



Australia Southern Territory 2012 Annual Report



1.0 Introduction

Mission

The Salvation Army is a worldwide Christian movement. In Australia we are known as one of the nation's largest welfare providers. We are dedicated to helping Australians in crisis. Raised up by God our mission is to:

- Transform lives
- Make disciples
- Care for people
- Reform society

Values

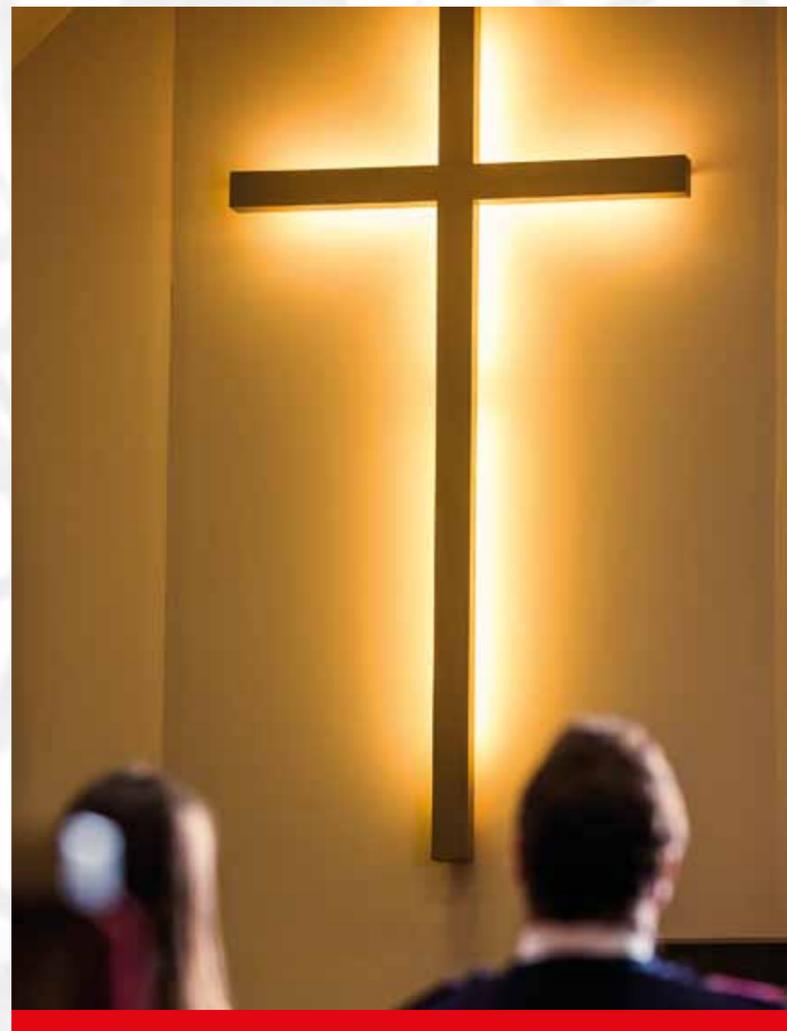
- Human dignity
- Justice
- Hope
- Compassion
- Community

Vision

Our vision is that we're a growing, loving community of people dynamically living God's mission in a broken world. This requires us to be people who are wholly devoted to God, obediently responsive to the Holy Spirit, powerfully committed to each other, compassionately engaged with people in need, totally dedicated to reaching other people with the good news of Jesus Christ and leading them to faith.

The Salvation Army International Mission Statement

The Salvation Army, an international movement, is an evangelical part of the universal Christian Church. Its message is based on the Bible. Its ministry is motivated by love for God. Its mission is to preach the gospel of Jesus Christ and meet human needs in his name without discrimination.



2.0 Who We Are

The Salvation Army is one of the world's largest Christian social welfare organisations. Each year we extend care to more than one million Australians facing crisis. We are committed to supporting the most marginalised and disadvantaged members of the community. In Australia, The Salvation Army operates in two separate territories – the Australia Southern Territory and the Australia Eastern Territory. This enables us to be responsive to local needs, emergencies and disasters affecting all areas of our nation.

Through the provision of more than 600 social programmes, activities and centres, The Salvation Army Australia Southern Territory is dedicated to alleviating the suffering of people living in Victoria, South Australia, Tasmania, Western Australia and Northern Territory.

By providing assistance for people affected by homelessness, crisis, family/domestic violence, emergencies and natural disasters as well as drug, alcohol and gambling addictions and a range of other issues, we seek to be there for people during their time of need.

The Territorial Commander, Commissioner Raymond Finger, is responsible for the operations of The Salvation Army Australia Southern Territory. The Territorial Commander, the leadership executive and the Cabinet are responsible for the policy, strategy and stewardship of The Salvation Army in this Territory.

The Territorial Commander reports to the General of The Salvation Army at International Headquarters, General Linda Bond. The Salvation Army operates in 125 countries, with International Headquarters located in London. The General oversees the operation of The Salvation Army across the globe, and directs the International (Zonal) Secretaries responsible for the administrative and strategic function of the region (broken up into Africa, Europe, Americas, South Asia and East Asia). International Headquarters is responsible for crafting the strategic direction, ideas and policies, as well as helping to allocate resources.

Across the world, The Salvation Army provides a variety of services, programmes and everyday care to the poorest, most desperate people in the world.



Commissioner Raymond A Finger
Territorial Commander

Message from the Territorial Commander

It is often in the annual report where readers learn of successful outcomes for the year, commercial developments and financial performance. While this annual report provides a comprehensive summary of the financial position of The Salvation Army Australia Southern Territory, you will not read here of any mergers and acquisitions. We are not sharing news of what return we have been able to make for shareholders. However, we are sharing news of investment.

Our investment is not about increasing profits or improving competitive position, our investment is made in the lives of people who need so much. Every day we make investments in people's lives, we give time and resources, we give support and care. Our engagement with others is about the process of life transformation.

In this report we share with you news that we celebrate and we hope to provide you with an insight into our work for the year. This is our opportunity to acknowledge achievements that mean better outcomes for the people we serve. I invite you to celebrate with us what has been accomplished, as this celebration is made possible by the people who form the community in which The Salvation Army is an active member.

While it is important to recognise success – which for The Salvation Army is measured in the number of people we reach out to – it is not possible or reasonable for us to be complacent. It is critical that we work together to forge new ground and provide dynamic support that meets the needs of people who seek our assistance. We have included a report of some of these sorts of activities in this document that do indeed break new ground, but our challenge is to continue to do this year in and year out.

At this point Australia appears to be somewhat sheltered from the economic instability that is being experienced by people across the world. We know of the hardship people face and have seen recently how this may impact our own lives with huge job losses in industrial sectors. The next 12 months could present more difficulty and turmoil than Australians have ever seen before. However, I am confident that as a community we will continue to look out for people who are having a tough time. The amazing strength of the Australian spirit has been proven time and time again and it is for this reason that we are privileged to be a part of this community.



The Cabinet of The Salvation Army Australia Southern Territory is comprised of senior officers that have been appointed to leadership roles within the organisation. The structure of our Cabinet resembles a board of directors found within other organisations.

Members of the Cabinet are appointed with approval from the General. The Salvation Army uses military style ranks for officers who are ordained ministers of The Salvation Army and are appointed across a wide variety of roles within the organisation.



Territorial President of Women's Ministries

Commissioner Aylene Finger

Length of Service: 36 years

Responsibilities: Commissioner Aylene

Finger shares joint leadership of the Territory with the Territorial Commander, which includes preaching and teaching in public ministry and membership to territorial councils. As Territorial President of Women's Ministries, Commissioner Aylene Finger gives leadership to all aspects of women's ministries; promoting within the Territory the welfare and empowerment of women, relating to both church and secular women's groups.



Territorial Commander

Commissioner Raymond A Finger

Length of Service: 38 years

Responsibilities: As the Territorial Commander, Commissioner Raymond Finger is responsible for all aspects of The Salvation Army in the Australia Southern

Territory. The Territorial Commander provides the spiritual leadership for the Territory and is a legal Trustee of The Salvation Army Australia Southern Territory. Commissioner Finger is the Chairman of the Policy Council, Finance Council and the Property Council.

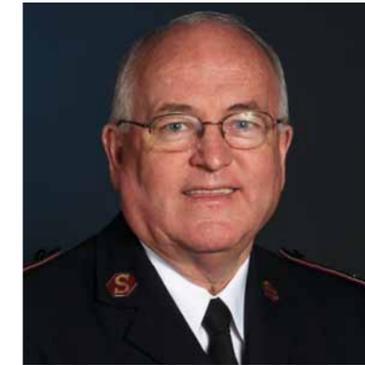


Secretary for Personnel

Lieut-Colonel Vivien Callander

Length of Service: 36 years

Responsibilities: As the Secretary for Personnel, Lieut-Colonel Vivien Callander is responsible for all aspects of personnel – officers and employees. The Secretary for Personnel is a legal Trustee of The Salvation Army Australia Southern Territory and is responsible for the Personnel Department, Human Resources and Leader Development.



Secretary for Programme

Lieut-Colonel Ian E Hamilton

Qualifications: Dip. Theology
Dip. Management

Length of Service: 39 years

Responsibilities: The Secretary for Programme, Lieut-Colonel Ian Hamilton, is a legal Trustee of The Salvation Army Australia Southern Territory and is responsible for Corps programme, Social programme, Staff Band and Staff Songsters. The Secretary for Programme is also responsible for programme matters relating to Employment Plus.



Secretary for Business Administration

Lieut-Colonel Rodney Barnard

Length of Service: 30 years

Responsibilities: Lieut-Colonel Rodney Barnard as the Secretary for Business Administration is responsible for all business matters including finance, property, audit, communications, fundraising, Salvos Stores, the Geelong Conference Centre and business matters relating to Employment Plus. The Secretary for Business Administration is a legal Trustee of The Salvation Army Australia Southern Territory.



Chief Secretary

Colonel Peter R Walker

Qualifications: Bachelor of Arts (Soc)

Length of Service: 30 Years

Responsibilities: The Chief Secretary is equivalent to a Chief Operations Officer and is second in charge of the Territory. As the Chief Secretary, Colonel Peter Walker is responsible for operational oversight of Territorial Headquarters and line management of divisional/regional headquarters. The Chief Secretary is also a legal Trustee of The Salvation Army Australia Southern Territory.



Territorial Secretary of Women's Ministries

Colonel Jennifer Walker

Qualifications: Bachelor of Education, Diploma of Religious Education, and Diploma of Teaching.

Length of Service: 30 years

Responsibilities: Colonel Jennifer Walker has a shared leadership role with the Chief Secretary, including public ministry and membership to territorial councils. Colonel Jennifer Walker has the role of Territorial Secretary for Women's Ministries, relating to leadership for women within divisions including pastoral support, training and resources and missionary project management.



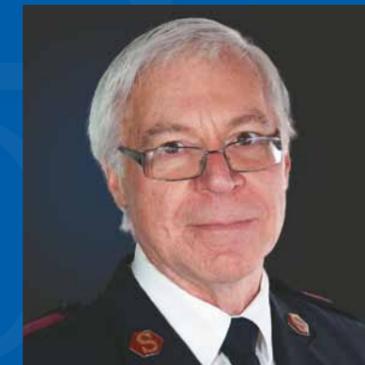
Chief Financial Officer

Mr Gregory Stowe

Qualifications: Bachelor of Business (Dist), FCPA

Length of Service: 19 years

Responsibilities: Mr Gregory Stowe is a legal Trustee of The Salvation Army Australia Southern Territory and is a member of the Territorial Finance Council, Territorial Property Council and the Territorial General Management Council.



Assistant Secretary for Business Administration and Territorial Legal Secretary

Captain Malcolm Roberts

Qualifications: Bachelor of Jurisprudence (Monash), Bachelor of Laws (Monash), Australian Legal Practitioner

Length of Service: 13 years

Responsibilities: Captain Malcolm Roberts is a Trustee of the various State Property Trusts of The Salvation Army Australia Southern Territory. Captain Roberts assists in the management of business activities, and acts as an in-house legal counsel, and is a liaison and overseer of external legal advisers.

A Note from our Territorial Advisory Board Chairman



Margaret Jackson AC
Chairman, Territorial Advisory Board

This is my third year as Chairman of the Territorial Advisory Board for The Salvation Army Australia Southern Territory and it continues to be a great honour to serve an organisation that does so much to support the community in so many ways. I have been involved with The Salvation Army for many years and am rewarded in seeing how the organisation has been able to adapt to the changing needs of our community and the enormous effort it exerts to stay at the front line of human need.

Part of my role as Chairman, and the role of the members of this board, is to provide leadership and guidance to The Salvation Army to ensure its operations are efficient and effective. The board's members are able to draw upon their abilities and resources to provide advice across a broad range of business and commercial areas. As a part of this leadership group, it has been incredibly rewarding to invest my own experience and influence amassed throughout my career to assist The Salvation Army so that it may continue to meet its mission of serving the most marginalised members of our community.

This opportunity to use my skills and networks to better equip people to live their own life to its fullest is a rewarding experience. Whether someone needs a helping hand to get through a troubling time in life or whether ongoing intensive care and support is required, I have confidence in The Salvation Army being able to continue to step into this gap. The ability to continue to do this rests in sound strategy and developing a view of longevity and sustainability. I am very pleased with the progress of The Salvation Army in this regard and look forward to making a contribution to this effort in the year to come.

Members of the Territorial Advisory Board

- Margaret Jackson AC – Chairman
- Commissioner Raymond A Finger
- Commissioner Aylene Finger
- Colonel Peter Walker
- Peter Blunden
- Bernie Brookes
- Joanne Cameron
- Michael Johnstone
- John Kirby
- Peter Mahon
- John Paterson
- Sabina Schlink
- Major Neil Venables
- Major Andrew Craib (Minute Secretary)

Snapshot of Australia

Victoria	
Number of Officers	349
Number of Employees	1936
Number of Social Centres/Programmes	370
Number of Corps	91
Number of Employment Plus Offices	18
Number of Salvos Stores	109

South Australia	
Number of Officers	65
Number of Employees	400
Number of Social Centres/Programmes	66
Number of Corps	29
Number of Employment Plus Offices	11
Number of Salvos Stores	39

Northern Territory	
Number of Officers	19
Number of Employees	80
Number of Social Centres/Programmes	24
Number of Corps	4
Number of Employment Plus Offices	-
Number of Salvos Stores	6

Western Australia	
Number of Officers	73
Number of Employees	431
Number of Social Centres/Programmes	67
Number of Corps	29
Number of Employment Plus Offices	20
Number of Salvos Stores	46

Tasmania	
Number of Officers	31
Number of Employees	290
Number of Social Centres/Programmes	74
Number of Corps	15
Number of Employment Plus Offices	17
Number of Salvos Stores	11

While Australia appears to be less affected by economic instability when compared to other countries, there are still some serious social issues that affect thousands of people every day. Hardship and disadvantage impact the lives of thousands of Australians every day. Some of the causes of this disadvantage include financial stress, job loss, homelessness, addiction and family violence, to name only a few. The needs of the people who seek the support of The Salvation Army are diverse, complex and unique. In response to these needs, the services of The Salvation Army must be tailored to the individual's situation, dynamic, responsive and holistic.

The needs that The Salvation Army works to address are significant and require the support of the community, government and like-minded organisations to make a lasting impact. Many of the issues that affect the community are hidden and some Australians may find it hard to identify with the circumstances many individuals live with every day.

Poverty is one of the issues that affects millions of Australians, with recent research from the Australian Council of Social Services (ACOSS) showing that 2.2 million Australians – 575,000 of whom are children – are living below the poverty line. This accounts for approximately 12% of the population. As financial difficulty increases, people struggle to make ends meet and may resort to taking short-term loans, using credit cards and pay-day loaners, which exacerbates debt severity and begins a dangerous spiral that can result in bankruptcy. To address this, the services of financial counsellors and emergency support relief are critical.

Like poverty, which often exists behind closed doors, family violence is another issue that people are sometimes reluctant to talk about. Data from the Australian Government shows the concerning reality – that one in three Australian women have experienced violence from 15 years of age. Evidence also shows that one in five have experienced sexual violence in their lifetime. The National Plan to Reduce Violence against Women and their Children 2010–2022 from the Council of Australian Governments addresses the critical need to make a positive change to these concerning statistics. The Salvation Army is committed to working with agencies, all levels of government and community groups to bring about social change as well as supporting people affected by violence through a network of services and programmes designed to give care, resources and confidence to women and children trying to rebuild their lives.

Homelessness is another area of severe need in Australia. Recent data from the Australian Bureau of Statistics shows a rise in the overall numbers of homeless people since the last census in 2006, with a 20% increase in the number of people staying in supported accommodation services. This data shows a 6% decrease in the number of rough sleepers, the absolute homeless, indicating that policy and funding efforts directed at this group are working. However, much needs to be done to address the issue of homelessness that affects more than 110,000 Australians on any given night.

The Salvation Army has a strong history of fighting social injustice and while members of the community are suffering this fight will continue.

3.0 Our Mission

Service Highlights for 2012

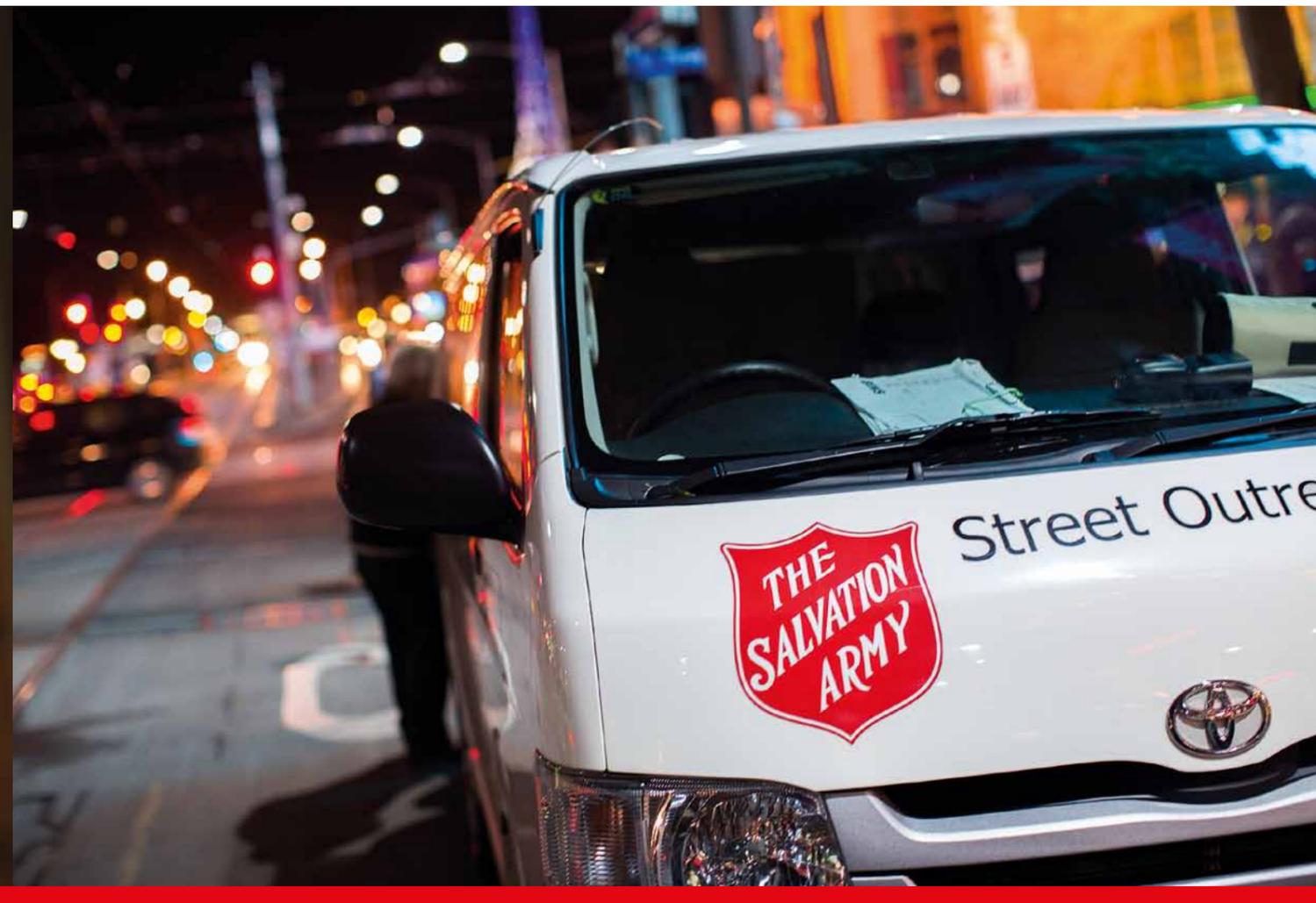
During 2012 The Salvation Army Australia Southern Territory:

- Provided more than 4,600 beds for homeless people each week
- Distributed 6,000 allocations of food or food vouchers each week
- More than 17,000 people placed in jobs
- Advised and supported more than 5,800 people through financial counselling
- Helped more than 5,100 people work through domestic and family violence issues
- Responded to the needs of more than 550,000 people
- Helped more than 187,000 people with emergency relief services
- Accommodated more than 290 elderly people on any given day
- Ran more than 600 social programs in 290 different locations
- Distributed thousands of blankets.

Transforming lives, caring for people, making disciples and reforming society is at the heart of everything The Salvation Army does. Our commitment to each other, to people in need and to reaching the lost with the Good News of Jesus Christ means that our dynamic community rapidly grows in size and strength.

The Salvation Army's values of human dignity, justice, hope, compassion and community are echoed through every expression of our work. Our purpose is to provide assistance to those in need and work to offer specific solutions to the issues affecting local communities across Australia.

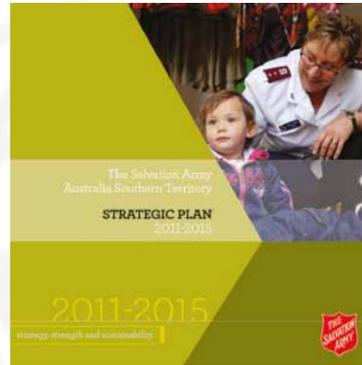
The Salvation Army in Australia works across a diverse range of social issues that stretch from our core areas of service – homelessness, family violence, addiction and recovery services, support for families facing crisis and youth services, across to services and programmes developed to meet the specific needs of a community or group of people. We seek to provide individuals, families and communities with the support and tools that they need to be able to live their lives to the fullest potential. We serve the most marginalised and disadvantaged, assisting them to build capacity to transform their lives.



4.0 Strategic Plan 2011–15

The Strategic Plan 2011–15 addresses four central areas: social programmes, corps, business units and administration. Through consultation, the leadership of The Salvation Army Australia Southern Territory has set the course of the organisation through this Strategic Plan.

The current Strategic Plan for The Salvation Army Australia Southern Territory commenced in 2011 and will continue to guide the progress and activity of the organisation for three years through to the conclusion of 2015. The development and implementation of this Strategic Plan is the responsibility of the Territorial Commander, Commissioner Raymond Finger. To drive the strategy, the various streams are championed by teams working to devise the best possible approach to ensuring the objectives of the current Strategic Plan are met. The following provides a summary of the achievements, progress and challenges of the first 12 months of implementation.



This year has seen the commencement of Phase One of the Strategic Plan whereby teams were assembled from across the Territory to examine and provide recommendations across a wide range of issues. These teams have considered issues that are critical to the overarching goals of the Strategic Plan, being Strategy, Strength and Sustainability. These issues have included Growth of Corps, Accountability and Performance, Building Core Competencies, Effective Programme Delivery, Effectiveness and Efficiency in Administration, Work Force Capability and Financial Sustainability, to name a few. At the time of writing this report, most teams have completed and submitted their work, which is being considered by the Territorial Policy Council. This next year and Phase Two of the Strategic Plan will be an exciting and challenging year as many of these recommendations become a reality.

The Salvation Army enjoys a very special place in the collective conscience of this country. Throughout its 120-year history The Salvation Army has been there for individuals, families and communities at their time of need and crisis. The Salvation Army is known for serving the most marginalised and disadvantaged members of our community with love, compassion, hope and opportunity.

Our determination is to continue to provide support and care to those in need. We operate on the front line and empower all our people to be confident and creative in fulfilling our mission to serve the needs of the community and to see lives transformed.

Our Strategic Plan 2011-2015 challenges us to continue to set boldly to meeting the needs of those we see in need and to look to our strengths in building sustainable platforms for the continued realisation of our mission. To meet our service intentions we must look to strategy to give us strength which will ultimately deliver sustainability.

Strategy, Strength, Sustainability
Strategic Plan 2015

This is an overarching strategy for our Territory which comprises strategic thinking. It provides a clear vision and direction for our future. This strategy addresses social services, the strategic focus, business units and administration. Our strength will come through strategic thinking. This strategy plan offers the operational focus (Strategy), which must maintain a presence of significance in the community, and address those that will be served over the life of Christ. The Strategic Plan 2015 recognises the need for the formation of shared ideas and strategies throughout the entire organisation. This plan provides direction and guidance for the various business functions that must work in harmony in order to achieve desired objectives.

This strategic plan will lead to the formation of measurable goals. These objectives direct energies and inspire future plans. It gives us clarity of our vision and strategy, focus for our work, open our budget planning and allocation, and transparency in our work. This strategy will work to benefit the people we serve throughout the Territory and will inspire for the confidence among the community, business, government, education, and regulatory partners.

As outlined in the strategic objectives and goals contained in this document, The Salvation Army Australia Southern Territory is committed to achieving service excellence.

5.0 Our Work

A message from our Territorial Social Programme Director



Netty Horton
Territorial Social Programme Director

I arrived at The Salvation Army in mid-April 2012, already aware of the extent of The Salvation Army's enormous efforts to improve lives, opportunities and services for disadvantaged people. However, I have been surprised and amazed by the extent of our programmes across The Salvation Army Australia Southern Territory, and the huge numbers of people to whom we provide assistance every year.

I have been fortunate to travel to most of our divisions, and have been struck by the commitment and passion of so many of the people who work in our community services. Our ability to provide support and help to people in so many different areas of their lives is one of our major strengths. With appropriate support we find that disadvantaged people can once again participate as contributing members of a wider community, sometimes returning to us as volunteers in order to 'put something back'.

Our emergency relief programmes are often the first port of call for people who have not sought help before. We spend more than \$10 million each year providing financial assistance and we believe that through careful case management and support, we are able to prevent people from experiencing greater levels of disadvantage such as homelessness.

We are the largest provider of homelessness services across the Territory and assist people in crisis, those who need transitional housing, as well as permanent accommodation. We are a major provider of family violence services, with ten programmes for women and children escaping violence, and we also provide support and assistance to many people with mental illness. We have drug and alcohol programmes in every state and territory and we provide comprehensive out-of-home care to children and young people. We can trace lost family members and our extensive chaplaincy network ensures that we provide much valued pastoral and spiritual care to our staff and clients. We are a major part of any response to emergencies and disasters, and we have many more programmes to assist people with individual needs. But mostly I have encountered an extreme willingness by all of our staff, officers, volunteers and corporate partners to do what it takes to make a difference – and what a difference we can make!

Mission Imperative – *Caring for People*

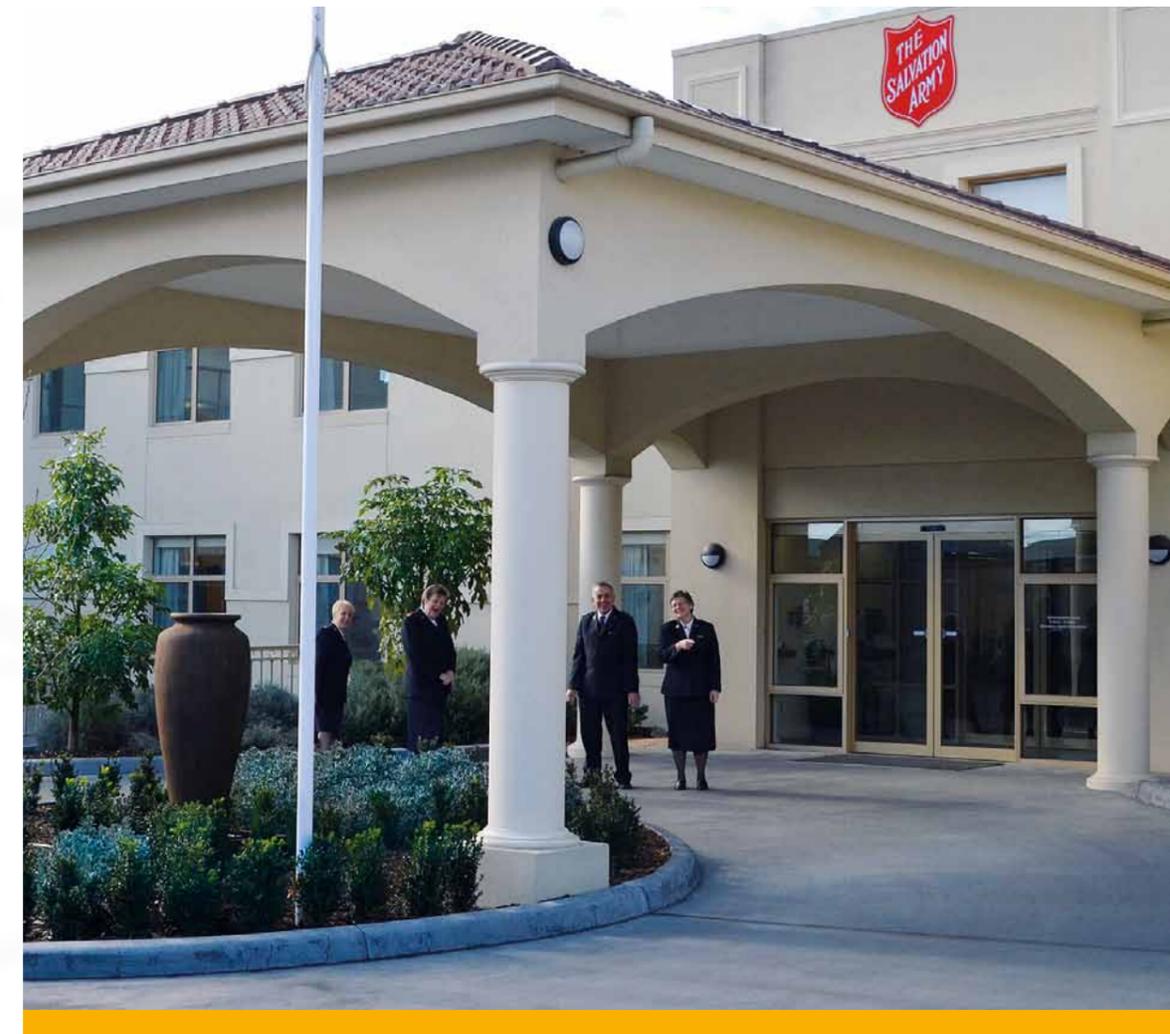
Through a vast network of services and programmes, The Salvation Army is caring for people each and every day. For families experiencing financial difficulty, people suffering addiction and for adults and children living in violent home situations, The Salvation Army is often the first place they come to find the support they need to overcome significant challenges impacting their lives.

James Barker House

In June of this year, The Salvation Army opened the new James Barker House, a state-of-the-art aged care facility in Footscray, Victoria, to provide quality aged care to disadvantaged elderly people who would struggle to find affordable accommodation elsewhere.

The new facility features 120 private rooms with ensuites – a dramatic improvement on the previous 45 bed facility. The centre provides a full range of care, 24 hours a day, for elderly people coming from homelessness or backgrounds of financial disadvantage. The residents are cared for by accredited and experienced staff, including the constant presence of Registered Division I nurses.

The facility was opened by Commissioner Raymond Finger on the 23 June 2012.





Doorways of Hope Beacon Facility

As one of the preferred providers of community housing in Western Australia, The Salvation Army in 2008 developed its *Doorways of Hope* initiative – a \$30 million capital works programme designed to increase the accommodation options and community housing availability for those facing homelessness. The programme seeks to increase the capacity and scope of our housing programmes, whilst improving the quality of support and developing a continuum of care model to take people from a point of crisis to independent living.

The initiative involves four facilities that will either be totally rebuilt or redeveloped. Whilst two of these have now been completed in the new women's wing of the Harry Hunter Drug and Alcohol Rehabilitation Centre and the new Graceville Women's Centre, the most challenging is yet to come.

The old Lentara Men's Hostel built in the late 1970s has been demolished and the main work has now commenced. In late 2011, a new name and direction for this service was announced. *The Beacon* will offer 102 beds for accommodation, all with en-suites, moving away from the old model of institutional care and bringing more dignity and comfort for residents.

The new facility will also provide many other services, including a specialised training kitchen to assist clients in developing life skills that will support their sense of independence and capability. Expected to be completed in 2013, this exciting facility will help The Salvation Army provide new initiatives and improved quality of care that will speak into lives of those that experience homelessness and the extreme difficulty that comes with it. *The Beacon* and the *Doorways of Hope* initiative will create better programmes and outcomes for Western Australians in need and give hope and support to those seeking a pathway out of homelessness.

The Salvation Army Westcare

The Salvation Army Westcare provides foster and residential care, and on any given night is responsible for 158 babies, children and young people. This care comprises intensive outreach case management, which includes drug and alcohol and mental health support, youth outreach, lead tenant, continuing and transitional care and training, and educational support to babies, children and young people up to 18 who are clients of Child Protection. Working in the Western Region of Victoria, Westcare, along with two other Salvation Army services, ensures such services are provided for young people across Victoria.

This not only makes The Salvation Army a major provider of out-of-home care and support services in Victoria, it also signifies a strong advocacy voice for the protection children and their families.

Of particular note are the amazing families who give of themselves and their hearts as volunteer Foster Carers to provide a warm and loving home for babies, children and young people who cannot be kept safe at home. These babies and children come to live with Salvation Army volunteers across Victoria as they are being physically and sexually abused and/or neglected.

There is no typical person or family who can become Foster Carers. There are many children and young people from diverse backgrounds who come into Foster Care and need care and support from people who are themselves from diverse backgrounds.

To be a Foster Carer you need to possess: a love for children and adolescents; flexibility; ability to care for children and young people who at times might display challenging behaviours due to their experiences; willingness to be accepting of children and young people's families; a home environment that is safe; time to spend with them; understand the importance of confidentiality; an ability to work as part of a team and participate in training and support.

For more information about Westcare visit westcarewecare.org.au

Mission Imperative – *Transforming Lives*

The opportunity to live life to its fullest capacity is something that every person deserves. Whatever the circumstance and environment, The Salvation Army is committed to providing individuals with the resources and support they need to find life transformation. There are thousands of Australians who have sought the support of The Salvation Army to overcome their addiction to substance and gambling this year alone.

It is critical when someone is ready to begin the journey towards changing their life that there is someone there, ready to walk the sometimes long and often challenging path with them. For those that are affected by addiction, homelessness, family violence or ongoing financial hardship and need assistance in getting their life back on track, a light to shine the way is often the glimmer of hope they need. Walking alongside people in need is something The Salvation Army has been doing in Australia for almost 130 years. It is at the core of its mission.

Darwin Life Centre

The Salvation Army Darwin Life Centre is a hive of activity five days a week, offering refuge and support for *longgrassers* or people who are homeless.

With up to 90 visitors every day, staff and volunteers are constantly at work providing meals, clothing and access to shelter and other services.

Food is regularly served in the life centre, which is provided by foodbanks, donations and volunteers. Clean clothes are offered to visitors, as well as access and referrals to other social services. The centre has attracted the generosity and support of many from the community – even a tourist from Melbourne who, after seeing what the centre was doing, went to the local supermarket and bought a trolley full of food supplies and refused payment or acknowledgement. Donations such as these are helping the centre to provide filling and nutritious meals to people from the community, and for some it will be the only substantial meal they have for the day.

Studio on the Street is a new initiative at the centre that began with the implementation of a trial art activities programme at the Life Centre. After an influx of participants and interest in the programme, it was no longer feasible to operate the studio inside. And so *Studio on the Street* was born. The programme provides resources and support to clients who participate, with some even selling their artwork for a profit. *Studio on the Street* enables people to earn an income and instills a sense of pride and accomplishment for their efforts.

The Darwin Life Centre is providing support, encouragement and hope to those who are disadvantaged in the city, providing people with practical assistance and resources to get back on their feet and involved in the community.

PYFS

The Salvation Army's Peninsula Youth and Family Services (PYFS) *Tools for the Trade* is an eight week trade orientation programme assisting young people living on the Victorian Mornington Peninsula. These young participants are disengaged from school and at risk of long-term unemployment.

Tools for the Trade is seen as a holistic way of assisting young people to engage more positively with society through helping them discover their full potential; empowering them to take responsibility for their actions and decision making, and helping them understand how their actions affect the people around them – all values required to raise their self-esteem.

There is a strong focus on developing general life and social skills. This is achieved through numerous skills and development sessions, and mentoring days.

Components of the programme include: 'Trade Tasters' at Chisholm TAFE; Health and Wellbeing sessions; High Ropes Course run by Victoria Police; Training Room sessions and Mentoring Days.

A real strength of the programme is the collaboration of a number of community service organisations and private donors, including: The Salvation Army South East Services Network – Peninsula Youth and Family Services; The Brotherhood of St Lawrence – Youth Connections Programme; Mornington Police; Rye YMCA; Chisholm TAFE; and private financial supporters.

Together, they work to invest in the future of young people empowering them to make positive contributions to their community.

80% of participants from the 2011 pilot programme, and 100% from the first intake of the 2012 programme, graduated. The Salvation Army acknowledges the tremendous effort and achievement of these young people.

Mission Imperative – Making Disciples

The work of The Salvation Army is grounded upon its core principles of human dignity, justice, hope, compassion and community. This is evident in the love and hope offered through every engagement with the community and the commitment to providing care to people living on the margins of society and experiencing wide-ranging hardship. As a part of its ultimate mission, The Salvation Army reaches out to all in need and we are wholly devoted to spreading the good news of Jesus Christ and leading people to faith.

As part of the holistic approach to support, The Salvation Army welcomes conversations about faith and provides many opportunities for the community to find the spiritual guidance they may seek. We see the value of each individual and work to help those we engage with see their own inherent worth and value.



Employment Plus

The Salvation Army Employment Plus (TSAEP) has experienced another good year, seeing over 17,000 people find work and over 40,000 assisted.

These people came from various backgrounds and ranged from easily employable to highly disadvantaged, facing issues such as homelessness, domestic violence, substance abuse, literacy and language barriers and many more. Services like job-search training, industry training, counselling, disability support and mentoring are used – all designed to assist them to become job ready.

Offices in all TSAEP locations were awarded a full rollover of their Job Services Australia contracts until 2015 by the Department of Education, Employment, and Workplace Relations. TSAEP will continue to operate in 118 locations around the country, with offices in all states and territories except the Northern Territory, serving businesses and jobseekers free of charge.

TSAEP is a vital tool in helping people find work. One such individual who found success with TSAEP was Jennifer. Jennifer was a victim of abuse and childhood trauma, with a history of substance abuse and post-traumatic stress disorder. After years of struggling with these issues she became depressed and was unable to hold down her job.

During what Jennifer would describe as 'overwhelming' years of unemployment that followed, she made contact with TSAEP. Her consultant, Max, helped her look for work while also addressing her housing needs, communication skills and emotional difficulties – the problems that led to her losing her job.

After two years, and a lot of care and support from Max, she reached the point where she decided to approach her old workplace for a job. She was successful, and her confidence, health and professional stability are growing steadily. She says that she is simply "full of gratitude" towards the TSAEP staff involved and what they helped her achieve.

DUO's

DUO's, or *Do Unto Others*, is an initiative by The Salvation Army Adelaide Congress Hall Corps that serves disadvantaged and marginalised people in their community by offering food, support and fellowship with the church community. The initiative is three fold. It aims to connect people into the life of the Corps, teach and encourage participants to explore new opportunities and better lifestyle choices, and ultimately enables people to grow and develop in a secure and supportive environment, giving them the confidence and motivation to volunteer in the programme and then help others.

The impact of this initiative is evident in stories like Eric's, who is now a dedicated volunteer in the DUO's programme. When Eric first stumbled into the centre on a Saturday morning seeking help, he later registered a blood alcohol reading of 0.24. After four or five similar encounters we were able to secure his place in our *Towards Independence* programme – a supported accommodation programme that aims to assist people who are homeless toward reaching the goal of independent living. Eric not only remained sober for a period of eight months, but also during that time successfully completed his Certificate II in Horticulture. Life was not all smooth sailing during this time but now Eric is an integral part of our DUO's on Pirie community. DUO's quickly became a safe haven during tough times, and a place to serve and give back during the good times.



Mission Imperative – Reforming Society

While working to meet human need as it occurs, The Salvation Army also recognises that it is important to develop strategies that address the core of the need, which will in the short term lead to less people suffering and in the long term make the reformation of society possible.

It is this 'ground up' approach that seeks to understand the complex and diverse contributing factors that present in social issues like homelessness and addiction. By understanding what people experience, it is then possible to intervene and provide support to halt further hardship, decline or distress. As well as providing intervention strategies it is also important to address issues of policy, partnerships with agencies and government in developing concrete action plans.

Real social change comes from continuing research, challenging debate, education, and passionate advocacy on behalf of the people impacted so that any possible solutions will have a practical and positive affect on those who need support the most.

Financial Counselling

For Anti-Poverty Week 2012, The Salvation Army produced a research document, in conjunction with Swinburne University and Westpac, entitled *I Wish I'd Known Sooner*, examining the efficacy of financial counselling in solving the financial difficulties of Salvation Army clients. The report's conclusion was positive, with 66% of responders indicating that financial counselling had resolved their financial difficulties.

The research, conducted by Dr Nicola Brackertz of the Swinburne Institute at Swinburne University, surveyed 225 of The Salvation Army's financial counselling clients and paints a concerning picture about the financial health of some of the people who seek the assistance of The Salvation Army. 41% of respondents indicated that they had been harassed by creditors, and 32% of respondents owed a debt of \$20,000 or more that was more than likely to be owed to multiple creditors. 64% could not afford dental care and 54% could not afford home or contents insurance.

With the assistance of financial counsellors, 69% of people felt more positive about the future after financial counselling, and 72% noted that their experiences with a financial counsellor had helped them avoid legal action. 45% of respondents noted an improvement in their physical health and 52% worried less about money problems after counselling.

This report shows the many benefits of financial counselling. The respondents said that this service had helped them improve their skills in prioritising debt, has assisted them in avoiding legal action and enabled them to access creditor's hardship programmes. The research project shows that it is critical to be able to offer people support like financial counselling to help address issues before they become much more difficult to manage.

Last year, The Salvation Army provided financial counselling services for 9,357 clients across Australia. Currently, the demand for these services is outstripping the capacity of staff. It is hoped that these services will expand and continue to provide this valuable service to the community.

Fabulous Families

In partnership with the Australian Government Department of Families, Housing, Community Services and Indigenous Affairs (FaHCSIA) and NGT Training Tasmania, The Salvation Army Tasmania Division developed the *Fabulous Families – Cooking up a Storm* initiative, which provides real qualifications in hospitality to families. Running for six weeks, the programme equips families with skills in cooking, nutrition, appropriate food choices and safe handling, with the aim of instilling confidence in cooking skills and qualifications that improve the employability and self-sufficiency in members of a family.

On the 28 August 2012, the 45 families participating in the programme graduated, and were presented with a locally produced cookbook containing the recipes that they had tested.

This programme is creating new opportunities for people to not only learn about healthy eating, but to also be made aware of future employment opportunities as they develop new skills. The Salvation Army hopes that skills learnt on the course will be another stepping stone for participants to build self-confidence and greater capacity to live healthier and more sustainable lives.

International Focus

This year The Salvation Army became active in 125 countries; providing programmes, services and support wherever need occurs. The Salvation Army seeks to assist the poorest and most disadvantaged people across the world and aims to give them the resources, empowerment and all the care possible to give them a better life.

This year, The Salvation Army across the world has:

- Visited 288,380 prisoners
- Assisted 358,919 young people through community youth programmes
- Assisted 406,979 people with counselling services
- Provided relief for 1,340,720 in the midst of natural disasters
- Provided aid and general relief to 16,401,955 people



The Salvation Army becomes active in Greenland

On 8 August 2012, General Linda Bond approved the commencement of The Salvation Army's work in Greenland. This brings the number of countries The Salvation Army serves in to 125.

Lieutenants Magnus and Petura Haraldsen were commissioned by the General during her visit to Denmark in May 2012, and their family now resides in Greenland as they implement community programmes across the country.

Hurricane Sandy

In October 2012, Hurricane Sandy devastated areas of the Caribbean, North America and Canada and caused a total of 199 deaths. Even while Hurricane Sandy was active, The Salvation Army mobilised and was providing relief to those affected by the disaster.

The islands of Cuba, Haiti and Jamaica were largely left in ruins, with widespread power loss, flooding, property damage and fatalities. Salvation Army buildings were also quite widely affected, losing property and sustaining damage to headquarters facilities.

The Salvation Army was hard at work in the Caribbean proving food, shelter, pastoral care and counselling, as well as the practical support of transferring people to safety from damaged facilities.

On the American East Coast, The Salvation Army quickly moved to action for urgent recovery and aid provision. Food distribution immediately commenced, and mobile canteen units were deployed straight away to the areas most in need. Teams provided people with water and other practical assistance, as well as being on hand to meet spiritual and emotional needs of people they are serving.

The Salvation Army was appointed by New York Emergency Management Officials as the lead agency in implementing the food access plan that organises the feeding programme in the city's homeless shelters. The Salvation Army also equipped two shelters to house and provide for displaced people as well as working with the Red Cross to support eight other locations.

600 Salvation Army emergency response vehicles were available across the nation and hundreds of thousands of bottles of water and meals were distributed. Residents of the impacted areas can rest assured that The Salvation Army will be with them for the long-haul – providing practical, physical and spiritual support at the areas of greatest need.

6.0 Our People



Stephen Webb
Human Resources Director

The Human Resources Department is responsible for the development and maintenance of The Salvation Army's policies, procedures and systems relating to the employment practices, terms and conditions of employment, safety and wellbeing of the organisation's extensive workforce.

Throughout 2012, the department has continued to work collaboratively with its internal and external stakeholders in defining its strategies and core intentions to reflect a high level of organisational engagement and client services.

2012 Achievements

- Development and implementation of new policies, procedures and training for the prevention of bullying and harassment in the workplace.
- Development of new policies and systems for determining employee remuneration and benefits.
- Full compliance with Equal Opportunity for Women in the Workplace Agency (EOWA) legislative requirements.
- Development and implementation of modules to report on officer related information, including tracking of active service.
- Development of a Human Resources Blueprint for the next five years.



The following projects are currently under development, with Human Resources Department working in conjunction with Information Technology Services and other departments.

- Implementation of an incident and hazard management system.
- New modules for the organisation's Human Resources Information System.
- New policies and systems relating to criminal history checks as an accredited user of the CrimTrac system.
- Implementation of the Hay Group Job Evaluation methodology and remuneration policy for award free employees.
- Implementation of improved Volunteers Management System.

Our Workforce

The Salvation Army Australia Southern Territory workforce consists of officers and employees who are located in more than 730 centres across Victoria, South Australia, Tasmania, Western Australia and the Northern Territory.

In 2012, the workforce was deployed throughout the Territory as follows:

	Employees	Officers
Territorial Headquarters*	304	102
Melbourne Central Division	866	83
Eastern Victoria Division	398	83
Western Victoria Division	228	40
Northern Victoria Division	140	41
South Australia Division	400	65
Western Australia Division	431	73
Tasmania Division	290	31
Northern Territory Region	80	19
Salvos Stores	1,066	2
Employment Plus	741	3
Total	4,944	542

*Includes personnel at Geelong Conference Centre and Catherine Booth College

Our Employee Workforce is made up as follows:

Status	Women		Men		Total
	#	%	#	%	
Full-Time	1,560	63.65	891	36.35	2,451
Part-Time	1,198	76.79	362	23.21	1,560
Casual	686	73.53	247	26.47	933
Total	3,444	69.66	1,500	30.34	4,944

Volunteers

Volunteers are an essential component in the delivery of The Salvation Army's mission. Currently there are over 9,500 registered volunteers.

The Salvation Army wishes to acknowledge and thank each and every individual and corporate volunteer for their outstanding contribution to the mission of the organisation, without which a number of major goals could not be achieved.

The organisation is also privileged to engage with numerous corporate volunteer groups throughout the year. The Salvation Army recognises this contribution in a variety of ways, including morning teas, lunches, dinners and barbecues.



Professional Development

The Salvation Army has policy and procedures in place to encourage employee professional development that has current and future value to the mission of the organisation. Full-time and part-time staff are eligible to apply for study leave and contribution toward costs for an approved course after six months' service.

The Human Resources Department team continue to be involved in developments in the wider community sector. In 2012, representatives from the department were involved in a number of community-based committees to learn and share ideas and information across the social and community services sector. These include:

- An ongoing working party for a Victorian Government initiative to develop a community sector workforce knowledge-base. Collecting and analysing data about the nature and scope of the community services sector workforce, this will enable the sector and individual organisations to better understand and advocate around employment matters such as workforce planning, recruitment, retention and learning and development matters.
- Participation in a not-for-profit HR network.
- Participation in workplace safety network forums, including Leading Aged Services (LASA) OHS Committee, Community Services OHS Network Group and Southern Safety Group.
- Involvement in a Victorian-based WorkSafe Stakeholder group, which in 2012 is concentrating on prevention of injury from manual tasks in the Community Services sector.
- Participation in community-based specific function management boards (e.g. bushfire volunteers).

Employee Assistance Programme

An Employee Assistance Programme (EAP) is offered to all employees and immediate family members. The EAP provides confidential and professional counselling services to help employees resolve personal or work-related problems that have the potential to impact on an individual's work performance and well-being. Financial counselling services are also provided on an individual basis.

Critical incident debriefing is also provided to individuals and groups following major incidents such as bushfire, flood, or life threatening events. The immediate provision of professional assistance has been proven to reduce the likelihood of delayed stress reaction and cumulative stress response.

Officer, Employee and Volunteer Policy and Guidelines

The Salvation Army Australia Southern Territory provides guidelines for officers, employees and volunteers through the Human Resources Manual and the Code of Conduct. The Orders and Regulations are specific to officers of The Salvation Army worldwide.

Orders and Regulations

In addition to policies and procedures, The Salvation Army also has Orders and Regulations. These are documents published by the International Headquarters of The Salvation Army that outline the principles and procedures specific to the various types of activity. They apply to all Salvation Army Officers throughout the world, irrespective of rank, appointment or territory. These Orders and Regulations aim to facilitate global organisational understanding, and are intended to ensure that decisions arrived at, and work engaged in, are in harmony with the interests, principles and aims of The Salvation Army.

Code of Conduct

The Code of Conduct provides a basis for all employees to maintain a working environment that is productive, positive, enjoyable, safe and free from harassment and discrimination. It also assists managers to introduce employees into the organisation and address any circumstances that may arise that conflict with the required standards, mission and values of The Salvation Army. The Code of Conduct outlines standards of personal and professional conduct, which are in keeping with both organisational and community expectations of employees working for The Salvation Army. It provides guidelines for the appropriate behaviour of all employees and is provided to employees as part of their induction process. The Code of Conduct is consistent with the mission and values of The Salvation Army, and will be periodically reviewed so that it continues to benefit employees and the organisation.

Workplace Health and Safety (WHS)

The health and safety of our people continues to be a high priority for The Salvation Army and the WHS policy and procedure manual has been reviewed in the past year as part of an overall programme to continue the organisation's commitment to workplace health and safety. The Salvation Army has undertaken a programme to improve the WHS consultation process to ensure ongoing awareness of safety issues and performance in The Salvation Army's workplaces.

The Salvation Army adopted a systematic approach to identify and control risks associated with health and safety issues that follow guidelines established by standards, AS/NZS ISO 31000:2009 (Risk Management – Principles and Guidelines) and AS/NZS 4804 (Occupational Health and Safety Management Systems – general guidelines on principles, systems and supporting techniques).

The organisation recognises that there are varying degrees of accountability for the proper implementation and management of its risk and safety systems across the Territory. The Salvation Army's induction policy provides information to employees, officers and volunteers on their responsibility for maintaining safe work practices and environments.

Achievements

Bullying and harassment awareness training has been completed across the Territory, and a survey is currently being undertaken with staff to gauge the effectiveness of that programme and collect feedback to assist in providing future training in this area.

Staff Benefits

Salary Packaging

Full-time and part-time employees have access to salary packaging as part of The Salvation Army's employment policies.

Work/Life Balance

The Salvation Army is cognisant of the need for employees to be able to balance the requirements of the workplace and their family commitments. Policies and practices have been introduced that allow employees access to flexible work options. These include compressed working hours (nine day fortnight, 19 day month), flexible start/finish times and purchased additional annual leave.

Human Resources Manual

The Human Resources Manual provides policy and procedures that support the Australia Southern Territory's mission, values and strategic activities. It documents principles, policies and their rationale, which together with any external legislative requirements, provide the framework for managing human resources in this large and diverse organisation in a legally compliant yet progressive way. It also provides access to tools and forms to enable managers and other employees to action human resource management requirements.

Promote Ethical and Responsible Decision-Making

The Salvation Army has key policies and codes of conduct that apply to all Salvation Army officers and employees throughout the Australia Southern Territory.

7.0 Our Partners

The work of The Salvation Army is made possible through the wide range of partnerships that exist at all levels of the community. We consider our partners to be all levels of government, corporate entities that provide professional service and financial support, as well as individuals and groups who support the work of The Salvation Army.

Government Funding

Funding from Federal and State Governments is critical to the operation of Salvation Army services and programmes across the Australia Southern Territory. The Salvation Army will continue to seek funding support from all levels of government in order to continue to deliver services and provide positive outcomes for those that seek its support.

In all cases The Salvation Army follows a funding process as required by the specific government department, generally taking the form of a standard tender for a specific service, centre or programme. In many cases funding coming from the government is renewed from the previous year for ongoing work. Funding from governmental bodies is granted for the rendering of services and for capital work. The following table provides an indication as to the level of government funding received for the past five years.

Government Grants	2011/12 \$'000	2010/11 \$'000	2009/10 \$'000	2008/09 \$'000	2007/08 \$'000
Rendering of Services	119,169	114,139	104,500	96,733	86,612
Fee for Service	40,876	42,472	41,611	58,959	55,879
Capital	6,159	1,688	4,436	994	962
Total	166,204	158,299	150,547	156,686	143,453

Individually audited accounts are prepared for individual social centres/services as requested by funding bodies within funding acquittals, and the annual report is provided as the central means of reporting the overall Social Fund's results to various stakeholders.



Public Fundraising

Donations made to The Salvation Army are generally made to the Red Shield Appeal, which is the central fundraising appeal running throughout the year. The Christmas Appeal is an extension of the Red Shield Appeal, which is conducted over the Christmas and New Year period. The Salvos Crisis Partners programme is a pledge-giving programme where regular donations are made to the Red Shield Appeal.

People wishing to make a donation to The Salvation Army have a degree of choice as to where their donation goes. The Red Shield Appeal provides the central stream of funding for social programmes and services. Within this appeal it is possible for supporters to specify an area or aspect of service in which their donation will be used. The Salvation Army also has a Child Sponsorship programme where individuals can support children in need overseas. In response to international disasters The Salvation Army has the capacity to conduct international aid appeals. The Salvation Army has an active Bequests programme for supporters who wish to leave a legacy to The Salvation Army in their Will.

The Salvation Army Australia Southern Territory aims to communicate in a clear and transparent manner with all donors and members of the general public. Public complaints received are directed to the Territorial Communications and Fundraising Department with the objective of being resolved at this level. Regular communication with leadership ensures that Cabinet members are aware of issues as they arise.

Donor enquiries and complaints are directed specifically to the Donor Care Services Team located at Territorial Headquarters in the first stage of this process. The Territorial Communications and Fundraising Secretary is ultimately responsible for the resolution of donor complaints. A dedicated telephone number and email address where complaints and feedback from donors can be directed is also available for the public.

Operational Partners

Several organisations provide The Salvation Army Australia Southern Territory with professional services that are important to the operations of the organisation. Westpac is the banking partner of The Salvation Army and also supports the Red Shield Appeal by receiving collections from the doorknock. KPMG is the territorial auditing partner and they have audited the social fund financial statements that form part of this report. In order to ensure legal obligations are met the organisation seeks relevant legal advice to the state and territory in question. The following solicitors assist in the relevant state/territory:

Principal Legal Advisory for The Salvation Army Australia Southern Territory

E P JOHNSON & DAVIES
Level 3, 52 Collins Street
Melbourne, Victoria, 3000

Legal Advisors for States – General and Property

Northern Territory – Cridlands NT Lawyers
Victoria – E P Johnson & Davies
Western Australia – Herbert Smith Freehills
South Australia – Minter Ellison
Tasmania – PWB Lawyers

Legal Advisors – Specialists

Deceased Estates Western Australia – Anderson Kershaw
Deceased Estates South Australia – Lynch and McDonald
Corporate Law/Health Law/Commercial Litigation – Clayton Utz
Copyright/Trademark – Davies Collison Cave
Abuse/Children in Care – Nevelt Ford
Employment Law – Marsh and Maher

8.0 Community

The Salvation Army sees itself as an active member of the communities it is part of and takes the responsibility to support and care for members of the community in need very seriously. The ability to continue to provide this level of care is made possible through the support of many.

The Salvation Army's stakeholders – including the people it serves; the individual, private and corporate supporters of its work; its valued officers, staff and volunteers; the communities it resides in; all levels of Australian Government; its congregations and church families; partner organisations and agencies – are vital to The Salvation Army's ability to serve the community and fulfil its mission.

Being able to respond to needs as they occur, provide comprehensive and individualised support and responding to wide-spread disaster, requires The Salvation Army to seek support from private donors and corporate entities. It is important to The Salvation Army that the organisation remains accountable to all who support its work, who value its mission and trust in its ability to support and care for members of the community in need.



The Salvation Army is a not-for-profit organisation and does not have shareholders. Instead, it has members with whom it regularly communicates. This principle necessitates regular and timely disclosure of relevant information about the life of The Salvation Army to its stakeholders through electronic avenues and other means. The annual report and annual financial report are two such modes of communication and are made available for public viewing online. The Salvation Army's territorial homepage (salvationarmy.org.au) is regularly updated, and the weekly national publication *Warcry* and fortnightly territorial publication *On Fire* all seek to expressly inform the organisations members of the events and updates occurring within The Salvation Army Australia Southern Territory.

For the purposes of transparency and accountability, The Salvation Army's external auditor attends the meeting of the Territorial Finance Council at which its financial report is presented for signature and approval. In addition, leadership of The Salvation Army Australia Southern Territory is available to answer board members' questions about the conduct of the audit and the preparation of the content of the auditor's report.

Corporate Community

Salmat

As part of its workplace giving programme, Salmat Limited contributed more than \$90,000 to the running of The Salvation Army's Connecting Vulnerable Migrants programme, allowing for its full operation for a year.

The generous donations of their employees, which were matched by Salmat, assisted migrants adjust to their new environment in Australia, through programmes designed to teach valuable skills, build confidence and create engagement opportunities with their local community.

Karrinyup Shopping Centre

In June 2010, the Karrinyup Shopping Centre in Western Australia provided The Salvation Army with an opportunity to partner with the *Shed your Winter Coat* campaign. Later that year, the partnership expanded to the Christmas Appeal, and together over the past two years over \$55,000 has been raised. At the Innovation and Excellence Awards WA for the Property Sector, Excellence in Marketing – Community was won by The Salvation Army and Karrinyup Shopping Centre 2011 Partnership. It is a wonderful recognition for the growing strength of the campaign and the way it engages with volunteers providing valuable support back to the community.

Dale Alcock Homes

Dale Alcock Homes is part of the ABN Group and Western Australia's largest home building company. In early 2008, Dale Alcock Homes accepted an invitation to become the major partner of The Salvation Army's Red Shield Doorknock Appeal and for five years now, has most generously given their support. Dale Alcock Homes have made significant contributions to several disaster appeals and important social projects, including the *Doorways of Hope* capital appeal. In addition to financial gifts, Dale Alcock Homes constructed three new four bedroom units in 2011, which have become the women's wing of the Harry Hunter Drug and Alcohol Rehabilitation Centre. This project would have been impossible without the generous support of Dale Alcock Homes contacts and resources. The ABN Group led by Mr Dale Alcock has been incredible in their commitment to The Salvation Army. The partnership is now deeper than ever with many of the staff volunteering on the morning Soup Run service.

Media Engagement

As part of communicating with the public, The Salvation Army engages with media to help raise awareness of social issues, to motivate discussion and to help provide an opportunity for the community to become involved with its work. Through annual campaigns and occasions such as The Salvation Army's Alcohol Awareness Week, or a sector-wide activity like Anti-Poverty Week, The Salvation Army seeks to inform and advocate across the areas it is active in. As part of the core fundraising campaign, the Red Shield Appeal, The Salvation Army also works with media to help ensure the overall fundraising activity is successful.

In addition to being proactively engaged with the media, The Salvation Army often responds to requests to provide comment on key social issues and policy across a broad scope of topics.

In 2012, The Salvation Army gratefully received more than \$10 million in media coverage (valued in terms of the advertising space rate) leading up to the Red Shield Appeal Neighbourhood Doorknock.

For media information visit salvationary.org.au/media



9.0 Financial Performance and Position



Chief Financial Officer
Mr Gregory Stowe

Qualifications: Bachelor of Business (Dist), FCPA

Length of Service: 19 years working for The Salvation Army in Finance, five years in current role as Chief Financial Officer. Prior to commencing with The Salvation Army, Greg worked as a management consultant with KPMG for five years, principally in consulting to government departments and agencies, and for over six years as a senior accountant for the Melbourne and Metropolitan Board of Works. He commenced his career as a graduate accountant with Alcoa Australia in 1979.

Special responsibilities: Mr Stowe is a legal Trustee of The Salvation Army Australia Southern Territory and is a member of the Territorial Finance Council, Territorial Property Council and the Territorial General Management Council.

The continued financial concerns globally, especially in Europe, along with a slowing down in economic growth in China, has impacted the local Australian economy and the ability on local markets to record strong returns in 2011/12. The decline in domestic interest rates and ongoing volatility in share markets has meant more difficulties in generating growth in income returns from investments. This continues to put strain on The Salvation Army's ability to fund its operations, particularly when the demand for services by ordinary Australians has not abated.

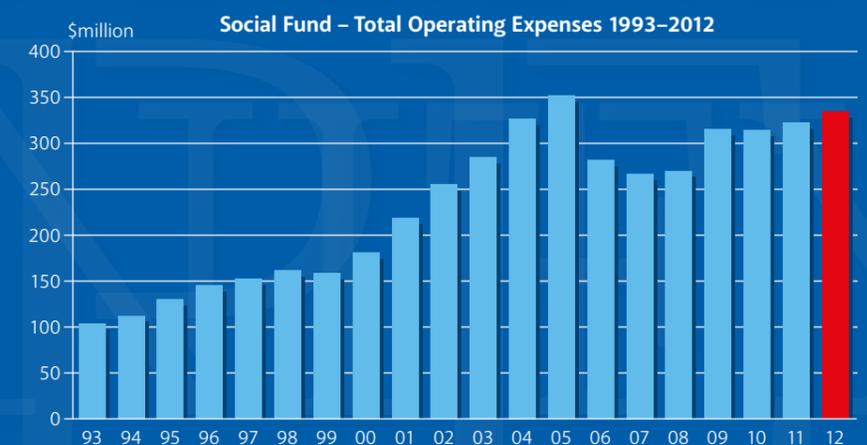
Sources of Income

The following table summarises the main sources of income for the social services provided by The Salvation Army in the last financial year:

	2011/12		2010/11	
	\$'000	%	\$'000	%
Government Income	166,204	49	158,299	47
Trading Revenue	93,546	27	86,724	26
Residents Contributions	14,561	4	12,898	4
Red Shield Appeal/ Other Donations	46,470	14	49,159	15
Investment Income	8,517	3	11,887	4
Legacies	4,712	1	3,824	1
Miscellaneous	7,268	2	11,517	3
Total	341,278	100	334,308	100

Expenditure

The Salvation Army recorded operating expenditure of \$313.2 million on social services delivered by its various social programme centres in 2011/12, compared with \$301.4 million in 2010/11. Net Social Fund expenditure for the 2011/12 financial year reached \$335.9 million (including Red Shield Appeal expenses) after eliminations. This is both a reflection of the increased costs in delivering services, but also the increased commitment of The Salvation Army to meet the needs of Australians across all areas of life.



Capital Investment

A number of significant capital projects have been either completed or commenced during the last 12 months:

- The Salvation Army opened the new James Barker House in Footscray, Victoria, which is a 120 bed hostel to provide care for older, marginalised, financially and socially disadvantaged persons.
- Currently, The Salvation Army is building a new Lentara Men's Hostel in Perth called *The Beacon*, supported by funding from the Australian Government, which will provide modern crisis/transitional supported accommodation services for single men aged 18 and over, who are homeless or at imminent risk of homelessness
- Work commenced on a major redevelopment of The Salvation Army's facilities at Ingle Farm in South Australia, which will incorporate both its Corps and community services.



Major Neil Venables
Territorial Communications
and Fundraising Secretary

Red Shield Appeal Finance Summary

I heard a story during this year's Red Shield Appeal Doorknock Campaign in May. A volunteer collecting in a

shopping centre one day received a \$50 donation. The volunteer was taken aback, as it was significantly more than the average amounts they had previously received. The volunteer enthusiastically expressed words of thanks, but was surprised when the donor replied, "No, don't thank me, let me thank you." It turned out that this donor had experienced the help of The Salvation Army through her son and the care he had received in a Salvation Army centre. The donor left with the words, "You helped save my son's life. I thank God for the Salvos every day, because I got my son back."

It is the moving stories like these that give what we do so much more meaning. The Salvation Army helps one person every thirty seconds and these people are all mothers, fathers, sons and daughters. It is a special and humbling experience when we receive this feedback from loved ones, and it motivates us to do more and go further in serving those that need our care.

The Red Shield Appeal is a vital part of supporting the continual operation of social centres and programmes for another year. In the 2011/12 financial year, a total of \$42,475,125.00 was raised in the Australia Southern Territory, and nearly \$5 million was raised through the Neighbourhood Appeal on the 19th and 20th of May. Once again, fantastic support was given to The Salvation Army's work through the Red Shield Appeal. Money raised in The Salvation Army's Red Shield Appeal is immediately returned to the community through Salvation Army social centres.

The Red Shield Appeal relies on and is sustained by the generosity of Australians who partner with The Salvation Army to assist the most marginalised and disadvantaged Australians across the country. The Australian Bureau of Statistics released data in November 2012 stating an increase in the rates of homelessness by 17% since 2006. This takes the total number to 105,237 people, with 60% of these individuals being under the age of 35. Programmes to tackle homelessness are one of the major service streams that is funded by the Red Shield Appeal and it is an issue that The Salvation Army has long been committed to solving.

The Salvation Army takes its responsibility to the community very seriously. It is for this reason that the organisation is constantly investing in new technologies, asking for the help of volunteers and drawing on the knowledge of advisory boards and leaders in business to ensure that operating and administration costs are kept as low as possible. \$0.82 from every dollar goes directly to the people The Salvation Army exists to serve.

The kindness and generosity of Australians continues to be a great source of inspiration and encouragement to the organisation. Despite the increasingly difficult situations that Australian families and the wider community are facing, with some households and businesses being financially stretched further than ever before, people continue to seek out ways to assist the work of The Salvation Army through donating time, money, resources and expertise. The Salvation Army is fortunate and grateful for this important support.



John Kirby
Chairman of the Communications
and Fundraising Council

A Note from John Kirby, the Chairman of the Red Shield Appeal for the Australia Southern Territory

As the Chairman of the Red Shield Appeal for The Salvation Army Australia Southern Territory, I have seen the great work of the Salvos first-hand, through visits to its many social centres and encounters with many individuals who have benefited from Salvation Army assistance. The Salvation Army relies on the generosity of people to continue its work, so it is very encouraging to see that once again, Australians have got behind the Army and shown unprecedented generosity to the Red Shield Appeal. As the Chairman of the Communications and Fundraising Council, I also want to express my sincere thanks and give absolute assurance that this money is going to the people who need it most – the people The Salvation Army serve.

The work and valuable contribution of individuals, volunteers, local businesses, corporate partners and levels of government has directly resulted in more people assisted, more people supported and more people getting back on their feet. For this reason, I would like to extend my sincere gratitude to all who supported the Red Shield Appeal. From the person who volunteered their time on doorknock weekend and the families who donate generously, to the endorsement and support of corporate sponsors and government officials. All have made a great difference to the lives of many Australians this year.

I wish to acknowledge all my colleagues in other leadership boards and committees who give their time, skills and heartfelt effort to support the good work of The Salvation Army. Their contribution is critical for the mission of The Salvation Army to be realised – to meet human need wherever it occurs without discrimination.

Members of the Communications and Fundraising Council

John Kirby (Chairman)
Peter Kent
David Williamson
Mark Coad
Major Neil Venables
David Drysdale
Garry Tanner
Brian Hallett



	2012 \$'000	2011 \$'000	Difference %
Red Shield Appeal			
Victoria	23,791	21,099	
South Australia	5,798	5,024	
Western Australia	10,257	11,605	
Tasmania	2,541	2,391	
Northern Territory	496	539	
Victorian Bushfire Appeal	1	933	
Victorian Flood Appeal	995	2,219	
NSW/QLD Flood Appeal	31	3,225	
Total Red Shield Appeal	43,910	47,035	-6.64
Wills and Bequests	23,979	18,317	30.91
Other miscellaneous donations not through Red Shield Appeal	4,171	3,411	22.28
Total Fundraising	72,060	68,763	4.79
Expenses			
Red Shield Appeal	11,868	9,179	
Wills and Bequests	1,207	1,263	
Total Expenses	13,075	10,442	25.22
Fundraising Ratio	18.14%	15.19%	

The 2011/12 financial year was the toughest in terms of the economy, and in particular retail, for many years. This past year saw the worst retail trading conditions in 25 years.

During the last 12 months Salvos Stores grew its sales revenue by \$4 million or 6%. This, when compared to retail in general, who saw a growth of just 0.5%, is quite outstanding.

In terms of operating surplus, again year on year there was a growth of \$788,000 whilst most retailers were downgrading forecasts several times during the year and indeed some did not make it to the end of the year.

Salvos Stores is very proud of the effort that staff and volunteers have put into these tough trading times and their extra effort can be seen in year-end results.

Salvos Stores generated a surplus of \$17 million including goods to the value of \$2.65 million given away free of charge to people referred through Salvation Army Community Support Centres. Salvos Stores has 212 stores, with new stores having been opened in the past 12 months. Salvos Stores has 1,087 staff and 2,500 volunteers.

Other achievements during the financial year:

- A major advertising push to attract younger generations to shop at Salvos Stores. This was achieved by a focus on social media channels, the trial of an online eBay store, interaction through Facebook, Twitter and YouTube.
- Diversion of 15,000 tonnes from landfill.
- BRW Outstanding Retailer of the Year – Finalist.
- Australian Retail Awards, 2011 Visa Australian Retailer of the Year – Highly Commended.
- Staff and volunteers personally contributed over \$50,000 to help Salvation Army activities in other countries.



Investments

The main investment of The Salvation Army Australia Southern Territory is in unlisted units held in managed investment funds, managed by JANA Investment Advisers (formerly MLC Implemented Consulting) on behalf of the organisation. Units are held in six different trusts, and the Investment Committee determines the percentage allocated to each trust, with advice from JANA.

JANA's investment approach is designed to deliver superior long-term returns, and to do so with consistency. The investment objectives are:

- To have the ability to meet all financial obligations of the Territory when they fall due
- To maintain the purchasing power of the current assets and all future capital contributions by maximising the rate of return on Trust assets
- To achieve and maintain a fully funded status for all reserves held by the Trust
- To control costs of administering the Trust and managing the investments
- To ensure investments are held in securities that can be legally held by churches/charities in Australia and are either quoted on recognised stock exchanges of repute or deposited with financial institutions of high standing
- To ensure investments are ethically acceptable while remaining economically sound.

Further information regarding the investment policy can be found in the Financial Statements – Note 1(e).

Money may be invested – if it is recommended on investment grounds – in enterprises designed to improve the economy of the country concerned or of underdeveloped countries. Funds are not to be invested in companies that are known:

- To disregard the pollution of the environment
- To produce or sell alcoholic drinks or tobacco products
- To promote gambling in any form
- To manufacture armaments
- To produce or distribute films
- To promote industry or commerce in a country where participation would be generally unacceptable in the investing country.

Money may be invested in investment trusts, preference being given (subject to normal commercial prudence) to trusts where the portfolio contains no stocks of companies prohibited under the above list. But in any case, no money shall be invested in trust where 10% or more of the total portfolio is held in stocks of such prohibited companies.



Management of Investments

The Salvation Army Australia Southern Territory administers its investments through The Salvation Army (Victoria) Property Trust ('the Trust'), which acts as the legal entity representing each of the individual State/Territory Property Trusts that comprise the Territory.

Trustees' Responsibilities

- Establish the strategic investment policy for the Trust (asset allocation) and periodically review policy, taking into account any changes in operational and capital requirements and market conditions.
- Select qualified advisory persons and investment managers to advise on and manage the Trust's assets.
- Monitor and review the performance of selected managers to determine the achievement of goals and compliance with policy guidelines.
- Monitor the costs of the investment operations on a quarterly basis.

Investment Advisory Board Responsibilities

- Provide independent and unbiased information.
- Assist in the development of the investment policy.
- Monitor compliance with the investment policy.
- Assist in the development of strategic asset allocation targets.
- Assist in the development of performance measurement standards.
- Monitor and evaluate investment manager performance on an ongoing basis.

Finance Staff Responsibilities

- Manage the overall Trust assets under its care, custody and/or control in accordance with objectives and guidelines.
- Manage the Trust assets that form part of the working capital fund under its care, custody and/or control in accordance with objectives and guidelines.
- Monitor both internally and externally managed assets to ensure compliance with the guidelines.
- Monitor the performance of the Trust's investment portfolio against defined benchmarks, including asset class indices and ethically (screened) indices.
- Maintain proper detailed records of investment transactions and assets of the Trust in accordance with accepted accounting standards and audit requirements.
- Report to the Trustees monthly regarding the status of the portfolio and its performance for various time periods against goals and objectives.
- Meet with the Advisory Board and Trustees at least annually to report on the performance and compliance with goals and objectives.

Investment Managers' Responsibilities

- Manage the Trust assets under its care, custody and/or control in accordance with objectives and guidelines.
- Exercise proper investment discretion over the assets in their care within guidelines.
- Promptly inform the Trustees and Finance Staff in writing regarding all changes of a material nature pertaining to the firm's organisation and professional staff.
- If directed, promptly vote all proxies and related actions in a manner consistent with the long-term interests and objectives of the Trust. Each manager designated to vote will keep detailed records of said votes of proxies and related actions, and will comply with all regulatory obligations related thereto.
- Report to the Trustees monthly regarding the status of the portfolio and its performance for various time periods. Meet with the Investment Advisory Board and/or Finance Staff at least annually to report on their performance and compliance with goals and objectives.
- Acknowledge and agree in writing to their fiduciary responsibility to fully comply with the entire investment policy, and as modified in the future.

The implementation of an investment portfolio designed to achieve the goals and objectives of the Trust must be consistent with legislative and common law requirements. The Investment Advisory Board, composed of up to six members – including two non-executive members drawn from the private business sector – will be responsible for working closely with the Trustees and will make recommendations to the Trustees on investment management.

The Investment Advisory Board will establish specific search procedures, including the specification of minimum criteria for the selection of new qualified investment managers, to implement the strategic asset allocation plan. Among the criteria that will be used for screening purposes will be: assets managed, manager style, track record of staff, communication, fees, risk/reward statistics, etc. All managers must meet the criteria established by the Investment Advisory Board.

The Investment Advisory Board will give equal consideration to minority owned and controlled firms, and firms owned and controlled by women which otherwise meet the criteria established by the Investment Advisory Board.

Long-Term Financial Performance

With some recovery in global financial markets during the last year, The Salvation Army Australia Southern Territory has seen an increase in the overall value of its investment portfolio during 2011/12. In the last financial year, however, the strong Australian dollar and declining interest rates have seen diminished returns on the portfolio, which has impacted The Salvation Army's ability to meet its operational budget requirements for the year.

	2011/12 \$'000	2010/11 \$'000	2009/10 \$'000	2008/09 \$'000	2007/08 \$'000
Deposits	58,511	61,664	66,011	94,640	33,720
Unlisted Units in Managed Investment Funds	124,394	118,374	120,441	98,424	136,168
Other	789	635	–	–	–
Total Financial Assets	183,694	180,673	186,452	193,064	169,888
Total Investment Income	8,517	11,887	10,693	4,876	18,852
Impairment Expense	–	–	–	(14,172)	(3,665)

Five Year Trend – Revenue and Expenses

	2011/12 \$'000	2010/11 \$'000	2009/10 \$'000	2008/09 \$'000	2007/08 \$'000
Total Operating Revenue	333,926	327,027	308,117	338,621	291,506
Total Capital Revenue	7,352	7,281	6,044	3,084	1,538
Total Operating Expenses	(335,922)	(324,218)	(314,368)	(315,393)	(271,032)
Total Allocations	(5,530)	(9,280)	1,344	(24,390)	(22,665)
Net Surplus/(Deficit) after Allocations	(174)	810	1,137	1,922	(653)
Net Change in Fair Value of Available-for-Sale Financial Assets	1,248	2,267	4,787	–	–
Total Comprehensive Income after Allocations	1,074	3,077	5,924	1,922	(653)

The detailed financial statements included as part of this report provides further detail and explanation as to the accounts for the Social Fund.

10.0 Governance

Corporate Governance

The Salvation Army endorses the Principles of Good Corporate Governance and Best Practice Recommendations developed by the Australian Securities Exchange (ASX) in 2003 and revised in 2007. The Salvation Army – being a not-for-profit organisation – is not required to include a statement of the main corporate governance practices, which is required of listed corporations. However, it is considered appropriate to ensure best practice in reporting by including corporate governance practices in this Trustees’ report.



Governance and Oversight

The Salvation Army has its international headquarters in London. At the head of the international Salvation Army is the General of The Salvation Army, who is elected at the High Council.

The Salvation Army has been operating in Australia since 1880. For the business purposes of its Australia Southern Territory, it is incorporated by the following Acts of Parliament:

- The Salvation Army (Victoria) Property Trust Act 1930
- The Salvation Army (South Australia) Property Trust Act 1931
- The Salvation Army (Western Australia) Property Trust Act 1931
- The Salvation Army (Tasmania) Property Trust Act 1930
- The Salvation Army (Northern Territory) Property Trust Act 2002

The Territorial Commander acts as the representative of the General in The Salvation Army Australia Southern Territory. The Territorial Commander receives a Commission and acknowledges this by signing a bond under legal seal. This document is legally binding upon the parties concerned, and creates a legal relationship between the Territorial Commander and the General of The Salvation Army. From time to time, further particulars affecting that relationship may be set down in a power of attorney issued from the General to the Territorial Commander.

Trustees

The Salvation Army acts as a trustee of the gifts, grants and contributions received from individuals and bodies (private and governmental). As a result, after meeting its legal obligations, its internal and international financial reports are prepared to meet the needs of donors, contributors, grantors and managements.

It is essential that The Salvation Army meets its obligations to each donor, who specifies any particular use to which a gift is to be put. It is a clearly stated principle that the Territorial Commander – on behalf of the General – has control of funds entrusted to him, and is authorised to expend them for the purpose for which they are obtained and no other. This standard of scrupulous stewardship is maintained through the structure of accounting systems and records, and the manner of presentation of accounts.

The Trustees of the respective Property Trusts are required to ensure the assets owned by the Trusts are properly released for the use of The Salvation Army Australia Southern Territory. There is a board meeting of Trustees who authorise these assets to be so used. The Territorial Finance Council and Territorial Property Board make the decisions of The Salvation Army in relation to finance and property matters respectively.

The following persons were Trustees of The Salvation Army Australia Southern Territory during the whole of the financial year and to the date of this report:

- Commissioner R A Finger
- Colonel P R Walker
- Lieutenant-Colonel I E Hamilton
- Lieutenant-Colonel R A Barnard
- Captain M J Roberts
- Mr G F Stowe

Lieutenant-Colonel F A Daniels resigned as a Trustee as of 10 January 2012. Lieutenant-Colonel V E Callander was appointed as a Trustee on 11 January 2012.

The number of Trustees’ meetings and the number of meetings attended by each of the Trustees during the financial year are:

Trustee	Number of Meetings Eligible to Attend	Number of Meetings Attended
Commissioner R A Finger	12	7
Colonel P R Walker	12	10
Lieutenant-Colonel F A Daniels	6	2
Lieutenant-Colonel R A Barnard	12	10
Lieutenant-Colonel I E Hamilton	12	11
Lieutenant-Colonel V E Callander	5	4
Captain M J Roberts	12	9
Mr G F Stowe	12	12

Territorial Finance Council

The Territorial Finance Council (TFC) is the Territory's supreme policy and decision-making body for the control and management of territorial financial and property resources. The TFC is responsible for approving:

- The territorial budget and any subsequent revisions
- Non-budgeted expenditures
- Capital spending
- The price at which property is bought and sold
- Grants to divisions and other centres
- Allowances of officers and employees
- Investment of funds
- Transfers to and from reserves and trust funds
- Furniture requisitions for leading officers
- Grants to officers
- Annual statements of accounts.

The TFC also monitors the performance of the territorial budget, plans future financial strategy (including the raising of money), deals with serious matters arising out of audit reports, considers matters of a confidential nature, and supervises the work of expenditure boards. The TFC meets on a weekly basis.

Membership of the TFC is currently 14 members, reviewed and approved annually by International Headquarters, one of whom must be the Financial Secretary. The Territorial Commander presides ex-officio. In the absence of the Territorial Commander, the Chief Secretary presides. No meeting can be held without one or the other present. Four members form a quorum, which must include the Financial Secretary or his proxy.

The number of TFC meetings held during the year ended 30 June 2012 and the number of meetings attended by each member were:

Member	Number of Meetings Eligible to Attend	Number of Meetings Attended
Commissioner R A Finger	45	34
Commissioner A T Finger	45	31
Colonel P R Walker	45	43
Colonel J K Walker	45	39
Lieutenant-Colonel R A Barnard	45	36
Lieutenant-Colonel F A Daniels	24	15
Lieutenant-Colonel I E Hamilton	45	41
Lieutenant-Colonel V E Callander	21	18
Lieutenant-Colonel I B Callander	20	18
Major N R Venables	45	31
Major S A Maunder	45	40
Captain M J Roberts	45	39
Captain E A Jones	24	16
Mr D A Sinden	45	42
Mr G F Stowe	45	40
Ms K R D'Ore	28	19

Board Processes

The Territorial Finance Council and other boards, while not relieving the Territorial Commander or any other Salvation Army officer of personal responsibility for the success of the work of The Salvation Army, are established to:

- Give strength to decisions taken
- Guard against ill-considered action
- Provide information first-hand from people who are constantly in close personal touch with all aspects of the work
- Secure counsel and advice on all matters involving the expenditure of The Salvation Army's funds.

The Territorial Commander or Chief Secretary determines the membership of the various boards, with certain board memberships required to be endorsed by International Headquarters. Board members are required to attend meetings regularly and to acquire a broad knowledge and understanding of The Salvation Army's operations and functions. They must be aware of, and conversant with, the statutory, regulatory and policy requirements affecting the operations of The Salvation Army.

Territorial Policy Council

The Territorial Policy Council (TPC) is the policy-making body for the strategic and mission direction of The Salvation Army. The TPC tables its recommendations on policy matters to the TFC or other appropriate board for approval. It meets on a weekly basis.

Membership comprises the executive leadership of the Territory, with the Territorial Commander presiding. In the absence of the Territorial Commander, the Chief Secretary presides. No meeting can be held without one or the other present.

Territorial Property Board

The Territorial Property Board (TPB) is the official body authorised to conduct property business, which meets each fortnight. It gives direction regarding property purchases, sales, construction, land acquisition, extensions, renovations, replacements, financing, and also recommends to the TFC any payment of accounts relating to property expenditure above the limit to which divisional/regional expenditure boards may approve.

The TPB's authority must be obtained before alterations, renovations, purchase, sale or lease of property, or other expenditure may take place.

The TPB is chaired by the Territorial Commander, and its membership comprises all seven Trustees of the Australia Southern Territory, and a further eight representatives from various territorial headquarters departments.



General Maintenance Board

The General Maintenance Board (GMB) is responsible for monitoring, recommending and approving in a consistent and efficient manner all expenditure according to the approved budget in the following areas:

- Requisitions (including motor vehicles)
- Cash requirements for payment of accounts
- Officer health assistance scheme payments
- General business matters, including insurance claims.

The chairperson of the GMB is the Secretary for Business Administration, and membership includes the Chief Financial Officer and eight other senior staff members from Territorial Headquarters. The GMB meets weekly, and all minutes of the GMB are tabled at the TFC for ratification.

Similar expenditure boards operate in each of the divisional headquarters within the Territory to monitor, recommend and approve all expenditure within the division in accordance with approved budgets, and within the authority levels prescribed and approved by the TPC.

Territorial Advisory Board

The role of the Territorial Advisory Board is to advise and assist the Territorial Commander and the appointed Trustees in the administration of their responsibilities. Expertise and practical support is provided in four key areas:

- Strategic planning
- Business administration, including the raising of funds as well as the efficient administration of resources
- Programme development, including discernment of demographic trends and analysis of Federal and State Government policy
- Human resources management.

The Territorial Advisory Board operates under the leadership of an appointed chairperson recruited from the business community. Membership includes a minimum of five Trustees, a minimum of seven community members in addition to the chairperson, The Salvation Army Communications and Fundraising Secretary and The Salvation Army Victoria State Council Chairperson. Meetings are held no less than four times per calendar year.

A Property Advisory Board also operates as a sub-committee of the Territorial Advisory Board to provide independent advice to territorial leadership on matters relating to property and real estate.

Investment Committee

The Salvation Army also established an Investment Committee to provide independent and unbiased advice to the territorial leadership on matters relating to the management of investment assets for the Territory. The Committee is comprised of the Trustees and two senior finance department staff members, plus two external advisors who are drawn from relevant professional and commercial sectors of the community, and are responsible for working closely with the Trustees and making recommendations to the Trustees on investment management. The Territorial Commander appoints one of the external advisors as chairperson of the Committee.

The Investment Committee's responsibilities include:

- Provision of independent and unbiased information
- Assistance in the development of investment policy and guidelines
- Monitoring compliance with investment policy and guidelines
- Assistance in the development of strategic asset allocation targets
- Assistance in the development of performance measurement standards
- Monitoring and evaluation of investment manager performance on an ongoing basis.

The Committee currently meets on a quarterly basis during the year. Current members of the Investment Committee are:

Mr John Paterson – former Board Member, Future Fund

Mr Paul Laband – retired, formerly with UniSuper and Russell Investment Group

Commissioner Raymond Finger – Territorial Commander, Australia Southern Territory

Colonel Peter Walker – Chief Secretary, Australia Southern Territory

Lt-Col Rodney Barnard – Secretary for Business Administration, Australia Southern Territory

Mr Greg Stowe – Chief Financial Officer, Australia Southern Territory

Mr Chris O'Neill – Financial Controller, Australia Southern Territory

Mr Colin Solomon – Finance Manager, Australia Southern Territory



Territorial Audit Council

The Territorial Audit Council meets, on average, every two months and considers internal audit reports and associated responses to internal audit reports. The Council consists of Salvation Army officers and senior staff appointed annually by the Chief Secretary. The chairman of the Council is always the Secretary for Business Administration. Three members constitute a quorum and no proxies are permitted.

Audit Committee

The Audit Committee was established in April 2006. The Committee assists The Salvation Army executive in fulfilling its governance responsibilities, and is responsible for the oversight of:

- Financial performance and the financial reporting process including the annual financial statements
- The scope of work, performance and independence of internal audit
- Providing advice to management in relation to the engagement of the external auditor
- The scope of work, performance and independence of the external auditor
- The operation and implementation of the risk management framework
- Matters of accountability and internal control affecting the operations of The Salvation Army
- The effectiveness of management information systems and other systems of internal control
- The acceptability of and correct accounting treatment for and disclosure of significant transactions that are not part of The Salvation Army's normal course of business
- The sign-off of accounting policies
- The Salvation Army's process for monitoring compliance with laws and regulations and its own Code of Conduct and Code of Financial Practice.

In performing its duties, the Committee maintains effective working relationships with the TFC, territorial leadership, relevant heads of departments, and the internal and external auditors.

Membership of the Committee comprises up to four members recruited from outside The Salvation Army and the Secretary for Business Administration. The Territorial Commander and Chief Secretary are ex-officio members. The Chief Financial Officer and Territorial Auditor attend meetings of the Committee, but are not members of the Committee. The period of service for the external members will be three years with an option to extend for up to a further three years, at the discretion of the Territorial Commander. The chairperson is selected and appointed by the Territorial Commander. The Committee currently meets at least four times during the year.

Current members of the Audit Committee are:

Mr John Thomson (Chairman) – Retired Partner, PricewaterhouseCoopers

Mr Hugh Somerville – Retired Partner, PricewaterhouseCoopers

Mr Bruce Brook – Company Director

Mr Peter Lowe – former Managing Director, UtiliCorp Australasia

Ms Jay Bonnington, Non-Executive Company Director

Lt-Col Rodney Barnard – Secretary for Business Administration, Australia Southern Territory

Remunerate Fairly and Responsibly

The Trustees are officers or staff of The Salvation Army Australia Southern Territory, and receive remuneration in accordance with established Salvation Army guidelines. In addition, officer trustees also receive accommodation and use of a motor vehicle at no cost as part of their officership, in accordance with established Salvation Army guidelines. No additional remuneration is received by these officers for acting in their capacity as Trustees of The Salvation Army. Staff trustees receive the use of a motor vehicle as part of their employment contract.

Salvation Army employees are paid in accordance with their classification position as per the relevant award or agreement under which they are employed, and are paid any pay increases or other variations to remuneration and benefits as per the relevant award or agreement.

Non-award/agreement employees are paid in accordance with their terms and conditions outlined in their contracts of employment. For non-award employees, internal review of remuneration is conducted on an annual basis to maintain market position in the not-for-profit sector, with recommendations for salary adjustments submitted to the TFC for consideration. Individual remuneration submissions are submitted to the appropriate board at divisional or territorial level for approval.

External members of territorial advisory boards and committees volunteer their time and skills to the organisation and as such, no remuneration was paid or is payable to these persons in their capacity as board members.

Risk Management

The Trustees are responsible for the oversight of The Salvation Army Australia Southern Territory's risk management. The Audit Committee assists the Trustees in fulfilling their responsibilities in this regard by reviewing The Salvation Army's risk policies, as well as the financial and reporting aspects of the organisation. The Territorial Auditor has been given responsibility for overseeing Enterprise Risk Management for the Territory.

In recognising its legal responsibilities and other obligations, The Salvation Army places a high priority on human resources and risk management requirements in all aspects of its operations. Our values provide significant anchor points for our risk management programmes, particularly the values of human dignity and compassion.

Our programmes are consistent with the Australian/New Zealand Standard for Risk Management: AS/NZS 4360. We anticipate that The Salvation Army will be able to comply with the proposed new international standard when it is introduced. The Salvation Army has a Risk Management Policy and Procedure Manual encompassing Business Continuity Management, Occupational Health & Safety, and Workers Compensation. The Risk Management Manual details clearly the roles and responsibilities of leadership, managers and employees, and the requirements for contractors and visitors in relation to risk management.

Human Resources and Risk Management professionals are in place throughout the Territory, and support divisions and departments in achieving good governance and compliance.

11.0 Sustainability and Environment

Salvos Stores – Southern Territory Sustainability Report 2011/12

The increasing volumes of illegally dumped rubbish ensured the focus from a sustainability perspective was firmly on this issue throughout the year.

This was achieved through three distinct projects:

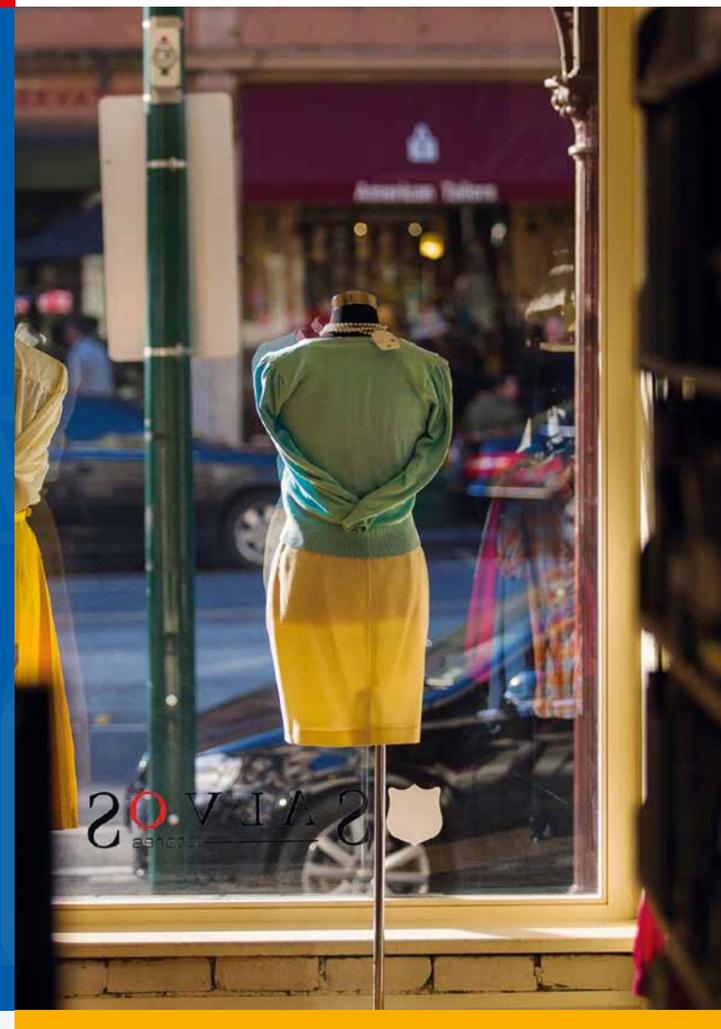
1. The transition of all Victorian stores to a new waste contractor (Veolia) with substantial savings being achieved.
2. Lobbying of the Victorian Government (through NACRO) with regards to the landfill levy charge, with a successful outcome.
3. The engagement of local Councils on waste issues – in recognition that materials left with us are community waste – which are neither generated nor solicited by Salvos Stores.

With 'waste' still the single largest contributor to the carbon footprint at around 70%, a focus in this area also ensured an ongoing commitment to reducing greenhouse gas emissions.

In 2011/12 Salvos Stores spent a total of \$1.8 million on waste clean-up costs.

Despite the heavy costs associated with cleaning up this community-generated waste, Salvos Stores justifiably prides itself in being able to divert over 15,000 tonnes of products away from landfill per annum through sales via our Salvos Stores retail chain. This has the effect of reducing the greenhouse gas emissions by around 16,000 tonnes.

For more information about Salvos Stores visit salvationarmy.org.au/salvosstores



12.0 Financial Report

The Salvation Army Australia Southern Territory Social Fund for the year ended 30 June 2012

Contents

Trustees' Report	45–48
Statement of Comprehensive Income	49
Statement of Financial Position	50
Statement of Cash Flows	51
Statement of Changes in Capital Funds	52
Notes to the Financial Statements	53–70
Trustees' Declaration	71
Independent Audit Report	72–73

The Salvation Army Australia Southern Territory

WILLIAM BOOTH – Founder
LINDA BOND – General
RAYMOND A FINGER – Territorial Commander

International Headquarters

101 Queen Victoria Street, London, EC4V 4EH

Australia Southern Territory Headquarters

95-99 Railway Road, Blackburn 3130
PO Box 479, Blackburn 3130
Telephone (03) 8878 4500
Fax (03) 8878 4819
salvationarmy.org.au

The Salvation Army Australia Southern Territory Social Fund Trustees' Report

The Trustees of The Salvation Army Australia Southern Territory submit the following report, together with the financial statements, on the operations of the Social Fund for the financial year ended 30 June 2012, and the independent audit report thereon.

Principal Activities

During the year, the principal continuing activities of The Salvation Army Australia Southern Territory Social Fund comprised of:

- Aged care and disability services
- Employment, education and training services
- Homelessness and domestic violence programmes
- Individual and family support programmes
- Children and young people at risk programmes
- Addictions and substance abuse programmes
- Salvos Stores

No changes in the nature of these activities occurred during the financial year.

Review of Operations

In 2012, The Salvation Army Australia Southern Territory Social Fund's operating result was a deficit after allocations of \$174,000 (2011: surplus of \$810,000). Total revenues were \$341,278,000 (2011: \$334,308,000), whilst total operating expenses were \$335,922,000 (2011: \$324,218,000).

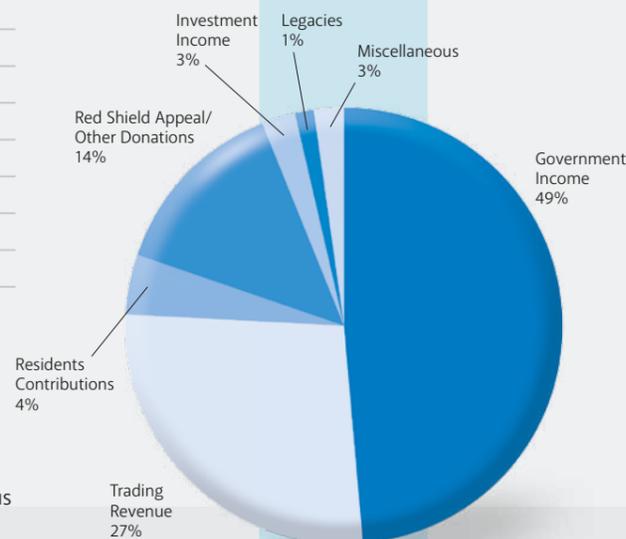
In line with The Salvation Army's policies and compliance with donors' restrictions on the use of certain funds, net transfers of \$5,530,000 were made to various reserves for specific purposes (2011: \$9,280,000 of net transfers were made to capital projects or set aside in various reserves for future specific purposes).

	2012 \$'000	2011 \$'000
Revenue	341,278	334,308
Expenditure	(335,922)	(324,218)
Surplus before Allocations	5,356	10,090
Allocations	(5,530)	(9,280)
Surplus/(Deficit) after Allocations	(174)	810

The above table excludes 'the net change in fair value of available-for-sale financial assets' included in the Statement of Comprehensive Income.

The Salvation Army Australia Southern Territory Social Fund Trustees' Report

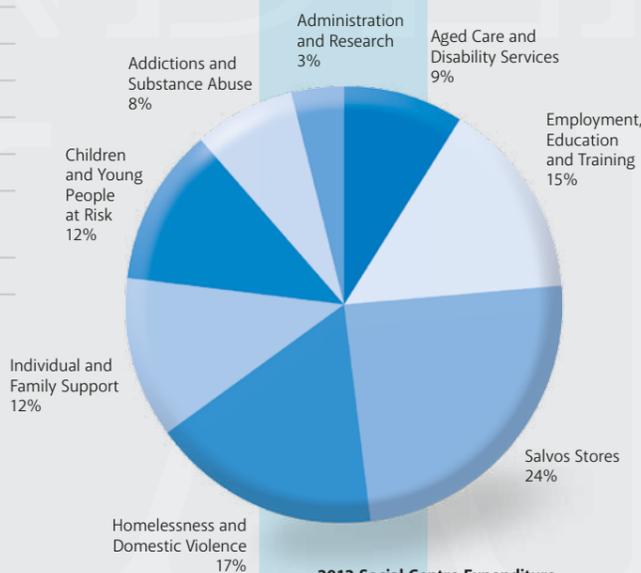
Sources of Income	2012 \$'000	2011 \$'000
Government Income	166,204	158,299
Trading Revenue	93,546	86,724
Residents Contributions	14,561	12,898
Red Shield Appeal/Other Donations	46,470	49,159
Investment Income	8,517	11,887
Legacies	4,712	3,824
Miscellaneous	7,268	11,517
Total Income	341,278	334,308



2012 Sources of Income

The following is a summary of the areas of expenditure within social programme category, in relation to social services provided by the various centres operating within The Salvation Army Australia Southern Territory in 2012.

Social Centre Expenditure	2012 \$'000	2011 \$'000
Aged Care and Disability Services	28,164	25,471
Employment, Education and Training	45,947	45,242
Salvos Stores	76,640	71,391
Homelessness and Domestic Violence	53,199	51,450
Individual and Family Support	37,291	38,247
Children and Young People at Risk	36,750	35,429
Addictions and Substance Abuse	23,817	22,474
Administration and Research	11,383	11,669
Total Social Centre Expenditure	313,191	301,373
Other Expenditure including Red Shield Appeal	22,731	22,845
Total Expenditure	335,922	324,218



2012 Social Centre Expenditure

The Salvation Army Australia Southern Territory Social Fund Trustees' Report

The significant impacts on the 2012 result were:

- The Red Shield Appeal recorded a result of \$44Mn for the year ended 30 June 2012.
- Given continued volatility in Australian and global equity markets, the Investment Fund portfolio managed by JANA Investment Advisers (formerly MLC Implemented Consulting) generated overall returns below original budget expectations. The portfolio achieved an overall return of 4.1% for the year, net of fees.
- Government funding increased by \$7.91Mn from 2010/11, a net increase of 4.99%. This funding remains the most significant source of income for The Salvation Army's social programmes, representing 49% of the overall income for the year (2011: 47%).
- 2011/12 continued to be a difficult year for Salvos Stores, in line with the general pressures being felt by the retail sector in Australia. Despite this, Salvos Stores contributed \$13.9Mn to the operations of the Social Fund, as well as a further \$2.4Mn provided in welfare vouchers to programme clients.

At 30 June 2012, the Social Fund Statement of Financial Position is showing a positive current ratio (current assets less current liabilities), compared to the negative current ratio reflected in the 2010/11 financial report. This resulted from the maturity of some long-term deposits during 2010/11, which have been subsequently reinvested as short-term deposits. The Social Fund's major investment asset (unlisted units in managed investment funds) is disclosed as a non-current asset in accordance with Australian Accounting Standards. However, these funds remain available to the Social Fund as required to support cash flow requirements.

Events Subsequent to Reporting Date

In the opinion of the Trustees, since 30 June 2012, there have been no transactions or events of an unusual nature likely to affect significantly the operations of The Salvation Army Australia Southern Territory Social Fund, the results of those operations, or the state of affairs of the entity in future financial years.

Likely Developments

In the opinion of the Trustees, there are no likely changes in the operations of The Salvation Army Australia Southern Territory that will adversely affect the results of the Social Fund in subsequent financial years.

Environmental Issues

The operations of The Salvation Army Australia Southern Territory are not regulated by any significant environmental regulation under a law of the Commonwealth or of a State or Territory.

Insurance of Officers

The Salvation Army has, during the financial year, paid an insurance premium in respect of an insurance policy for the benefit of the Trustees and Officers of The Salvation Army. The insurance is in the normal course of business and grants indemnity for liabilities permitted to be indemnified by The Salvation Army under Section 199 of the Corporations Act 2001. In accordance with commercial practice, the insurance policy prohibits disclosure of the terms of the policy, including the nature of the liability insured against and the amount of the premium.

The Salvation Army Australia Southern Territory Social Fund Trustees' Report

Auditor

KPMG continues as The Salvation Army's auditor at the date of this report.

Make Timely and Balanced Disclosures

The Salvation Army is not subject to the ASX Listing Rule disclosure requirements. The Salvation Army does, however, report to its stakeholders in the form required by the ASX Principles of Good Corporate Governance – Principle 5.

Signed in accordance with a resolution of the Trustees:


Raymond A Finger, Commissioner
Territorial Commander
TRUSTEE


Gregory F Stowe
Chief Financial Officer
TRUSTEE

Dated at Melbourne this 23rd day of October 2012

The Salvation Army Australia Southern Territory Social Fund Statement of Comprehensive Income for year ended 30 June 2012

	NOTE	2012 \$'000	2011 \$'000
Revenues and other income			
Revenue from rendering of services	2	174,606	169,509
Other revenues from ordinary activities	2	96,106	88,848
Financing income		8,517	11,887
Legacies income		4,712	3,824
Red Shield Appeal donations	5	43,910	47,035
Total operating revenue		327,851	321,103
Capital revenue:			
Government grants		6,159	1,688
Other income		1,193	5,593
Total capital revenue		7,352	7,281
Other income		6,075	5,924
Total revenue and other income		341,278	334,308
Employee expenses		(178,735)	(170,173)
Depreciation expenses		(8,883)	(9,000)
Computer expenses		(2,250)	(2,811)
Welfare/Jobseeker expenses		(30,940)	(34,240)
Building/Occupancy expenses		(46,680)	(42,353)
Motor Vehicle expenses		(9,986)	(9,362)
Contribution – General/Property Funds	1(r)	(20,494)	(20,094)
Rollover accommodation bond credits	1(g)(i)	969	2,375
Amenities and supplies		(11,319)	(11,228)
Professional fees expenses		(4,847)	(4,151)
Other expenses from ordinary activities		(22,757)	(23,181)
Total operating expenses		(335,922)	(324,218)
Operating (deficit)/surplus before allocations	14	5,356	10,090
Other comprehensive income			
Net change in fair value of available-for-sale financial assets		1,248	2,267
Total comprehensive income for the period before allocations		6,604	12,357
Allocations to capital funds	3	(5,530)	(9,280)
Total comprehensive income for the period after allocations		1,074	3,077

The statement of comprehensive income is to be read in conjunction with the notes to the financial statements set out on pages 53 to 70.

The Salvation Army Australia
Southern Territory Social Fund
Statement of Financial Position as at 30 June 2012

	NOTE	2012 \$'000	2011 \$'000
CURRENT ASSETS			
Cash	6	700	9,298
Receivables and other current assets	7	17,226	15,730
Other financial assets	8	45,323	7,983
Inventories	9	892	1,022
TOTAL CURRENT ASSETS		64,141	34,033
NON-CURRENT ASSETS			
Receivables and other non-current assets	7	34,246	33,746
Property, plant and equipment	10	215,044	207,665
Other financial assets	8	138,371	172,690
TOTAL NON-CURRENT ASSETS		387,661	414,101
TOTAL ASSETS		451,802	448,134
CURRENT LIABILITIES			
Payables	11	32,736	36,930
Employee benefits	12	17,855	16,669
Interest-free loans	16	200	200
Provisions	13	2,000	2,000
TOTAL CURRENT LIABILITIES		52,791	55,799
NON-CURRENT LIABILITIES			
Payables	11	18,360	17,272
Employee benefits	12	1,997	1,752
Provisions	13	2,613	3,533
Interest-free loans	16	7,466	7,820
Special purpose funds	17	216	203
TOTAL NON-CURRENT LIABILITIES		30,652	30,580
TOTAL LIABILITIES		83,443	86,379
NET ASSETS		368,359	361,755
CAPITAL FUNDS			
Working capital fund	14(a)	7,491	7,665
Property contributions fund	14(a)	209,256	202,575
Reserves	14(a)	115,180	114,287
Trusts and special purpose funds	14(a)	13,499	18,330
Legacies	14(a)	22,933	18,898
TOTAL CAPITAL FUNDS		368,359	361,755

The statement of financial position is to be read in conjunction with the notes to the financial statements set out on pages 53 to 70.

The Salvation Army Australia
Southern Territory Social Fund
Statement of Cash Flows for the year ended 30 June 2012

	NOTE	2012 \$'000	2011 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash receipts in the course of operations		319,786	318,072
Cash payments in the course of operations		(330,590)	(313,571)
Net cash received/(used) in operating activities		(10,804)	4,501
CASH FLOWS FROM INVESTING ACTIVITIES			
Investment revenue received		7,210	9,589
Receipts from redemption of investments		20,969	8,215
Payments for investments		(22,742)	(170)
Capital revenue received		12,065	7,281
Payments for property, plant and equipment		(17,477)	(26,030)
Proceeds from sale of property, plant and equipment		2,422	1,327
Net cash received/(used) by investing activities		2,447	212
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(200)	-
Proceeds from borrowings		-	500
Proceeds from residents' interest-free loans		1,067	2,306
Repayment of residents' interest-free loans		(1,108)	(104)
Net cash provided by financing activities		(241)	2,702
Net increase/(decrease) in cash held		(8,598)	7,415
Cash at the beginning of the financial year		9,298	1,883
Cash at the end of the financial year	20	700	9,298

The statement of cash flows is to be read in conjunction with the notes to the financial statements set out on pages 53 to 70.

The Salvation Army Australia
Southern Territory Social Fund
Statement of Changes in Capital Funds for the year ended 30 June 2012
(\$'000)

	Working Capital Fund	Property Contrib'n Fund	Reserves	Trusts and Special Purpose Funds	Legacies	Total
At 1 July 2010	6,855	189,609	109,831	19,278	23,825	349,398
Operating Surplus before allocations	10,090	-	-	-	-	10,090
Other comprehensive income	-	-	2,267	-	-	2,267
	16,945	189,609	112,098	19,278	23,825	361,755
Allocations to/(from) other capital funds	(9,280)	12,966	2,189	(948)	(4,927)	-
At 30 June 2011	7,665	202,575	114,287	18,330	18,898	361,755
At 1 July 2011	7,665	202,575	114,287	18,330	18,898	361,755
Operating Surplus before allocations	5,356	-	-	-	-	5,356
Other comprehensive income	-	-	1,248	-	-	1,248
	13,021	202,575	115,535	18,330	18,898	368,359
Allocations to/(from) other capital funds	(5,530)	6,681	(355)	(4,831)	4,035	-
At 30 June 2012	7,491	209,256	115,180	13,499	22,933	368,359

The statement of changes in capital funds is to be read in conjunction with the notes to the financial statements set out on pages 53 to 70.

The Salvation Army Australia
Southern Territory Social Fund
Notes to the Financial Statements

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The Social Fund aggregates the results of all social centres, Salvos Stores and a 50% share of the Employment Plus Programme.

The Social Fund is a not-for-profit entity.

The financial report was authorised for issue by the Trustees on 23 October 2012.

(a) Statement of compliance

The financial statements are Tier 2 general purpose financial statements which have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements adopted by the Australian Accounting Standards Board (AASB).

(b) Basis of preparation

The financial report is presented in Australian dollars. The financial statements have been prepared on the historical cost basis except for available-for-sale financial instruments which are measured at fair value.

Presentation of financial statements – reduced disclosure

The Salvation Army adopted reduced disclosure requirements in AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Standards arising from Reduced Disclosure Requirements*. This has resulted in a reduction of disclosures for items such as financial instruments, defined benefit superannuation plans and reconciliation of cash flows.

Comparative information has been re-presented or removed so that it also conforms to the new disclosure requirements. Since the change in accounting policy only impacts presentation aspects, there was no impact on comprehensive income.

Transactions eliminated on aggregation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the aggregated financial statements. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

(c) Annual Appeals

The Salvation Army Red Shield Appeal is an annual appeal. The amount raised and corresponding fundraising expenses are reflected in the financial report in the same year as the appeal. In addition, the Territorial Communications and Fundraising Department oversees our wills and bequests works, and overseas appeals.

(d) Property, plant and equipment

(i) Owned assets

Items of property, plant and equipment are stated at cost, or if donated, at appraised value at date of gift, less accumulated depreciation (note (d)(ii)) and impairment losses. Capital gifts are shown as revenue and an allocation is made to the property contributions fund.

Property that is being constructed for future use is classified as 'building schemes in progress' and stated at cost until construction is complete, at which time it is reclassified as 'freehold buildings' or 'leasehold property'.

Upon disposal of freehold properties, the cost is transferred to a capital property reserve, together with sales proceeds to determine the profit or loss on the sale of the property. In addition, the funding contribution or grant in the property contributions fund relating to the disposal is transferred to the same reserve, to provide funding for future property acquisitions.

Independent valuations are obtained as to the market value of any property before it is sold.

(ii) Depreciation

With the exception of freehold land, depreciation is charged to the statement of comprehensive income on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Land is not depreciated. Depreciation commences from the date of acquisition or, in respect of constructed assets, from the time an asset is completed and ready for use.

The Salvation Army Australia Southern Territory Social Fund Notes to the Financial Statements

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

▪ Buildings	50 years
▪ Plant and Equipment (excluding motor vehicles)	3 years
▪ Motor Vehicles/Trucks	5 years
▪ Leasehold Improvements	Term of the lease
▪ Information Technology capital projects	Deemed useful life, to a maximum of 5 years

The residual value, the useful life and the depreciation method applied to an asset are reassessed annually.

(iii) Property Contributions Fund Reserve

Under International Salvation Army accounting policies and procedures, funds that have been utilised to finance the acquisition of freehold properties must be transferred to the Property Contributions Fund Reserve. These contributions are transferred to meet building depreciation costs, thus relieving the impact on the working capital fund.

(e) Receivables

Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They arise when the organisation provides goods or services directly to a client or resident. They are included in current assets, except for those with settlements greater than 12 months after the balance sheet date, which are classified as non-current assets. Receivables are carried at amortised cost using the effective interest method, less any impairment losses.

(f) Investments

The Salvation Army classifies its investments in the following categories: held-to-maturity and available-for-sale financial assets. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition and, in the case of assets classified as held-to-maturity, 're-evaluates' this designation at each reporting date.

(i) Held-to-maturity investments

Held-to-maturity investments are financial assets with fixed or determinable payments and fixed maturities that the organisation's management has the positive intention and ability to hold to maturity. These investments are initially recognised at fair value plus any attributable transaction costs. Subsequent to initial recognition these investments are measured at amortised cost using the effective interest method, less any impairment losses. Held to maturity investments consists of short and long-term deposits.

(ii) Available-for-sale financial assets

Available-for-sale financial assets consist of unlisted units in managed investment funds. They are included in non-current assets unless management intends to dispose of the investment within 12 months of the Statement of Financial Position.

Available-for-sale financial assets are initially recognised at fair value. Any available-for-sale financial investments donated to The Salvation Army are recognised at fair value at the date control is obtained.

The fair value of available-for-sale financial assets is determined by reference to their quoted closing unit/bid price at the reporting date.

Subsequent to initial recognition, available-for-sale financial assets are carried at fair value. Gains or losses arising from changes in the fair value are recognised in the Statement of Comprehensive Income and presented in the Fair Market Investment reserve within capital funds, unless there is evidence of impairment or the investment is derecognised, at which time the cumulative gain or loss previously recognised in other comprehensive income is reclassified in the Statement of Comprehensive Income as net change in fair value of available-for-sale financial assets.

The Salvation Army assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired. In the case of investment portfolio classified as available-for-sale, a significant or prolonged decline in the fair value of an

The Salvation Army Australia Southern Territory Social Fund Notes to the Financial Statements

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

investment portfolio below its cost is considered in determining whether the investment is impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss – measured as the difference between the acquisition cost and current fair value, less any impairment loss on that financial asset previously recognised in the Statement of Comprehensive Income – is removed from equity and recognised in the Statement of Comprehensive Income.

(g) Accommodation Bond

(i) Rollovers

Prior to 1 August 2002, the practice of the Social Fund was to 'rollover' an independent living unit (ILU) resident's ingoing contribution when that resident moved from an ILU into low care/hostel accommodation on the same site. As part of the sale of various aged care centres on 1 July 2005, the Social Fund retained responsibility, under certain conditions, to fund part/all of any future accommodation bonds charged to ILU residents who had resided at such centres prior to 1 August 2002, when they moved into low care/hostel accommodation on the same site. The majority of any funds released under this 'rollover' policy will be repaid to the Social Fund when the residents vacate the aged care centre.

An assessment was made at balance date by the Social Fund as to the present value of estimated future payments under this rollover policy, and estimated receivables representing funds to be returned to the Social Fund, when the residents vacate the aged care centre, with any adjustment recorded through the statement of comprehensive income.

(ii) Refundable/Amortisable Accommodation Bonds

Many residents of aged care centres pay a refundable and amortisable accommodation bond to The Salvation Army. The refundable portion is in the form of an interest-free loan repayable in full, whilst the amortisable amount is recognised as revenue and then transferred from accumulated surplus to reserves and held for aged care centre capital projects.

The return of an accommodation bond is solely dependent upon the resident. The Salvation Army does not have an unconditional right to defer settlement of the liability and therefore it has been accounted for as a current liability.

(h) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. No allocation of overheads has been included in the valuation.

Stocks of foodstuffs and consumable stores held at various social centres are expensed.

Inventory is assessed on a regular basis, and slow moving or damaged items are provided for within a provision for stock obsolescence.

(i) Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, cash at bank and cash in transit balances.

(j) Impairment

The carrying amounts of the Social Fund's assets, other than inventories (see accounting policy 1(h)) and investments, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated.

Calculation of recoverable amount

The recoverable amount of the Social Fund's receivables carried at amortised cost is calculated as the present value of estimated future cash flows, discounted at the original effective interest rate (i.e. the effective interest rate computed at initial recognition of these financial assets). Receivables with a short duration are not discounted.

Impairment of receivables is not recognised until objective evidence is available that a loss event has occurred.

The Salvation Army Australia Southern Territory Social Fund Notes to the Financial Statements

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Employee benefits

(i) Defined contribution superannuation funds

Obligations for contributions to defined contribution superannuation funds are recognised as an expense in the Statement of Comprehensive Income as incurred.

(ii) Wages, salaries, annual leave and non-monetary benefits

Liabilities for employee benefits for wages, salaries and annual leave that are expected to be settled within 12 months of the reporting date represent present obligations resulting from employees' services provided to reporting date, are calculated at undiscounted amounts based on remuneration wage and salary rates that the Social Fund expects to pay as at reporting date including related on-costs.

(iii) Long-term service benefits

The Social Fund's net obligation in respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using expected future increases in wage and salary rates including related on-costs and expected settlement dates, and is discounted using the rates attached to the Commonwealth Government bonds at the reporting date which have maturity dates approximating to the terms of the Social Fund's obligations.

(l) Other payables

Payables are stated at cost, being non-interest bearing, and are normally settled within 30 days.

(m) Revenues

Revenues are recognised when The Salvation Army is legally entitled to the income and the amount can be quantified with reasonable accuracy. Revenues are recognised net of the amount of goods and services tax (GST) payable to the Australian Taxation Office.

Revenue from fundraising

Donations

Donations collected, including cash and goods for resale, are recognised as revenue when The Salvation Army gains control, economic benefits are probable and the amount of the donation can be measured reliably.

Legacies

Legacies are recognised when The Salvation Army receives the legacy. Revenue from legacies comprising bequests of shares or other property are recognised at fair value, being the market value of the shares or property at the date The Salvation Army becomes legally entitled to the shares or property.

A portion of legacies is used to assist with meeting operational costs within the Social Fund, but the majority of legacies are used for capital purposes. Legacies form the major source of capital for social building schemes.

Red Shield Appeal

Donations to the Red Shield Appeal are recognised when received.

Revenue from Social Programmes

The organisation's social programme activity and Employment Plus job network are supported by grants received from the federal, state and local governments. Grants received on the condition of specified services are delivered, or conditions are fulfilled, and where there is a return obligation are considered reciprocal. Such grants are initially recognised as a liability called prepaid government funding and revenue is recognised as services are performed or conditions fulfilled. Revenue from non-reciprocal grants is recognised when the organisation obtains control of the funds.

Fees from residents

Fees charged for care provided to residents are recognised when the service is provided.

The Salvation Army Australia Southern Territory Social Fund Notes to the Financial Statements

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Sale of goods

Revenue for the sales of goods comprises revenue earned (net of returns, discounts and allowances) from the sales of goods for resale and gifts donated for resale. Sales revenue is recognised when the control of goods passes to the customer.

Financing income

Financing income comprises interest and dividends. Interest income is recognised as it accrues, using the effective interest method.

Asset sales

The gain or loss on disposal of all non-current assets and available-for-sale financial investments is determined as the difference between the carrying value of the asset at time of disposal and the net proceeds on disposal.

Contributions in Kind

No amounts are included in the financial statements for services donated by volunteers, or donated goods.

(n) Expenses

Payments made under operating leases are recognised in the Statement of Comprehensive Income on a straight-line basis over the term of the lease.

Borrowing costs are expensed as incurred and included in financing expenses.

(o) Provisions

A provision is recognised in the Statement of Financial Position when the Social Fund has a present legal or constructive obligation as a result of a past event, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a rate that reflects current market assessments of the time value of money and, where appropriate, the risks specific to the liability.

A provision for 'make-good' costs on leased premises has been recognised, based upon an assessment of lease terms and conditions (see note 13).

(p) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). 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 are stated with the amount of GST excluded.

The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

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

(q) Accounting estimates and judgements

Management discussed with the Territorial Finance Council and the Audit Committee the development, selection and disclosure of the Social Fund's critical accounting policies and estimates and the application of these policies and estimates. The estimates and judgements that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Key sources of estimation uncertainty

Note 21(b) contains information about the provision for care leavers claims.

The Salvation Army Australia Southern Territory Social Fund Notes to the Financial Statements

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Contribution to General and Property Funds

The General Fund records all territorial and divisional headquarters' costs. These headquarters oversee the social infrastructure of The Salvation Army. An 'arms length' contribution is charged by the General Fund to the Social Fund for services provided.

The Property Fund records all costs relating to the Property Department and the Territorial Headquarters building. An 'arms length' contribution is charged by the Property Fund to the Social Fund for services provided, and towards the costs of the Territorial Headquarters building.

(s) Capital Revenue available for allocation

The Salvation Army Australia Southern Territory has adopted a policy of separately disclosing revenue received which is designated for capital purposes rather than operating activities. This designation is determined either directly by the donor or by the Trustees of The Salvation Army Australia Southern Territory. This revenue is fully allocated to reserves and special purpose funds to be used to provide and maintain the infrastructure used by the social programmes of The Salvation Army Australia Southern Territory.

(t) Employment Plus

The Salvation Army Australia Southern Territory in conjunction with The Salvation Army Australia Eastern Territory has been jointly involved in a jointly controlled operation of the national Salvation Army Employment Plus programme since 1 May 1998. This project commenced when The Salvation Army in Australia won a tender from the Federal Government to provide employment services to long-term unemployed persons. This project is considered to be part of the overall aims of The Salvation Army and is not considered separate from these aims in any way. This programme is not considered to be a stand-alone operation. It is consistent with the aims of The Salvation Army to assist the long-term unemployed. The proportionate interests in the assets, liabilities, income and expenses of the Employment Plus joint programme activity have been incorporated in the financial statements.

(u) Leases

The Salvation Army leases some shops and office facilities. The provisions of these leases are such that substantially all the risks and benefits of ownership of the property are retained by the lessors and accordingly, in the financial statements, they are classified as operating leases.

Payments made under operating leases are expensed on a straight-line basis over the term of the lease. Refer note 18(b) for details of non-cancellable operating lease commitments.

(v) Comparatives

Where necessary, comparative information has been reclassified to achieve consistency in disclosure with current financial year amounts and other disclosures.

(w) Rounding

All amounts in the financial report have been rounded to the nearest thousand dollars except where otherwise indicated.

(x) New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2012, and have not been applied in preparing these financial statements. None of these is expected to have a significant effect on the financial statements of the Social Fund, except for the following:

AASB9 Financial Instruments – mandatory for the 30 June 2016 financial statements and which could impact the classification and measurement of financial assets.

AASB119 Employee Benefits – mandatory for the 30 June 2014 financial statements and which could impact the classification and measurement of employee entitlement provisions.

The Social Fund does not plan to adopt these standards early and the extent of the impact has not been determined.

The Salvation Army Australia Southern Territory Social Fund Notes to the Financial Statements

2. REVENUE FROM ORDINARY ACTIVITIES

Revenue from rendering of services:

Government grants	119,169	114,139
Fee for service – Government Funding	40,876	42,472
Resident contributions and patient fees	14,561	12,898
	174,606	169,509

Other revenue from ordinary activities:

Revenue from trading and rent	93,546	86,724
Other donations received – other than from the Red Shield Appeal	2,560	2,124
	96,106	88,848

Total revenue from ordinary activities

270,712 258,357

3. ALLOCATIONS

Allocations have been made to/(from) the following capital funds, excluding working capital:

Property contributions fund	14(a)	62	(1,405)
Reserves	14(a)	5,043	8,138
Trusts and special purpose funds	14(a)	(4,209)	317
Legacies	14(a)	4,634	2,230
		5,530	9,280

4. AUDITORS' REMUNERATION

Audit Services

Auditors of the Trust
KPMG Australia

304 333

Other Services

Auditors of the Trust
KPMG Australia

41 –

The Salvation Army Australia Southern Territory Social Fund Notes to the Financial Statements

	2012 \$'000	2011 \$'000
5. RED SHIELD APPEAL DONATIONS		
Donations		
Victoria	23,791	21,099
South Australia	5,798	5,024
Western Australia	10,257	11,605
Tasmania	2,541	2,391
Northern Territory	496	539
Victorian Bushfire Appeal	1	933
Victorian Flood Appeal	995	2,219
NSW/QLD Flood Appeal – Note 1.	31	3,225
	43,910	47,035
Less: Expenses	(11,868)	(9,179)
Net Revenue Available for Distribution/Allocations	32,042	37,856
Distribution/Allocations		
Social programme deficits:		
Employment, education and training	456	555
Children and young people at risk	1,479	1,315
Addictions and substance abuse – Note 2.	938	1,782
Aged care and disability support	242	371
Individual and family support	12,354	12,035
Homelessness and domestic violence	5,532	5,104
Chaplaincy	3,831	3,649
Social services and community programmes total	24,832	24,811
Capital Appeals	1,552	1,882
Other Emergency Appeals	109	891
Victorian Bushfire Appeal	1	933
Victorian Flood Appeal	995	2,219
NSW/QLD Flood Appeal – Note 1.	31	3,225
Donor designated gifts for social services and community programmes	4,522	3,895
Total Distribution/Allocations	32,042	37,856

Notes

- Donations were received through The Salvation Army Australia Southern Territory Red Shield Appeal towards the NSW/QLD Flood Appeal. Flood relief efforts in NSW/QLD are managed by The Salvation Army Australia Eastern Territory, so these funds have been forwarded to their office for distribution.
- The Salvation Army Australia Southern Territory Social Fund provided funding of \$3,257,000 towards addictions and substance abuse social programmes in 2012 (2011: \$3,046,000). Only \$938,000 of these funds are sourced from the Red Shield Appeal, so the balance came from other income sources.

The Salvation Army Australia Southern Territory Social Fund Notes to the Financial Statements

	NOTE	2012 \$'000	2011 \$'000
5. RED SHIELD APPEAL DONATIONS (continued)			
Victorian Bushfire Appeal			
Amount set aside within reserves at 30 June 2011 for commitments beyond 30 June 2011		7,316	11,857
Donations			
The Salvation Army Australia Southern Territory Red Shield Appeal Emergency appeals		1	933
The Salvation Army Australia Eastern Territory Red Shield Appeal Emergency appeals		–	5
		7,317	12,795
Expenditure in 2011/12		(3,074)	(5,479)
Amount set aside within reserves at 30 June 2012 for commitments beyond 30 June 2012		4,243	7,316
Victorian Flood Appeal			
Amount set aside within reserves at 30 June 2011 for commitments beyond 30 June 2011		2,036	–
Donations			
The Salvation Army Australia Southern Territory Red Shield Appeal Emergency appeals		995	2,219
The Salvation Army Australia Eastern Territory Red Shield Appeal Emergency appeals		–	1,603
Other		1	380
		3,032	4,202
Expenditure in 2011/12		(3,032)	(2,166)
Amount set aside within reserves at 30 June 2012 for commitments beyond 30 June 2012		–	2,036
Interest earned on unutilised Victorian Bushfire and Flood Appeal funds is allocated to the Disaster Relief Reserve (part of 'social programme enhancement and development' reserve balance – see Note 14(c)), to be used to assist with future disaster relief provided by The Salvation Army Social Fund. Interest of \$274,000 (2011: \$470,000) was allocated to this reserve during 2012, and the Disaster Relief Reserve has a balance of \$992,000 at 30 June 2012 (2011: \$760,000).			
6. CASH			
Cash on hand		178	164
Cash at bank		522	9,134
		700	9,298

The Salvation Army Australia Southern Territory Social Fund Notes to the Financial Statements

7. RECEIVABLES AND OTHER CURRENT ASSETS

Current

Prepayments	896	1,018
Accommodation Bond Rollovers	5,538	4,107
Sundry debtors	10,792	10,605
	17,226	15,730

Non-current

Deferred Consideration	3,300	3,597
Accommodation Bond Rollovers	30,700	29,725
Sundry debtors	246	424
	34,246	33,746

8. OTHER FINANCIAL ASSETS

Current

Short-term deposits	45,323	7,983
---------------------	--------	-------

Non-current

Unlisted units in managed investment funds	124,394	118,374
Long-term deposits	13,188	53,681
Other	789	635
	138,371	172,690
	183,694	180,673

Impairment losses

At 30 June 2012, the Social Fund has reviewed its financial assets for impairment and determined that an impairment loss of \$179,000 (2011: \$Nil) is required. This expense is included within 'other operating expenses from ordinary activities' in the Statement of Comprehensive Income.

9. INVENTORIES

Raw materials and stores	254	301
Work in progress	19	18
Finished goods	619	703
	892	1,022

10. PROPERTY, PLANT AND EQUIPMENT

Freehold Land and Buildings

Freehold land at cost	33,929	32,125
Buildings at cost	200,446	170,724
Accumulated depreciation	(41,420)	(38,609)
	159,026	132,115
Total Freehold Land and Buildings	192,955	164,240

The Salvation Army Australia Southern Territory Social Fund Notes to the Financial Statements

10. PROPERTY, PLANT AND EQUIPMENT (continued)

Leasehold Property

At cost	12,262	12,130
Accumulated depreciation	(6,016)	(4,410)
Total Leasehold Land and Buildings	6,246	7,720

Building Schemes in Progress – at cost

Motor Vehicles

At cost	4,030	4,042
Accumulated depreciation	(3,336)	(3,028)
Total Motor Vehicles	694	1,014

Plant and Equipment

At cost	20,686	17,303
Accumulated depreciation	(12,976)	(9,883)
Total Plant and Equipment	7,710	7,420

Total Property, Plant and Equipment Net Book Value

Social Fund freehold/leasehold land and buildings of \$199,201,000 (2011: \$171,960,000) are funded through the Property Contributions Fund (excluding building schemes in progress funding) of \$196,628,000 as at 30 June 2012 (2011: \$168,792,000). The remaining balance is funded from the following sources:

Interest-free loans	2,400	2,600
Social Fund freehold properties – unfunded	173	568

Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:

Freehold Land and Buildings

Carrying amount at beginning of year	164,240	156,660
Additions (transfers from Building Schemes in Progress – Cost)	33,432	18,105
Disposals	(1,152)	(6,865)
Depreciation	(3,565)	(3,660)
Carrying amount at end of year	192,955	164,240

Leasehold Property

Carrying amount at beginning of year	7,720	8,587
Additions (transfers from Building Schemes in Progress – Cost)	129	343
Depreciation	(1,603)	(1,210)
Carrying amount at end of year	6,246	7,720

The Salvation Army Australia Southern Territory Social Fund Notes to the Financial Statements

	NOTE	2012 \$'000	2011 \$'000
10. PROPERTY, PLANT AND EQUIPMENT (continued)			
Building Schemes in Progress – Cost			
Carrying amount at beginning of year		27,271	21,955
Additions		14,865	24,060
Transfers to Freehold Land and Buildings/Leasehold Property		(33,561)	(18,448)
Transfers to Plant and Equipment		(1,136)	(296)
Carrying amount at end of year		7,439	27,271
Motor Vehicles			
Carrying amount at beginning of year		1,014	1,219
Additions		120	208
Disposals		(63)	(5)
Depreciation		(377)	(408)
Carrying amount at end of year		694	1,014
Plant and Equipment			
Carrying amount at beginning of year		7,420	9,361
Additions		3,625	2,058
Disposals		–	(277)
Depreciation		(3,335)	(3,722)
Carrying amount at end of year		7,710	7,420
11. PAYABLES			
Current			
Sundry creditors and accruals		21,950	25,956
Prepaid government funding		8,346	8,289
Accommodation bond rollovers	1(g)	2,440	2,685
		32,736	36,930
Non-current			
Accommodation bond rollovers	1(g)	18,360	17,272
12. EMPLOYEE BENEFITS			
Current			
Employee entitlements		17,855	16,669
Non-current			
Employee entitlements		1,997	1,752

The Salvation Army Australia Southern Territory contributed \$12,722,000 (2011: \$12,078,000) on behalf of employees to the superannuation plans of their choice, in accordance with superannuation guarantee legislation.

The Salvation Army Australia Southern Territory Social Fund Notes to the Financial Statements

	NOTE	2012 \$'000	2011 \$'000
13. PROVISIONS			
Current			
Care Leavers claims	21(b)	2,000	2,000
Non-current			
Care Leavers claims	21(b)	2,225	2,970
Make good of leased premises	1(o)	388	563
		2,613	3,533
14. CAPITAL FUNDS			
(a) Movements in Capital Funds			
Property Contributions Fund			
Opening Balance		202,575	189,609
Net Transfers		6,619	14,371
Allocations from/(to) working capital fund	3	62	(1,405)
Closing balance		209,256	202,575
Reserves			
Opening Balance		114,287	109,831
Net Transfers		(5,398)	(5,949)
Transfer to/(from) Fair Market Reserve		1,248	2,267
Allocations from/(to) working capital fund	3	5,043	8,138
Closing balance	14(c)	115,180	114,287
Trusts and Special Purpose Funds			
Opening Balance		18,330	19,278
Net Transfers		(622)	(1,265)
Allocations from working capital fund	3	(4,209)	317
Closing balance	14(d)	13,499	18,330
Legacies			
Opening Balance		18,898	23,825
Net Transfers		(599)	(7,157)
Allocations from working capital fund	3	4,634	2,230
Closing balance		22,933	18,898
Working Capital Fund			
Opening Balance		7,665	6,855
Operating surplus before allocations		5,356	10,090
Allocations from/(to) other capital funds	3	(5,530)	(9,280)
Closing balance		7,491	7,665

The Salvation Army Australia Southern Territory Social Fund Notes to the Financial Statements

14. CAPITAL FUNDS (continued)

(b) Property Contributions Fund

Under International Salvation Army accounting policies and procedures, all contributions, grants, donations and other revenue that will finance property projects must be specifically accounted for in the books of The Salvation Army Australia Southern Territory. Upon completion of each project, the respective contributions are transferred to the Property Contributions Fund.

This balance represents the commitments that were fulfilled in acquiring the land and buildings shown as assets held by The Salvation Army Australia Southern Territory. These contributions remain in the statement of financial position to 'fund' the depreciation on these properties, thus relieving the working capital fund of this charge.

(c) Reserve Balances

Board Designated Funds

	2012 \$'000	2011 \$'000
Property development	23,625	15,329
Training	2,209	8,809
Social programme enhancement and development	23,221	22,043
Capital asset contribution	3,109	2,660
Planned maintenance	8,026	7,990
Asset replacement	7,260	6,354
Aged care reserves	29,735	32,891
Capital projects funding	3,509	3,400
Employment and training	15,079	15,595
Fair Market Investment Reserve	8,301	7,053
Investment Fluctuation Reserve	(11,761)	(10,801)
Other	2,867	2,964
	115,180	114,287

These balances are amounts set aside by the Territorial Finance Council to meet realistic, planned or anticipated needs for The Salvation Army Australia Southern Territory, thereby relieving the working capital fund from the future cost of these needs. An explanation of the purpose of each reserve is provided below.

Property Development

This balance represents funds set aside for future property development within the Social Fund.

It also represents the net proceeds on sold properties, which are set aside until allocated to new capital schemes. In most cases, the net proceeds on a particular sold property are utilised as part funding for a specific new capital scheme. However, in some cases, excess property is sold and the net proceeds are available more generally for a number of capital schemes, or other purposes as determined by the Territorial Finance Council. It also includes a specific allocation for property development purposes in relation to retired officers' quarters.

Training

This balance represents funds set aside to be used towards the cost of officer and employee training, and to further enhance future service provision and delivery.

Social Programme Enhancement and Development

This balance represents funds retained by specific social centres to be utilised, in conjunction with the funding bodies supporting these programmes, for the enhancement and development of these programmes, as well as unused quota funding available at the reporting date by division for future social programme development, within their social centres.

The Salvation Army Australia Southern Territory Social Fund Notes to the Financial Statements

14. CAPITAL FUNDS (continued)

Capital Asset Contribution

This balance represents funds utilised to purchase capital assets (excluding land and buildings). These funds will be used to offset the future expensing of such assets through depreciation charges in subsequent financial periods.

Planned Maintenance

This balance represents funds set aside for the future maintenance and repair of property assets held by the Social Fund of The Salvation Army Australia Southern Territory.

Asset Replacement

This balance represents funds set aside for the future replacement of various fixed assets, including computers, across various social centres and Territorial Headquarters social departments.

Aged Care Reserves

This balance includes funds set aside for contingency (refer Note 21(a)) issues resulting from the sale of 15 aged care centres on 1 July 2005, forthcoming major property developments at aged care centres retained by The Salvation Army, and a perpetual reserve, from which its interest will be used to assist with funding the ongoing operational costs within our remaining aged care centres.

Capital Projects Funding

This balance represents funds set aside by the Territorial Finance Council to cover various project costs included within non-current assets.

Employment and Training

This balance represents funds set aside for future initiatives across the Territory, including the potential future obligations of Employment Plus beyond the current job network contract period.

Fair Market Investment Reserve

This balance represents the unrealised gain on unlisted units held in managed investment funds as at 30 June 2012.

Investment Fluctuation Reserve

This balance represents the impairment expense recorded on unlisted units in managed investment funds in the previous financial year, offset by realised gains or losses on disposal of unlisted units.

Other

This is the balance of a number of minor reserves that have been set aside at the direction of the Territorial Finance Council.

	2012 \$'000	2011 \$'000
	2,411	2,337
	4,374	9,429
	4,440	5,306
	2,274	1,258
	13,499	18,330

(d) Trust and Special Purpose Fund Balances

Restricted Funds

Special purpose trusts	2,411	2,337
Emergency Appeals	4,374	9,429
General deposits	4,440	5,306
Building deposits	2,274	1,258
	13,499	18,330

The Salvation Army is called upon to utilise large amounts of specified donations and other restricted revenue, which must be accounted for meticulously in accordance with the donor's wishes. It is therefore common for large balances to be unavoidably carried forward from one year to another, until such time as the funds can be used for the specific purposes for which they have been given.

On this basis, the trusts and special purpose fund balances are not actually revenue available to The Salvation Army Australia Southern Territory until they are expended on the purpose specified by the donors. There can be no change of purpose of any amount donated without reference to the person or organisation that set the conditions. An explanation of the purpose of each special purpose reserve is provided below.

The Salvation Army Australia Southern Territory Social Fund Notes to the Financial Statements

14. CAPITAL FUNDS (continued)

Special Purpose Trusts

The Salvation Army holds a number of balances, where the donor has stipulated that the capital is invested, and interest generated on such capital funds be used in a particular way. This reserve identifies the balance of such capital funds.

Emergency Appeals

The Salvation Army has received funds from donors for specific emergency appeals, mainly for Victorian bushfire relief. These relief efforts will continue well beyond 30 June 2012 so this balance represents the unexpended portion of funds donated for this purpose.

Building and General Deposits

This balance represents funds held on behalf of specific social centres, set aside for specific purposes until used. For example, if a centre receives a specified donation from the Red Shield Appeal, but has not utilised the funds at the end of the year, then the funds are carried forward to the next year as part of this reserve.

15. INCOME TAX

The following Salvation Army organisations are endorsed by the Australian Taxation Office as Income Tax Exempt Charities:

The Salvation Army Australia Southern Territory General Work Institution; The Salvation Army (South Australia) Property Trust;
The Salvation Army Australia Southern Territory Social Work Institution; The Salvation Army (Western Australia) Property Trust; and
The Salvation Army (Victoria) Property Trust; The Salvation Army (Northern Territory) Property Trust.
The Salvation Army (Tasmania) Property Trust;

Donations of two dollars (\$2) or more given to the following funds attract income tax deductibility:

- (i) The Salvation Army Australia Southern Territory Social Work Institution
- (ii) The Salvation Army Red Shield Appeal

16. INTEREST-FREE LOANS

Current

Unsecured loans

2012 \$'000	2011 \$'000
200	200
200	200
302	319
4,964	5,101
2,200	2,400
7,466	7,820

Non-Current

Accommodation Bonds – amortisable
Accommodation Bonds – refundable
Unsecured Loans

Entry Contributions/Accommodation Bonds

These balances are repayable to residents of aged care centres upon their vacating of the centres. When taking up residence at aged care centres, government legislation allows for residents to pay a refundable and an amortisable entry contribution to The Salvation Army. The refundable portion is in the form of an interest-free loan repayable in full, while the amortisable portion is amortised over five years. The amortisation amount is transferred to reserves held for aged care redevelopments.

Unsecured loans

These balances represent loans provided by government bodies towards the construction of aged care centres.

The Salvation Army Australia Southern Territory Social Fund Notes to the Financial Statements

17. SPECIAL PURPOSE FUNDS – NON-CURRENT LIABILITY

This amount relates to trust funds held by The Salvation Army on behalf of residents of various social centres.

18. COMMITMENTS

(a) Capital Commitments

The Salvation Army Australia Southern Territory is constantly engaged in planned and ongoing construction projects requiring the commitment of significant funds.

Certain portions of these funds will be provided by Territorial Headquarters and other funds will be received from other sources.

Due to the uncertainties necessarily surrounding funding from sources other than Territorial Headquarters, it is not possible, at any point in time, to quantify the exact financial commitment required of Territorial Headquarters for these projects.

However, the maximum values are:

	2012 \$'000	2011 \$'000
Cost to complete property schemes in progress	19,707	25,666
Property schemes approved but not commenced as at 30 June 2012	756	713
	20,463	26,379

(b) Operating Lease Commitments

Future operating lease rentals for properties not provided in the financial statements and payable:

	2012 \$'000	2011 \$'000
Not later than one year	23,707	22,539
Later than one year but not later than five years	38,762	29,866
Later than five years	691	1,700
	63,160	54,105

The Social Fund leases a number of properties under operating leases. The leases typically run for a period of 3 to 5 years and usually include an option to renew the lease after that period. Lease payments are increased at the end of the lease period to reflect market rentals.

19. RELATED PARTY DISCLOSURES

Key Management Personnel Disclosures

The Trustees of The Salvation Army are deemed to be the key management personnel of the Social Fund.

The names of the Trustees who held office during the year ended 30 June 2012 were:

Commissioner Raymond Finger	Lieutenant-Colonel Frank Daniels
Colonel Peter Walker	Lieutenant-Colonel Rodney Barnard
Lieutenant-Colonel Ian Hamilton	Captain Malcolm Roberts
Lieutenant-Colonel Vivien Callander	Mr Gregory Stowe

The Salvation Army Australia Southern Territory Social Fund Notes to the Financial Statements

Trustees' Remuneration

The Trustees are officers or staff of The Salvation Army Australia Southern Territory, and receive remuneration in accordance with established Salvation Army guidelines as below. In addition, officer trustees also receive accommodation and use of a motor vehicle at no cost as part of their officership, in accordance with established Salvation Army guidelines. No additional remuneration is received by these officers for acting in their capacity as Trustees of the Social Fund. Staff trustees receive the use of a motor vehicle at no cost as part of their employment contract. There are no other transactions with key management personnel.

	2012 \$'000	2011 \$'000
Total income paid or payable, or otherwise made available to all Trustees of the Social Fund from the Social Fund or any related party	353	324

20. NOTES TO THE STATEMENT OF CASH FLOWS

For the purposes of the Statement of Cash Flows, cash includes cash on hand and at bank, cash in transit and cash held at social centres net of outstanding bank overdrafts. Cash at the end of financial year as shown in the Statement of Cash Flows is reconciled to the related items in the Statement of Financial Position as follows:

	NOTE	2012 \$'000	2011 \$'000
Cash	6	700	9,298

21. CONTINGENT LIABILITIES

a) Sale of aged care centres on 1 July 2005

On 1 July 2005, The Salvation Army completed the sale of 14 of its 19 sites catering for aged care hostels and nursing homes, as well as retirement living units, to Retirement Care Australia (RCA). In addition, TriCare acquired the Hayville retirement village in Box Hill, Melbourne. The business sale agreements included various warranties from The Salvation Army to the purchasers, whereby under certain circumstances, they may seek financial compensation from The Salvation Army.

In addition, at the time of divesting some of its aged care centres, the Department of Health and Ageing had provided The Salvation Army with capital grant funding towards the construction of Gilgunya Village, Weeroona Hostel, Inala Village Nursing Home, Edenfield Hostel, Warrina Hostel and Darwin Nursing Home. Under certain conditions, a portion of these capital grants may need to be repaid by The Salvation Army to the Department of Health and Ageing. The amount repayable to the Department of Health and Ageing reduces over time, with 2021 being the last expiration date for the capital grant funding provided for Gilgunya Village. As at 30 June 2012, the maximum capital grant funding which would have been repayable to the Department of Health and Ageing was \$1,861,000 (2011: \$2,365,000).

At 30 June 2012, the Trustees are of the opinion that provisions are not required in respect of these matters, as it is not probable that a future sacrifice of economic benefits will be required. However, funds have been set aside to an 'aged care divestment warranty reserve' to cover contingencies.

b) Care Leavers claims

The Salvation Army has publicly expressed it is deeply regretful of any incident of abuse perpetrated between the 1940s and 1980s towards children who had been in its care. This provision is to cover claims currently being processed, including costs for access to professional counselling services, pastoral care, medical expense reimbursements and legal costs.

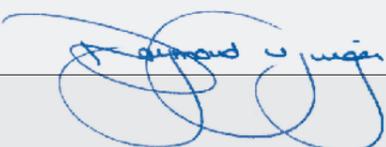
In addition to the provision for care leavers claims of \$4,225,000 recorded at 30 June 2012 (refer Note 13), there may be further claims lodged with The Salvation Army, which would need to be assessed. The Salvation Army is unable to quantify the estimated future costs of such claims.

The Salvation Army Australia Southern Territory Social Fund Trustees' Declaration

In the opinion of the Trustees of the Salvation Army Australia Southern Territory Social Fund ("Social Fund"):

- (i) The accompanying financial statements and notes set out on pages 49 to 70 are drawn up so as to present fairly the financial position of the Social Fund as at 30 June 2012 and the results of its operations and its cash flows for the year then ended;
- (ii) The operations of the Social Fund have been carried out in accordance with its Trusts Deeds poll during the year ended 30 June 2012;
- (iii) The financial statements have been prepared in accordance with Accounting Standards – Reduced Disclosure Regime; and
- (iv) There are reasonable grounds to believe that the Social Fund will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Trustees:


Raymond A Finger, Commissioner
Territorial Commander
TRUSTEE


Gregory F Stowe
Chief Financial Officer
TRUSTEE

Dated at Melbourne this 23rd day of October 2012



Independent audit report to the Trustees of The Salvation Army Australia Southern Territory Social Fund

Report on the financial report

We have audited the accompanying financial report of The Salvation Army Australia Southern Territory Social Fund (the Aggregated Entity), which comprises the aggregated statement of financial position as at 30 June 2012, and the aggregated statement of comprehensive income, aggregated statement of changes in capital funds and aggregated statement of cash flows for the year ended on that date, notes 1 to 21 comprising a summary of significant accounting policies and other explanatory information.

Trustees' responsibility for the financial report

The Trustees of the Aggregated Entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and for such internal control as the Trustees determine is necessary to enable the preparation of the financial report that is free from material misstatement whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. 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 the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Trustees, as well as evaluating the overall presentation of the financial report.

We performed the procedures to assess whether in all material respects the financial report presents fairly, in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, a view which is consistent with our understanding of the Aggregated Entity's financial position, and of its performance and cash flows.

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



Independence

In conducting our audit, we have complied with the independence requirements of the Accounting Professional and Ethical Standards Board.

Auditor's opinion

In our opinion the financial report presents fairly, in all material respects, in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, the financial position of The Salvation Army Australia Southern Territory Social Fund as of 30 June 2012 and of its financial performance and its cash flows for the year then ended.

KPMG

Darren Scammell
Partner

Melbourne

23 October 2012

Corporate Partners

South Australia

Adelaide Hatters
Arts Projects Australia
Australian Executor Trustees Limited
Beaumont Nominees
BHP Billiton (Matched Giving Programme)
Built Environs Pty Ltd
Christmas Party for Special Children
Dareel Pty Ltd as Trustee for Uhrig Family Trust
Diamond Photographics
Electel Resources Pty Ltd
Flexichem Pty Ltd
Foodland Group (SA)
Graeme Johnson Pty Ltd
Gray Management Group
IGA South Australia
Jareden Pastoral Company Pty Ltd
Kleenheat Gas Pty Ltd
Medallion Homes Pty Ltd
McConnell Dowell Corporation Ltd
Myer Community Fund
Radio 5AA
Rundle Mall Management
SGIC
Southern Cross Austereo Adelaide

Tasmania

ABC Giving Tree
Allport Trust
Aurora Energy
Budget Rent a Car
Clarendon Trust
Colin Bisdee Trust
Commonwealth Government of Australia
Bruce Wall Trust
Grote Reber Foundation
Hills Transplants
Kleenheat Gas
Kmart
Hobart International Airport
Hotel Grand Chancellor Hobart
IGA Tasmania
Launceston Airport
Metro
Motorcycle Riders Association Tas
Motors Foundation
RACT
R. F. & R. E. Cane Charitable Trust
Shannons Car Insurance
Southern Cross Media
State Government of Tasmania
StoryCo
Tasmanian Community Fund
The Examiner Newspaper
The Mercury Newspaper
Ultra 106.5 FM
Vos Constructions
Westpac Banking Corporation

Victoria

A A Holdings Pty Ltd
Adidas Australia Pty Ltd
Akzo Nobel Pty Ltd
AMP
AMP Foundation
AMP Workplace Giving Program
Annie & John Paterson Foundation
AON Risk Services Australia Limited
Ashurst Australia (Workplace Giving)
Australian Charities Fund
Australian Unity Limited (Workplace Giving)
Bell Charitable Fund
BHP Billiton
BHP Billiton Employee Contributions (Workplace Giving)
BHP Billiton Matched Giving Program
BlueScope Steel Limited (Workplace Giving)
Brand Smart
Busby Homes Pty Ltd
CAF Community Fund (Workplace Giving)
CAF UK (Charities Aid Foundation UK)
CGU Insurance
CHE proximity
Collier Charitable Fun
Commonwealth Government of Australia
Community Enterprise Foundation (Bendigo Bank)
CSIRO (Workplace Giving)
CSR (Workplace Giving)
Daniel Scott Estate, managed by Perpetual
Dibbs & Massie Foundation
Dimmick Charitable Trust
eftpos Payment Australia Limited
Fagg's Mitre 10
Farm Pride Foods Pty Ltd
Flaming Rhino Design Pty Ltd
Ford Motor Company of Australia Ltd
Ford Motor Company of Australia Ltd (Workplace Giving)
Fox & Lillie Pty Ltd
Goldman Sachs (Workplace Giving)
Grenet Foundation Ltd
Hilton White Estate
IAG Insurance Australia Group (Workplace Giving)
Industry Funds Management Pty Ltd (Workplace Giving)
Inner Range Pty Ltd
Jetmaster (Vic) Pty Ltd
Joe White Bequest
John and Betty Laidlaw
Jones Lang LaSalle
King & Wood Mallesons (Workplace Giving)
Kleenheat Gas Pty Ltd
Kmart Australia Ltd
Lionel R. V. Spencer Trust, managed by Perpetual
Lord Mayor's Charitable Foundation
Macquarie Group Foundation (Workplace Giving)
McConnell Dowell Corporation Ltd
Mary Kay Cosmetics Pty Ltd
Medibank Private
Melbourne Airport
Minter Ellison Lawyers (Workplace Giving)

Myer Community Fund
Myshare Group
National Australia Bank Limited (Workplace Giving)
National Wealth Management (Workplace Giving)
Newcrest Mining Limited
OMD
One Steel Trading Pty Ltd (Workplace Giving)
Optus Communications
Orica Australia Pty Ltd
Orica Australia Pty Ltd (Workplace Giving)
Origin Energy (Workplace Giving)
Paper Agencies (Aust & NZ) Pty Ltd
Peerless Holdings
Pitcher Partners (Workplace Giving)
Planet Give Foundation
QSuper (Workplace Giving)
R. M. Ansett Trust, administered by Equity Trustees realestate.com.au
Reece Pty Ltd
Rio Tinto Services Limited
Ritchies Stores Pty Ltd
Salmat Limited
Salmat Limited Employee Contributions
Scalzo Food Industries
Smith Family Trust
Smith & Smith Manufacturing
Southern Cross Austereo
State Government of Victoria
Telstra Corporation Limited (Workplace Giving)
The Amelia Eliza Holland Trust
The Cassidy Bequest Gift Fund, managed by Perpetual
The G W Vowell Foundation Limited
The Hugh Williamson Foundation
The Marian & E. H. Flack Trust
The Miller Foundation
The Orloff Family Charitable Trust
The Perpetual Foundation – The Russell Endowment
The Ricketson Foundation
The Salvation Army Westcare (Workplace Giving)
The Stuart Leslie Foundation
The Sun Foundation Pty Ltd
The Yulgilbar Foundation
Tieco International (Aust) Pty Ltd
Tonnex International
United Way (Workplace Giving)
Ventura Bus Lines
Victoria Police (Workplace Giving)
Village Roadshow Limited
Westpac Banking Corporation
William Angliss (Victoria) Charitable Fund
Wood Family Foundation

Western Australia

Advertising Federation of Australia
Alcock Brown-Neaves Foundation
Apache Energy Ltd
Austal
Australian Childrens Trust
Barrick Australia Pacific (Plutonic)
Bedding Superstore
Bendigo Bank
Benz Industries

BHP Billiton Iron Ore Pty Ltd
Budget Rent a Car
Bunnings Group Ltd
Calibre Global
Christmas Island Charity Association
City of Bayswater
Coates Hire Pty Ltd
Community Newspaper Group
Compass Foundation
Coopers Partners
Crown Perth
CRS Pty Ltd
Dale Alcock Homes
DVG Automotive Group
Ernst and Young
Fast-Fluor SKM Iron Ore Joint Ventures
Flinders Charitable Foundation
Forrest Family Investments Pty Ltd
Fruit Boost
Fuel Creative
gtmedia
Jancic Pty Ltd
Jones Lang LaSalle
Karrinyup Shopping Centre
Katana Asset Management
Kimbar Nominees Pty Ltd
Kleenheat Gas
Lavan Legal
Leighton Contractors
Lycopodium Ltd
Macmahon Holdings Ltd
McConnell Dowell
McCusker Charitable Foundation
McDonald's Australia
McVay Foundation
Medibank Private
Minemax Pty Ltd
Mining and Civil Australia Pty Ltd
Monodelphous Group Ltd
Oasis Ball Committee
Packer & Co
Panoramic Resources Ltd
Patersons Securities
PDC Global Pty Ltd
PEK Nominees Pty Ltd
Printforce
Professional Business Equipment
Ragged Range Mining Pty Ltd
RBS Morgans
SGIO
Solid Gold
Southern Cross Austereo
Subiaco Football Club
Swan Transit Operations Pty Ltd
Temco Distributors
The Richardson Foundation
The Rowley Foundation
The Stan Perron Charitable Trust
The Wearne Charitable Trust
The West Australian Newspapers Ltd
Transfield Services
Westrac Pty Ltd
Wonteco Pty Ltd
Wythenshawe Foundation



**Publisher**

The Salvation Army
Australia Southern Territory
95-99 Railway Road, Blackburn VIC 3130

While every effort has been made to ensure the accuracy of information in this publication, the publisher assumes no responsibility for errors or omissions or any consequence of reliance on this publication.

© 2013 The Salvation Army
Australia Southern Territory

Editorial Team

Major Neil Venables
Garry Tanner
Amity Cartwright
Stephanie Gourd

Staff Writer

Stephanie Gourd

Designer

Craig Buddle