

Annual Report

For the year ended
30 June 2010



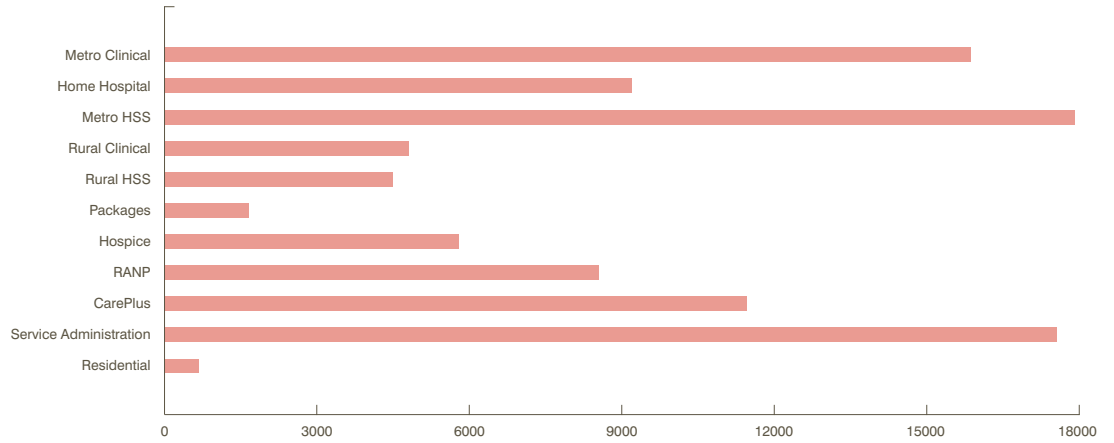
SILVER CHAIN

A YEAR IN REVIEW | 2009:2010

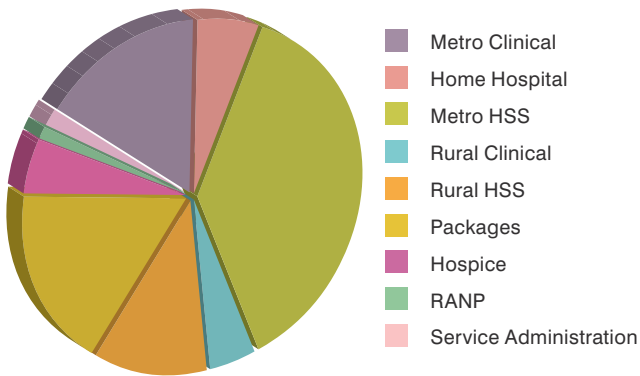


AT A GLANCE

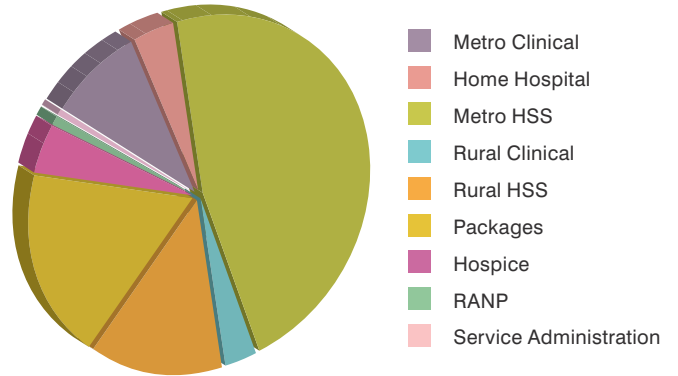
Total Individual Clients



Occasions of Service



Hours of Care



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STATEMENT BY BOARD OF MANAGEMENT

On behalf of the Board of Management of Silver Chain Nursing Association (Incorporated), we hereby state that to the best of our knowledge and belief, the accompanying financial report of the Association is properly drawn up and presents fairly, the financial position of the Association and the consolidated entity as at 30 June 2010 and the results of their activities for the year then ended.

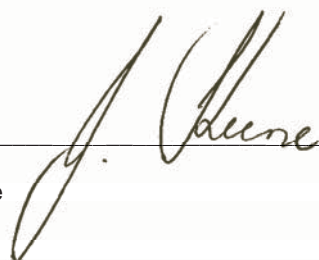
Dated at Perth this 3rd day of September 2010.

Signed in accordance with a resolution of the Board.



M C McNulty

President
Silver Chain



J E Keene

Chair
Audit and Risk Management Committee

CORPORATE GOVERNANCE STATEMENT

The Role of the Board of Management

The Board of Management ("the Board") has overall responsibility for the corporate governance of Silver Chain Nursing Association and its controlled entities. This includes setting strategic direction, confirming financial objectives, reviewing operational plans prepared by management and monitoring performance.

The responsibility of the Board for the affairs of Silver Chain Nursing Association is not limited to attendance at monthly meetings.

Board Composition

The Board has no executive members. This ensures independence and objectivity in governing the Association's affairs.

In the event that a potential conflict of interest may arise, Board members are required to declare their interest and withdraw from the Board for the period the matter in which they have an interest is being considered. They take no part in any discussions or voting on matters in which an interest has been declared.

Board Committees

The Board seeks to achieve best practice in corporate governance and accountability through the following committees which assist the Board in the execution of its responsibilities. These committees have agreed terms of reference that define their roles and responsibilities. These are summarised below.

The **Audit and Risk Management Committee** consists of a minimum of three people who must be non-Executive members of the Board. It provides a forum in which to consider financial reporting, internal and external auditing, compliance and risk management related issues. It also monitors the performance of investments and the scope of insurance cover.

This Committee meets bi-monthly. Committee members are Mrs J E Keene (Chair), Mr P J Gibbons and Mr R K Radley. Mr C H McGowan, Chief Executive Officer and Mr M G Bowd, General Manager - Finance attend Committee meetings.

The **Professional Services Advisory Committee** consists of four non-Executive members of the Board and a number of executive staff as agreed by the Chairman and Chief Executive Officer. It monitors and reviews care standards, performance and direction, and considers ethical issues relating to care. It considers and reports on care related issues arising from internal and external audits and surveys.

This Committee meets monthly. Committee members are Mrs D E Browning (Chair), Dr M C McNulty, Dr J Straton, Dr G Lewin, Research Director, Mr S Carmody, General Manager, Health, Mrs C Bain, General Manager, Major Projects, Mrs S Cummins, General Manager, Country and Home Support Services, Ms J Lister, Manager, Quality Monitoring Systems and Mr C H McGowan, Chief Executive Officer. Dr N Marinovich, held office up to 4 June 2010 when he resigned from the Board of Silver Chain.

The **Corporate Governance, Nominations and Remuneration Committee** consists of four non-Executive members of the Board and such other persons as the Committee may invite to be members. The Committee assists the Board in fulfilling its duties with respect to governance policies and policies/methodology surrounding the appointment, remuneration and performance assessment of members of the Board, CEO and senior executive personnel.

Committee members are Mrs G M McMath (Chair), Dr M C McNulty, Mrs D Browning, Mrs J E Keene and Mr C H McGowan, Chief Executive Officer.

CORPORATE GOVERNANCE STATEMENT

Board Committees (cont'd)

The ***Human Research Ethics Committee*** reports to the board and in addition to the Australian Health Ethics Committee, formed under the auspices of the National Health and Medical Research Council. The Committee meets as required to review protocols for research concerning research participants, including the means and methods as well as all ethical considerations. The Committee members are Dr M McNulty (Chair), Mrs D Browning, Revd G Blyth, Dr J Heyworth, Ms A McKenzie, Ms S Vandermeulen, Mr J White and Ms M Walker.

Business Risk

The Board requires management to identify areas of risk, to quantify those risks and to adopt cost effective strategies to manage the Association's exposure to risk.

Ethical Investing and Management of Funds

Silver Chain investments are managed within the terms of the Board policy 'Ethical Investing and Management of Silver Chain Funds'.



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**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SILVER CHAIN ASSOCIATION (INCORPORATED)**

Report on the Financial Report

We have audited the accompanying financial report of Silver Chain Nursing Association (Incorporated), which comprises the statements of financial position as at 30 June 2010, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the year ended on that date, a summary of significant accounting policies, other explanatory notes and the statement of the Board of Management.

Board of Management's Responsibility for the Financial Report

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on 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 Board of Management, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Australian professional accounting bodies.

Auditor's Opinion

In our opinion the financial report presents fairly, in all material respects, the financial position of Silver Chain Nursing Association (Incorporated) and the consolidated entity as at 30 June 2010 and their financial performance and cash flows for the year then ended in accordance with Australian Accounting Standards(including Australian Accounting Interpretations).

BDO Audit (WA) Pty Ltd

BDO

Glyn O'Brien
Director

Perth, Western Australia

Dated this 3rd day of September 2010

STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2010

	NOTE	CONSOLIDATED		ASSOCIATION	
		2010	2009	2010	2009
		\$	\$	\$	\$
CURRENT ASSETS					
Cash and cash equivalents	2 , 3	24,799,873	19,085,336	18,587,420	13,153,393
Trade and other receivables	4	3,600,666	3,955,295	2,322,759	3,952,868
Other current assets	6	1,168,747	499,300	1,168,747	499,300
TOTAL CURRENT ASSETS		29,569,286	23,539,931	22,078,926	17,605,561
NON-CURRENT ASSETS					
Financial assets	5	31,461,768	17,143,783	31,461,771	17,143,786
Property, plant and equipment	7	32,370,808	92,365,968	32,370,808	92,365,968
Investment property	8	28,320,965	-	28,320,965	-
Other non-current assets	9	-	469,861	-	469,861
TOTAL NON-CURRENT ASSETS		92,153,541	109,979,612	92,153,544	109,979,615
TOTAL ASSETS		121,722,827	133,519,543	114,232,470	127,585,176
CURRENT LIABILITIES					
Trade and other payables	10	19,940,451	34,133,747	19,940,458	34,133,747
Short-term financial liabilities	11	119,104	135,115	119,104	135,115
Short-term provisions	12	2,184,565	2,052,965	2,184,565	2,052,965
TOTAL CURRENT LIABILITIES		22,244,120	36,321,827	22,244,127	36,321,827
NON-CURRENT LIABILITIES					
Trade and other payables	10	-	10,313,091	-	10,313,091
Long-term financial liabilities	11	497,261	886,614	497,261	886,614
Long-term provisions	12	5,728,979	10,515,910	5,728,979	10,515,910
TOTAL NON-CURRENT LIABILITIES		6,226,240	21,715,615	6,226,240	21,715,615
TOTAL LIABILITIES		28,470,360	58,037,442	28,470,367	58,037,442
NET ASSETS		93,252,467	75,482,101	85,762,103	69,547,734
EQUITY					
Accumulated funds		82,333,990	64,401,678	74,843,626	58,467,311
Reserves		10,918,477	11,080,423	10,918,477	11,080,423
TOTAL EQUITY		93,252,467	75,482,101	85,762,103	69,547,734

The accompanying notes form part of these financial statements.

**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2010**

	NOTE	CONSOLIDATED		ASSOCIATION	
		2010	2009	2010	2009
		\$	\$	\$	\$
Revenues from Continuing Operations					
Home and Community Care grants		53,528,710	53,242,338	53,528,710	53,242,338
Department of Health grants		38,318,700	27,144,650	38,318,700	27,144,650
Commonwealth grants and subsidies		27,076,486	25,073,877	27,076,486	25,073,877
Community care fees		6,553,602	6,466,305	6,553,602	6,466,305
Accommodation bond retentions		-	-	-	-
Sales, rentals and rebates		1,485,459	978,556	1,485,459	978,556
Donations from Silver Chain Foundation		-	-	380,797	510,367
Other donations and fundraising		1,579,074	1,886,256	1,579,074	1,885,496
Interest		851,431	1,621,142	545,261	1,264,759
		<u>129,393,462</u>	<u>116,413,124</u>	<u>129,468,089</u>	<u>116,566,348</u>
Expenditure relating to Operations					
Employee benefits costs		76,017,056	73,867,301	76,017,056	73,867,301
Other staff related costs		16,723,116	18,216,299	16,723,116	18,216,299
Consumables and cost of goods sold		8,353,832	6,656,722	8,353,832	6,656,722
Accommodation and maintenance expenses		3,441,835	3,480,119	3,441,835	3,480,119
Depreciation expenses	14	2,150,984	2,132,818	2,150,984	2,132,818
Impairment loss on investment properties	8	13,246,510	-	13,246,510	-
Impairment loss on investments		-	509,715	-	509,715
Finance costs		94,571	97,567	94,571	97,567
Other expenses		9,830,906	10,846,823	11,461,531	11,392,420
		<u>129,858,810</u>	<u>115,807,364</u>	<u>131,489,435</u>	<u>116,352,961</u>
Surplus / (Deficit) from Operations		<u>(465,348)</u>	<u>605,760</u>	<u>(2,021,346)</u>	<u>213,387</u>
Non Core Income					
	(a)				
Dividends and distributions		1,699,694	1,058,707	1,699,694	1,058,707
Specific purpose donations and bequests		1,998,017	793,527	1,998,017	793,527
Lotteries Commission (Lotterywest) capital grants		27,487	345,625	27,487	345,625
Government capital grants		407,825	564,125	407,825	564,125
Gain / (Loss) on disposal of property, plant and equipment		(115,190)	991,732	(115,189)	991,732
Gain / (Loss) on disposal of non-current investments		590,911	(3,377,300)	590,911	(3,377,300)
		<u>4,608,744</u>	<u>376,416</u>	<u>4,608,745</u>	<u>376,416</u>
NET RESULT FROM CONTINUING OPERATIONS	14	<u>4,143,396</u>	<u>982,176</u>	<u>2,587,399</u>	<u>589,803</u>
Discontinued Operations					
Net result from discontinued operations	15	13,788,916	(4,215,299)	13,788,916	(4,215,299)
NET RESULT FOR THE YEAR		<u>17,932,312</u>	<u>(3,233,123)</u>	<u>16,376,315</u>	<u>(3,625,496)</u>
Other Comprehensive Income					
Gain / (Loss) on revaluation of available for sale financial assets		(161,946)	595,934	(161,946)	595,934
Other comprehensive income for the year		<u>(161,946)</u>	<u>595,934</u>	<u>(161,946)</u>	<u>595,934</u>
TOTAL COMPREHENSIVE INCOME FOR THE YEAR					
		<u>17,770,366</u>	<u>(2,637,189)</u>	<u>16,214,369</u>	<u>(3,029,562)</u>

The accompanying notes form part of these financial statements.

(a) Non Core Income

The Silver Chain Group reported a net surplus from ordinary activities of \$17,932,312 for the year ended 30 June 2010. This surplus includes proceeds and accounting adjustments from disposal during the year of the Residential Portfolio \$13,788,916, surplus from ordinary activities also includes irregular or abnormal revenues of a capital or non recurrent nature including specific donations, bequests and other committed revenue. Prior year deficit from ordinary activities of \$3,233,123 includes losses on disposal of investments during the year of \$3,377,300.

The impact of accounting standards is to include revenues of a capital nature as revenue in the income statement when received whereas the related expenditure is recognised as an asset in the balance sheet when incurred. This can significantly increase the reported surplus or deficit in a financial year.

**STATEMENTS OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2010**

	Accumulated Funds	Asset Revaluation Reserve	Asset Realisation Reserve	Financial Assets Reserve	Total
CONSOLIDATED	\$	\$	\$	\$	\$
Balance at 1 July 2008	67,634,801	9,488,578	630,138	365,773	78,119,290
Profit attributable to the entity	(3,233,123)	-	-	-	(3,233,123)
Revaluation of available for sale financial assets	-	-	-	595,934	595,934
Disposal of previously re-valued assets	-	(334,093)	334,093	-	-
Total comprehensive income for the year	(3,233,123)	(334,093)	334,093	595,934	(2,637,189)
Balance at 30 June 2009	64,401,678	9,154,485	964,231	961,707	75,482,101
Profit attributable to the entity	17,932,312	-	-	-	17,932,312
Revaluation of available for sale financial assets	-	-	-	(161,946)	(161,946)
Disposal of previously re-valued assets	-	(6,305,384)	6,305,384	-	-
Total comprehensive income for the year	17,932,312	(6,305,384)	6,305,384	(161,946)	17,770,366
Balance at 30 June 2010	82,333,990	2,849,101	7,269,615	799,761	93,252,467

	Accumulated Funds	Asset Revaluation Reserve	Asset Realisation Reserve	Financial Assets Reserve	Total
ASSOCIATION	\$	\$	\$	\$	\$
Balance at 1 July 2008	62,092,807	9,488,578	630,138	365,773	72,577,296
Profit attributable to the entity	(3,625,496)	-	-	-	(3,625,496)
Revaluation of available for sale financial assets	-	-	-	595,934	595,934
Disposal of previously re-valued assets	-	(334,093)	334,093	-	-
Total comprehensive income for the year	(3,625,496)	(334,093)	334,093	595,934	(3,029,562)
Balance at 30 June 2009	58,467,311	9,154,485	964,231	961,707	69,547,734
Profit attributable to the entity	16,376,315	-	-	-	16,376,315
Revaluation of available for sale financial assets	-	-	-	(161,946)	(161,946)
Disposal of previously re-valued assets	-	(6,305,384)	6,305,384	-	-
Total comprehensive income for the year	16,376,315	(6,305,384)	6,305,384	(161,946)	16,214,369
Balance at 30 June 2010	74,843,626	2,849,101	7,269,615	799,761	85,762,103

The accompanying notes form part of these financial statements.

STATEMENTS OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2010

	NOTE	CONSOLIDATED		ASSOCIATION	
		2010 \$ Inflows (Outflows)	2009 \$ Inflows (Outflows)	2010 \$ Inflows (Outflows)	2009 \$ Inflows (Outflows)
Cash Flows from Operating Activities	1(j)				
Grants and subsidies received		124,151,504	114,038,830	123,770,707	114,038,830
Revenue from operations		10,284,244	24,214,931	10,284,244	24,214,931
Receipts from donations and fundraising		5,226,018	2,680,383	5,226,018	2,679,622
Donations from Silver Chain Foundation		-	-	380,797	510,367
Donations to Silver Chain Foundation		-	-	(171,314)	(550,078)
Interest, dividends and distributions received		2,017,238	3,221,291	1,711,068	2,784,905
Payments to suppliers and employees				(123,984,584)	
		(124,181,558)	(133,332,937)		(133,328,449)
Finance costs		(717,630)	(4,641)	(717,630)	(4,641)
Goods and services tax paid		(6,795,484)	(4,546,676)	(6,795,484)	(4,546,676)
Net cash provided by operating activities	18	9,984,332	6,271,181	9,703,822	5,798,811
Cash Flows from Investing Activities	1(j)				
Purchase of property, plant and equipment		(10,701,223)	(21,980,645)	(10,701,223)	(21,980,645)
Purchase of investments		(17,946,885)	(14,417,793)	(17,946,885)	(14,417,793)
Proceeds from sale of property, plant and equipment		12,305,674	7,556,605	12,305,674	7,556,605
Proceeds from sale of investments		4,057,490	11,372,584	4,057,490	11,372,584
Proceeds from sale of Aged Care Business		8,216,063	-	8,216,063	
Net cash used in investing activities		(4,068,881)	(17,469,249)	(4,068,881)	(17,469,249)
Cash Flows from Financing Activities	1(j)				
Grants, subsidies and donations received for capital purposes :					
Other grants, subsidies and donations		204,450	874,125	204,450	874,125
Proceeds from sale of lease for life assets		-	2,348,564	-	2,348,564
Loan funds repaid		(405,364)	(228,889)	(405,364)	(228,889)
Payments from controlled entities		-	-	-	35,487
Net cash provided by financing activities		(200,914)	2,993,800	(200,914)	3,029,287
Net (decrease) / increase in cash held		5,714,537	(8,204,268)	5,434,027	(8,641,151)
Cash at the beginning of the financial year		19,085,336	27,289,604	13,153,393	21,794,544
Cash at the End of the Financial Year	19	24,799,873	19,085,336	18,587,420	13,153,393
Non-Cash Transactions	20				

The accompanying notes form part of these financial statements.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards ("AASB's"), Australian Accounting Interpretations, other authoritative pronouncements of the Australian Accounting Standards Board ("AASB") and the requirements of the Associations Incorporation Act 1987 (Western Australia).

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

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

REPORTING BASIS AND CONVENTIONS

The financial report has been prepared on an accruals basis and is based on historical costs modified by the revaluation of selected non-current assets, financial assets and financial liabilities for which the fair value basis of accounting has been applied.

ACCOUNTING POLICIES

(a) Consolidation

The consolidated financial statements are those of the consolidated entity, comprising Silver Chain Nursing Association (Incorporated), and all entities controlled by the Association. All inter-entity balances and transactions have been eliminated on consolidation.

(b) Restricted Funds

On occasions, the Association and its controlled entities receive funds, the use of which is restricted to particular purposes. To facilitate observance and understanding of these restrictions, the financial report provides details in Note 3 of the restrictions that apply to cash and other liquid assets as follows:

Conditions Imposed by the Donor

These funds are presently available for use but expendable only for the purposes specified by the donor.

Statutory Restrictions

These funds are presently available for use but expendable only for the purposes specified by the statute.

Board Designation

When the Board of the Association or a controlled entity specifies a purpose for the expenditure of funds, where no conditions have otherwise been stated by the donor or are imposed by statute, such funds are classified as Board designated funds.

Working Capital for Current and Future Commitments

These funds are presently available to meet current and future commitments.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

(c) Financial Instruments

The Silver Chain Group classifies its investments as available-for-sale financial assets. The classification of investments depends on the purpose for which the investments were acquired and is determined when the investments are initially recognised.

Available-for-sale financial assets

Available-for-sale financial assets include any financial assets not acquired principally for the purpose of selling in the short-term or so designated by the Board of Management. They are included in non-current assets unless there is an intention to dispose of the investment within 12 months of the balance date.

Investments are recognised on trade date, being the date on which there is a commitment to purchase or sell the asset. Investments are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Silver Chain Group has transferred substantially all the risks and rewards of ownership.

Available-for-sale financial assets are initially recognised at fair value plus transaction costs and subsequently at fair value. Unrealised gains and losses arising from changes in fair value are taken directly to equity. When available-for-sale financial assets are sold the accumulated fair value adjustments recognised in equity are included in the statement of comprehensive income as gains and losses on sale of investments.

Financial liabilities

Financial liabilities are classified as financial liabilities through profit or loss and are measured using the effective interest method.

Fair Values

The fair value of available-for-sale financial assets is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities.

The fair value of financial liabilities is determined based on the present value of the liability's future cash flows discounted at the market rate of interest.

Impairment

At each reporting date, the Silver Chain Group assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available-for-sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether an impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

(d) Property, Plant and Equipment

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

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

The depreciable amounts of all property, plant and equipment excluding land, are depreciated on a straight-line basis over the estimated useful lives of the assets to the Association, commencing from the time the assets are held ready for use.

The estimated useful life of each class of depreciable asset or the rate of depreciation are as follows:

Class of Fixed Assets

Buildings	40 years
Plant and equipment	12.5% to 33.3%
Motor vehicles	1 to 2 years

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains and losses are included in the statement of comprehensive income. When revalued assets are sold, amounts included in the asset revaluation reserve relating to that asset are transferred to the asset realisation reserve.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

(d) Property, Plant and Equipment (cont'd)

Impairment of Assets

Silver Chain has relief from impairment testing of Property, Plant and Equipment under AASB136 paragraph AUD32.1., Not For Profit organisations. Replacement costs are deemed to be the assets written down value.

(e) Investment Property

Since the John Mercer Lodge and Alfred Carson Lodge properties are no longer used for "business operations" and are leased to tenants, these properties required re-classification from "Property Plant & Equipment" to "Investment Property" per AASB140. The basis of valuation for this transaction was the "Fair Value" method since the alternative option permissible by AASB140 is "Valuation at cost" with the consequence that annual impairment losses or increments would need to be recognised in the income statement each year. Given that Silver Chain is a non-profit organisation and the disposal of the properties represented the disposal of an entire business segment, (Residential Care), year end revaluation of these properties would result in the recognition of additional profit or loss in the Statement of Comprehensive Income which is not in fact reflective of an incurred profit or loss.

To determine the fair value, the following was considered:

a) Ability to obtain an independent value from a qualified valuer for properties that are located in a similar area and have similar attributes. (Size of land, accommodation and rental income). After enquiry we concluded that no other properties can be found in the area with this criteria as the property operates in a unique market setting and for the specific purpose of providing high end of market residential aged care and cannot be used without major infrastructure investment for any other purpose, thereby restricting the marketability of these properties. Given these facts and the significant valuation costs that would be incurred, Silver Chain believes there would be no benefit or meaningful outcome from an independent property valuation other than by discounting the rent cash flows.

b) Silver Chain has used the "Fair value" calculation method based on discounted cash flow projections per the lease agreement. The discount rates used reflects current market assessment as well as the uncertainty and timing of cash flows.

(f) Employee Benefits

Provision is made for the liability for employee benefits arising from services rendered by employees to balance date. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits.

In calculating the present value of estimated future cash flows in respect of long service leave, the Association has adopted the "short-hand" measurement technique and based the provision on remuneration rates current as at balance date for all employees with four or more years of service. The Board of Management believe that this method provides an estimate of the liability that is not materially different from the estimate that would be obtained by using the present value basis of measurement.

(g) Provision for Workers Compensation Insurance

Provision is made for the liability for workers compensation insurance premiums as at balance date based on contractual commitments and likely claims performance. The final premium may not settle for at least three years after the insurance year. Adjustments are made to the provision based on the actual claims made.

(h) Deferred Benefits on Lease for Life Assets

Proceeds from the sale of lease for life residential units are recognised in the statement of financial position as deferred benefits on lease for life assets until the Silver Chain Group ceases to have continual management involvement in a unit. Deferred benefits on lease for life assets are measured at cost. The measurement and recognition criteria of revenue from lease for life assets has been included in Note 1(k)(v).

(i) Cash and Cash Equivalents

Cash and cash equivalents include cash on hand, deposits held at call with banks and other short-term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

(j) Revenue

i) Grants, Subsidies and Sales Revenue

Grants for operating purposes, subsidies and sales revenue are brought to account on an accruals basis. Grants for capital purposes are recognised as revenue when received.

ii) Donations, Bequests and Fundraising Revenue

Donations, bequests and fundraising are recognised as revenue when received.

iii) Interest Revenue

Interest revenue is recognised on a proportional basis taking into account the interest rates applicable to the financial assets.

iv) Dividend and Distribution Revenue

Dividend and distribution revenue is brought to account when the right to receive the dividend or distribution has been established. In accordance with the income tax law applicable to deductible gift recipients, dividend and distribution revenue includes the entitlement to imputation credits attached to franked dividends.

v) Revenue from lease for life assets

Revenue from lease for life assets is recognised upon the subsequent sale of a resident's unit. The contract between the resident and Silver Chain determines the method by which this revenue is calculated.

(k) 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 Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of the expense.

Receivables and payables in the statement of financial position are shown inclusive of GST. The net amount of GST recoverable from, or payable to the Australian Taxation Office is included as part of receivables or payables.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities, which are disclosed as operating cash flows.

(l) Operating Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses in the periods in which they are incurred. Lease income from operating leases, where the group is the lessor is recognised in income on a straight-line basis over the term of the lease. The respective leased assets are included in the Statement of Financial Position as investment property.

(m) Borrowing Costs

Borrowing costs directly attributable to the acquisition, construction or production of assets that necessarily take a substantial period of time to prepare for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in statement of comprehensive income in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

(n) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of trade receivables) is used when there is objective evidence that the Silver Chain Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 180 days overdue) are considered indicators that the trade receivable is impaired. The amount of the impairment allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a trade receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

(o) Comparatives

When required by Accounting Standards, comparative figures have been adjusted to conform to changes in presentation for the current financial year.

(p) Discontinued Operations

A discontinued operation is a component of the entity that has been disposed of or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single co-ordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the statement of comprehensive income.

CHANGE IN ACCOUNTING POLICY

Segment reporting

Previously segment information has been included to meet reporting requirements associated with the Department of Health and Ageing Conditional Adjustment Payment Funding relating to residential services. As Silver Chain has exited from residential services, there is no longer a requirement to report segment information. As a Not for Profit, the Silver Chain Group are not required to comply with AASB 8 Operating Segments

Financial statement presentation

AASB 101 (September 2007) has introduced terminology changes (including revised titles for the financial statements) and changes in the format and content of the financial statements.

CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The Board of Management evaluate estimates and judgments incorporated into the financial report based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the Silver Chain Group.

Key Estimates - Impairment

The Silver Chain Group assesses impairment at each reporting date by evaluating conditions specific to the group that may lead to impairment of assets. Where an impairment trigger exists, the recoverable amount of the asset is determined. Value-in-use calculations performed in assessing recoverable amounts incorporate a number of key estimates.

During the year Silver Chain processed an impairment loss of \$13,246,510 which is explained in detail in Notes 1(e) and 8.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

	NOTE	CONSOLIDATED		ASSOCIATION	
		2010	2009	2010	2009
		\$	\$	\$	\$
2 CASH AND CASH EQUIVALENTS					
Cash at bank, on hand and on deposit	3,22 (c)	24,799,873	19,085,336	18,587,420	13,153,393
(a) Interest rate risk					
Details regarding interest rate risk exposure are disclosed in Note 22.					
3 RESTRICTED FUNDS					
Conditions Imposed by the Donor					
Specific bequests and donations		1,677,788	1,623,699	1,677,788	1,623,699
Statutory Restrictions					
Client Care Services Grants		4,903,894	5,984,932	4,903,894	5,984,932
Homeswest Long Term Maintenance Reserve		-	90,240	-	90,240
		4,903,894	6,075,172	4,903,894	6,075,172
Board Designation					
Capital projects and other approved commitments		8,214,000	16,255,000	7,059,000	15,840,000
Branch and fundraising committee funds		443,230	604,681	443,230	604,681
		8,657,230	16,859,681	7,502,230	16,444,681
Working capital for current and future commitments		9,560,961	4,526,784	4,503,508	(990,159)
TOTAL RESTRICTED FUNDS		24,799,873	29,085,336	18,587,420	23,153,393
Represented by:					
Cash and cash equivalents	2	24,799,873	19,085,336	18,587,420	13,153,393
Other financial assets - non current		-	10,000,000	-	10,000,000
		24,799,873	29,085,336	18,587,420	23,153,393
4 TRADE AND OTHER RECEIVABLES					
Trade receivables	22	1,202,270	2,580,011	1,202,270	2,580,011
Other receivables		2,754,045	1,766,714	2,664,735	1,702,827
		3,956,315	4,346,725	3,867,005	4,282,838
Less: Provision for impairment of trade receivables	4(a)	355,649	391,430	355,649	391,430
		3,600,666	3,955,295	3,511,356	3,891,408
Amounts due from / (payable) to controlled entities		-	-	(1,188,597)	61,460
		3,600,666	3,955,295	2,322,759	3,952,868

(a) Provision for impairment of trade receivables

Trade receivables are non-interest bearing and are generally on 30 day terms. A provision for impairment loss is recognised when there is objective evidence that an individual trade receivable is impaired. An impairment loss of \$93,525 (2009: \$58,906) has been recognised in the current year. These amounts have been included in other expenses. Amounts written off of \$85,223 (2009: \$180,319) relate mostly to individual consumers and have been based on a review of their financial circumstances. objective evidence that an individual trade receivable is impaired. An impairment loss of \$93,525 (2009: \$58,906) has been recognised in the current year. These amounts have been included in other expenses. Amounts written off of \$85,223 (2009: \$180,319) relate mostly to individual consumers and have been based on a review of their financial circumstances.

The movement in the provision for impairment of trade receivables is detailed below (Consolidated and Association are the same):

	2010	2009
	\$	\$
Opening balance as at 1 July	391,430	568,061
Additional provisions	93,525	58,906
Amounts written off	(85,223)	(180,319)
Closing balance as at 30 June	355,649	391,430

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**
4 TRADE AND OTHER RECEIVABLES (CONT'D)

(b) Ageing and impairment of trade receivables

The ageing of trade receivables at 30 June is detailed below (Consolidated and Association are the same):

	2010		2009	
	Gross	Allowance	Gross	Allowance
	\$	\$	\$	\$
Not past due	679,105	-	1,221,262	-
Past due 1-60 days	155,004	-	790,611	-
Past due 61-120 days	64,288	(51,776)	85,451	-
Past 120 days	303,873	(303,873)	482,687	(391,430)
	1,202,270	(355,649)	2,580,011	(391,430)

Trade receivables have been aged according to their original due date in the above analysis, including where repayment terms for certain long outstanding trade receivables have been renegotiated.

Receivables past due but not considered impaired are \$167,516 (2009: \$967,319). The Finance Department has been in direct contact with these debtors and where no payments have been received, these have been referred to their respective Operations Manager who will take an appropriate course of action. For further details of impairment of trade receivables refer to Note 1(n).

Other balances within trade and other receivables do not contain impaired assets and are not past due. It is expected that these other balances will be received in full when due.

(c) Related party receivables

For terms and conditions of related party receivables refer to Note 21(a).

(d) Fair value and credit risk

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

The maximum exposure to credit risk is the fair value of receivables. Collateral is not held as security, nor is it the Silver Chain Group's policy to transfer (on sell) receivables to other entities.

(e) Interest rate risk

Details regarding interest rate risk and credit risk exposure is disclosed in Note 22.

	NOTE	CONSOLIDATED		ASSOCIATION	
		2010	2009	2010	2009
		\$	\$	\$	\$
5 OTHER FINANCIAL ASSETS					
Available-for-sale financial assets	5(a),22	31,461,768	17,143,783	31,461,771	17,143,786
Less: non-current portion		31,461,768	17,143,783	31,461,771	17,143,786
Current portion		-	-	-	-

(a) Available-for-sale financial assets comprise:

Investments - at fair value

Fixed interest securities	479,790	963,826	479,790	963,826
Unit held in related entity	-	-	1	1
Shares held in related entities	-	-	2	2
Shares and other securities held in listed entities	157,920	152,250	157,920	152,250
Units held in managed equity funds	30,824,058	16,027,707	30,824,058	16,027,707
	31,461,768	17,143,783	31,461,771	17,143,786

(b) Shares in subsidiaries are carried at cost.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

	CONSOLIDATED		ASSOCIATION	
	2010	2009	2010	2009
	\$	\$	\$	\$
6 OTHER CURRENT ASSETS				
Prepayments	1,168,747	499,300	1,168,747	499,300
7 PROPERTY, PLANT AND EQUIPMENT				
Land and Buildings				
At cost	25,419,275	87,759,740	25,419,275	87,759,740
Less: Accumulated depreciation	(2,727,534)	(6,113,127)	(2,727,534)	(6,113,127)
7 (a),(b), (c)	22,691,741	81,646,613	22,691,741	81,646,613
Plant and Equipment				
At cost	6,322,129	7,331,483	6,322,129	7,331,483
Less: Accumulated depreciation	(4,414,436)	(5,076,435)	(4,414,436)	(5,076,435)
7 (c)	1,907,693	2,255,048	1,907,693	2,255,048
Motor Vehicles				
At cost	9,242,841	9,607,221	9,242,841	9,607,221
Less: Accumulated depreciation	(1,471,467)	(1,142,914)	(1,471,467)	(1,142,914)
7 (c)	7,771,374	8,464,307	7,771,374	8,464,307
TOTAL PROPERTY, PLANT AND EQUIPMENT	32,370,808	92,365,968	32,370,808	92,365,968

(a) The reference to "Land and Buildings" as at 30 June 2010, includes an amount of \$16,823 (2009: \$11,250) being the carrying value of buildings and improvements owned by the Association and located upon crown land.

(b) Land and buildings subject to Deed of Trust

Pursuant to a Deed of Trust with the Lotteries Commission (Lotterywest), the Association has a 20.9% interest in the land and buildings associated with the extension of Silver Chain House. At the conclusion of the Trust in 2021, the Association's interest will become 100%, subject to the Association having complied with all its obligations under the Deed of Trust. The carrying value of the land and buildings is recorded in the Association's accounts at \$1,625,848 (2009: \$1,659,862) being the total cost of the project less accumulated depreciation.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

	CONSOLIDATED		ASSOCIATION	
	2010	2009	2010	2009
	\$	\$	\$	\$
7 PROPERTY, PLANT AND EQUIPMENT (CONT'D)				
(c) Movements in carrying amounts				
Movements in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year				
<i>Land and Buildings</i>				
Carrying amount as at 1 July	81,646,613	67,877,518	81,646,613	67,877,518
Additions	6,339,071	16,035,765	6,339,071	16,035,765
Disposals	(22,721,723)	(837,955)	(22,721,723)	(837,955)
Transfer to investment property	7(d) (41,567,475)	-	(41,567,475)	-
Depreciation expense	(1,004,745)	(1,428,715)	(1,004,745)	(1,428,715)
Carrying amount as at 30 June	22,691,741	81,646,613	22,691,741	81,646,613
<i>Plant and Equipment</i>				
Carrying amount as at 1 July	2,255,048	2,061,739	2,255,048	2,061,739
Additions	313,135	701,716	313,135	701,716
Disposals	(257,383)	-	(257,383)	-
Depreciation expense	(403,107)	(508,407)	(403,107)	(508,407)
Carrying amount as at 30 June	1,907,693	2,255,048	1,907,693	2,255,048
<i>Motor Vehicles</i>				
Carrying amount as at 1 July	8,464,307	8,156,213	8,464,307	8,156,213
Additions	4,049,018	7,386,861	4,049,018	7,386,861
Disposals	(3,442,826)	(5,726,599)	(3,442,826)	(5,726,599)
Depreciation expense	(1,299,125)	(1,352,168)	(1,299,125)	(1,352,168)
Carrying amount as at 30 June	7,771,374	8,464,307	7,771,374	8,464,307

(d) Discontinued operations

Due to the discontinued operations as per Note 15, a carrying amount of \$41,567,475 has been transferred from property, plant and equipment to investment property to reflect that these properties are no longer owner occupied. As described in Note 8 an impairment loss of \$13,246,510 was recognised at the time of transfer.

8 INVESTMENT PROPERTY**At Fair Value**

Balance at 1 July		-	-	-
Transferred from property, plant and equipment	7 (c)	41,567,475	-	41,567,475
Additions through subsequent expenditure		-	-	-
Gain/(loss) on property revaluation	7 (d)	(13,246,510)	-	(13,246,510)
Other changes		-	-	-
Balance at 30 June		28,320,965	-	28,320,965

(a) Amounts recognised in profit and loss for investment properties

Rental income		278,373	-	278,373
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(b) Valuation basis

The basis of the valuation of investment properties is fair value, being the amount of the present value of future lease payments rather than current prices in an active market.

Fair value was determined using discounted cash flow projects based on an inflation rate of 3% and a capitalisation rate of 9%.

(c) Non-Current assets pledged as security

Silver Chain do not have any investment properties pledged as security other than as described in Note 11 (a).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

8 INVESTMENT PROPERTY (Cont'd)

(d) Leasing arrangements

The investment properties are leased to tenants under long-term operating leases with rentals payable monthly. Minimum lease payments receivable on leases of investment properties are as follows

	NOTE	CONSOLIDATED		ASSOCIATION	
		2010	2009	2010	2009
		\$	\$	\$	\$
Minimum lease payments under non-cancellable operating leases of investment properties not recognised in the financial statements are receivable as follows:					
Within one year		1,256,172	-	1,256,172	-
Later than one year but not later than 5 years		7,567,086	-	7,567,086	-
Later than 5 years		-	-	-	-
		<u>8,823,258</u>	<u>-</u>	<u>8,823,258</u>	<u>-</u>

9 OTHER NON-CURRENT ASSETS

Estimated future benefits on lease for life assets		-	469,861	-	469,861
		<u>-</u>	<u>469,861</u>	<u>-</u>	<u>469,861</u>

10 TRADE AND OTHER PAYABLES

Current

Creditors and accrued expenses		13,213,726	16,608,183	13,213,733	16,608,183
Residential bonds held under the Aged Care Act 1997		-	10,923,703	-	10,923,703
Employee benefits		6,726,725	6,601,861	6,726,725	6,601,861
		<u>19,940,451</u>	<u>34,133,747</u>	<u>19,940,458</u>	<u>34,133,747</u>

Non-Current

Deferred benefits on lease for life assets		-	9,688,091	-	9,688,091
Homeswest development contribution		-	625,000	-	625,000
		<u>-</u>	<u>10,313,091</u>	<u>-</u>	<u>10,313,091</u>

11 FINANCIAL LIABILITIES

Financial liabilities comprise borrowings that are valued at the present value of the future cash flows:

Current

Loan - Shire of Augusta / Margaret River		-	9,410	-	9,410
Loan - City of Fremantle	11 (a)	119,104	125,705	119,104	125,705
		<u>119,104</u>	<u>135,115</u>	<u>119,104</u>	<u>135,115</u>

Non-Current

Loan - Shire of Augusta / Margaret River		-	270,249	-	270,249
Loan - City of Fremantle	11 (a)	497,261	616,365	497,261	616,365
		<u>497,261</u>	<u>886,614</u>	<u>497,261</u>	<u>886,614</u>

(a) The loan from the City of Fremantle is secured by way of a mortgage over the certificate of title to the Association's property located at 12 Laidlaw Street, Hilton (John Mercer Lodge).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

	NOTE	CONSOLIDATED		ASSOCIATION	
		2010	2009	2010	2009
		\$	\$	\$	\$
12 PROVISIONS					
Current					
Long-term employee benefits		2,184,565	2,052,965	2,184,565	2,052,965
Non-Current					
Long-term employee benefits		4,244,285	4,293,979	4,244,285	4,293,979
Workers compensation insurance		1,484,694	6,221,931	1,484,694	6,221,931
		<u>5,728,979</u>	<u>10,515,910</u>	<u>5,728,979</u>	<u>10,515,910</u>
TOTAL PROVISIONS		7,913,544	12,568,875	7,913,544	12,568,875
		No.	No.	No.	No.
Number of full time equivalent employees at year end		<u>1,038</u>	<u>1,353</u>	<u>1,038</u>	<u>1,353</u>

	Long-term employee benefits	Workers compensation insurance	Total
	\$	\$	\$
Consolidated			
Opening Balance as at 1 July 2009	6,346,944	6,221,931	12,568,875
Additional provisions raised during the year	1,034,839	3,652,262	4,687,101
Amounts used	(952,933)	(8,389,499)	(9,342,432)
Balance as at 30 June 2010	<u>6,428,850</u>	<u>1,484,694</u>	<u>7,913,544</u>
Association			
Opening Balance as at 1 July 2009	6,346,944	6,221,931	12,568,875
Additional provisions	1,034,839	3,652,262	4,687,101
Amounts used	(952,933)	(8,389,499)	(9,342,432)
Balance as at 30 June 2010	<u>6,428,850</u>	<u>1,484,694</u>	<u>7,913,544</u>

Provision for long-term employee benefits

A provision has been recognised for employee benefits relating to long service leave for employees. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based upon historical data. The measurement and recognition criteria for employee benefits has been included in Note 1(f).

Provision for workers compensation insurance

A provision has been recognised for workers compensation insurance premiums. The measurement and recognition criteria for workers compensation insurance premiums has been included in Note 1(g).

13 RESERVES

Asset revaluation reserve

The asset revaluation reserve records revaluations of non-current assets.

Asset realisation reserve

The asset realisation reserve records realised gains on sale of non-current assets.

Financial assets reserve

The financial assets reserve records revaluation of available-for-sale financial assets.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

	CONSOLIDATED		ASSOCIATION	
	2010	2009	2010	2009
	\$	\$	\$	\$
14 NET RESULT FROM ORDINARY ACTIVITIES				
Net result from ordinary activities has been determined after:				
Expenses				
Donation of net bequests to Silver Chain Foundation	-	-	1,631,173	550,078
Depreciation of property, plant and equipment:				
Buildings	1,004,745	1,428,715	1,004,745	1,428,715
Plant and equipment	403,107	508,407	403,107	508,407
Motor Vehicles	1,299,125	1,352,168	1,299,125	1,352,168
	<u>2,706,977</u>	<u>3,289,290</u>	<u>2,706,977</u>	<u>3,289,290</u>
Bad and doubtful debts - trade debtors	93,525	58,906	93,525	58,906
Operating lease rental - minimum lease payments	470,412	397,236	470,412	397,236
Impairment of investment properties	13,246,510	-	13,246,510	-

15 DISCONTINUED OPERATIONS

Disposal of Residential Aged Care Services

During 2009/2010 Silver Chain disposed of Residential Aged Care Service operations and related property, plant and equipment. This planned sale followed the strategic decision to exit residential services and focus on community health care.

Analysis of profit for the year from discontinued operations

Results of discontinued operations

	2010	2009
	\$	\$
Revenue	9,490,747	15,656,430
Expenses	10,599,061	19,871,729
Operating results from discontinued operations	<u>(1,108,314)</u>	<u>(4,215,299)</u>
Gain/(loss) on sale of discontinued operations	14,897,230	-
Profit/(loss) for the year from discontinued operations	<u>13,788,916</u>	<u>(4,215,299)</u>

Cash flow information

Cash flows from discontinued operations

Net cash outflows from operating activities	(1,993,938)	-
Net cash inflows from investing activities	11,875,189	-
Net cash outflows from financing activities	(510,521)	-
Net cash inflows	<u>9,370,730</u>	-
Details of the sale of residential services		
Consideration received		
Cash	17,045,937	-
Deferred benefits on lease for life assets	9,688,091	-
Transactions and other outgoings	(1,353,000)	-
Carrying amount of net assets sold	<u>(10,483,798)</u>	-
Gain/(loss) on sale	<u>14,897,230</u>	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

15 DISCONTINUED OPERATIONS (CONT'D)

The carrying amount of assets and liabilities as at the date of sale were:

	2010	2009
	\$	\$
Property, plant and equipment	22,683,000	-
Other assets	469,861	-
Total assets	<u>23,152,861</u>	<u>-</u>
Trade and other payables	625,000	-
Employee provisions	1,120,360	-
Residential bonds held under the Aged Care Act 1997	10,923,703	-
Total liabilities	<u>12,669,063</u>	<u>-</u>
Net assets	<u>10,483,798</u>	<u>-</u>

	CONSOLIDATED		ASSOCIATION	
	2010	2009	2010	2009
	\$	\$	\$	\$

16 KEY MANAGEMENT PERSONNEL COMPENSATION

Short-term employee benefits	1,620,569	1,446,682	1,620,569	1,446,682
Post-employment benefits	130,497	120,431	130,497	120,431
Other long-term benefits	53,320	33,041	53,320	33,041
	<u>1,804,386</u>	<u>1,600,154</u>	<u>1,804,386</u>	<u>1,600,154</u>

17 AUDITORS' REMUNERATION

Audit of the financial report		84,190	58,405	78,830	54,405
Other services	17 (a)	32,179	28,286	32,179	28,286
		<u>116,369</u>	<u>86,691</u>	<u>111,009</u>	<u>82,691</u>

(a) Other services include the provision of taxation, internal audit services and audit of annual funding acquittals.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

18 RECONCILIATION OF NET CASH PROVIDED BY OPERATING ACTIVITIES TO NET RESULT FROM ORDINARY ACTIVITIES

	CONSOLIDATED		ASSOCIATION	
	2010	2009	2010	2009
	\$	\$	\$	\$
Net Result from Ordinary Activities	17,932,312	(3,233,124)	16,376,315	(3,625,497)
Non-Cash Items - Income and Expenses				
Depreciation of property, plant and equipment	2,706,977	3,289,290	2,706,977	3,289,290
Impairment loss on investments	-	509,715	-	509,715
Impairment loss on investment property	13,246,510	-	13,246,510	-
(Gain)/loss on disposal of residential	(14,897,230)	-	(14,897,230)	-
(Gain)/Loss on sale of property, plant and equipment	115,190	(992,051)	115,190	(992,051)
(Gain)/Loss on sale of investments	(590,911)	3,377,300	(590,911)	3,377,300
Dividend and distribution reinvestments	(89,395)	(516,480)	(89,395)	(516,480)
Present value discount on loan interest	117,630	92,927	117,630	92,927
Present value discount on investment interest	-	902	-	902
Provision for impairment of trade receivables	35,781	(176,631)	35,781	(176,631)
Provisions for employee leave benefits	81,905	1,353,131	81,905	1,353,131
Provision for workers compensation insurance	(4,737,236)	2,526,589	(4,737,236)	2,526,589
	(4,010,779)	9,464,692	(4,010,779)	9,464,692
Changes in Assets and Liabilities				
Decrease in receivables	503,050	1,283,391	528,479	1,203,394
Decrease in prepayments	-	217,881	-	217,881
Increase in prepayments	(698,409)	-	(698,409)	-
Decrease in trade and other payables	(3,741,842)	(1,461,659)	(2,491,784)	(1,461,659)
	(3,937,201)	39,613	(2,661,714)	(40,384)
Net Cash Provided by Operating Activities	9,984,332	6,271,181	9,703,822	5,798,811
19 RECONCILIATION OF CASH				
Cash at the end of the financial year as shown in the statement of cash flows is reconciled to the related items in the statement of financial position as follows:				
Cash and cash equivalents	24,799,873	19,085,336	18,587,420	13,153,393
20 NON-CASH TRANSACTIONS				
Purchase of motor vehicles - financed by trade in value of motor vehicles	2,996,752	5,631,362	2,996,752	5,631,362
Purchase of investments - financed by reinvestment of distributions received	81,900	516,480	81,900	516,480
	3,078,652	6,147,842	3,078,652	6,147,842

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

	CONSOLIDATED		ASSOCIATION	
	2010	2009	2010	2009
	\$	\$	\$	\$

21 RELATED PARTY TRANSACTIONS

(a) The following entities are subsidiaries of the Silver Chain Nursing Association (Incorporated):

Silver Chain Foundation
Silver Chain Corporate Services Pty Ltd (Incorporated in Australia), trustee for
Silver Chain Foundation Unit Trust
XCP Pty Ltd (Incorporated in Australia), trustee for
Silver Chain Foundation Staff Services Trust

The following related party transactions occurred during the year based on normal commercial terms and conditions:

(i) Donations from Silver Chain Foundation for:

- Operating purposes	-	-	380,797	510,367
- Capital purposes	-	-	-	-
	-	-	380,797	510,367

(ii) Donation of net bequests to Silver Chain Foundation

	-	-	(1,631,173)	(550,078)
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(iii) Aggregate amounts receivable from / (payable to)
related parties

- Current receivables / (payables)	-	-	(1,188,597)	61,460
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(b) The Members of the Silver Chain Nursing Association Board of Management during the financial year ended 30 June 2010, were:

Mrs D Browning	Dr M C McNulty
Dr N Marinovich OAM (resigned 5 June 2010)	Mr R K Radley
Mrs G M McMath	Mr H Chrystal (appointed 7 May 2010)
Mr P J Gibbons	Dr J A Straton
Mrs J E Keene	

(c) Silver Chain Nursing Association Board Members' remuneration.

Silver Chain Nursing Association Board Members are not remunerated for their services.

(d) Insurance of Directors and Officers

During the financial year, Silver Chain Nursing Association paid a premium in respect of a contract insuring all Board Members, Directors and Officers (including employees) of the Association and of related bodies corporate against certain liabilities specified in the insurance contract.

(e) Other transactions with key management personnel

During the current financial year, the following transactions occurred between the Association and key management personnel based on normal commercial terms and conditions:

(i) Medical services by Dr M C McNulty, a member of the board.

(ii) Consultancy services from PricewaterhouseCoopers and GEM Consulting. Mr R K Radley, a member of the board is a partner at PricewaterhouseCoopers and an executive member of GEM Consulting.

The aggregate amounts of each of the above types of transactions with key management personnel during the following years were:-

	CONSOLIDATED		ASSOCIATION	
	2010	2009	2010	2009
	\$	\$	\$	\$
Medical Services	22,112	15,814	22,112	15,814
Consulting	56,467	55,253	56,467	55,253

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

22 FINANCIAL INSTRUMENTS DISCLOSURES

The Silver Chain Group's principal financial instruments comprise of receivables, payables, loans, available-for-sale investments, cash, short-term deposits and long-term deposits.

The Group manages its exposure to key financial risks, including interest rate risk in accordance with the Group's financial risk management policy. The objective of the policy is to support the delivery of the Group's financial targets whilst protecting future financial security.

The main risks arising from the Group's financial instruments are interest rate risk, price risk, credit risk and liquidity risk. The Group uses different methods to measure and manage different types of risks to which it is exposed. These include monitoring levels of exposure to interest rates and assessments of market forecasts for interest rates. Ageing analyses and monitoring of specific credit allowances are undertaken to manage credit risk. Liquidity risk is monitored through the development of future rolling cash flow forecasts.

The Assets and Liabilities Committee proposes financial investment decisions to the Audit and Risk Management Committee. The primary responsibility for identification and control of financial risks rests with the Audit and Risk Management Committee under the authority of the Board. The Board reviews and agrees policies for managing each of these risks identified below, including the setting of limits for interest rate risk, price risk, credit risk and liquidity risk.

Risks, Exposures and Responses

Interest rate risk

The Silver Chain Group's exposure to interest rate risk relates primarily to the Group's cash and cash equivalents as disclosed in Note 2. This balance includes fixed interest instruments that are not exposed to interest rate movements as at 30 June 2010. A sensitivity analysis has not been shown as the impact on cash and cash equivalents subject to interest rate risk exposure is immaterial.

The Silver Chain Group's financial liabilities are non interest bearing and includes loan balances from the City of Fremantle. This loan is interest free and therefore is not exposed to interest rate risk exposures and as such a sensitivity analysis is not required.

The Silver Chain Group, through its Assets and Liabilities Committee and Audit and Risk Committee constantly analyses its interest rate exposure. Within this analysis consideration is given to potential renewals of existing positions and the mix of fixed and variable interest rates and securities.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**

22 FINANCIAL INSTRUMENTS DISCLOSURES (CONT'D)

Price Risk

The Silver Chain Group's price risk arises from investments in managed equity funds. This arises from investments held by the Group and classified on the Statement of Financial Position as available-for-sale financial assets. To limit this risk the Group diversifies its portfolio in accordance with limits set by the Board. The managed equity funds invest in publicly traded securities on the ASX or on major international markets.

At balance date, the Group had the following mix of investments in managed equity funds exposed to price risk:

Table A	2010	2009
	\$	\$
Australian Stock Exchange	23,924,896	13,034,787
International Stock Exchanges	6,899,162	2,992,920
	<u>30,824,058</u>	<u>16,027,707</u>

The following sensitivity analysis is based on the price risk exposures in existence at the balance date (Consolidated and Association are the same):

The table below illustrates the impact of increases / (decreases) in the indices on the Group's and the Association's accumulated funds and reserves. The analysis is based on the assumption that the equity indices increased and decreased by 5% with all other variables held constant and all the Group's and Association's equity instruments moved according to the historical correlation with the indices.

Table B

Index increase by 5%

Accumulated Funds & Reserves		
Higher		
	2010	2009
	\$	\$
Australian Stock Exchange	1,196,245	651,739
International Stock Exchanges	344,958	149,646
	<u>1,541,203</u>	<u>801,385</u>

Index decrease by 5%

Accumulated Funds & Reserves		
(Lower)		
	2010	2009
	\$	\$
Australian Stock Exchange	(1,196,245)	(651,739)
International Stock Exchanges	(344,958)	(149,646)
	<u>(1,541,203)</u>	<u>(801,385)</u>

The Board believes the balance date risk exposures are representative of the risk exposure inherent in the financial instruments.

Credit risk

Credit risk is the risk that a contracting entity will not complete its obligations under a financial instrument and cause the Silver Chain Group to make a financial loss. Credit risk arises from cash and cash equivalents, deposits with banks and financial institutions and consumers, including outstanding receivables and committed transactions. The Group has exposure to credit risk on all financial assets included in the Group's balance sheet. To help manage this risk:

- financial instrument transactions are spread with financial institutions having a minimum S&P rating of BBB;
- there are policies as to the level of investment in any particular financial instrument and financial institution and where applicable, independent financial advice is sought;
- there is a policy of referring customers to the relevant operations manager for customers Silver Chain Group deals with;
- exposure is managed to individual entities Silver Chain Group transacts with, through contracts entered with only reputable customers.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**
22 FINANCIAL INSTRUMENTS DISCLOSURES (CONT'D)

Trade receivables consist of a large number of customers comprising government, business and individual consumers. The Silver Chain Group does not have any significant risk exposure to a single customer or groups of customers. Ongoing review of the Group's ageing debtors is performed and where appropriate, a provision for impairment of trade receivables is raised. For further details regarding the Group's trade and other receivables refer to Note 4.

The credit quality of financial assets that are neither past due nor impaired can be assessed by reference to external credit ratings (if available) or to historical information about counterparty default rate:

Table C	CONSOLIDATED		ASSOCIATION	
	2010	2009	2010	2009
	\$	\$	\$	\$
Cash and cash equivalents				
AAA	4,055,165	2,560,834	4,055,165	2,560,834
AA	12,836,103	7,897,224	9,502,307	4,715,302
AA-	-	-	-	-
A+	3,549,724	-	3,549,724	-
A-	1,012,216	4,167,886	1,012,216	4,167,886
BBB+	2,878,657	3,829,618	-	1,079,597
Other insignificant concentrations	468,008	629,774	468,008	629,774
	2	<u>24,799,873</u>	<u>19,085,336</u>	<u>18,587,420</u>
Trade receivables				
Counterparties without external credit rating *	4	<u>1,202,270</u>	<u>2,580,011</u>	<u>1,202,270</u>
Available for sale investments				
Counterparties without external credit rating **	5	<u>31,461,771</u>	<u>17,143,786</u>	<u>31,461,771</u>
		<u>31,461,771</u>	<u>17,143,786</u>	<u>17,143,786</u>

* Trade receivables do not have an external credit rating due to the nature of the industry Silver Chain Group operates in.

** Choice of investments that do not have an external credit rating are made in accordance with Silver Chain's investment policy. Investments held are with financial institutions of good standing.

Liquidity risk

Liquidity risk includes the following risks that arise as a result of Silver Chain's Group operational liquidity requirements:

- insufficient funds to settle a transaction on the due date;
- financial assets will be forced to sell at a value which is less than what they are worth;
- inability to settle or recover a financial asset at all.

To help reduce these risks the Silver Chain Group:

- has a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- has readily accessible standby facilities and other funding arrangements in place;
- generally uses instruments that are tradeable in highly liquid markets; and
- has a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments ranging from ultra liquid, highly liquid and liquid instruments.

The Silver Chain Group's borrowings are made up of an interest free loan from the City of Fremantle. As at 30 June 2010, 16% of the Group's debt will mature in less than one year (2009: 13%).

Maturities of financial liabilities

The table below analyses the Group's and the Association's financial liabilities into relevant maturity groupings based on the remaining period at the reporting date to the contractual maturity date. The amounts presented represent the future undiscounted principal and interest cash flows and therefore do not equate to the values shown in Table A and Table B.

Maturity analysis of financial liabilities based on management's expectation (Consolidated and Association are the same):

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2010**
22 FINANCIAL INSTRUMENTS DISCLOSURES (CONT'D)
Table D

Year ended 30 June 2010

Financial Liabilities

	6-12 months \$	1-5 years \$	> 5 years \$	Total \$
Trade payables	2,634,345	-	-	2,634,345
Other payables	11,919,129	-	-	11,919,129
Borrowings	220,000	880,000	275,000	1,375,000
	14,773,474	880,000	275,000	15,928,474

Year ended 30 June 2009

Financial Liabilities

	6-12 months \$	1-5 years \$	> 5 years \$	Total \$
Trade payables	2,906,850	-	-	2,906,850
Other payables	20,250,730	-	-	20,250,730
Borrowings	229,410	923,491	1,395,631	2,548,532
Residential bonds held under the Aged Care Act 1997 *	10,281,966	-	-	10,281,966
Deferred benefits on lease for life assets *	9,688,091	-	-	9,688,091
	43,357,047	923,491	1,395,631	45,676,169

* Cash flows from residential bonds and from deferred benefits on lease for life assets are not expected to result in a net outflow. As the liabilities are settled there are expected to be simultaneous inflows of a similar or greater amount.

The maturity analysis above assumes a worse case scenario, the Board believes the occurrence of this is extremely remote. As at balance date, the Silver Chain Group has sufficient current financial assets to allow it to meet its liabilities when they become due.

(c) Net Fair Values

The net fair values of:

- listed investments have been valued at the quoted market bid prices at balance date adjusted for transaction costs expected to be incurred.
- unlisted investments in managed equity funds have been based on market values provided by fund managers as at balance date.
- government bonds and fixed interest securities are determined by discounting the cash flows, at the market interest rates of similar securities, to their present value.
- other loans and amounts due are determined by discounting the cash flows, at market interest rates of similar borrowings, to their present value.
- other assets and liabilities approximate their carrying value.

No financial assets and financial liabilities are readily traded on organised markets in standardised form other than listed investments.

The carrying value less impairment provision of trade receivables and payables are assumed to approximate their fair values due to their short-term nature. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

23 LEASING COMMITMENTS

	NOTE	CONSOLIDATED		ASSOCIATION	
		2010 \$	2009 \$	2010 \$	2009 \$
Operating Lease Commitments					

Non-cancellable operating leases contracted for but not capitalised in the statements of financial position.

Payable - minimum lease payments

- not later than 1 year	329,369	329,361	329,369	329,361
- later than 1 year but not later than 5 years	622,033	895,797	622,033	895,797
- greater than 5 years	143,326	179,991	143,326	179,991
	1,094,728	1,405,149	1,094,728	1,405,149

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2010

24 CONTINGENT LIABILITY

The Association has been the recipient of funding for specific capital purposes under specific agreements. Certain funding has been utilised by the Association to purchase assets where, under the terms of the specific capital agreements, if those assets are subsequently disposed of by the Association, the Association may be liable to refund a portion or all of the original capital funding.

25 EVENTS SUBSEQUENT TO REPORTING DATE

There are, at the date of this report, no matters or circumstances that have arisen since the end of the financial year that have significantly affected or may significantly affect the operations of the Silver Chain Group, the results of those operations or the state of affairs of the Group in future financial years.

26 CONTINUING COMPLIANCE WITH AUSTRALIAN ACCOUNTING STANDARDS

The following Australian Accounting Standards issued or amended are applicable to the Silver Chain group but not yet effective and have not been adopted in preparation of the financial statements at the reporting date.

AASB Reference	AASB Standard Affected	Nature of Change in Accounting Policy and Impact	Application date of the standard	Application date for the Silver Chain group
Revised	AASB 7 : Financial Instruments: Disclosures	No change, no impact	1 February 2010	1 July 2010
Revised	AASB 9 : Financial Instruments	As this is only mandatory for the 30 June 2014 year end, the entity has not made an assessment of the impact of these amendments	1 December 2009	1 January 2013
Revised	AASB 101 : Presentation of Financial Statements	No change, no impact	1 June 2009	1 January 2010
Revised	AASB 107 : Statement of Cash Flows	No change, no impact	1 June 2009	1 January 2010
Revised	AASB 117 : Leases	No change, no impact	1 December 2009	1 January 2010

All other pending Standards and interpretations issued between the previous financial report and the current reporting dates have no application to the Silver Chain Group.

Improvements to IFRS

The improvements to IFRS's as set down by the International Accounting Standards Board are unlikely to affect Silver Chain in the future therefore no disclosure is required.

27 ASSOCIATION DETAILS

Silver Chain Nursing Association (Incorporated) is an association domiciled and incorporated in Australia under the Associations Incorporation Act 1987.

The principal place of business of the Association is:

6 Sundercombe Street
OSBORNE PARK WA 6017

The principal activities of the Association during the financial year were the provision of community care, and rural and remote health services.



SILVER CHAIN



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