ENDEAVOUR FOUNDATION

Opportunities for people with a disability

Annual Financial Report

for the year ended 30 June 2012

ENDEAVOUR
FOUNDATION
Opportunities for people with a disability

Contents

Directors' Report
for the year ended 30 June 2012

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 2012 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:

		Experience (in years)	
Name	**Qualifications and Special Responsibilities**	**Board of Directors**	**Area Committee / Branch Board**
Grant Bruce Murdoch	M Com (Hons), FAICD, FCA Chair Chair of Nominations & Remuneration Committee Member of Audit Committee Member of Property Committee Chair of Constitutional Committee	5	-
Shane Paul Charles	LLB, MAIM, MAICD Deputy Chair Member of Nominations & Remuneration Committee Chair of Audit Committee Member of Risk Committee Member of Property Committee Member of Constitutional Committee	8	9
Gerard Michael Crotty	Member of Nominations & Remuneration Committee Member of Client Services Committee	13	22
David Booth de Villiers	MA, HED, AdvDipEd, MAICD, PSM Chair of Client Services Committee Member of Audit Committee Member of Constitutional Committee	7	15
Sally Herman	BA Chair of Risk Committee	2	-
David Roland Rawnsley	B Ed, MAICD Member of Risk Committee	6	9
Katherine Jean Swindon	B Com, FCA Member of Risk Committee Member of Client Services Committee Member of Constitutional Committee	2	-
Edward Terence Mason		2	2
Anthony George Bellas	B Econ, Dip Ed, MBA, MAICD, ASA, FAIM Chair of Property Committee Member of Risk Committee Member of Constitutional Committee	2	-

Past Directors who served during the year

Nil

Appointments since the end of the financial year

Nil

Directors' Report cont
for the year ended 30 June 2012

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		Constitutional Committee Meetings	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**	**A**	**B**
G B Murdoch	10	8	1	1	4	4	-	1	-	1	1	1	-	-
S P Charles	10	10	1	1	4	4	-	-	-	-	1	1	-	-
A G Bellas	10	8	-	-	-	-	-	-	4	3	1	1	-	-
G M Crotty	10	9	1	1	-	1	4	4	-	-	-	-	-	-
D B de Villiers	10	10	-	-	4	3	4	4	-	-	-	-	-	-
S Herman	10	10	-	-	-	-	-	-	4	4	-	-	-	-
E T Mason	10	8	-	-	-	-	-	-	-	-	-	-	-	-
D R Rawnsley	10	8	-	-	-	-	-	-	-	-	-	-	-	-
K J Swindon	10	10	-	-	-	-	4	4	4	4	-	-	-	-

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

B – Number of meetings attended

Directors' Report cont
for the year ended 30 June 2012

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, a Property Committee and a Constitutional 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
- Mr G M Crotty

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)
- Mr G B Murdoch
- Mr D B de Villiers

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

Directors' Report cont
for the year ended 30 June 2012

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)
- Ms K J Swindon
- Mr A G Bellas

Property Committee

The Property Committee's main function is 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)
- Mr S P Charles
- Mr G B Murdoch

Constitutional Committee

The Constitutional Committee was established on 15 December 2011 to examine and advise the Board on the constitutional implications of expanding Endeavour's operations to a national level.

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

- Mr G B Murdoch (Chair)
- Mr S P Charles
- Mr D B de Villiers
- Ms K J Swindon
- Mr A G Bellas

Directors' Report cont

for the year ended 30 June 2012

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 Practice, 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 periodic 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 a marginal operating surplus for the current financial year of $59,000 compared to an operating surplus of $5,231,000 in the previous year. This deterioration in the operating result was due primarily to the following factors:

- a significant deterioration in the contributions from the Endeavour Recycled Stores and the Endeavour Prize Home Lotteries. These enterprises have traditionally provided a much needed boost to help close the funding gap between government funding received and the cost of providing services. Yet in the current financial year both of these enterprises have been unable to avoid the downturn in retail and discretionary spending that has been so prevalent in the current economic climate;
- the Endeavour Business College continued to deliver training to Endeavour's employees, but significant revenues from external training delivery did not eventuate;
- the recognition of certain non-recurrent State Government subsidies in the prior year, on run-off of the previous funding agreements and the transition to the new output based funding agreement, were not replicated in the current financial year.

Directors' Report cont
for the year ended 30 June 2012

Results (continued)

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 less than 0.04% of operating revenue (2011 : 3.3%), providing a wafer thin operational buffer.

The Group's net surplus for the current financial year, after recognising non-operating revenues of $2,143,000 was $2,202,000. In the year 2010-11 the Group recorded a comparative net surplus for the year of $8,936,000 after recognising non-operating revenues of $3,705,000. Non-operating revenues included significant non-recurrent government capital grants of $1,926,000 (2011 : $2,969,000). In 2011 a further major bequest of $614,000 formed part of non-operating revenues.

Dividends

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

Events Subsequent to Balance Date

Since 30 June 2012 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' Benefits

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

(a) No Directors' Fees are payable

(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).

Directors' Report cont
for the year ended 30 June 2012

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 8 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 - Chairman
Brisbane
9th October 2012

S P Charles - Director
Brisbane
9th October 2012

Auditor’s Independence Declaration

for the year ended 30 June 2012

KPMG

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 2012 there have been:

- no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

KPMG

Scott Guse

Scott Guse
Partner
Brisbane
9 October 2012

Consolidated Balance Sheet
as at 30 June 2012

	Note	2012 $'000	2011 $'000
Current assets			
Cash and cash equivalents			
- Untied cash		4,651	5,592
- Quarantined cash		6,291	10,311
	4	10,942	15,903
Trade and other receivables	5	5,802	6,628
Inventories	6	8,771	7,012
Other current assets	7	1,091	723
		26,606	30,266
Assets classified as held-for-sale		1,839	598
Total current assets	8	**28,445**	**30,864**
Non-current assets			
Investments	9	763	734
Other intangible assets	10	265	284
Property, plant & equipment	11	61,705	57,522
Total non-current assets		**62,733**	**58,540**
Total assets		**91,178**	**89,404**
Current liabilities			
Trade and other payables	12	7,540	7,307
Interest bearing loans	13	-	130
Employee entitlements	14	11,165	10,230
Revenue received in advance	15	3,869	4,557
Total current liabilities		**22,574**	**22,224**
Non-current liabilities			
Net defined benefit plan liability	16	2,160	172
Interest bearing loans	13	-	850
Employee entitlements	17	3,052	2,580
Total non-current liabilities		**5,212**	**3,602**
Total liabilities		**27,786**	**25,826**
Net assets		**63,392**	**63,578**
Equity			
Reserves	18	845	941
Retained earnings	18	62,547	62,637
Total equity		**63,392**	**63,578**

The Consolidated Balance Sheet is to be read in conjunction with the Notes to the Financial Statements.

Consolidated Income Statement

for the year ended 30 June 2012

	Note	2012 $'000	2011 $'000
Revenue			
Sale of goods and services		35,392	35,073
Fundraising activities		17,269	17,423
Service user contributions		11,888	11,555
Government subsidies		98,610	93,044
Interest income		1,012	1,011
Other revenue		788	473
	2 (a)	164,959	158,579
Expenses			
Cost of goods sold & commercial fundraising activities		(25,062)	(24,557)
Employee expenses		(91,094)	(83,337)
Supported employee expenses		(12,331)	(11,523)
Utilities & leased property expenses		(8,779)	(7,430)
Transport expenses		(4,483)	(4,045)
Maintenance expenses		(6,933)	(7,700)
Household consumables		(1,864)	(1,851)
Depreciation & amortisation expenses		(6,605)	(6,125)
Interest expense		(18)	(109)
Other expenses		(7,731)	(6,671)
		(164,900)	(153,348)
Operating surplus		59	5,231
Government capital expenditure grants	2 (a)	1,926	2,969
Bequest D A Smith estate	2 (a)	-	614
Gain on sale of properties	2 (a)	217	122
Net surplus for the year		**2,202**	**8,936**

Divisional Results	Disability Services		Commercial Operations		Corporate, Infrastructure & Fundraising		Total Foundation	
	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000	2012 $'000	2011 $'000
Operating revenue	81,269	77,254	62,363	59,200	21,327	22,125	164,959	158,579
Operating expenses	(83,019)	(77,473)	(61,278)	(57,702)	(20,603)	(18,173)	(164,900)	(153,348)
Divisional operating (deficit)/surplus	(1,750)	(219)	1,085	1,498	724	3,952	59	5,231
Non-operating revenue	20	629	31	594	2,092	2,482	2,143	3,705
Net (deficit)/surplus for the year	**(1,730)**	**410**	**1,116**	**2,092**	**2,816**	**6,434**	**2,202**	**8,936**

The Consolidated Income Statement is to be read in conjunction with the Notes to the Financial Statements.

Consolidated Statement of Comprehensive Income

for the year ended 30 June 2012

	2012 $'000	2011 $'000
Net surplus for the year	**2,202**	**8,936**
Other comprehensive income		
Net (decrease)/increase in fair value of investments	(96)	29
Realised (losses)/gains on disposal of investments	(28)	8
Actuarial adjustment to defined benefit superannuation plan	(2,264)	(365)
Other comprehensive expense for the year	**(2,388)**	**(328)**
Total comprehensive (expense)/income for the year	**(186)**	**8,608**

Consolidated Statement of Changes in Equity

for the year ended 30 June 2012

	Fair value reserve $'000	Subsidies reserve $'000	Total reserves $'000	Retained earnings $'000	Total Equity $'000
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**
Total comprehensive expense for the year	(96)	-	(96)	(90)	(186)
Total equity at 30 June 2012	**449**	**396**	**845**	**62,547**	**63,392**

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.

Consolidated Cash Flow Statement

for the year ended 30 June 2012

	Note	2012 $'000 Inflows (Outflows)	2011 $'000 Inflows (Outflows)
Cash flows from operating activities			
Cash receipts in the course of operations		177,703	166,775
Cash payments to suppliers & employees		(171,429)	(157,889)
Dividends received		44	37
Interest received		1,057	991
Interest paid		(36)	(104)
Legacies & bequests received	27	555	922
Net cash provided by operating activities		**7,894**	**10,732**
Cash flows from investing activities			
Acquisition of property, plant & equipment		(12,323)	(10,789)
Acquisition of intangible assets		(154)	(163)
Acquisition of investments		(502)	(380)
Proceeds from disposal of property, plant & equipment		755	1,017
Proceeds from sale of investments		349	439
Net cash utilised in investing activities		**(11,875)**	**(9,876)**
Cash flows from financing activities			
Repayment of interest bearing loans		(980)	(122)
Net cash utilised by financing activities		**(980)**	**(122)**
Net (decrease)/increase in cash held		**(4,961)**	**734**
Cash at the beginning of the financial year		15,903	15,169
Cash at the end of the financial year	27	**10,942**	**15,903**
Comprised of :			
Untied cash		4,651	5,592
Quarantined cash		6,291	10,311
		10,942	**15,903**

The Consolidated Cash Flow Statement is to be read in conjunction with the Notes to the Financial Statements.

Notes to the Financial Statements

for the year ended 30 June 2012

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Notes to the Financial Statements

for the year ended 30 June 2012

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 2012 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 9th October 2012.

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

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 Standards 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.

Notes to the Financial Statements cont

for the year ended 30 June 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards and interpretations not yet adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 July 2011, and have not been applied in preparing these consolidated financial statements. None of these is expected to have a significant effect on the consolidated financial statements of the Group, except for AASB9 *Financial Instruments,* which has been early adopted as detailed above.

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 seven consecutive Operating Surpluses and has also reported strong positive cash flows from operating activities. In addition, as at 30 June 2012, the Group's current assets exceed its current liabilities by $5,871,000.

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 2013 financial year.

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

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.

Notes to the Financial Statements cont
for the year ended 30 June 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

Lottery Tickets Sold

Revenue from the sale of lottery tickets is measured at the fair value of the consideration received. Monies received for tickets in undrawn lotteries is deferred and recorded as advance lottery receipts in revenue received in advance.

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.

Notes to the Financial Statements cont

for the year ended 30 June 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Revenue recognition (continued)

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.

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 under section 50-5 of the Income Tax Assessment Act 1997.

Notes to the Financial Statements cont

for the year ended 30 June 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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).

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:

	2012	2011
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.

Notes to the Financial Statements cont

for the year ended 30 June 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

(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.

Notes to the Financial Statements cont

for the year ended 30 June 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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. 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.

Notes to the Financial Statements cont

for the year ended 30 June 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 2012

	2012 $'000	2011 $'000
2 (a) OPERATING REVENUE AND OTHER INCOME		
Sale of goods and services	35,392	35,073
Fundraising activities		
- Commercial fundraising activities	15,474	15,340
- Donations & appeals	741	1,038
- Special functions	292	404
- Bequests & legacies	555	309
- Community grants	207	332
	17,269	17,423
Service user contributions		
- Accommodation services	8,883	8,316
- Learning & Lifestyle centres	1,578	1,818
- Transport services	1,427	1,421
	11,888	11,555
State Government subsidies	71,432	67,643
Federal Government subsidies	27,178	25,401
Dividend income	44	37
Interest income	1,012	1,011
Other revenue	744	436
Total operating revenue	**164,959**	**158,579**
Non-operating revenue		
Government capital expenditure grants		
- Other non-recurrent Government capital grants	1,332	1,545
- Gambling Community Benefit Fund capital grants	594	1,424
	1,926	2,969
Bequest D A Smith estate	-	614
Gain on sale of property	217	122
	2,143	**3,705**
Total revenue and other income for the period	**167,102**	**162,284**

Notes to the Financial Statements cont

for the year ended 30 June 2012

	2012 $'000	2011 $'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	1,407	901
- trade receivable impairments	-	45
Operating lease expense – property rentals	4,150	3,527
Operating lease expense – equipment rentals	276	307
Bad debts (recovery)/expense	49	(26)
Net loss/(gain) on disposal of non-current assets:		
- Plant, equipment and intangibles	(71)	18

	2012 $'000	2011 $'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)	17,269	17,423
Community grants in non-operating income	594	1,424
Bequest in non-operating income	-	614
Direct costs of commercial fundraising activities	(15,014)	(14,271)
Net Fundraising Revenue	**2,849**	**5,190**
Indirect fundraising expenses	(776)	(692)
Net Fundraising Contribution	**2,073**	**4,498**
Fundraising Efficiency Ratio (Net Fundraising Contribution / Net Fundraising Revenue)	72.77%	86.67%

Notes to the Financial Statements cont

for the year ended 30 June 2012

		2012 $	2011 $
3.	**AUDITORS' REMUNERATION**		
	Auditors' remuneration		
	Audit Services		
	Auditor of Endeavour Foundation – KPMG Australia		
	Audit of financial report	105,000	101,890
	Other regulatory audit services	15,300	14,850
		120,300	116,740
	Other Services		
	Auditor of Endeavour Foundation – KPMG Australia		
	Other consultancy services	-	-

		2012 $'000	2011 $'000
4.	**CASH AND CASH EQUIVALENTS**		
	Untied cash	4,651	5,592
	Quarantined cash	6,291	10,311
		10,942	15,903

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 $3,869,000 (2011 : $4,557,000) which is available for draw down only once the services they are meant to fund have actually been delivered and other cash reserves of $2,422,000 (2011 : $5,754,000) 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 2012

	2012 $'000	2011 $'000
4. CASH AND CASH EQUIVALENTS (continued)		
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	250	500
Indemnity guarantee facility	471	33
	8,221	8,033
Facilities utilised at reporting date:		
Standby overdraft facility	-	-
Multi-option facility	-	-
Credit card facility	-	-
Indemnity guarantee facility	287	33
	287	33
Facilities not utilised at reporting date:		
Standby overdraft facility	2,500	2,500
Multi-option facility	5,000	5,000
Credit card facility	250	500
Indemnity guarantee facility	184	-
	7,934	8,000

These facilities are secured by registered first mortgages over five properties with a carrying amount of $13,753,000 (2011: five properties with a carrying amount of $13,988,000) 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 2012

	2012 $'000	2011 $'000
5. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES		
Trade debtors	4,432	4,742
Less: impairment provision	(80)	(80)
Other debtors	1,450	1,966
	5,802	6,628

The exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in note 19 – Financial Instruments.

	2012 $'000	2011 $'000
6. CURRENT ASSETS – INVENTORIES		
Raw materials	1,724	1,239
Work in progress	44	23
Finished goods	1,901	1,435
Less: impairment provision	(95)	(95)
	3,574	2,602
Fundraising	5,095	4,358
Non trading stock	102	52
	8,771	7,012
7. CURRENT ASSETS – OTHER CURRENT ASSETS		
Prepayments	1,091	723
8. NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE		
Land and buildings – at carrying value	1,839	598

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 2012

	2012 $'000	2011 $'000
9. NON-CURRENT ASSETS – INVESTMENTS		
Investments in other corporations		
Quoted on Stock Exchanges		
- Shares – at market value	743	734
- Fixed interest instruments – at market value	20	-
Carrying value at end of year	763	734

The entire investment portfolio is under the control of the Endeavour Foundation Endowment Challenge Fund and as such is quarantined to support the Challenge Fund's objectives and is not accessible by Endeavour Foundation to fund normal service delivery.

Reconciliation of the carrying amounts are set out below:		
Carrying value at beginning of year	734	756
Additions during the year at cost	502	380
Cost of disposals	(377)	(431)
Revaluation adjustments recognised directly through the fair value reserve	(96)	29
Carrying value at end of year	763	734

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

	2012 $'000	2011 $'000
10. NON-CURRENT ASSETS – OTHER INTANGIBLE ASSETS		
Computer software – at cost	1,031	877
Less: accumulated amortisation	(766)	(593)
	265	284
Reconciliation of the carrying amounts are set out below:		
Carrying amount at beginning of year	284	330
Additions	154	163
Amortisation expense	(173)	(209)
Carrying amount at end of year	265	284

Notes to the Financial Statements cont

for the year ended 30 June 2012

	2012 $'000	2011 $'000
11. NON-CURRENT ASSETS – PROPERTY, PLANT & EQUIPMENT		
Land and buildings – at cost	76,876	68,918
Less: accumulated depreciation	(25,559)	(22,501)
	51,317	46,417
Less: classified as held-for-sale (refer note 8)	(1,839)	(598)
	49,478	45,819
Plant and equipment – at cost	27,007	25,132
Less: accumulated depreciation	(14,780)	(13,429)
	12,227	11,703
Property, plant and equipment	61,705	57,522

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:

Land and buildings

	2012 $'000	2011 $'000
Carrying amount at beginning of year	46,417	42,618
Additions	8,169	6,679
Disposals	(131)	(114)
Depreciation expense	(3,138)	(2,766)
	51,317	46,417
Classified as held-for-sale (refer note 8)	(1,839)	(598)
Carrying amount at end of year	49,478	45,819

Plant and equipment

	2012 $'000	2011 $'000
Carrying amount at beginning of year	11,703	11,542
Additions	4,154	4,110
Disposals	(336)	(799)
Depreciation expense	(3,294)	(3,150)
Carrying amount at end of year	12,227	11,703

Notes to the Financial Statements cont

for the year ended 30 June 2012

	2012 $'000	2011 $'000
12. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES		
Trade creditors and accruals	4,436	4,118
Other creditors	3,104	3,189
	7,540	7,307

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

	2012 $'000	2011 $'000
13. INTEREST BEARING LOANS		
Current : Non-bank loans, payable within 1 year	-	130
Non-Current : Non-bank loans, payable within 2 – 8 years	-	850
	-	980

The above interest bearing loans were repaid in full on 7 September 2011. The loans represented 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 were secured over the properties being financed, bore interest at 9.34%pa (2011 : 9.09%pa) and were 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.

	2012 $'000	2011 $'000
14. CURRENT LIABILITIES – EMPLOYEE ENTITLEMENTS		
Employee entitlements – staff	9,487	8,586
Employee entitlements – supported employees	1,678	1,644
	11,165	10,230

	2012 $'000	2011 $'000
15. CURRENT LIABILITIES - REVENUE RECEIVED IN ADVANCE		
Current : realisable within 1 year	3,869	4,557
	3,869	4,557

Notes to the Financial Statements cont

for the year ended 30 June 2012

	2012 $'000	2011 $'000
16. NON-CURRENT LIABILITIES – DEFINED BENEFIT PLAN		
Present value of plan assets	11,485	12,463
Present value of funded obligations	(13,645)	(12,635)
Net defined benefit plan liability	(2,160)	(172)

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

	2012 $'000	2011 $'000
17. NON-CURRENT LIABILITIES – EMPLOYEE ENTITLEMENTS		
Employee entitlements - staff	2,075	1,803
Employee entitlements – supported employees	977	777
	3,052	2,580

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
Balance at 1 July 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
Total recognised income and expense	(96)	-	(96)	(90)	(186)
Balance at 30 June 2012	449	396	845	62,547	63,392

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 2012

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.

		Carrying Amount	
		2012	**2011**
	Note	**$'000**	**$'000**
(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 :			
Investments	9	763	734
Trade and other receivables	5	5,882	6,708
Cash and cash equivalents	4	10,942	15,903
		17,587	**23,345**
The maximum exposure to credit risk for trade receivables at balance date by type of customer was:			
Commercial Operations customers		3,822	4,116
Disability Services customers		610	626
		4,432	**4,742**

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 $192,000 (2011 : $241,000).

Notes to the Financial Statements cont

for the year ended 30 June 2012

19. FINANCIAL INSTRUMENTS (continued)

(a) Credit Risk (continued)

(ii) Impairment losses

The ageing of trade receivables at balance date was:

	2012		2011	
	Gross $'000	Impairment $'000	Gross $'000	Impairment $'000
Not past due	2,727		2,856	
Past due 0-30 days	1,419		1,537	
Past due 31-60 days	191		204	
More than 61 days	95	80	145	80
	4,432	**80**	**4,742**	**80**

	2012 Impairment $'000	2011 Impairment $'000
The movement in the allowance for impairment in respect of trade receivables during the year was as follows :		
Balance at 1 July	80	35
Impairment loss/(gain) recognised	-	45
	80	**80**

Notes to the Financial Statements cont

for the year ended 30 June 2012

19. FINANCIAL INSTRUMENTS (continued)

(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 :

		Contractual cash flows				
30 June 2012	Carrying amount $'000	Total $'000	Within 1 year $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Interest bearing loans	-	-	-	-	-	-
Trade and other payables	7,540	(7,540)	(7,540)	-	-	-
	7,540	**(7,540)**	**(7,540)**	**-**	**-**	**-**

		Contractual cash flows				
30 June 2011	Carrying amount $'000	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)**

(c) Currency risk

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

Notes to the Financial Statements cont

for the year ended 30 June 2012

19. FINANCIAL INSTRUMENTS (continued)

(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 :

	2012		2011	
	Weighted Average Interest Rate	Variable Rate Instruments $'000	Weighted Average Interest Rate	Variable Rate Instruments $'000
Financial assets				
Cash and cash equivalents	4.38%	10,663	5.34%	15,627
Financial liabilities				
Interest bearing liabilities	-%	-	9.09%	(980)
Net financial assets		**10,663**		**14,647**

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 2012		30 June 2011	
	100bp increase $'000	100bp decrease $'000	100bp increase $'000	100bp decrease $'000
Financial assets	231	(231)	189	(189)
Financial liabilities	(2)	2	(12)	12
Net sensitivity effect	**229**	**(229)**	**177**	**(177)**

Notes to the Financial Statements cont

for the year ended 30 June 2012

19. FINANCIAL INSTRUMENTS (continued)

(e) Net fair values

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

	2012		2011	
	Carrying Amount $'000	Net fair value $'000	Carrying Amount $'000	Net fair value $'000
Financial assets				
Cash and cash equivalents	10,942	10,942	15,903	15,903
Trade and other receivables	5,802	5,802	6,628	6,628
Investments	763	763	734	734
	17,507	**17,507**	**23,265**	**23,265**
Financial liabilities				
Interest bearing liabilities	-	-	980	980
Trade and other payables	7,540	7,540	7,307	7,307
	7,540	**7,540**	**8,287**	**8,287**

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.

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.

Notes to the Financial Statements cont

for the year ended 30 June 2012

	2012 $'000	2011 $'000
21. COMMITMENTS FOR EXPENDITURE		
(a) Capital expenditure contracted but not provided for and payable:		
Due within 1 year	1,340	1,132
(b) Lease expenditure contracted for:		
The Group has various operating leases. Lease payments are charged to expenses.		
Total lease commitment at beginning of year	7,614	5,784
Lease additions and escalation	6,417	5,357
Less: rent expense for year	(4,150)	(3,527)
Total lease commitment at end of year	9,881	7,614
Due within 1 year	3,548	3,468
Due within 2 - 5 years	4,681	4,106
Due after 5 years	1,652	40
	9,881	7,614

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.

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 2012 the number of members was 1,330 (2011 : 1,525).

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, 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.

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.

Notes to the Financial Statements cont

for the year ended 30 June 2012

	2012 $'000	2011 $'000
23. RELATED PARTY TRANSACTIONS (continued)		
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	-	-

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 1 of the Directors' Report and a team of seventeen senior managers, comprising the Chief Executive Officer, seven General Managers, five Area Managers in Disability Services and four Commercial Managers in Commercial Operations. (2011 : fifteen senior managers, comprising the Chief Executive Officer, six General Managers, four 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:

	2012 $	2011 $
Short-term employee benefits	3,259,955	2,672,228
Number of key management personnel	17	15

25. EMPLOYEE ENTITLEMENTS

(a) Employee entitlements

	2012 $'000	2011 $'000
Aggregate employee entitlement liability	14,217	12,810

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:

Notes to the Financial Statements cont

for the year ended 30 June 2012

	2012 $'000	2011 $'000
25. EMPLOYEE ENTITLEMENTS (continued)		
(a) Employee entitlements (continued)		
5 Years	2.63%	4.90%
10 Years	3.08%	5.22%
Average	2.86%	5.05%

(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.

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.

	Note	2012 $'000	2011 $'000
Net defined benefit plan liability			
Present value of plan assets		11,485	12,463
Present value of funded obligations		(13,645)	(12,635)
Net defined benefit liability	16	**(2,160)**	**(172)**
Reconciliations			
Changes in the present value of the net defined benefit plan (liability)/asset are as follows:			
Opening net defined benefit plan (liability)/asset		(172)	(157)
Employer contributions during the year		714	765
Expense during the year		(438)	(415)
Net actuarial loss for the year recognised directly in retained earnings		(2,264)	(365)
Closing net defined benefit plan liability		**(2,160)**	**(172)**

Notes to the Financial Statements cont

for the year ended 30 June 2012

	2012 $'000	2011 $'000
25. EMPLOYEE ENTITLEMENTS (continued)		
(b) Superannuation commitments (continued)		
DEFINED BENEFIT PLAN (continued)		
The defined benefit expenses recognised through the income statement as part of employee expenses are as follows:		
Current service cost	635	599
Interest cost	552	501
Expected return on plan assets	(749)	(685)
Total defined benefit expenses recognised in the income statement	**438**	**415**
The changes in the present value of the defined benefit obligations are as follows:		
Defined benefit obligations at beginning of year	12,635	11,546
Current service cost	635	599
Interest cost	552	501
Employee contributions	223	286
Actuarial (gain)/loss	1,442	464
Benefits paid	(1,664)	(574)
Other (fees and taxes)	(178)	(187)
Defined benefit obligations at end of year	**13,645**	**12,635**
The changes in the present value of the defined benefit plan assets are as follows:		
Fair value of plan assets at beginning of year	12,463	11,389
Actual return on plan assets	(73)	784
Employer contributions	714	765
Employee contributions	223	286
Benefits paid	(1,664)	(574)
Other (fees and taxes)	(178)	(187)
Fair value of plan assets at end of year	**11,485**	**12,463**
Principal actuarial assumptions at reporting date (expressed as weighted averages) are as follows:		
Discount rate	2.50%	4.90%
Expected long term rate of return on plan assets	5.60%	6.50%
Future salary increases	3.75%	3.75%

Notes to the Financial Statements cont

for the year ended 30 June 2012

25. EMPLOYEE ENTITLEMENTS (continued)

(b) Superannuation commitments (continued)

DEFINED BENEFIT PLAN (continued)

Historical Information

	2012 $'000	2011 $'000	2010 $'000	2009 $'000	2008 $'000
Present value of plan assets	11,485	12,463	11,389	10,403	15,990
Present value of funded obligations	(13,645)	(12,635)	(11,546)	(10,398)	(13,150)
Net defined benefit plan (liability)/asset	**(2,160)**	**(172)**	**(157)**	**5**	**2,840**

DEFINED CONTRIBUTION PLANS

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

	2012 $'000	2011 $'000
Employer contributions to the defined contribution plans	7,082	6,775
Employer contributions payable to the defined contribution plans at reporting date	585	789

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

Notes to the Financial Statements cont

for the year ended 30 June 2012

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 73 residences, 31 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 also provided.
Commercial Operations	Commercial Operations operates 23 commercial businesses throughout Queensland and 3 commercial businesses in Sydney, that provide employment for 1,839 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, milled timber products and a number of recycling activities. Endeavour Foundation operates 37 retail stores throughout Queensland and 2 stores operating in Sydney's Western Suburbs, plus an online Ebay store. These Endeavour Recycled Clothing stores stock and sell a variety of recycled goods including: clothing, accessories, jewellery, manchester, furniture, 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. 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 10).

Notes to the Financial Statements cont

for the year ended 30 June 2012

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:

	2012 $'000	2011 $'000
Cash at bank	2,122	1,895
Call & short term deposits	8,820	14,008
	10,942	**15,903**

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

	2012 $'000	2011 $'000
Net surplus for the year	2,202	8,936
Depreciation and amortisation	6,605	6,125
Non-cash flow effects of movements in defined benefit plan	(276)	(350)
Increase in provision for employee entitlements	1,407	901
Increase in trade receivables impairment provision	-	45
Decrease/(increase) in trade and other receivables	826	(2,318)
Increase in inventories	(1,759)	(1,295)
Increase in other current assets	(368)	(105)
Increase in trade and other payables	233	1,606
Decrease in revenue received in advance	(688)	(2,709)
Gain on disposal of non current assets	(288)	(104)
Net Cash Provided by Operating Activities	**7,894**	**10,732**

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 2012

	2012 $'000	2011 $'000
29. GROUP ENTITIES		
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%

Endeavour Foundation is 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 are also 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 2012 the parent company of the Group was Endeavour Foundation.

	2012 $'000	2011 $'000
Results of the parent entity		
Net surplus for the year	2,192	8,931
Other comprehensive expense	(2,264)	(365)
Total comprehensive (expense)/income for the year	(72)	8,566
Financial position of the parent entity at year end		
Current assets	28,376	30,658
Total assets	90,346	88,464
Current liabilities	22,570	22,225
Total liabilities	27,781	25,826
Total equity of the parent entity comprising of		
Subsidies reserve	396	396
Retained earnings	62,169	62,242
Total equity	62,565	62,638

Notes to the Financial Statements cont

for the year ended 30 June 2012

30. PARENT ENTITY DISCLOSURES (continued)

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. 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 2012

In the opinion of the Directors of Endeavour Foundation:

(a) the financial statements and notes, set out on pages 9 to 44, 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 2012 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 - Chairman

S P Charles - Director

Brisbane
9th October 2012

Independent Audit Report

for the year ended 30 June 2012

Report on the financial report

We have audited the accompanying financial report of Endeavour Foundation (the company), which comprises the consolidated balance sheet as at 30 June 2012, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated cash flow statement for the year ended on that date, notes 1 to 31 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 is 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 2012 and of its performance for the year ended on that date; and

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

KPMG

KPMG

Scott Guse
Partner
Brisbane
9 October 2012

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ENDEAVOUR FOUNDATION

Opportunities for people with a disability

Endeavour Foundation

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