

2011 Financial Report



VILLA MARIA

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, their families and carers.

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 the state and into southern New South Wales.

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.

Person Centred: at Villa Maria relationships enable people to shape and lead their own lives.



The Directors in office at any time during or since the end of the year:

Director	Experience	Special Responsibilities
<p>Angela C. Atkin MB, BS; Grad Dip Women's Health, FAICD</p>	<p>President</p> <p>A member of the Board since 1994.</p> <p>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.</p>	<p>Chair - Board Executive Committee</p> <p>Board Audit & Risk Committee (ex officio)</p> <p>Board Finance & IT Committee (ex officio)</p>
<p>Brian Barry Grad. Dip. Corporate Finance</p>	<p>Re-joined the Board in 2008.</p> <p>A previous member of the Board, with over 30 years experience in the Banking & Finance Industry.</p> <p>(Brian resigned from the Board on the 27th January 2011.)</p>	<p>Chair – Board Audit & Risk Committee</p>
<p>Rev Br Brian Joseph Brandon BSc, M.Curr.Stud., Reg.Sec.School Teacher</p>	<p>A member of the Board since 1994.</p> <p>Brian has extensive and varied experience in school principalship, in religious Congregation leadership and in governance, legal, 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.</p>	<p>Board Finance & IT Committee</p>
<p>Joseph John Caddy LSocSc BTh</p>	<p>Joined the Board in October 2010.</p> <p>Joe is a priest and the Chief Executive Officer of CatholicCare Archdiocese of Melbourne. He is Chair of Catholic Social Services and an Adjunct Professor with the Australian Catholic University. In addition, Joe is chaplain to the men's maximum security prisons in Melbourne.</p>	<p>Strategic & Proposed Developments Committee</p>
<p>Vito Bruno Cassisi Reg. Architect F.R.A.I.A. R.I.B.A.</p>	<p>Joined the Board in May 2011.</p> <p>Vito is a practising architect with over 40 years experience in the building industry. He is currently an examiner to the Architects registration Board of Victoria and the Architects Accreditation Council of Australia as a member of the State and national Visiting Panels to University Schools of Architecture. Vito is also current Vice President of the Italian Assistance Association (CO.AS.IT), and Vice President of the Assisi Centre Inc.</p>	<p>Strategic & Proposed Developments Committee</p>
<p>Richard Nelson Worsley Gray Man. Cert.</p>	<p>Joined the Board in 2008.</p> <p>Richard has extensive experience of some 30 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.</p>	<p>Board Audit & Risk Committee</p>

Director	Experience	Special Responsibilities
<p>Peter Hogan B.Bus., ACA</p>	<p>Vice President</p> <p>Joined the Board in 2008.</p> <p>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 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.</p>	<p>Board Executive Committee</p> <p>Chair, Board Finance & IT Committee</p>
<p>Donna Therese Howlett B.Sc., MBA, FAICD</p>	<p>Vice President</p> <p>A member of the Board since 2007.</p> <p>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 portfolios in health related organisations.</p>	<p>Board Executive Committee</p> <p>Chair (to February 2011), Strategic & Proposed Developments Committee</p>
<p>Robert Norman Livy CA Grad. Dip. Accounting Dip. Bus. Studies</p>	<p>A member of the Board since 2009</p> <p>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.</p>	<p>Chair, Board Audit and Risk Committee</p>
<p>Jenny McAllister Dip. Private Secretarial Practice</p>	<p>A member of the Board since 2004.</p> <p>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.</p> <p>Previously having been a member of the Committee of Management at the Association for Children with a Disability (Victoria), 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. She participates in disability networks mainly in the Eastern Region and also regularly represents people with a disability and their families on Panels for DHS.</p>	<p>Chair (from March 2011), Strategic & Proposed Developments Committee</p>
<p>Michael Marius Meere MBA (HRM) Master Innovation & Entrepreneurship CAHRI</p>	<p>A member of the Board since 2009</p> <p>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 Lytle Memorial School Association. He is currently a Lecturer at and Director of The College of Adult Learning.</p>	<p>Strategic & Proposed Developments Committee</p>

Director	Experience	Special Responsibilities
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.	Board Audit and Risk Committee 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 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 MAICD	Gaye commenced with 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
Br Brian Joseph Brandon	Mr Michael Meere
Mr Peter Walsh	Mr Brian Barry (retired 27/01/2011)
Mr Richard Nelson Gray	Mr Peter Hogan
Ms Donna Howlett	Ms Jenny McAllister
Fr Joseph Caddy (appointed 26/10/2010)	Mr Vito Cassisi (appointed 24/05/2011)

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 in this report.

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 older people and supported accommodation for people with a disability.
- Education services for children with disabilities or developmental delays.
- Community support and respite services for older people and people with a disability, their families and carers.
- Life skills enhancement and wellbeing programs including day therapy programs for the older people 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 2011 was \$2,288,000. The recognition of the impairment in the value of bed licences by \$4,125,000 reduced this surplus to a net deficit of \$1,837,000 (2010 \$374,000 surplus). No income tax is applicable.

Review of Operations

Significant features of the year's operations have been:

- Government grants for the year totalled \$48,741,000 (2010 \$47,751,000)
- Resident fees totalled \$5,719,000 (2010 \$5,366,000)
- Bequest income totalled \$289,000 (2010 \$150,000)
- Donation income totalled \$1,029,000 (2010 \$1,404,000)
- Total operating expenditure totalled \$54,960,000 (2010 \$57,288,000)

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 living in nursing homes was officially opened on 18 August 2010.

Villa Maria acquired a property in Lysterfield in 2009 for the relocation of the Carinya respite service, (a support service for people with dementia and their carers), from the Wantirna site. Refurbishment works on the property concluded in September 2010 with the site commencing operations on 9 October 2010. The relocation of the Carinya program was necessary due to the redevelopment of the Wantirna site.

Villa Maria submitted an application to the Department of Health & Ageing's 2009/10 Aged Care Approvals Round (ACAR), and on 8 December 2010 was successful in being allocated 94 additional packages consisting of: 35 Community Aged Care Packages (CACP), 31 Extended Aged Care at Home (EACH) packages and 28 Extended Aged Care at Home Dementia (EACHD) packages. Ten of the packages allocated to Villa Maria are based in NSW. The income attached to the additional packages is \$3.2m. Villa Maria also received 22 Consumer Directed Care and Respite packages across the Hume, Gippsland and Riverina regions with attached income of \$0.48M.

Dividends

The Constitution specifically prohibits the payment of any dividends.

Events Subsequent to Balance Date

In December 2009 Villa Maria acquired land at 450 Camberwell Road, Camberwell, for the construction of 66 apartments. The acquisition was financed by a loan from the National Australia Bank and secured by a Fixed and Floating Charge over all of the present and future rights, property and undertakings of Villa Maria Society. On 26 July 2011 the Fixed and Floating Charge was partially discharged. The charge is now a limited Charge applying only to the property and assets described as 'Athelstan Camberwell Retirement Village' to which the related loan applies to.

Future Developments

1. Works on the construction of 66 apartments over four levels at 450 Camberwell Road, Camberwell, is continuing. As at 30 June 2011, approximately 10 per cent of the project works had been completed. Villa Maria has entered into an agreement with LU Simon Builders Pty Ltd 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. The project has continued to plan and to budget and is expected to be completed in September 2012.
2. Redevelopment of Stage 1 of the Wantirna site commenced in 2010/11 and is continuing into 2011/12. Grocon has joined with Villa Maria as the builder for the project on a "no margin" basis as part of their corporate social responsibility commitment. A loan facility with Westpac Banking Corporation has been entered into to fund the project. Stage 1 involves the construction of a 96-bed residential aged care facility, a day service for people with a disability and a wellness centre. Subsequent stages incorporate independent apartment living and community facilities onto the site. The project has continued to plan and to budget and is expected to be completed in November 2012.
3. On 5 July 2011 Villa Maria entered into an agreement with 2Construct Pty Ltd for the construction of a 16-bed extension to the Berwick residential aged care facility. A loan facility with the Roman Catholic Trusts Corporation for the Archdiocese of Melbourne (acting on behalf of the Catholic Development Fund) has been entered into to fund the project. The project has continued to plan and to budget and is expected to be completed in November 2012.

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.

Meetings of Directors

Details of attendance by Directors of Villa Maria Society at meetings of boards and committees (of which they were members) held during the financial year are shown in the table below. The Directors also attended other meetings, activities, and functions undertaken by Villa Maria Society during the year.

Director	Board Meetings		Board Executive Committee		Board Audit & Risk Committee		Board Finance & IT Committee		Strategic & Proposed Developments Committee		Combined Board Finance & IT and Board Audit & Risk Committee	
	A	B	A	B	A	B	A	B	A	B	A	B
Angela Atkin	10	11	9	9	2	3	7	9	-	-	1	1
Brian Barry (retired 27 January 2011)	-	6	-	-	-	1	-	-	-	-	-	1
Brian Brandon	9	11	-	-	-	-	6	9	-	-	1	1
Joe Caddy (appointed 26 October 2010)	7	8	-	-	-	-	-	-	1	3	-	-
Richard Gray	8	11	-	-	1	3	-	-	-	-	-	1
Peter Hogan	8	11	7	9	-	-	7	9	-	-	1	1
Donna Howlett	9	11	7	9	-	-	-	-	2	3	-	-
Robert Livy	8	11	-	-	3	3	-	-	-	-	1	1
Jenny McAllister	11	11	-	-	-	-	-	-	3	3	-	-
Michael Meere	7	11	-	-	-	-	-	-	-	3	-	-
Peter Walsh	9	11	-	-	2	2	-	-	3	3	1	1
Vito Cassisi (appointed 24 May 2011)	2	2	-	-	-	-	-	-	-	-	-	-

A - Number of Meetings attended

B – Reflects 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.

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 while 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.

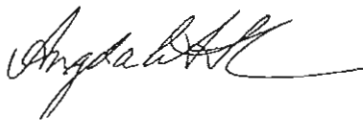
Rounding of Amounts

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.

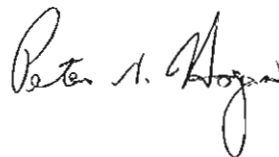
Auditor's Independence Declaration

A copy of the Auditor's Independence Declaration as required under section 307C of the Corporations Act 2001 is set out in this report.

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



A C Atkin, President



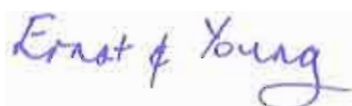
P Hogan, Vice-President

Melbourne, 27 September 2011

Villa Maria Society ABN 32 004 364 103

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 2011, 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.

A handwritten signature in blue ink that reads 'Ernst & Young'.

Ernst & Young

A handwritten signature in blue ink that reads 'Stuart Painter'.

Stuart Painter
Partner
27 September 2011

VILLA MARIA SOCIETY
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED
30 JUNE 2011

	Note	2011 \$000	2010 \$000
Revenue and other income	2	57,248	57,662
Employee benefits expense		(37,529)	(36,364)
Service delivery and client expense		(8,396)	(10,258)
Depreciation and amortisation expenses		(1,939)	(1,952)
Repairs, maintenance and property expenses		(1,911)	(1,761)
General and administrative expenses		(3,824)	(2,799)
Utilities expenses		(1,030)	(934)
Lease payments - operating leases		(613)	(561)
Gain/(Loss) on disposal of available-for-sale investments		408	(434)
Gain/(Loss) on disposal of property, plant and equipment		121	(83)
Write-off of property, plant and equipment		-	(473)
Available for sale investments impairment losses		(247)	(1,669)
NET OPERATING (DEFICIT)/SURPLUS FOR THE YEAR		2,288	374
Intangible Asset Impairment	6	(4,125)	-
NET (DEFICIT)/SURPLUS FOR THE YEAR		(1,837)	374
OTHER COMPREHENSIVE INCOME			
Net fair value gains/(losses) on available-for-sale financial assets		-	603
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		3,508	11,459
OTHER COMPREHENSIVE INCOME		3,508	14,159
TOTAL COMPREHENSIVE INCOME		1,671	14,533

The accompanying notes form part of these financial statements.

VILLA MARIA SOCIETY
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2011

	Note	2011 \$000	2010 \$000
CURRENT ASSETS			
Cash assets	18	18,632	2,838
Receivables	3	2,424	2,403
Other financial assets	4	1,487	7,008
Assets classified as held for sale	4	-	4,655
TOTAL CURRENT ASSETS		22,543	16,904
NON-CURRENT ASSETS			
Property, plant and equipment	5	110,428	100,322
Intangibles	6	9,350	13,475
TOTAL NON-CURRENT ASSETS		119,778	113,797
TOTAL ASSETS		142,321	130,701
CURRENT LIABILITIES			
Payables	7	11,462	8,046
Provisions	8	4,616	4,102
Other	9	1,019	1,195
TOTAL CURRENT LIABILITIES		17,097	13,343
NON-CURRENT LIABILITIES			
Provisions	8	641	546
Interest-bearing loans	10	8,750	8,750
Non-Interest-bearing loans		6,100	-
TOTAL NON-CURRENT LIABILITIES		15,491	9,296
TOTAL LIABILITIES		32,588	22,639
NET ASSETS		109,733	108,062
MEMBERS' FUNDS			
Retained earnings	11(a)	41,389	43,994
Building and Development Reserve	11	768	-
Asset revaluation reserve	11(b)	67,576	64,068
Unrealised Gains/(Losses) Reserve	11(c)	-	-
TOTAL MEMBERS' FUNDS		109,733	108,062

The accompanying notes form part of these financial statements.

VILLA MARIA SOCIETY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED
30 JUNE 2011

	<u>\$000</u>
Balance of Members' Funds at 30 June 2009	93,529
Other comprehensive income	14,159
Surplus/(Deficit) for the year	<u>374</u>
Balance of Members' Funds at 30 June 2010	108,062
Other comprehensive income	3,508
Surplus/(Deficit) for the year	<u>(1,837)</u>
Balance of Members' Funds at 30 June 2011	<u><u>109,733</u></u>

The accompanying notes form part of these financial statements.

VILLA MARIA SOCIETY
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED
30 June 2011

	<i>2011</i>	<i>2010</i>	
	<u>\$000</u>	<u>\$000</u>	
CASH FLOWS FROM OPERATING ACTIVITIES			
Government grants received	48,914	48,150	
Residential, CACPs and educational services receipts	5,851	4,901	
Proceeds from fundraising and public relations	1,029	1,404	
Proceeds from bequests	289	150	
Investment income	1,066	781	
Payments to suppliers and employees	(51,285)	(51,995)	
Net cash provided by operating activities	18(b) <u>5,864</u>	<u>3,391</u>	
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchases of investments	(3,000)	(22)	
Proceeds from disposal of investments	13,337	2,616	
Purchases of property, plant and equipment	(9,222)	(15,636)	
Proceeds from sale of property, plant and equipment	628	464	
Net cash used in investing activities	<u>1,743</u>	<u>(12,578)</u>	
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from residents' accommodation bonds	2,483	858	
Repayment of residents' accommodation bonds	(396)	(414)	
Proceeds from borrowings	6,100	8,750	
Net cash provided by/(used in) financing activities	<u>8,187</u>	<u>9,194</u>	
NET (DECREASE)/INCREASE IN CASH HELD	15,794	7	
CASH AT THE BEGINNING OF THE FINANCIAL YEAR	2,838	2,831	
CASH AT THE END OF THE FINANCIAL YEAR	18(a) <u>18,632</u>	<u>2,838</u>	

The accompanying notes form part of these financial statements.

VILLA MARIA SOCIETY
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED
30 JUNE 2011

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 also complies with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

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 2009-5 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project (AASB 8, 8, 101, 107, 117, 118, 136 & 139) effective 1 January 2010.

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

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

The adoption of the Standards or Interpretations have been deemed not to have an impact on the financial statements or performance of Villa Maria Society.

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 2011. They have not been adopted in preparing the financial report for the year ended 30 June 2011 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.

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

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 impaired. For the year ended 30 June 2011 Villa Maria Society has determined that the decline in value of the *available for sale* financial assets was considered prolonged and therefore expensed through the Profit and Loss.

Assessment of the carrying value of Bed Licences

Villa Maria Society holds a number of bed licences required to operate their 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 above the fair value (or recoverable amount) based on available market information. As such the bed licences have been written down to their recoverable amount. This adjustment is reflected in the current year profit and loss in accordance with AASB 136: Impairment.

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 2011. 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.

(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.

(c) Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet 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 sheet 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 at fair value through profit or loss, 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 profit or loss, 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 profit and loss.

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 sheet 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.

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 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 building does not differ materially from the fair value at balance sheet date.

An independent valuation was carried out at 30 June 2011 by Herron Todd White Independent Property Advisors. 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 profit and loss.

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.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amounts of the assets and the net amounts are restated to the revalued amounts of the assets.

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 sheet 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 income statement.

(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.

The Society contributes to complying 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 \$647K.

(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 balance sheet are shown inclusive of GST.

(p) Comparatives

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

	2011	2010
	<u>\$000</u>	<u>\$000</u>
NOTE 2 REVENUE AND OTHER INCOME		
REVENUES		
Australian Government grants received	27,779	30,083
State Government grants received	20,962	17,668
Fees and other income for rendering of services	5,719	5,366
Bequests	289	150
Fundraising and public relations revenue	1,029	1,404
Dividend income on investments	248	382
Interest income earned on listed and unlisted fixed securities	138	236
Interest income earned on cash balances	680	163
Capital grants	173	2,152
Other	231	58
Total revenue from operating activities	<u>57,248</u>	<u>57,662</u>
TOTAL REVENUE AND OTHER INCOME	<u>57,248</u>	<u>57,662</u>

NOTE 3 RECEIVABLES

CURRENT

Trade debtors	674	566
Other Receivables	1,159	1,262
Less: Provision for impairment of receivables	<u>(223)</u>	<u>(141)</u>
	1,610	1,687
Prepayments	814	716
TOTAL RECEIVABLES	<u>2,424</u>	<u>2,403</u>

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

Not past due	254	255
Past due 0 – 30 days	88	115
Past due 31 – 60 days	33	40
Over 60 days	299	156
	<u>674</u>	<u>566</u>
Impairment		
Past due 31 – 60 days	-	-
Over 60 days	<u>(223)</u>	<u>(141)</u>
	<u>(223)</u>	<u>(141)</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	141	97
Impairment provision recognised during the year	82	46
Bad debts written off	-	(2)
Balance at the end of the year	<u>223</u>	<u>141</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.

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 8.74% to 9.68%.

NOTE 4	OTHER FINANCIAL ASSETS	<u>2011</u>	<u>2010</u>
		<u>\$000</u>	<u>\$000</u>
<i>At fair value</i>			
Bank accepted bills		-	1,013
<i>Available for sale at fair value</i>			
Fixed Income Fund - Australian Listed		-	28
Fixed Income Fund - Australian Unlisted		150	641
Fixed Income Fund - International Unlisted		201	158
Shares - Australian Listed		-	1,920
Shares - Australian Unlisted		78	912
Shares - International Unlisted		201	1,217
Property Fund - Australian Listed		138	235
Property Fund- Australian Unlisted		617	771
Property Fund - International Unlisted		102	113
TOTAL OTHER FINANCIAL ASSETS		<u>1,487</u>	<u>7,008</u>
<i>At fair value</i>			
Assets classified as held for sale		<u>-</u>	<u>4,655</u>

(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 sales 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.

(c) Assets classified as held for sale

There are no assets classified as held for sale.

NOTE 5 PROPERTY, PLANT AND EQUIPMENT

	<i>2011</i>	<i>2010</i>
	<u>\$000</u>	<u>\$000</u>
LAND AND BUILDINGS		
Freehold land		
At fair value	83,147	79,917
Total land	<u>83,147</u>	<u>79,917</u>
Buildings		
Fair value	21,262	20,562
Less accumulated depreciation	(9,681)	(9,262)
Total buildings	<u>11,581</u>	<u>11,300</u>
TOTAL LAND AND BUILDINGS	<u>94,728</u>	<u>91,217</u>
PLANT AND EQUIPMENT		
Plant and equipment		
At cost	21,493	20,553
Less accumulated depreciation	(15,505)	(15,050)
Total plant and equipment	<u>5,988</u>	<u>5,503</u>
WORK IN PROGRESS	<u>9,712</u>	<u>3,602</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT	<u>110,428</u>	<u>100,322</u>
TOTAL PROPERTY, PLANT AND EQUIPMENT		
Total Property, plant and equipment	135,614	124,634
Less accumulated depreciation	(25,186)	(24,312)
	<u>110,428</u>	<u>100,322</u>

(a) Reconciliation of carrying amounts at the beginning and end of the period	2011	2010
	\$000	\$000
Freehold land		
Carrying amount at beginning of year	79,917	60,850
Additions	-	8,750
Disposals	-	(340)
Revaluation	3,230	10,657
Carrying amount at end of year	<u>83,147</u>	<u>79,917</u>
Buildings on freehold land		
Carrying amount at beginning of year	11,300	6,740
Additions	421	-
Transfer in from WIP	-	4,159
Revaluation	279	802
Disposals	-	-
Written Off	-	(62)
Depreciation expense	(419)	(339)
Carrying amount at end of year	<u>11,581</u>	<u>11,300</u>
Operating plant and equipment		
Carrying amount at beginning of year	5,503	5,131
Additions	1,655	995
Transfer in from WIP	857	1,201
Disposals	(508)	(211)
Depreciation expense	(1,519)	(1,613)
Carrying amount at end of year	<u>5,988</u>	<u>5,503</u>
Work In Progress		
Carrying amount at beginning of year	3,602	3,266
Additions	7,146	6,106
Written Off	(179)	(411)
Projects in progress - transfer	(857)	(5,359)
Carrying amount at end of year	<u>9,712</u>	<u>3,602</u>

(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. On 26 July 2011 the Fixed and Floating Charge was partially discharged. The charge is now a limited Charge applying only to the property and assets described as 'Athelstan Camberwell Retirement Village' to which the related loan applies to.

(c) Revaluation of freehold land and freehold buildings

Villa Maria engages Herron Todd White Independent Property Advisors, 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 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, and to market based yields for comparable properties. The effective date of the revaluation was 30 June 2011.

(d) Comparatives

Where necessary the comparative information has been reclassified and repositioned for consistency with current period disclosure.

NOTE 6 INTANGIBLE ASSETS

Bed Licences (Allocated Places)	<u>9,350</u>	<u>12,475</u>
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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 deemed cost at the date of transition for IFRIS (1 July 2005).

	2011	2010
	<u>\$000</u>	<u>\$000</u>
NOTE 7 PAYABLES		
CURRENT		
Trade and sundry creditors	4,699	3,640
Accrued expenses	2,861	2,591
Accommodation bonds	3,902	1,815
TOTAL PAYABLES	<u>11,462</u>	<u>8,046</u>

(a) Fair Value

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

NOTE 8 PROVISIONS

CURRENT		
Employee Entitlements	4,616	4,102
TOTAL PROVISIONS	<u>4,616</u>	<u>4,102</u>
NON CURRENT		
Employee Entitlements	641	546
Aggregate employee benefits liability	5,257	4,648
Movements in Current Employee entitlements		
Carrying amount at beginning of year	4,103	4,344
Increase in Provision	3,213	2,582
Payments to Staff	(2,700)	(2,823)
Carrying amount at end of year	<u>4,616</u>	<u>4,103</u>
Movements in Non-Current Employee entitlements		
Carrying amount at beginning of year	546	450
Increase/(Decrease) in Provision	95	96
Carrying amount at end of year	<u>641</u>	<u>546</u>

NOTE 9 OTHER LIABILITIES

CURRENT		
Income received in advance and unearned income	1,019	1,195
	<u>1,019</u>	<u>1,195</u>

NOTE 10 INTEREST-BEARING LOAN

NON CURRENT		
Secured Loan	8,750	8,750
	<u>8,750</u>	<u>8,750</u>

(a) Fair values

The carrying amount of Villa Maria Society current borrowings approximate their fair value.

(b) Interest rate and liquidity risk

Details regarding interest rate and liquidity risk is disclosed in Note 19.

(c) Assets pledged as security

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

		2011	2010
		<u>\$000</u>	<u>\$000</u>
Current	Note		
Cash assets	18	18,632	2,838
Receivables	3	2,424	2,403
Other financial assets	4	1,487	7,008
Assets classified as held for sale	4	-	4,655
Total current assets pledged as security		<u>22,543</u>	<u>16,904</u>

Non-current			
Property, plant and equipment	5	110,428	100,322
Intangibles	6	9,350	13,475
Total non-current assets pledged as security		<u>119,778</u>	<u>113,797</u>
Total assets pledged as security		<u>142,321</u>	<u>130,701</u>

(d) Defaults and breaches

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

NOTE 11 RESERVES

Retained earnings		41,389	43,994
Building and Developments Reserve		768	
Unrealised (Losses)/Gains Reserve		-	-
Asset Revaluation Reserve		67,576	64,068
TOTAL RESERVES		<u>109,733</u>	<u>108,062</u>

(a) Retained earnings

The building and developments 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		43,994	43,620
(Deficit)/Surplus for the year		(1,837)	374
Movement to the Building and Development Reserve		(768)	
Balance at end of year		<u>41,389</u>	<u>43,994</u>

(b) Asset Revaluation Reserve

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

Opening balance		64,067	52,609
Fair value adjustment		3,508	11,458
Closing balance		<u>67,575</u>	<u>64,067</u>

(c) Net Unrealised Gains/(Losses) Reserve

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

Opening Balance		-	(2,700)
Fair value adjustment		-	603
Release of reserve due to sale of relevant investments		-	428
Write-off of unrealised loss reserve to profit and loss		-	1,669
Closing Balance		<u>-</u>	<u>-</u>

NOTE 12 SUPERANNUATION COMMITMENTS

Villa Maria Society contributes to 64 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 13 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, Mr B Barry (retired 27th January 2011), Ms J McAllister, Mr P Hogan, Ms D T Howlett, Mr R Gray, Mr R N Livy, Mr M M Meere, Fr J Caddy (appointed 26th October 2010), Mr V Cassisi (appointed 24th May 2011).

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), Ms B Raufer (Chief Operating Officer), 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), 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).

	2011	2010
	\$000	\$000
(c) Key management personnel compensation		
Short-term benefits		
Salary and fees	1,709	1,584
Non-Cash benefits	165	165
Other	39	40
	<u>1,913</u>	<u>1,789</u>
Post-employment benefits		
Superannuation	157	149
	<u>157</u>	<u>149</u>

NOTE 14 REMUNERATION OF AUDITOR

Amounts received or due and receivable by the auditors for

— auditing and reviewing the financial report	81	66
— other services	7	31
	<u>88</u>	<u>97</u>

NOTE 15 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 16 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 management team (the chief operating decision makers) in assessing performance and in determining the allocation of resources.

Villa Maria 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 & the Early Childhood Intervention Program.
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.

<i>Business Segments</i>	Residential Aged Care	Community Services	Disability Services	Education Services	Business Services	Total
	2011 \$000	2011 \$000	2011 \$000	2011 \$000	2011 \$000	2011 \$000
REVENUE						
Total Segment revenue	14,436	20,789	17,028	3,194	1,801	57,248
Total revenue						<u>57,248</u>
RESULT						
Segment result	(4,434)	2,268	(505)	(240)	1,074	(1,837)
Net Surplus						<u>(1,837)</u>
ASSETS						
Segment assets	53,622	5,172	12,716	28,041	42,184	141,735
Unallocated assets						585
Total assets						<u>142,320</u>
LIABILITIES						
Segment liabilities	(5,551)	(1,173)	(3,508)	(363)	(15,658)	(26,253)
Unallocated liabilities						(6,334)
Total liabilities						<u>(32,587)</u>
OTHER						
Acquisitions of segment assets	121	1,485	466	103	733	2,908
Total acquisitions of non-current segment assets						<u>2,908</u>
Depreciation and amortisation of segment assets	421	487	601	158	271	<u>1,938</u>
Unallocated other non-cash segment expenses/(revenues)						<u>-</u>

The net deficit result for the Residential Aged Care segment includes the recognition of an impairment in the value of bed licences of \$4.125M following an independent valuation at 30 June 2011.

NOTE 17 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 2011, the number of members was 124 (2010: 128).

NOTE 18 CASH FLOW INFORMATION

	2011	2010
	\$000	\$000
(a) Reconciliation of cash		
Cash at bank	<u>18,632</u>	<u>2,838</u>

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

Deficit	(1,837)	374
Non-cash flows in Deficit		
Depreciation	1,939	1,952
(Gain)/loss on disposal of assets	(121)	83
(Gain)/Loss on disposal of managed funds	(408)	434
Write-off of property, plant and equipment	179	473
Impairment of non-current assets	4,125	
Write-off of available for sale investments impairment losses	247	1,669
Changes in assets and liabilities		
prepayments	(21)	(523)
Increase/(decrease) in payables	1,329	852
Increase/(decrease) in provisions	608	(170)
(Decrease)/increase in other liabilities	(176)	(1,753)
Cash flows from operations	<u>5,864</u>	<u>3,391</u>

NOTE 19 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	2011 \$000	2010 \$000
<i>Financials Assets</i>		
Fair value through equity	1,487	7,008
Loans and Receivables (including cash & cash equivalents)	18,632	2,838
	<u>20,119</u>	<u>9,846</u>
<i>Financial Liabilities</i>		
Amortised cost		
Payables	7,560	6,231
Accommodation Bonds	3,902	1,815
Interest bearing loan	8,750	8,750
Non-Interest bearing loan	6,100	-
	<u>26,312</u>	<u>16,796</u>

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		Floating rate		Maturing within one year		Total	
	2011 \$000	2010 \$000	2011 \$000	2010 \$000	2011 \$000	2010 \$000	2011 \$000	2010 \$000
Cash	5.53%	1.80%	18,632	2,838	-	-	18,632	2,838
Bank Accepted Bills	5.66%	4.90%	-	-	-	1,013	-	1,013
Investments	-	-	1,487	7,008	-	-	1,487	7,008
Loan	6.67%	5.67%	-	-	8,750	8,750	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 Income Statement have only arisen from changes in interest rates.

A 100 point (2010: 100 points) increase in the BBSW at the reporting date would have increased profit by \$105,588 (2010: \$38,500) and an equal change in the opposite direction would have decreased profit by \$105,588 (2010: \$38,500).

(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 balance sheet 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 - 2011

Financial Liabilities	Carrying Amount \$000	Contractual Cash flows \$000	0- 12 mths \$000	1-2 years \$000	> 2 years \$000
Payables	7,560	7,560	7,560	-	-
Accommodation bonds	3,902	3,902	3,902	-	-
Loan	8,750	8,750	-	8,750	-
TOTAL	20,212	20,212	11,462	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.

Maturity Analysis - 2010

Financial Liabilities	Carrying Amount \$000	Contractual Cash flows \$000	0- 12 mths \$000	1-2 years \$000	> 2 years \$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.

(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 \$0 (2010 : \$2,967,000) and unlisted equities of \$278,857 (2010: \$7,683,000) 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 19(a)).

A 10% (2010: 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 \$27,886 (2010: \$1,065,000) and an equal change in the opposite direction would have decreased the available for sale unrealised (losses)/gains reserve by \$27,886 (2010: \$1,065,000). The analysis is performed on the same basis for 2010.

(e) Fair value

Villa Maria 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 table below.

Financial Assets - 2011	Quoted market price (Level 1)	Valuation technique - market observable inputs (Level 2)	Valuation technique - non market observable inputs (Level 3)	Total
	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>	<i>\$000</i>
Listed Investments	-	-	-	-
Unlisted Investments	-	1,207	280	1,487
TOTAL	0	1,207	280	1,487

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

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.

Reconciliation of Level 3 fair value movements

	2011	2010
	<u>\$000</u>	<u>\$000</u>
Opening balance	574	924
Total gains and losses	(50)	(200)
Other comprehensive income	-	-
Purchases	-	-
Sales	(244)	(150)
Transfers from other categories	-	-
Closing balance	<u>280</u>	<u>574</u>

Level 3 investments include unlisted equity securities and convertible debt instruments. As observable prices are not available for these securities and debt instruments, 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 20 COMMITMENTS

(a) Leasing commitments

Operating lease commitments - Villa Maria 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 2011 are as follows:

	<u>2011</u>	<u>2010</u>
	<u>\$000</u>	<u>\$000</u>
Property lease - Villa Maria as lessee		
Within one year	533	566
After one year but not more than five years	609	533
Total minimum lease payments	<u>1,142</u>	<u>1,099</u>

(b) Property, plant and equipment commitments

Villa Maria had contractual obligations principally relating to the completion of the Camberwell, Berwick and Wantirna Projects.

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

Property, plant and equipment

Completion of operating facilities within 1 year	65,476	529
After one year but not more than five years	<u>18,180</u>	
Total minimum lease payments	<u>83,656</u>	<u>529</u>

NOTE 21 EVENTS SUBSEQUENT TO REPORTING DATE

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. On 26 July 2011 the Fixed and Floating Charge was partially discharged. The charge is now a limited Charge applying only to the property and assets described as 'Athelstan Camberwell Retirement Village' to which the related loan applies to.

NOTE 22 COMPANY DETAILS

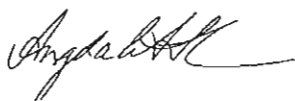
The Registered Office of Villa Maria Society is:
Villa Maria Society
Whitty House
6 Studley Park Road
Kew Victoria 3101

Villa Maria Society
ACN 004 364 103

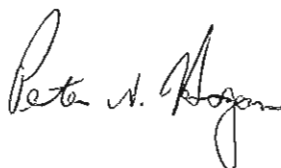
The Directors of Villa Maria Society declare that:

1. The financial statements, comprising the statement of comprehensive income, statement of financial position, statement of Cashflows, 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 30th June 2011 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 this 27th day of September 2011, Melbourne.

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 2011, 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. In Note 1 the directors also state that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.

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

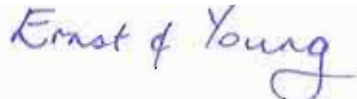

In conducting our audit we have met the independence requirements of the *Corporations Act 2001*. We have given to the directors of the company a written Auditor's Independence Declaration, a copy of which is included in the directors' report. In addition to our audit of the financial report, we were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

Auditor's Opinion

In our opinion:

1. 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 entity's financial position at 30 June 2011 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.

2. the financial report also complies with International Financial Reporting Standards as issued by the International Accounting Standards Board.


Ernst & Young


Stuart Painter
Partner
Melbourne

27 September 2011