Endeavour Foundation

Annual Financial Report

For the year ended 30 June 2018

Directors’ Report

For the year ended 30 June 2018

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 2018 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 2018			
Anthony George Bellas (Independent Director) (14 February 2011)	B Econ, Dip Ed, MBA, FAICD, FCPA, FGS Chair Member of Audit & Risk Committee Member of Nominations & Remuneration Committee	7	-
Yvonne Dianne Keane (Independent Director) (26 May 2014)	Member of Nominations & Remuneration Committee Deputy Chair (from 25/04/2017)	4	-
Paul Denis Currie (Elected Director) (26 November 2014 to 20 November 2017) (Appointed to fill a Casual Vacancy 18 December 2017)	BSC (Hons), Phd (Physics) Member of Client Services Committee Member of Audit & Risk Committee (ceased 20/11/2017)	4	8
Scott Robinson Elton Ellis (Elected Director) (22 November 2013)	BBus, ASA, AAICD Chair of Audit & Risk Committee Member of Nominations & Remuneration Committee	5	18
Beverley Narelle Knowles (Elected Director) (20 November 2017)	BA, DipEd, MMktg, FAICD Member Audit & Risk Committee (from 26/02/2018)	1	5
Pedro Mendiolea (Elected Director) (22 November 2013)	BE (Hons), GDMgt, MIEAust, RPEQ, CPEng Member of Audit & Risk Committee	5	7
Alison Jean Semple (Elected Director) (30 November 2012)	LTCL, BA, Grad Dip Ed(rsc), Grad Cert Theol Chair of Client Services Committee	6	18
Past Directors who served during the year			
Suzanne Evelyn Thorpe (Elected Director) (30 November 2012)	AAICD, Dip Marketing Member of Client Services Committee Member of Nominations & Remuneration Committee (resigned 4/12/2017)	6	10
Appointments since the end of the financial year			
Peter Richard Boys (Independent Director)	B Comm, MBA, MAICD Appointed 5/09/2018	-	-
Richard George Andrew Haire (Independent Director)	B Econ, Grad Dip Corp Mgt, FAICD Appointed 4/10/2018	-	-

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

Mark Sidney Fenton	FCPA, GAICD, MBA, B.Bus, JP(Qual)	Appointed 25/08/2017
Eric Duncan Campbell	CA, B Acc, Grad Dip Project Mgt, GAICD	Appointed 28/11/2013

Directors' Meetings

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

	Board Meetings		Nominations & Remuneration Committee Meetings		Client Services Committee Meetings		Audit & Risk Committee Meetings	
	A	**B**	**A**	**B**	**A**	**B**	**A**	**B**
A G Bellas	8	8	3	3	-	-	5	5
P D Currie	8	8	-	-	5	5	3	1
S R E Ellis	8	8	2	2	-	-	5	5
Y D Keane	8	6	3	2	-	-	-	-
B N Knowles	3	3	-	-	-	-	1	1
P Mendiolea	8	7	-	-	-	-	5	5
A J Semple	8	7	3	3	5	5	-	-
S E Thorpe	5	3	1	1	2	2	-	-

A – Number of meetings held during the time the director held office during the year as a member of the Board or one of the Committees

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)
- Mr S R E Ellis (appointed 26/02/2018)
- Ms Y D Keane
- Mrs A Semple
- Ms S E Thorpe (resigned 4/12/2017)

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 Complaints and Abuse investigation processes.

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

- Mrs A Semple (Chair)
- Dr P D Currie
- Mr G M Crotty (retired as a director on 30/11/12 but remains a committee member)
- Ms S E Thorpe (resigned 4/12/2017)

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 Head of Quality & Risk and management of the organisation.

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

- Mr S R E Ellis (Chair)
- Mr A G Bellas
- Dr P D Currie (resigned 20/11/2017)
- Ms B N Knowles (appointed 26/02/2018)
- Mr P Mendiolea

Principal Activity and Objectives

The principal activities of the Endeavour Foundation Group during the year were 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 addition, Open Employment and Apprenticeship Training services are also provided. In the opinion of the Directors no significant changes have occurred in the nature of these activities during the financial year.

The Endeavour Foundation Group's Purpose and Mission are:

Purpose: **Make possibilities a reality**
We are dedicated to helping people with a disability to live fulfilling lives, working together to turn possibilities into reality for each individual.

Mission: **We partner with people to aspire for more**
We believe in ability, and understand that everyone is different. We will work with our customers to make the most of their individual skills and interests, whether that is developing life skills, trying a new activity, work or learning. Our goal is to ensure we are there for our customers – both now and in the future – and we're committed to achieving more together, making their possibilities a reality.

The Group's Purpose and Mission is delivered through its **four core organisational values:**

One: We are one, valuing individual strengths and experience so we can achieve more together;

Imaginative: We never stop imagining a better future for our customers;

Care: We care, and treat everyone with respect and kindness;

Passionate: We are passionate, our customers are at the heart of everything that we do.

Preparation of Consolidated Financial Statements

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

Results

The Group recorded an operating surplus for the current financial year of $948,000 compared to an operating surplus of $4,003,000 in the previous year. This operating result was achieved primarily due to the following factors:

- a decline in the operating results from Service Delivery as the business continues to transform with the full introduction of the National Disability Insurance Scheme;
- a significant improvement in the operating results from the Sales & Marketing division, due to improved contributions from the Prize Home and Ultimate Lifestyle lotteries;
- a significant improvement in the operating results generated by the Community Solutions Group entities due to cost reductions from improved business processes;
- increased corporate and infrastructure costs due to corporate project costs associated with the continued implementation of improved IT systems, business processes, management and reporting systems and increased marketing and communication costs associated with the full implementation of the National Disability Insurance Scheme.

The Group's net surplus for the current financial year, after recognising income from non-operating items of $1,471,000 was $2,419,000. The income from non-operating items in the current period included gains on the disposal of properties of $807,000 and non-recurrent government capital grants of $664,000. In the previous year the Group recorded a comparative net surplus for the year of $3,480,000 after recognising a net charge from non-operating items of ($523,000). The prior period net charge from non-operating items included significant gains on the disposal of properties of $2,823,000, a significant bequest of $968,000 and non-recurrent government capital grants of $426,000 which were offset by a significant charge in respect of the refund of the salary packaging fee that had been recovered from staff during the period 1 January 2010 to 30 June 2015.

Dividends

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

Events Subsequent to Balance Date

Since 30 June 2018 and the date of this report there has not arisen any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors of the Company, to affect significantly the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years, other than already disclosed in the Notes to the Financial Statements.

Environmental Regulations

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

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

Review of Operations

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

Directors' Benefits

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

a. No Directors' Fees are payable
b. No Related Party Transactions with Directors exist (Note 22)

Directors' Interests in Contracts

No contracts involving Directors' interests were entered into since the end of the previous financial year, or existed at the end of the financial year (Note 22).

Indemnification and Insurance of Officers

Indemnification

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

Insurance

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

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

Non-audit services

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

The Board has considered the non-audit services provided during the year and is satisfied that the provision of those non-audit services during the year by the auditor is compatible with, and did not compromise, the auditor independence requirements of the *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 8 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
11th October 2018

Auditor's Independence Declaration

For the year ended 30 June 2018

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 2018 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

KPMG

Scott Guse

Scott Guse
Partner

Brisbane
11th October 2018

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

Liability limited by a scheme approved under Professional Standards Legislation.

Consolidated Balance Sheet

As at 30 June 2018

	Note	2018 $'000	2017 $'000
Current assets			
Cash and cash equivalents			
- Untied cash		34,170	26,147
- Quarantined cash		7,307	8,535
	4	41,477	34,682
Trade and other receivables	5	16,976	14,920
Inventories	6	10,441	12,830
Other current assets	7	2,485	2,182
Assets classified as held-for-sale	8	3,575	636
Total current assets		**74,954**	**65,250**
Non-current assets			
Investments	9	2,089	1,896
Net defined benefit plan asset	10	2,831	2,717
Other intangible assets	11	817	1,299
Investment properties	12	360	2,758
Property, plant & equipment	13	95,338	100,416
Total non-current assets		**101,435**	**109,086**
Total assets		**176,389**	**174,336**
Current liabilities			
Trade and other payables	14	19,950	20,333
Employee entitlements	15	20,695	19,926
Revenue received in advance	16	6,474	8,079
Total current liabilities		**47,119**	**48,338**
Non-current liabilities			
Revenue received in advance	16	833	456
Employee entitlements	17	3,512	3,462
Total non-current liabilities		**4,345**	**3,918**
Total liabilities		**51,464**	**52,256**
Net assets		**124,925**	**122,080**
Equity			
Reserves		591	1,058
Retained earnings		124,334	121,022
Total equity		**124,925**	**122,080**

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 2018

	Note	2018 $'000	2017 $'000
Revenue			
Sale of goods and services		118,268	79,600
Fundraising activities		30,155	25,416
Service user contributions		8,600	12,005
Government subsidies		122,237	155,903
Rent received		5,280	5,479
Interest income		700	723
Other revenue		1,429	1,544
	2(a)	286,669	280,670
Expenses			
Cost of goods sold & commercial fundraising activities		(48,556)	(49,266)
Employee expenses		(165,762)	(154,345)
Supported employee expenses		(17,706)	(17,699)
Utilities & leased property expenses		(14,082)	(15,316)
Transport expenses		(6,170)	(7,144)
Maintenance expenses		(10,448)	(10,833)
Household consumables		(1,773)	(1,802)
Depreciation & amortisation expenses		(8,911)	(9,764)
Interest expense		-	(363)
Other expenses		(12,313)	(10,135)
		(285,721)	(276,667)
Operating surplus		948	4,003
Government capital expenditure grants and other capital donations	2(a)	664	426
Significant bequests		-	968
Gain on disposal of properties	2(a)	807	2,823
Refund of salary packaging fee	2(c)	-	(4,740)
Net surplus for the year		**2,419**	**3,480**

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 2018

	Note	2018 $'000	2017 $'000
Net surplus for the year		**2,419**	**3,480**
Other comprehensive income			
(Items that will not be reclassified to profit or loss)			
Net increase in fair value of investments	9	77	142
Realised gains on disposal of investments		118	12
Actuarial adjustment to defined benefit superannuation plan	24(b)	231	366
Other comprehensive income for the year		**426**	**520**
Total comprehensive income for the year		**2,845**	**4,000**

Consolidated Statement of Changes in Equity

For the year ended 30 June 2018

	Fair value reserve $'000	Subsidies reserve $'000	Total reserves $'000	Retained earnings $'000	Total Equity $'000
Total equity at 30 June 2016	520	396	916	117,164	118,080
Total comprehensive income for the year	142	-	142	3,858	4,000
Total equity at 30 June 2017	**662**	**396**	**1,058**	**121,022**	**122,080**
Total comprehensive income for the year	77	-	77	2,768	2,845
Transfer to retained earnings	(544)	-	(544)	544	-
Total equity at 30 June 2018	**195**	**396**	**591**	**124,334**	**124,925**

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.

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 2018

	Note	2018 $'000 Inflows (Outflows)	2017 $'000 Inflows (Outflows)
Cash flows from operating activities			
Cash receipts in the course of operations		303,238	302,049
Cash payments to suppliers & employees		(295,017)	(285,917)
Dividends received		124	119
Interest received		700	704
Interest paid		-	(405)
Legacies & bequests received		146	1,688
Net cash provided by operating activities	25	**9,191**	**18,238**
Cash flows from investing activities			
Acquisition of property, plant & equipment		(4,829)	(6,678)
Acquisition of investment properties		-	(18)
Acquisition of intangible assets		(463)	(210)
Acquisition of investments		(1,062)	(1,205)
Proceeds from disposal of property, plant & equipment		1,506	13,563
Proceeds from disposal of investment properties		689	-
Proceeds from sale of investments		1,064	1,175
Proceeds from non-operational capital grants and donations		699	203
Net cash (utilised)/generated by investing activities		**(2,396)**	**6,830**
Cash flows from financing activities			
Repayment of interest bearing loans		-	(14,800)
Net cash utilised by financing activities		**-**	**(14,800)**
Net increase in cash held		**6,795**	**10,268**
Cash at the beginning of the financial year		34,682	24,414
Cash at the end of the financial year	25	**41,477**	**34,682**
Comprising:			
Untied cash		34,170	26,147
Quarantined cash		7,307	8,535
		41,477	**34,682**

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 2018

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 2018 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. Support is provided through a range of flexible services, including residential accommodation, in-home support, adult education, lifestyle 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.

Joint Reporting Group

With effect from 30 June 2017 the Endeavour Foundation Group has been approved as a Joint Reporting Group under *section 60-95* of the Australian Charities and Not-for-profits Commission Act (ACNC Act) and consequently the preparation and lodgment of separate audited annual financial reports for each of the individual controlled entities is not a requirement under the ACNC Act.

The consolidated annual financial report of Endeavour Foundation for the year ended 30 June 2018 has been prepared in accordance with Australian Accounting Standards Board (AASB) 10 *Consolidated Financial Statements* and includes the financial statements of the controlled entities listed in note 27 *Group Entities*, all of which are entities registered with the Australian Charities and Not-for-profits Commission. The basis for consolidation is set out in Accounting Policy note 1(a) below.

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 11th October 2018.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 2018 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 application of AASB 15 is not expected to have a material impact on the Group financial statements.

- *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.

- *AASB 9 Financial Instruments*
  AASB 9 could change the classification and measurement of financial instruments, including a new expected credit loss model for calculating impairment on financial assets. It also carries forward the guidance on recognition and de-recognition of financial instruments from AASB 139.

  AASB 9 is effective for annual reporting periods beginning on or after 1 January 2019. The application of AASB 9 is not expected to have a material impact on the Group financial statements.

- *AASB 1058 Income of Not-For-Profit Entities*
  AASB 1058 clarifies and simplifies the income recognition requirements that apply to not-for-profit (NFP) entities, in conjunction with AASB 15 Revenue from Contracts with Customers. These Standards supersede all the income recognition requirements relating to private sector NFP. Under AASB 1058, the timing of income recognition depends on whether a NFP transaction gives rise to a liability or other performance obligation (a promise to transfer a good or service), or a contribution by owners, related to an asset (such as cash or another asset) received by an entity. This standard applies when a NFP entity enters into transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives. In the latter case, the entity will recognise and measure the asset at fair value in accordance with the applicable Australian Accounting Standard (e.g. AASB 116 Property, Plant and Equipment).

  The Group is yet to undertake a detailed assessment of the impact of AASB 1058. However, based on a preliminary assessment, the Standard is not expected to have a material impact on the transactions and balances recognised in the financial statements when it is first adopted for the year ending 30 June 2020.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 thirteen consecutive Net Surpluses and has also reported strong positive cash flows from operating activities. In addition, as at 30 June 2018, the Group's current assets exceed its current liabilities by $27,835,000.

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 2019 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.

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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

(b) Revenue recognition

Revenue is recognised on an accruals basis with the exception of non-specific 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.

(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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

(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)

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:

	2018	2017
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:

	2018	2017
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.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

(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.

(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 other income.

(o) Employee entitlements – note 24

(i) Salaries, wages and annual leave

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

(ii) Long service leave

A liability for long service leave is recognised, and is measured, as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date. Consideration is given to expected future wage and salary levels and related on-costs, experience of employee departures, periods of service and employment policies. Expected future payments are discounted using interest rates attaching, as at the reporting date, to corporate bonds 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 24(b).

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Significant accounting policies (continued)

(o) Employee entitlements – note 24 (continued)

(iii) Superannuation (continued)

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.

(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 14

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.

	2018 $'000	2017 $'000
2. (a) OPERATING REVENUE AND OTHER INCOME		
Sale of goods and services – other	66,500	69,368
Sale of goods and services – NDIS revenues	51,768	10,232
	118,268	79,600
Fundraising activities		
- Commercial fundraising activities	28,950	23,633
- Donations & appeals	780	789
- Special functions	177	190
- Bequests & legacies	145	720
- Community grants	103	84
	30,155	25,416
Service user contributions		
- Accommodation and Fee for Service	5,651	8,746
- Learning & Lifestyle	1,616	1,368
- Transport	1,333	1,891
	8,600	12,005
State Government subsidies	78,713	100,441
Federal Government subsidies	43,524	55,462
Rent received	5,280	5,479
Dividend income	124	119
Interest income	700	723
Other revenue	1,305	1,425
Total operating revenue	**286,669**	**280,670**
Non-operating items		
- Gambling Community Benefit Fund capital grants	664	426
- Major bequests	-	968
- Gain on disposal of property	684	2,823
- Gain on sale of investment property	123	-
	1,471	**4,217**
Total revenue and other income for the period	**288,140**	**284,887**

	2018 $'000	2017 $'000
2. (b) OPERATING SURPLUS		
The operating surplus for the year has been arrived at after charging/(crediting) the following items:		
Net expense from movements in provision for:		
- employee entitlements	819	944
- trade receivable impairments	166	16
- inventory obsolescence	547	-
Operating lease expense – property rentals	5,652	6,451
Operating lease expense – equipment rentals	696	787
Bad debts expense	414	56
Net loss/(gain) on disposal of non-current assets:		
- Plant, equipment and intangibles	12	(252)
Interest paid on loans and bank overdraft	-	354
Interest paid on finance leases	-	9

2. (c) REFUND OF SALARY PACKAGING FEE

The Company previously charged employees who participated in its salary packaging scheme, a salary packaging fee, which was utilised to reduce employment costs and increase the amount of funding available for service delivery. The salary packaging fee ceased effective 30 June 2015. Following a review by the Fair Work Ombudsman in the prior period, it was determined that the salary packaging fee previously charged for the period 1 January 2010 and 30 June 2015 should be refunded to the affected employees. The Company complied fully with the recommendations of the Fair Work Ombudsman to refund these prior period fees, which resulted in a charge of $4,740,000 being recorded in the prior financial period.

	2018 $	2017 $
3. AUDITOR'S REMUNERATION		
Auditor's remuneration		
Audit Services		
Auditor of Endeavour Foundation – *KPMG Australia*		
Audit of financial reports	217,610	212,720
Other regulatory audit services	11,270	11,020
	228,880	223,740
Other Services		
Auditor of Endeavour Foundation – *KPMG Australia*		
In relation to compliance assurance services	9,850	6,895
Other advisory services	-	11,500
	9,850	18,395

	2018 $'000	2017 $'000
4. CASH AND CASH EQUIVALENTS		
Untied cash	34,170	26,147
Quarantined cash	7,307	8,535
	41,477	34,682

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 which are available for draw down only once the services they are meant to fund have actually been delivered.

Credit standby arrangements with banks

	2018 $'000	2017 $'000
The Group has the following lines of credit at reporting date:		
Variable rate loan facilities	8,700	8,700
Credit card facilities	520	492
Indemnity guarantee facilities	1,893	1,771
	11,113	10,963
Facilities utilised at reporting date:		
Variable rate loan facilities	-	-
Credit card facilities	158	174
Indemnity guarantee facilities	1,208	1,080
	1,366	1,254
Facilities not utilised at reporting date:		
Variable rate loan facilities	8,700	8,700
Credit card facilities	362	318
Indemnity guarantee facilities	685	691
	9,747	9,709

The banking facilities are secured by registered first mortgages over ten properties with a carrying amount of $29,394,000 (2017: ten properties with a carrying amount of $29,562,000) and a registered mortgage debenture over all of the assets and undertakings of the Company.

	2018 $'000	2017 $'000
5. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES		
Trade debtors	9,530	9,542
Less: impairment provision	(352)	(186)
Property sale debtor	-	732
Other debtors	7,798	4,832
	16,976	14,920

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

	2018 $'000	2017 $'000
6. CURRENT ASSETS – INVENTORIES		
Raw materials	1,241	1,703
Work in progress	19	174
Finished goods	3,398	3,460
Less: impairment provision	(593)	(46)
	4,065	5,291
Fundraising	6,376	7,539
	10,441	12,830
7. CURRENT ASSETS – OTHER CURRENT ASSETS		
Prepayments	2,485	2,182
8. NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE		
Land and buildings – at carrying value	1,802	636
Investment properties – at carrying value	1,773	-
	3,575	636

The land and buildings and investment properties 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.

	2018 $'000	2017 $'000
9. NON-CURRENT ASSETS – INVESTMENTS		
Investments in other corporations		
Quoted on Stock Exchanges		
- Shares – at market value	2,001	1,896
- Fixed interest instruments – at market value	88	-
Carrying value at end of year	2,089	1,896

Investments with a carrying value of $1,656,000 (2017: $1,520,000) 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.

Reconciliations

	2018 $'000	2017 $'000
Reconciliation of the carrying amounts are set out below:		
Carrying value at beginning of year	1,896	1,712
Additions during the year at cost	1,062	1,205
Disposals during the year at cost	(946)	(1,163)
Revaluation adjustments recognised directly through the fair value reserve	77	142
Carrying value at end of year	2,089	1,896

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

	2018 $'000	2017 $'000
10. NON-CURRENT ASSETS – DEFINED BENEFIT PLAN		
Present value of plan assets	8,119	9,219
Present value of funded obligations	(5,288)	(6,502)
Net defined benefit plan asset	2,831	2,717

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

	2018 $'000	2017 $'000
11. NON-CURRENT ASSETS – OTHER INTANGIBLE ASSETS		
Computer software – at cost	4,164	3,713
Less: accumulated amortisation	(3,347)	(2,414)
	817	1,299

Reconciliations

	2018 $'000	2017 $'000
Reconciliation of the carrying amounts are set out below:		
Carrying amount at beginning of year	1,299	1,948
Additions	463	210
Amortisation expense	(945)	(859)
Carrying amount at end of year	817	1,299

12. NON-CURRENT ASSETS – INVESTMENT PROPERTIES

	2018 $'000	2017 $'000
Land and buildings – at cost	2,276	2,883
Less: accumulated depreciation	(143)	(125)
	2,133	2,758
Less: classified as held-for-sale (refer note 8)	(1,773)	-
	360	2,758
Investment properties comprise the following residential or commercial properties leased to third parties:		
11 Eckersley Avenue, Buderim, QLD 4556	430	434
27 Evans Street, Maroochydore, QLD 4558	1,703	2,324
(2018: Lots 11, 12, 22, 23, 24, and 25)		
(2017: Lots 11, 12, 21, 22, 23, 24, 25, 26 and 27)		
	2,133	2,758

Reconciliations

Reconciliations of the carrying amounts of investment properties are set out below:

	2018 $'000	2017 $'000
Carrying amount at beginning of year	2,758	2,803
Additions	-	18
Disposals	(566)	-
Depreciation expense	(59)	(63)
	2,133	2,758
Classified as held-for-sale (refer note 8)	(1,773)	-
Carrying amount at end of year	360	2,758

	2018 $'000	2017 $'000
13. NON-CURRENT ASSETS – PROPERTY, PLANT & EQUIPMENT		
Land and buildings – at cost	131,491	133,006
Less: accumulated depreciation	(46,937)	(45,887)
	84,554	87,119
Less: classified as held-for-sale (refer note 8)	(1,802)	(636)
	82,752	86,483
Plant and equipment – at cost	40,621	45,640
Less: accumulated depreciation	(28,035)	(31,707)
	12,586	13,933
Total Property, plant and equipment	95,338	100,416

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 $17,259,000 (2017: $17,934,000) 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 10/08/2020 and 19/03/2039, and an amount of $1,839,150 in respect of industrial land and buildings in Maribyrnong that is subject to a contract of sale dated 25/05/2018 with a gross selling price of $5,080,000, that will be recognised as a sale transaction upon completion and settlement of the contract on 25/08/2019.

Reconciliations

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

	2018 $'000	2017 $'000
Land and buildings		
Carrying amount at beginning of year	87,119	97,384
Additions	1,937	3,824
Transfers from plant and equipment	-	10
Disposals	(428)	(9,570)
Depreciation expense	(4,074)	(4,529)
	84,554	87,119
Classified as held-for-sale (refer note 8)	(1,802)	(636)
Carrying amount at end of year	82,752	86,483
Plant and equipment		
Carrying amount at beginning of year	13,933	16,320
Additions	2,892	2,854
Transfers to land and buildings	-	(10)
Disposals	(406)	(918)
Depreciation expense	(3,833)	(4,313)
Carrying amount at end of year	12,586	13,933

	2018 $'000	2017 $'000
14. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES		
Trade creditors and accruals	9,791	8,056
Other creditors	10,159	12,277
	19,950	20,333

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

	2018 $'000	2017 $'000
15. CURRENT LIABILITIES – EMPLOYEE ENTITLEMENTS		
Employee entitlements – staff	16,800	16,016
Employee entitlements – supported employees	3,895	3,910
	20,695	19,926
16. CURRENT AND NON-CURRENT LIABILITIES – REVENUE RECEIVED IN ADVANCE		
Current: realisable within 1 year	6,474	8,079
Non-current: realisable after 1 year	833	456
	7,307	8,535
17. NON-CURRENT LIABILITIES – EMPLOYEE ENTITLEMENTS		
Employee entitlements – staff	3,124	3,056
Employee entitlements – supported employees	388	406
	3,512	3,462

18. FINANCIAL INSTRUMENTS

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

(a) Credit risk

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

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

(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 2018 $'000	Carrying Amount 2017 $'000
Investments	9	2,089	1,896
Trade and other receivables	5	17,328	15,106
Cash and cash equivalents	4	41,477	34,682
		60,894	51,684
The maximum exposure to credit risk for trade receivables at balance date by type of customer was:			
Employment Services customers		6,463	6,906
Disability Services customers		3,067	2,636
		9,530	9,542

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 $310,000 (2017: $286,000).

(ii) Impairment losses

The ageing of trade receivables at balance date was:

	2018		2017	
	Gross $'000	Impairment $'000	Gross $'000	Impairment $'000
Not past due	4,715	-	5,169	-
Past due 0-30 days	2,504	-	2,720	-
Past due 31-60 days	777	28	498	-
More than 61 days	1,534	324	1,155	186
	9,530	352	9,542	186

	2018	2017
The movement in the allowance for impairment in respect of trade receivables during the year was as follows:		
Balance at 1 July	186	170
Impairment loss recognised	166	16
Balance at 30 June	352	186

18. 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:

30 June 2018		Contractual cash flows				
	Carrying amount $'000	Total $'000	Within 1 year $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Trade and other payables	19,950	(19,950)	(19,950)	-	-	-
	19,950	(19,950)	(19,950)	-	-	-

30 June 2017		Contractual cash flows				
	Carrying amount $'000	Total $'000	Within 1 year $'000	1-2 years $'000	2-5 years $'000	More than 5 years $'000
Trade and other payables	20,333	(20,333)	(20,333)	-	-	-
	20,333	(20,333)	(20,333)	-	-	-

(c) Currency risk

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

18. FINANCIAL INSTRUMENTS (continued)

(d) Interest rate risk

The Group does not currently have any interest bearing debts and consequently interest rate risk is not a risk that currently requires a robust risk mitigation policy. When required, 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
2018		
Financial assets		
Cash and cash equivalents	1.59%	41,181
Financial liabilities		
Interest bearing liabilities	-%	-
Net financial assets		41,181
2017		
Financial assets		
Cash and cash equivalents	1.66%	34,378
Financial liabilities		
Interest bearing liabilities	-%	-
Net financial assets		34,378

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 2018		30 June 2017	
	100bp increase $'000	100bp decrease $'000	100bp increase $'000	100bp decrease $'000
Financial assets	405	(400)	389	(383)
Financial liabilities	-	-	(179)	179
Net sensitivity effect	405	(400)	210	(188)

18. FINANCIAL INSTRUMENTS (continued)

(e) Net fair values

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

	30 June 2018		30 June 2017	
	Carrying Amount $'000	Net fair value $'000	Carrying Amount $'000	Net fair value $'000
Financial assets				
Cash and cash equivalents	41,477	41,477	34,682	34,682
Trade and other receivables	16,976	16,976	14,920	14,920
Investments	2,089	2,089	1,896	1,896
Investment properties	360	360	2,758	2,758
	60,902	60,902	54,256	54,256
Financial liabilities				
Trade and other payables	19,950	19,950	20,333	20,333
	19,950	19,950	20,333	20,333

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

19. CONTINGENT LIABILITIES

In accordance with various funding agreements, the State and Commonwealth Governments may continue to have interests in particular land and buildings held by 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 Group for workers compensation and public liability claims. Whilst the Group has denied liability it is expected that any judgement issued against the Group 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 the previous balance date there existed a claim against an unrelated Group Training Organisation that provides similar services to those provided by two entities within the Endeavour Foundation Group, in relation to apprentice wage rates. Should this claim be successful there is a possibility that it will impact on the wider apprentice training/employment sector. At the previous balance date any potential claim against Endeavour Foundation Group entities had not been established and could not be reliably quantified as to substance and amount. There has been no progress on any sector wide claim since the previous balance date. 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.

20. COMMITMENTS FOR EXPENDITURE

	2018 $'000	2017 $'000
(a) Capital expenditure contracted but not provided for and payable:		
Due within 1 year	699	-
(b) Commitments for prize home purchases contracted but not provided for and payable:		
Due within 1 year	500	-
(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	4,304	4,744
Due within 2 - 5 years	4,777	4,363
Due after 5 years	200	15
	9,281	9,122

The Group leases property under non-cancellable operating leases expiring from 1 to 6 years. Leases generally provide the entities with a right of renewal at which time all terms are renegotiated. .

21. LIMITATION OF MEMBERS' LIABILITY

Endeavour Foundation is a company limited by guarantee and in accordance with the Constitution, in the event of Endeavour Foundation being wound up, the liability of members would not exceed $2.00 per member. At 30 June 2018 the number of members was 1,019 (2017: 1,043).

22. RELATED PARTY TRANSACTIONS

The names of persons who were Directors of Endeavour Foundation at any time during the financial year are as follows: A G Bellas, P D Currie, S R E Ellis, Y D Keane, B N Knowles, P Mendiolea, A J Semple and S E Thorpe.

No Directors' remuneration is payable.

No Director or related party has entered into a material contract with 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.

	2018 $'000	2017 $'000
Balances due from/(to) controlled entities		
The aggregate amounts receivable from/(payable to) wholly controlled entities by the Company at balance date are:		
Amount due from National Disability Living Solutions Limited	778	773
Amount due to Community Solutions Group Limited	(9,667)	(9,439)
Amount due to Acclaim Apprentices and Trainees Limited	(47)	(24)
Amount due from SkillsPlus Limited	15	135
Amount due from BRACE Education Training & Employment Limited	1	-
Amount due from TORGAS Inc.	4	12

23. KEY MANAGEMENT PERSONNEL

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

Endeavour Foundation's key management personnel comprise the directors listed on page 2 of the Directors' Report and a team of six executive managers, comprising the Chief Executive Officer, and five Executive General Managers. (2017: eight executive managers, comprising the Chief Executive Officer, and seven 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:

	2018 $	2017 $
Short-term employee benefits	1,755,898	1,999,478
Termination benefits	59,193	17,054
Number of key management personnel	6	8

24. EMPLOYEE ENTITLEMENTS

(a) Employee entitlements

	2018 $'000	2017 $'000
Aggregate employee entitlement liability	30,164	28,482

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.

24. 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.

	2018 $'000	2017 $'000
Net defined benefit plan asset		
Present value of plan assets	8,119	9,219
Present value of funded obligations	(5,288)	(6,502)
Net defined benefit plan asset (note 10)	2,831	2,717
Reconciliations		
Changes in the present value of the net defined benefit plan asset are as follows:		
Opening net defined benefit plan asset	2,717	2,481
Employer contributions during the year	-	109
Expense during the year	(117)	(239)
Net actuarial adjustment for the year recognised directly in other comprehensive income	231	366
Closing net defined benefit plan asset	2,831	2,717
The defined benefit expenses recognised through the income statement as part of employee expenses are as follows:		
Current service cost	152	257
Interest expense on defined benefit obligations	221	289
Interest (income) on plan assets	(320)	(396)
Tax allowance and administration expenses	64	89
Total defined benefit expenses recognised in the income statement	117	239
Cumulative (gains)/losses recognised in other comprehensive income:		
Amount accumulated in retained earnings at beginning of year	(1,643)	(1,277)
Recognised during the year	(231)	(366)
Amount accumulated in retained earnings at end of year	(1,874)	(1,643)

24. EMPLOYEE ENTITLEMENTS (continued)

(b) Superannuation commitments (continued)

Defined Benefit Plan (continued)

Principal actuarial assumptions at reporting date (expressed as weighted averages) are as follows:	**2018**	**2017**
Discount rate	3.80%	3.70%
Expected long term rate of return on plan assets	3.80%	3.70%
Future salary increases	3.00%	3.00%

Number of members and maturity profile of the Defined Benefit Obligation

The number of members of the defined benefit plan at 30 June 2018 was 15 (2017: 18 members)

At 30 June 2018, the weighted-average duration of the defined benefit obligation was 6.0 years. (2017: 6.1 years)

Defined Contribution Plans

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

	2018 $'000	**2017 $'000**
Employer contributions to the defined contribution plans	14,901	13,762
Employer contributions payable to the defined contribution plans at reporting date	1,200	1,130

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

25. 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:

	2018 $'000	2017 $'000
Cash at bank	7,453	6,614
Call & short term deposits	34,024	28,068
	41,477	34,682

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

	2018 $'000	2017 $'000
Net surplus for the year	2,419	3,480
Depreciation and amortisation	8,911	9,764
Non-cash flow effects of movements in defined benefit plan	117	130
Increase in provision for employee entitlements	819	944
Increase in provision for doubtful debts	166	16
Increase in trade and other receivables	(2,222)	(2,517)
Decrease in inventories	2,389	1,986
Increase in other current assets	(303)	(370)
(Decrease)/increase in trade and other payables	(383)	5,778
(Decrease)/increase in revenue received in advance	(1,228)	2,305
Proceeds from capital grants and donations used to fund investing activities	(699)	(203)
Gain on disposal of investment properties	(123)	-
Gain on disposal of non-current assets	(672)	(3,075)
Net Cash Provided by Operating Activities	9,191	18,238

26. 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.

27. GROUP ENTITIES

	2018 %	2017 %
Particulars in relation to controlled entities, all of which are incorporated in Australia and are registered with the Australian Charities and Not-for-profits Commission		
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	100
BRACE Education Training & Employment Limited *	100	100
TORGAS Incorporated	100	100
Vatmi Industries Limited (deregistered 02/08/2017)	-	100

* These entities are endorsed as Deductible Gift Recipients (DGR) by the Australian Charities and Not-for-profits Commission.

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 fulfilling 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.

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.

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.

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 was voluntarily deregistered under subsection 601AA(2) of the Corporations Act 2001 on 2 August 2017.

28. PARENT ENTITY DISCLOSURES

As at, and throughout the financial year ending 30 June 2018, the parent company of the Group was Endeavour Foundation.

	2018 $'000	2017 $'000
Results of the parent entity		
Net (deficit)/surplus for the year	(759)	3,383
Other comprehensive income	231	366
Total comprehensive income for the year	(528)	3,749
Financial position of the parent entity at year end		
Current assets	55,060	51,877
Total assets	154,877	157,265
Current liabilities	40,214	42,541
Total liabilities	53,729	55,590
Total equity of the parent entity comprising		
Subsidies reserve	396	396
Retained earnings	100,752	101,279
Total equity	101,148	101,675

Parent entity contingencies

The contingent liabilities disclosed as note 19 Contingent Liabilities are the same for the parent entity except for the matter concerning the unrelated Group Training Organisation.

Parent entity commitments for capital expenditure

The parent entity commitments for capital expenditure, that forms part of the Group disclosures under note 20 Commitments for Expenditure, are as follows:

	2018 $'000	2017 $'000
(a) Capital expenditure contracted but not provided for and payable:		
Due within 1 year	699	-
(b) Commitments for prize home purchases contracted but not provided for and payable:		
Due within 1 year	500	-
(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	2,800	3,249
Due within 2 - 5 years	3,350	3,253
Due after 5 years	45	15
	6,195	6,517

29. 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 2018

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 9 to 41 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 2018 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
11th October 2018

Independent Auditor's Report

For the year ended 30 June 2018

KPMG

To the members of Endeavour Foundation

Report on the audit of the Financial Report

Opinion

We have audited the ***Financial Report*** of Endeavour Foundation (the Company).

In our opinion, the accompanying Financial Report is in accordance with Division 60 of the *Australian Charities and Not-for-profits Commission Act 2012 (ACNC)*, including:

a) Giving a true and fair view of the Group's financial position as at 30 June 2018 and of its performance for the year ended on that date; and

b) Complying with Australian Accounting Standards and Division 60 of the *Australian Charities and Not-for-profits Commission Regulation 2013*.

The ***Financial Report*** comprises:

- Consolidated balance sheet as at 30 June 2018;
- Consolidated income statement, consolidated statement of comprehensive income, Consolidated statement of changes in equity, and Consolidated cash flow statement for the year then ended;
- Notes including a summary of significant accounting policies; and
- Directors' Declaration.

The Group consists of Endeavour Foundation (the Company) and the entities it controlled at the year-end or from time to time during the financial year.

Basis of opinion

We conducted our audit in accordance with *Australian Auditing Standards*. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *ACNC Act 2012* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the *Financial Report* in Australia. We have fulfilled our other ethical responsibilities in accordance with the Code.

Other information

Other Information is financial and non-financial information in Endeavour Foundation's annual reporting which is provided in addition to the Financial Report and the Auditor's Report. The Directors are responsible for the Other Information.

The Other Information we obtained prior to the date of this Auditor's Report was the Directors' Report.

Our opinion on the Financial Report does not cover the Other Information and, accordingly, we do not and will not express an audit opinion or any form of assurance conclusion thereon.

In connection with our audit of the Financial Report, our responsibility is to read the Other Information. In doing so, we consider whether the Other Information is materially inconsistent with the Financial Report or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

We are required to report if we conclude that there is a material misstatement of this Other Information, and based on the work we have performed on the Other Information that we obtained prior to the date of this Auditor's Report we have nothing to report.

Independent Auditor's Report

For the year ended 30 June 2018

KPMG

Responsibilities of the Directors for the Financial Report

The Directors are responsible for:

- the preparation of the Financial Report that gives a true and fair view in accordance with the Australian Accounting Standards and the ACNC.
- Implementing necessary internal control to enable the preparation of a Financial Report that is gives a true and fair view and is free from material misstatement, whether due to fraud or error.
- Assessing Group's ability to continue as a going concern. This includes disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless they either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the Financial Report

Our objective is:

- to obtain reasonable assurance about whether the Financial Report as a whole is free from material misstatement, whether due to fraud or error; and
- to issue an Auditor's Report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with *Australian Auditing Standards* will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error. They are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this Financial Report.

As part of an audit in accordance with *Australian Auditing Standards*, we exercise professional judgement and maintain professional skepticism throughout the audit.

We also:

i. Identify and assess the risks of material misstatement of the Financial Report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

ii. Obtain an understanding of internal control relevant to the Audit 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 registered Company's internal control.

iii. Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

iv. Conclude on the appropriateness of the Group's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our Auditor's Report to the related disclosures in the Financial Report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our Auditor's Report. However, future events or conditions may cause the Group to cease to continue as a going concern.

v. Evaluate the overall presentation, structure and content of the Financial Report, including the disclosures, and whether the Financial Report represents the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Directors of the registered Company regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

KPMG

KPMG

Scott Guse

Scott Guse
Partner

Brisbane, 11th October 2018

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