

MacKillop Family Services Limited
ABN 79 078 299 288

FINANCIAL REPORT FOR THE YEAR ENDED 30 JUNE 2006

TABLE OF CONTENTS

	Page Numbers
<i>Company particulars</i>	1
<i>Directors' report</i>	2 - 7
<i>Income statement</i>	8
<i>Balance sheet</i>	9
<i>Statement of changes in equity</i>	10
<i>Cash flow statement</i>	11
<i>Notes to and forming part of the financial statements</i>	12 - 24
<i>Directors' declaration</i>	25
<i>Independent audit report to the members of MacKillop Family Services Limited</i>	26

MacKillop Family Services Limited is a company limited by guarantee, incorporated and domiciled in Australia.

The registered office and principal place of business is:
1st Floor, 123 Paisley Street, Footscray, Victoria 3011.

A description of the nature of the company's operations and its principal activities is included in the directors' report on pages 2 to 6

COMPANY PARTICULARS

BOARD OF DIRECTORS

Mr John Hurren (Chairperson)
Br Francis Hennessy CFC
Sr Judith Davey RSM
Sr Kathleen Crameri RSJ
Mr David Graham
Ms Barbara Hingston
Mr Lawrence Lavelle
Mr Brian Lawrence
Mrs Maria Minto Cahill
Ms Patrice Scales
Ms Marilyn Webster

CHIEF EXECUTIVE OFFICER

Mr Paul Linossier B.A., B.S.W. (Hons)

COMPANY SECRETARY

Mr Graham Boal B.Comm., (Accounting) ASA, FAICD

REGISTERED OFFICE

1st Floor, 123 Paisley Street, Footscray, Victoria 3011
Telephone: 03 9687 7166
Facsimile: 03 9687 9622
Email: enquiry@mackillop.org.au
Web Site: www.mackillop.org.au

SOLICITORS

Tolhurst Druce & Emmerson

PRINCIPAL BANKERS

Catholic Development Fund

AUDITORS

WHK Day Neilson

DIRECTORS' REPORT

The directors have pleasure in presenting their report on the financial statements of MacKillop Family Services Limited ('MacKillop') for the year ended 30 June 2006, made out in accordance with a resolution of the directors.

1. DIRECTORS

THE DIRECTORS OF THE COMPANY WHO SERVED DURING THE FINANCIAL YEAR AND UP TO THE DATE OF THIS REPORT ARE:

CHAIRPERSON

Mr John Hurren

MBA, B.Eng., ARMIT, CFTP.

Director since February 1999.

Chairperson since October 2003.

General Manager, Catholic Development Fund.

Convenor of the Executive Committee, Convenor of the Audit and Risk Management Committee and Member of the Ethics Standing Committee.

CONGREGATIONAL REPRESENTATIVES

CHRISTIAN BROTHERS

Br Francis Hennessy CFC

B.A., TSTC.

Director since July 2002.

Deputy Province Leader.

Member of the Capital Appeal Committee.

SISTERS OF MERCY

Sr Judith Davey RSM

Dip.T., Dip.Rem.T., Grad. Dip. Mission Formation and Study.

Director since March 2002.

Business & Finance Officer.

Member of the Policy and Programs Committee.

SISTERS OF ST JOSEPH

Sr Kathleen Crameri RSJ

T.P.T.C., S.R.N. Div 1 G.N., Mid., Ger., Cert IV Management R.A.S.

Appointed director on 16 November 2005.

Retired Director of Nursing/Manager

Sr Marie Hanger RSJ

T.P.T.C., B.A., Dip. Ed., M.A., Dip. Professional Counselling, MAICD.

Director since March 2002.

Member of Province Leadership Team.

Member of the Audit and Risk Management Committee.

Resigned as director on 16 November 2005.

ORDINARY DIRECTORS

Mr David Graham

MBA, B Bus, Dip LG.

Appointed director on 16 November 2005.

Executive Director Corporate Management, City of Port Phillip.

Convenor of the Finance and Legal Committee and Member of the Executive Committee.

Ms Barbara Hingston

BA (Admin), BSW.

Director since October 2003.

Member of the Policy and Programs Committee and Member of the Executive Committee.

Mr Brian Lawrence

LL.B., M.Ec.

Director since September 2005.

Barrister.

Member of the Finance and Legal Committee.

Mr Lawrence Lavelle AM

Fellow, Institution of Fire Engineers.

Director since June 2002.

Company Director.

Member of the Finance and Legal Committee and Audit and Risk Management Committee.

Ms Maria Minto Cahill

T.P.T.C., B.Ed., M.Ed., Grad. Dip. Adolescent Health.

Director since April 1997.

Student Wellbeing Staff Group, Catholic Education Office.

Member of the Policy and Programs Committee.

Ms Patrice Scales

BA, MA (Communications).

Director since October 2003.

Communications and Fundraising Consultant.

Convenor of the Capital Appeal Committee and Member of the Executive Committee.

Ms Marilyn Webster

B.A., Dip. Soc. Stud., Dip. App. Sci., AASW.

Director since June 2001.

Manager Social Policy and Research Unit, Good Shepherd Youth and Family Service.

Convenor of the Policy and Programs Committee, Member of the Executive Committee, Member of the Audit and Risk Management Committee and Member of the Ethics Standing Committee.

Mr John Stevens

Fellow Australian Institute of Banking and Finance.

Director since December 2002.

Retired ANZ Banker.

Convenor of the Finance and Legal Committee and Member of the Executive Committee.

Retired as director on 16 November 2005 at the AGM.

2. PRINCIPAL ACTIVITIES OF THE COMPANY

MacKillop provides services including:

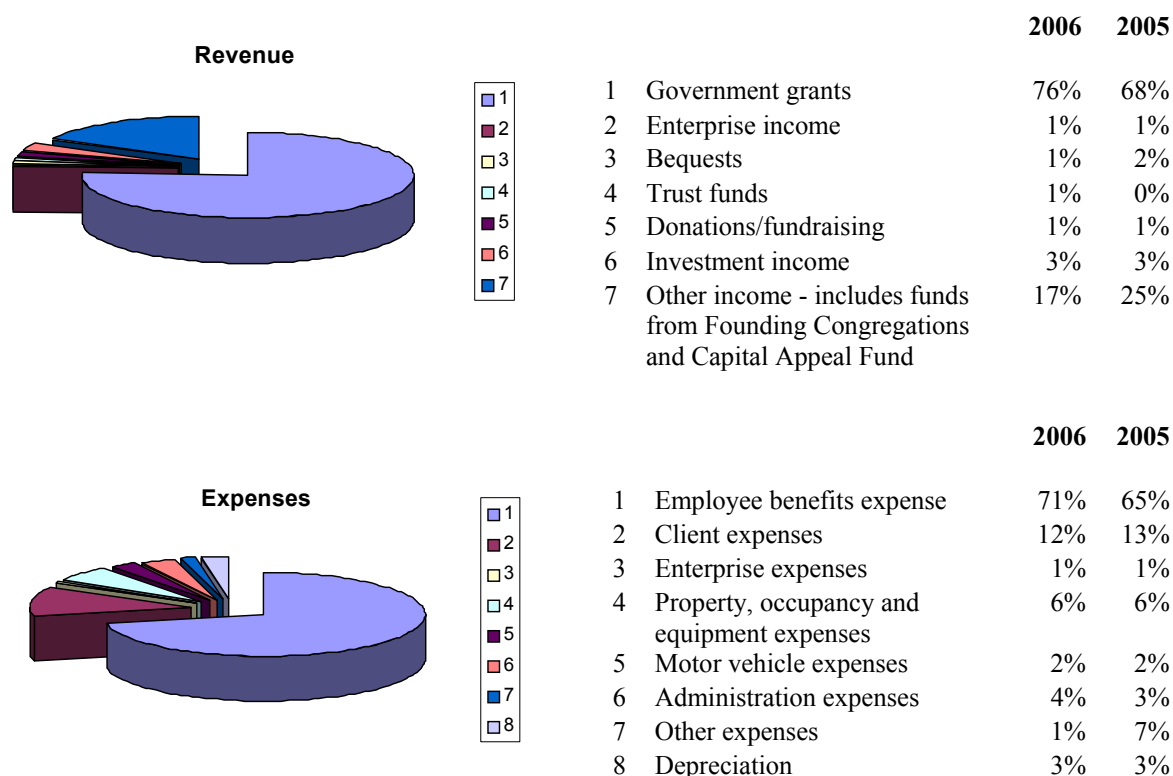
Home Based and Residential Care, Disability Services, Youth Support and Outreach, Training and Education, Family Support and Preservation and Advocacy and Research for vulnerable children and young people and their families.

3. TRADING RESULTS

The company had an operating surplus of \$3,737,232 for the year.

The operating surplus consists of the following amounts:

Loss from operating activities	<u>(\$ 957,675)</u>
Non-operating activities:	
Bequest income	\$ 279,324
Transfer of funds from the Christian Brothers	\$1,953,573
Transfer of land from the Sisters of St Joseph	\$1,264,110
Capital Appeal Funds	\$1,197,900
Total non-operating activities income	<u>\$4,694,907</u>
Operating Surplus	<u><u>\$3,737,232</u></u>



Employee benefits increased due to salary increments and increased service provision and therefore increased staffing numbers and costs. Other expenses decreased due to less expenditure on refurbishment costs funded by the Founding Congregations, which also reflects the reduction in other income.

4. DIVIDENDS

The company is limited by guarantee and is unable to make any distribution by way of a dividend.

5. REVIEW OF OPERATIONS

MacKillop is responsible for undertaking the works previously conducted by the following Founding Agencies:

- (i) Christian Brothers' Child, Youth and Family Services, Footscray which included;
 - (a) St Augustine's Adolescent and Family Services, Whittington
 - (b) St Joseph's Homes for Children, Flemington
 - (c) St Vincent's Boys Home, South Melbourne
- (ii) Mercy Family Care Centre, North Geelong
- (iii) St Vincent de Paul Child and Family Services, Black Rock
- (iv) St Anthony's Family Service, Footscray
- (v) St Joseph's Babies and Family Services, Glenroy

6. SIGNIFICANT CHANGES IN THE STATE OF AFFAIRS

There were no significant changes in the state of affairs during the year.

7. EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the financial year, the directors are not aware of any matter or circumstance not otherwise dealt with in the report or notes to the financial statements that has significantly affected or may significantly affect the operations of the company, the results of those operations or the state of affairs of the company in subsequent financial years.

8. LIKELY DEVELOPMENTS

Two significant reform processes will impact upon MacKillop over the next year. The State Government legislative changes in child welfare (via the Children, Young Persons and Families Act 2005) and disability services (via the Disability Act 2006) will take effect during the period and new expectations re agency registration, quality assurance and service focus will be progressively implemented.

The coming year will see two major capital works' projects completed and one near completion. Works on the new two storey building at Commercial Road Footscray are well under way and are expected to be completed in April 2007. The new St Anthony's Family Centre will accommodate sixty staff and provide significant group work and community space.

The camp site at Shoreham also has refurbishment works well under way which are expected to be completed in October 2006. This site will provide a valuable resource for programs at MacKillop.

Refurbishment works at St Augustine's are expected to commence in September 2006 and will take around 12 months to complete. This is the final stage of works at this site.

As part of the strategic and operating plans for the organisation, MacKillop will be systematically reviewing each of its major service areas to ensure the programs are providing the best possible response to the needs of our clients and communities. In the coming year both education and residential services will be considered. The process will define best practice and establish development plans in each of these areas.

Rice Education and Youth Services has been through a major redevelopment of its program design which will enable a more therapeutic response to the needs of young people coming into the service including a more diverse range of accommodation options to meet the individual needs of the young people in care.

The Christian Brothers of St Mary's Province (NSW) have invited MacKillop to provide management support to their program Edmund Rice Community Services. A Memorandum of Understanding has been developed and the MacKillop Chief Executive and a MacKillop Director have been appointed to the local advisory Board.

9. ENVIRONMENTAL REGULATIONS

The company is not subject to any significant environmental regulation.

10. DIRECTORS' AND OFFICERS' INSURANCE

The company has insurance cover through the Department of Human Services to indemnify the directors and officers of the company against any third party claims.

11. DIRECTORS' MEETINGS

The number of directors' meetings and committee meetings held during the financial year each director held office and the number of meetings attended by each director are given below. It should be noted that not all directors are members of all committees.

	Director's Meetings		Committee Meetings	
	<i>Number held whilst a Director</i>	<i>Number attended whilst a Director</i>	<i>Number held whilst a Director</i>	<i>Number attended whilst a Director</i>
Mr John Hurren	5	2	7	6
Sr Judith Davey RSM	5	5	2	1
Sr Kathleen Crameri	3	2	0	0
Sr Marie Hanger RSJ	2	0	0	0
Br Francis Hennessy CFC	5	2	3	3
Mr David Graham	3	2	3	2
Ms Barbara Hingston	5	3	6	5
Mr Lawrence Lavelle	5	3	5	4
Mr Brian Lawrence	5	5	2	1
Ms Maria Minto Cahill	5	4	5	3
Ms Patrice Scales	5	4	7	6
Mr John Stevens	2	1	5	5
Ms Marilyn Webster	5	5	9	7

12. AUDITORS' INDEPENDENCE DECLARATION

In accordance with the provisions of section 307C of the Corporations Act 2001, the directors of the company have obtained the following independence declaration by the company's auditor on 9 September 2006.

"As lead engagement partner for the audit of MacKillop Family Services Ltd for the year ended 30 June 2006, I declare that, to the best of my knowledge and belief, there have been:

- i. No contraventions of the auditor independence requirements of the Corporations Act 2001 in relation to the audit; and
- ii. No contraventions of any applicable code of professional conduct in relation to the audit.

Yours faithfully

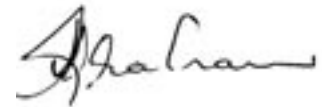
WHK Day Neilson
R G Fraser
Principal"

Signed for and on behalf of the Board,



Mr John Hurren
Director

Melbourne, 12 September 2006



Mr David Graham
Director

INCOME STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	<i>Note</i>	2006 \$	2005 \$
Revenue	<i>2(a)</i>	24,504,813	24,986,044
Other income	<i>2(b)</i>	4,694,907	6,483,855
Employee benefits expense		(18,174,398)	(17,158,829)
Depreciation	<i>3(b)(i)</i>	(722,291)	(744,773)
Other expenses:			
- Client expenses		(2,988,935)	(3,350,808)
- Enterprise expenses		(159,580)	(313,812)
- Property, occupancy and equipment expenses		(1,555,309)	(1,490,867)
- Motor vehicle expenses		(579,470)	(512,860)
- Administration expenses		(968,378)	(962,132)
- Other expenses (includes refurbishment costs)		(314,127)	(1,851,838)
Surplus before income tax expense	<i>3</i>	3,737,232	5,083,980
Income tax expense	<i>1 (b)</i>	-	-
Surplus after income tax expense for the year	<i>2 (b)</i>	<u>3,737,232</u>	<u>5,083,980</u>

The notes to and forming part of the financial statements are an integral part of the financial report.

BALANCE SHEET

AS AT 30 JUNE 2006

	<i>Note</i>	2006 \$	2005 \$
CURRENT ASSETS			
Cash and cash equivalents	5	2,779,424	4,083,000
Trade and other receivables	6	745,043	735,316
Inventories	7	228,761	26,869
Financial assets	8	8,941,039	3,948,194
TOTAL CURRENT ASSETS		<u>12,694,267</u>	<u>8,793,379</u>
NON-CURRENT ASSETS			
Financial Assets	8	16,492,558	14,397,691
Property, plant and equipment	9	5,497,940	4,012,550
TOTAL NON-CURRENT ASSETS		<u>21,990,498</u>	<u>18,410,241</u>
TOTAL ASSETS		<u>34,684,765</u>	<u>27,203,620</u>
CURRENT LIABILITIES			
Trade and other payables	10	1,397,200	1,226,863
Current tax liabilities	11	453,715	502,010
Short-term provisions	12	1,402,543	1,543,051
Other	13	2,598,081	2,677,737
TOTAL CURRENT LIABILITIES		<u>5,851,539</u>	<u>5,949,661</u>
NON-CURRENT LIABILITIES			
Long-term provisions	12	808,796	591,606
Other	13	532,034	-
TOTAL NON-CURRENT LIABILITIES		<u>1,340,830</u>	<u>591,606</u>
TOTAL LIABILITIES		<u>7,192,369</u>	<u>6,541,267</u>
NET ASSETS		<u>27,492,396</u>	<u>20,662,353</u>
EQUITY			
Contributed funds		16,950,718	13,733,035
Trust funds		3,714,183	3,714,183
Reserve		2,244,084	1,046,184
Financial Assets Reserve		5,004,016	1,911,205
Retained surplus		(420,605)	257,746
TOTAL EQUITY		<u>27,492,396</u>	<u>20,662,353</u>

The notes to and forming part of the financial statements are an integral part of the financial report.

STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2006

	<i>Note</i>	Contributed Funds	Trust Funds	Capital Appeal Reserve	Financial Assets Reserve	Retained Surplus	Total
		\$	\$	\$		\$	\$
Balance at 1 July 2004		8,724,476	3,714,183	-	-	1,228,509	13,667,168
Transfer from income statement						5,083,980	5,083,980
Gain on revaluation of available-for-sale financial assets					1,911,205		1,911,205
Transfer to / (from) retained surplus		5,008,559		1,046,184		(6,054,743)	-
Balance at 30 June 2005		13,733,035	3,714,183	1,046,184	1,911,205	257,746	20,662,353
Transfer from income statement						3,737,232	3,737,232
Gain on revaluation of available-for-sale financial assets					3,092,811		3,092,811
Transfer to / (from) retained surplus		3,217,683		1,197,900		(4,415,583)	-
Balance at 30 June 2006		16,950,718	3,714,183	2,244,084	5,004,016	(420,605)	27,492,396

The notes to and forming part of the financial statements are an integral part of the financial report.

Note: The nature and purpose of the above funds and reserves are:

(a) Contributed Funds

Contributed Funds are the assets that were contributed by the Founding Agencies upon the commencement of MacKillop Family Services or were assets (or proceeds from the later sale of assets) that the Founding Congregations distributed at a later date.

(b) Trust Funds

Trust Funds are the cash funds that were transferred to MacKillop by the Founding Agencies upon the commencement of MacKillop Family Services.

(c) Capital Appeal Funds Reserve

This reserve has been established to provide for MacKillop's major refurbishment program to all of its in offices. Funds raised by the appeal will be expended over the next two to three years.

CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2006

	<i>Note</i>	2006 \$ Inflows (Outflows)	2005 \$ Inflows (Outflows)
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from government and other		28,428,342	32,188,536
Payments to suppliers and employees		(25,679,272)	(25,632,110)
Dividends received		261,694	170,126
Interest received		465,999	522,082
Net cash provided by (used in) operating activities	<i>14(a)</i>	3,476,763	7,248,634
CASH FLOWS FROM INVESTMENT ACTIVITIES			
Purchase of property, plant and equipment		(1,057,852)	(1,679,788)
Proceeds from sale of property, plant and equipment		272,414	740,553
Net (increase) / decrease in investment funds		(3,994,901)	(4,556,428)
Net cash provided by (used in) investing activities		(4,780,339)	(5,495,663)
Net (decrease) / increase in cash and cash equivalents		(1,303,576)	1,752,971
Cash and cash equivalents at beginning of year		4,083,000	2,330,029
Cash and cash equivalents at end of year	<i>14(b)</i>	2,779,424	4,083,000

The notes to and forming part of the financial statements are an integral part of the financial report.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 30 JUNE 2006

NOTE 1 STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Accounting Standards, Urgent Issues Group Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board and the Corporations Act 2001.

The following is a summary of the material accounting policies adopted by MacKillop Family Services Limited ('MacKillop') in the preparation of the financial report. The accounting policies have been consistently applied, unless otherwise stated.

(a) Basis of Preparation

MacKillop has prepared this financial report in accordance with Australian equivalents to International Financial Reporting Standards ('A-IFRS') from 1 July 2004 in their entirety.

The effect of A-IFRS on the Income Statement and the Balance Sheet are disclosed in Note 25.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention and except where stated, do not take into account current valuations of non-current assets.

MacKillop is responsible for the works previously conducted by the following Founding Agencies:

- (i) Christian Brothers' Child, Youth and Family Services, Footscray which included;
 - (a) St Augustine's Adolescent and Family Services Whittington
 - (b) St Joseph's Homes for Children, Flemington
 - (c) St Vincent's Boys Home, South Melbourne
- (ii) Mercy Family Care Centre North Geelong
- (iii) St Vincent de Paul Child & Family Services Black Rock
- (iv) St Anthony's Family Service Footscray
- (v) St Joseph's Babies and Family Services Glenroy

On formation, MacKillop acquired the net assets of the Founding Agencies. Land and buildings which MacKillop utilises were not acquired, although the use of these premises is made available at no cost by each of the Congregations.

(b) Income Tax

MacKillop is exempt from tax under Section 23(e) of the Income Tax Assessment Act.

(c) Revenue

Revenue is recognised when MacKillop obtains control of revenue and it can be reliably measured in the period to which it relates. Revenue is stated net of the amount of goods and service tax (GST).

Government grants are recognised as income when received except where it is probable that the economic benefits will not flow to MacKillop because reciprocal services to which the grant relates have not been fully provided as at the end of the financial year and could be refundable. In these cases, the grant applicable to the unexpended funds are appropriately carried forward to the next accounting period.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 30 JUNE 2006

Gain or loss in market value of investments and franking credits are recognised at fair values at the end of the financial year.

Enterprise income, trust funds, donations, bequests and other income are recognised on a cash receipts basis.

Dividends and interest income are brought to account when received.

(d) Inventories

Inventories are initially recognised at cost. The cost of inventories comprises all costs directly related to the acquisition and production of inventory items. Cost is based on the first in first out principle.

Carrying amount of inventories are held at fair value less costs of sale.

(e) Trade and other receivables

Terms of payment are generally fourteen days from the date of the invoice. The collectability of debtors is regularly reviewed. A provision for doubtful debts is raised where doubt as to the collection exists. Debts which are known to be uncollectible are written off within the period to which they relate.

(f) Property, Plant and Equipment

Each class of property, plant and equipment is carried at cost less, where applicable, any accumulated depreciation and impairment losses.

Acquisition

Assets are recorded at the cost of acquisition, being the purchase consideration determined as at the date of acquisition, plus costs incidental to acquisition.

Non-monetary assets received in the form of grants or donations are recognised as assets and revenues at their fair value at the date of receipt.

Depreciation

Depreciation is calculated on a straight-line basis to write off the net cost of items of property, plant and equipment other than freehold land over their expected useful lives. The depreciation rates are:

Equipment	-	15% to 33%
Furniture, fixtures and fittings	-	10% to 15%
Motor vehicles	-	15% to 20%
Buildings	-	2% to 5%

Assets are depreciated from the date of acquisition.

(g) Impairment of Assets

At each reporting date, the carrying values of tangible assets are reviewed to determine whether there is any indication that those assets have been impaired.

MacKillop is of the opinion that there has been no impairment of assets.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 30 JUNE 2006

(h) Accounting for Leases

Lease payments for operating leases where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred.

(i) Financial Assets - Investments

Investments are initially recognised at cost, being the fair value of the consideration and any other acquisition costs.

Bank bills are held-to-maturity and are stated at amortised cost using the effective interest rate method.

All other investments have no maturity date and are available-for-sale financial assets. These are valued at fair value. Any unrealised gain or loss in the fair value of these investments at the year end is taken directly to equity.

(j) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to MacKillop prior to the end of the financial year. The amounts are unsecured and are usually paid within thirty days of recognition.

(k) Employee Benefits

Provision is made for the company's liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. 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.

Annual Leave and Accrued Time-Off

Most annual leave and all accrued time-off are expected to be settled within one year of the balance date. Some annual leave is expected to be taken after one year and has been discounted in the year end provision. The provision is calculated on wage and salary rates at which these entitlements are expected to be paid when the liability is settled and includes related on-costs.

All annual leave and accrued time-off are treated as short-term provisions.

Long Service Leave

The liability for employee entitlements to long service leave represents the present value of the estimated future cash outflows to be made by the company resulting from the services provided up to balance date.

Long service leave is based on MacKillop's Enterprise Based Agreements, Australian Work Place Agreements, other work place agreements and contracts and the Victorian Long Service Leave Act where applicable.

Liabilities for employee entitlements which are not expected to be settled within twelve months are discounted using rates attaching to government securities. In determining the liability for employee entitlements consideration has been given to future increases in wage and salary rates and the company's experience with staff departures. Related oncosts have also been included in the liabilities.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 30 JUNE 2006

Superannuation Funds

MacKillop contributes to various employee superannuation funds. The contributions payable are charged against income.

(l) Cash and Cash Equivalents

Cash and cash equivalents in the balance sheet and for the purposes of the cash flow statement include cash at bank and on hand.

(m) 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 Taxation 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.

Cash flows arising from the GST are grossed up in the Cash Flow Statement.

(n) Comparatives

Comparatives have been adjusted to conform to changes in presentation in the current financial year where required by the Accounting Standards.

(o) Members' Liability on Winding Up

The liability of the members of the company is limited.

According to clause 7 of the company's Constitution, each member of the company undertakes to contribute to the property of the company in the event of the same being wound up while the person is a member, or within one year after the person ceases to be a member, for payment of the debts and liabilities of the company contracted before the person ceased to be a member, and the costs, charges, and expenses of winding up and for the adjustment of the rights of the contributories amongst themselves, such amount as may be required, but not exceeding ten dollars (\$10).

At 30 June 2006, there were six members of the company.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 30 JUNE 2006

NOTE 2	REVENUE	<i>Note</i>	2006 \$	2005 \$
(a) Revenue from operating activities				
	Government grants – State		21,164,655	20,512,164
	- Commonwealth		703,756	710,783
	- other		247,908	281,097
			<u>22,116,319</u>	<u>21,504,044</u>
	Enterprise income		125,537	161,572
	Trust funds		299,678	134,415
	Donations / fundraising		422,459	416,782
	Other (includes refurbishment reimbursements)		641,521	2,085,192
			<u>23,605,514</u>	<u>24,302,005</u>
 Revenue from outside the operating activities				
	Dividends from property units		261,694	170,126
	Interest - other persons		482,568	472,217
	Franking credits	<i>1(i)</i>	181,904	213,649
	Loss on disposal of property, plant and equipment	<i>3 (a)</i>	(26,867)	(171,953)
			<u>899,299</u>	<u>684,039</u>
			<u>24,504,813</u>	<u>24,986,044</u>
 (b) The surplus for the year is after the following income items:				
Other Income				
Significant items from ordinary activities				
	Bequest income		279,324	468,859
	Transfer of funds from the Christian Brothers		1,953,573	3,433,531
	Transfer of funds from the Sisters of St Joseph		-	1,575,028
	Transfer of land from the Sisters of St Joseph		1,264,110	-
	Capital Appeal Funds		1,197,900	1,006,437
			<u>4,694,907</u>	<u>6,483,855</u>

Other income is income received outside MacKillop's normal activities and is of a capital and non-recurring nature. This income is used to fund capital works or is invested to fund the ongoing works of MacKillop. Had MacKillop not received this income then it would have recorded significant losses in the Income Statement for the past 2 years.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR
 THE YEAR ENDED 30 JUNE 2006

NOTE 3 OPERATING SURPLUS / (DEFICIT)	<i>Note</i>	<i>2006</i>	<i>2005</i>
Net gains and expenses			
Surplus from ordinary activities includes the following specific net gains and expenses			
(a) Net gain / (loss)			
Disposal of property, plant and equipment			
Disposal proceeds		272,414	740,553
Carrying value		<u>(299,281)</u>	<u>(912,506)</u>
Loss on disposal of property, plant and equipment		<u>(26,867)</u>	<u>(171,953)</u>
(b) Expenses			
(i) Depreciation			
Buildings			
		44,159	35,639
Plant and equipment		<u>678,132</u>	<u>709,134</u>
Total		<u>722,291</u>	<u>744,773</u>
(ii) Operating lease rentals			
Lease payments		<u>26,769</u>	<u>130,200</u>
NOTE 4 AUDITOR'S REMUNERATION			
Auditing the financial report		<u>22,660</u>	<u>22,000</u>
Other services		<u>4,560</u>	<u>6,550</u>
NOTE 5 CASH AND CASH EQUIVALENTS			
CURRENT			
Cash at bank and on hand		<u>2,779,424</u>	<u>4,083,000</u>
NOTE 6 TRADE AND OTHER RECEIVABLES			
CURRENT			
Accrued income		541,951	529,268
Other		<u>203,092</u>	<u>206,048</u>
		<u>745,043</u>	<u>735,316</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 30 JUNE 2006

NOTE 7	INVENTORIES	<i>Note</i>	2006 \$	2005 \$
	CURRENT			
	Cedar work in progress		2,849	2,849
	Finished goods held for resale		25,912	24,020
	Land held at Hoppers Crossing for resale		200,000	-
			<u>228,761</u>	<u>26,869</u>
	Note: Finished goods and property are expected to sell in next 12 months for value stated.			
NOTE 8	FINANCIAL ASSETS			
	CURRENT			
	Held-to-maturity investments			
	(a) Bank bills	<i>1(i)</i>	<u>8,941,039</u>	<u>3,948,194</u>
	NON-CURRENT			
	Available-for-sale investments			
	(b) Income securities		556,600	555,500
	(c) Investment in equities with fund managers		12,530,628	10,355,251
	(d) Investment in property trust units		3,405,330	3,486,940
		<i>1(i)</i>	<u>16,492,558</u>	<u>14,397,691</u>
NOTE 9	PROPERTY, PLANT AND EQUIPMENT			
	NON-CURRENT			
	(a) At cost and accumulated depreciation			
	Land and improvements			
	At cost		1,748,000	338,890
	Buildings and improvements			
	At cost		870,777	830,777
	Less accumulated depreciation		209,776	165,616
			661,001	665,161
	Building works in progress - Commercial Road & Shoreham			
	At cost		390,035	95,581
			1,051,036	760,742
	Plant and equipment			
	On acquisition from Founding Agencies		1,610,710	1,610,710
	At cost		4,424,965	4,148,681
			6,035,675	5,759,391
	Less accumulated depreciation		3,336,771	2,846,473
			<u>2,698,904</u>	<u>2,912,918</u>
	Total		<u>5,497,940</u>	<u>4,012,550</u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 30 JUNE 2006

NOTE 9 (Continued)

- (b) Reconciliation of the carrying amount at the beginning and end of the current financial year:

	Land and improvements \$	Plant and equipment \$	Total \$
Carrying amount at 1 July 2004	338,890	3,651,151	3,990,041
Additions	-	1,679,788	1,679,788
Disposals	-	(912,506)	(912,506)
Depreciation	-	(744,773)	(744,773)
Carrying amount at 30 June 2005	<u>338,890</u>	<u>3,673,660</u>	<u>4,012,550</u>
Additions	1,499,110	1,207,852	2,706,962
Disposals	(90,000)	(409,281)	(499,281)
Depreciation	-	(722,291)	(722,291)
Carrying amount at 30 June 2006	<u><u>1,748,000</u></u>	<u><u>3,749,940</u></u>	<u><u>5,497,940</u></u>

NOTE 10 TRADE AND OTHER PAYABLES

	2006 \$	2005 \$
CURRENT		
Trade creditors	667,928	748,421
Other creditors	729,272	478,442
	<u><u>1,397,200</u></u>	<u><u>1,226,863</u></u>

NOTE 11 TAX LIABILITIES

CURRENT		
Goods and Services Tax	493,019	356,262
Group tax	(39,304)	145,748
	<u><u>453,715</u></u>	<u><u>502,010</u></u>

NOTE 12 PROVISIONS

	Short-term Employee Benefits \$	Long-term Employee Benefits \$	Total \$
Opening balance at 1 July 2005	1,543,051	591,606	2,134,657
Additional provisions	812,014	265,570	1,077,584
Amounts used	(952,522)	(48,380)	(1,000,902)
Balance at 30 June 2006	<u><u>1,402,543</u></u>	<u><u>808,796</u></u>	<u><u>2,211,339</u></u>

EMPLOYEE NUMBERS

Average number of employees during the financial year:

	Number	Number
- Full-time employees	193	195
- Part-time and casual employees	274	266
	<u><u>467</u></u>	<u><u>461</u></u>

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 30 JUNE 2006

NOTE 13	OTHER LIABILITIES	<i>Note</i>	2006	2005
			\$	\$
	CURRENT			
	Unexpended income and government grants		<u>2,598,081</u>	<u>2,677,737</u>
	NON-CURRENT			
	Unexpended income and government grants		<u>532,034</u>	<u>-</u>
NOTE 14	CASH FLOW INFORMATION			
(a)	The operating surplus is reconciled with net cash flows from operating activities as follows:			
	Operating surplus		3,737,232	5,083,980
	Adjustment for non-cash items:			
	Donations of land and buildings		(1,649,110)	-
	Depreciation		722,291	744,773
	Loss on disposal of property, plant and equipment		26,867	171,953
	Changes in operating assets and liabilities:			
	Increase in provisions for employee entitlements		76,682	300,289
	Increase in payables		122,042	158,531
	Increase in unexpended income and government grants		452,378	591,287
	(Increase) / decrease in inventories		(1,892)	34,435
	(Increase) / decrease in receivables		(9,727)	163,386
	Net cash flows from operating activities		<u>3,476,763</u>	<u>7,248,634</u>
(b)	Reconciliation of cash and cash equivalents			
	Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows is reconciled to the related item in the statement of financial position as follows:			
	Cash at bank and on hand	5	<u>2,779,424</u>	<u>4,083,000</u>
(c)	Standby arrangements			
	The company has no standby arrangements			

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR
 THE YEAR ENDED 30 JUNE 2006

**NOTE 15 KEY MANAGEMENT PERSONNEL
 COMPENSATION**

Note

2006

2005

\$

\$

Amounts paid to key management personnel under
 the following category are:

Short-term employee benefits

869,500

836,053

No benefits under any other category were paid.

NOTE 16 OPERATING LEASE COMMITMENTS

Rental of properties and vehicles under non-
 cancelable leases payable:

- not later than one year

26,769

104,160

- later than one year but not later than five years

-

26,040

26,769

130,200

NOTE 17 RELATED PARTIES

The directors of the company were the only related
 parties.

During the year there were no financial transactions
 with related parties.

NOTE 18 DIRECTORS' REMUNERATION

The directors of the company have received no
 benefits during the financial year for the
 performance of their duties as directors.

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 30 JUNE 2006

NOTE 19 FINANCIAL INSTRUMENTS

(a) Cash flow interest rate risk disclosures

MacKillop's exposure to interest rate risk is set out below:

2006		Fixed Interest Maturing in				Total
Note	Floating Interest Rate	1 year or less	Over 1 to 5 years	Non Interest Bearing		
	\$	\$	\$	\$		
Financial assets						
Cash and cash equivalents	5	2,779,424				2,779,424
Trade and other receivables	6				745,043	745,043
Financial assets	8		8,941,039	-	16,492,558	25,433,597
		2,779,424	8,941,039	-	17,237,601	28,958,064
Weighted average interest rate						
		5.10%	5.70%			
Financial liabilities						
Trade and other payables	10				1,397,200	1,397,200
Other	13				2,598,081	2,598,081
		-	-	-	3,995,281	3,995,281
Net financial assets						
		2,779,424	8,941,039	-	13,242,320	24,962,783

2005		Fixed Interest Maturing in				Total
Note	Floating Interest Rate	1 year or less	Over 1 to 5 years	Non Interest Bearing		
	\$	\$	\$	\$		
Financial assets						
Cash and cash equivalents	5	4,083,000				4,083,000
Trade and other receivables	6				735,316	735,316
Financial assets	8		3,948,194	-	14,397,691	18,345,885
		4,083,000	3,948,194	-	15,133,007	23,164,201
Weighted average interest rate						
		5.00%	5.60%			
Financial liabilities						
Trade and other payables	10				1,226,863	1,226,863
Other	13				2,677,737	2,677,737
		-	-	-	3,904,600	3,904,600
Net financial assets						
		4,083,000	3,948,194	-	11,228,407	19,259,601

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 30 JUNE 2006

NOTE 19 (Continued)

(b) Credit risk exposure

The credit risk on financial assets of MacKillop is the carrying amount, net of any provision of any provision for doubtful debts.

MacKillop minimises concentrations of investment risk by undertaking investment transactions with a wide variety of suitably rated financial institutions.

(c) Fair value

The valuation of financial assets and liabilities are described in note 1 to the financial statements.

The fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of MacKillop approximates their carrying value.

(d) Liquidity risk

MacKillop manages liquidity risk by regular monitoring of cash flow requirements.

NOTE 20 SEGMENT INFORMATION

(a) Industry

MacKillop operates in the sole area of providing welfare, education and training services for vulnerable children, young people and their families.

(b) Geographical

MacKillop operates solely in Victoria.

NOTE 21 ECONOMIC DEPENDENCY

There is a dependence on the Department of Human Services ('DHS') for a significant volume of revenue for the purposes of funding the principal activities of MacKillop.

NOTE 22 CAPITAL COMMITMENTS

Construction of a new two storey building at Commercial Road, Footscray commenced in May 2006. As of reporting date, there were outstanding commitments of approximately \$3.9m.

Contracted works are also currently underway at the Shoreham Camp site for the construction of a new ablutions block and storage shed. As of reporting date, there were outstanding commitments of approximately \$350K.

Both of these commitments are expected to be paid within twelve months.

**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS FOR
THE YEAR ENDED 30 JUNE 2006**

NOTE 23 CONTINGENT LIABILITY

MacKillop has been advised of an unfunded liability (amount unknown at audit date) with regard to a superannuation defined benefit scheme relating to an employee. MacKillop, however, reserves the right to recover from the employee any such liability.

NOTE 24 EVENTS SUBSEQUENT TO REPORTING DATE

Works have been agreed to at Oxford Street, Whittington to complete the refurbishments at this educational facility. A building works contract for approximately \$1.3m is currently being negotiated.

The financial report was authorised for issue on 12 September 2006 by order of the Board of Directors.

NOTE 25 EFFECT OF A-IFRS ON THE INCOME STATEMENT AND THE BALANCE SHEET

The gain on revaluation of available-for-sale financial investments are now disclosed in the Statement of Changes in Equity and not in the Income Statement.

Transfers of funds from the Founding Agencies and the Capital Appeals Funds are now included as significant items in the Income Statement and not disclosed as Extraordinary Items.

Land held at Hoppers Crossing for resale is now disclosed under current assets in inventories.

Other than the above, there was no significant effect on the adoption of A-IFRS from the previous disclosure requirements of Australian Generally Accepted Accounting Principles.

DIRECTORS' DECLARATION

The directors declare that the financial statements and notes as set out on pages 8 to 24:

- (a) comply with Accounting Standards, the Corporations Regulations 2001 and other mandatory professional reporting requirements, and
- (b) give a true and fair view of the company's financial position as at 30 June 2006 and of its performance, as represented by the results of its operations and its cash flows, for the financial year ended on that date.

In the directors' opinion:

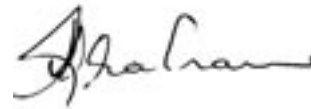
- (a) the financial statements and notes are in accordance with the Corporations Act 2001; and
- (b) there are reasonable grounds to believe that the company will be able to pay its debts as and when they become due and payable.

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

Signed for and on behalf of the Board,



Mr John Hurren
Director



Mr David Graham
Director

Melbourne, 12 September 2006

**INDEPENDENT AUDIT REPORT TO THE MEMBERS OF
MACKILLOP FAMILY SERVICES LIMITED**

Scope

We have audited the financial report of MacKillop Family Services Limited for the year ended 30 June 2006, as set out on pages 8 to 25. The company's directors are responsible for the financial report. We have conducted an independent audit of the financial report in order to express an opinion on it to the members of the company.

Our audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement. Our procedures included examination, on a test basis, of evidence supporting the amounts and other disclosures in the financial report, and the evaluation of accounting policies and significant accounting estimates. These procedures have been undertaken to form an opinion whether, in all material respects, the financial report is presented fairly in accordance with Accounting Standards, other mandatory professional reporting requirements and the Corporations Act 2001 so as to present a view which is consistent with our understanding of the company's financial position and performance as represented by the results of its operations and its cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Independence

In conducting our audit, we have followed the applicable independence requirements of the Australian professional ethical pronouncements and the Corporations Act 2001.

We declare that to the best of our knowledge and belief that the auditor's independence declaration given to the directors on 9 September 2006 has not changed as at the date of providing our audit opinion.

Audit Opinion

In our opinion, the financial report of MacKillop Family Services Limited is in accordance with:

- (a) the Corporations Act 2001, including:
 - (i) giving a true and fair view of the company's financial position as at 30 June 2006 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards and the Corporations Regulations 2001; and
- (b) other mandatory professional reporting requirements.

WHK Day Neilson



Ross G. Fraser
Principal

Geelong, 12 September 2006