ANNUAL FINANCIAL REPORT

For the year ended 30 June 2016

ENDEAVOUR FOUNDATION

Opportunities for people with a disability

CONTENTS

DIRECTORS' REPORT

For the year ended 30 June 2016

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 2016 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**
Current at 30 June 2016			
Anthony George Bellas (Independent Director) (14 February 2011)	B Econ, Dip Ed, MBA, FAICD, FCPA, FAIM Chair (from 17/12/15) Member of Audit and Risk Committee Member of Nominations & Remuneration Committee	5	-
Katherine Jean Swindon (Independent Director) (13 July 2010)	B Com, FCA Deputy Chair (from 17/12/15) Member of Client Services Committee Member of Nominations & Remuneration Committee	6	-
Yvonne Dianne Keane (Independent Director) (26 May 2014)	Member of Nominations & Remuneration Committee	2	-
Paul Denis Currie (Elected Director) (26 November 2014)	BSC (Hons), Phd (Physics) Member of Client Services Committee Member of Audit and Risk Committee	2	6
Scott Robinson Elton Ellis (Elected Director) (22 November 2013)	BBus, ASA, AAICD Chair of Audit and Risk Committee	3	16
Pedro Mendiolea (Elected Director) (22 November 2013)	BE (Hons), GDMgt, MIEAust, RPEQ, CPEng Member of Audit and Risk Committee	3	5
Alison Jean Semple (Elected Director) (30 November 2012)	LTCL, BA, Grad Dip Ed(rsc), Grad Cert Theol Chair of Client Services Committee	4	16
Suzanne Evelyn Thorpe (Elected Director) (30 November 2012)	AAICD, Dip Marketing Member of Client Services Committee Member of Nominations and Remuneration Committee	4	8

Directors (continued)

Name	Qualifications and Special Responsibilities	Experience (in years) Board of Directors	Experience (in years) Area Committee
Past Directors who served during year			
Grant Bruce Murdoch (Independent Director) (ceased 4/12/15)	M Com (Hons), FAICD, FCA Chair Chair of Nominations & Remuneration Committee Member of Audit and Risk Committee	9	-
Resignations since the end of the financial year			
None			

Company Secretary

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

Current Joint Company Secretaries

Susan Mary Minehan (Appointed 4/7/2016)	BA, LLB, MA Lit. Studs., LLM	
Eric Duncan Campbell (Appointed 28/11/2013)	B Acc, CA, Grad Dip Project Mgt, GAICD	
Darren Graham Carlson (Appointed 27/11/15)	B Com, FCPA, GAICD	Resigned 9/7/16
Patrick Stephen Burke (Appointed 26/08/2013)	B Bus, Grad Dip Mgt, Grad Dip Fin Planning, FCPA, FAICD	Resigned 27/11/15

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		Client Services Meetings		Audit & Risk Committee Meetings	
	A	B	A	B	A	B	A	B
G B Murdoch	7	5	1	1	-	-	2	1
A G Bellas	12	12	2	2	-	-	4	4
P D Currie	12	10	-	1	4	4	2	2
S R E Ellis	12	12	-	1	-	-	4	4
Y D Keane	12	10	1	1	-	-	-	-
P Mendiolea	12	12	-	1	-	-	4	4
A J Semple	12	11	-	1	4	4	-	-
K J Swindon	12	12	2	2	4	3	-	1
S E Thorpe	12	10	1	1	4	4	-	-

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

B – Number of meetings attended

Board Processes

To assist in the execution of its responsibilities, the board has established a number of board committees including a Nominations & Remuneration Committee, a Client Services Committee and an Audit & Risk 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 Foundation'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 A G Bellas (Chair) (appointed as Chair 17/12/15)
- Ms K J Swindon
- Councillor Y D Keane
- Ms S E Thorpe (appointed 17/12/15)
- Mr G B Murdoch (Previous Chair, resigned 4/12/15)

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:

- Mrs A Semple (appointed as Chair 17/12/15)
- Ms K J Swindon
- Ms S E Thorpe
- Dr P D Currie
- Mr G M Crotty (retired as a director on 30/11/12 but remained a committee member)
- Mr D B de Villiers (retired as a director on 26/11/14, but remained as Chair, resigned 27/11/15)

Audit & Risk Committee

The Audit & Risk Committee provides assistance to the Board of Directors in fulfilling its corporate governance and oversight responsibilities in relation to the organisation's financial reporting, internal control structures, risk management systems, the internal and external audit functions, the process for monitoring compliance with laws and regulations and the code of conduct and related policies.

In doing so, it is the responsibility of the Audit & Risk Committee to maintain free and open communication between the Audit & Risk Committee, External Auditors, the Internal Auditor, the Manager Risk & Insurance and management of the organisation.

The Audit & Risk Committee comprises the following members during or since the end of the financial year:

- Mr S R E Ellis (Chair) (appointed as Chair 17/12/15)
- Mr A G Bellas (resigned as Chair 17/12/15)
- Mr P Mendiolea
- Dr P D Currie (appointed 17/12/15)
- Mr G B Murdoch (resigned 4/12/15)

Principal Activity and Objectives

The principal activity of Endeavour Foundation during the year was the provision of support services to people with a disability, with a particular focus on people with an intellectual disability, including Residential Accommodation & Support Services, Learning & Lifestyle Support Services, Post-School Services, Supported Employment Services and Community Advocacy & Support Services. In the opinion of the Directors no significant changes have occurred in the nature of these activities during the financial year. The business mergers in the current financial year have resulted in the provision of Open Employment and Apprenticeship Training services being added to the activities undertaken by the Group.

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.

Operating under the core values of *respect, inclusion, integrity and accountability,* the vision of Endeavour Foundation is to:

- be a full service provider in the community services sector with a focus on the individual needs of vulnerable people especially those with an intellectual disability;
- advocate for people with a disability;
- deliver leading services to ensure people have choice in the services they acquire;
- be a sustainable and influential organisation.

In practical terms in order to achieve this focus, projects undertaken by Endeavour Foundation are assessed and progressed to achieve outcomes in seven key strategy areas:

1. The employment, development and retention of the best possible human resources, including volunteers.
2. The delivery of world best practice support for people with a disability through the application of evidence based research.
3. National expansion as a single united organisation to increase commercial and brokerage opportunities for services and products and enhance employment outcomes for employees.
4. New and improved business and service models together with better risk and asset management to deliver financial sustainability and a safe work environment.
5. The development of a customer focus and quality culture in the organisation to improve adaptability to changing environments and ensure long term viability.
6. Improved stakeholder relations with the wider community and corporate sector through better communications, brand development and management.
7. Increased and better use of technology and digital media systems to enable best practice and innovation.

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 deficit for the current financial year of ($1,063,000) compared to an operating surplus of $7,032,000 in the previous year. This operating result was achieved primarily due to the following factors:

- a deterioration in the operating surplus contribution made by the Disability & Community Services division of $3,893,000 compared to an operating surplus of $6,796,000 in the previous period, partly due to the receipt of back-paid wages supplementation funding received in the 2014/15 financial period, that was not replicated in the 2015/16 financial period and growth in employment costs that outstripped increases in government subsidies in the current period;
- an improvement in the operating results from the Employment Services division, with a reduced operating deficit of ($900,000) for the current year, compared to an operating deficit of ($1,774,000) in the previous period, driven largely by the receipt of back-paid wages supplementation relating to previous financial periods, off-set by operating deficits in some of the businesses acquired during the current financial period and the continued challenging business environment faced by the geographically dispersed Queensland based supported employment services;
- a deterioration in the operating surplus made by the Supporter Enterprises division of $486,000 compared to an operating surplus of $1,978,000 in the previous period, due to a further deterioration in the operating results for the Endeavour Recycled Clothing stores, a decrease in the net contribution made by the lotteries department and an increase in the net cost of staging external promotional events;
- an increase in costs in the Corporate and Infrastructure division due to corporate project costs associated with the implementation of improved IT systems and business processes, the cost of system reviews and increased marketing and communication costs in preparation for the full implementation of the National Disability Insurance Scheme.

The Group's net surplus for the current financial year, after recognising non-operating items of $9,977,000 was $8,914,000. In the previous year the Group recorded a comparative net surplus for the year of $24,173,000 after recognising non-operating items of $17,141,000. In the current period, non-operating items included significant net gains on the acquisition of subsidiaries of $8,133,000 (as detailed further in Note 30 to the Financial Statements), a significant bequest of $655,000, a loss on disposal of properties of ($107,000) and non-recurrent government capital grants and other capital donations of $1,296,000 (2015: non-operating items included significant net gains on the acquisition of subsidiaries of $13,998,000, gains on property sales of $390,000 and non-recurrent government capital grants and other capital donations of $2,753,000).

Dividends

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

Events Subsequent to Balance Date

Since 30 June 2016 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 24)

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 24).

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 *Australian Charities and Not-for-profits Commission Act 2012* 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 & Risk 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 Corporations *(Rounding in Financial/Directors' Reports) Instrument 2016/191* dated 1 April 2016. Accordingly 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.

A G Bellas – Chairman
Brisbane
12th October 2016

AUDITOR'S INDEPENDENCE DECLARATION

For the year ended 30 June 2016

Auditor's Independence Declaration under subdivision 60-C section 60-40 of *Australian Charities and Not-for-profits Commission Act 2012*

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 2016 there have been:

- no contraventions of the auditor independence requirements as set out in the *Australian Charities and Not-for-profits Commission Act 2012* in relation to the audit; and
- no contraventions of any applicable code of professional conduct in relation to the audit.

KPMG

Scott Guse
Partner
Brisbane
12th October 2016

CONSOLIDATED BALANCE SHEET

As at 30 June 2016

	Note	2016 $'000	2015 $'000
Current assets			
Cash and cash equivalents			
- Untied cash		18,157	15,426
- Quarantined cash		6,257	6,296
	4	24,414	21,722
Trade and other receivables	5	12,419	9,683
Inventories	6	14,816	12,108
Other current assets	7	1,812	1,974
Assets classified as held-for-sale	8	6,415	988
Total current assets		**59,876**	**46,475**
Non-current assets			
Investments	9	1,712	1,150
Net defined benefit plan asset	10	2,481	3,388
Other intangible assets	11	1,948	1,740
Investment properties	12	2,803	3,235
Property, plant & equipment	13	107,289	108,769
Total non-current assets		**116,233**	**118,282**
Total assets		**176,109**	**164,757**
Current liabilities			
Interest bearing loans	14	1,800	1,646
Trade and other payables	15	14,555	12,521
Employee entitlements	16	18,800	15,553
Revenue received in advance	17	5,777	5,772
Total current liabilities		**40,932**	**35,492**
Non-current liabilities			
Interest bearing loans	14	13,000	14,900
Revenue received in advance	17	453	464
Employee entitlements	18	3,644	3,721
Total non-current liabilities		**17,097**	**19,085**
Total liabilities		**58,029**	**54,577**
Net assets		**118,080**	**110,180**
Equity			
Reserves	19	916	997
Retained earnings	19	117,164	109,183
Total equity		**118,080**	**110,180**

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 2016

	Note	2016 $'000	2015 $'000
Revenue			
Sale of goods and services		85,831	65,788
Fundraising activities		24,308	25,182
Service user contributions		13,817	13,060
Government subsidies		148,277	129,495
Interest income		698	747
Other revenue		1,684	1,414
	2 (a)	274,615	235,686
Expenses			
Cost of goods sold & commercial fundraising activities		(48,750)	(37,697)
Employee expenses		(154,115)	(124,610)
Supported employee expenses		(16,820)	(16,287)
Utilities & leased property expenses		(14,803)	(14,035)
Transport expenses		(7,505)	(7,617)
Maintenance expenses		(8,474)	(7,453)
Household consumables		(1,821)	(1,829)
Depreciation & amortisation expenses		(10,299)	(8,886)
Interest expense		(681)	(311)
Other expenses		(12,410)	(9,929)
		(275,678)	(228,654)
Operating (deficit)/surplus		(1,063)	7,032
Government capital expenditure grants and other capital donations	2 (a)	1,296	2,753
Bequest from Wills Estate		655	-
(Loss)/gain on disposal of properties	2 (a)	(107)	390
Net gain on business acquisitions	30	8,133	13,998
Net surplus for the year		**8,914**	**24,173**

Divisional Results	**Disability & Community Services**		**Employment Services**		**Supporter Enterprises**		**Corporate & Infrastructure**		**Divisional Eliminations**		**Total Foundation**	
	2016 $'000	**2015 $'000**	**2016 $'000**	**2015 $'000**	**2016 $'000**	**2015 $'000**	**2016 $'000**	**2015 $'000**	**2016 $'000**	**2015 $'000**	**2016 $'000**	**2015 $'000**
Operating revenue	134,675	123,374	110,315	78,325	31,312	32,371	3,835	4,364	(5,522)	(2,748)	274,615	235,686
Operating expenses	(130,782)	(116,578)	(111,215)	(80,099)	(30,826)	(30,393)	(8,377)	(4,332)	5,522	2,748	(275,678)	(228,654)
Operating surplus/ (deficit)	3,893	6,796	(900)	(1,774)	486	1,978	(4,542)	32	-	-	(1,063)	7,032
Non-operating items	-	26	(102)	-	655	112	9,424	17,003	-	-	9,977	17,141
Net surplus/(deficit) for the year	**3,893**	**6,822**	**(1,002)**	**(1,774)**	**1,141**	**2,090**	**4,882**	**17,035**	**-**	**-**	**8,914**	**24,173**

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 2016

	Note	2016 $'000	2015 $'000
Net surplus for the year		**8,914**	**24,173**
Other comprehensive income (Items that will not be reclassified to profit or loss)			
Net decrease in fair value of investments	9	(81)	(6)
Realised losses on disposal of investments		(45)	(28)
Actuarial adjustment to defined benefit superannuation plan	26(b)	(888)	1,636
Other comprehensive income for the year		**(1,014)**	**1,602**
Total comprehensive income for the year		**7,900**	**25,775**

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the Year Ended 30 June 2016

	Fair value reserve $'000	Subsidies reserve $'000	Total reserves $'000	Retained earnings $'000	Total Equity $'000
Total equity at 30 June 2014	607	396	1,003	83,402	84,405
Total comprehensive income for the year	(6)	-	(6)	25,781	25,775
Total equity at 30 June 2015	**601**	**396**	**997**	**109,183**	**110,180**
Total comprehensive income for the year	(81)	-	(81)	7,981	7,900
Total equity at 30 June 2016	**520**	**396**	**916**	**117,164**	**118,080**

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 2016

	Note	2016 $'000 Inflows (Outflows)	2015 $'000 Inflows (Outflows)
Cash flows from operating activities			
Cash receipts in the course of operations		293,828	252,798
Cash payments to suppliers & employees		(287,540)	(234,886)
Dividends received		123	59
Interest received		717	721
Interest paid		(518)	(278)
Legacies & bequests received		1,025	187
Net cash provided by operating activities	28	**7,635**	**18,601**
Cash flows from investing activities			
Acquisition of property, plant & equipment		(8,466)	(29,117)
Acquisition of intangible assets		(887)	(1,103)
Acquisition of investments		(519)	(751)
Proceeds from disposal of property, plant & equipment		2,116	2,466
Proceeds from disposal of investment properties		438	-
Proceeds from sale of investments		789	447
Proceeds from non-operational capital grants and donations		431	2,491
Acquisition of business	30	(1,654)	-
Cash acquired through business combinations	30	5,006	4,986
Net cash utilised in investing activities		**(2,746)**	**(20,581)**
Cash flows from financing activities			
Proceeds from interest bearing loans		-	15,000
Repayment of interest bearing loans		(2,197)	(2,673)
Net cash (utilised)/provided by financing activities		**(2,197)**	**12,327**
Net increase in cash held		**2,692**	**10,347**
Cash at the beginning of the financial year		21,722	11,375
Cash at the end of the financial year	28	**24,414**	**21,722**
Comprising:			
Untied cash		18,157	15,426
Quarantined cash		6,257	6,296
		24,414	**21,722**

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 2016

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NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2016

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 33 Corporate Drive, Cannon Hill, QLD 4170.

The consolidated financial statements of the Company for the financial year ended 30 June 2016 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, and individuals and communities who have significant personal, social, economic and cultural disadvantage in accessing services and resources, through a range of flexible services, including residential accommodation, in-home support, adult education, life style support, drug prevention and public safety programs, services for disengaged young people and people experiencing mental illness, supported employment services and apprenticeship and traineeship qualifications.

Statement of compliance

The consolidated 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 *Australian Charities and Not-for-profits Commission Act 2012*. These consolidated financial statements comply with *Australian Accounting Standards*.

The financial report was authorised for issue by the Directors on 12th October 2016.

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 Corporations *(Rounding in Financial/Directors' Reports) Instrument 2016/191)*.

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 not elected to early adopt any accounting standards and amendments, issued by the Australian Accounting Standards Board (AASB) and the Corporate Reporting Reform Act.

New standards and interpretations not yet adopted

Certain new accounting standards, amendments and interpretations have been published that are not mandatory for 30 June 2016 reporting periods and have not been early adopted by the Group. The Group's assessment of the impact of those which may be relevant are set out below:

- *AASB 15 Revenue from Contracts with Customers*

  AASB 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It replaces existing revenue recognition guidance, including AASB 118 Revenue, AASB 111 Construction Contracts and IFRIC 13 Customer Loyalty Programmes. AASB 15 is effective for annual reporting periods beginning on or after 1 January 2018. The Group is assessing the potential impact on its financial statements resulting from the application of AASB 15.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards and interpretations not yet adopted (continued)

- *AASB 16 Leases*

  AASB 16 removes the lease classification test for lessees and requires all the leases (including operating leases) to be brought onto the balance sheet. The definition of a lease is also amended and is now the new on/off balance sheet test for lessees. AASB 16 is effective for annual reporting periods beginning on or after 1 January 2019, with early adoption permitted where AASB 15 Revenue from Contracts with Customers is adopted at the same time. The Group is assessing the potential impact on its financial statements resulting from the application of AASB 16.

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 – Defined Benefit Plan Asset;
- Note 13 – 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 eleven consecutive Net Surpluses and has also reported strong positive cash flows from operating activities. In addition, as at 30 June 2016, the Group's current assets exceed its current liabilities by $18,944,000.

The Group 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 2017 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 Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date on which control commences until the date on which control ceases.

Transactions eliminated on consolidation

Intragroup balances and transactions, and any unrealised income and expenses arising from intragroup transactions are eliminated.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of consolidation (continued)

Business combinations

The Group accounts for business combinations using the acquisition method when control is transferred to the Group. The consideration transferred in the acquisition is generally measured at fair value, as are the identifiable net assets acquired. Any goodwill that arises is tested annually for impairment. Any gain on a bargain purchase is recognised in profit or loss immediately. Transaction costs are expensed as incurred.

(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 13

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:

	2016	2015
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) Investment property

Investment property is measured at cost less accumulated depreciation and impairment losses.

Investment properties, including buildings but excluding freehold land, are depreciated over their estimated useful lives, from the date of acquisition on a straight-line basis, using the following depreciation rates:

	2016	2015
Buildings	34 years	34 years

Any gain or loss on disposal of investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit and loss.

(k) Repairs and maintenance

Repairs and maintenance costs are expensed as incurred.

(l) 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.

(m) 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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) 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.

(o) Employee entitlements – note 26

(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***

Defined benefit plans

The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in the current and prior periods, discounting that amount and deducting the fair value of any plan assets.

The calculation of defined benefit obligations is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a potential asset for the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. To calculate the present value of economic benefits, consideration is given to any applicable minimum funding requirements.

Remeasurements of the net defined benefit liability, which comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest), are recognised immediately in Other Comprehensive Income. The Group determines the net interest expense/(income) on the net defined benefit liability/(asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual period to the then net defined benefit liability/(asset), taking into account any changes in the net defined benefit liability/(asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit and loss.

When the benefits of a plan are changed or when a plan is curtailed, the resulting change in benefit that relates to past service or the gain or loss on curtailment is recognised immediately in profit or loss. The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs.

Further information on the defined benefit plan is set out in note 10 and note 26(b).

Defined contribution plans

Obligations for contributions to defined contribution plans are expensed as the related service is provided. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in future payments is available.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Leases

(i) *Leased assets*

Assets held by the Group under leases which transfer to the Group substantially all the risk and rewards of ownership are classified as finance leases. On initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Assets held under other leases are classified as operating leases and are not recognised in the Group's balance sheet.

(ii) *Lease payments*

Payments made under operating leases are recognised in the income statement on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

(q) 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.

(r) Trade and other payables – note 15

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.

(s) 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.

(t) 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.

(u) 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(n)), Trade and other receivables (refer note 1(q)) and Trade and other payables (refer note 1(r)).

The Group does not have any derivative financial instruments.

(v) 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 2016

		2016 $'000	2015 $'000
2 (a)	**OPERATING REVENUE AND OTHER INCOME**		
	Sale of goods and services	85,831	65,788
	Fundraising activities		
	- Commercial fundraising activities	21,853	22,509
	- Donations & appeals	1,486	1,218
	- Special functions	480	839
	- Bequests & legacies	371	523
	- Community grants	118	93
		24,308	25,182
	Service user contributions		
	- Accommodation	10,740	9,946
	- Learning & Lifestyle	1,515	1,564
	- Transport	1,562	1,550
		13,817	13,060
	State Government subsidies	111,436	98,081
	Federal Government subsidies	36,841	31,414
	Dividend income	123	59
	Interest income	698	747
	Other revenue	1,561	1,355
	Total operating revenue	**274,615**	**235,686**
	Non-operating items		
	Government capital expenditure grants & other capital donations		
	Other non-recurrent Government capital grants	193	1,377
	Gambling Community Benefit Fund capital grants	231	564
	Other capital donations	872	812
		1,296	2,753
	Major bequest – Wills Estate	655	-
	(Loss)/gain on sale of property	(175)	390
	Gain on sale of investment property	68	-
	Net gains on business acquisitions	8,133	13,998
		9,977	**17,141**
	Total revenue and other income for the period	**284,592**	**252,827**

Notes to the Financial Statements (cont)
For the year ended 30 June 2016

		2016 $'000	2015 $'000
2 (b)	**OPERATING (DEFICIT)/SURPLUS**		
	The operating (deficit)/surplus for the year has been arrived at after charging/ (crediting) the following items:		
	Net expense from movements in provision for:		
	- employee entitlements	2,930	1,681
	- trade receivable impairments	(22)	(47)
	- inventory obsolescence	(49)	-
	Operating lease expense – property rentals	5,772	6,582
	Operating lease expense – equipment rentals	595	554
	Bad debts expense	75	78
	Net loss on disposal of non-current assets:		
	- Plant, equipment and intangibles	20	8
	Interest paid on loans and bank overdraft	679	226
	Interest paid on finance leases	2	85

		2016 $	2015 $
3.	**AUDITOR'S REMUNERATION**		
	Auditor's remuneration		
	Audit Services		
	Auditor of Endeavour Foundation – *KPMG Australia*		
	Audit of financial reports	245,385	230,520
	Other regulatory audit services	6,860	20,000
		252,245	250,520
	Other Services		
	Auditor of Endeavour Foundation – *KPMG Australia*		
	In relation to compliance assurance services	10,785	9,720
	Other advisory services	37,682	-
		48,467	9,720

		2016 $'000	2015 $'000
4.	**CASH AND CASH EQUIVALENTS**		
	Untied cash	18,157	15,426
	Quarantined cash	6,257	6,296
		24,414	**21,722**

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 and other cash reserves that have been designated for a specific purpose of $6,257,000 (2015: $6,296,000) which are available for draw down only once the services they are meant to fund have actually been delivered.

	2016 $'000	2015 $'000
CREDIT STANDBY ARRANGEMENTS WITH BANKS		
The Group has the following lines of credit at reporting date:		
Standby overdraft facilities	2,700	2,700
Variable rate loan facilities	20,545	21,915
Lease finance facilities	176	500
Credit card facilities	507	572
Indemnity guarantee facilities	1,886	1,086
	25,814	26,773
Facilities utilised at reporting date:		
Standby overdraft facilities	-	-
Variable rate loan facilities	14,625	15,925
Lease finance facility	175	257
Credit card facility	103	1
Indemnity guarantee facility	1,534	946
	16,437	17,129
Facilities not utilised at reporting date:		
Standby overdraft facilities	2,700	2,700
Variable rate loan facilities	5,920	5,990
Lease finance facilities	1	243
Credit card facilities	404	571
Indemnity guarantee facilities	352	140
	9,377	9,644

The banking facilities are secured by registered first mortgages over thirteen properties with a carrying amount of $41,151,000 (2015: eleven properties with a carrying amount of $39,399,000) and a registered mortgage debenture over all of the assets and undertakings of the Company.

The Company has issued a corporate guarantee and indemnity, unlimited as to amount, in favour of the ANZ Banking Corporation Ltd in respect of banking facilities made available to Vatmi Industries Ltd, a wholly controlled entity of the Company.

		2016 $'000	2015 $'000
5.	**CURRENT ASSETS – TRADE AND OTHER RECEIVABLES**		
	Trade debtors	9,897	8,561
	Less: impairment provision	(170)	(150)
	Other debtors	2,692	1,272
		12,419	9,683

The exposure to credit and currency risks and impairment losses related to trade and other receivables is disclosed in note 20 – Financial Instruments

		2016 $'000	2015 $'000
6.	**CURRENT ASSETS – INVENTORIES**		
	Raw materials	2,106	1,924
	Work in progress	14	15
	Finished goods	3,956	4,733
	Less: impairment provision	(46)	(95)
		6,030	6,577
	Fundraising	8,786	5,512
	Non trading stock	-	19
		14,816	12,108

		2016 $'000	2015 $'000
7.	**CURRENT ASSETS – OTHER CURRENT ASSETS**		
	Prepayments	1,812	1,974

		2016 $'000	2015 $'000
8.	**NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE**		
	Land and buildings – at carrying value	6,415	988

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.

		2016 $'000	2015 $'000
9.	**NON-CURRENT ASSETS – INVESTMENTS**		
	Investments in other corporations		
	Quoted on Stock Exchanges		
	- Shares – at market value	1,667	1,102
	- Fixed interest instruments – at market value	45	48
	Carrying value at end of year	1,712	1,150
	Investment with a carrying value of $1,389,000 (2015: $1,150,000) are under the control of the Endeavour Foundation Endowment Challenge Fund and as such are quarantined to support the Challenge Fund's objectives and are 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	1,150	880
	Acquired through business combination at valuation	403	-
	Additions during the year at cost	519	751
	Additions during the year at valuation – donated share portfolio	555	-
	Carrying value of disposals	(834)	(475)
	Revaluation adjustments recognised directly through the fair value reserve	(81)	(6)
	Carrying value at end of year	1,712	1,150

The exposure to credit, currency and interest rate risks related to investments is disclosed in note 20 – Financial Instruments

		2016 $'000	2015 $'000
10.	**NON-CURRENT ASSETS – DEFINED BENEFIT PLAN**		
	Present value of plan assets	13,574	16,039
	Present value of funded obligations	(11,093)	(12,651)
	Net defined benefit plan asset	2,481	3,388

Details of the defined benefit plan and a reconciliation of the movements for the year are provided under note 26 - Employee Entitlements

		2016 $'000	2015 $'000
11.	**NON-CURRENT ASSETS – OTHER INTANGIBLE ASSETS**		
	Computer software – at cost	3,503	2,616
	Less: accumulated amortisation	(1,555)	(876)
		1,948	1,740
	Reconciliation of the carrying amounts are set out below:		
	Carrying amount at beginning of year	1,740	713
	Additions	887	1,103
	Disposals	-	-
	Amortisation expense	(679)	(76)
	Carrying amount at end of year	1,948	1,740

		2016 $'000	2015 $'000
12.	**NON-CURRENT ASSETS – INVESTMENT PROPERTIES**		
	Land and buildings – at deemed cost	2,865	3,235
	Less: accumulated depreciation	(62)	-
		2,803	3,235

Investment properties comprise the following residential or commercial properties leased to third parties:

	$'000	$'000
11 Eckersley Avenue, Buderim, QLD 4556	434	435
27 Evans Street, Maroochydore, QLD 4558	2,369	2,800
(Lots 11, 12, 21, 22, 23, 24, 25, 26 and 27)		
	2,803	3,235

The Group uses the cost model to measure and report investment properties. The valuation amounts for any properties owned by entities joining the Group, that were previously carried at valuation, are deemed to be the cost of the properties under the Group's accounting policy.

	2016 $'000	2015 $'000
Reconciliations		
Reconciliations of the carrying amounts of investment properties are set out below.		
Carrying amount at beginning of year	3,235	-
Acquired through business combination	-	2,250
Additions	-	-
Transfers from land and buildings	-	985
Disposals	(370)	-
Depreciation expense	(62)	-
Carrying amount at end of year	2,803	3,235

		2016 $'000	2015 $'000
13.	NON-CURRENT ASSETS – PROPERTY, PLANT & EQUIPMENT		
	Land and buildings – at deemed cost	13,950	13,950
	Land and buildings – at cost	128,115	118,632
	Less: accumulated depreciation	(44,681)	(37,460)
		97,384	95,122
	Less: classified as held-for-sale (refer note 8)	(6,415)	(988)
		90,969	94,134

To align with the Groups' accounting policy for Land and buildings, the valuation amounts on three separate properties located in Wangaratta, Melbourne and Stawell, that were previously carried at valuation by entities at the time that they joined the Group, were deemed to be the cost amounts.

	2016 $'000	2015 $'000
Plant and equipment – at cost	49,920	43,206
Less: accumulated depreciation	(33,600)	(28,571)
	16,320	14,635
Total Property, plant and equipment	107,289	108,769

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

Included in the total carrying amount of land and buildings is an amount of $18,608,000 (2015: $19,140,000) in respect of buildings located on non-freehold land, comprised of reserve and deed of grant in trust land that the Group holds as trustee and certain term leasehold land, leased from the Queensland State Government and Councils under long term renewable leases, expiring between 31/01/2017 and 19/03/2039.

Reconciliations

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

Land and buildings

	2016 $'000	2015 $'000
Carrying amount at beginning of year	95,122	67,671
Acquired through business combinations	4,316	8,423
Acquired through business acquisition	1,900	-
Additions	2,309	24,556
Transfers from plant and equipment	-	8
Transfers to investment properties	-	(985)
Disposals	(1,428)	(136)
Depreciation expense	(4,835)	(4,415)
	97,384	95,122
Classified as held-for-sale (refer note 8)	(6,415)	(988)
Carrying amount at end of year	90,969	94,134

		2016 $'000	2015 $'000
13.	**NON-CURRENT ASSETS – PROPERTY, PLANT & EQUIPMENT (continued)**		
	Reconciliations (continued)		
	Plant and equipment		
	Carrying amount at beginning of year	14,635	14,086
	Acquired through business combination	484	853
	Acquired through business acquisition	650	-
	Additions	6,157	4,561
	Transfers to land and buildings	-	(8)
	Disposals	(883)	(462)
	Depreciation expense	(4,723)	(4,395)
	Carrying amount at end of year	16,320	14,635

		2016 $'000	2015 $'000
14.	**CURRENT AND NON-CURRENT LIABILITIES – INTEREST BEARING LOANS**		
	Current		
	Bank loan	1,625	1,300
	Finance leases	175	346
		1,800	1,646
	Non-current		
	Bank loan	13,000	14,625
	Finance leases	-	275
		13,000	14,900
	Total interest bearing loans		
	Bank loan	14,625	15,925
	Finance leases	175	621
		14,800	16,546

Bank Loans

The bank loans comprise three separate variable rate advance facilities from ANZ Bank. Facilities 1 and 2 were drawn down in the prior period to assist with the purchase of commercial land and buildings at 33 Corporate Drive, Cannon Hill.

Advance Facility 1 : Balance outstanding at period end of $3,080,000

The facility has an expiry date of 27 July 2017, with minimum principal repayments of $250,000 per quarter, commencing 15 August 2015, with the remaining principal payable by the expiry date of the facility on 27 July 2017. Early repayment of the facility is allowed. The facility carries a variable interest rate of 3.85%pa at balance date, with interest payable monthly in arrears. (2015: Balance outstanding of $4,080,000, with a variable interest rate of 4.04%pa at balance date).

Advance Facility 2 : Balance outstanding at period end of $10,920,000

The facility has an expiry date of 30 March 2020, with no minimum principal repayments due during the currency of the loan. The full amount of the facility is payable by the expiry date of the facility on 30 March 2020. Early repayment of the facility is allowed. The facility carries a variable interest rate of 3.55%pa at balance date, with interest payable monthly in arrears. (2015: Balance outstanding of $10,920,000, with a variable interest rate of 3.74%pa at balance date).

14. CURRENT AND NON-CURRENT LIABILITIES – INTEREST BEARING LOANS (continued)

Advance Facility 3 : Balance outstanding at period end of $625,000

The facility has an expiry date of 31 March 2017, with principal repayments of $75,000 per quarter, commencing 30 June 2015, with the remaining principal payable by the expiry date of the facility on 31 March 2017. Early repayment of the facility is allowed. The facility is subject to variable interest rates, being 4.65%pa at balance date, with interest payable monthly in arrears. (2015: Balance outstanding of $925,000 with a variable interest rate of 4.84%pa at balance date).

An interest rate swap for an original period of 6 1/2 years, expiring on 3 January 2019, was paid out early during the current period and the resultant cost charged to interest expense in profit and loss. (2015: Interest rate swap for a period of 6½years, expiring on 3 January 2019, swapping a fixed rate of 4.64% for a variable rate of 2.095% at balance date. The notional swap amount at period end was $1,000,000, which reduced to $200,000 from 5 January 2016 until expiry of the contract. Net interest arising from the swap was calculated and charged monthly and was included in the interest expense in profit and loss).

Refer to note 4 for details of the security provided over the bank loans.

Finance Leases

The finance lease liability represents a single finance lease for the purchase of plant & equipment, with an interest rate of 7.58%pa and repayable on 29 June 2017. The finance lease is repayable in equal monthly repayments of interest and capital, with a final residual balance payable on expiry and is secured over the assets being financed.

(2015: 13 finance leases, with varying interest rates and repayment terms, repayable in equal monthly repayments of interest and capital. Interest rates ranged between 7.58%pa and 21.67%pa. There were 8 leases with a one year term remaining, 3 with two year terms remaining and 2 with terms remaining between three and five years).

The finance lease liability is payable as follows:

	Future minimum lease payments	Interest	Present value of minimum lease payments
2016	**$'000**	**$'000**	**$'000**
- Due within 1 year	185	10	175
- Due within 2 to 5 years	-	-	-
	185	10	175
2015	**$'000**	**$'000**	**$'000**
- Due within 1 year	380	34	346
- Due within 2 to 5 years	293	18	275
	673	52	621

		2016 $'000	2015 $'000
15.	**CURRENT LIABILITIES – TRADE AND OTHER PAYABLES**		
	Trade creditors and accruals	7,509	6,277
	Other creditors	7,046	6,244
		14,555	12,521

The exposure to currency and liquidity risk related to trade and other payables is disclosed in note 20 – Financial Instruments

		2016 $'000	2015 $'000
16.	**CURRENT LIABILITIES – EMPLOYEE ENTITLEMENTS**		
	Employee entitlements – staff	15,093	12,630
	Employee entitlements – supported employees	3,707	2,923
		18,800	15,553

		2016 $'000	2015 $'000
17.	**CURRENT and NON-CURRENT LIABILITIES – REVENUE RECEIVED IN ADVANCE**		
	Current: realisable within 1 year	5,777	5,772
	Non-current: realisable after 1 year	453	464
		6,230	6,236

		2016 $'000	2015 $'000
18.	**NON-CURRENT LIABILITIES – EMPLOYEE ENTITLEMENTS**		
	Employee entitlements – staff	3,225	3,174
	Employee entitlements – supported employees	419	547
		3,644	3,721

19. 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 2014	**607**	**396**	**1,003**	**83,402**	**84,405**
Total recognised income and expense	(6)	-	(6)	25,781	25,775
Balance at 30 June 2015	**601**	**396**	**997**	**109,183**	**110,180**
Total recognised income and expense	(81)	-	(81)	7,981	7,900
Balance at 30 June 2016	**520**	**396**	**916**	**117,164**	**118,080**

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.

20. 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.

20. FINANCIAL INSTRUMENTS (continued)

(a) (i) Exposure to credit risk

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

	Note	Carrying Amount 2016 $'000	Carrying Amount 2015 $'000
Investments	9	1,712	1,150
Trade and other receivables	5	12,589	9,833
Cash and cash equivalents	4	24,414	21,722
		38,715	32,705

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

	Carrying Amount 2016 $'000	Carrying Amount 2015 $'000
Employment Services customers	7,653	7,229
Disability Services customers	2,244	1,332
	9,897	8,561

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 $487,000 (2015: $356,000).

(a) (ii) Impairment losses

The ageing of trade receivables at balance date was:

	2016		2015	
	Gross $'000	Impairment $'000	Gross $'000	Impairment $'000
Not past due	5,709	-	5,450	-
Past due 0-30 days	2,822	-	2,221	-
Past due 31-60 days	771	-	602	-
More than 61 days	595	170	288	150
	9,897	170	8,561	150

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

	2016	2015
Balance at 1 July	150	134
Impairment loss recognised	20	16
Balance at 30 June	170	150

20. 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 2016	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	14,800	(16,385)	(2,315)	(2,473)	(11,597)	-
Trade and other payables	14,555	(14,555)	(14,555)	-	-	-
	29,355	(30,940)	(16,870)	(2,473)	(11,597)	-

		Contractual cash flows				
30 June 2015	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	16,546	(18,913)	(2,274)	(2,404)	(14,235)	-
Trade and other payables	12,521	(12,521)	(12,521)	-	-	-
	29,067	(31,434)	(14,795)	(2,404)	(14,235)	-

(c) Currency risk

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

20. 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:

	Weighted Average Interest Rate	Variable Rate Instruments $'000
2016		
Financial assets		
Cash and cash equivalents	1.91%	24,099
Financial liabilities		
Interest bearing liabilities	3.66%	(14,800)
Net financial assets		9,299

	Weighted Average Interest Rate	Variable Rate Instruments $'000
2015		
Financial assets		
Cash and cash equivalents	2.25%	21,414
Financial liabilities		
Interest bearing liabilities	4.23%	(16,546)
Net financial assets		4,868

20. FINANCIAL INSTRUMENTS (continued)

(d) Interest rate risk (continued)

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 2016		30 June 2015	
	100bp increase $'000	100bp decrease $'000	100bp increase $'000	100bp decrease $'000
Financial assets	392	(371)	337	(337)
Financial liabilities	(183)	183	(49)	49
Net sensitivity effect	209	(188)	288	(288)

(e) Net fair values

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

	30 June 2016		30 June 2015	
	Carrying Amount $'000	Net fair value $'000	Carrying Amount $'000	Net fair value $'000
Financial assets				
Cash and cash equivalents	24,414	24,414	21,722	21,722
Trade and other receivables	12,419	12,419	9,683	9,683
Investments	1,712	1,712	1,150	1,150
Investment properties	2,803	2,803	3,235	3,235
	41,348	41,348	35,790	35,790
Financial liabilities				
Interest bearing liabilities	14,800	14,800	16,546	16,546
Trade and other payables	14,555	14,555	12,521	12,521
	29,355	29,355	29,067	29,067

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.

21. 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 Group entities 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 Group entities 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 currently required.

At balance date there existed a claim against the company through the Fair Work Ombudsman which could not be reliably quantified as to substance and amount. The directors are of the opinion that a provision is not required in respect of this matter, as it is not probable that a future sacrifice of economic benefits will be required and any future liability, should one arise, is not currently able to be reliably measured.

	2016 $'000	2015 $'000
22. COMMITMENTS FOR EXPENDITURE		
(a) Capital expenditure contracted but not provided for and payable:		
Due within 1 year	5,050	618
(b) Commitments for prize home purchases contracted but not provided for and payable:		
Due within 1 year	-	905
(c) Operating lease commitments		
The Group has various operating lease commitments in respect of non-cancellable property leases and equipment rental agreements, the lease payments of which are charged to expenses.		
The operating lease commitments are payable as follows:		
Due within 1 year	5,348	3,933
Due within 2 - 5 years	6,888	5,312
Due after 5 years	88	526
	12,324	9,771

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

23. 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 2016 the number of members was 1,054 (2015: 1,190).

24. 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, P D Currie, S R E Ellis, Y D Keane, P Mendiolea, G B Murdoch, 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.

	2016 $'000	2015 $'000
Balances due from controlled entities		
The aggregate amounts receivable from/(payable to) wholly controlled entities by the Company at balance date are:		
Amount due from Vatmi Industries Limited	-	3,623
Amount due from National Disability Living Solutions Limited	779	692
Amount due to Community Solutions Group Limited	(9,758)	-

25. 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 the directors listed on page 2 of the Directors' Report and a team of eight executive managers, comprising the Chief Executive Officer, and seven Executive General Managers. (2015: seven executive managers, comprising the Chief Executive Officer, and six Executive General Managers).

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:

	2016 $	2015 $
Short-term employee benefits	2,082,529	1,752,870
Termination benefits	279,883	-
Number of key management personnel	8	7

26. EMPLOYEE ENTITLEMENTS

(a) Employee entitlements

	2016 $'000	2015 $'000
Aggregate employee entitlement liability	22,444	19,274

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

As explained in note 1(o)(ii) the amount for long service leave is measured as the present value of expected future payments of long service leave entitlements accrued by employees up to the reporting date. The entitlements have been calculated using the projected rates of increase in remuneration and the period of service to the entitlement date. These values have been discounted at rates determined by reference to market yields at the end of the reporting period on corporate bonds that have maturity dates that approximate the terms of the obligations.

(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. The defined benefit plan is closed to new members and is a salary related defined benefit superannuation plan. Benefits are payable on retirement, resignation, death, or total and permanent disablement as a lump sum. Income protection benefits (fully insured) are also payable from the Plan to members.

26. EMPLOYEE ENTITLEMENTS (continued)

(b) Superannuation commitments (continued)

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.

	2016 $'000	2015 $'000
Net defined benefit plan asset		
Present value of plan assets	13,574	16,039
Present value of funded obligations	(11,093)	(12,651)
Net defined benefit plan asset (note 10)	2,481	3,388
Reconciliations		
Changes in the present value of the net defined benefit plan asset/(liability) are as follows:		
Opening net defined benefit plan asset	3,388	1,952
Employer contributions during the year	247	396
Expense during the year	(266)	(596)
Net actuarial adjustment for the year recognised directly in retained earnings	(888)	1,636
Closing net defined benefit plan asset	2,481	3,388
The defined benefit expenses recognised through the income statement as part of employee expenses are as follows:		
Current service cost	307	521
Interest expense on defined benefit obligations	425	288
Interest (income) on plan assets	(570)	(352)
Tax allowance and administration expenses	104	139
Total defined benefit expenses recognised in the income statement	266	596

26. EMPLOYEE ENTITLEMENTS (continued)

(b) Superannuation commitments (continued)

DEFINED BENEFIT PLAN (continued)

	2016 $'000	2015 $'000
The changes in the present value of the defined benefit obligations are as follows:		
Defined benefit obligations at beginning of year	12,651	12,030
Current service cost	307	521
Interest expense on defined benefit obligations	425	288
Employee contributions	156	156
Administrative expenses and tax allowance	104	139
Remeasurements:		
- Effect of changes in financial assumptions (gain)/loss	192	(599)
- Effect of experience adjustments loss/(gain)	(18)	368
Benefits paid	(2,605)	(100)
Other (fees and taxes)	(119)	(152)
Defined benefit obligations at end of year	11,093	12,651
The changes in the present value of the defined benefit plan assets are as follows:		
Fair value of plan assets at beginning of year	16,039	13,982
Interest income on plan assets	570	352
Actual return on plan assets	(714)	1,405
Employer contributions	247	396
Employee contributions	156	156
Benefits paid	(2,605)	(100)
Other (fees and taxes)	(119)	(152)
Fair value of plan assets at end of year	13,574	16,039
Cumulative (gains)/losses recognised in other comprehensive income:		
Amount accumulated in retained earnings at beginning of year	(2,165)	(529)
Recognised during the year	888	(1,636)
Amount accumulated in retained earnings at end of year	(1,277)	(2,165)
Principal actuarial assumptions at reporting date (expressed as weighted averages) are as follows:		
Discount rate	3.20%	4.10%
Expected long term rate of return on plan assets	3.20%	4.10%
Future salary increases	3.00%	3.50%

26. EMPLOYEE ENTITLEMENTS (continued)

(b) Superannuation commitments (continued)

DEFINED BENEFIT PLAN (continued)

Sensitivity analysis for each significant actuarial assumption

The table below shows the sensitivity of the Defined Benefit Obligation (DBO) to movements in the significant actuarial assumptions noted above:

	DBO at 30 June 2016 $'000	DBO at 30 June 2015 $'000
Assumptions		
Discount rate plus 1.00%	10,670	12,282
Discount rate minus 1.00%	11,559	13,095
Salary increase rate plus 1.00%	11,463	13,020
Salary increase rate minus 1.00%	10,775	12,337

These are deterministic scenarios and therefore they assume a constant change in the relevant assumption which will not occur in practice and the results may consequently not fall within the ranges provided. These scenarios provide an indication of the effect on the DBO of changing these assumptions in isolation. All other assumptions and methods used to determine the DBO are the same as for the current year. No changes have been made to the methodology used in preparing the sensitivity analysis since the last reporting period.

Expected contributions to the Plan in the next reporting period

	Year Ending 30 June 2017 $'000	Year Ending 30 June 2016 $'000
Expected employer contributions	216	237
Expected employee contributions	94	101

Maturity profile of the Defined Benefit Obligation (DBO)

At 30 June 2016, the weighted-average duration of the defined benefit obligation was 4.7 years. (2015: 4.6 years)

26. EMPLOYEE ENTITLEMENTS (continued)

(b) Superannuation commitments (continued)

DEFINED BENEFIT PLAN (continued)

Fair value of Plan Assets disaggregated by nature and risk

The Plan Assets are invested in a pooled managed investment distributing unit trust. The unit trust investment manager invested funds in the asset classes outlined in the table below.

	Asset Value at 30 June 2016 $'000	Asset Value at 30 June 2015 $'000
Cash and cash equivalents		
- Cash	652	802
Equities		
- Domestic	4,113	4,699
- International (currency hedged)	1,235	1,476
- International (currency unhedged)	2,796	3,481
Fixed Income		
- Domestic Government Bonds	1,330	1,588
- International Government Bonds	1,358	1,588
Real Estate/Property		
- Domestic Indirect Property	434	481
- International Property	434	481
Other types of Investment		
- Alternative Growth	543	641
- Alternative Defensive	679	802
Total	**13,574**	**16,039**

Historical information	2016 $'000	2015 $'000	2014 $'000	2013 $'000	2012 $'000
Present value of plan assets	13,574	16,039	13,982	13,342	11,485
Present value of funded obligations	(11,093)	(12,651)	(12,030)	(13,212)	(13,645)
Net defined benefit plan asset / (liability)	**2,481**	**3,388**	**1,952**	**130**	**(2,160)**

DEFINED CONTRIBUTION PLANS

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

	2016 $'000	2015 $'000
Employer contributions to the defined contribution plans	13,348	11,004
Employer contributions payable to the defined contribution plans at reporting date	1,264	970

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

27. DIVISIONAL REPORTING

The Group comprises the following main operating units:

Disability & Community Services	Disability & Community Services Division, which includes the operating activities of Community Solutions Group Ltd, provides residential accommodation support and structured daytime activities for people with a disability as well as family support, drug prevention and public safety programs, and services for disengaged young people and people experiencing mental illness. The Division provides individualised support for people with an intellectual disability, through programs such as Accommodation Support, Day Services, 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.
Employment Services	Employment Services Division, includes the operating activities of Acclaim Apprentices and Trainees Ltd, and for the first time from 1 July 2015, those of TORGAS Inc, SkillsPlus Ltd and BRACE Education Training & Employment Ltd. The Division provides supported employment services, apprenticeship and traineeship qualification and support services and other employment services targeting the long term unemployed, youth and disadvantaged people. The Division operates 21 commercial businesses throughout Queensland, 3 commercial businesses in Sydney, 7 commercial businesses in Victoria and two safety equipment sales outlets in Newcastle and Wollongong. 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.
Supporter Enterprises	Supporter Enterprises Division comprises commercial fundraising activities and events and the operation of 26 retail stores throughout Queensland, 1 store in Sydney's Western Suburbs and 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. Supporter Enterprises undertakes a number of commercial fundraising activities such as art unions, bingo and events, including major signature functions such as the Great Endeavour Rally and the Melbourne Cup event. Seven major prize homes were drawn during the current year, including the major "life-changer lottery" as well as five special "reward" lotteries for automatic purchase customers. 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, the Endeavour Foundation Endowment Challenge Fund and National Disability Living Solutions Ltd. 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).

28. 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:

	2016 $'000	2015 $'000
Cash at bank	5,521	3,917
Call & short term deposits	18,893	17,805
	24,414	**21,722**

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

	2016 $'000	2015 $'000
Net surplus for the year	8,914	24,173
Gains arising from business combinations	(8,133)	(13,998)
Depreciation and amortisation	10,299	8,886
Non-cash flow effects of movements in defined benefit plan	19	201
Non-cash donation of share portfolio	(555)	-
Increase in provision for employee entitlements	943	1,681
Decrease in provision for doubtful debts	(30)	(47)
Increase in trade and other receivables	(1,112)	(266)
(Increase)/decrease in inventories	(2,708)	679
Decrease in other current assets	403	17
Increase in trade and other payables	370	1,662
Decrease in revenue received in advance	(470)	(1,514)
Proceeds from capital grants and donations used to fund investing activities	(432)	(2,491)
Gain on disposal of non-current assets	(68)	-
Loss/(gain) on disposal of non-current assets	195	(382)
Net Cash Provided by Operating Activities	**7,635**	**18,601**

29. ECONOMIC DEPENDENCY

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

30. BUSINESS COMBINATIONS

SkillsPlus Limited and its controlled entity (SkillsPlus Group)

On 1 July 2015 Endeavour Foundation acquired 100% control of the "SkillsPlus Group", in a single transaction, via a mutual agreement to amalgamate the operations of the "SkillsPlus Group" with those of Endeavour Foundation. The "SkillsPlus Group" comprised two separate entities: SkillsPlus Ltd and BRACE Education Training & Employment Ltd. The two entities are Victoria-based organisations, that specialise in the delivery of employment services to long term unemployed with a focus on young people and people who are disadvantaged across regional and metropolitan Victoria.

The amalgamation brought to the Endeavour Foundation Group approximately 130 new team members supporting 10,000 individuals across 20+ locations and an opportunity to expand and diversify the Group's service footprint.

The amalgamation was settled for no consideration, with the following identifiable assets acquired and liabilities assumed, at the acquisition date:

Identifiable assets acquired and liabilities assumed	Note	$'000
Property, plant and equipment	13	3,478
Trade and other receivables		1,018
Cash and cash equivalents		854
Interest bearing liabilities		(451)
Employee entitlements		(1,048)
Trade and other payables		(1,529)
Net identifiable assets and liabilities acquired		2,322
Acquisition consideration paid		-
Gain on acquisition of subsidiary for no consideration		**2,322**

The values of assets and liabilities recognised on acquisition are their estimated fair values. No material separately identifiable and quantifiable intangible assets were acquired, or transaction costs incurred, in relation to this acquisition.

In the 12 months to 30 June 2016, the acquired operations contributed revenues of $10,295,000 and a net deficit of ($365,000).

30. BUSINESS COMBINATIONS (continued)

TORGAS Incorporated (TORGAS)

On 1 July 2015 Endeavour Foundation acquired 100% control of TORGAS Incorporated, via a mutual agreement to amalgamate the operations of TORGAS with those of Endeavour Foundation. Established in Townsville in 1984, TORGAS is one of Queensland's leading apprentice and trainee service providers, with 25 staff and support for more than 200 apprentices and trainees.

The amalgamation brings together the best of the cultures, capabilities, practices and systems of the entities, as well as the diverse range of service offerings and when combined with the existing training operations, the collective Group Training division of the organisation has a footprint extending from Brisbane to Cairns, and west to Hughenden, supporting some 450 apprentices and trainees. It also provides increased diversity in revenue streams.

The amalgamation was settled for no consideration, with the following identifiable assets acquired and liabilities assumed, at the acquisition date:

Identifiable assets acquired and liabilities assumed	Note	$'000
Investments	9	403
Property, plant and equipment	13	1,322
Trade and other receivables		816
Cash and cash equivalents		4,152
Employee entitlements		(428)
Trade and other payables		(454)
Net identifiable assets and liabilities acquired		5,811
Acquisition consideration paid		-
Gain on acquisition of subsidiary for no consideration		**5,811**

The values of assets and liabilities recognised on acquisition are their estimated fair values. No material separately identifiable and quantifiable intangible assets were acquired, or transaction costs incurred, in relation to this acquisition.

In the 12 months to 30 June 2016, the acquired operations contributed revenues of $7,508,000 and a net deficit of ($410,000).

Net gain arising from business combinations in 2016

A net gain on business combinations arising from the above transactions was recognised as non-operating income in the Consolidated Income Statement of the Group for the year ended 30 June 2016, as follows:

	$'000
Gain on acquisition of control of SkillsPlus Group	2,322
Gain on acquisition of control of TORGAS	5,811
Net gain arising from business combinations	**8,133**

30. BUSINESS COMBINATIONS (continued)

Scope Australian Disability Enterprises

On 6 November 2015 Endeavour Foundation acquired the business undertakings of three existing Australian Disability Enterprises (ADEs), from Scope (Vic) Ltd, in a single transaction, helping to secure ongoing employment of 200 people with a disability in Melbourne and Geelong.

The three ADEs acquired operate accredited food packaging, general packaging, pick and pack, labelling and light manufacturing operations, which provide clear synergies with some of Endeavour Foundation's existing supported employment operations in Melbourne.

The amalgamation was settled for a cash consideration, with the following identifiable assets acquired and liabilities assumed, at the acquisition date:

Identifiable assets and liabilities acquired	Note	$'000
Freehold land and buildings	13	1,900
Plant and equipment	13	650
Employee entitlements		(896)
Net identifiable assets and liabilities acquired, settled in cash		**1,654**

The values of assets and liabilities recognised on acquisition are their estimated fair values. No material separately identifiable and quantifiable intangible assets were acquired, or transaction costs incurred, in relation to this acquisition.

In the 7 months to 30 June 2016, the acquired operations contributed revenues of $3,077,000 and a net surplus of $411,000. If the acquisition had occurred on 1 July 2015, management estimates that Endeavour Foundation's consolidated total revenue would have been $276,154,000 and the consolidated net surplus would have been $9,119,000. In determining these amounts, management has assumed that any fair value adjustments recognised on the acquisition date would have been the same and that revenue and operating surpluses would have accrued at a consistent rate throughout the 12 month period.

2015 Business Combinations

During the financial year ended 30 June 2015, the following business combination transactions were undertaken:

Community Solutions Group (CSG)

On 1 October 2014 Endeavour Foundation acquired 100% control of the "Community Solutions Group", in a single transaction, via a mutual agreement to amalgamate the operations of the "Community Solutions Group" with those of Endeavour Foundation. The "Community Solutions Group" comprised three separate entities: Community Solutions Group Ltd, Community Assets Australia Ltd and Acclaim Apprentices and Trainees Ltd. The three entities are Queensland-based organisations that provide a diverse range of support services and opportunities for individuals, families and communities in regional Australia. The diverse range of services include: employment and assistance for people with barriers to employment, apprenticeships and traineeships, family support, drug prevention and public safety programs, as well as services for disengaged young people and people experiencing mental illness.

30. BUSINESS COMBINATIONS (continued)

2015 Business Combinations (continued)

The amalgamation was settled for no consideration, with the following identifiable assets acquired and liabilities assumed, at the acquisition date:

Identifiable assets acquired and liabilities assumed	**Note**	**$'000**
Investment properties	12	2,250
Property, plant and equipment	13	9,276
Trade and other receivables		2,485
Cash and cash equivalents		4,986
Interest bearing liabilities		(59)
Employee entitlements		(1,143)
Trade and other payables		(3,797)
Net identifiable assets and liabilities acquired		13,998
Acquisition consideration paid		-
Gain on acquisition of subsidiary for no consideration		**13,998**

The values of assets and liabilities recognised on acquisition are their estimated fair values. No material separately identifiable and quantifiable intangible assets were acquired, or transaction costs incurred, in relation to this acquisition.

31. GROUP ENTITIES

	2016 %	2015 %
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
Community Solutions Group Limited	100	100
Acclaim Apprentices and Trainees Limited	100	100
National Disability Living Solutions Limited	100	100
SkillsPlus Limited	100	-
BRACE Education Training & Employment Limited	100	-
TORGAS Incorporated	100	-
Vatmi Industries Limited (in process of being deregistered)	100	100
Community Assets Australia Limited (deregistered 8/02/2016)	-	100

Endeavour Foundation Endowment Challenge Fund. 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, both of which were established on 3 December 2009.

The Endeavour Foundation Endowment Challenge Fund is a health-promoting charity 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 people with a disability in the world in which we live, so that they can lead ordinary lives.

Community Solutions Group Limited, a company limited by guarantee, provides a diverse range of services including employment and assistance for people with barriers to employment, family support, drug prevention and public safety programs, as well as services for disengaged young people and people experiencing mental illness. The entity was acquired through a business combination on 30 September 2014.

Acclaim Apprentices and Trainees Limited, a company limited by guarantee, provides a range of apprenticeship and traineeship qualifications and employment placement support. The entity was acquired through a business combination on 30 September 2014.

National Disability Living Solutions Limited, a company limited by guarantee, provides and manages built environment solutions for people with a disability or other disadvantaged groups. The entity was acquired through a business combination on 1 July 2013.

SkillsPlus Limited, a company limited by guarantee, provides a range of employment services, targeting the long term unemployed, youth and disadvantaged people. The entity was acquired through a business combination on 1 July 2015, as further detailed in Note 30 Business Combinations.

BRACE Education Training & Employment Limited, a company limited by guarantee, provides a range of employment services, targeting the long term unemployed, youth and disadvantaged people. The entity was acquired through a business combination on 1 July 2015, as further detailed in Note 30 Business Combinations.

TORGAS Incorporated, an incorporated association, provides a range of apprenticeship and trainee services. The entity was acquired through a business combination on 1 July 2015, as further detailed in Note 30 Business Combinations.

31. GROUP ENTITIES (continued)

Vatmi Industries Limited, a company limited by guarantee, provided supported employment services in Melbourne, Bendigo and Wangaratta. The entity was acquired through a business combination on 27 November 2013. The company executed a corporate restructure deed, effective 1 July 2015, transferring all of its operations, assets, liabilities, obligations and benefits to Endeavour Foundation. The entity is in the process of being voluntarily deregistered under subsection 601AA(2) of the Corporations Act 2001, which is expected to be completed within 12 months of balance date.

Community Assets Australia Limited, a company limited by guarantee, operated as a property investment entity, holding commercial properties in key regional areas in order to lease office space to community organisations. The entity was acquired through a business combination on 30 September 2014. The company executed a corporate restructure deed, effective 1 July 2015, transferring all of its operations, assets, liabilities, obligations and benefits to Endeavour Foundation. The entity was voluntarily deregistered under subsection 601AA(2) of the Corporations Act 2001 on 8 February 2016.

32. PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ending 30 June 2016 the parent company of the Group was Endeavour Foundation.

	2016 $'000	2015 $'000
Results of the parent entity		
Net surplus for the year	8,835	8,868
Other comprehensive income	(888)	1,636
Total comprehensive income for the year	7,947	10,504
Financial position of the parent entity at year end		
Current assets	47,057	42,276
Total assets	159,452	132,847
Current liabilities	35,357	30,264
Total liabilities	61,526	47,512
Total equity of the parent entity comprising		
Subsidies reserve	396	396
Retained earnings	97,530	84,939
Total equity	**97,926**	**85,335**

Parent entity contingencies

The contingent liabilities disclosed as note 21 Contingent Liabilities are the same for the parent entity.

32. PARENT ENTITY DISCLOSURES (continued)

Parent entity commitments for capital expenditure

The parent entity commitments for capital expenditure, that forms part of the Group disclosures under note 22 Commitments for Expenditure, are as follows:

	2016 $'000	2015 $'000
(a) Capital expenditure contracted but not provided for and payable:		
Due within 1 year	5,050	618
(b) Commitments for prize home purchases contracted but not provided for and payable:		
Due within 1 year	-	905
(c) Operating lease commitments		
The Company has various operating lease commitments in respect of non-cancellable property leases, the lease payments of which are charged to expenses.		
The operating lease commitments are payable as follows:		
Due within 1 year	4,091	3,389
Due within 2 - 5 years	5,826	4,318
Due after 5 years	88	526
	10,005	8,233

Parent entity guarantees in respect of debts of its subsidiary

The parent entity has issued a guarantee in respect of the debts of its subsidiaries, as disclosed in note 4 Cash and Cash Equivalents.

33. EVENTS SUBSEQUENT TO REPORTING DATE

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

DIRECTORS' DECLARATION

For the year ended 30 June 2016

In the opinion of the Directors of Endeavour Foundation ("the Company"):

(a) the Company is not publicly accountable;

(b) the consolidated financial statements and notes that are set out on pages 11 to 53 are in accordance with the *Australian Charities and Not-for-profits Commission Act 2012*, including:

   (i) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance, for the financial year ended on that date; and

   (ii) complying with Accounting Standards in Australia and the *Australian Charities and Not-for-profits Commission Regulation 2013; and*

(c) 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:

A G Bellas – Chairman
Brisbane
12th October 2016

INDEPENDENT AUDITOR'S REPORT

For the year ended 30 June 2016

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 2016, the 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 33 comprising a summary of significant accounting policies and other explanatory information and the directors' declaration of the Group comprising the Company and entities it controlled at the year's end or from time to time during the financial year.

This audit report has also been prepared for the members of the Company pursuant to the *Australian Charities and Not-for-profits Commission Act 2012* and the *Australian Charities and Not-for-profits Commission Regulation 2013 (ACNC)*.

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 ACNC. The Directors' responsibilities also include such internal control as the Directors determine is necessary to enable the preparation of the financial report 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 Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Company's and the Group's financial position and of their 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 *Australian Charities and Not-for-profits Commission Act 2012.*

Auditor's opinion

In our opinion, the financial report of the Group is in accordance with the *Australian Charities and Not-for-profits Commission Act 2012* including:

(a) giving a true and fair view of the Group's financial position as at 30 June 2016 and of its performance for the year ended on that date; and

(b) complying with Australian Accounting Standards and the *Australian Charities and Not-for-profits Commission Regulation 2013*.

KPMG

KPMG

Scott Guse

Scott Guse
Partner
Brisbane
12th October 2016

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ENDEAVOUR
FOUNDATION
Opportunities for people with a disability