



About Villa Maria

Villa Maria is a values-based, not-for-profit organisation providing quality services and life enhancing opportunities for older people and children and adults with a disability.

Established in 1907, Villa Maria is one of Victoria's largest providers of disability, education and senior services, with more than 60 programs supporting 5,000 people across 42 locations.

Our Vision

Creating choices and building inclusive, sustainable and compassionate communities.

Our Mission

Villa Maria will deliver quality and innovative disability, education and senior service options that empower and enrich individuals and communities.

Our Values

Compassion: we care about the needs of others and seek to understand their life and spiritual journey.

Accountability: we take responsibility for what we do and are honest in the way we do it.

Respect: we recognise the value and uniqueness of each person.

Courage: we have the quality of spirit to act in accordance with our convictions.

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Board of Directors



Angela C. Atkin

MB, BS; Grad Dip Women's Health, FAICD

President

A member of the Board since 1994.

Angela is a General Practitioner and has extensive experience across the health, aged care and disability sectors, serving on a number of Boards at both State and Federal level. Angela has been a Board Director of Catholic Health Australia. Angela has a daughter who attends a Gateway program with Villa Maria.

Chair – Board Executive Committee

Board Audit & Risk Committee (ex officio)

Board Finance & IT Committee (ex officio)



Brian Barry

Grad. Dip. Corporate Finance

Re-joined the Board in 2008.

A previous member of the Board, with over 30 years experience in the Banking & Finance Industry.

Chair – Board Audit & Risk Committee



Rev Br Brian Joseph Brandon

BSc, M.Curr.Stud., Reg.Sec.School Teacher

A member of the Board since 1994.

Brian has extensive and varied experience in school principalship, in religious Congregation leadership and in governance, finance, property and social policy and research, and holds a number of Directorship portfolios. Brian works as Executive Officer for Professional Standards for the Christian Brothers Oceania.

Board Finance & IT Committee



Lynette Maree Elford

A member of the Board since 2003.

Lyn has extensive marketing and journalism experience and is a Director of the Lord Mayor's Charitable Foundation, and Committee member of the Sir Eric Pearce Deafblindness Fund.

(Lyn resigned from the Board on the 22nd September 2009.)

Strategic & Proposed Developments Committee



Richard Nelson Worsley Gray

Man. Cert.

Joined the Board in 2008.

Richard has extensive experience of some 29 years in the disability and aged care sectors, and is currently Director - Aged Care Services, Catholic Health Australia. He has previously held the roles of CEO of the Spastic Society of Victoria, the National Executive Director of Aged Care Australia (now ACSA), and Board Director of ACROD Ltd (now NDS), Villaggio Sant' Antonio Ltd and the Aged Care Standards and Accreditation Agency Ltd.

Board Audit & Risk Committee



Peter Hogan

B.Bus., ACA

Vice President

Joined the Board in 2008.

Peter is a Chartered Accountant and was a Partner with PricewaterhouseCoopers for 17 years before retiring from that practice in 2008. He is now a Strategy & Development executive with Incitec Pivot Limited, a public company listed on the ASX and is

Board of Directors

a non-executive director of ASX listed company, Carbon Energy Limited, Fabchem China Limited, a public company listed on the SGX, Nitromak dnx Kimya Sanayii A.S., a private company based in Turkey and Quantum Fertilisers Pty Ltd, a private company based in Hong Kong.

**Board Executive Committee
Chair – Board Finance & IT
Committee**



Donna Therese Howlett

B.Sc., MBA, FAICD

Vice President

A member of the Board since 2007.

Donna has 23 years of experience in the health industry, with over 15 years in senior management. Her areas of expertise include strategy planning and implementation, people leadership and business growth both organically and through acquisitions. Donna holds a number of Directorship portfolio's and is Governor of ACCESS, Australia's National Infertility Network.

**Board Executive Committee
Chair – Strategic & Proposed
Developments Committee**



Robert Norman Livy CA

**Grad. Dip. Accounting
Dip. Bus. Studies**

A member of the Board since 2009.

Robert is a Chartered Accountant with 30 years experience in the health and aged care industry. During that time he has worked as an advisor to Providers in those markets. He also holds positions on Advisory Boards for other aged care Providers.

Board Audit and Risk Committee



Jenny McAllister

Dip. Private Secretarial Practice

A member of the Board since 2004.

Jenny's eldest son has grown with the assistance and guidance of Villa Maria's disability and education services since he was one year old.

Jenny has advocated for families of people with disabilities for 17 years and still believes that information is the key to navigating an increasingly complex disability system. Jenny is a member of the Boroondara Community Disability Advisory Committee.

**Strategic & Proposed
Developments Committee**



Michael Marius Meere

**MBA (HRM)
Master Innovation &
Entrepreneurship
CAHRI**

A member of the Board since 2009.

Michael has 40 years experience in management positions and consultancy roles in both private and not-for-profit organisations. He has been a CEO of a National Industry Association and was a Director of Yooralla. He is a Life Member of the Preshil: The Margaret Lyttle Memorial School Association. He currently lectures in Swinburne University's MBA program.

**Strategic & Proposed
Developments Committee**



Peter Francis Walsh

BA Dip.Soc.Studs, BA Economics

A member of the Board since 1998.

Peter was a foundation student of St Paul's in 1957. Peter was involved with the Catholic Church in the resettlement of migrants and refugees through its Catholic Immigration Office, and has extensive experience in the housing industry and community service portfolios.

**Strategic & Proposed
Developments Committee**

Chief Executive Officer



Valerie Joan Lyons

B.Bus(Acc), FCPA, FCIS, FAICD

Valerie commenced as Chief Executive Officer of the Villa Maria Society in 2007.

Valerie has extensive leadership and management experience within the Health and Finance sectors, including approx. 20 years senior leadership roles within the Community, Disability and Senior sectors.

Valerie is currently President of Aged and Community Care Victoria, a Board Director of Aged & Community Services Australia, Board Director of Community Care Australia (Ltd), a State Committee member of National Disability Services Victoria, a Member of NAB Health Advisory Council, and a Member of the Catholic Health Australia Aged Care Committee.

Chief Executive Officer
Board Executive Committee
Board Audit & Risk Committee
Board Finance & IT Committee
Strategic & Proposed Developments Committee
Chair - Executive Leadership Management Team

Chief Financial Officer



Graeme Ernest Wickenden

B.Bus, Grad. Dip. IT, Grad Dip Finance & Investments, FCPA

Graeme commenced as Chief Financial Officer / General Manager Business Services of the Villa Maria Society in March 2008.

Graeme has an extensive career background in accounting and finance, having held a broad range of finance related positions at GMH, NAB, Dun & Bradstreet, Aviva Financial Services and St Vincent de Paul Aged Care & Community Services.

Graeme currently serves on the Board of Autism Victoria as Treasurer.

Chief Financial Officer
Board Audit & Risk Committee
Board Finance & IT Committee
Strategic & Proposed Developments Committee
Executive Leadership Management Team

Company Secretary



Gaye Elizabeth MacInnes

Gaye commenced as Executive Assistant of the Villa Maria Society in 2007 and was appointed Company Secretary in December 2007.

Gaye has extensive experience at executive level, with significant knowledge of corporate governance practices, organisational risk management and corporate responsibility and compliance.

Company Secretary/Executive Manager Company Secretariat Services
Board Executive Committee
Board Audit & Risk Committee
Board Finance & IT Committee
Strategic & Proposed Developments Committee
Executive Leadership Management Team

Directors' Report

The Directors

The names of the Directors in office at the date of this report are:

Dr Angela Christine Atkin	Mr Robert Livy (appointed 27th October 2009)
Br Brian Joseph Brandon	Mr Michael Meere (appointed 27th October 2009)
Mr Peter Walsh	Mr Brian Barry
Mr Richard Nelson Gray	Mr Peter Hogan
Ms Donna Howlett	Ms Jenny McAllister
Ms Lynette Maree Elford (resigned 22nd September 2009)	

Directors have been in office since the start of the financial year to the date of this report unless otherwise stated. Information concerning the Directors and their respective qualifications, experience, special responsibilities and declared interests in contracts with Villa Maria Society are detailed on pages 2-3.

Principal Activities of Villa Maria Society

The Principal Activities of Villa Maria Society in the course of the financial year were:

- Residential services for the aged and supported accommodation for people with a disability.
- Education services for children with disabilities.
- Community support and respite services for the aged and people with a disability.
- Life skills enhancement programs including day and therapy programs for the aged and people with a disability.
- Social work, administrative and resource services to support all Villa Maria Society programs.

There was no change in the nature of the principal activities during the financial year.

Operating Results

The operating surplus for the financial year ending 30 June 2010 was \$374,000 (2009 \$1,282,000 deficit). No income tax is applicable.

Review of Operations

Significant features of the year's operations have been:

- Government grants for the year totalled \$47,751,000 (2009 \$45,189,000)
- Resident fees totalled \$5,366,000 (2009 \$5,224,000)
- Bequest income totalled \$150,000 (2009 \$785,000)
- Donation income totalled \$1,404,000 (2009 \$725,000)
- Total operating expenditure totalled \$57,288,000 (2009 \$54,414,000)

In December 2008 the Wantirna low care residential aged care facility was closed for redevelopment and residents were relocated, predominantly to other Villa Maria facilities. In June 2010 the high care facility was also closed. Closure of the facility resulted in the decrease in residential aged care income from the prior year. Additional expenditure was also incurred to complete the closure.

Dividends

The Constitution specifically prohibits the payment of any dividends. No dividends have been recommended or have been paid or declared since the start of the financial year.

Directors' Report

Events Subsequent to Balance Date

There are no events subsequent to year end that are of significance that require disclosure.

Future Developments

1. Construction of Austin Street, a 10-bed home in Alphington for young people with high level, complex care needs (including Acquired Brain Injury) at risk of or currently living in nursing homes was completed in June 2010 and will officially open in August 2010.
2. In December 2009 Villa Maria acquired vacant land at 450 Camberwell Road, Camberwell for the purpose of constructing retirement living apartments. Sixty-six apartments over four levels will be developed on the site. Villa Maria has entered into an agreement with LU Simon Builders whereby initial equity investment and any development surpluses are shared. LU Simon Builders' interest in the development will cease upon the first-round lease of the apartments. Villa Maria will continue to manage the site and receive all future earnings from current and subsequent leases. Funding for the development has been secured from the National Australia Bank. Construction of the apartments is expected to commence in November 2010 and to take 18 months to complete.
3. Redevelopment of Stage 1 of the Wantirna site is anticipated to commence in early 2011, once all permits required for construction to commence have been granted. The development of the site is currently planned over five stages. Stage 1 involves the construction of a 96-bed residential aged care facility, a day service facility for people with a disability and a rehabilitation centre. Demolition of the existing buildings will commence in October 2010, with construction expected to take approximately 20 months.
4. Villa Maria acquired a property in Lysterfield in 2009 for the relocation of the Carinya service, (a support service for people with dementia and their carers), from the Wantirna site. Refurbishment works on the property commenced in June 2010 and are expected to conclude by October 2010. The relocation of the Carinya program is necessary due to the redevelopment of the Wantirna site.
5. Documentation and plans for the construction of a 16-bed extension to the Berwick aged care facility are advanced with planning approval for the development currently being sought from Casey Council. It is anticipated construction will commence in early 2011 and will take 12 months to complete.

Environmental Issues

Villa Maria Society has assessed whether there are any particular or significant environmental regulations which apply. It has determined that the risk of non-compliance is low and has not identified any compliance breaches during the period.

Directors' Benefits

No director of Villa Maria Society has, since the end of the previous financial year, received or become entitled to receive a benefit by reason of a contract made by Villa Maria Society or related corporation with a director or with a firm of which they are a member or with a company in which they have a substantial financial interest.

Directors' Report

Meetings of Directors

The number of Directors' meetings and number of meetings attended by each of the Directors of the Society during the financial year are:

Director	Board Meetings		Board Executive Committee		Board Audit & Risk Committee		Board Finance & IT Committee		Strategic & Proposed Developments Committee		Combined Board Finance & IT and Strategic & Proposed Developments Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
Angela Atkin	10	11	7	8	4	4	4	6	3	5	1	1
Brian Barry	8	11	-	-	4	4	-	-	-	-	-	-
Brian Brandon	9	11	-	-	-	-	6	6	-	-	1	1
Lynette Elford (retired 22nd September 2009)	1	2	-	-	-	-	-	-	1	1	-	-
Richard Gray	11	11	-	-	2	4	-	-	-	-	-	-
Peter Hogan	9	11	6	8	-	-	5	6	-	-	1	1
Donna Howlett	7	11	6	8	-	-	-	-	3	5	-	1
Robert Livy (appointed 27th October 2009)	7	7	-	-	3	3	-	-	-	-	1	1
Jenny McAllister	10	11	-	-	-	-	-	-	5	5	1	1
Michael Meere (appointed 27th October 2009)	6	7	-	-	-	-	-	-	2	2	1	1
Peter Walsh	11	11	-	-	-	-	-	-	3	5	1	1

A – Number of Meetings attended

B – The number of meetings held during the time the Director was a member of the Board/Committee.

Directors also attended other meetings, activities, and functions undertaken by Villa Maria Society.

Directors' Report

Indemnity and Insurance of Directors and Auditors

During the financial year, the Department of Human Services met all the costs of insuring all Directors, past and present, against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct whilst acting in the capacity of Director of Villa Maria Society.

During the financial year, Villa Maria Society has not paid a premium to insure the auditors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct whilst acting in the capacity of auditors of Villa Maria Society.

Court Proceedings

There have been no applications for leave of Court to bring proceedings on behalf of Villa Maria Society or intervene in any proceedings to which Villa Maria Society is a party for the purpose of taking responsibility on behalf of Villa Maria Society for all or any part of those proceedings. Villa Maria Society was not a party to any such proceedings during the year.

Rounding of Amounts

Villa Maria Society has applied the relief available to it in ASIC Class Order 98/100 and, accordingly, amounts in the financial statements and Directors' Report have been rounded to the nearest thousand dollars.

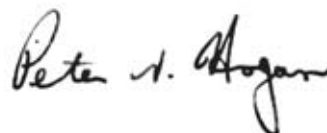
Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 is set out on page 9.

Signed in accordance with a resolution of the Board of Directors.



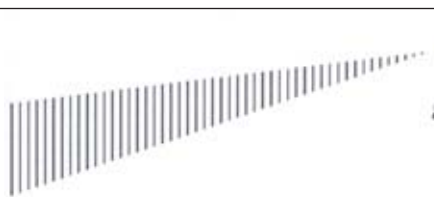
A C Atkin, President



P Hogan, Vice-President

Melbourne, 31 August 2010

Villa Maria Society ABN 32 004 364 103



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Auditor's Independence Declaration to the Directors of Villa Maria Society

In relation to our audit of the financial report of Villa Maria Society for the financial year ended 30 June 2010, to the best of my knowledge and belief, there have been no contraventions of the auditor independence requirements of the Corporations Act 2001 or any applicable code of professional conduct.

Ernst & Young

Stuart Painter
Partner
31 August 2010

Liability limited by a scheme approved under
Professional Standards Legislation

Statement of Comprehensive Income

For the year ended 30 June 2010

	Note	2010 \$000	2009 \$000
Revenue and other income	2	57,662	53,132
Employee benefits expense		(36,364)	(35,603)
Service delivery and client expense		(10,258)	(11,372)
Depreciation and amortisation expenses		(1,952)	(1,596)
Repairs, maintenance and property expenses		(1,761)	(1,739)
General and administrative expenses		(2,799)	(2,617)
Utilities expenses		(934)	(459)
Lease payments - operating leases		(561)	(507)
Gain/(Loss) on disposal of available-for-sale investments		(434)	(521)
Gain/(Loss) on disposal of property, plant and equipment		(83)	-
Write-off of property, plant and equipment		(473)	-
Available-for-sale investments impairment losses		(1,669)	-
NET (DEFICIT)/SURPLUS FOR THE YEAR		374	(1,282)
OTHER COMPREHENSIVE INCOME			
Net fair value gains/(losses) on available-for-sale financial assets		603	(2,700)
Transferred realised loss to other income		428	-
Write-back of unrealised loss reserve on available-for-sale financial assets		1,669	-
Fair value revaluation of land and buildings		11,459	(5,705)
OTHER COMPREHENSIVE INCOME		14,159	(8,405)
TOTAL COMPREHENSIVE INCOME		14,533	(9,687)

The accompanying notes form part of these financial statements

Statement of Financial Position

As at 30 June 2010

	Note	2010 \$000	2009 \$000
CURRENT ASSETS			
Cash assets	19	2,838	2,831
Receivables	3	2,403	1,390
Other financial assets	4	7,008	13,757
Assets classified as held for sale	4	4,655	-
TOTAL CURRENT ASSETS		16,904	17,978
NON-CURRENT ASSETS			
Property, plant and equipment	5	100,322	75,987
Intangibles	6	13,475	13,475
TOTAL NON-CURRENT ASSETS		113,797	89,462
TOTAL ASSETS		130,701	107,440
CURRENT LIABILITIES			
Payables	7	8,046	6,145
Provisions	8	4,102	4,368
Other	9	1,195	2,948
Interest-bearing loans	10	8,750	-
TOTAL CURRENT LIABILITIES		22,093	13,461
NON-CURRENT LIABILITIES			
Provisions	8	546	450
TOTAL NON-CURRENT LIABILITIES		546	450
TOTAL LIABILITIES		22,639	13,911
NET ASSETS		108,062	93,529
MEMBERS' FUNDS			
Retained earnings	11(a)	43,994	43,620
Asset revaluation reserve	11(b)	64,068	52,609
Unrealised Gains/(Losses) Reserve	11(c)	-	(2,700)
TOTAL MEMBERS' FUNDS		108,062	93,529

The accompanying notes form part of these financial statements.

Statement of Changes in Equity

For the year ended 30 June 2010

	\$000
Balance of Members' Funds at 30 June 2008	103,216
Other comprehensive income	(8,405)
Deficit for the year	<u>(1,282)</u>
Balance of Members' Funds at 30 June 2009	93,529
Other comprehensive income	14,159
Surplus for the year	<u>374</u>
Balance of Members' Funds at 30 June 2010	<u>108,062</u>

The accompanying notes form part of these financial statements.

Statement of Cash Flows

For the year ended 30 June 2010

	2010	2009
Note	<u>\$000</u>	<u>\$000</u>
CASH FLOWS FROM OPERATING ACTIVITIES		
Government grants received	48,150	45,504
Residential, CACPs and educational services receipts	4,901	5,299
Proceeds from fundraising and public relations	1,404	725
Proceeds from bequests	150	785
Investment income	781	819
Payments to suppliers and employees	(51,995)	(51,411)
Net cash provided by operating activities	3,391	1,721
	19(b)	
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of investments	(22)	(30)
Proceeds from disposal of investments	2,616	4,636
Purchases of property, plant and equipment	(15,636)	(6,411)
Proceeds from sale of property, plant and equipment	464	123
Net cash used in investing activities	(12,578)	(1,682)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from residents' accommodation bonds	858	1,693
Repayment of residents' accommodation bonds	(414)	(1,883)
Proceeds from borrowings	8,750	-
Net cash provided by/(used in) financing activities	9,194	(190)
NET (DECREASE)/INCREASE IN CASH HELD	7	(151)
CASH AT THE BEGINNING OF THE FINANCIAL YEAR	2,831	2,982
CASH AT THE END OF THE FINANCIAL YEAR	2,838	2,831
	19(a)	

The accompanying notes form part of these financial statements.

Notes To The Financial Statements

For the year ended 30 June 2010

NOTE 1 - STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001. The financial report is for the company Villa Maria Society as an individual company. Villa Maria Society is an unlisted company limited by guarantee, incorporated and domiciled in Australia.

The financial statements have been prepared under the historical cost convention as modified by the revaluation of financial assets, intangibles and property at fair value.

Compliance with IFRS

The financial report complies with Australian Accounting Standards.

The following is a summary of the material accounting policies adopted by Villa Maria Society in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

New Accounting Standards and Interpretations

The accounting policies adopted are consistent with those of the previous financial year except as follows:

AASB 7 *Financial Instruments: Disclosures* effective 1 January 2009

AASB 8 *Operating Segments* effective 1 January 2009

AASB 101 *Presentation of Financial Statements (revised 2007)* effective 1 January 2009

AASB 123 *Borrowing Costs (revised 2007)* effective 1 January 2009

AASB 2009-5 *Amendments to Australian Standards arising from the Annual Improvements Project* effective 1 January 2009

AASB 2009-6 *Amendments to Australian Accounting Standards* operative for periods beginning on or after 1 January 2009 that end on or after 30 June 2009

AASB 2008-6 *Further Amendments to Australian Standards arising from the Annual Improvements Project (AASB 1 & AASB 5)* effective 1 July 2009

AASB 2009-4 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project* effective 1 July 2009

When the adoption of the Standard or Interpretation is deemed to have an impact on the financial statements or performance of Villa Maria Society, its impact is described below:

AASB7 Financial Instruments: Disclosures

The amended Standard requires additional disclosure about fair value measurement and liquidity risk. Fair value measurements related to all financial instruments recognised and measured at fair value are to be disclosed by source of inputs using a three level fair value hierarchy by class. In addition, a reconciliation between the beginning and ending balance for level 3 fair value measurements is now required, as well as significant transfers between levels in the fair level hierarchy. The fair value measurement disclosures are presented in Note 20. The liquidity disclosures are not significantly impacted by the amendments and are presented in Note 20.

AASB 8 Operating Segments

AASB 8 replaced AASB 114 *Segment Reporting* upon its effective date. Villa Maria Society concluded that the operating segments determined in accordance with AASB 8 are the same as the business segments previously identified under AASB 114. AASB 8 disclosures are shown in Note 17, including the related comparative information.

Notes To The Financial Statements

For the year ended 30 June 2010

AASB 101 Presentation of Financial Statements

The revised Standard separates owner and non-owner changes in equity. The statement of changes in equity includes only details of transactions with owners, with non-owner changes in equity presented in a reconciliation of each component of equity and included in the new statement of comprehensive income. The statement of comprehensive income presents all items of recognised income and expense, either in one single statement, or in two linked statements. Villa Maria Society has elected to present one statement.

AASB 123 Borrowing Costs

The revised AASB 123 requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Refer to Note 1 (l) for further details.

Accounting standards and interpretations issued, not yet effective, and not early adopted

The following new and or amended accounting standards and interpretations have been issued, but are not mandatory for the financial year ended 30 June 2010. They have not been adopted in preparing the financial report for the year ended 30 June 2010 and are expected to impact Villa Maria Society in the period of initial application. In all cases the Villa Maria Society intends to apply these standards from the application date.

Standards and Interpretations Issued Not Yet Effective

Australian Accounting Standards and Interpretations that have recently been issued or amended but are not yet effective and have not been adopted by Villa Maria Society for the annual reporting period ending 30 June 2010, are outlined in the below table:

Reference	Application date of standard	Impact on Villa Maria Society	Application date for Villa Maria Society
AASB 2009-5 - Further amendments to Australia Accounting Standards arising from the Annual Improvements Project	1 January 2010	The amendments are unlikely to have any material impact on the financial statements of Villa Maria Society	1 July 2010

Summary

The amendments to some Standards result in accounting changes for presentation, recognition or measurement purposes, while some amendments that relate to terminology and editorial changes are expected to have no or minimal effect on accounting except for the following:

The amendments to AASB 117 removes the specific guidance on classifying land as a lease so that only the general criteria may result in more land leases being classified as finance leases and if so, the type of asset which is to be recorded (intangible vs. property, plant and equipment) needs to be determined.

The amendments to AASB 101 stipulates that the terms of a liability that could result, at anytime, in its settlement by the issuance of equity instruments at the option of the counterparty do not affect its classification.

The amendments to AASB 107 explicitly states that only expenditure that results in a recognised asset can be classified as a cash flow from investing activities.

The amendments to AASB 118 provides additional guidance to determine whether an entity is acting as a principle or as an agent. The features indicating an entity is acting as a principal are whether the entity: has primary responsibility for providing the goods or service; has inventory risk; has discretion in establishing prices; and bears the credit risk.

The amendments to AASB 136 clarifies that the largest unit permitted for allocating goodwill acquired in a business combination is the operating segment, as defined in IFRS 8 before aggregation for reporting purposes.

The main change to AASB 139 clarifies that a prepayment option is considered closely related to the host contract when the exercise price of a prepayment option reimburses the lender up to the approximate present value of lost interest for the remaining term of the host contract. The other changes clarify the scope exemption for business combination contracts and provide clarification in relation to accounting for cash flow hedges.

Notes To The Financial Statements

For the year ended 30 June 2010

Reference	Application date of standard	Impact on Villa Maria	Application date for Villa Maria
AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9	1 January 2010	The amendments are unlikely to have any material impact on the financial statements of Villa Maria	1 July 2013

Summary

The revised Standard introduces a number of changes to the accounting for financial assets, the most significant of which includes:

Two categories for financial assets being amortised cost or fair value; removal of the requirements to separate embedded derivatives in financial assets; strict requirements to determine which financial assets can be classified as amortised cost if (a) the contractual cash flows from the instrument represent principal and interest and (b) the entity's purpose for holding the instrument is to collect the contractual cash flows; an option for investments in equity instruments which are not held for trading to recognise fair values changes through other comprehensive income with no impairment testing and no recycling through profit or loss on derecognition; reclassifications between amortised cost and fair value no longer permitted unless the entity's business model for holding the asset changes; changes to the accounting and additional disclosures for equity instruments classified as fair value through other comprehensive income.

Reference	Application date of standard	Impact on Villa Maria	Application date for Villa Maria
AASB 2009-12 Amendments to Australian Accounting Standards	1 January 2010	The amendments are unlikely to have any material impact on the financial statements of Villa Maria	1 July 2011

Summary

This amendment makes numerous editorial changes to a range of Australian Accounting Standards and Interpretations.

The amendment to AASB 124 clarifies and simplifies the definition of a related party as well as providing some relief for government-related entities (as defined in the amended standard) to disclose details of all transactions with other government-related entities (as well as with the government itself).

Accounting Estimates and Assumptions

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates, and bases its judgements and estimates on historical experience and other factors it believes to be reasonable. Actual results may differ from these estimates under different assumptions and circumstances.

Management has identified the following critical accounting policies for which significant judgements, estimates and assumptions are made. Actual results may differ from these estimates and may materially affect financial results or the financial position of future periods.

Significant Accounting Judgements

Impairment of available for sale assets

Villa Maria Society holds a number of *available for sale* financial assets and follows the requirements of AASB 139 Financial Instruments: Recognition and Measurement in determining when an *available for sale* asset is

Notes To The Financial Statements

For the year ended 30 June 2010

impaired. For the year ended 30 June 2010 Villa Maria Society has determined that the decline in value of the *available for sale* financial assets was not considered either prolonged or significant.

In making this judgement Villa Maria Society assessed the duration to which the fair value is less than cost.

Assessment of the carrying value of Bed Licences

Villa Maria Society holds a number of bed licences required to operate the aged care places. These intangibles are deemed to have an indefinite life. They are also recorded at deemed cost. The Directors have assessed that the deemed cost is below the fair value (or recoverable amount) based on available market information.

Significant Accounting Estimates and Assumptions

Valuation of investments

The valuation of unlisted investments in managed funds is reliant on receiving advice from fund managers. In certain instances this information has not been received at 30 June 2010. Management has estimated the fair values using the best available information to them.

Estimation of useful lives of assets

The estimation of the useful lives of assets has been based on historical experience. The condition of the assets is assessed at least once a year and considered against the remaining useful life. Adjustments to useful lives are made when necessary.

The useful life of buildings has been changed from 25 years to 33-40 years to reflect the life of the assets. The depreciation rates used for each class of depreciable assets are:

<i>Class of fixed asset</i>	<i>Depreciation rate - old</i>	<i>Depreciation rate - new</i>
Buildings	4.0%	2.5-3.33%
Furniture and fittings	8.0%	8.0%
Plant and equipment	6.7% - 33.3%	6.7% - 33.3%
Motor vehicles	14.25%	14.25%
Buses	10.0%	10.0%

(a) Income Tax

As Villa Maria Society is a public benevolent institution, it is exempt from income tax, capital gains tax and payroll tax.

(b) Revenue

Revenue from government grants for recurrent income is recognised in the year in which the income is received.

Revenue from government grants for the purchase of capital items is included in the statement of financial performance. Where it becomes apparent that a refund is required, a liability and an expense is created equal to the value of the refund, in the year the refund arises. Income received in advance and deferred revenue is shown as Other Liabilities.

Investment income comprises dividends and interest and is recognised in the financial year in which it is earned.

Revenue from the rendering of a service is recognised in the financial year in which the service to the client is delivered.

Fundraising revenue comprises donations, appeal contributions, bequests, trust distributions, membership subscriptions and proceeds from special projects and functions and is recognised in the year in which it is received.

Notes To The Financial Statements

For the year ended 30 June 2010

(c) Cash and Cash Equivalents

Cash and cash equivalents in the Statement of Financial Position comprise cash at bank and in hand and short term deposits with an original maturity of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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

(d) Trade and Other Receivables

All receivables are categorised as 'Loans and Receivables' under the requirements of AASB 139: *Financial Instruments – Recognition and Measurement* and are recognised initially at fair value, and subsequently at amortised cost. All trade and other receivables are current.

An allowance for doubtful debts is based on a review of outstanding balances at balance date, and is accounted for in a separate account. Indicators of impairment include where there is objective evidence of significant financial difficulties, debtor bankruptcy, financial reorganisation or default in payment (more than 60 days overdue). Bad debts which have previously been provided for are eliminated against the allowance for doubtful debts. In all other cases bad debts have been written off as an expense directly in the income statement.

The carrying value less impairment provision of trade receivables are assumed to approximate their fair values due to their short-term nature.

(e) Investments and other financial assets

Investments and financial assets in the scope of AASB 139 *Financial Instruments: Recognition and Measurement* are categorised as either financial assets at fair value through statement of comprehensive income, loans and receivables, held-to-maturity investments, or available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired or originated. Designation is re-evaluated at each reporting date, but there are restrictions on reclassifying to other categories.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of assets not at fair value through statement of comprehensive income, directly attributable to other categories.

Recognition and derecognition

All regular way purchases and sales of financial assets are recognised on the trade date. Regular way purchased or sales are purchases or sales of financial assets under contracts that require delivery of the assets within the period established generally by regulation or convention in the market place. Financial assets are derecognised when the rights to receive cash flows from the financial assets has expired or when the entity transfers substantially all the risk and rewards of the financial assets. If the entity neither retains nor transfers substantially all the risks and rewards, it derecognises the asset if it has transferred control of the assets.

Subsequent measurement

Available-for-sale investments are those non-derivative financial assets, principally equity securities, that are designated as available-for-sale. After initial recognition *available-for-sale* securities are measured at fair value with gains or losses being recognised as a separate component of equity until the investment is derecognised or until the investment is determined to be impaired, at which time the cumulative gain or loss previously reported in equity is recognised in statement of comprehensive income.

Investments in listed securities, equities and other investments are classified as *available-for-sale*, and the movements in the fair value are recognised as a separate component of equity at each balance date, with the exception of where a fair value cannot be reliably measured in which case the investment is carried at cost. The investments carried at fair value are remeasured at each reporting date and any gains or losses are recognised in equity.

Notes To The Financial Statements

For the year ended 30 June 2010

Investment in unlisted equities and managed funds are measured at fair value, being the unit price as advised by the relevant fund manager.

Financial assets include units in managed funds, listed shares and bank bills.

(f) Accommodation Bonds

Accommodation bonds are non-interest bearing deposits made by aged care facility residents to the Society upon their admission to low care accommodation. The liability for accommodation bonds is carried at the amount that would be payable on exit of the resident. This is the amount received on entry of the resident less deductions for fees and retentions pursuant to the *Aged Care Act 1997*. Accommodation bonds are classified as current liabilities as the Society does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date. The obligation to settle could occur at any time. These amounts have been included in Payables.

Once a refunding event occurs the payable becomes interest bearing. The interest rate varies according to the agreement and is recognised upon refund of the accommodation bond.

(g) Trade and Other Payables

Trade and other payables, including accruals, are recorded initially at fair value, and subsequently at amortised cost. Trade and other payables are non-interest bearing and due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to Villa Maria Society prior to the end of the financial year that are unpaid and arise when Villa Maria Society becomes obliged to make future payments in respect of the purchase of these goods and services. The amounts are unsecured and are usually paid within 30 days of recognition.

(h) Property, plant and equipment

Freehold land and building are measured on the fair value basis, being the amount for which an asset could be exchanged between knowledgeable willing parties in an arm's length transaction. Independent valuations are performed regularly to ensure that the carrying amounts of land and buildings does not differ materially from the fair value at balance date.

An independent valuation was carried out at 30 June 2010 by Antony Coady & Associates Pty. Ltd. Valuations are based on the fair market value of the properties concerned in their existing use.

Plant and equipment are measured on the historical cost basis less accumulated depreciation and any accumulated impairment losses.

The carrying amount of plant and equipment is reviewed annually by the Directors to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows which will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

The cost of plant and equipment constructed within Villa Maria Society includes the cost of materials, direct labour, borrowing costs and an appropriate proportion of fixed and variable overheads.

Revaluations of land and buildings

Any revaluation increments are credited to the asset revaluations reserve included in Members' Funds, except to the extent that they reverse a revaluation decrement for the same asset previously recognised in profit or loss, in which case the increment is recognised in statement of comprehensive income.

Any revaluation decrement is recognised in profit and loss, except to the extent that it offsets a previous revaluation increment for the same asset, in which case the decrement is debited directly to the asset revaluation reserve to the extent of the credit balance existing in the revaluation reserve for that asset.

Notes To The Financial Statements

For the year ended 30 June 2010

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

Upon disposal or derecognition, any revaluation reserve relating to the particular asset being sold is transferred to retained earnings.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Depreciation

The depreciable amount of all property, plant and equipment including buildings, but excluding freehold land, is depreciated on a straight line basis over their estimated useful lives to Villa Maria Society commencing from the time the asset is held ready for use.

The depreciation rates used for each class of depreciable assets are:

<i>Class of fixed asset</i>	<i>Depreciation rate</i>
Buildings	2.5% - 3.33
Furniture and fittings	8.0%
Plant and equipment	6.7% - 33.3%
Motor vehicles	14.25%
Buses	10.0%

(i) Intangible Assets

Bed licences (allocated places) are initially capitalised as intangible assets at cost, with cost being its fair value at the date of acquisition.

In accordance with the requirements of AASB 136 *Impairment of Assets*, the recoverable amount is assessed each year to ensure there are no reasonable grounds to believe impairment conditions exist at the balance date for bed licences requiring a write down to the income statement.

Bed licences are considered to have an indefinite useful life, as long as the Society continues to comply with the terms and conditions imposed by Government. Accordingly, bed licences are not subject to amortisation.

(j) Impairment of Assets

Intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired.

At each reporting date, carrying values of tangible and other intangible assets are reviewed to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the asset's fair value less costs to sell and value in use, is compared to the asset's carrying value. Any excess of the asset's carrying value over its recoverable amount is expensed to the statement of comprehensive income.

(k) Employee Benefits

Provision is made for Villa Maria Society's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits expected to be settled within one year together with entitlements arising from wages and salaries and annual leave which will be settled after one year, have been measured at the amounts expected to be paid when the liability is settled and on-costs. Other employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

Notes To The Financial Statements

For the year ended 30 June 2010

The Society contributes to complying superannuation funds at the required rate of the employees' wages and salaries. Superannuation contributions are recognised as an expense when incurred.

(l) Interest-bearing loans and borrowings

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Fees paid in the establishment of loan facilities that are yield related are included as part of the carrying amount of the loans and borrowings.

Borrowings are classified as current liabilities unless there is an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Borrowings costs

Borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset (i.e. an asset that necessarily takes a substantial period of time to get ready for its intended use or sale) are capitalised as part of the cost of that asset. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

Total borrowings costs capitalised for the year were \$312,000.

(m) Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Operating lease payments are recognised as an expense in the statement of comprehensive income over the lease term.

(n) Rounding of amounts

Villa Maria Society has applied the relief available to it under *ASIC Class Order 98/100* and accordingly, amounts in the financial report and Directors' Report have been rounded off to the nearest thousand dollars.

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Tax Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense. Receivables and payables in the Statement of Financial Position are shown inclusive of GST.

(p) Comparatives

Where applicable comparatives have been reclassified to disclose them on the same basis as current year figures.

Notes To The Financial Statements

For the year ended 30 June 2010

NOTE 2 - REVENUE AND OTHER INCOME

	2010	2009
	\$000	\$000
REVENUES		
Australian Government grants received	30,083	28,230
State Government grants received	17,668	16,959
Fees and other income for rendering of services	5,366	5,224
Bequests	150	785
Fundraising and public relations revenue	1,404	725
Dividend income on investments	382	205
Interest income earned on listed and unlisted fixed securities	236	190
Interest income earned on cash balances	163	424
Capital grants	2,152	315
Other	58	75
Total revenue from operating activities	57,662	53,132
TOTAL REVENUE AND OTHER INCOME	57,662	53,132

Notes To The Financial Statements

For the year ended 30 June 2010

NOTE 3 - RECEIVABLES

	2010 \$000	2009 \$000
CURRENT		
Trade debtors	566	617
Other Receivables	1,262	168
Less: Provision for impairment of receivables	(141)	(97)
	<u>1,687</u>	<u>688</u>
Prepayments	716	702
TOTAL RECEIVABLES	<u>2,403</u>	<u>1,390</u>

Age analysis of trade receivables that are past due but not impaired at the reporting date.

Not past due	255	458
Past due 0 – 30 days	115	50
Past due 31 – 60 days	40	23
Over 60 days	156	86
	<u>566</u>	<u>617</u>
Impairment		
Past due 31 – 60 days	-	(11)
Over 60 days	(141)	(86)
	<u>(141)</u>	<u>(97)</u>

The impaired receivables relate to clients experiencing financial hardship.

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

Balance at the beginning of the year	97	54
Impairment provision recognised during the year	46	51
Bad debts written off	(2)	(8)
Balance at the end of the year	<u>141</u>	<u>97</u>

The allowance account for receivables is used to record impairment losses unless the entity is satisfied that there is no recovery of the amount possible, at which point it is written off directly against the amount owing.

With respect to the Society, the nature of the debtors are grant receivables, which are receivable from the Commonwealth or State Government departments, and other sundry receivables from either clients or employees. Past history has shown the majority of these receivables are settled within 30 days of the debt arising.

(a) Credit Risk

The maximum credit exposure to credit risk for the Society is the gross amount of all receivables less any impairment losses.

Notes To The Financial Statements

For the year ended 30 June 2010

All grant receivables are due from the Commonwealth and State Government. There are no other significant concentrations of credit risk.

(b) Fair Value

Due to the short-term nature of these receivables, their carrying value is assumed to approximate their fair value.

(c) Interest Rate Risk

All current receivables are non-interest bearing except for accommodation bonds receivable which bear interest within the range of 7.95% to 9.68%.

NOTE 4 - OTHER FINANCIAL ASSETS

	2010 \$000	2009 \$000
<i>At fair value</i>		
Bank accepted bills	1,013	1,100
<i>Available-for-sale at fair value</i>		
Fixed Income Fund - Australian Listed	28	58
Fixed Income Fund - Australian Unlisted	641	1,252
Fixed Income Fund - International Unlisted	158	52
Shares - Australian Listed	1,920	2,312
Shares - Australian Unlisted	912	3,863
Shares - International Unlisted	1,217	3,287
Property Fund - Australian Listed	235	263
Property Fund- Australian Unlisted	771	1,423
Property Fund - International Unlisted	113	147
TOTAL OTHER FINANCIAL ASSETS	7,008	13,757
<i>At fair value</i>		
Assets classified as held-for-sale	4,655	-

(a) Listed Investments

The fair value of listed available-for-sale investments has been determined directly by reference to published price quotation in an active market.

There are no individually material investments.

(b) Unlisted Investments

Valuation sensitivity

As unlisted investments are not traded in active markets fair trade value is determined using recent dated evidence or other valuation techniques at the reporting date. The fair value of unlisted investments is the price at which the units could be exchanged between knowledgeable, willing parties in an arm's length transaction. A "willing seller" is not a forced seller prepared to sell at any price. The best evidence of fair value is given by current prices in an active market.

Notes To The Financial Statements

For the year ended 30 June 2010

(c) Assets classified as held-for-sale

Assets classified as held-for-sale comprise unlisted shares of \$3,700,000 and listed shares of \$955,000 which are scheduled for disposal in the next financial year.

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

	2010 \$000	2009 \$000
LAND AND BUILDINGS		
Freehold land		
At fair value	79,917	60,850
Total land	79,917	60,850
Buildings		
At fair value	20,562	15,601
Less accumulated depreciation	(9,262)	(8,861)
Total buildings	11,300	6,740
TOTAL LAND AND BUILDINGS	91,217	67,590
PLANT AND EQUIPMENT		
Plant and equipment		
At cost	20,553	18,989
Less accumulated depreciation	(15,050)	(13,856)
Total plant and equipment	5,503	5,133
WORK IN PROGRESS	3,602	3,266
TOTAL PROPERTY, PLANT AND EQUIPMENT	100,322	75,989
TOTAL PROPERTY, PLANT AND EQUIPMENT		
Total Property, plant and equipment	124,634	98,706
Less accumulated depreciation	(24,312)	(22,717)
	100,322	75,989

Notes To The Financial Statements

For the year ended 30 June 2010

(a) Reconciliation of carrying amounts at the beginning and end of the period

	2010 \$000	2009 \$000
Freehold land		
Carrying amount at beginning of year	60,850	64,210
Additions	8,750	800
Disposals	(340)	-
Revaluation	10,657	(4,160)
Carrying amount at end of year	79,917	60,850
Buildings on freehold land		
Carrying amount at beginning of year	6,740	7,196
Additions	-	1,398
Transfer in from WIP	4,159	-
Revaluation	802	(1,545)
Disposals	-	(37)
Written Off	(62)	-
Depreciation expense	(339)	(272)
Carrying amount at end of year	11,300	6,740
Operating plant and equipment		
Carrying amount at beginning of year	5,131	4,593
Additions	995	1,944
Transfer in from WIP	1,201	-
Disposals	(211)	(82)
Depreciation expense	(1,613)	(1,324)
Carrying amount at end of year	5,503	5,131
Work In Progress		
Carrying amount at beginning of year	3,266	769
Additions	6,106	2,497
Written Off	(411)	-
Projects in progress - transfer	(5,359)	-
Carrying amount at end of year	3,602	3,266

(b) Property, plant and equipment pledged as security for liabilities

The secured loan disclosed in Note 10 has a Fixed and Floating Charge over all of the present and future rights, property and undertakings of Villa Maria Society.

(c) Revaluation of freehold land and freehold buildings

Villa Maria engages Antony Coady & Associates Pty Ltd, an accredited independent valuer that uses the International Valuation Standards Committee, International Valuation Standards as a reference, to determine the fair value of its freehold land and buildings. Fair value is the amount for which the assets could be

Notes To The Financial Statements

For the year ended 30 June 2010

exchanged between a knowledgeable willing buyer and a knowledgeable willing seller in an arm's length transaction as at the valuation date. Fair value is determined by direct reference to recent market transactions on arm's length terms for land and buildings comparable in size and location to those held by Villa Maria Society, and to market based yields for comparable properties. The effective date of the revaluation was 30 June 2010.

(d) Comparatives

Where necessary the comparative information has been reclassified and repositioned for consistency with current period disclosure. Work in progress has been reclassified from Buildings on Freehold Land. This classification has had no impact on profit.

NOTE 6 - INTANGIBLE ASSETS

	2010	2009
	\$000	\$000
Bed Licences (Allocated Places)	13,475	13,475

Bed licences have an indefinite life as long as Villa Maria Society continues to comply with the terms and conditions imposed by the Government. Bed licences are tested annually for impairment.

Bed licences are shown at the deemed cost at the date of transition to IFRS (1 July 2005).

NOTE 7 - PAYABLES

	2010	2009
	\$000	\$000
CURRENT		
Trade and sundry creditors	3,640	3,270
Accrued expenses	2,591	2,109
Accommodation bonds	1,815	766
TOTAL PAYABLES	8,046	6,145

(a) Fair Value

Due to the short term nature of these payables, their carrying value is assumed to approximate their fair value.

Notes To The Financial Statements

For the year ended 30 June 2010

NOTE 8 - PROVISIONS

	2010 \$000	2009 \$000
CURRENT		
Employee Entitlements	4,102	4,343
Other	-	25
TOTAL PROVISIONS	4,102	4,368
NON CURRENT		
Employee Entitlements	546	450
Aggregate employee benefits liability	4,648	4,793
Movements in Current Employee entitlements		
Carrying amount at beginning of year	4,343	3,862
Increase in Provision	2,582	2,805
Payments to Staff	(2,823)	(2,324)
Carrying amount at end of year	4,102	4,343
Movements in Non-Current Employee entitlements		
Carrying amount at beginning of year	450	565
Increase/(Decrease) in Provision	96	(115)
Payments to Staff	-	-
Carrying amount at end of year	546	450

NOTE 9 - OTHER LIABILITIES

CURRENT		
Income received in advance and unearned income	1,195	2,948
	1,195	2,948

NOTE 10 - INTEREST-BEARING LOAN

CURRENT		
Secured Loan	8,750	-
	8,750	-

(a) Fair values

The carrying amount of Villa Maria Society current borrowings approximate their fair value. The fair values have been calculated by discounting the expected future cashflows at prevailing market interest rates varying from 5.34% to 6.13%.

(b) Interest rate and liquidity risk

Details regarding interest rate and liquidity risk is disclosed in Note 20.

Notes To The Financial Statements

For the year ended 30 June 2010

(c) Assets pledged as security

The varying amounts of assets pledged as security for current and non-current interest-bearing liabilities are:

		2010 \$000	2009 \$000
Current	Note		
Cash assets	19	2,838	2,831
Receivables	3	2,403	1,390
Other financial assets	4	7,008	13,757
Assets classified as held for sale	4	4,655	-
Total current assets pledged as security		<u>16,904</u>	<u>17,978</u>
Non-current			
Property, plant and equipment	5	100,322	75,987
Intangibles	6	13,475	13,475
Total non-current assets pledged as security		<u>113,797</u>	<u>89,462</u>
Total assets pledged as security		<u>130,701</u>	<u>107,440</u>

(d) Defaults and breaches

During the current year, there was no default or breach on the loan.

NOTE 11 - RESERVES

Retained earnings	43,994	43,620
Unrealised (Losses)/Gains Reserve	-	(2,700)
Asset Revaluation Reserve - Land and Building	64,068	52,609
TOTAL RESERVES	<u>108,062</u>	<u>93,529</u>

(a) Retained earnings

The general reserve contains amounts of retained surplus that have been set aside for the purpose of funding future projects that are announced from time-to-time.

Movements in the reserve during the year

Balance at beginning of year	43,620	44,902
(Deficit)/Surplus for the year	374	(1,282)
Balance at end of year	<u>43,994</u>	<u>43,620</u>

(b) Asset Revaluation Reserve

The asset revaluation reserve records movements in the fair value of land and buildings.

LAND AND BUILDINGS

Opening balance	52,609	58,314
Fair value adjustment	11,459	(5,705)
Closing balance	<u>64,068</u>	<u>52,609</u>

Notes To The Financial Statements

For the year ended 30 June 2010

(c) Net Unrealised Gains/(Losses) Reserve

This reserve records movements in the fair value of available-for-sale financial assets.

	2010	2009
	\$000	\$000
Opening Balance	(2,700)	-
Fair value adjustment	603	(2,700)
Release of reserve due to sale of relevant investments	428	-
Write-off of unrealised loss reserve to profit and loss	1,669	-
Closing Balance	-	(2,700)

NOTE 12 - CHANGES IN ESTIMATE OF USEFUL LIFE OF BUILDINGS

The Board of Directors have resolved to change building depreciation rates as at 1 July 2009. The building depreciation rate has been changed from 4% to 2.5% - 3.33%. The net effect of the changes in the current financial year was a decrease of depreciation expense of \$96,600.

NOTE 13 - SUPERANNUATION COMMITMENTS

Villa Maria Society contributes to 48 complying superannuation funds, all of which are managed by external fund managers. Members of these funds are entitled to benefits on retirement, disability or death. Some employees contribute to the plans at various percentages of gross salaries.

Villa Maria Society is under no formal obligation to make up any shortfall in the funds assets to meet payments due to employees. Villa Maria Society has a legally enforceable obligation to contribute to the plans.

NOTE 14 - REMUNERATION OF DIRECTORS

(a) The following persons were directors of Villa Maria Society during the financial year.

Dr A C Atkin, Br B J Brandon, Mr P Walsh, Ms L Elford (Resigned 22nd September 2009), Mr B Barry, Ms J McAllister, Mr P Hogan, Ms D T Howlett, Mr R Gray, Mr R N Livy (appointed 27th October 2009), Mr M M Meere (appointed 27th October 2009).

The Constitution specifically prohibits payment to any Director of Villa Maria Society other than for services rendered in the normal course of business.

There have been no Director related transactions during the year.

(b) Other key management personnel

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

Ms V Lyons (Chief Executive Officer), Mr J Klavins (Deputy Chief Executive Officer, Retired 15th October 2009), Ms B Raufer (Chief Operating Officer, appointed 1st February 2010), Mr G Wickenden (Chief Financial Officer), Ms C McColl (General Manager Residential Services), Ms L Ely (General Manager Disability Services), Mr J McAuliffe (General Manager Community Services, appointed 15th March 2010), Mr R Chesler (General Manager Projects & Development), Mr S Evans (Executive Manager Planning and Risk), Ms H McPhee (General Manager People Services), Ms R Ryan (Executive Manager Marketing), Ms G MacInnes (Executive Manager Company Secretariat Services), Ms K Miller (Executive Manager Service Integration), Ms C Dewhirst (Executive Manager Education Services).

Notes To The Financial Statements

For the year ended 30 June 2010

(c) Key management personnel compensation

	2010 \$000	2009 \$000
Short-term benefits		
Salary and fees	1,584	1,734
Non-Cash benefits	165	130
Other	40	15
	<u>1,789</u>	<u>1,879</u>
Post-employment benefits		
Superannuation	149	156
	<u>149</u>	<u>156</u>

NOTE 15 - REMUNERATION OF AUDITOR

Amounts received or due and receivable by the auditors for

— auditing and reviewing the financial report

— other services

66	62
31	-
<u>97</u>	<u>62</u>

NOTE 16 - ECONOMIC DEPENDENCY

Villa Maria Society receives various capital and recurrent grants from both State and Commonwealth Governments. These grants are generally made subject to validation that they have been expended within specific guidelines. Certain grants received in the current and previous financial years have not as yet been subject to validation by Government.

Note 17 - SEGMENT REPORTING

Identification of reporting segments

Villa Maria Society has identified its operating segments based on the internal reports that are reviewed and used by the executive leadership management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

Villa Maria Society has the following five business segments:

1. Residential Aged Care Services includes four facilities which includes both low care and high care.
2. Community Services includes community support and respite services for the aged.
3. Disability Services includes day services, long-term accommodation, flexible and facility based respite options, case management and a range of individualised supports for people either in their home or community services for adults and children's respite.
4. Education Services includes St Paul's College and the Early Childhood Intervention Service.
5. Business Services includes Administration, People Services, Fundraising, Marketing and Investments. Investments & Fundraising includes revenue from commercial bills, listed securities, managed funds and fundraising activities.

Notes To The Financial Statements

For the year ended 30 June 2010

Business Segments	Residential Aged Care	Community Services	Disability Services	Education Services	Business Services	Total
	2010	2010	2010	2010	2010	2010
	\$000	\$000	\$000	\$000	\$000	\$000
REVENUE						
Total Segment revenue	16,669	19,828	13,967	2,805	4,393	57,662
Total revenue						<u>57,662</u>
RESULT						
Segment result	(1,046)	1,202	(227)	(182)	627	374
Net Surplus						<u>374</u>
ASSETS						
Segment assets	53,956	4,614	12,804	26,313	32,587	130,274
Unallocated assets						427
Total assets						<u>130,701</u>
LIABILITIES						
Segment liabilities	2,733	1,050	2,175	445	9,280	15,683
Unallocated liabilities						6,956
Total liabilities						<u>22,639</u>
OTHER						
Acquisitions of segment assets	232	105	4,087	551	10,039	15,014
Total acquisitions of non-current segment assets						<u>15,014</u>
Depreciation and amortisation of segment assets	501	504	471	192	284	<u>1,952</u>
Unallocated other non-cash segment expenses/(revenues)						<u>-</u>

Notes To The Financial Statements

For the year ended 30 June 2010

Business Segments	Residential Aged Care	Community Services	Disability Services	Education Services	Business Services	Total
	2009	2009	2009	2009	2009	2009
	\$000	\$000	\$000	\$000	\$000	\$000
REVENUE						
Total Segment revenue	16,367	19,190	13,035	2,610	1,930	53,132
Total revenue						<u>53,132</u>
RESULT						
Segment result	(1,049)	809	(381)	(400)	(261)	<u>(1,282)</u>
Net Deficit						<u>(1,282)</u>
ASSETS						
Segment assets	49,830	4,386	6,172	25,195	21,800	107,383
Unallocated assets						672
Total assets						<u>108,055</u>
LIABILITIES						
Segment liabilities	2,619	857	3,861	536	1,389	9,262
Unallocated liabilities						4,649
Total liabilities						<u>13,911</u>
OTHER						
Acquisitions of segment assets	1,428	1,034	496	111	1,073	4,142
Total acquisitions of non-current segment assets						<u>4,142</u>
Depreciation and amortisation of segment assets	484	450	324	159	179	<u>1,596</u>
Unallocated other non-cash segment expenses/(revenues)						<u>-</u>

Notes To The Financial Statements

For the year ended 30 June 2010

NOTE 18 - MEMBERS' GUARANTEE

Villa Maria Society is a company limited by guarantee. If Villa Maria Society is wound up, the Constitution states that each member is required to contribute a maximum of \$20 towards meeting any outstanding obligations of Villa Maria Society. At 30 June 2010, the number of members was 128 (2009: 137).

NOTE 19 - CASH FLOW INFORMATION

	2010	2009
	\$000	\$000
(a) Reconciliation of cash		
Cash at bank	2,838	2,831
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to items in the statement of financial position as above.		
(b) Reconciliation of cash flows from operations		
Surplus	374	(1,282)
Non-cash flows in Surplus		
Depreciation	1,952	1,596
(Gain)/loss on disposal of assets	83	(4)
(Gain)/Loss on disposal of managed funds	434	521
Write-off of property, plant and equipment	473	-
Write-off of available-for-sale investments impairment losses	1,669	-
Changes in assets and liabilities		
Decrease/(increase) in receivables	(523)	(87)
Increase/(decrease) in payables	852	473
Increase/(decrease) in provisions	(170)	329
(Decrease)/increase in other liabilities	(1,753)	175
Cash flows from operations	3,391	1,721

Notes To The Financial Statements

For the year ended 30 June 2010

NOTE 20 - FINANCIAL INSTRUMENTS

Financial Risk Management

Villa Maria Society's exposure is primarily to the financial risks of liquidity, changes in interest rates and changes in market prices of listed equities and securities. The Board of Directors is responsible for monitoring and managing the financial risks of the Society. They monitor these risks through monthly board meetings where monthly management accounts are presented and analysed. Any changes identified are communicated to the Chief Financial Officer who implements the changes.

Categories of Financial Instruments	2010 \$000	2009 \$000
<i>Financial Assets</i>		
Fair value through equity	7,008	13,757
Loans and Receivables (including cash & cash equivalents)	2,838	2,831
	9,846	16,588
<i>Financial Liabilities</i>		
Amortised cost		
Payables	6,231	5,379
Accommodation Bonds	1,815	766
Interest bearing loan	8,750	-
	16,796	6,145

Trade payables and accommodation bonds are current liabilities which results in their fair value being equal to the current carrying amount.

(a) Interest rate risk

Villa Maria Society's exposure to interest rate risk, which is the risk that a financial instrument's value will fluctuate as a result of changes in market interest rates, and the effective weighted average interest rates on those financial assets, are as follows:

All other financial assets and liabilities, including receivables and payables are non-interest bearing.

	Weighted average effective interest rate		Floating rate		Maturing within one year		Total	
	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000	2010 \$000	2009 \$000
Cash	1.80%	1.54%	2,838	2,831	-	-	2,838	2,831
Bank Accepted Bills	4.90%	4.35%	-	-	1,013	1,100	1,013	1,100
Investments	-	-	7,008	12,657	-	-	7,008	12,657
Loan	5.67%	-	-	-	8,750	-	8,750	-

Villa Maria Society's investments in listed fixed interest securities are all quoted on the Australian Stock Exchange.

Price risk for fixed interest securities arises from changes in fixed interest rates in Australia. This sensitivity analysis has assumed that the issuer's credit risk rating has remained the same, and movements in fair value recognised in the Statement of Comprehensive Income have only arisen from changes in interest rates.

Notes To The Financial Statements

For the year ended 30 June 2010

A 100 point (2009: 100 points) increase in the BBSW at the reporting date would have increased profit by \$38,500 (2009: \$39,000) and an equal change in the opposite direction would have decreased profit by \$38,500 (2009: \$39,000).

(b) Credit risk

Credit risk is the risk of financial loss to Villa Maria Society if a customer or counterparty to a financial instrument fails to meet its contractual obligations.

The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for doubtful debts, as disclosed in the Statement of Financial Position and notes to the financial statements.

Villa Maria Society does not have any material credit risk exposure to any single debtor or group of debtors under financial instruments entered into.

The Directors manage the credit risk in the listed fixed interest securities by only investing in securities with very high credit ratings. This is managed by portfolio managers for the Society and they report to the Directors on a monthly basis.

The directors establish any allowances for impairment when it is expected that any receivables are not collectable. This allowance consists of allowances for specific amounts.

(c) Liquidity risk

Liquidity risk is the risk that the Society will not be able to meet its financial obligations as they fall due.

Villa Maria Society has both short-term and long-term facilities which enable sufficient cash to be available to settle obligations as they fall due. The Chief Financial Officer monitors the cash position of the Society on a weekly basis.

The following are the contractual maturities of the financial liabilities, including interest payments.

Contractual amounts are expected payments which have not been discounted.

Maturity Analysis - 2010

Financial Liabilities	Carrying Amount	Contractual Cash flows	0- 12 mths	1-2 years	> 2 years
	\$000	\$000	\$000	\$000	\$000
Payables	6,231	6,231	6,231	-	-
Accommodation bonds	1,815	1,815	1,815	-	-
Loan	8,750	8,750	-	8,750	-
TOTAL	16,796	16,796	8,046	8,750	-

Cash flows from accommodation bonds included in trade payables above are not expected to result in a net outflow. As the liability is settled there are expected to be simultaneous inflows of a greater amount.

Notes To The Financial Statements

For the year ended 30 June 2010

Maturity Analysis - 2009

Financial Liabilities	Carrying Amount	Contractual Cash flows	0-12 mths	1-2 years	> 2 years
	\$000	\$000	\$000	\$000	\$000
Payables	5,379	5,379	5,379	-	-
Accommodation bonds	766	766	766	-	-
TOTAL	6,145	6,145	6,145	-	-

Cash flows from accommodation bonds included in trade payables above are not expected to result in a net outflow. As the liability is settled there are expected to be simultaneous inflows of a greater amount.

(d) Other Market Price Risk

Equity price risk arises from investments held by Villa Maria Society in the form of investments in listed equities. The portfolio of investments is managed by external portfolio managers, who buy and sell equities based on their own analyses of returns. The asset position and returns are reported to the Directors on a regular basis at the monthly Board meeting. At this meeting the Directors monitor the effective returns, and instruct the fund managers if any changes are required.

Sensitivity analysis – other price risk

Only investments in listed equities of \$2,967,000 (2009 : \$2,501,000) and unlisted equities of \$7,683,000 (2009: \$10,156,000) for Villa Maria Society are subject to movements in prices of the investment markets.

All other investments are either at cost, or are affected by movements in interest rates only (see Note 20(a)).

A 10% (2009: 10%) increase at the reporting date in the All Ordinaries Index (which includes the majority of the investments) would have increased the available for sale unrealised (losses)/gains reserve by \$1,065,000 (2009: \$1,265,700) and an equal change in the opposite direction would have decreased the available for sale unrealised (losses)/gains reserve by \$1,065,000 (2009: \$1,265,700). The analysis is performed on the same basis for 2009.

(e) Fair value

Villa Maria Society uses various methods in estimating the fair value of a financial instrument. The methods comprise:

Level 1 - fair value is calculated using quoted prices in active markets.

Level 2 - fair value is estimated using inputs other than quoted prices included in Level 1 that are observable for the assets or liability, either directly (as prices) or indirectly (derived from prices).

Level 3 - fair value is estimated using inputs for the asset or liability that are not based on observable market data.

The fair value of the financial instruments as well as the methods used to estimate the fair value are summarised in the following table.

Notes To The Financial Statements

For the year ended 30 June 2010

Financial Assets - 2010	Quoted market price (Level 1)	Valuation technique - market observable inputs (Level 2)	Valuation technique - non market observable inputs (Level 3)	Total
	\$000	\$000	\$000	\$000
Listed Investments	1,863	149	-	2,012
Unlisted Investments	-	3,409	574	3,983
TOTAL	1,863	3,558	574	5,995

Financial Assets - 2009	Quoted market price (Level 1)	Valuation technique - market observable inputs (Level 2)	Valuation technique - non market observable inputs (Level 3)	Total
	\$000	\$000	\$000	\$000
Listed Investments	2,527	72	-	2,599
Unlisted Investments	-	9,102	924	10,026
TOTAL	2,527	9,174	924	12,625

Quoted market price represents the fair value determined based on quoted prices on active markets as at the reporting date without any deduction for transaction costs. The fair value of the listed equity investments are based on quoted market prices.

For financial instruments not quoted in markets, the Society uses valuation techniques such as present value techniques, comparison to similar instruments for which market observable prices exist and other relevant models used by market participants. These valuation techniques use both observable and unobservable market inputs.

Financial instruments that use valuation techniques with only observable market inputs or unobservable inputs that are not significant to the overall valuation include interest rate swaps, forward commodity contracts and foreign exchange contracts not traded on a recognised exchange.

The fair value of unlisted debt and equity securities, as well as other investments that do not have an active market, are based on valuation techniques using market data that is not observable. Where the impact or credit risk on the fair value of a derivative is significant, and the inputs on credit risk are not observable, the derivative would be classified as based on non observable market inputs (Level 3). Certain long dated forward commodity contracts where there are no observable forward prices in the market are classified as (Level 2) as the unobservable inputs are not considered significant to the overall value of the contract.

Transfers between categories

There are no transfers between Level 1 and Level 2 during the year.

Notes To The Financial Statements

For the year ended 30 June 2010

Reconciliation of Level 3 fair value movements

	2010	2009
	\$000	\$000
Opening balance	924	924
Total gains and losses	(200)	-
Other comprehensive income	-	-
Purchases	-	-
Sales	(150)	-
Transfers from other categories	-	-
Closing balance	574	924

Level 3 investments include unlisted equity securities. As observable prices are not available for these securities, a wider valuation technique is used to derive fair value.

The fair value of unlisted investments is the price at which the units could be exchanged between knowledgeable, willing parties in an arm's length transaction. A "willing seller" is not a forced seller prepared to sell at any price. The best evidence of fair value is given by current prices in an active market.

As unlisted investments are not traded in active markets fair trade value is determined using recent sales evidence or other valuation techniques at the reporting date.

NOTE 21 - COMMITMENTS

(a) Leasing commitments

Operating lease commitments - Villa Maria Society as lessee

Villa Maria Society has entered into commercial property leases. These non-cancellable leases have remaining terms between one and three years. All leases include a clause to enable upward revision of the rental charge on an annual basis according to prevailing market conditions.

Future minimum rentals payable under non-cancellable operating leases as at 30 June 2010 are as follows:

	2010	2009
	\$000	\$000
Property lease - Villa Maria Society as lessee		
Within one year	566	558
After one year but not more than five years	533	566
Total minimum lease payments	1,099	1,124

Notes To The Financial Statements

For the year ended 30 June 2010

(b) Property, plant and equipment commitments

Villa Maria Society had contractual obligations to purchase plant and equipment at the balance date, principally relating to the completion of the operating facility at Austin Street for Young People in Nursing Homes and the refurbishment of the Lysterfield property.

Commitments contracted for at reporting date but not recognised as liabilities.

	2010	2009
	\$000	\$000
Property, plant and equipment		
Within one year		
Completion of operating facilities	529	-
After one year but not more than five years		
Completion of operating facilities	-	4,079
Total minimum lease payments	<u>529</u>	<u>4,079</u>

NOTE 22 - PRIOR YEAR ADJUSTMENT

As at 30 June 2009, the aged care bed licences on registered licenced beds in residential care held by Villa Maria Society were recognised as intangibles assets measured at fair value of \$14.1 million (consisting of 305 licences at individual values of \$40,000 - \$50,000). This value has been determined based upon independent valuations. Villa Maria Society adopted the revaluation model outlined in AASB 138 Intangible Assets in valuing its bed licences.

The Australian Securities and Investment Commission (ASIC), as part of their ongoing review of financial reports, has reviewed the position taken by a number of aged care providers relating to the revaluation of bed licences on the basis of the existence of an active market for these licences. Having undertaken this review, ASIC has determined that there is no active market for these bed licences, and as a consequence has requested additional explanations from various aged care providers to provide evidence of an "active market" and thus the ability for these providers to value the licences under the revaluation methodology (as outlined in AASB 138).

In response to the ASIC correspondence and extensive discussion with ASIC, it has been noted that a number of the aged care providers in question have revised their accounting policy on the valuation of bed licences to the historical cost model as acknowledgement that there is no active market for bed licences.

Based on AASB 138 Intangible Assets, it is noted that Villa Maria Society, as a not-for-profit organisation, where the bed licences are acquired at no cost, is permitted to record the bed licences at cost equal to its fair value as at the date of acquisition. Due to the transition to IFRS as at 1 July 2005, Villa Maria Society can regard this date as the date of acquisition.

Pursuant to the above circumstances resulting from ASIC's review, Villa Maria Society has made the decision to revise its accounting policy to adopt the historical cost model for its valuation of bed licences; namely, with the cost being its fair value at acquisition (that is the date of transition to IFRS at 1 July 2005 in accordance with AASB 138).

AASB 108 Accounting Policies, Changes in Estimates and Errors has been adopted to restate the 30 June 2010 financial report of Villa Maria Society including adjusting the comparative figures for the prior year. The accounts affected by this prior year adjustment as set out below.

Notes To The Financial Statements

For the year ended 30 June 2010

	Previously	30 June 2009 Adjustment	Restated
	\$000	\$000	\$000
Balance Sheet			
Intangible Assets - Bed Licences	14,090	(615)	13,475
Asset Revaluation Reserve - Intangibles	14,090	(14,090)	-
Retained Earnings	30,145	13,475	43,620

Statement of Changes of Equity

Fair value revaluation of Bed Licences	10	(10)	-
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AASB 101 Presentation of Financial Statements requires that where a change in accounting policy has been applied retrospectively, the following disclosure is required.

	30 June 2010	Restated 30 June 2009	Restated 1 July 2008
	\$000	\$000	\$000
Intangible Assets - Bed Licences	13,475	13,475	13,475
Asset Revaluation Reserve - Intangibles	-	-	-
Retained Earnings	43,994	43,620	44,902

NOTE 23 - EVENTS SUBSEQUENT TO REPORTING DATE

There are no events subsequent to year end that are of significance that require disclosure.

NOTE 24 - COMPANY DETAILS

The Registered Office of Villa Maria Society is:

Villa Maria Society
Whitty House
6 Studley Park Road
Kew Victoria 3101

Directors' Declaration

Villa Maria Society
ACN 004 364 103

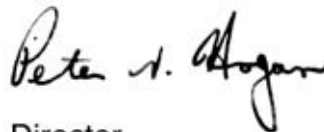
The Directors of Villa Maria Society declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of cash flows, statement of changes in equity, and accompanying notes, are in accordance with the Corporations Act 2001 and:
 - (a) comply with Accounting Standards and the Corporations Regulations 2001; and
 - (b) give a true and fair view of the company's financial position as at 30 June 2010 and of its performance for the year ended on that date.
2. In the directors' opinion, there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the Board of Directors and is signed for and on behalf of the directors by:



Director
A C Atkin (President)



Director
P Hogan (Vice-President)

Dated the 31st day of August 2010, Melbourne



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Independent auditor's report to the members of Villa Maria Society

Report on the Financial Report

We have audited the accompanying financial report of Villa Maria Society, which comprises the statement of financial position as at 30 June 2010, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Independence

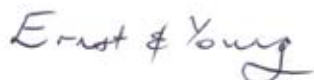
In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were engaged to undertake the services disclosed in the notes to the financial statements. The provision of these services has not impaired our independence.

Liability limited by a scheme approved under
Professional Standards Legislation

Auditor's Opinion

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

- (i) giving a true and fair view of the financial position of Villa Maria Society at 30 June 2010 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the *Corporations Regulations 2001*.



Ernst & Young



Stuart Painter
Partner
Melbourne

31 August 2010



Disability, Education and Senior Services

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