5,727**	**6,471**

The following amounts are recognised in the statement of financial position relating to leases:

	2020 $'000	2019 $'000
Lease liabilities	5,134	-
Total current lease liabilities	**5,134**	**-**
Lease liabilities	9,648	-
Total non-current lease liabilities	**9,648**	**-**

BSL has applied AASB 16 using the modified retrospective approach and therefore the comparative information has not been restated and continues to be reported under AASB 117. There were no finance leases under AASB 117.

LEASES AS LESSOR

BSL leases out property consisting of its owned commercial properties as well as leased property. All leases are classified as operating leases from a lessor perspective with the exception of a sub-lease, which BSL has classified as a finance sub-lease.

FINANCE LEASE

During 2020, BSL has sub-leased a building that has been presented as part of the right-of-use asset – property, plant and equipment. BSL recognised a gain of $659,000 on derecognition of the right-of-use asset pertaining to the sub-leased building and presented the gain as part of Other Revenue. BSL recognised interest income on sub-lease receivables of $21,196.

19. Lease Liabilities (continued)

The following table sets out a maturity analysis of lease receivables, showing the undiscounted lease payments to be received after the reporting date.

	2020 $'000
Less than one year	485
Total undiscounted lease receivable	485
Unearned finance income	4
Net investment in the lease	**489**

Accounting Policy

(i) Lease as lessee (AASB 16)

BSL leases a number of properties, motor vehicles, computers and office equipment under operating leases. These leases typically run for a period of three to ten years, several with options to renew the lease after the end of the original lease period. Several lease payments are renegotiated every year to reflect market rentals. Some leases provide for additional rent payments that are based on changes in local price indices.

The items leased by BSL were previously classified as operating leases under AASB 117.

(ii) Short-term leases and leases of low-value assets

BSL has elected not to recognise right-of-use assets and lease liabilities for short-term leases of assets that have a lease term of 12 months or less and leases of low-value assets (less than $10,000). BSL recognises the lease payments associated with these leases as an expense on a straight-line basis over the lease term.

(iii) Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted using the interest rate implicit in the lease or, if that rate cannot be readily determined, BSL's incremental borrowing rate. Generally, BSL uses its incremental borrowing rate as the discount rate.

Lease payments included in the measurement of the lease liability comprise fixed payments, including in-substance fixed payments, variable lease payments that depend on an index or rate, and any amounts expected to be payable under a residual value guarantee, purchase option, optional renewal periods if BSL is reasonably certain to exercise an extension option, and penalties for early termination of a lease unless BSL is reasonably certain not to terminate early.

The lease liability is measured at amortised cost using the effective interest method. It is remeasured when there is a change in future lease payments arising from a change in an index or rate, if there is a change in BSL's estimate of the amount expected to be payable under a residual value guarantee, or if BSL changes its assessment of whether it will exercise a purchase, extension or termination option. When the lease liability is remeasured in this way, a corresponding adjustment is made to the carrying amount of the right-of-use asset or is recorded in profit or loss if the carrying amount of the right-of-use asset has been reduced to zero.

(iv) As a lessor

When BSL acts as a lessor, it determines at lease inception whether each lease is a finance lease or an operating lease.

To classify each lease, BSL makes an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset. If this is the case, then the lease is a finance lease; if not, then it is an operating lease.

19. Lease Liabilities (continued)

As part of this assessment, BSL considers certain indicators such as whether the lease is for the major part of the economic life of the asset.

When BSL is an intermediate lessor, it accounts for its interest in the head lease and the sub-lease separately. It assesses the lease classification of a sub-lease with reference to the right-of-use asset arising from the head lease, not with reference to the underlying asset. If a head lease is a short-term lease to which BSL applies the exemption described above, then it classifies the sub-lease as an operating lease.

If an arrangement contains lease and non-lease components, then BSL applies AASB 15 to allocate the consideration in the contract.

BSL applies the derecognition and impairment requirements in AASB 9 to the net investment in the lease. BSL further regularly reviews estimated unguaranteed residual values used in calculating the gross investment in the lease.

BSL recognises lease payments received under operating leases as income on a straight-line basis over the lease term as part of 'other revenue'.

Generally, the accounting policies applicable to BSL as a lessor in the comparative period were not different from AASB 16 except for the classification of the sub-lease entered into during the current reporting period that resulted in a finance lease classification.

20. Related parties

TRANSACTIONS WITH RELATED PARTIES

There were no transactions with related parties during the year.

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL

There were no Directors or other members of key management personnel that had control or joint control over BSL's operations. During the year a $800 loan (non-interest bearing) was made to a KMP, this loan is repayable within six months of balance date.

KEY MANAGEMENT PERSONNEL COMPENSATION

No salaries, compensations or other benefits were paid or are payable to the Directors in their capacity as Board members. Total salary, compensation and other benefits paid to members of the Executive Leadership Team was $1,967,771 for the year ended 30 June 2020 (2018–2019: $1,916,122).

21. Capital commitments

In June 2019 BSL entered into a contract to purchase the land and buildings at 87 Brunswick Street Fitzroy for $1.080 million. A deposit of $0.108 million was paid in June 2019 and the remaining $0.972 million was settled in September 2019. There are no capital commitments as at 30 June 2020.

22. Financial risk management

a) Risk management framework

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

Operational risk is the risk of direct or indirect loss arising from a wide variety of causes associated with BSL's processes, personnel and infrastructure, and from external factors other than credit, market and liquidity risks such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. Operational risks arise from all of BSL operations.

BSL's objective is to manage operational risk so as to balance the avoidance of financial losses and damage to BSL's reputation with overall cost-effectiveness.

BSL's risk management policy and practices are established to identify and analyse the risks faced by BSL, to set appropriate risk limits and controls and adherence to limits. The risk management policy, practices and systems are reviewed regularly to reflect changes in market conditions and BSL's activities. BSL, through its training and management standards and procedures, aims to maintain a disciplined and constructive control environment in which all employees understand their roles and obligations.

The primary responsibility for the development and implementation of controls to address operational risk is assigned to senior management within each business unit. This responsibility is supported internally by the Risk and Quality department and externally by a program of periodic reviews undertaken by BSL's internal auditor. The results of the reviews completed by the Risk and Quality department and internal auditors are discussed with the relevant management of the business unit, with summaries provided to the Audit and Risk Committee and senior management of BSL.

23. Changes in accounting policies

BSL has initially applied AASB 15 *Revenue from Contracts with Customers*, AASB 1058 *Income for Not-for-Profit Entities* and AASB 16 *Leases* from 1 July 2019. A number of other new standards are also effective from 1 July 2019, but they do not have a material effect on BSL's financial statements.

An entity shall disaggregate revenue recognised under AASB 15 and AASB 1058 into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. A not-for-profit entity shall assess which revenue standard is applicable to its income streams. For a not-for-profit entity, the majority of income streams are likely to be under either AASB 15 or AASB 1058. As AASB 1058 undertakes a residual approach, an entity should assess the applicability of AASB 15 before it considers the application of AASB 1058.

AASB 15 applies to contracts with customers that are enforceable and sufficiently specific. If the contract does not meet these criteria, an entity shall consider the requirements of AASB 1058 in accounting for such contracts.

a) AASB 15 *Revenue from Contracts with Customers*

BSL has adopted AASB 15 using the modified retrospective approach, with the effect of initially applying this standard recognised at the date of initial application (i.e. 1 July 2019). Accordingly, the information presented for 2019 has not been restated – i.e. it is presented, as previously reported, under AASB 118 and AASB 1004 and related interpretations. Additionally, the disclosure requirements in AASB 15 have not generally been applied to comparative information.

b) Application of AASB 1058 *Income for Not-For-Profit Entities*

AASB 1058 applies to transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit entity to further its objectives and replaces AASB 1004 *Contributions*. BSL has adopted the modified retrospective approach with the effect of initially applying this standard against the opening retained earnings at 1 July 2019. Under this transition method, BSL applied this standard retrospectively only to contracts and transactions that are not completed contracts at the date of initial application. Comparative information has not been restated.

23. Changes in accounting policies (continued)

IMPACT ON FINANCIAL STATEMENTS

The following tables summarises the impacts of adopting AASB 15 and 1058 on BSL's statement of financial position as at 1 July 2019 for each of the line items affected.

	Before new accounting standards – 30 June 2019 $'000	Impact of Standards AASB 15 and 1058 $'000	After new accounting standards – 1 July 2019 $'000
Assets			
Property, plant and equipment (i)	77,454	1,500	78,954
Total Assets	**186,107**	**1,500**	**187,607**
Liabilities			
Contract liabilities (ii)	37,629	(5,442)	32,187
Total Liabilities	**58,963**	**(5,442)**	**53,521**
Equity			
Accumulated surplus	77,787	6,942	84,729
Total Equity	**127,144**	**6,942**	**134,086**

i. From 1 July 2019, capital funding is recognised on a gross basis as revenue when the criteria under AASB 15 have been met. Previously, BSL elected to offset capital contributions against the cost of the asset to which it related.

ii. From 1 July 2019, income from government grants and donations are recognised immediately in the profit and loss when there is no sufficiently specific performance obligations. Previously, funds were held as a liability until such time funding conditions were met and they were expended.

a) Application of AASB 16 Leases

BSL applied AASB 16 Leases from 1 July 2019.

BSL applied AASB 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 July 2019. Accordingly, the comparative information presented for the year ended 30 June 2019 is not restated – i.e. it is presented, as previously reported, under AASB 117 and related interpretations. The details of the changes in accounting policies are disclosed below. Additionally, the disclosure requirements in AASB 16 have not generally been applied to comparative information.

Definition of a lease

Previously, BSL determined at contract inception whether an arrangement was or contained a lease under AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*. BSL now assesses whether a contract is or contains a lease based on the definition of a lease, as explained in Note 19.

On transition to AASB 16, BSL elected to apply the practical expedient to grandfather the assessment of which transactions are leases. BSL applied AASB 16 only to contracts that were previously identified as leases. Contracts that were not identified as leases under AASB 117 and AASB Interpretation 4 were not reassessed for whether there is a lease under AASB 16. Therefore, the definition of a lease under AASB 16 was applied only to contracts entered or changed on or after 1 July 2019.

As a lessee

As a lessee, BSL leases many assets including property and motor vehicles. BSL previously classified leases as operating or finance leases based on its assessment of whether the lease transferred substantially all of the risks and rewards of ownership. Under AASB 16, BSL recognises right-of-use assets and lease liabilities for most of these leases. Right of use assets have been measured in the Statement of Financial Position based on an amount equal to the lease liability adjusted for any prepayment, accrued rent or sub lease receivables.

At commencement or on modification of a contract that contains a lease component, BSL allocates the consideration in the contract to each lease component on the basis of its relative stand-alone price.

However, BSL elected not to recognise right-of-use assets and lease liabilities for some leases of low-value assets based on the value of the underlying asset when new or for short-term leases with a lease term of 12 months or less.

Leases classified as operating leases under AASB 117

Previously, BSL classified property and motor vehicles leases as operating leases under AASB 117. On transition, for these leases, lease liabilities were measured at the present value of the remaining lease payments, discounted at BSL's incremental borrowing rate as at 1 July 2019. Right-of-use assets are measured at an amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments.

BSL has tested its right-of-use assets for impairment on the date of transition and has concluded that there is no indication that the right-of-use assets are impaired.

As a lessor

BSL sub-leases some of its properties. Under AASB 117, the head lease and sub-lease contracts were classified as operating leases. On transition to AASB 16, the right-of-use assets recognised from the head leases are presented in right-of-use assets and measured at fair value at that date. BSL assessed the classification of the sub-lease contracts with reference to the right-of-use asset rather than the underlying asset, and concluded that they are operating leases under AASB 16.

BSL has also entered into a sub-lease during 2020, which has been classified as a finance lease.

BSL has applied AASB 15 to allocate consideration in the contract to each lease and non-lease component.

Impact on financial statements

On transition to AASB 16, BSL recognised additional right-of-use assets, and additional lease liabilities. The difference between opening right-of-use asset and lease liability is due to previous AASB 117 entries recorded on the balance sheet as at date of initial recognition.

23. Changes in accounting policies (continued)

Impact on financial statements (continued)

The impact on transition is summarised below.

	1 July 2019 $'000
Initial Right of use Asset equal to Lease Liability	17,347
Adjusted for:	
– Prepayments	35
– Accrued Rent	(25)
– De-recognition of sub lease receivables	(267)
Right-of-use assets – property plant and equipment	**17,090**

When measuring lease liabilities for leases that were classified as operating leases, BSL discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 3.4%.

	1 July 2019 $'000
Operating lease commitments at 30 June 2019 as disclosed under AASB 117	12,819
Discounted using the incremental borrowing rate at 1 July 2019	12,104
Contracts reassessed as lease contracts	1,923
Adjustments relating to changes in variable payments	(1,608)
Recognition exemption for leases of low-value assets	(46)
Recognition exemption for leases with less than 12 months of lease term at transition	(136)
Extension options reasonably certain to be exercised	5,110
Lease Liabilities recognised at 1 July 2019	**17,347**

24. New standards issued but not yet adopted

A number of new standards and amendments to standards are effective for annual periods beginning after 1 July 2019, and have not been applied in preparing these Financial Statements. Those which may be relevant to BSL are set out below. BSL does not plan to adopt these standards early.

Standard/ Interpretation	AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities*
Summary	AASB 1060 is a single standard containing all the disclosure requirements for an entity preparing General Purpose Financial Statements under Tier 2 (GPFS-Tier 2). The new standard applies to all entities preparing GPFS-Tier 2 and replaces the current suite of Reduced Disclosure Regime (RDR) disclosures. Entities applying AASB 1060 are exempt from the requirements in disclosure paragraphs in other Australian Accounting Standards (AAS) and are not required to comply with presentation and disclosure specific AAS. There is also the option – where specific conditions are met – for an entity not to present a statement of changes in equity.
Impact on financial statements	Impact has not yet been assessed.
Applicable for annual reporting periods beginning on	1 July 2021

Directors' and Auditor's Reports and Declarations

Directors' Declaration

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

a. Brotherhood of St. Laurence is not publicly accountable;

b. the financial statements and notes that are set out on pages 15 to 41, are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*; including:

   i. giving a true and fair view of Brotherhood of St. Laurence's financial position as at 30 June 2020 and of its performance, for the financial year ended on that date;

   ii. complying with Australian Accounting Standards – Reduced Disclosure Requirements and the Australian Charities and Not-for-profits Commission Regulation 2013; and

   iii. complying with *Brotherhood of St. Laurence (Incorporation) Act 1971* (Vic) and Brotherhood of St. Laurence's Constitution; and

c. there are reasonable grounds to believe that Brotherhood of St. Laurence will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

+Philip Melbourne

The Most Revd Dr Philip Freier
Chair, Board of Directors

Conny Lenneberg

Conny Lenneberg
Executive Director

Melbourne, 13 October 2020

Independent Auditor's Report

To the members of the Brotherhood of St. Laurence

Opinion

We have audited the *Financial Report*, of the Brotherhood of St. Laurence (the Entity).

In our opinion, the accompanying Financial Report of the Entity is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission (ACNC) Act 2012*, including:

i. giving a true and fair view of the Entity's financial position as at 30 June 2020, and of its financial performance and its cash flows for the year ended on that date; and
ii. complying with *Australian Accounting Standards – Reduced Disclosure Requirements* and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The *Financial Report* comprises:

i. Statement of financial position as at 30 June 2020.
ii. Statement of profit or loss and other comprehensive income, Statement of changes in equity, and Statement of cash flows for the year then ended.
iii. Notes including a summary of significant accounting policies.
iv. Directors' declaration of the Entity.

Basis for opinion

We conducted our audit in accordance with Australian Auditing Standards. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the Financial Report section of our report.

We are independent of the Entity in accordance with the auditor independence requirements of the *ACNC Act 2012* and the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the Financial Report in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other information

Other Information is financial and non-financial information in The Brotherhood of St Laurence's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information that we obtained prior to the date of this Auditor's report was the Directors' Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information.

In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

i. Preparing the Financial Report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosures Requirements and the ACNC.
ii. Implementing necessary internal control to enable the preparation of a Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.
iii. Assessing the Entity's ability to continue as a going concern and whether the use of the going concern basis of accounting is appropriate. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Entity or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

i. to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
ii. to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

As part of an audit in accordance with *Australian Auditing Standards*, we exercise professional judgement and maintain professional scepticism throughout the audit.

We also:

i. Identify and assess the risks of material misstatement of the Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
ii. Obtain an understanding of internal control relevant to the Audit 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 registered Entity's internal control.

iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

iv. Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Entity's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Entity to cease to continue as a going concern.

v. Evaluate the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors of the Entity regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG

KPMG	Dana Bentley
Melbourne	Partner
	13 October 2020

Auditor's Independence Declaration under subdivision 60-C section 60-40 of Australian Charities and Not-for-profits Commission Act 2012

To: the directors of the Brotherhood of St. Laurence

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2020 there have been:

i. no contraventions of the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and

ii. no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG
Melbourne

Dana Bentley
Partner
13 October 2020

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