ENDEAVOUR FOUNDATION

Opportunities for people with a disability

Annual Financial Report

for the year ended
30 June 2013

ENDEAVOUR FOUNDATION
Opportunities for people with a disability

Contents

Directors' Report

for the year ended 30 June 2013

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 2013 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**
Current at 30 June 2013			
Grant Bruce Murdoch (Independent Director)	M Com (Hons), FAICD, FCA Chair Chair of Nominations & Remuneration Committee Member of Audit Committee Member of Property Committee Chair of Constitutional Committee (ceased 26/2/13)	6	-
Shane Paul Charles (Elected Director)	LLB, FAIM, MAICD Deputy Chair Member of Nominations & Remuneration Committee Chair of Audit Committee Member of Property Committee Member of Constitutional Committee (ceased 26/2/13)	9	10
Anthony George Bellas (Independent Director)	B Econ, Dip Ed, MBA, MAICD, ASA, FAIM Chair of Property Committee Member of Risk Committee Member of Nominations & Remuneration Committee (appointed 26/2/13) Member of Constitutional Committee (ceased 26/2/13)	3	-
David Booth de Villiers (Elected Director)	MA, HED, AdvDipEd, MAICD, PSM Chair of Client Services Committee Member of Audit Committee Member of Constitutional Committee (ceased 26/2/13)	8	16
Edward Terence Mason (Elected Director)	MAICD Member of Risk Committee (appointed 26/8/13)	3	3
Sally Herman (Independent Director)	BA Chair of Risk Committee	3	-
Alison Jean Semple (Elected Director)	LTCL, BA, Grad Dip Ed (rsc), Grad Cert Theol, MAICD Elected 30/11/2012 Member of Client Services Committee (appointed 26/2/13)	7mths	15
Katherine Jean Swindon (Independent Director)	B Com, FCA Member of Risk Committee Member of Client Services Committee Member of Constitutional Committee (ceased 26/2/13)	3	-
Suzanne Evelyn Thorpe (Elected Director)	Elected 30/11/2012 Member of Client Services Committee (appointed 26/2/13)	7mths	7

Directors (cont)

Name	Qualifications and Special Responsibilities	Experience (in years) Board of Directors	Experience (in years) Area Committee / Branch Board
Past Directors who served during year			
David Roland Rawnsley (Elected Director)	B Ed, MAICD Ceased 30/11/2012	6.5	9.5
Gerard Michael Crotty (Elected Director)	Ceased 30/11/2012 Member of Nominations & Remuneration Committee Member of Client Services Committee	13.5	22.5
Resignations since the end of the financial year			
Sally Herman (Independent Director)	Resigned 22/07/2013 Chair of Risk Committee	3	-

Company Secretary

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

Svend Erik Kling	B Bus, Grad Dip Mgt, MBA, GAICD	Resigned 26/08/2013
Patrick Stephen Burke	B Bus, Grad Dip Mgt, Grad Dip Fin Planning, FCPA, FAICD	Appointed 26/08/2013

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	11	11	2	2	4	4	-	-	-	-	1	1	-	-
S P Charles	11	10	2	2	4	4	-	-	-	-	1	1	-	-
A G Bellas	11	6	-	-	-	-	-	-	4	3	1	1	-	-
D B de Villiers	11	10	-	-	4	4	4	4	-	-	-	-	-	-
S Herman	11	6	-	-	-	1	-	-	4	4	-	-	-	-
E T Mason	11	10	-	-	-	-	-	-	-	-	-	-	-	-
K J Swindon	11	9	-	-	-	-	4	3	4	4	-	-	-	-
A J Semple	6	6	-	-	-	-	2	2	-	-	-	-	-	-
S E Thorpe	6	5	-	-	-	-	2	1	-	-	-	-	-	-
G M Crotty	5	3	2	1	-	-	2	2	-	-	-	-	-	-
D R Rawnsley	5	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, 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 A G Bellas (appointed 26/2/13)
- Mr G M Crotty (ceased 30/11/12)

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 (retired as a director on 30/11/2012 but remained a committee member)
- Ms K J Swindon
- Ms A Semple (appointed 26/2/13)
- Ms S E Thorpe (appointed 26/2/13)

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) (ceased 22/7/13)
- Ms K J Swindon
- Mr A G Bellas
- Mr E T Mason (appointed 26/8/13)

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 was dissolved on 26 February 2013.

The Constitutional Committee comprised the following members during 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

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 an operating surplus for the current financial year of $868,000 compared to an operating surplus of $59,000 in the previous year. This improvement in the operating result was due primarily to the following factors :

- a significant improvement in the operating results of the Disability Services division, largely driven by improved efficiencies and cost controls that reduced operating expenses by 1.5%, augmented by a 3.0% increase in operating revenue, primarily due to state subsidy revenue indexation and additional services;
- a reduction in the operating results from Endeavour Industries, down to $620,000 for the current year, compared to $2,220,000 in the previous period, driven largely by the flow-on effect of the downturn in the mining sector, the run-off of some long-tailed subsidy funding and the loss of the Resolutions employment services contract;
- an improvement in the total contribution made by the Consumer Business division, with improvements in the Endeavour Prize Home Lotteries and Events results partially off-set by a further deterioration in the Endeavour Recycled Stores. 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 recent years 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 Consumer Business division also includes cost associated with brand developement in relation to all visual mediums and internal and external promotional publications;
- the Endeavour Business College continued to deliver training to Endeavour's employees, but significant revenues from external training delivery did not eventuate;
- non-recurrent corporate project costs associated with the implementation of a new payroll system and improved IT systems.

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 0.52% of operating revenue (2012 : 0.04%), providing a marginal operational buffer.

The Group's net surplus for the current financial year, after recognising non-operating revenues of $2,617,000, was $3,485,000. In the year 2011-12 the Group recorded a comparative net surplus for the year of $2,202,000 after recognising non-operating revenues of $2,143,000. Non-operating revenues included significant non-recurrent government capital grants and other capital donations of $1,112,000 (2012 : $1,926,000).

Dividends

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

Events Subsequent to Balance Date

Since 30 June 2013 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, other than already disclosed in the Notes to the Financial Statements.

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 22)

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 22).

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 10 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
11th October 2013

S P Charles - Director
Brisbane
11th October 2013

Auditor’s Independence Declaration

for the year ended 30 June 2013

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 2013 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

KPMG

Scott Guse

Scott Guse
Partner
Brisbane
11th October 2013

KPMG, an Australian partnership and a member firm of the KPMG network of independent member firms affiliated with KPMG International Cooperative (“KPGM International”), a Swiss entity.

Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated Balance Sheet

as at 30 June 2013

	Note	2013 $'000	2012 $'000
Current assets			
Cash and cash equivalents			
- Untied cash		1,587	4,651
- Quarantined cash		9,527	6,291
	4	11,114	10,942
Trade and other receivables	5	7,077	5,802
Inventories	6	9,027	8,771
Other current assets	7	1,619	1,091
		28,837	26,606
Assets classified as held-for-sale	8	258	1,839
Total current assets		**29,095**	**28,445**
Non-current assets			
Investments	9	817	763
Net defined benefit plan asset	10	130	-
Other intangible assets	11	147	265
Property, plant & equipment	12	66,165	61,705
Total non-current assets		**67,259**	**62,733**
Total assets		**96,354**	**91,178**
Current liabilities			
Trade and other payables	13	7,551	7,540
Employee entitlements	14	11,306	11,165
Revenue received in advance	15	5,308	3,869
Total current liabilities		**24,165**	**22,574**
Non-current liabilities			
Net defined benefit plan liability	10	-	2,160
Employee entitlements	16	3,284	3,052
Total non-current liabilities		**3,284**	**5,212**
Total liabilities		**27,449**	**27,786**
Net assets		**68,905**	**63,392**
Equity			
Reserves	17	852	845
Retained earnings	17	68,053	62,547
Total equity		**68,905**	**63,392**

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 2013

	Note	2013 $'000	2012 $'000
Revenue			
Sale of goods and services		36,586	35,392
Fundraising activities		19,061	17,269
Service user contributions		11,797	11,888
Government subsidies		99,047	98,610
Interest income		595	1,012
Other revenue		636	788
	2 (a)	167,722	164,959
Expenses			
Cost of goods sold & commercial fundraising activities		(25,224)	(25,062)
Employee expenses		(91,972)	(91,094)
Supported employee expenses		(12,519)	(12,331)
Utilities & leased property expenses		(8,975)	(8,779)
Transport expenses		(4,660)	(4,483)
Maintenance expenses		(6,628)	(6,933)
Household consumables		(1,777)	(1,864)
Depreciation & amortisation expenses		(6,981)	(6,605)
Interest expense		-	(18)
Other expenses		(8,118)	(7,731)
		(166,854)	(164,900)
Operating surplus		868	59
Government capital expenditure grants and other capital donations	2 (a)	1,112	1,926
Gain on sale of properties	2 (a)	1,505	217
Net surplus for the year		**3,485**	**2,202**

Divisional Results	Disability Services		Endeavour Industries		Consumer Business		Corporate & Infrastructure		Total Foundation	
	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000	2013 $'000	2012 $'000
Operating revenue	83,693	81,269	53,512	53,965	26,836	25,173	3,681	4,552	167,722	164,959
Operating expenses	(81,777)	(83,019)	(52,892)	(51,745)	(27,833)	(26,400)	(4,352)	(3,736)	(166,854)	(164,900)
Operating surplus/(deficit)	1,916	(1,750)	620	2,220	(997)	(1,227)	(671)	816	868	59
Non-operating revenue	54	20	24	32	206	-	2,333	2,091	2,617	2,143
Net surplus/ (deficit) for the year	**1,970**	**(1,730)**	**644**	**2,252**	**(791)**	**(1,227)**	**1,662**	**2,907**	**3,485**	**2,202**

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 2013

	2013 $'000	2012 $'000
Net surplus for the year	**3,485**	**2,202**
Other comprehensive income (Items that will not be reclassified to profit and loss)		
Net increase/(decrease) in fair value of investments	7	(96)
Realised gains/(losses) on disposal of investments	7	(28)
Actuarial adjustment to defined benefit superannuation plan	2,014	(2,264)
Other comprehensive income/(expense) for the year	**2,028**	**(2,388)**
Total comprehensive income/(expense) for the year	**5,513**	**(186)**

Consolidated Statement of Changes in Equity

for the year ended 30 June 2013

	Fair value reserve $'000	Subsidies reserve $'000	Total reserves $'000	Retained earnings $'000	Total Equity $'000
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**
Total comprehensive income for the year	7	-	7	5,506	5,513
Total equity at 30 June 2013	**456**	**396**	**852**	**68,053**	**68,905**

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 2013

	Note	2013 $'000 Inflows (Outflows)	2012 $'000 Inflows (Outflows)
Cash flows from operating activities			
Cash receipts in the course of operations		181,198	175,706
Cash payments to suppliers & employees		(173,313)	(171,429)
Dividends received		38	44
Interest received		630	1,057
Interest paid		-	(36)
Legacies & bequests received		231	555
Net cash provided by operating activities	26	**8,784**	**5,897**
Cash flows from investing activities			
Acquisition of property, plant & equipment		(12,320)	(12,323)
Acquisition of intangible assets		(60)	(154)
Acquisition of investments		(450)	(502)
Proceeds from disposal of property, plant & equipment		2,829	755
Proceeds from sale of investments		410	349
Proceeds from non-operational capital grants and donations		979	1,997
Net cash utilised in investing activities		**(8,612)**	**(9,878)**
Cash flows from financing activities			
Repayment of interest bearing loans		-	(980)
Net cash utilised by financing activities		**-**	**(980)**
Net increase/(decrease) in cash held		**172**	**(4,961)**
Cash at the beginning of the financial year		10,942	15,903
Cash at the end of the financial year	26	**11,114**	**10,942**
Comprised of :			
Untied cash		1,587	4,651
Quarantined cash		9,527	6,291
		11,114	**10,942**

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 2013

Contents

Notes to the Financial Statements

for the year ended 30 June 2013

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 2013 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 11th October 2013.

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* is effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The new standard has been early adopted and applied with effect from 1 January 2010. See accounting policy note 1 (m) - Investments.

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 2012, and have not been applied in preparing these consolidated financial statements. None of these are expected to have a significant effect on the consolidated financial statements of the Group, except for AASB 9 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 10 – Non-current Assets/(Liabilities) – Defined Benefit Plan Asset/(Liability);
- Note 12 – Non-current Assets – Property, Plant & Equipment.

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 eight consecutive Operating Surpluses and has also reported strong positive cash flows from operating activities. In addition, as at 30 June 2013, the Group's current assets exceed its current liabilities by $4,930,000.

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 2014 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.

(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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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*.

(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 amounts (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 amounts, 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Property, plant and equipment – note 12

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:

	2013	2012
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 11

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 recognised in other comprehensive income as a transfer 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Employee entitlements – note 24

(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 10 and note 24(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 24(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 13

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.

		2013 $'000	2012 $'000
2 (a)	**OPERATING REVENUE AND OTHER INCOME**		
	Sale of goods and services	36,586	35,392
	Fundraising activities		
	- Commercial fundraising activities	17,273	15,474
	- Donations & appeals	878	741
	- Special functions	515	292
	- Bequests & legacies	231	555
	- Community grants	164	207
		19,061	17,269
	Service user contributions		
	- Accommodation services	8,726	8,883
	- Learning & Lifestyle centres	1,570	1,578
	- Transport services	1,501	1,427
		11,797	11,888
	State Government subsidies	72,607	71,432
	Federal Government subsidies	26,440	27,178
	Dividend income	38	44
	Interest income	595	1,012
	Other revenue	598	744
	Total operating revenue	**167,722**	**164,959**
	Non-operating revenue		
	Government capital expenditure grants & other capital donations		
	- Other non-recurrent Government capital grants	609	1,332
	- Gambling Community Benefit Fund capital grants	230	594
	- Other capital donations	273	-
		1,112	1,926
	Gain on sale of property	1,505	217
		2,617	**2,143**
	Total revenue and other income for the period	**170,339**	**167,102**

		2013 $'000	2012 $'000
2 (b)	**OPERATING SURPLUS**		
	The operating surplus for the year has been arrived at after charging/(crediting) the following items:		
	Net expense from movements in provision for:		
	- employee entitlements	373	1,407
	- trade receivable impairments	-	-
	Operating lease expense – property rentals	4,333	4,150
	Operating lease expense – equipment rentals	259	276
	Bad debts expense	23	49
	Net (gain) on disposal of non-current assets:		
	- Plant, equipment and intangibles	(167)	(71)

		2013 $'000	2012 $'000
2 (c)	**CHARITABLE FUNDRAISING ACTIVITIES**		
	Details of income and expenditure from specific fundraising activities, all of which have been recognised in these financial statements are as follows :		
	Gross fundraising revenues (per income statement)	19,061	17,269
	Community grants in non-operating income	230	594
	Capital donations in non-operating income	273	-
	Direct costs of commercial fundraising activities	(15,028)	(15,100)
	Net Fundraising Revenue	**4,536**	**2,763**
	Indirect fundraising expenses	(1,768)	(1,111)
	Net Fundraising Contribution	**2,768**	**1,652**
	Fundraising Efficiency Ratio (Net Fundraising Contribution / Net Fundraising Revenue)	61.02%	59.79%

		2013 $	2012 $
3.	**AUDITOR'S REMUNERATION**		
	Auditor's remuneration		
	Audit Services		
	Auditor of Endeavour Foundation – *KPMG Australia*		
	Audit of financial report	112,000	105,000
	Other regulatory audit services	16,750	15,300
		128,750	120,300
	Other Services		
	Auditor of Endeavour Foundation – *KPMG Australia*		
	In relation to compliance assurance services	4,540	-

		2013 $'000	2012 $'000
4.	**CASH AND CASH EQUIVALENTS**		
	Untied cash	1,587	4,651
	Quarantined cash	9,527	6,291
		11,114	10,942

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 $5,308,000 (2012 : $3,869,000) which is available for draw down only once the services they are meant to fund have actually been delivered and other cash reserves of $4,219,000 (2012 : $2,422,000) that have been designated for a specific purpose, mainly to fund the establishment of a Capital Future Fund that will finance proposed infrastructure projects over the next 5 to 10 years.

		2013 $'000	2012 $'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	8,000	5,000
	Credit card facility	250	250
	Indemnity guarantee facility	471	471
		11,221	8,221
	Facilities utilised at reporting date:		
	Standby overdraft facility	-	-
	Multi-option facility	-	-
	Credit card facility	-	-
	Indemnity guarantee facility	304	287
		304	287
	Facilities not utilised at reporting date:		
	Standby overdraft facility	2,500	2,500
	Multi-option facility	8,000	5,000
	Credit card facility	250	250
	Indemnity guarantee facility	167	184
		10,917	7,934

These facilities are secured by registered first mortgages over five properties with a carrying amount of $13,484,000 (2012: five properties with a carrying amount of $13,753,000) and a registered mortgage debenture over all of the assets and undertakings of the Company.

		2013 $'000	2012 $'000
5.	**CURRENT ASSETS – TRADE AND OTHER RECEIVABLES**		
	Trade debtors	4,573	4,432
	Less: impairment provision	(80)	(80)
	Property sale debtor	1,481	-
	Other debtors	1,103	1,450
		7,077	5,802

The exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in note 18 – Financial Instruments

		2013 $'000	2012 $'000
6.	**CURRENT ASSETS – INVENTORIES**		
	Raw materials	1,911	1,724
	Work in progress	18	44
	Finished goods	2,626	1,901
	Less: impairment provision	(95)	(95)
		4,460	3,574
	Fundraising	4,494	5,095
	Non trading stock	73	102
		9,027	8,771
7.	**CURRENT ASSETS – OTHER CURRENT ASSETS**		
	Prepayments	1,619	1,091
8.	**NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE**		
	Land and buildings – at carrying value	258	1,839

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.

		2013 $'000	2012 $'000
9.	**NON-CURRENT ASSETS – INVESTMENTS**		
	Investments in other corporations		
	Quoted on Stock Exchanges		
	- Shares – at market value	817	743
	- Fixed interest instruments – at market value	-	20
	Carrying value at end of year	817	763

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	763	734
Additions during the year at cost	450	502
Cost of disposals	(403)	(377)
Revaluation adjustments recognised directly through the fair value reserve	7	(96)
Carrying value at end of year	817	763

The exposure to credit, currency and interest rate risks related to investments is disclosed in note 18 – Financial Instruments

		2013 $'000	2012 $'000
10.	**NON-CURRENT ASSETS/(LIABILITIES) – DEFINED BENEFIT PLAN**		
	Present value of plan assets	13,342	11,485
	Present value of funded obligations	(13,212)	(13,645)
	Net defined benefit plan asset/(liability)	130	(2,160)

Details of the defined benefit plan and a reconciliation of the movements for the year are provided under note 24 - Employee Entitlements

		2013 $'000	2012 $'000
11.	NON-CURRENT ASSETS – OTHER INTANGIBLE ASSETS		
	Computer software – at cost	937	1,031
	Less: accumulated amortisation	(790)	(766)
		147	265
	Reconciliation of the carrying amounts are set out below:		
	Carrying amount at beginning of year	265	284
	Additions	60	154
	Disposals	(29)	-
	Amortisation expense	(149)	(173)
	Carrying amount at end of year	147	265

		2013 $'000	2012 $'000
12.	NON-CURRENT ASSETS – PROPERTY, PLANT & EQUIPMENT		
	Land and buildings – at cost	82,552	76,876
	Less: accumulated depreciation	(28,257)	(25,559)
		54,295	51,317
	Less: classified as held-for-sale (refer note 8)	(258)	(1,839)
		54,037	49,478
	Plant and equipment – at cost	27,997	27,007
	Less: accumulated depreciation	(15,869)	(14,780)
		12,128	12,227
	Property, plant and equipment	66,165	61,705

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

		2013 $'000	2012 $'000
12.	**NON-CURRENT ASSETS – PROPERTY, PLANT & EQUIPMENT (continued)**		
	Reconciliations		
	Reconciliations of the carrying amounts for each class of property, plant and equipment are set out below:		
	Land and buildings		
	Carrying amount at beginning of year	51,317	46,417
	Additions	8,268	8,169
	Disposals	(1,817)	(131)
	Depreciation expense	(3,473)	(3,138)
		54,295	51,317
	Classified as held-for-sale (refer note 8)	(258)	(1,839)
	Carrying amount at end of year	54,037	49,478
	Plant and equipment		
	Carrying amount at beginning of year	12,227	11,703
	Additions	4,052	4,154
	Disposals	(792)	(336)
	Depreciation expense	(3,359)	(3,294)
	Carrying amount at end of year	12,128	12,227

		2013 $'000	2012 $'000
13.	**CURRENT LIABILITIES – TRADE AND OTHER PAYABLES**		
	Trade creditors and accruals	4,172	4,436
	Other creditors	3,379	3,104
		7,551	7,540

The exposure to currency and liquidity risk related to trade and other payables is disclosed in note 18 – Financial Instruments

		2013 $'000	2012 $'000
14.	**CURRENT LIABILITIES – EMPLOYEE ENTITLEMENTS**		
	Employee entitlements – staff	9,779	9,487
	Employee entitlements – supported employees	1,527	1,678
		11,306	11,165

		2013 $'000	2012 $'000
15.	**CURRENT LIABILITIES - REVENUE RECEIVED IN ADVANCE**		
	Current : realisable within 1 year	5,309	3,869

		2013 $'000	2012 $'000
16.	**NON-CURRENT LIABILITIES – EMPLOYEE ENTITLEMENTS**		
	Employee entitlements - staff	2,203	2,075
	Employee entitlements – supported employees	1,081	977
		3,284	3,052

17. 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 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**
Total recognised income and expense	7	-	7	5,506	5,513
Balance at 30 June 2013	**456**	**396**	**852**	**68,053**	**68,905**

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.

18. 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.

		Note	Carrying Amount 2013 $'000	Carrying Amount 2012 $'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	817	763
	Trade and other receivables	5	7,157	5,882
	Cash and cash equivalents	4	11,114	10,942
			19,088	17,587
	The maximum exposure to credit risk for trade receivables at balance date by type of customer was:			
	Endeavour Industries customers		3,869	3,822
	Disability Services customers		703	610
			4,572	4,432

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 $207,000 (2012 : $192,000).

18. **FINANCIAL INSTRUMENTS (continued)**

(a) **Credit risk (continued)**

(ii) **Impairment losses**

The ageing of trade receivables at balance date was:

	2013		2012	
	Gross $'000	Impairment $'000	Gross $'000	Impairment $'000
Not past due	2,786		2,727	
Past due 0-30 days	1,363		1,419	
Past due 31-60 days	377	33	191	
More than 61 days	47	47	95	80
	4,573	80	4,432	80

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

	2013	2012
Balance at 1 July	80	80
Impairment loss/(gain) recognised	-	-
Balance at 30 June	80	80

(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 2013	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	7,551	(7,551)	(7,551)	-	-	-
	7,551	(7,551)	(7,551)	-	-	-

		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)	-	-	-

18. FINANCIAL INSTRUMENTS (continued)

(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 :

	2013		2012	
	Weighted Average Interest Rate	Variable Rate Instruments $'000	Weighted Average Interest Rate	Variable Rate Instruments $'000
Financial assets				
Cash and cash equivalents	3.23%	10,825	4.38%	10,663
Financial liabilities				
Interest bearing liabilities	- %	-	- %	-
Net financial assets		10,825		10,663

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 2013		30 June 2012	
	100bp increase $'000	100bp decrease $'000	100bp increase $'000	100bp decrease $'000
Financial assets	184	(184)	231	(231)
Financial liabilities	-	-	(2)	2
Net sensitivity effect	184	(184)	229	(229)

18. FINANCIAL INSTRUMENTS (continued)

(e) Net fair values

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

	2013		2012	
	Carrying Amount $'000	Net fair value $'000	Carrying Amount $'000	Net fair value $'000
Financial assets				
Cash and cash equivalents	11,114	11,114	10,942	10,942
Trade and other receivables	7,077	7,077	5,802	5,802
Investments	817	817	763	763
	19,008	19,008	17,507	17,507
Financial liabilities				
Interest bearing liabilities	-	-	-	-
Trade and other payables	7,551	7,551	7,540	7,540
	7,551	7,551	7,540	7,540

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.

19. 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.

			2013 $'000	2012 $'000
20.	**COMMITMENTS FOR EXPENDITURE**			
	(a)	Capital expenditure contracted but not provided for and payable:		
		Due within 1 year	1,282	1,340
	(b)	Lease expenditure contracted for:		
		The Group has various operating leases.		
		Lease payments are charged to expenses.		
		Total lease commitment at beginning of year	9,881	7,614
		Lease additions and escalation	3,790	6,417
		Less: rent expense for year	(4,333)	(4,150)
		Total lease commitment at end of year	9,338	9,881
		Due within 1 year	3,912	3,548
		Due within 2 - 5 years	4,093	4,681
		Due after 5 years	1,333	1,652
			9,338	9,881

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.

21. 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 2013 the number of members was 1,321 (2012 : 1,330).

22. 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, A J Semple, K J Swindon and S E Thorpe.

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.

	2013 $'000	2012 $'000
Balances due from / (to) controlled entities		
The aggregated amounts receivable from or (payable to) wholly controlled entities by the Company at balance dates are:		
Amount due to Endeavour Foundation Endowment Challenge Fund	1	-

23. 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 eighteen senior managers, comprising the Chief Executive Officer, five Executive General Managers, three General Managers, five Area Managers in Disability Services and four Commercial Managers in Endeavour Industries. (2012 : seventeen senior managers, comprising the Chief Executive Officer, seven General Managers, five Area Managers in Disability Services and four Commercial Managers in Endeavour Industries). 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:

	2013 $	2012 $
Short-term employee benefits	3,098,542	3,259,955
Number of key management personnel	18	17

24. EMPLOYEE ENTITLEMENTS

(a) Employee entitlements

	2013 $'000	2012 $'000
Aggregate employee entitlement liability	14,590	14,217

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:

	2013	2012
5 Years	2.78%	2.63%
10 Years	3.36%	3.08%
Average	3.08%	2.86%

24. EMPLOYEE ENTITLEMENTS (continued)

(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.

	2013 $'000	2012 $'000
Net defined benefit plan asset/(liability)		
Present value of plan assets	13,342	11,485
Present value of funded obligations	(13,212)	(13,645)
Net defined benefit asset/(liability) (note 10)	130	(2,160)
Reconciliations		
Changes in the present value of the net defined benefit plan asset/(liability) are as follows:		
Opening net defined benefit plan liability	(2,160)	(172)
Employer contributions during the year	813	714
Expense during the year	(537)	(438)
Net actuarial gain/(loss) for the year recognised directly in retained earnings	2,014	(2,264)
Closing net defined benefit plan asset/(liability)	130	(2,160)
The defined benefit expenses recognised through the income statement as part of employee expenses are as follows:		
Current service cost	814	635
Interest cost	324	552
Expected return on plan assets	(601)	(749)
Total defined benefit expenses recognised in the income statement	537	438

24. EMPLOYEE ENTITLEMENTS (continued)

(b) Superannuation commitments (continued)

DEFINED BENEFIT PLAN (continued)

	2013 $'000	2012 $'000
The changes in the present value of the defined benefit obligations are as follows:		
Defined benefit obligations at beginning of year	13,645	12,635
Current service cost	814	635
Interest cost	324	552
Employee contributions	177	223
Actuarial (gain)/loss	(642)	1,442
Benefits paid	(899)	(1,664)
Other (fees and taxes)	(207)	(178)
Defined benefit obligations at end of year	13,212	13,645
The changes in the present value of the defined benefit plan assets are as follows:		
Fair value of plan assets at beginning of year	11,485	12,463
Actual return on plan assets	1,973	(73)
Employer contributions	813	714
Employee contributions	177	223
Benefits paid	(899)	(1,664)
Other (fees and taxes)	(207)	(178)
Fair value of plan assets at end of year	13,342	11,485
Cumulative (gains)/losses recognised in other comprehensive income:		
Amount accumulated in retained earnings at beginning of year	3,571	1,307
Recognised during the year	(2,014)	2,264
Amount accumulated in retained earnings at end of year	1,557	3,571
Principal actuarial assumptions at reporting date (expressed as weighted averages) are as follows:		
Discount rate	3.10%	2.50%
Expected long term rate of return on plan assets	3.10%	5.60%
Future salary increases	3.75%	3.75%

24. **EMPLOYEE ENTITLEMENTS (continued)**

(b) **Superannuation commitments (continued)**

DEFINED BENEFIT PLAN (continued)

Historical information

	2013 $'000	2012 $'000	2011 $'000	2010 $'000	2009 $'000
Present value of plan assets	13,342	11,485	12,463	11,389	10,403
Present value of funded obligations	(13,212)	(13,645)	(12,635)	(11,546)	(10,398)
Net defined benefit plan asset/(liability)	**130**	**(2,160)**	**(172)**	**(157)**	**5**

DEFINED CONTRIBUTION PLANS

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

	2013 $'000	2012 $'000
Employer contributions to the defined contribution plans	7,150	7,082
Employer contributions payable to the defined contribution plans at reporting date	608	585

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

25. 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 80 residences and 33 Learning & Lifestyle centres 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.
Endeavour Industries	Endeavour Industries operates 25 commercial businesses throughout Queensland and 3 commercial businesses in Sydney, that provide employment for 1,811 people with a disability. 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.
Consumer Business	Consumer Business comprises of commercial fundraising activities and events and the operation of 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. Fundraising undertakes a number of commercial fundraising activities such as art unions, bingo and events, as well as major signature functions such as the Great Endeavour Rally, the Roaring 20's Charity Ball, the Summer Challenge and the Endeavour Challenge cycling events. Seven major prize homes were drawn during the current year, including for the first time the major "life-changer lottery". (2012 – ten normal prize home lotteries were conducted). 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.
Corporate & Infrastructure	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.

The divisional financial performance of the four operating units is disclosed on the face of the Consolidated Income Statement (page 12).

26. 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:

	2013 $'000	2012 $'000
Cash at bank	1,276	2,122
Call & short term deposits	9,838	8,820
	11,114	10,942

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

	2013 $'000	2012 $'000
Net surplus for the year	3,485	2,202
Depreciation and amortisation	6,981	6,605
Non-cash flow effects of movements in defined benefit plan	(276)	(276)
Increase in provision for employee entitlements	373	1,407
Decrease in trade and other receivables	206	826
Increase in inventories	(256)	(1,759)
Increase in other current assets	(528)	(368)
Increase in trade and other payables	11	233
Increase/(decrease) in revenue received in advance	1,439	(688)
Proceeds from capital grants and donation used to fund investing activities	(979)	(1,997)
Gain on disposal of non current assets	(1,672)	(288)
Net Cash Provided by Operating Activities	8,784	5,897

27. 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.

		2013 %	2012 %
28.	**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.

29. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 30 June 2013 the parent company of the Group was Endeavour Foundation.

	2013 $'000	2012 $'000
Results of the parent entity		
Net surplus for the year	3,499	2,192
Other comprehensive income/(expense)	2,014	(2,264)
Total comprehensive income/(expense) for the year	5,513	(72)
Financial position of the parent entity at year end		
Current assets	29,013	28,376
Total assets	95,456	90,346
Current liabilities	24,095	22,570
Total liabilities	27,379	27,781
Total equity of the parent entity comprising of		
Subsidies reserve	396	396
Retained earnings	67,681	62,169
Total equity	68,077	62,565

29. PARENT ENTITY DISCLOSURES (continued)

Parent entity contingencies

The contingent liabilities disclosed as note 19 Contingent Liabilities are solely attributable to the parent entity.

Parent entity commitments for capital expenditure

The commitments for capital expenditure disclosed as note 20 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.

30. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the balance date, Endeavour Foundation entered into memorandums of understanding with two entities involved in the provision of support services to people with a disability, with a view to exploring merger proposals that would result in the two entities merging their operations and net assets with those of Endeavour Foundation, for no consideration. Due diligence proceedings had commenced but no final merger agreements had been executed at the date of this financial report.

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 2013

In the opinion of the Directors of Endeavour Foundation:

(a) the financial statements and notes, set out on pages 11 to 45, 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 2013 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
11th October 2013

Independent Auditor's Report

for the year ended 30 June 2013

KPMG

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 consolidated balance sheet as at 30 June 2013, and consolidated income statement and consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, notes 1 to 30 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 2013 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

Scott Guse
Partner
Brisbane
11 October 2013

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ENDEAVOUR FOUNDATION
Opportunities for people with a disability

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