Honouring our past Embracing our future

ANNUAL FINANCIAL REPORT

FOR THE YEAR ENDED 30 JUNE 2011

ENDEAVOUR FOUNDATION

60 years

Opportunities for people with a disability

ENDEAVOUR FOUNDATION
ABN: 80 009 670 704

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Endeavour Foundation Annual Financial Report

for the year ended 30 June 2011

Contents

Directors' Report

for the year ended 30 June 2011

The Directors present their report together with the consolidated financial report of Endeavour Foundation ("the Company"), being the Company and its controlled entities ("the Group"), for the year ended 30 June 2011 and the Auditor's Report thereon.

Directors

The Directors of Endeavour Foundation at any time during or since the end of the financial year are:

CURRENT 30 JUNE 2011

		Experience (in years)	
Name	Qualifications and Special Responsibilities	Board of Directors	Area Committee/ Branch Board
Grant Bruce Murdoch	M Com(Hons), FAICD, FICAA Chair Chair of Nominations & Remuneration Committee Member Audit Committee – Resigned Chair 13/07/10 Member of Property Committee – Appointed 14/03/11	4	-
Shane Paul Charles	LLB, MAIM, MAICD Deputy Chair Member of Nominations & Remuneration Committee Chair of Audit Committee – Appointed 13/07/10 Member Risk Committee – Resigned 13/07/10 Member of Property Committee – Appointed 14/03/11	7	8
Gerard Michael Crotty	Member of Nominations & Remuneration Committee Member of Client Services Committee Member of Audit Committee – Resigned 13/07/10	12	21
David Booth de Villiers	MA, HED, AdvDipEd, MAICD, PSM Chair of Client Services Committee Member of Audit Committee	6	14
Sally Herman	BA Chair of Risk Committee – Appointed 13/07/10	1	-
David Roland Rawnsley	B Ed, MAICD Member Risk Committee – Resigned 24/02/11	5	8
Katherine Jean Swindon	B Com, FICAA Appointed - 13/07/10 Member of Risk Committee – Appointed 13/07/10 Member of Client Services Committee - Appointed 14/03/11	1	-
Edward Terence Mason	Elected – 19/11/10	7 months	1
Anthony George Bellas	B Econ, Dip Ed, MBA, MAICD, ASA, FAIM Appointed – 14/02/11 Chair of Property Committee – Appointed 14/03/11 Member of Risk Committee – Appointed 24/02/11	4 months	-
Past Directors who served during the year			
John William Bowen	Member of Client Services Committee – Resigned 19/11/10	9	16

Appointments since the end of the Financial Year

Nil

Directors' Report (cont.)

for the year ended 30 June 2011

Company Secretary

The Company Secretary of Endeavour Foundation at any time during or since the end of the financial year is:

Svend Erik Kling - B Bus, Grad Dip Mgt, MBA, GAICD

Directors' Meetings

The number of Directors' meetings (including meetings of committees of Directors) and number of meetings attended by each of the Directors of Endeavour Foundation during the financial year are:

	Board Meetings		Nominations & Remuneration Committee Meetings		Audit Committee Meetings		Client Services Meetings		Risk Committee Meetings		Property Committee Meetings	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
G B Murdoch	10	9	1	1	4	4	-	-	-	-	1	1
S P Charles	10	10	1	1	4	4	-	-	4	1	1	1
A G Bellas	4	4	-	-	-	-	-	-	2	1	1	1
J W Bowen	5	4	-	-	-	-	2	2	-	-	-	-
G M Crotty	10	9	1	1	-	-	3	3	-	-	-	-
D B de Villiers	10	8	-	-	4	2	3	3	-	-	-	-
S Herman	10	9	-	-	-	-	-	-	4	4	-	-
E T Mason	5	5	-	-	-	-	-	-	-	-	-	-
D R Rawnsley	10	9	-	-	-	-	-	-	4	-	-	-
K J Swindon	10	9	-	-	-	-	1	1	4	4	-	-

A – Number of meetings held during the time the director held office during the year

B – Number of meetings attended

Board Processes

To assist in the execution of its responsibilities, the board has established a number of board committees including a Nominations & Remuneration Committee, an Audit Committee, a Client Services Committee, a Risk Committee and a Property Committee. These committees have written mandates and operating procedures, which are reviewed on a regular basis.

Details of each board committee are as follows:

Nominations & Remuneration Committee

The Nominations & Remuneration Committee oversees the appointment and induction process for directors and committee members in accordance with the principles laid out in Endeavour's constitution. It is also responsible for making recommendations to the board regarding the selection, appointment and succession planning process for the Chief Executive Officer (CEO), including conducting an annual review of the CEO's performance and remuneration. The Nominations & Remuneration Committee comprised the following members during or since the end of the financial year:

- Mr G B Murdoch (Chair)
- Mr S P Charles (Deputy Chair)
- Mr G M Crotty

Directors' Report (cont.)

for the year ended 30 June 2011

Audit Committee

The Audit Committee oversees the establishment and maintenance of a framework of internal control and appropriate ethical standards for the management of Endeavour Foundation, including assessing and directing the performance of the internal audit function. The audit committee also reviews the performance of the external auditors and normally meets with them twice a year to discuss the external and internal audit plans, and to review the results and findings of the external auditor, the adequacy of accounting and financial controls and to monitor the implementation of any recommendations made.

The committee reviews the draft annual financial report, including approving new accounting policies to ensure compliance with Australian Accounting Standards, and recommends board approval of the annual financial report.

The Audit Committee comprised the following members during or since the end of the financial year:

- Mr S P Charles (Chair, appointed on 13/07/10)
- Mr G B Murdoch (resigned as chair on 13/07/10)
- Mr D B de Villiers
- Mr G M Crotty (resigned as a member on 13/07/10)

Client Services Committee

The Client Services Committee is responsible for overseeing the continued development and provision of quality services to meet the needs of people with a disability. It is also responsible for the oversight and monitoring of the External Complaints Advisory sub-committee and the Abuse Prevention & Response sub-committee.

The Client Services Committee comprised the following members during or since the end of the financial year:

- Mr D B de Villiers (Chair)
- Mr G M Crotty
- Ms K J Swindon (appointed 14/03/2011)
- Mr J W Bowen (resigned as member on 19/11/10)

Risk Committee

The Risk Committee provides assistance to the board in its responsibilities of managing risk within the organisation. It is the main body responsible for overseeing the implementation of management's Risk Management System and ensures the maintenance of a robust and effective risk management process and related practises. The committee oversees the implementation of risk management across the organisation, integrates all risk related activities, facilitates and monitors business unit level risk management processes and is responsible for overseeing the strategic risk management process.

The Risk Committee comprised the following members during or since the end of the financial year:

- Ms S Herman (Chair, appointed 13/07/10)
- Ms K J Swindon (appointed 13/07/10)
- Mr D R Rawnsley (resigned 24/02/11)
- Mr S P Charles (resigned 13/07/10)
- Mr A G Bellas (appointed 27/5/2011)

Property Committee

The Property Committee was established on 14 March 2011 with the main function being to expedite decision making in relation to property asset utilisation improvement and development programs.

The Property Committee comprised the following members during or since the end of the financial year:

- Mr A G Bellas (Chair, appointed 14/03/11)
- Mr S P Charles (appointed 14/03/11)
- Mr G B Murdoch (appointed 14/03/11)

Directors' Report (cont.)

for the year ended 30 June 2011

Principal Activity and Objectives

The principal activity of Endeavour Foundation during the year was the provision of support services to persons with a disability, with a particular focus on those with an intellectual disability, including Community Advocacy & Support Services, Residential Accommodation & Support Services, Learning & Lifestyle Support Services, Post School Services, Open Employment Services and Supported Employment Services. In the opinion of the Directors no significant changes have occurred in the nature of these activities during the financial year.

Endeavour Foundation's short and long term focus is to provide opportunities for people with a disability so they may participate in the every day life of the community. Endeavour wants to enrich their lives and the lives of their families and engage and educate the community about disability.

Endeavour has an obligation to do this in a financially responsible manner and aims to:

- Be recognised as a quality provider of services to people with a disability.
- Be an advocate for people with a disability and their families in the broader community.

In practical terms in order to achieve this focus, projects undertaken by Endeavour are assessed and progressed to achieve outcomes in nine key theme areas : 1. Employer of Choice, 2. Service Provider of Choice, 3. Thought Leadership, 4. Best Practise, 5. Top of Mind, 6. Customer Focus, 7. Community Engagement, 8. State of the Art Facilities and 9. Financial Viability.

Endeavour Foundation measures its performance through an independently conducted annual Family Satisfaction Survey and a suite of key performance indicators, set at the Governance, Executive Management and Organisational Management levels.

Preparation of Consolidated Financial Statements

The consolidated annual financial statements comprise Endeavour Foundation ("the Company") and its controlled entities ("the Group").

Results

The Group recorded an operating surplus for the current financial year of $5,231,000 compared to an operating surplus of $1,694,000 in the previous year.

Operating surpluses are necessary to help fund capital expenditure, which is typically not funded from recurrent government subsidies, and to build a buffer for future unexpected business shocks. The current year's operating surplus represents just 3.3% of operating revenue (2010 : 1.2%) and represents less than 15 days of total employment costs for staff and supported employees (2010 : 5 days).

The net surplus for the current financial year, after recognising non-operating revenues of $3,705,000 was $8,936,000. In the year 2009-10 the Group recorded a comparative net surplus for the year of $3,308,000 after recognising non-operating revenues of $1,614,000. Non-operating revenues included significant non-recurrent government capital grants of $2,969,000 (2010 : $1,614,000) and a major bequest of $614,000 (2010 : $nil).

Dividends

The Company and its controlled entities are prohibited by their Constitutions from paying dividends.

Events Subsequent to Balance Date

Since 30 June 2011 and the date of this report there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Environmental Regulations

The Group's operations are subject to various environmental regulations under both Commonwealth and State legislation. The Group has an established risk management system which identifies environmental hazards and ensures appropriate controls are adopted. The appropriate licences and consents are in place at each site in accordance with various environmental regulations.

The Directors are not aware of any breaches of the legislation which are material in nature.

Review of Operations

Operations of the Group during the year are reviewed in the Chair's and CEO's report in the separately issued Annual Report.

Directors' Report (cont.)

for the year ended 30 June 2011

Directors' Benefits

Information on Directors' benefits is set out in the following notes to the Annual Financial Report:

(a) No Directors' Fees are payable (Note 3)

(b) No Related Party Transactions with Directors exist (Note 23)

Directors' Interests in Contracts

No contracts involving Directors' interests were entered into since the end of the previous financial year, or existed at the end of the financial year (Note 23).

Indemnification and Insurance of Officers

Indemnification

The Endeavour Foundation Constitution requires Endeavour Foundation to indemnify any person who is an officer of Endeavour Foundation, including the Directors, the Secretary and other executive officers, against a liability incurred as such an officer, unless the liability arises out of conduct involving a lack of good faith. Officers of Endeavour Foundation are also indemnified against a liability for costs and expenses incurred in defending civil or criminal proceedings involving them as such officers, if judgement is given in their favour or if they are acquitted or granted relief.

Insurance

Endeavour Foundation has paid a premium in respect of a contract insuring Directors and Officers of Endeavour Foundation, against a liability for costs and expenses incurred by them in defending civil or criminal proceedings involving them as such officers, with some exceptions.

The external auditors of Endeavour Foundation are not included in this policy.

Non-audit services

During the year KPMG, the Group's auditor, has performed certain other services in addition to their statutory duties.

The Board has considered the non-audit services provided during the year and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the Corporations Act 2001 for the following reason:

- All non-audit services are subject to the corporate governance procedures adopted by Endeavour Foundation and are reviewed by the Audit Committee to ensure they do not impact the integrity and objectivity of the auditor.

Details of amounts paid to the auditor of the Group, KPMG, and its related practices for audit and non-audit services provided during the year are set out in note 3 to the Annual Financial Report.

Auditor's Independence Declaration

The Auditor's Independence Declaration is set out on page 7 of the Annual Financial Report and forms part of the Directors' Report.

Rounding

The Company is of a kind referred to in ASIC Class Order 98/100 dated 10 July 1998 and in accordance with that Class Order amounts in the financial statements and Directors' Report have been rounded off to the nearest thousand dollars unless otherwise indicated.

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

G B Murdoch – Chair

S P Charles - Director

Brisbane
6th October 2011

Auditor's Independence Declaration

for the year ended 30 June 2011

Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To: The Directors of Endeavour Foundation

I declare that, to the best of my knowledge and belief, in relation to the audit for the financial year ended 30 June 2011 there have been:

i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

ii) no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Mitchell C Petrie
Partner

Brisbane
6th October 2011

Consolidated Balance Sheet

as at 30 June 2011

	Note	2011 $'000	2010 $'000
Current assets			
Cash and cash equivalents			
- Untied cash		5,592	2,177
- Quarantined cash		10,311	12,992
	4	15,903	15,169
Trade and other receivables	5	6,628	4,355
Inventories	6	7,012	5,717
Other current assets	7	723	618
		30,266	25,859
Assets classified as held-for-sale	8	598	54
Total current assets		**30,864**	**25,913**
Non-current assets			
Investments	9	734	756
Other intangible assets	10	284	330
Property, plant & equipment	11	57,522	54,106
Total non-current assets		**58,540**	**55,192**
Total assets		**89,404**	**81,105**
Current liabilities			
Trade and other payables	12	7,307	5,701
Interest bearing loans	13	130	131
Employee entitlements	14	10,230	9,307
Revenue received in advance	15	4,557	6,666
Total current liabilities		**22,224**	**21,805**
Non-current liabilities			
Net defined benefit plan liability	16	172	157
Interest bearing loans	13	850	971
Employee entitlements	17	2,580	2,602
Revenue received in advance	15	-	600
Total non-current liabilities		**3,602**	**4,330**
Total liabilities		**25,826**	**26,135**
Net assets		**63,578**	**54,970**
Equity			
Reserves	18	941	912
Retained earnings	18	62,637	54,058
Total equity		**63,578**	**54,970**

The Consolidated Balance Sheet is to be read in conjunction with the Notes to the Financial Statements set out on pages 12 to 40.

Consolidated Income Statement

for the year ended 30 June 2011

Divisional Results	Disability Services 2011 $'000	Disability Services 2010 $'000	Commercial Operations 2011 $'000	Commercial Operations 2010 $'000	Corporate, Infrastructure & Fundraising 2011 $'000	Corporate, Infrastructure & Fundraising 2010 $'000	Total Foundation 2011 $'000	Total Foundation 2010 $'000
Operating revenue	77,254	69,842	59,200	54,957	22,125	21,008	158,579	145,807
Operating expenses	(77,473)	(73,129)	(57,702)	(54,658)	(18,173)	(16,326)	(153,348)	(144,113)
Divisional operating (deficit)/surplus	(219)	(3,287)	1,498	299	3,952	4,682	5,231	1,694
Non-operating revenue	629	26	594	80	2,482	1,508	3,705	1,614
Net (deficit)/surplus for the year	**410**	**(3,261)**	**2,092**	**379**	**6,434**	**6,190**	**8,936**	**3,308**

Divisional Results Represented By:	Note	2011 $'000	2010 $'000
Revenue			
Sale of goods and services		35,073	30,785
Fundraising activities		17,423	18,474
Service user contributions		11,555	11,043
Government subsidies		93,044	84,225
Interest income		1,011	781
Other revenue		473	499
	2 (a)	158,579	145,807
Expenses			
Cost of goods sold & commercial fundraising activities		(24,557)	(23,517)
Employee expenses		(83,337)	(78,838)
Supported employee expenses		(11,523)	(10,720)
Utilities & leased property expenses		(7,430)	(6,749)
Transport expenses		(4,045)	(3,918)
Maintenance expenses		(7,700)	(6,917)
Household consumables		(1,851)	(1,889)
Depreciation & amortisation expenses		(6,125)	(5,781)
Interest expense		(109)	(72)
Other expenses		(6,671)	(5,712)
		(153,348)	(144,113)
Operating surplus	2 (b)	5,231	1,694
Government capital expenditure grants	2 (a)	2,969	1,614
Bequest D A Smith estate	2 (a)	614	-
Gain on sale of properties	2 (a)	122	-
Net surplus for the year		**8,936**	**3,308**

The Consolidated Income Statement is to be read in conjunction with the Notes to the Financial Statements set out on pages 12 to 40.

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2011

	2011 $'000	2010 $'000
Net surplus for the year	**8,936**	**3,308**
Other comprehensive income		
Net increase in fair value of investments	29	52
Realised gains on disposal of investments	8	-
Actuarial adjustment to defined benefit superannuation plan	(365)	(685)
Other comprehensive expense for the year	**(328)**	**(633)**
Total comprehensive income for the year	**8,608**	**2,675**

Consolidated Statement of Changes in Equity

for the year ended 30 June 2011

	Fair value reserve $'000	Subsidies reserve $'000	Total reserves $'000	Retained earnings $'000	Total Equity $'000
Total equity at 1 July 2009	464	396	860	51,435	52,295
Total comprehensive income for the year	52	-	52	2,623	2,675
Total equity at 30 June 2010	**516**	**396**	**912**	**54,058**	**54,970**
Total comprehensive income for the year	29	-	29	8,579	8,608
Total equity at 30 June 2011	**545**	**396**	**941**	**62,637**	**63,578**

The Consolidated Statement of Comprehensive Income and Consolidated Statement of Changes in Equity are to be read in conjunction with the Notes to the Financial Statements set out on pages 12 to 40.

Consolidated Cash Flow Statement

for the year ended 30 June 2011

	Note	2011 $'000 Inflows (Outflows)	2010 $'000 Inflows (Outflows)
Cash flows from operating activities			
Cash receipts in the course of operations		166,775	152,799
Cash payments to suppliers & employees		(157,889)	(146,086)
Dividends received		37	43
Interest received		991	804
Interest paid		(104)	(74)
Bequests & legacies received		922	713
Net cash provided by operating activities	27	**10,732**	**8,199**
Cash flows from investing activities			
Acquisition of property, plant & equipment		(10,789)	(16,723)
Acquisition of intangible assets		(163)	(224)
Acquisition of investments		(380)	(25)
Proceeds from disposal of property, plant & equipment		1,017	1,386
Proceeds from sale of investments		439	17
Net cash utilised in investing activities		**(9,876)**	**(15,569)**
Cash flows from financing activities			
Repayment of interest bearing loans		(122)	(124)
Net cash utilised by financing activities		**(122)**	**(124)**
Net increase/(decrease) in cash held		**734**	**(7,494)**
Cash at the beginning of the financial year		15,169	22,663
Cash at the end of the financial year	27	**15,903**	**15,169**
Comprised of :			
Untied cash		5,592	2,177
Quarantined cash		10,311	12,992
		15,903	15,169

The Consolidated Cash Flow Statement is to be read in conjunction with the Notes to the Financial Statements set out on pages 12 to 40.

Notes to the Financial Statements

for the year ended 30 June 2011

Notes to the Financial Statements

for the year ended 30 June 2011

1. Summary of Significant Accounting Policies

Reporting entity

Endeavour Foundation ("the Company") is a not-for-profit organisation, incorporated as a public company limited by guarantee and is domiciled in Australia. The address of the Company's registered office is 50 Southgate Avenue, Cannon Hill, QLD 4170.

The consolidated financial statements of the Company for the financial year ended 30 June 2011 comprise the Company and its controlled entities (together referred to as "the Group").

The principal activities of the Group are to provide support to people with disabilities and their families through a range of flexible services, including residential accommodation, in-home support, adult education and life style support as well as supported employment services and open employment placement.

Statement of compliance

The financial report is a general purpose financial report which has been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations), adopted by the Australian Accounting Standards Board (AASB) and the Corporations Act 2001.

The financial report was authorised for issue by the Directors on 6th October 2011.

Basis for preparation of financial report

The financial report has been prepared on an accruals basis and is based on historical costs, except for:

- Investments measured at fair value through an equity fair value reserve; and
- The defined benefit plan asset/(liability) is measured as the net total of the plan assets, plus unrecognised past service cost and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation.

Except as noted above, the financial report does not take into account changing money values or fair values of non-current assets.

In the opinion of the Directors, having regard to the not-for-profit nature of the Group's business, the terms "Profit" or "Loss" are not appropriate. Accordingly, the words "Surplus/(Deficit)" have been substituted for the terms "Profit/(Loss)".

The financial statements are presented in Australian Dollars rounded to the nearest thousand unless otherwise stated (ASIC Class order 98/100).

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

New accounting standards early adopted

The Group has elected to early adopt the following accounting standards and amendments, issued by the Australian Accounting Board (AASB) and the Corporate Reporting Reform Act:

- AASB 9 Financial Instruments and AASB 2009-11 Amendments to Australian Accounting Standards arising from AASB 9. The new standard has been applied with effect from 1 January 2010. See accounting policy note 1 (m) - Investments.
- Amendments made to the Corporations Act 2001 and the Corporations Regulations by the Corporate Reporting Reform Act, simplifying financial reporting in Australia. Amongst other changes, parent entities within a consolidated group no longer need to prepare separate parent entity financial statements in addition to the consolidated financial statements. See note 30 – Parent Entity Disclosures.

Notes to the Financial Statements (cont.)

for the year ended 30 June 2011

1. Summary of Significant Accounting Policies (cont.)

New standards and interpretations not yet adopted

The Australian Accounting Standards Board (AASB) has issued additional standards and interpretations that are effective for periods commencing after the date of this financial report. The following standards, amendments to standards and interpretations have been identified as those which may impact Endeavour Foundation in the period of initial application. They are available for early adoption at 30 June 2011, but have not been applied in preparing this financial report:

- AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements which establish a new differential reporting framework in Australia. Under the new framework, entities in the private not-for-profit sector can substantially reduce their disclosures provided they do not have public accountability. The new framework becomes mandatory for annual reporting periods beginning on or after 1 July 2013. The Group has yet to determine whether the new reduced disclosure regime will be beneficial and still meet the user's needs of its financial statements.
- Amendments to AASB 1 Presentation of Financial Statements – Presentation of Items of Other Comprehensive Income makes a number of changes to the presentation of Other Comprehensive Income including presenting separately those items that would be reclassified to profit or loss in the future and those that would never be reclassified to profit or loss.The amendments will become mandatory for the Group's 30 June 2013 financial statements with retrospective application required.The Group has not yet determined the potential impact of the standard on the financial statements.

Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are described in the following notes :

- Note 9 – Non-current Assets – Investments;
- Note 11 – Non-current Assets – Property, Plant & Equipment;
- Note 16 – Non-current Liabilities – Defined Benefit Plan.

Going concern basis

The financial statements have been prepared on the basis of going concern, which contemplates continuity of normal business activities and the realisation of assets and settlement of liabilities in the ordinary course of business.

The Group has recorded six consecutive Operating Surpluses and has also reported strong positive cash flows from operating activities. In addition, as at 30 June 2011, the Group's current assets exceed its current liabilities by $8,640,000.

The Company is economically dependent on the Queensland State Government and the Commonwealth Government of Australia for funding. These funding levels are revised periodically in recognition of the increased cost of providing services. In addition an Operating Surplus has been budgeted for the 2012 financial year.

Accordingly, the Directors believe that the preparation of the financial report on a going concern basis is appropriate.

Notes to the Financial Statements (cont.)

for the year ended 30 June 2011

1. Summary of Significant Accounting Policies (cont.)

Significant accounting policies

The following is a summary of the significant accounting policies adopted by the Group in the preparation of the consolidated financial statements. The accounting policies have been applied consistently to all periods presented in the financial report, except where otherwise indicated.

(a) Basis of consolidation

Subsidiaries

Subsidiaries are entities controlled by the Company. Control exists when the Company has the power, directly or indirectly, to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable or convertible are taken into account. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Transactions eliminated on consolidation

Intragroup balances and any unrealised gains and losses or income and expenses arising from intragroup transactions are eliminated in preparing the consolidated financial statements.

(b) Revenue recognition

Revenue is recognised on an accruals basis with the exception of donations, bequests and legacies which are accounted for on a cash basis.

Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received and is recognised when the significant risks and rewards of ownership of the goods passes to customers.

Government subsidies and grants

Income from non-reciprocal subsidies and grants is recognised when the Group obtains control of the grant or the right to receive the grant; it is probable that the economic benefits comprising the grant will flow to the entity; and the grant amount can be measured reliably. Income from such grants is therefore recognised on receipt as the revenue recognition criteria are met when the grants are received.

Subsidies and grants which are reciprocal in nature, i.e. those grants which are received on the condition that specified services are delivered or conditions are fulfilled and have to be returned if the Group fails to meet the attached conditions, are initially recognised as deferred revenue (liability) with revenue recognised as the services are performed or conditions are fulfilled.

Specific Donations/Bequests/Fundraising Activities

Contributions received by way of donations, bequests or fundraising activities that have a specific objects clause attached are accounted for as reciprocal transfers and are measured at the fair value of the asset received and recognised as revenue when the Group expends the funds received for the specific purposes for which the contribution was made. Any such contributions that remain unexpended for the purposes for which they were received are repayable either to the original donor or if this is not practicable, to the Public Trustee for distribution to another organisation with similar objects clauses to Endeavour Foundation, to be expended for the same purposes as stipulated in the original specific donation, bequest or fundraising activity.

Other Donations/Bequests/Fundraising Activities

Contributions received via non-specific donations, bequests or fundraising activities and contributions to assist in the acquisition of assets, being non-reciprocal transfers, are measured at the fair value of the asset received and are recognised when the Group receives the donation or bequest or conducts the fundraising activity.

Notes to the Financial Statements (cont.)

for the year ended 30 June 2011

1. Summary of Significant Accounting Policies (cont.)

(b) Revenue recognition (cont.)

Sale of non-current assets

The sale of non-current assets are recognised at the date the significant risks and rewards of ownership of the asset passes to the buyer, usually when an unconditional contract of sale is signed.

The gain or loss on disposal is calculated as the difference between the carrying amount of the asset at the time of disposal and the net proceeds on disposal.

Interest revenue

Interest revenue is recognised as it accrues, using the effective interest rate method.

Dividends

Dividend revenue is recognised net of any franking credits. Revenue from dividends is recognised when dividends are received.

(c) Finance costs

Interest payments in respect of financial instruments classified as liabilities are included in finance costs. Finance costs are expensed as incurred, using the effective interest rate method.

(d) Goods and Services Tax

Revenues, expenses and fixed 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 an expense.

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

Receivables and payables are stated with the amount of GST included.

Cash flows are included in the Cash Flow Statement on a gross 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.

(e) Taxation

Endeavour Foundation and its controlled entities are registered charitable institutions, exempt from income tax.

(f) Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, an estimate is made of the asset's recoverable amount. An asset's recoverable amount is the higher of its fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets and the asset's value in use cannot be estimated to be close to its fair value. In such cases the asset is tested for impairment as part of the cash-generating unit to which it belongs. When the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset or cash-generating unit is considered impaired and is written down to its recoverable amount.

In common with many not-for-profit entities, in assessing value in use, where the future economic benefits of an asset are not primarily dependent on the asset's ability to generate net cash inflows and where the Group would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of the asset. In instances when this treatment is inappropriate, value in use is determined by discounting the estimated future cash flows to their present value using a discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

Impairment losses are recognised in those expense categories consistent with the function of the impaired asset unless the asset is carried at revalued amount (in which case the impairment loss is treated as a revaluation decrease).

Notes to the Financial Statements (cont.)

for the year ended 30 June 2011

1. Summary of Significant Accounting Policies (cont.)

(f) Impairment of assets (cont.)

An assessment is also made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the recoverable amount is estimated. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case the carrying amount of the asset is increased to its recoverable amount. That increased recoverable amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss unless the asset is carried at revalued amount, in which case the reversal is treated as a revaluation increase. After such a reversal the depreciation charge is adjusted in future periods to allocate the asset's revised carrying amount, less any residual value, on a systematic basis over its remaining useful life.

(g) Property, plant and equipment – note 11

Items of property, plant and equipment are measured at cost less accumulated depreciation and impairment losses. Items of property, plant and equipment, including buildings but excluding freehold land, are depreciated over their estimated useful lives. Assets are depreciated from the date of acquisition on a straight-line or a diminishing value basis. The useful lives used for each class of asset are as follows:

	2011	2010
Buildings	34 years	34 years
Plant and equipment	3-10 years	3-10 years

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Depreciation rates and methods are reviewed annually for appropriateness.

(h) Non-current assets held for sale – note 8

Non-current assets are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying value will be recovered principally through a sale transaction rather than through continuing use. Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet and are not depreciated or amortised while they are classified as held for sale.

(i) Intangible assets – note 10

Intangible assets acquired are measured at cost less accumulated amortisation and impairment losses. Computer software has a finite useful life and is carried at cost less accumulated amortisation. Amortisation commences once the software is commissioned and is calculated using the straight line method to allocate the cost of computer software over its estimated useful life, being 3-10 years.

(j) Repairs and maintenance

Repairs and maintenance costs are expensed as incurred.

(k) Cash and cash equivalents and bank overdrafts

Cash and cash equivalents and bank overdrafts are measured at the face value of the amounts deposited or drawn.

(l) Inventories – note 6

Inventories, other than inventory held for distribution, are measured at the lower of cost and net realisable value. Inventory held for distribution is measured at the lower of cost and current replacement cost. Cost is allocated on an average cost basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

Notes to the Financial Statements (cont.)

for the year ended 30 June 2011

1. Summary of Significant Accounting Policies (cont.)

(m) Investments – note 9

Investments not held for trading purposes are classified as financial assets at fair value through other comprehensive income.

These investments are initially recognised at fair value plus transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised in other comprehensive income and presented within equity in the fair value reserve. When an investment is derecognised, the cumulative gain or loss is transferred directly to retained earnings and is not recognised in the income statement.

Dividends or other distributions received from these investments are still recognised in the income statement as part of finance income.

This is a change in accounting policy as a result of the early adoption of AASB 9 Financial Instruments for the first time from 1 January 2010.

Under AASB 9 only equity instruments that are not held for trading are able to be classified as fair value through other comprehensive income rather than fair value through the income statement. On disposal, in contrast to AASB 139, the cumulative gains or losses recognised in equity over the period the equity instrument was held are transferred directly to retained earnings and are not permitted to be recognised in the income statement. Equity instruments fair valued through other comprehensive income are no longer required to be assessed for impairment.

The change in accounting policy was applied retrospectively only to those financial assets held at the date of initial application of AASB 9 (1 January 2010) or acquired subsequent to that date. Financial instruments disposed of prior to 1 January 2010 were accounted for under AASB 139.

The change in the accounting policy has had no impact on the consolidated statement of comprehensive income nor on the consolidated balance sheet.

(n) Employee entitlements – note 25

(i) Salaries, wages and annual leave

Liabilities for employee benefits for salaries, wages and annual leave expected to be settled within 12 months of the year end are recognised, and are measured, as the amount unpaid at the reporting date in respect of employees' services up to that date calculated at undiscounted amounts based on remuneration wage and salary rates that the Group expects to pay, including related on-costs.

(ii) Long service leave

A liability for long service leave is recognised, and is measured, as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels and related on-costs, experience of employee departures, periods of service and employment policies. Expected future payments are discounted using interest rates attaching, as at the reporting date, to national government guaranteed securities with terms to maturity that match, as closely as possible, the estimated future cash outflows. The unwinding of the discount is treated as long service leave expense.

(iii) Superannuation

The Group contributes to the Endeavour Foundation Staff Retirement Plan, which is a defined benefit and a defined contribution superannuation plan, as well as a number of other registered defined contribution superannuation plans chosen by employees.

The Group's net obligation in respect of the defined benefit superannuation plan is recognised as an asset or liability on the balance sheet. The net defined benefit plan position is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The net defined benefit plan asset/(liability) so determined is recognised and presented on the face of the balance sheet.The annual expense in respect of the defined benefit members recognised in the income statement is based on an actuarial estimate of the annual cost of funding members' benefits.

Notes to the Financial Statements (cont.)

for the year ended 30 June 2011

1. Summary of Significant Accounting Policies (cont.)

(n) Employee entitlements – note 25 (cont.)

Actuarial gains and losses arising from changes in discount rates, market investment performance or other actuarial assumptions representing the difference between actual fund performance and the actuarially determined expense are recorded directly through retained earnings. Further information on the defined benefit plan is set out in note 16 and note 25(b).

In respect of the defined contribution plans, there is no liability to fund the plans other than by way of contributions made in compliance with current statutory superannuation guarantee contribution rates. These contributions to the defined contribution plans are charged through the income statement as they are incurred.

Further information in respect of superannuation commitments is set out in note 25(b).

(o) Leased non-current assets

The Group has no finance leases. Payments made under operating leases are expensed on a straight line basis over the term of the lease, except where an alternative basis is more representative of the pattern of benefits to be derived from the leased property.

(p) Trade and other receivables – note 5

All trade and other receivables are measured at amortised cost using the effective interest rate method. The collectibility of debts is assessed at balance date and specific impairment is recognised for any doubtful accounts.

(q) Trade and other payables – note 12

Liabilities are measured at amortised cost using the effective interest rate method and are recognised for goods or services received, whether or not billed to the Group.

(r) Provisions

A provision is recognised when there is a legal, equitable or constructive obligation as a result of a past event and it is probable that a future sacrifice of economic benefits will be required to settle the obligation, the timing or amount of which is uncertain.

(s) Borrowings

Borrowings are recorded initially at fair value, net of transaction costs. Subsequent to initial recognition, borrowings are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in income over the period of the borrowing using the effective interest rate method.

(t) Financial instruments – non-derivative financial instruments

Financial instruments where the Group becomes party to a contractual provision of that instrument comprise only the following non-derivative financial instruments: Investments (refer note 1(m)), Trade and other receivables (refer note 1(p)) and Trade and other payables (refer note 1(q)).

The Group does not have any derivative financial instruments.

(u) Presentation of financial statements

The Group applies revised AASB 101 Presentation of Financial Statements (2007), which became effective as of 1 January 2009. As a result, the Group presents in the consolidated statement of comprehensive income and the consolidated statement of changes in equity all transactions that directly effect reserves or retained earnings, with all other non-owner changes in equity shown in the consolidated income statement.

Notes to the Financial Statements (cont.)

for the year ended 30 June 2011

	2011 $'000	2010 $'000
2. (a) Operating Revenue and Other Income		
Sale of goods and services	35,073	30,785
Fundraising activities		
- Commercial fundraising activities	15,340	16,024
- Donations & appeals	1,038	1,068
- Special functions	404	480
- Bequests & legacies	309	713
- Community grants	332	189
	17,423	18,474
Service user contributions		
- Accommodation services	8,316	8,018
- Learning & Lifestyle centres	1,818	1,668
- Transport services	1,421	1,357
	11,555	11,043
State Government subsidies	67,643	59,545
Federal Government subsidies	25,401	24,680
Dividend income	37	43
Interest income	1,011	781
Other revenue	436	456
Total operating revenue	**158,579**	**145,807**
Non-operating revenue		
Government capital expenditure grants		
- Other non-recurrent Government capital grants	1,545	153
- Gambling Community Benefit Fund capital grants	1,424	1,461
	2,969	1,614
Bequest D A Smith estate	614	-
Gain on sale of property	122	-
	3,705	**1,614**
Total revenue and other income for the period	**162,284**	**147,421**

	2011 $'000	2010 $'000
2. (b) Operating Surplus		
The operating surplus for the year has been arrived at after charging/(crediting) the following items:		
Net expense/(income) from movements in provision for:		
- employee entitlements	901	3,167
- trade receivable impairments	45	(30)
Operating lease expense – property rentals	3,527	3,128
Operating lease expense – equipment rentals	307	309
Bad debts (recovery)/expense	(26)	59
Net loss/(gain) on disposal of non-current assets:		
- Plant, equipment and intangibles	18	(68)
- Investments	-	(2)

Notes to the Financial Statements (cont.)

for the year ended 30 June 2011

	2011 $'000	2010 $'000
2. (c) Charitable Fundraising Activities		
Details of income and expenditure for specific fundraising activities, all of which have been recognised in these financial statements are as follows :		
Gross fundraising revenues (per income statement)	17,423	18,474
Community grants in non-operating income	1,424	1,461
Bequest in non-operating income	614	-
Direct costs of commercial fundraising activities	(14,271)	(14,784)
Net Fundraising Revenue	**5,190**	**5,151**
Indirect fundraising expenses	(692)	(804)
Net Fundraising Contribution	**4,498**	**4,347**
Fundraising Efficiency Ratio (Net Fundraising Contribution / Net Fundraising Revenue)	86.67%	84.39%

	2011 $	2010 $
3. Auditors' & Directors' Fees		
Auditors' Remuneration		
Audit Services		
Auditor of Endeavour Foundation – KPMG Australia		
Audit of financial report	101,890	99,900
Other regulatory audit services	14,850	19,100
	116,740	119,000
Other Services		
Auditor of Endeavour Foundation – KPMG Australia		
Other consultancy services	-	-
Directors' fees		
In accordance with the Constitution of Endeavour Foundation, Directors receive no remuneration	-	-

	2011 $'000	2010 $'000
4. Cash and Cash Equivalents		
Untied cash	5,592	2,177
Quarantined cash	10,311	12,992
	15,903	15,169

For cash management purposes, the Group operates a treasury function that notionally distinguishes between Untied cash and Quarantined cash. Quarantined cash represents revenue received in advance of $4,557,000 (2010 : $7,266,000) which is available for draw down only once the services they are meant to fund have actually been delivered and other cash reserves of $5,754,000 (2010 : $5,726,000) that have been designated for a specific purpose, including bequests, mainly to fund the establishment of a Capital Future Fund that will finance proposed infrastructure projects over the next 5 to 10 years.

Notes to the Financial Statements (cont.)

for the year ended 30 June 2011

4. Cash and Cash Equivalents (cont.)

	2011 $'000	2010 $'000
Credit standby arrangements with banks		
The Group has the following lines of credit at reporting date:		
Standby overdraft facility	2,500	2,500
Multi-option facility	5,000	5,000
Credit card facility	500	1,000
Indemnity guarantee facility	33	33
	8,033	8,533
Facilities utilised at reporting date:		
Standby overdraft facility	-	-
Multi-option facility	-	-
Credit card facility	-	-
Indemnity guarantee facility	33	33
	33	33
Facilities not utilised at reporting date:		
Standby overdraft facility	2,500	2,500
Multi-option facility	5,000	5,000
Credit card facility	500	1,000
Indemnity guarantee facility	-	-
	8,000	8,500

These facilities are secured by registered first mortgages over five properties with a carrying amount of $13,988,000 (2010: five properties with a carrying amount of $14,277,000) and a registered mortgage debenture over all of the assets and undertakings of the Company.

Notes to the Financial Statements (cont.)

for the year ended 30 June 2011

	2011 $'000	2010 $'000
5. Current Assets – Trade and Other Receivables		
Trade debtors	4,742	3,794
Less: impairment provision	(80)	(35)
Other debtors	1,966	596
	6,628	4,355
The exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in note 19 – Financial Instruments		
6. Current Assets – Inventories		
Raw materials	1,239	1,233
Work in progress	23	12
Finished goods	1,435	948
Less: impairment provision	(95)	(95)
	2,602	2,098
Fundraising	4,358	3,590
Non trading stock	52	29
	7,012	5,717
7. Current Assets – Other Current Assets		
Prepayments	723	618
8. Non-Current Assets Classified as Held-For-Sale		
Land and buildings – at carrying value	598	54

The land and buildings that are classified as held-for-sale comprise properties that are either surplus to current operational requirements or that no longer meet the current functional requirements of the Group's activities and which are expected to be disposed of within 12 months of reporting date. The sale proceeds of certain non-functional properties are expected to be applied in the purchase of replacement properties where appropriate, with any surplus cash being used to retire borrowings or held as cash.

Notes to the Financial Statements (cont.)

for the year ended 30 June 2011

	2011 $'000	2010 $'000
9. Non-Current Assets – Investments		
Shares in other corporations		
- Quoted on Stock Exchanges – at market value	734	756
Reconciliation of the carrying amounts are set out below:		
Carrying value at beginning of year	756	694
Additions during the year at cost	380	25
Cost of disposals	(431)	(15)
Revaluation adjustments recognised directly through the fair value reserve	29	52
Carrying value at end of year	734	756

The exposure to credit, currency and interest rate risks related to investments is disclosed in note 19 - Financial Instruments.

	2011 $'000	2010 $'000
10. Non-Current Assets – Other Intangible Assets		
Computer software – at cost	877	714
Less: accumulated amortisation	(593)	(384)
	284	330
Reconciliation of the carrying amounts are set out below:		
Carrying amount at beginning of year	330	290
Additions	163	224
Amortisation expense	(209)	(184)
Carrying amount at end of year	284	330

Notes to the Financial Statements(cont.)

for the year ended 30 June 2011

	2011 $'000	2010 $'000
11. Non-Current Assets – Property, Plant & Equipment		
Land and buildings – at cost	68,918	62,509
Less: accumulated depreciation	(22,501)	(19,891)
	46,417	42,618
Less: classified as held-for-sale (refer note 8)	(598)	(54)
	45,819	42,564
Plant and equipment – at cost	25,132	23,626
Less: accumulated depreciation	(13,429)	(12,084)
	11,703	11,542
Property, plant and equipment	57,522	54,106

Refer to note 4 for details of security over property, plant and equipment.

Reconciliations

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

	2011 $'000	2010 $'000
Land and Buildings		
Carrying amount at beginning of year	42,618	33,577
Additions	6,679	11,516
Transfers	-	(19)
Disposals	(114)	-
Depreciation expense	(2,766)	(2,456)
	46,417	42,618
Classified as held-for-sale (refer note 8)	(598)	(54)
Carrying amount at end of year	45,819	42,564
Plant and Equipment		
Carrying amount at beginning of year	11,542	10,775
Additions	4,110	5,207
Transfers	-	19
Disposals	(799)	(1,318)
Depreciation expense	(3,150)	(3,141)
Carrying amount at end of year	11,703	11,542

Notes to the Financial Statements(cont.)

for the year ended 30 June 2011

	2011 $'000	2010 $'000
12. Current Liabilities – Trade and Other Payables		
Trade creditors and accruals	4,118	3,487
Other creditors	3,189	2,214
	7,307	5,701

The exposure to currency and liquidity risk related to trade and other payables is disclosed in note 19 – Financial Instruments

	2011 $'000	2010 $'000
13. Interest Bearing Loans		
Current : Non-bank loans, payable within 1 year	130	131
Non-Current : Non-bank loans, payable within 2 – 8 years	850	971
	980	1,102

The loans represent two 10 year freeholding lease facilities from the Department of Environment and Resource Management, negotiated in order to secure tenure to land occupied by two Commercial Operations and a Learning & Lifestyle Centre, under expiring term leases.

The facilities are secured over the properties being financed, bear interest at 9.09%pa (2010 : 6.00%pa) and are repayable by 30 June 2017 in 10 equal annual installments of capital and interest.

The exposure to interest rate, currency and liquidity risks are disclosed in note 19 – Financial Instruments

Subsequent to balance date, to limit the interest rate risk associated with this borrowing, both loans were repaid in full in 7 September 2011 utilising existing surplus cash and banking facilities.

	2011 $'000	2010 $'000
14. Current Liabilities – Employee Entitlements		
Employee entitlements – staff	8,586	7,760
Employee entitlements – supported employees	1,644	1,547
	10,230	9,307
15. Revenue Received in Advance		
Current, realisable within 1 year	4,557	6,666
Non-current, realisable within 2 – 3 years	-	600
	4,557	7,266

	2011 $'000	2010 $'000
16. Non-Current Liabilities – Defined Benefit Plan		
Present value of plan assets	12,463	11,389
Present value of funded obligations	(12,635)	(11,546)
Net defined benefit plan liability	(172)	(157)

Details of the defined benefit plan and a reconciliation of the movements for the year are provided under note 25 - Employee Entitlements

	2011 $'000	2010 $'000
17. Non-Current Liabilities – Employee Entitlements		
Employee entitlements - staff	1,803	1,836
Employee entitlements – supported employees	777	766
	2,580	2,602

18. Total Equity

Reconciliation of movement in total equity

	Fair value reserve $'000	Subsidies reserve $'000	Total reserves $'000	Retained earnings $'000	Total Equity $'000
Total equity at 1 July 2009	464	396	860	51,435	52,295
Total recognised income and expense	52	-	52	2,623	2,675
Balance at 30 June 2010	**516**	**396**	**912**	**54,058**	**54,970**
Total recognised income and expense	29	-	29	8,579	8,608
Balance at 30 June 2011	**545**	**396**	**941**	**62,637**	**63,578**

a) The fair value reserve comprises the cumulative net change in the fair value of investments, until the investment is derecognised. See note 9

b) The subsidies reserve represents various subsidies received from the State Government to assist with the purchase of certain properties. In the event that the properties are sold, the subsidy received, adjusted to reflect the value in real terms calculated on the basis of the Consumer Price Index or equivalent index, may be repayable. The original subsidy received is transferred to retained earnings once the property is sold.

Notes to the Financial Statements(cont.)

for the year ended 30 June 2011

19. Financial Instruments

The Group's business activities are exposed to a variety of financial risks, including those related to credit, liquidity and interest rate risks. The centralised Finance Department manages the financial risks related to the individual operating divisions.

(a) Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis, with credit evaluations performed for all customers requiring credit over a certain amount.

It is the policy to invest surplus cash balances only in term deposits directly with major Australian banks.

(a)(i) Exposure to credit risk

The carrying amount of financial assets represents the maximum credit exposure.
The maximum exposure to credit risk at balance date was:

		Carrying Amount	
	Note	2011 $'000	2010 $'000
Investments	9	734	756
Trade and other receivables	5	6,708	4,390
Cash and cash equivalents	4	15,903	15,169
		23,345	20,315

The maximum exposure to credit risk for trade receivables at balance date by type of customer was:

	Carrying Amount	
	2011 $'000	2010 $'000
Commercial Operations customers	4,116	3,364
Disability Services customers	626	430
	4,742	3,794

All trade receivables are located within the geographic region of Australia. The maximum credit risk exposure for trade receivables to any single debtor or group of debtors is $241,000 (2010 : $277,000).

19. Financial Instruments (cont.)

(a)(ii) Impairment losses

The ageing of trade receivables at balance date was:

	2011		2010	
	Gross $'000	Impairment $'000	Gross $'000	Impairment $'000
Not past due	2,856	-	2,342	-
Past due 0-30 days	1,537	-	1,162	-
Past due 31-60 days	204	-	218	-
More than 61 days	145	80	72	35
	4,742	80	3,794	35

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

	2011	2010
Balance at 1 July	35	65
Impairment loss/(gain) recognised	45	(30)
Balance at 30 June	80	35

(b) Liquidity risk

The Group limits its exposure to liquidity risk by preparing 12 month rolling cash flow forecasts to identify potential future liquidity gaps and by maintaining adequate committed banking lines of credit which have a primary purpose of providing committed standby liquidity support when needed.

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

30 June 2011	Carrying amount $'000	Contractual cash flows Total $'000	Within 1 year $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Interest bearing loans	980	(1,315)	(219)	(219)	(658)	(219)
Trade and other payables	7,307	(7,307)	(7,307)	-	-	-
	8,287	(8,622)	(7,526)	(219)	(658)	(219)

30 June 2010	Carrying amount $'000	Contractual cash flows Total $'000	Within 1 year $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Interest bearing loans	1,102	(1,382)	(197)	(197)	(593)	(395)
Trade and other payables	5,701	(5,701)	(5,701)	-	-	-
	6,803	(7,083)	(5,898)	(197)	(593)	(395)

Notes to the Financial Statements (cont.)

for the year ended 30 June 2011

19. Financial Instruments (cont.)

(c) Currency risk

There is no exposure to foreign currency risk at balance date as all financial instruments are denominated in Australian Dollars.

(d) Interest rate risk

Given the low level of gearing on the Group's balance sheet, interest rate risk is not a risk that currently requires a robust risk mitigation policy. Consequently, interest rate risk is managed by investing surplus cash in short tailed (less than one year) financial instruments that can be regularly re-priced and by only using long term variable rate interest bearing debt that has the flexibility to be paid-out prior to maturity, to fund long term capital infrastructure acquisitions.

Exposure to interest rate risk and the effective weighted average interest rates on classes of financial assets and financial liabilities at balance date, is as follows:

2011	Weighted Average Interest Rate	Variable Rate Instruments $'000
Financial assets		
Cash and cash equivalents	5.34%	15,627
Financial liabilities		
Interest bearing liabilities	9.09%	(980)
Net financial assets		14,647

2010	Weighted Average Interest Rate	Variable Rate Instruments $'000
Financial assets		
Cash and cash equivalents	3.85%	15,045
Financial liabilities		
Interest bearing liabilities	6.00%	(1,102)
Net financial assets		13,943

19. Financial Instruments (cont.)

(d) Interest rate risk (cont)

Sensitivity analysis for variable rate instruments

There are no fixed rate financial assets and liabilities accounted for at fair value through the income statement.

For variable rate financial assets and liabilities, a change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and the surplus or deficit for the year by the amounts shown below:

	Effect on Equity and Net Result			
	30 June 2011		30 June 2010	
	100bp increase $'000	100bp decrease $'000	100bp increase $'000	100bp decrease $'000
Financial assets	189	(189)	203	(203)
Financial liabilities	(12)	12	(12)	12
Net sensitivity effect	177	(177)	191	(191)

(e) Net fair values

Aggregate net fair values and carrying amounts of financial assets and financial liabilities at balance date:

	2011		2010	
	Carrying Amount $'000	Net fair value $'000	Carrying Amount $'000	Net fair value $'000
Financial assets				
Cash and cash equivalents	15,903	15,903	15,169	15,169
Trade and other receivables	6,628	6,628	4,355	4,355
Investments	734	734	756	756
	23,265	23,265	20,280	20,280
Financial liabilities				
Interest bearing liabilities	980	980	1,102	1,102
Trade and other payables	7,307	7,307	5,701	5,701
	8,287	8,287	6,803	6,803

The net fair values of listed investments have been valued at the quoted market bid price at balance date, adjusted for transaction costs expected to be incurred.

Notes to the Financial Statements(cont.)

for the year ended 30 June 2011

20. Contingent Liabilities

In accordance with various funding agreements, the State and Commonwealth Governments may continue to have interests in particular land and buildings held by the Company for which they have made grants to assist in their acquisition. The Directors understand that the Governments may have the right to a refund of their interest in the event of a sale. Should this occur, it is the Directors' intention to negotiate with the Governments that the Company be entitled to use these funds for another approved purpose.

Contingent liabilities exist for actions commenced against the Company for workers compensation and public liability claims. Whilst the Company has denied liability it is expected that any judgement issued against the Company would be recoverable from its insurers.

Contingent liabilities may exist to restore presently leased land and/or premises to their original condition.
The Directors are of the opinion that no provision is required.

21. Commitments for Expeniture

	2011 $'000	2010 $'000
(a) Capital expenditure contracted but not provided for and payable:		
Due within 1 year	1,132	576
(b) Lease expenditure contracted for:		
The Group has various operating leases. The lease payments are charged to expenses.		
Total lease commitment at beginning of year	5,784	4,159
Lease additions and escalation	5,357	4,753
Less: rent expense for year	(3,527)	(3,128)
Total lease commitment at end of year	7,614	5,784
Due within 1 year	3,468	2,775
Due within 2 - 5 years	4,106	2,994
Due after 5 years	40	15
	7,614	5,784

The Company leases property under non-cancellable operating leases expiring from 1 to 5 years.
Leases generally provide the Company with a right of renewal at which time all terms are renegotiated.

Notes to the Financial Statements(cont.)

for the year ended 30 June 2011

22. Limitation of Members' Liability

Endeavour Foundation is a company limited by guarantee and in accordance with the Constitution, in the event of Endeavour Foundation being wound up, the liability of members would not exceed $2.00 per member. At 30 June 2011 the number of members was 1,525 (2010 : 1,284).

23. Related Party Transactions

The names of persons who were Directors of Endeavour Foundation at any time during the financial year are as follows: A G Bellas, J W Bowen, S P Charles, G M Crotty, D B de Villiers, S Herman, E T Mason, G B Murdoch, D R Rawnsley and K J Swindon.

No Directors' remuneration is payable (see note 3).

No Director or related party has entered into a material contract with the Endeavour Foundation since the end of the previous financial year and there were no material contracts involving Directors' interests subsisting at year end. Directors may have family members or relatives who utilise the services that Endeavour Foundation provides. Such transactions are conducted at arms length.

Endeavour Foundation provides administration services to the Endeavour Foundation Endowment Challenge Fund for which it is not reimbursed. During the 2010 financial year, Endeavour Foundation donated its entire share portfolio worth $805,000 to the Endeavour Foundation Endowment Challenge Fund.

	2011 $'000	2010 $'000
Balances due from/(to) controlled entities		
The aggregate amounts receivable from or (payable to) wholly controlled entities by the Company at balance date are:		
Amount due from Endeavour Foundation Endowment Challenge Fund	-	5

24. Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of Endeavour Foundation.

Endeavour Foundation's key management personnel comprise of the directors listed on page 2 of the Directors' Report and a team of fifteen senior managers, comprising the Chief Executive Officer, six General Managers, four Area Managers in Disability Services and four Commercial Managers in Commercial Operations. (2010 : sixteen senior managers, comprising the Chief Executive Officer, six General Managers, five Area Managers in Disability Services and four Commercial Managers in Commercial Operations).

All directors perform their duties in a voluntary capacity, and as such, no remuneration was payable nor was any paid to them.

Other key management personnel compensation comprises:

	2011 $'000	2010 $'000
Short-term employee benefits	2,672,228	2,785,478
Number of key management personnel	15	16

Notes to the Financial Statements (cont.)

for the year ended 30 June 2011

25. Employee Emtitlements

The Group had 2,698 full time equivalent employees inclusive of 1,338 full time equivalent workers with a disability in Commercial Operations as at 30 June 2011 (2010: 2,754 full time equivalent employees inclusive of 1,431 full time equivalent workers with a disability in Commercial Operations).

(a) Employee Entitlements

	2011 $'000	2010 $'000
Aggregate employee entitlement liability	12,810	11,909

The aggregate employee entitlement liability includes amounts for salaries and wages, annual and long service leave.

As explained in note 1(n)(ii) the amount for long service leave is measured at its present value.
The following assumptions were adopted in measuring present values.

Based on previous experience of those employees with less than five years service, one third will become entitled to long service leave, and of those employees with greater than five years service and less than ten years service, two thirds will become entitled to long service leave. For supported employees it is assumed that all supported employees will become entitled to long service leave. It has been assumed that employees are placed mid way within the bands of service. Their entitlements have been calculated using the projected rates of increase in remuneration and the period of service to entitlements. These values have been discounted using the average of the five year and ten year bond rates as follows:

	2011 $'000	2010 $'000
5 Years	4.90%	4.70%
10 Years	5.22%	5.11%
Average	5.05%	4.90%

(b) Superannuation Commitments

The Group contributes to the Endeavour Foundation Staff Retirement Plan, which is a defined benefit and a defined contribution superannuation plan, as well as a number of other registered defined contribution superannuation plans chosen by employees.

In respect of the defined contribution plans, there is a legally enforceable obligation to contribute to the plans.

In respect of the defined benefit plan, employer contributions are based on the advice of the plan's actuary. After serving a qualifying period, employees are entitled to benefits on retirement, death or disability. The plan provides defined benefits based on years of service and final average salary.

Notes to the Financial Statements (cont.)

for the year ended 30 June 2011

25. Employee Emtitlements (cont.)

(b) Superannuation Commitments (cont.)

Defined Benefit Plan

The Group's net obligation in respect of the defined benefit superannuation plan is calculated by estimating the amount of future benefit that employees have earned in return for their service in current and prior periods; that benefit is discounted to determine its present value, and the fair value of any plan assets is deducted. The net defined benefit plan asset/(liability) so determined is recorded on the face of the balance sheet and under note 10 to these financial statements.

	2011 $'000	2010 $'000
Net defined benefit plan liability		
Present value of plan assets	12,463	11,389
Present value of funded obligations	(12,635)	(11,546)
Net defined benefit plan (liability)/asset (note 16)	(172)	(157)
Reconciliations		
Changes in the present value of the net defined benefit plan (liability)/asset are as follows:		
Opening net defined benefit plan asset/(liability)	(157)	5
Employer contributions during the year	765	779
Expense during the year	(415)	(256)
Net actuarial loss for the year recognised directly in retained earnings	(365)	(685)
Closing net defined benefit plan liability	(172)	(157)
The defined benefit expenses recognised through the income statement as part of employee expenses are as follows:		
Current service cost	599	465
Interest cost	501	472
Expected return on plan assets	(685)	(681)
Total defined benefit expenses recognised in the income statement	415	256

Notes to the Financial Statements (cont.)

for the year ended 30 June 2011

25. Employee Emtitlements (cont.)

(b) Superannuation Commitments (cont.)

Defined Benefit Plan (cont.)

	2011 $'000	2010 $'000
The changes in the present value of the defined benefit obligations are as follows:		
Defined benefit obligations at beginning of year	11,546	10,398
Current service cost	599	465
Interest cost	501	472
Employee contributions	286	241
Actuarial (gain)/loss	463	1,097
Benefits paid	(574)	(928)
Other (fees and taxes)	(187)	(199)
Defined benefit obligations at end of year	12,634	11,546
The changes in the present value of the defined benefit plan assets are as follows:		
Fair value of plan assets at beginning of year	11,389	10,403
Actual return on plan assets	784	1,093
Employer contributions	765	779
Employee contributions	286	241
Benefits paid	(574)	(928)
Other (fees and taxes)	(187)	(199)
Fair value of plan assets at end of year	12,463	11,389
Principal actuarial assumptions at reporting date (expressed as weighted averages) are as follows:		
Discount rate	4.90%	4.70%
Expected long term rate of return on plan assets	6.50%	6.30%
Future salary increases	3.75%	3.50%

Historical information

	2011 $'000	2010 $'000	2009 $'000	2008 $'000	2007 $'000
Present value of plan assets	12,463	11,389	10,403	15,990	18,105
Present value of funded obligations	(12,635)	(11,546)	(10,398)	(13,150)	(13,584)
Net defined benefit plan (liability)/asset	**(172)**	**(157)**	**5**	**2,840**	**4,521**

Notes to the Financial Statements(cont.)

for the year ended 30 June 2011

25. Employee Emtitlements (cont.)

(b) Superannuation Commitments (cont.)

Defined Contribution Plans

Details of contributions to the defined contribution superannuation plans during the year and contributions payable at 30 June are as follows:

	2011 $'000	2010 $'000
Employer contributions to the defined contribution plans	6,775	6,118
Employer contributions payable to the defined contribution plans at reporting date	789	560

The Group has no further outstanding liability in respect of the defined contribution superannuation plans as at the date of this report.

26. Divisional Reporting

The Group comprises the following main operating units:

- Disability Services

Disability Services provides residential accommodation and structured daytime activities for people with a disability. There are 71 residences, 34 Learning & Lifestyle centres and 2 Targeted Support Services throughout Queensland. In addition, Disability Services provides individualised support through programs such as Accommodation Support, Post School Services and respite, all of which are designed to enhance the lives of people with an intellectual disability. Transport support services are now also included in this unit, having previously been reported as part of Corporate (see below).

- Commercial Operations

Commercial Operations operates 23 commercial businesses throughout Queensland and 3 commercial businesses in Sydney, that provide employment for 1,815 people with a disability and 1 open employment service. The commercial businesses produce a range of quality products and services including: industrial cloth, stakes and pegs, metal fabrication, HACCP food packaging, pharmaceutical packaging, general packaging, industrial sewing, document destruction and a number of recycling activities.

Another arm of Commercial Operations are 36 retail stores throughout Queensland and 1 Store operating in Sydney. These Endeavour Recycled Clothing stores stock and sell a variety of recycled goods including: clothing, furniture, manchester, accessories and bric-a-brac.

- Corporate, Infrastructure and Fundraising

Corporate provides the strategic governance, advocacy, human resources, marketing, accounting, administrative and compliance infrastructure to support the operational and legislative requirements of the organisation. This unit also includes the operations of the Endeavour Business College. Transport support services were previously reported in this unit, but have been transferred to Disability Services in the 2011 financial year. The comparative divisional operating results for the 2010 financial year have been restated accordingly.

Infrastructure controls and manages the property portfolio.

Fundraising undertakes a number of commercial fundraising activities such as art unions and bingo as well as major signature functions such as the Great Endeavour Rally, the Grand Highland Charity Ball, the Summer Challenge and the Endeavour Challenge cycling events. Ten major prize homes were drawn during the year. These commercial fundraising activities, together with community and workplace donation programs, bequests and community grants enable funds to be raised with the objective of enhancing the lives of people with a disability.

The divisional financial performance of the three operating units is disclosed on the face of the Consolidated Income Statement (page 9).

Notes to the Financial Statements (cont.)

for the year ended 30 June 2011

27. Notes to the Cash Flow Statement

(a) Reconciliation of cash and cash equivalents

For the purpose of the Consolidated Cash Flow Statement, cash and cash equivalents include cash on hand and "at call" and term deposits with other financial institutions. Cash and cash equivalents at the end of the financial year as shown in the Consolidated Cash Flow Statement is reconciled to the related items in the Consolidated Balance Sheet as follows:

	2011 $'000	2010 $'000
Cash at bank	1,895	1,017
Call & short term deposits	14,008	14,152
	15,903	15,169

(b) Reconciliation of Net Cash Provided by Operating Activities to Net Surplus

	2011 $'000	2010 $'000
Net surplus for the year	8,936	3,308
Depreciation and amortisation	6,125	5,781
Non-cash flow effects of movements in defined benefit plan	(350)	(523)
Increase in provision for employee entitlements	901	3,167
Increase/(decrease) in trade receivables impairment provision	45	(30)
Increase in trade and other receivables	(2,318)	(1,022)
(Increase)/decrease in inventories	(1,295)	152
(Increase)/decrease in other current assets	(105)	35
Increase/(decrease) in trade and other payables	1,606	(179)
Decrease in revenue received in advance	(2,709)	(2,420)
Gain on disposal of investments	-	(2)
Gain on disposal of non current assets	(104)	(68)
Net Cash Provided by Operating Activities	10,732	8,199

28. Economic Dependency

The Company receives a significant portion of its operating revenue in the form of grants from the Queensland State Government and the Commonwealth Government of Australia.

Notes to the Financial Statements (cont.)

for the year ended 30 June 2011

29. Group Entities

	2011 %	2010 %
Particulars in relation to controlled entities, all of which are incorporated in Australia		
Endeavour Foundation Endowment Challenge Fund Limited	100%	100%
Endeavour Foundation Endowment Challenge Fund Trust	100%	100%

During the 2010 year Endeavour Foundation became the founding and sole member of Endeavour Foundation Endowment Challenge Fund Limited, a company limited by guarantee and the corporate trustee for the Endeavour Foundation Endowment Challenge Fund Trust (the Challenge Fund), both of which were established on 3 December 2009.

The Challenge Fund was established to fund activities which are outside the scope of Endeavour Foundation's normal activities. The Challenge Fund is a health promoting charity and public benevolent institution and seeks to benefit the wider Australian disability sector as a whole, with an emphasis on people with an intellectual disability, through the provision of grants to fund research, scholarships and other education opportunities in the academic and research arenas relevant to the Australian disability sector. Grants will also be made to support the engagement and broader participation by persons with a disability in the world in which we live, so that they can lead ordinary lives.

30. Parent Entity Disclosures

As at, and throughout, the financial year ending 30 June 2011 the parent company of the Group was Endeavour Foundation.

	2011 $'000	2010 $'000
Results of the parent entity		
Net surplus for the year	8,931	2,926
Other comprehensive expense	(365)	(1,149)
Total comprehensive income for the year	8,566	1,777
Financial position of the parent entity at year end		
Current assets	30,658	25,772
Total assets	88,464	80,208
Current liabilities	22,225	21,806
Total liabilities	25,826	26,136
Total equity of the parent entity comprising of		
Subsidies reserve	396	396
Retained earnings	62,242	53,676
Total equity	62,638	54,072

30. Parent Entity Disclosures (cont.)

Parent entity contingencies

The contingent liabilities disclosed as note 20 Contingent Liabilities are solely attributable to the parent entity.

Parent entity commitments for capital expenditure

The commitments for capital expenditure disclosed as note 21 Commitments for Expenditure are solely attributable to the parent entity.

Parent entity guarantees in respect of debts of its subsidiary

The parent entity has not issued any guarantees in respect of debts of its subsidiaries.

31. Business Combination – 2010 Financial Year

On 1 September 2009, the Company acquired the supported employment services of disability services provider Cumberland Industries Limited (In Liquidation), saving the jobs of 488 supported employees and 50 support staff.

The acquisition comprised of property, plant and equipment, inventories and employee entitlements for the Filpac, Clean-Pac, Pak-It-Rite and Sew-It-Rite operations, located at three sites at Castle Hill, Seven Hills and Mt Druitt, in the western suburbs of Sydney.

The expansion into New South Wales significantly increased the Company's capability to deliver quality services to people with a disability and increased the capacity and expanded the range of services offered, with new operations including pharmaceutical packaging and industrial sewing.

The acquisition was settled using available cash reserves and had the following effect on the Company's assets and liabilities on the 1 September 2009 acquisition date :

Identifiable assets acquired and liabilities assumed	$'000
Property	7,250
Plant & equipment	1,059
Inventories	553
Employee entitlements	(1,134)
Net identifiable assets and liabilities	7,728
Goodwill on acquisition	-
Consideration paid, satisfied in cash	7,728

The values of assets and liabilities recognised on acquisition were their estimated fair values.

In the ten months to 30 June 2010, the acquired operations contributed revenues of $11,188,000 and a net surplus of $993,000.

If the acquisition had occurred on 1 July 2009, management estimated that consolidated revenue and the consolidated net surplus for the year ended 30 June 2010 would have been $148,045,000 and $3,507,000 respectively. In determining these amounts, management has assumed that any fair value adjustments recognised on the acquisition date would have been the same and that revenue and operating surpluses would have accrued at a consistent rate throughout the 12 month period.

32. Events Subsequent to Reporting Date

The Directors are not aware of any material events occurring after balance date of this report that would require further disclosure in these financial statements.

Directors' Declaration

for the year ended 30 June 2011

Directors' Declaration

In the opinion of the Directors of Endeavour Foundation:

(a) the financial statements and notes, set out on pages 8 to 40, are in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the financial year ended on that date; and

(ii) complying with Accounting Standards in Australia (including the Australian Accounting Interpretations) and the Corporations Regulations 2001 and

(b) there are reasonable grounds to believe that the Company will be able to pay its debts as and when they become due and payable.

Signed in accordance with a resolution of the Directors:

G B Murdoch - Chair

S P Charles - Director

Brisbane

6th October 2011

Independent Audit Report

for the year ended 30 June 2011

KPMG

Independent Auditor's Report to the Members of Endeavour Foundation

Report on the financial report

We have audited the accompanying financial report of Endeavour Foundation (the company), which comprises the statements of financial position as at 30 June 2011, and consolidated income consolidated statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statements of cash flows for the year ended on that date, notes 1 to 32 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the company and the entities it controlled at the year's end or from time to time during the financial year.

Directors' responsibility for the financial report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards and the Corporations Act 2001 and for such internal control as the directors 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 of the financial report that gives a true and fair view 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 directors, 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 the Corporations Act 2001 and Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Group's financial position and of its performance.

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 Corporations Act 2001.

Auditor's opinion

In our opinion:

the financial report of the Group in accordance with the Corporations Act 2001, including:

(i) giving a true and fair view of the Group's financial position as at 30 June 2011 and of its performance for the year ended on that date; and

(ii) complying with Australian Accounting Standards and the Corporations Regulations 2001.

KPMG

Mitchell C Petrie
Partner
Brisbane

6 October 2011

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