

ENDEAVOUR

FOUNDATION

Opportunities for people with a disability

Annual Financial Report

For the year ended
30 June 2014

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Directors' Report

For the year ended 30 June 2014

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 2014 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:

Name	Qualifications and Special Responsibilities	Experience (in years)	
		Board of Directors	Area Committee
Current at 30 June 2014			
Grant Bruce Murdoch (Independent Director)	M Com (Hons), FAICD, FCA Chair Chair of Nominations & Remuneration Committee Member of Audit Committee Chair of Risk Committee (appointed 20/03/14)	7	-
Anthony George Bellas (Independent Director)	B Econ, Dip Ed, MBA, MAICD, ASA, FAIM Deputy Chair (appointed 22/11/13) Chair of Audit Committee (appointed 20/03/14) Member of Risk Committee Member of Nominations & Remuneration Committee	4	-
Yvonne Dianne Keane (Independent Director)	Appointed 26/05/14	1 month	-
Katherine Jean Swindon (Independent Director)	B Com, FCA Member of Risk Committee Member of Client Services Committee	4	-
David Booth de Villiers (Elected Director)	MA, HED, AdvDipEd, MAICD, PSM Chair of Client Services Committee Member of Audit Committee	9	17
Scott Robinson Elton Ellis (Elected Director)	BBus, ASA, AAICD (elected 22/11/13) Member of Audit Committee (appointed 20/03/14) Member of Risk Committee (appointed 20/03/14)	7 months	14
Pedro Mendiola (Elected Director)	BE (Hons), GDMgt, MIEAust, RPEQ, CPEng (elected 22/11/13) Member of Audit Committee (appointed 20/03/14)	7 months	3
Alison Jean Semple (Elected Director)	LTCL, BA, Grad Dip Ed(rsc), Grad Cert Theol, MAICD Member of Client Services Committee	2	14
Suzanne Evelyn Thorpe (Elected Director)	AAICD, Dip Marketing Member of Client Services Committee	2	6

Directors' Report (cont)

For the year ended 30 June 2014

Name	Qualifications and Special Responsibilities	Experience (in years)	
		Board of Directors	Area Committee
Past Directors who served during year			
Sally Herman (Independent Director) (ceased 22/07/13)	BA, GAICD Chair of Risk Committee	3	-
Shane Paul Charles (Elected Director) (ceased 22/11/13)	LLB, FAIM, MAICD Deputy Chair Member of Nominations & Remuneration Committee Chair of Audit Committee	9.5	10.5
Edward Terence Mason (Elected Director) (ceased 22/11/13)	MAICD Member of Risk Committee	3.5	3.5
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 are:

Current Joint Company Secretaries

Patrick Stephen Burke	B Bus., Grad Dip. Mgt, Grad Dip Fin Planning, FCPA, FAICD	Appointed 26/08/2013
Eric Duncan Campbell	B Acc., CA, Grad Dip Project Mgt, GAICD	Appointed 28/11/2013

Past Company Secretary

Svend Erik Kling	B Bus., Grad Dip Mgt, MBA, GAICD	Resigned 26/08/2013
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Directors' Report (cont)

For the year ended 30 June 2014

Directors' Meetings

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

	Board Meetings		Nominations & Remuneration Committee Meetings		Audit Committee Meetings		Client Services Meetings		Risk Committee Meetings	
	A	B	A	B	A	B	A	B	A	B
G B Murdoch	13	13	1	1	4	3	-	-	-	-
A G Bellas	12	11	1	1	2	3	-	-	2	1
S P Charles	6	3	-	-	2	2	-	-	-	-
D B de Villiers	13	10	-	-	4	2	4	4	-	-
S R E Ellis	7	7	-	-	2	2	-	-	-	-
S Herman	1	1	-	-	-	1	-	-	1	1
Y D Keane	2	2	-	-	-	-	-	-	-	-
E T Mason	6	5	-	-	-	-	-	-	1	-
P Mendiola	7	7	-	-	2	2	-	-	-	-
A J Semple	13	11	-	-	-	-	4	2	-	-
K J Swindon	13	11	-	-	-	-	4	4	2	2
S E Thorpe	13	11	-	-	-	-	4	3	-	-

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

B – Number of meetings attended

Directors' Report (cont)

For the year ended 30 June 2014

Board Processes

To assist in the execution of its responsibilities, the board has established a number of board committees including a Nominations & Remuneration Committee, an Audit Committee, a Client Services Committee and a 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's constitution. It is also responsible for making recommendations to the board regarding the selection, appointment and succession planning process for the Chief Executive Officer (CEO), including conducting an annual review of the CEO's performance and remuneration. The Nominations & Remuneration Committee comprised the following members during or since the end of the financial year:

- Mr G B Murdoch (Chair)
- Mr A G Bellas
- Mr S P Charles (ceased 21/11/13)

Audit Committee

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

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

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

- Mr A G Bellas (Chair) (appointed 20/03/14)
- Mr G B Murdoch
- Mr D B de Villiers
- Mr P Mendiola (appointed 20/03/14)
- Mr S R E Ellis (appointed 20/03/14)
- Mr S P Charles (Previous Chair) (ceased 21/11/13)

Client Services Committee

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

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

- Mr D B de Villiers (Chair)
- Ms K J Swindon
- Ms A Semple
- Ms S E Thorpe
- Mr G M Crotty (retired as a director on 30/11/2012 but remained a committee member)

Directors' Report (cont)

For the year ended 30 June 2014

Risk Committee

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

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

- Mr G B Murdoch (Chair) (appointed 20/03/14)
- Ms K J Swindon
- Mr A G Bellas
- Mr E T Mason (ceased 26/8/13)
- Ms S Herman (Previous Chair) (ceased 22/7/13)

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 Community Advocacy & Support Services, Residential Accommodation & Support Services, Learning & Lifestyle Support Services, Post School Services and Supported Employment Services. In the opinion of the Directors no significant changes have occurred in the nature of these activities during the financial year.

Endeavour Foundation's short and long term focus is to provide opportunities for people with a disability so they may participate in the every day life of the community.

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 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.

Directors' Report (cont)

For the year ended 30 June 2014

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 \$2,041,000 compared to an operating surplus of \$868,000 in the previous year. This improvement in the operating result was due primarily to the following factors:

- a significant improvement in the total contribution made by the Supporter Enterprises division of \$2,071,000 compared to a deficit of (\$997,000) in the previous period, driven by a significant increase in the contribution made by the Endeavour Foundation Lotteries and an improvement in the result from the Endeavour Foundation Recycled Clothing Stores. The improved lotteries result has been assisted by the introduction of the three special "gold bullion" lotteries in the current financial year. The Supporter Enterprises division provides a much needed boost to help close the funding gap between government funding received and the cost of providing services. This division also includes costs associated with brand development in relation to all visual mediums and internal and external promotional publications;
- a small reduction in the operating results of the Disability and Community Services division, due to increased operating costs at 7.6% outstripping the 6.9% increase in operating revenues;
- a further reduction in the operating results from Endeavour Foundation's Business Services, down to a deficit of (\$1,746,000) for the current year, compared to a surplus of \$620,000 in the previous period, driven largely by the flow-on effect of the downturn in the mining sector and the negative contribution made by the inclusion of VATMI Industries Ltd operations for the first time;
- non-recurrent corporate project costs associated with the implementation of a new payroll system and improved IT systems.

Operating surpluses are necessary to help fund capital expenditure, which is typically not funded from recurrent government subsidies, and to build a buffer for future unexpected business shocks. The current year's operating surplus represents less than 1.10% of operating revenue (2013: 0.52%), providing a marginal operational buffer.

The Group's net surplus for the current financial year, after recognising significant non-operating revenues of \$11,597,000 was \$13,638,000. In the year 2012-13 the Group recorded a comparative net surplus for the year of \$3,485,000 after recognising non-operating revenues of \$2,617,000. In the current period, non-operating revenues included significant net gains on the acquisition of subsidiaries of \$8,203,000 (as detailed further in Note 29 to the Financial Statements), gains on property sales of \$1,234,000 and non-recurrent government capital grants and other capital donations of \$2,160,000 (2013: \$2,617,000).

Dividends

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

Events Subsequent to Balance Date

Since 30 June 2014 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.

Directors' Report (cont)

For the year ended 30 June 2014

Environmental Regulations

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

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

Review of Operations

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

Directors' Benefits

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

- a. No Directors' Fees are payable
- b. No Related Party Transactions with Directors exist (Note 23)

Directors' Interests in Contracts

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

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.

Directors' Report (cont)

For the year ended 30 June 2014

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 Committee to ensure they do not impact the integrity and objectivity of the auditor.

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

Auditor's Independence Declaration

The Auditor's Independence Declaration is set out on page 10 and forms part of the Directors' Report.

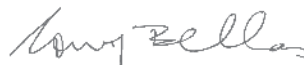
Rounding

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

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



G B Murdoch – Chairman
Brisbane
15th October 2014



A G Bellas – Director
Brisbane
15th October 2014

Auditor's Independence Declaration

For the year ended 30 June 2014



Auditor's Independence Declaration under subdivision 60-C section 60-40 of the 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 2014 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.

A handwritten version of the KPMG logo in black ink.

KPMG

A handwritten signature in black ink that reads 'Scott Guse'.

Scott Guse
Partner
Brisbane
15th October 2014

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 2014

	Note	2014 \$'000	2013 \$'000
Current assets			
Cash and cash equivalents			
– Untied cash		1,210	1,587
– Quarantined cash		10,695	9,527
	4	11,905	11,114
Trade and other receivables	5	9,236	7,077
Inventories	6	12,787	9,027
Other current assets	7	1,706	1,619
Assets classified as held-for-sale	8	615	258
Total current assets		36,249	29,095
Non-current assets			
Investments	9	880	817
Net defined benefit plan asset	10	1,952	130
Other intangible assets	11	713	147
Property, plant & equipment	12	81,142	66,165
Total non-current assets		84,687	67,259
Total assets		120,936	96,354
Current liabilities			
Bank overdraft	4	530	-
Interest bearing loans	13	579	-
Trade and other payables	14	9,650	7,551
Employee entitlements	15	12,607	11,306
Revenue received in advance	16	5,741	5,308
Total current liabilities		29,107	24,165
Non-current liabilities			
Interest bearing loans	13	3,581	-
Employee entitlements	17	3,843	3,284
Total non-current liabilities		7,424	3,284
Total liabilities		36,531	27,449
Net assets		84,405	68,905
Equity			
Reserves	18	1,003	852
Retained earnings	18	83,402	68,053
Total equity		84,405	68,905

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 2014

	Note	2014 \$'000	2013 \$'000
Revenue			
Sale of goods and services		44,363	36,586
Fundraising activities		22,934	19,061
Service user contributions		12,348	11,797
Government subsidies		104,965	99,047
Interest income		594	595
Other revenue		895	636
	2 (a)	186,099	167,722
Expenses			
Cost of goods sold & commercial fundraising activities		(28,721)	(25,224)
Employee expenses		(99,453)	(91,972)
Supported employee expenses		(14,006)	(12,519)
Utilities & leased property expenses		(9,791)	(8,975)
Transport expenses		(5,999)	(4,660)
Maintenance expenses		(6,973)	(6,628)
Household consumables		(1,794)	(1,777)
Depreciation & amortisation expenses		(7,771)	(6,981)
Interest expense		(234)	-
Other expenses		(9,316)	(8,118)
		(184,058)	(166,854)
Operating surplus		2,041	868
Government capital expenditure grants and other capital donations	2 (a)	2,160	1,112
Gain on sale of properties	2 (a)	1,234	1,505
Net gain on business acquisitions	29	8,203	-
Net surplus for the year		13,638	3,485

Divisional Results	Disability Services		Endeavour Industries		Supporter Enterprises		Corporate & Infrastructure		Total Foundation	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Operating revenue	89,490	83,693	60,897	53,512	30,830	26,836	4,882	3,681	186,099	167,722
Operating expenses	(87,962)	(81,777)	(62,643)	(52,892)	(28,759)	(27,833)	(4,694)	(4,352)	(184,058)	(166,854)
Operating surplus/ (deficit)	1,528	1,916	(1,746)	620	2,071	(997)	188	(671)	2,041	868
Non-operating revenue	64	54	85	24	-	206	11,448	2,333	11,597	2,617
Net surplus/(deficit) for the year	1,592	1,970	(1,661)	644	2,071	(791)	11,636	1,662	13,638	3,485

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 2014

	Note	2014 \$'000	2013 \$'000
Net surplus for the year		13,638	3,485
Other comprehensive income (Items that will not be reclassified to profit or loss)			
Net increase in fair value of investments	9	151	7
Realised (losses)/gains on disposal of investments		(62)	7
Actuarial adjustment to defined benefit superannuation plan	25 (b)	1,773	2,014
Other comprehensive income for the year		1,862	2,028
Total comprehensive income for the year		15,500	5,513

Consolidated Statement of Changes in Equity

For the Year Ended 30 June 2014

	Fair value reserve \$'000	Subsidies reserve \$'000	Total reserves \$'000	Retained earnings \$'000	Total Equity \$'000
Total equity at 30 June 2012	449	396	845	62,547	63,392
Total comprehensive expense for the year	7	-	7	5,506	5,513
Total equity at 30 June 2013	456	396	852	68,053	68,905
Total comprehensive income for the year	151	-	151	15,349	15,500
Total equity at 30 June 2014	607	396	1,003	83,402	84,405

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 2014

	Note	2014 \$'000 Inflows (Outflows)	2013 \$'000 Inflows (Outflows)
Cash flows from operating activities			
Cash receipts in the course of operations		198,150	181,198
Cash payments to suppliers & employees		(192,899)	(173,313)
Dividends received		51	38
Interest received		595	630
Interest paid		(213)	-
Legacies & bequests received		433	231
Net cash provided by operating activities	27	6,117	8,784
Cash flows from investing activities			
Acquisition of property, plant & equipment		(9,000)	(12,320)
Acquisition of intangible assets		(628)	(60)
Acquisition of investments		(467)	(450)
Proceeds from disposal of property, plant & equipment		2,013	2,829
Proceeds from sale of investments		493	410
Proceeds from non-operational capital grants and donations		1,647	979
Cash acquired through business combinations	29	432	-
Net cash utilised in investing activities		(5,510)	(8,612)
Cash flows from financing activities			
Proceeds from interest bearing loans		-	-
Repayment of interest bearing loans		(346)	-
Net cash utilised by financing activities		(346)	-
Net increase/(decrease) in cash held		261	172
Cash at the beginning of the financial year		11,114	10,942
Cash at the end of the financial year	27	11,375	11,114
Comprised of:			
Untied cash		1,210	1,587
Quarantined cash		10,695	9,527
Bank overdraft		(530)	-
		11,375	11,114

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 2014

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Notes to the Financial Statements

For the year ended 30 June 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Reporting entity

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

The consolidated financial statements of the Company for the financial year ended 30 June 2014 comprise the Company and its controlled entities (together referred to as “the Group”).

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

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 15th October 2014.

Basis for preparation of financial report

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

- Investments measured at fair value through an equity fair value reserve; and
- The defined benefit plan asset/(liability) is measured as the net total of the plan assets, plus unrecognised past service cost and unrecognised actuarial losses, less unrecognised actuarial gains and the present value of the defined benefit obligation; and
- Revenue is recognised on an accruals basis with the exception of donations, bequests and legacies which are accounted for on a cash basis.

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

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

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

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

New accounting standards early adopted

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

- AASB 9 *Financial Instruments* and AASB 2009-11 *Amendments to Australian Accounting Standards* arising from AASB 9 is effective for annual periods beginning on or after 1 January 2015 with early adoption permitted. The new standard has been early adopted and applied with effect from 1 January 2010. See accounting policy note 1 (m) – Investments.

Notes to the Financial Statements (cont)

For the year ended 30 June 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

New standards and interpretations not yet adopted

The following new standards and amendments to standards, including any consequential amendments to other standards, came into effect for the year ended 30 June 2014:

- AASB 10 Consolidated Financial Statements (2011)
- AASB 11 Joint Arrangements
- AASB 12 Disclosure of Interests in Other Entities
- AASB 13 Fair Value Measurement
- AASB 119 Employee Benefits (2011)
- Annual Improvements to Australian Accounting Standards 2009-2011 Cycle Amendments to AASB 136 Recoverable Amount Disclosures for Non-Financial Assets (2013)

None of the new standards or changes to existing standards are expected to have a significant effect on the consolidated financial statements of the Group. Where relevant, the changes have been applied in preparing these consolidated financial statements.

Use of estimates and judgements

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

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

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

- Note 9 – Non-current Assets – Investments;
- Note 10 – Non-current Assets – Defined Benefit Plan Asset;
- Note 12 – Non-current Assets – Property, Plant & Equipment.

Going concern basis

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

The Group has recorded nine consecutive Operating Surpluses and has also reported strong positive cash flows from operating activities. In addition, as at 30 June 2014, the Group's current assets exceed its current liabilities by \$7,142,000.

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 2015 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.

Notes to the Financial Statements (cont)

For the year ended 30 June 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

(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 pass 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 pass 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.

Notes to the Financial Statements (cont)

For the year ended 30 June 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Dividends

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

(c) Finance costs

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

(d) Goods and Services Tax

Revenues, expenses and fixed assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Tax Office (ATO). In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as an expense.

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

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

Cash flows are included in the Cash Flow Statement on a gross basis. The GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

(e) Taxation

Endeavour Foundation and its controlled entities are registered charitable institutions, exempt from income tax under section 50-5 of the Income *Tax Assessment Act 1997*.

(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.

Notes to the Financial Statements (cont)

For the year ended 30 June 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Property, plant and equipment – note 12

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

	2014	2013
Buildings	34 years	34 years
Plant and equipment	3-10 years	3-10 years

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

Depreciation rates and methods are reviewed annually for appropriateness.

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

Non-current assets are classified as held for sale and measured at the lower of their carrying amount and fair value less costs to sell if their carrying value will be recovered principally through a sale transaction rather than through continuing use.

Non-current assets classified as held for sale are presented separately from the other assets in the balance sheet and are not depreciated or amortised while they are classified as held for sale.

(i) Intangible assets – note 11

Intangible assets acquired are measured at cost less accumulated amortisation and impairment losses.

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

(j) Repairs and maintenance

Repairs and maintenance costs are expensed as incurred.

(k) Cash and cash equivalents and bank overdrafts

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

(l) Inventories – note 6

Inventories, other than inventory held for distribution, are measured at the lower of cost and net realisable value.

Inventory held for distribution is measured at the lower of cost and current replacement cost.

Cost is allocated on an average cost basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition and location.

(m) Investments – note 9

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

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

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

Notes to the Financial Statements (cont)

For the year ended 30 June 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) Employee entitlements – note 25

(i) Salaries, wages and annual leave

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

(ii) Long service leave

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

(iii) Superannuation

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 25(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.

Notes to the Financial Statements (cont)

For the year ended 30 June 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) 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.

(p) Trade and other receivables – note 5

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

(q) Trade and other payables – note 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.

(r) Provisions

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

(s) Borrowings

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

(t) Financial instruments – non-derivative financial instruments

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

The Group does not have any derivative financial instruments.

(u) Presentation of financial statements

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

Notes to the Financial Statements (cont)

For the year ended 30 June 2014

	2014 \$'000	2013 \$'000
2 (a) OPERATING REVENUE AND OTHER INCOME		
Sale of goods and services	44,363	36,586
Fundraising activities		
– Commercial fundraising activities	21,319	17,273
– Donations & appeals	647	878
– Special functions	433	515
– Bequests & legacies	433	231
– Community grants	102	164
	22,934	19,061
Service user contributions		
– Accommodation	9,248	8,726
– Learning & Lifestyle	1,612	1,570
– Transport	1,488	1,501
	12,348	11,797
State Government subsidies	77,644	72,607
Federal Government subsidies	27,321	26,440
Dividend income	51	38
Interest income	594	595
Other revenue	844	598
Total operating revenue	186,099	167,722
Non-operating revenue		
– Government capital expenditure grants & other capital donations		
Other non-recurrent Government capital grants	1,523	609
Gambling Community Benefit Fund capital grants	637	230
Other capital donations	-	273
	2,160	1,112
– Gain on sale of property	1,234	1,505
– Net gains on business acquisitions	8,203	-
	11,597	2,617
Total revenue and other income for the period	197,696	170,339

Notes to the Financial Statements (cont)

For the year ended 30 June 2014

	2014 \$'000	2013 \$'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	782	373
– trade receivable impairments	28	-
Operating lease expense – property rentals	4,488	4,333
Operating lease expense – equipment rentals	259	259
Bad debts expense	11	23
Net (gain) on disposal of non-current assets:		
– Plant, equipment and intangibles	(99)	(167)
Interest paid on loans and bank overdraft	162	-
Interest paid on finance leases	72	-
	2014 \$'000	2013 \$'000
2 (c) CHARITABLE FUNDRAISING ACTIVITIES		
Details of income and expenditure from specific fundraising activities, all of which have been recognised in these financial statements are as follows :		
Gross fundraising revenues (per income statement)	22,934	19,061
Community grants in non-operating income	637	230
Capital donations in non-operating income	-	273
Direct costs of commercial fundraising activities	(16,197)	(15,028)
Net Fundraising Revenue	7,374	4,536
Indirect fundraising expenses	(1,887)	(1,768)
Net Fundraising Contribution	5,487	2,768
Fundraising Efficiency Ratio (Net Fundraising Contribution / Net Fundraising Revenue)	74.41%	61.02%

Notes to the Financial Statements (cont)

For the year ended 30 June 2014

	2014	2013
3. AUDITOR'S REMUNERATION		
Auditor's remuneration		
Audit Services		
Auditor of Endeavour Foundation – <i>KPMG Australia</i>		
Audit of financial report	176,480	112,000
Other regulatory audit services	26,748	16,750
	203,228	128,750
Other Services		
Auditor of Endeavour Foundation – <i>KPMG Australia</i>		
In relation to compliance assurance services	22,000	4,540
	2014	2013
	\$'000	\$'000
4. CASH AND CASH EQUIVALENTS		
Untied cash	1,210	1,587
Quarantined cash	10,695	9,527
Cash and cash equivalents in the balance sheet	11,905	11,114
Bank overdraft	(530)	-
Cash and cash equivalents in the cash flow statement	11,375	11,114

For cash management purposes, the Group operates a treasury function that notionally distinguishes between Untied cash and Quarantined cash.

Quarantined cash represents revenue received in advance of \$5,741,000 (2013: \$5,308,000) which is available for draw down only once the services they are meant to fund have actually been delivered and other cash reserves of \$4,954,000 (2013: \$4,219,000) that have been internally designated for a specific purpose, mainly to fund the establishment of a Capital Future Fund that will finance proposed infrastructure projects over the next five to ten years.

Notes to the Financial Statements (cont)

For the year ended 30 June 2014

	2014 \$'000	2013 \$'000
4. CASH AND CASH EQUIVALENTS (continued)		
CREDIT STANDBY ARRANGEMENTS WITH BANKS		
<u>The Group has the following lines of credit at reporting date:</u>		
Standby overdraft facility	2,700	2,500
Variable rate loan facility	3,070	-
Lease finance facility	500	-
Multi-option facility	8,000	8,000
Credit card facility	450	250
Indemnity guarantee facility	1,086	471
	15,806	11,221
<u>Facilities utilised at reporting date:</u>		
Standby overdraft facility	451	-
Variable rate loan facility	3,034	-
Lease finance facility	333	-
Multi-option facility	-	-
Credit card facility	80	-
Indemnity guarantee facility	667	304
	4,565	304
<u>Facilities not utilised at reporting date:</u>		
Standby overdraft facility	2,249	2,500
Variable rate loan facility	36	-
Lease finance facility	167	-
Multi-option facility	8,000	8,000
Credit card facility	370	250
Indemnity guarantee facility	419	167
	11,241	10,917

The banking facilities are secured by registered first mortgages over ten properties with a carrying amount of \$23,044,000 (2013: five properties with a carrying amount of \$13,484,000) 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.

Notes to the Financial Statements (cont)

For the year ended 30 June 2014

	2014 \$'000	2013 \$'000
5. CURRENT ASSETS – TRADE AND OTHER RECEIVABLES		
Trade debtors	6,755	4,573
Less: impairment provision	(134)	(80)
Property sale debtor	1,486	1,481
Other debtors	1,129	1,103
	9,236	7,077

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

	2014 \$'000	2013 \$'000
6. CURRENT ASSETS – INVENTORIES		
Raw materials	2,057	1,911
Work in progress	24	18
Finished goods	4,350	2,626
Less: impairment provision	(95)	(95)
	6,336	4,460
Fundraising	6,435	4,494
Non trading stock	16	73
	12,787	9,027

	2014 \$'000	2013 \$'000
7. CURRENT ASSETS – OTHER CURRENT ASSETS		
Prepayments	1,706	1,619

	2014 \$'000	2013 \$'000
8. NON-CURRENT ASSETS CLASSIFIED AS HELD-FOR-SALE		
Land and buildings – at carrying value	615	258

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

Notes to the Financial Statements (cont)

For the year ended 30 June 2014

	2014 \$'000	2013 \$'000
9. NON-CURRENT ASSETS – INVESTMENTS		
Investments in other corporations		
Quoted on Stock Exchanges		
– Shares – at market value	880	817
Carrying value at end of year	880	817

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

Reconciliation of the carrying amounts are set out below:

Carrying value at beginning of year	817	763
Additions during the year at cost	467	450
Cost of disposals	(555)	(403)
Revaluation adjustments recognised directly through the fair value reserve	151	7
Carrying value at end of year	880	817

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

	2014 \$'000	2013 \$'000
10. NON-CURRENT ASSETS – DEFINED BENEFIT PLAN		
Present value of plan assets	13,982	13,342
Present value of funded obligations	(12,030)	(13,212)
Net defined benefit plan asset/(liability)	1,952	130

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

	2014 \$'000	2013 \$'000
11. NON-CURRENT ASSETS – OTHER INTANGIBLE ASSETS		
Computer software – at cost	1,513	937
Less: accumulated amortisation	(800)	(790)
	713	147
Reconciliation of the carrying amounts are set out below:		
Carrying amount at beginning of year	147	265
Acquired through business combination	14	-
Additions	628	60
Disposals	-	(29)
Amortisation expense	(76)	(149)
Carrying amount at end of year	713	147

Notes to the Financial Statements (cont)

For the year ended 30 June 2014

	2014 \$'000	2013 \$'000
12. NON-CURRENT ASSETS – PROPERTY, PLANT & EQUIPMENT		
Land and buildings – at independent valuation	6,630	-
Land and buildings – at cost	93,582	82,552
Less: accumulated depreciation	(32,541)	(28,257)
	67,671	54,295
Less: classified as held-for-sale (refer note 8)	(615)	(258)
	67,056	54,037
Land and buildings at valuation comprise three separate properties located in Wangaratta, Melbourne and Stawell, that were independently valued in June 2012 and July 2012, as follows:		
Land at valuation	2,140	2,140
Buildings at valuation	4,490	4,490
Total land and buildings at valuation	6,630	6,630
Plant and equipment – at cost	38,191	27,997
Less: accumulated depreciation	(24,105)	(15,869)
	14,086	12,128
Property, plant and equipment	81,142	66,165

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 \$18,779,000 (2013: \$19,179,000) 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

Carrying amount at beginning of year	54,295	51,317
Acquired through business combination	11,879	-
Additions	5,566	8,268
Disposals	(241)	(1,817)
Depreciation expense	(3,828)	(3,473)
	67,671	54,295
Classified as held-for-sale (refer note 8)	(615)	(258)
Carrying amount at end of year	67,056	54,037

Notes to the Financial Statements (cont)

For the year ended 30 June 2014

	2014 \$'000	2013 \$'000
12. NON-CURRENT ASSETS – PROPERTY, PLANT & EQUIPMENT (continued)		
Reconciliations (continued)		
Plant and equipment		
Carrying amount at beginning of year	12,128	12,227
Acquired through business combination	2,832	-
Additions	3,434	4,052
Disposals	(441)	(792)
Depreciation expense	(3,867)	(3,359)
Carrying amount at end of year	14,086	12,128
	2014 \$'000	2013 \$'000
13. CURRENT AND NON-CURRENT LIABILITIES – INTEREST BEARING LOANS		
Current		
Bank loan	75	-
Finance leases	504	-
	579	-
Non-current		
Bank loan	2,960	-
Finance leases	621	-
	3,581	-
Total interest bearing loans		
Bank loan	3,035	-
Finance leases	1,125	-
	4,160	-

The bank loan is a fully drawn variable rate advance facility, with 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. Interest is payable monthly. \$2,000,000 of the facility is subject to a fixed interest rate of 4.64%pa, for a period of 6 1/2 years, expiring 3 January 2019, with the balance of the facility subject to variable interest rates, being 5.47%pa at balance date. (2013: A variable rate commercial bill facility, payable on demand, with interest payable monthly. \$2,000,000 of the facility was subject to a fixed interest rate of 4.64%pa, for a period of 6 1/2 years, expiring 3 January 2019, with the balance of the facility subject to variable interest rates, being 5.62%pa at balance date.)

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

Notes to the Financial Statements (cont)

For the year ended 30 June 2014

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

The finance lease liability represents 21 finance leases for the purchase of plant & equipment, with varying interest rates and repayment terms. Interest rates range between 7.58%pa and 21.67%pa. There are 8 leases with a one year term remaining, 8 with two year terms remaining and 5 with terms remaining between three and five years. The finance leases are repayable in equal monthly repayments of interest and capital, with a final residual balance payable on expiry and are secured over the assets being financed.

The finance lease liability is payable as follows:

2014	Future minimum lease payments \$'000	Interest \$'000	Present value of minimum lease payments \$'000
– Due within 1 year	588	84	504
– Due within 2 to 5 years	673	52	621
	1,261	136	1,125

14. CURRENT LIABILITIES – TRADE AND OTHER PAYABLES

	2014 \$'000	2013 \$'000
Trade creditors and accruals	5,859	4,172
Other creditors	3,791	3,379
	9,650	7,551

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

15. CURRENT LIABILITIES – EMPLOYEE ENTITLEMENTS

	2014 \$'000	2013 \$'000
Employee entitlements – staff	10,671	9,779
Employee entitlements – supported employees	1,936	1,527
	12,607	11,306

16. CURRENT LIABILITIES - REVENUE RECEIVED IN ADVANCE

	2014 \$'000	2013 \$'000
– Current: realisable within 1 year	5,741	5,308
	5,741	5,308

17. NON-CURRENT LIABILITIES – EMPLOYEE ENTITLEMENTS

	2014 \$'000	2013 \$'000
Employee entitlements – staff	2,578	2,203
Employee entitlements – supported employees	1,265	1,081
	3,843	3,284

Notes to the Financial Statements (cont)

For the year ended 30 June 2014

18. TOTAL EQUITY

Reconciliation of movement in total equity

	Fair value reserve \$'000	Subsidies reserve \$'000	Total reserves \$'000	Retained earnings \$'000	Total Equity \$'000
Balance at 30 June 2012	449	396	845	62,547	63,392
Total recognised income and expense	7	-	7	5,506	5,513
Balance at 30 June 2013	456	396	852	68,053	68,905
Total recognised income and expense	151	-	151	15,349	15,500
Balance at 30 June 2014	607	396	1,003	83,402	84,405

- 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.

19. FINANCIAL INSTRUMENTS

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

(a) Credit risk

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

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

Notes to the Financial Statements (cont)

For the year ended 30 June 2014

19. 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	
		2014 \$'000	2013 \$'000
Investments	9	880	817
Trade and other receivables	5	9,370	7,157
Cash and cash equivalents	4	11,905	11,114
		22,155	19,088

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

	Note	Carrying Amount	
		2014 \$'000	2013 \$'000
Endeavour Industries customers		4,618	3,869
Disability Services customers		691	703
		5,309	4,572

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 \$382,000 (2013: \$207,000).

(a) (ii) Impairment losses

The ageing of trade receivables at balance date was:

	2014		2013	
	Gross \$'000	Impairment \$'000	Gross \$'000	Impairment \$'000
Not past due	4,187		2,786	
Past due 0-30 days	1,857		1,363	
Past due 31-60 days	476		377	33
More than 61 days	235	134	47	47
	6,755	134	4,573	80

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

Balance at 1 July	80	80
Impairment loss recognised	54	-
Balance at 30 June	134	80

Notes to the Financial Statements (cont)

For the year ended 30 June 2014

19. FINANCIAL INSTRUMENTS (continued)

(b) Liquidity risk

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

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

	Contractual cash flows					
	Carrying amount	Total	Within 1 year	1-2 years	2-5 years	More than 5 years
30 June 2014	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Bank overdraft	530	(530)	(530)	-	-	-
Interest bearing loans	4,160	(4,295)	(663)	(680)	(2,952)	-
Trade and other payables	9,650	(9,650)	(9,650)	-	-	-
	14,340	(14,475)	(10,843)	(680)	(2,952)	-

	Contractual cash flows					
	Carrying amount	Total	Within 1 year	1-2 years	2-5 years	More than 5 years
30 June 2013	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Interest bearing loans	-	-	-	-	-	-
Trade and other payables	7,551	(7,551)	(7,551)	-	-	-
	7,551	(7,551)	(7,551)	-	-	-

(c) Currency risk

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

Notes to the Financial Statements (cont)

For the year ended 30 June 2014

19. FINANCIAL INSTRUMENTS (continued)

(d) Interest rate risk

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

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

	Weighted Average Interest Rate	Variable Rate Instruments \$'000
2014		
Financial assets		
Cash and cash equivalents	2.82%	11,637
Financial liabilities		
Bank overdraft	11.19%	(530)
Interest bearing liabilities	6.25%	(4,160)
Net financial assets		<u>6,947</u>
2013		
Financial assets		
Cash and cash equivalents	3.23%	10,825
Financial liabilities		
Interest bearing liabilities	-%	-
Net financial assets		<u>10,825</u>

Notes to the Financial Statements (cont)

For the year ended 30 June 2014

19. 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 2014		30 June 2013	
	100bp increase \$'000	100bp decrease \$'000	100bp increase \$'000	100bp decrease \$'000
Financial assets	211	(211)	184	(184)
Financial liabilities	(54)	54	-	-
Net sensitivity effect	157	(157)	184	(184)

(e) Net fair values

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

	30 June 2014		30 June 2013	
	Carrying Amount \$'000	Net fair value \$'000	Carrying Amount \$'000	Net fair value \$'000
Financial assets				
Cash and cash equivalents	11,905	11,905	11,114	11,114
Trade and other receivables	9,236	9,236	7,077	7,077
Investments	880	880	817	817
	22,021	22,021	19,008	19,008
Financial liabilities				
Bank overdraft	530	530	-	-
Interest bearing liabilities	4,160	4,160	-	-
Trade and other payables	9,650	9,650	7,551	7,551
	14,340	14,340	7,551	7,551

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

Notes to the Financial Statements (cont)

For the year ended 30 June 2014

20. CONTINGENT LIABILITIES

In accordance with various funding agreements, the State and Commonwealth Governments may continue to have interests in particular land and buildings held by 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 required.

	2014 \$'000	2013 \$'000
21. COMMITMENTS FOR EXPENDITURE		
(a) Capital expenditure contracted but not provided for and payable:		
Due within 1 year	487	1,282
(b) Commitments for prize home purchases contracted but not provided for and payable:		
Due within 1 year	1,064	-
(c) Lease expenditure contracted for:		
The Group has various operating leases.		
Lease payments are charged to expenses.		
Total lease commitment at beginning of year	9,338	9,881
Lease additions and escalation	5,018	3,790
Less: rent expense for year	(4,480)	(4,333)
Total lease commitment at end of year	9,876	9,338
Due within 1 year	4,400	3,912
Due within 2–5 years	4,563	4,093
Due after 5 years	913	1,333
	9,876	9,338

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.

22. LIMITATION OF MEMBERS' LIABILITY

Endeavour Foundation is a company limited by guarantee and in accordance with the Constitution, in the event of Endeavour Foundation being wound up, the liability of members would not exceed \$2.00 per member. At 30 June 2014 the number of members was 1,278 (2013: 1,321).

Notes to the Financial Statements (cont)

For the year ended 30 June 2014

23. RELATED PARTY TRANSACTIONS

The names of persons who were Directors of Endeavour Foundation at any time during the financial year are as follows: A G Bellas, S P Charles, D B de Villiers, S R E Ellis, S Herman, Y D Keane, E T Mason, 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.

	2014 \$'000	2013 \$'000
Balances due from/(to) controlled entities		
The aggregate amounts receivable from or (payable to) wholly controlled entities by the Company at balance date are:		
Amount due to Endeavour Foundation Endowment Challenge Fund	-	1
Amount due from VATMI Industries Limited	823	-
Amount due from National Disability Living Solutions Limited	576	-

24. KEY MANAGEMENT PERSONNEL

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

Endeavour Foundation's key management personnel comprise of the directors listed on page 2 of the Directors' Report and a team of sixteen senior managers, comprising the Chief Executive Officer, four Executive General Managers, two General Managers, five Senior Managers in Disability Services and four Commercial Managers in Endeavour Foundation Industries. (2013: eighteen senior managers, comprising the Chief Executive Officer, five Executive General Managers, three General Managers, five Area Managers in Disability Services and four Commercial Managers in Endeavour Industries).

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:

	2014 \$	2013 \$
Short-term employee benefits	3,028,538	3,098,542
Number of key management personnel	16	18

Notes to the Financial Statements (cont)

For the year ended 30 June 2014

25. EMPLOYEE ENTITLEMENTS

(a) Employee entitlements

	2014 \$'000	2013 \$'000
Aggregate employee entitlement liability	16,450	14,590

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

As explained in note 1(n)(ii) the amount for long service leave is measured 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 value have been discounted using the average five year and ten year bond rates of 3.26% for employees employed in Queensland (2013: 3.08%) and the specific discount rates required under Victorian State legislation for employees employed in Victoria, ranging between 2.46% and 3.67% (2013: 2.47% to 3.94%).

(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.

Notes to the Financial Statements (cont)

For the year ended 30 June 2014

25. 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.

	2014 \$'000	2013 \$'000
Net defined benefit plan asset		
Present value of plan assets	13,982	13,342
Present value of funded obligations	(12,030)	(13,212)
Net defined benefit asset (note 10)	1,952	130
Reconciliations		
Changes in the present value of the net defined benefit plan asset/(liability) are as follows:		
Opening net defined benefit plan liability	130	(2,160)
Employer contributions during the year	778	813
Expense during the year	(729)	(537)
Net actuarial gain/(loss) for the year recognised directly in retained earnings	1,773	2,014
Closing net defined benefit plan asset	1,952	130
The defined benefit expenses recognised through the income statement as part of employee expenses are as follows:		
Current service cost	602	814
Interest cost	512	324
Expected return on plan assets	(385)	(601)
Total defined benefit expenses recognised in the income statement	729	537

Notes to the Financial Statements (cont)

For the year ended 30 June 2014

25. **EMPLOYEE ENTITLEMENTS (continued)**
 (b) **Superannuation commitments (continued)**
DEFINED BENEFIT PLAN (continued)

	2014 \$'000	2013 \$'000
The changes in the present value of the defined benefit obligations are as follows:		
Defined benefit obligations at beginning of year	13,212	13,645
Current service cost	602	814
Interest cost	360	324
Employee contributions	147	177
Administrative expenses and tax allowance	152	-
Remeasurements:		
- Effect of changes in financial assumptions (gain)/loss	46	-
- Effect of experience adjustments (gain)/loss	(316)	(642)
Benefits paid	(1,960)	(899)
Other (fees and taxes)	(213)	(207)
Defined benefit obligations at end of year	12,030	13,212
The changes in the present value of the defined benefit plan assets are as follows:		
Fair value of plan assets at beginning of year	13,342	11,485
Interest income on plan assets	385	268
Actual return on plan assets	1,503	1,705
Employer contributions	778	813
Employee contributions	147	177
Benefits paid	(1,960)	(899)
Other (fees and taxes)	(213)	(207)
Fair value of plan assets at end of year	13,982	13,342
Cumulative (gains)/losses recognised in other comprehensive income:		
Amount accumulated in retained earnings at beginning of year	1,244	3,258
Recognised during the year	(1,773)	(2,014)
Amount accumulated in retained earnings at end of year	(529)	1,244
Principal actuarial assumptions at reporting date (expressed as weighted averages) are as follows:		
Discount rate	3.00%	3.10%
Expected long term rate of return on plan assets	3.10%	3.10%
Future salary increases	3.75%	3.75%

Notes to the Financial Statements (cont)

For the year ended 30 June 2014

25. 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 2014 \$'000
Assumptions	
Discount rate plus 1.00%	11,597
Discount Rate minus 1.00%	12,521
Salary increase rate plus 1.00%	12,423
Salary increase rate minus 1.00%	11,672

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.

Excepted contributions to the Plan in the next reporting period

	Year Ending 30 June 2015 \$'000
Expected employer contributions	318
Expected employee contributions	98

Maturity profile of the Defined Benefit Obligation (DBO)

At 30 June 2014, the weighted-average duration of the defined benefit obligation was 4.5years (2013: 5.1 years).

Notes to the Financial Statements (cont)

For the year ended 30 June 2014

25. 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 2014 \$'000
Cash and cash equivalents	
Cash	699
Equities	
Domestic	4,153
International (currency hedged)	1,258
International (currency unhedged)	2,950
Fixed Income	
Domestic Government Bonds	1,412
International Government Bonds	1,398
Real Estate/Property	
Domestic Indirect Property	434
International Property	420
Other types of Investment	
Alternative Growth	559
Alternative Defensive	699
Total	13,982

Historical information	2014 \$'000	2013 \$'000	2012 \$'000	2011 \$'000	2010 \$'000
Present value of plan assets	13,982	13,342	11,485	12,463	11,389
Present value of funded obligations	(12,030)	(13,212)	(13,645)	(12,635)	(11,546)
Net defined benefit plan asset / (liability)	1,952	130	(2,160)	(172)	(157)

DEFINED CONTRIBUTION PLANS

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

	2014 \$'000	2013 \$'000
Employer contributions to the defined contribution plans	7,754	7,150
Employer contributions payable to the defined contribution plans at reporting date	672	608

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

Notes to the Financial Statements (cont)

For the year ended 30 June 2014

26. DIVISIONAL REPORTING

The Group comprises the following main operating units:

Disability Services	Disability Services provides residential accommodation and structured daytime activities for people with a disability. There are over 80 residences and 33 Learning & Lifestyle centres throughout Queensland. In addition, Disability Services provides individualised support through programs such as Accommodation Support, Post School Services and respite, all of which are designed to enhance the lives of people with an intellectual disability. Transport support services are also provided.
Endeavour Industries	Endeavour Industries operates 25 commercial businesses throughout Queensland, 3 commercial businesses in Sydney, 3 commercial businesses in Victoria as part of VATMI Industries Ltd and two safety equipment sales outlets in Newcastle and Wollongong. The supported employment services provide employment for 2,071 people with a disability. The commercial businesses produce a range of quality products and services including: industrial cloth, stakes and pegs, metal fabrication, HACCP food packaging, pharmaceutical packaging, general packaging, industrial sewing, document destruction, milled timber products and a number of recycling activities.
Supporter Enterprises	<p>Supporter Enterprises comprises of commercial fundraising activities and events and the operation of 36 retail stores throughout Queensland and 2 stores operating in Sydney's Western Suburbs, plus an online Ebay store. These Endeavour Recycled Clothing stores stock and sell a variety of recycled goods including: clothing, accessories, jewellery, Manchester, furniture, and bric-a-brac.</p> <p>Supporter Enterprises undertakes a number of commercial fundraising activities such as art unions, bingo and events, as well as major signature functions such as the Great Endeavour Rally, the Winter Gala Ball, the Summer Challenge and the Endeavour Challenge cycling events. Seven major prize homes were drawn during the current year, including the major "life-changer lottery" as well as three special "gold bullion" lotteries for automatic purchase customers. (2013 – seven normal prize home lotteries, including the "life-changer lottery".)</p> <p>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.</p> <p>The Supporter Enterprises division also includes Design Services, responsible for all visual mediums and internal and external promotional publications.</p>
Corporate & Infrastructure	<p>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.</p> <p>Infrastructure controls and manages the property portfolio.</p>

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

Notes to the Financial Statements (cont)

For the year ended 30 June 2014

27. NOTES TO THE CASH FLOW STATEMENT

(a) Reconciliation of cash and cash equivalents

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

	2014 \$'000	2013 \$'000
Cash at bank	1,009	1,276
Call & short term deposits	10,896	9,838
Bank overdrafts	(530)	-
	11,375	11,114
(b) Reconciliation of Net Cash Provided by		
Operating Activities to Net Surplus		
Net surplus for the year	13,638	3,485
Gains arising from business combinations	(8,644)	-
Depreciation and amortisation	7,771	6,981
Non-cash flow effects of movements in defined benefit plan	(49)	(276)
Increase in provision for employee entitlements	782	373
Increase in provision for doubtful debts	28	-
(Increase)/decrease in trade and other receivables	(992)	206
Increase in inventories	(3,505)	(256)
Increase in other current assets	(50)	(528)
Increase in trade and other payables	474	11
(Decrease)/increase in revenue received in advance	(356)	1,439
Proceeds from capital grants and donation used to fund investing activities	(1,647)	(979)
Gain on disposal of non current assets	(1,333)	(1,672)
Net Cash Provided by Operating Activities	6,117	8,784

28. ECONOMIC DEPENDENCY

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

Notes to the Financial Statements (cont)

For the year ended 30 June 2014

29. BUSINESS COMBINATIONS

VATMI Industries Limited (VATMI)

On 27 November 2013, Endeavour Foundation acquired 100% control of VATMI Industries Ltd, for no consideration, via a mutual agreement to amalgamate the operations of the two entities. VATMI Industries Ltd was established in 1958 and is a registered provider of 270 supported employment service placements for people with a disability, from sites situated in Melbourne, Bendigo and Wangaratta.

The amalgamation secures the continued employment of 270 supported employees and ensures the long term commercial viability of VATMI Industries Ltd in readiness for the introduction of the National Disability Insurance Scheme. The amalgamation also expands Endeavour Foundation's presence across the entire Eastern seaboard, expands its customer base, introduces new commercial opportunities in the Victorian market and leverages VATMI's experience and skill set in key markets.

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	12	13,195
Intangible assets	11	14
Inventories		256
Trade and other receivables		1,184
Cash and cash equivalents		3
Bank Overdraft		(556)
Interest bearing liabilities		(4,474)
Employee entitlements		(1,077)
Trade and other payables		(1,312)
Net identifiable assets and liabilities acquired		7,233
Acquisition consideration paid		-
Gain on acquisition of subsidiary for no consideration		7,233

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

In the seven months to 30 June 2014, the acquired operations contributed revenues of \$6,672,000 and a net deficit of (\$481,000). If the acquisition had occurred on 1 July 2013, management estimates that the Group's consolidated total revenue would have been \$190,862,000 and the consolidated net surplus would have been \$12,823,000.

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.

Notes to the Financial Statements (cont)

For the year ended 30 June 2014

29. BUSINESS COMBINATIONS (continued)

National Disability Living Solutions Limited (NDLS)

On 1 July 2013, Endeavour Foundation acquired 100% control of National Disability Living Solutions Ltd, for no consideration, via a mutual agreement with Kyabra Community Association Inc. National Disability Living Solutions Ltd was established on 19 January 2012 as a collaboration between Endeavour Foundation and Kyabra Community Association Inc. as a charitable institution to assist with providing and managing built environment solutions for people with a disability or other disadvantaged groups.

The acquisition 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	12	1,516
Trade and other receivables		43
Cash and cash equivalents		985
Interest bearing liabilities		(32)
Trade and other payables		(1,101)
Net identifiable assets and liabilities acquired		1,411
Acquisition consideration paid		-
Gain on acquisition of subsidiary for no consideration		1,411

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

In the twelve months to 30 June 2014, the acquired operations contributed revenues of \$2,067,681 and a net surplus of \$510,512. These full year revenues and net surplus have been included in Endeavour Foundation's consolidated results for the year ended 30 June 2014.

Down Under Safety (DUS)

On 15 May 2014, Endeavour Foundation acquired the business undertaking of Down Under Safety, from Downunder Distribution Group Pty Ltd.

The acquisition was settled for a cash consideration of \$1,871,548, with the following identifiable assets acquired and liabilities assumed, at the acquisition date:

Identifiable assets acquired and liabilities assumed

	\$'000
Inventories	1,390
Plant & equipment	59
Annual leave liabilities	(18)
Goodwill	441
Acquisition consideration paid	1,872

The values of assets and liabilities recognised on acquisition are their estimated fair values. Management has determined that the goodwill on acquisition is not recoverable and has been written off on acquisition. No material separately identifiable and quantifiable transaction costs were incurred in relation to this acquisition.

Notes to the Financial Statements (cont)

For the year ended 30 June 2014

29. BUSINESS COMBINATIONS (continued)

Net gain arising from business combinations

A net gain on business combinations arising from the above transactions has been recognised as non-operating income in the Consolidated Income Statement of the Group for the year ended 30 June 2014, as follows:

	\$'000
Gain on acquisition of control of VATMI	7,233
Gain on acquisition of control of NDLS	1,411
Goodwill on acquisition of DUS, written off	(441)
Net gain arising from business combinations	8,203

30. GROUP ENTITIES

	2014 %	2013 %
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%
VATMI Industries Limited	100%	-%
National Disability Living Solutions Limited	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 (the Challenge Fund), both of which were established on 3 December 2009.

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

VATMI Industries Limited, a company limited by guarantee is a provider of supported employment services in Melbourne, Bendigo and Wangaratta. The entity was acquired through a business combination on 27 November 2013 as further details in Note 29 Business Combinations.

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, as further detailed in Note 29 Business Combinations.

Notes to the Financial Statements (cont)

For the year ended 30 June 2014

31. PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 30 June 2014 the parent company of the Group was Endeavour Foundation.

	2014 \$'000	2013 \$'000
Results of the parent entity		
Net surplus for the year	4,981	3,499
Other comprehensive income/(expense)	1,773	2,014
Total comprehensive income/(expense) for the year	6,754	5,513
Financial position of the parent entity at year end		
Current assets	35,312	29,013
Total assets	104,091	95,456
Current liabilities	25,521	24,095
Total liabilities	29,260	27,379
Total equity of the parent entity comprising of		
Subsidies reserve	396	396
Retained earnings	74,435	67,681
Total equity	74,831	68,077

Parent entity contingencies

The contingent liabilities disclosed as note 20 Contingent Liabilities are the same for the parent entity.

Notes to the Financial Statements (cont)

For the year ended 30 June 2014

31. 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 21 Commitments for Expenditure, is as follows:

	2014 \$'000	2013 \$'000
(a) Capital expenditure contracted but not provided for and payable:		
Due within 1 year	-	1,282
(b) Commitments for prize home purchases contracted but not provided for and payable:		
Due within 1 year	1,064	-
(c) Lease expenditure contracted for:		
The Group has various operating leases. Lease payments are charged to expenses.		
Total lease commitment at beginning of year	9,338	9,881
Lease additions and escalation	4,389	3,790
Less: rent expense for year	(4,257)	(4,333)
Total lease commitment at end of year	9,470	9,338
Due within 1 year	4,007	3,912
Due within 2 - 5 years	4,550	4,093
Due after 5 years	913	1,333
	9,470	9,338

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.

32. EVENTS SUBSEQUENT TO REPORTING DATE

Subsequent to the balance date, Endeavour Foundation on 30 September 2014 acquired control of Community Solutions Group Limited, Community Assets Australia Limited and Acclaim Apprentices and Trainees Limited, for no consideration, via agreement between the respective Boards to merge the operations and net assets with those of Endeavour Foundation. The merged entities will be better positioned to take advantage of opportunities and respond to threats arising from the implementation of the National Disability Insurance Scheme. The value of the net assets that these mergers would add to the Group at the acquisition date had not been reliably determined at the date of this financial report.

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 2014

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

- (a) the Company is not publicly accountable;
- (b) the financial statements and notes, set out on pages 11 to 50, 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 2014 and of its performance for the financial year ended on that date; and
 - (ii) complying with Accounting Standards in Australia (including the Australian Accounting Interpretations) and the *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:



G B Murdoch – Chairman



A G Bellas – Director

Brisbane
15th October 2014

Independent Auditor's Report

For the year ended 30 June 2014



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 2014, 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 32 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' responsibility also includes such internal control as the Directors determine necessary to enable the preparation of the financial report that gives a true and fair view and 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 Company'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 Company'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 gives a true and fair view, in accordance with Australian Accounting Standards, a true and fair view which is consistent with our understanding of the Company's financial position and of its performance.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independence

In conducting our audit, we have complied with the independence requirements of the *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 2014 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

Scott Guse
Partner
Brisbane
15th October 2014

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ENDEAVOUR

FOUNDATION

Opportunities for people with a disability

Endeavour Foundation

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