



activ
a better life ...
celebrating 60 years

Financial Report 2011



Enabling people with disabilities and their families to pursue a better life

Our Purpose

To provide a range of services for people with disabilities enabling them and their families to pursue a better life.

Our Mission

To be a strong, diversified, sustained provider of high quality services.

To enable people to participate in community life to their fullest, as valued and contributing members of the community.

To provide services tailored to the needs and aspirations of each individual.

Activ gratefully acknowledges the support of the following companies in the production of this Financial Report.

DATACOM



ACTIV Foundation Incorporated

STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 30 JUNE 2011

		2011	2010
	NOTE	\$	\$
Revenue	3(a)	59,850,636	54,695,889
Other income	3(b)	10,245,890	9,047,983
Employee benefits expense	4(b)	(51,351,564)	(48,059,537)
Depreciation and amortisation expense	4(b)	(1,901,095)	(1,910,356)
Operational lease expense		(1,974,467)	(1,852,692)
Finance costs	4(b)	(356,163)	(284,502)
Accommodation household expense		(1,247,696)	(1,184,181)
Motor fleet operating expense		(1,170,959)	(1,198,335)
Audit, consultancy and legal expense		(756,151)	(727,422)
Repairs and maintenance expense		(1,174,575)	(1,416,498)
Raw materials and consumables used		(3,780,074)	(3,102,153)
Changes in inventories		(19,734)	(113,275)
Utilities		(669,861)	(590,748)
Other expense	4(d)	(6,272,392)	(4,450,300)
Surplus / (deficit) for the year from continuing operations		(578,205)	(1,146,126)
Surplus for the year from discontinued operations	4(c)	-	1,404,717
Total surplus / (deficit) for the year		(578,205)	258,591
Other comprehensive income:		-	-
Other comprehensive income for the year		-	-
Total comprehensive income for the year		(578,205)	258,591
Surplus / (deficit) for the year		(578,205)	258,591
Total comprehensive income attributable to members of the entity		(578,205)	258,591
Deficit attributable to primary activities	15	(6,366,168)	(4,258,513)
Surplus attributable to secondary activities	15	5,787,963	4,517,104
		(578,205)	258,591

The accompanying notes form part of these financial statements

ACTIV Foundation Incorporated

STATEMENT OF FINANCIAL POSITION FOR THE YEAR ENDED 30 JUNE 2011

		2011	2010
	NOTE	\$	\$
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	20(a)	12,051,095	13,584,401
Trade and other receivables	10(a)	3,541,365	2,945,691
Inventories	6	824,837	1,528,394
Financial assets	8	12,779	13,315
Other assets	7(a)	280,955	404,071
Total Current Assets		16,711,031	18,475,872
NON-CURRENT ASSETS			
Property, plant and equipment	9	34,715,282	28,100,778
Intangible assets	23	48,508	63,725
Other non current assets	7(b)	7,040	12,993
Total Non-Current Assets		34,770,831	28,177,496
TOTAL ASSETS		51,481,861	46,653,368
LIABILITIES			
CURRENT LIABILITIES			
Payables	21	(2,323,091)	(3,584,574)
Interest-bearing liabilities	22(a)	(6,709,976)	(133,168)
Provisions	13(a)	(6,860,903)	(5,998,241)
Other liabilities	11	(6,593,048)	(6,450,723)
Total Current Liabilities		(22,487,017)	(16,166,706)
NON - CURRENT LIABILITIES			
Interest-bearing liabilities	22(b)	(438,363)	(1,678,966)
Provisions	13(b)	(1,480,215)	(1,153,227)
Total Non-Current Liabilities		(1,918,578)	(2,832,193)
TOTAL LIABILITIES		(24,405,596)	(18,998,899)
NET ASSETS		27,076,265	27,654,469
EQUITY			
Reserves	2(a-k)	(15,755,839)	(14,079,680)
Retained earnings		(11,320,426)	(13,574,789)
TOTAL EQUITY		(27,076,265)	(27,654,469)

The accompanying notes form part of these financial statements

ACTIV Foundation Incorporated

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30 JUNE 2011

	Retained Earnings	Revaluation Reserve	Service Development and Expansion Reserve	General Reserves	State Capital Grant	Total
	\$	\$	\$	\$	\$	\$
Balance at 1 July 2009	14,317,887	-	5,462,994	3,752,517	3,862,481	27,395,878
Total comprehensive income for the year	258,591	-	-	-	-	258,591
Aggregate amount transferred (to) / from reserves	(1,001,688)	-	432,625	870,937	(301,874)	-
Transfers from reserves to retained earnings	-	-	-	-	-	-
Balance at 30 June 2010	13,574,789	-	5,895,619	4,623,454	3,560,607	27,654,469
Total comprehensive income for the year	(578,205)	-	-	-	-	(578,205)
Aggregate amount transferred (to) / from reserves	(2,194,291)	-	2,159,343	79,219	(44,270)	-
Transfers from reserves to retained earnings	518,133	-	-	(518,133)	-	-
Balance at 30 June 2011	11,320,426	-	8,054,962	4,184,540	3,516,337	27,076,265

The accompanying notes form part of these financial statements

ACTIV Foundation Incorporated

STATEMENT OF CASHFLOWS FOR THE YEAR ENDED 30 JUNE 2011

		2011	2010
	NOTE	\$	\$
CASH FLOW FROM OPERATING ACTIVITIES			
Receipts from grants		45,783,702	41,344,956
Other receipts		19,844,817	20,382,584
Payments to suppliers, staff and employees		(62,922,632)	(57,053,125)
Dividends received	3(b)	728	743
Interest received	3(b)	835,393	682,179
Funds held on behalf of others received / (paid)		(283,223)	365,792
Finance cost	4(b)	(356,163)	(284,502)
Goods & services tax paid		(3,543,000)	(3,727,000)
Net cash provided by operating activities	20(b)	(640,377)	1,711,628
CASH FLOW FROM INVESTING ACTIVITIES			
Proceeds from sale of property, plant and equipment		2,045,025	4,369,646
Payment for property, plant and equipment		(7,866,364)	(3,890,909)
Net cash provided by / (used in) investing activities		(5,821,338)	478,737
CASH FLOW FROM FINANCING ACTIVITIES			
Financing activities			
Drawdown of borrowings	14	5,073,829	1,422,439
Repayment of finance lease commitments		(145,420)	(1,018,671)
Net cash provided by / (used in) financing activities		4,928,409	403,768
Net increase / (decrease) in cash held		(1,533,307)	2,594,132
Cash and cash equivalents at the beginning of the financial year		13,584,401	10,990,269
Cash and cash equivalents at the end of the financial year	20(a)	12,051,095	13,584,401

The accompanying notes form part of these financial statements

Notes to the Financial Statements

- For twelve months ending 30 June 2011

1. Summary of Significant Accounting Policies

This financial report includes the consolidated financial statements and notes of Activ Foundation. Activ Foundation Inc (herein referred to as Activ is incorporated in Western Australia under the Associations Incorporation Act 1987 (as amended) and is a Not or Profit (Reporting) entity domiciled in Australia.

Basis of preparation

This financial report is a general purpose financial report that has been prepared in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and other authoritative pronouncements of the Australian Accounting Standard Board.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

Australian Accounting Standards set out accounting policies that the AASB has concluded would result in a financial report containing relevant and reliable information about transactions, events and conditions. Material accounting policies adopted in the preparation of this financial report are presented below and have been consistently applied unless otherwise stated.

The financial statements have been prepared on an accruals basis and are based on historical costs, modified, where applicable, by the measurement at fair value of selected non-current assets, financial assets and financial liabilities.

Going concern

The financial statements have been prepared on a going concern basis which assumes that Activ will be able to meet the mandatory repayment of terms of banking facilities as disclosed in notes 14, 22 and 26 and meet the continuity of normal business activities including the realisation of assets and settlement of liabilities in the ordinary course of business.

As at 30 June 2011 Activ is in breach of one of the covenants under the terms of its commercial bill facility with Westpac Banking Corporation ("Westpac"), the details of which are set out in note 14 to the financial statements. As a consequence, and in accordance with relevant accounting standards, the full balance owing under the commercial bill facility has been classified as a current liability resulting in Activ disclosing a deficiency in working capital of \$5,775,986 as at 30 June 2011 (2010: surplus of \$2,309,167).

Subsequent to balance date, Westpac has agreed in writing to forebear from taking immediate corrective action against this breach pending its review of the 2012 financial statements, continued payment of the quarterly principal and interest being made and subject to there being no other adverse circumstances arising that, in the sole discretion of the bank, may prejudice the bank's position.

The directors have a reasonable expectation that Activ;

- Will meet the bank's forbearance requirements so that the full balance owing under the commercial bill facility will not become due and payable due to the breach as at 30 June 2011; and
- Will generate sufficient future cash flows to enable the organisation to continue its normal business activities and settle its obligations in the ordinary course of business.

Accordingly, the directors are satisfied that it is appropriate to continue to adopt the going concern basis for preparing the annual financial statements.

1. Summary of Significant Accounting Policies (continued)

(a) Revenue

Grant revenue is recognised in the statement of comprehensive income when the entity obtains control of the grant and it is probable that the economic benefits gained from the grant will flow to the entity and the amount of the grant can be measured reliably.

If conditions are attached to the grant which must be satisfied before it is eligible to receive the contribution, the recognition of the grant as revenue will be deferred until those conditions are satisfied.

When grant revenue is received whereby the entity incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the grant revenue is recognised in the statement of financial position as a liability until the service has been delivered to the contributor, otherwise the grant is recognised as income on receipt.

Activ receives non-reciprocal contributions of assets from the government and other parties for zero or a nominal value. These assets are recognised at fair value on the date of acquisition in the statement of financial position, with a corresponding amount of income recognised in the statement of comprehensive income.

Donations and bequests are recognised as revenue when received.

Interest revenue is recognised using the effective interest rate method, which for floating rate financial assets is the rate inherent in the instrument. Dividend revenue is recognised when the right to receive a dividend has been established.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customers.

All revenue is stated net of the amount of goods and services tax (GST).

(b) Inventories

Manufacturing and resale

Inventories are measured at the lower of cost and current replacement cost. The cost of manufactured products includes direct materials, direct labour and an appropriate portion of variable and fixed overheads. Overheads are applied on the basis of normal operating capacity. Costs are assigned on the basis of weighted average costs.

Inventories acquired at no cost, or for nominal consideration are valued at the current replacement cost as at the date of acquisition.

Land held for resale

Land held for development and sale is valued at the lower of cost and net realisable value. Cost includes the cost of acquisition, development and holding costs until completion of development. Holding charges incurred after development are expensed.

(c) Property, plant and equipment

Each class of property, plant and equipment is carried at cost or fair values as indicated, less where applicable, accumulated depreciation and impairment losses.

Property

Freehold land and buildings are shown at their historical cost, less subsequent depreciation for buildings.

In periods when the freehold land and buildings are not subject to an independent valuation, the directors conduct director's valuations to ensure the carrying amount for the land and buildings is not materially different to the fair value.

1. Summary of Significant Accounting Policies (continued)

Increases in the carrying amount arising on revaluation of land and buildings are recognised in other comprehensive income and accumulated in the revaluation surplus in equity. Revaluation decreases that offset previous increases of the same class of assets shall be recognised in other comprehensive income under the heading of revaluation surplus. All other decreases are charged to the statement of comprehensive income.

As the revalued buildings are depreciated the difference between depreciation recognised in the statement of comprehensive income, which is based on the revalued carrying amount of the asset, and the depreciation based on the asset's original cost is transferred from the revaluation surplus to retained earnings.

Any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

Capitalising / expensing of assets

Items of property, plant and equipment costing over \$2,000 are recognised as assets and the cost of utilising assets is expensed (depreciated) over their useful lives. Items of property, plant and equipment costing less than \$2,000 are immediately expensed direct to the Comprehensive Income Statement (other than where they form a part of a group of similar items which are significant in total).

Initial recognition and measurement

All items of property, plant and equipment are initially recognised at cost. For items of property, plant and equipment acquired at no cost or for nominal consideration, the cost is their fair value at the date of acquisition.

Freehold land and buildings that have been contributed at no cost or for nominal cost are valued and recognised at the fair value of the asset at the date acquired.

Subsequent measurement

Activ uses the cost model for all other property, plant and equipment, which is carried at cost less accumulated depreciation and accumulated impairment losses.

Plant and equipment

Plant and equipment are measured on the cost basis less depreciation and impairment losses. The carrying amount of plant and equipment is reviewed annually by managers to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

Depreciation

The depreciable amount of all fixed assets including building and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis or diminishing balance basis, over their useful lives, commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

Major depreciation periods and methods are:

Buildings	40 years	straight line
Light Vehicles	8 years	straight line
Heavy Vehicles	10 years	straight line
Plant & Equipment	7.5 years	straight line
Furniture	7.5 years	straight line
Fixtures & Fittings	7.5 years	straight line
Computer Equipment & Software	4 years	straight line

1. Summary of Significant Accounting Policies (continued)

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are included in the Statement of Comprehensive Income. When revalued assets are sold, amounts included in the revaluation reserve relating to that asset are transferred to retained earnings.

(d) Leases

Leases of fixed assets where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership that are transferred to entities in the economic entity are classified as finance leases.

Finance leases are capitalised by recording an asset and a liability at the lower of the amounts equal to the fair value of the leased property or the present value of the minimum lease payments, including any guaranteed residual values. Lease payments are allocated between the reduction of the lease liability and the lease interest expense for the period.

Leased assets are depreciated on a straight-line basis over their estimated useful lives where it is likely that the economic entity will obtain ownership of the asset or over the term of the lease.

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight line basis over the lease term.

Lease incentives under operating leases are recognised as a liability and amortised on a straight-line basis over the life of the lease term.

The cost of improvements to or on leasehold property is capitalised, disclosed as leasehold improvements and amortised over the estimated useful lives of the improvements.

(e) Financial instruments

Initial recognition and measurement

Financial assets and liabilities are recognised when the entity becomes a party to the contractual provisions to the instrument.

For financial assets this is equivalent to the date that Activ commits itself to either purchase or sell the asset.

Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified at fair value through the Statement of Comprehensive Income in which case transaction costs are expensed to the Statement of Comprehensive Income immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value amortised cost using the effective interest rate method or cost.

Fair value represents the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties.

Fair value is determined by quoted prices in an active market; in other circumstances valuation techniques are adopted.

1. Summary of Significant Accounting Policies (continued)

Amortised cost

Amortised cost is calculated as:

- i) The amount at which the financial asset or financial liability is measured at initial recognition;
- ii) Less principal repayments;
- iii) Plus or minus the cumulative amortisation of the difference, if any between the amount initially recognised and the maturity amount calculated using the effective interest method; and
- iv) Less any reduction for impairment.

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts (including fees, transaction costs and other premiums or discounts) through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying value with a consequential recognition of an income or expense in the Statement of Comprehensive Income.

Financial assets at fair value through the Statement of Comprehensive Income

Financial assets are classified at fair value through the Statement of Comprehensive Income when they are held for trading for the purpose of short term profit taking, or where they are derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying value being included in the Statement of Comprehensive Income.

Loans and receivables

These are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost.

Loans and receivables are included in current assets, except for those which are not expected to mature within 12 months after the end of the reporting period, which will be classified as non-current assets.

Held to maturity investments

These are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the entity's intention to hold these investments to maturity. They are subsequently measured at amortised cost.

They are included in non-current assets, except for those which are expected to mature within 12 months after the end of the reporting period.

If during the period the company sold or reclassified more than an insignificant amount of these investments before maturity, the entire held to maturity investment would be tainted and reclassified as available for sale.

Available for sale financial assets

These are non derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature, or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are included in non-current assets, except for those which are expected to be disposed within 12 months after the end of the reporting period.

1. Summary of Significant Accounting Policies (continued)

Financial liabilities

Non derivative financial liabilities (excluding financial guarantees) are subsequently measured at amortised cost.

Fair value

Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

Impairment

At the end of each reporting period, the entity assesses whether there is objective evidence that a financial instrument has been impaired. In the case of available for sale financial instruments, a prolonged decline in the value of the instrument is considered to determine whether impairment has arisen. Impairment losses are recognised in the statement of comprehensive income.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expires or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or expired. The difference between the carrying value of the financial liability, which is extinguished or transferred to another party and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in the Statement of Comprehensive Income.

(f) Impairment of non financial assets

At the end of each reporting period the entity reviews the carrying values of its tangible and intangible non financial assets to determine whether there is any indication that those assets have been impaired. If such an indication exists, the recoverable amount of the asset, being the higher of the assets fair value less costs to sell and value in use, is compared to the assets carrying value. Any excess of the assets carrying value over its recoverable amount is expensed to the statement of comprehensive income.

Where the future economic benefits of the asset are not primarily dependent upon the asset's ability to generate net cash inflows and when the entity would, if deprived of the asset, replace its remaining future economic benefits, value in use is determined as the depreciated replacement cost of an asset.

Where it is not possible to estimate the recoverable amount of an assets class, the entity estimates the recoverable amount of the cash generating unit to which the class of assets belong.

Where an impairment loss on a revalued asset is identified it is debited against the revaluation surplus in respect of the same class of asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same class of asset.

(g) Employee benefits

Provision is made for Activ's liability for employee benefits arising from services rendered by employees to Balance Sheet date. Employee benefits expected to be settled within one year together with benefits arising from wages, salaries and annual leave which may be settled after one year, have been measured at the amounts expected to be paid when the liability is settled. Employee benefits payable later than one year have been measured at the present value of the estimated future cash outflows to be made for those benefits. In determining the liability, consideration is given to employee wage increases and the probability that the employee may not satisfy vesting requirements. Those cash outflows are discounted using market yields on national government bonds with terms to maturity that match the ten year bond rate.

Contributions are made by the entity to an employee superannuation fund and are charged as expenses when incurred.

1. Summary of Significant Accounting Policies (continued)

(h) Cash and cash equivalents

These include cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of six months or less and bank overdrafts. Bank overdrafts are shown within short-term borrowings in current liabilities on the statement of financial position.

(i) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office. In these circumstances the GST is recognised as part of the cost of acquisition of the asset or as part of an item of expense. Receivables and payables in the statement of financial position are shown inclusive of GST.

Cash flows are presented in the statement of cash flows on a gross basis, except for the GST component of investing and financing activities which are disclosed as operating cash flows.

Commitments and contingencies are disclosed net of the amount of GST recoverable from, or payable to the taxation authority.

(j) Income tax

No provision for income tax has been raised as Activ is exempt from income tax under Div 50 of the Income Tax Assessment Act 1997.

Activ is registered for the Goods and Services Tax [ABN 11 553 592 765], is endorsed as an Income Tax Exempt Charity and is endorsed as a Deductible Gift Recipient [DGR900176005].

(k) Intangibles

Software

Software is recorded at cost with a finite life and is carried at cost less any accumulated amortisation and impairment losses. It has an estimated useful life of between one and four years. It is assessed annually for impairment.

(l) Provisions

These are recognised when the entity has a legal or constructive obligation as a result of past events for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

(m) Comparative figures

Where required by Accounting Standards comparative figures have been adjusted to conform to changes in presentation requirements for the current financial year.

(n) Trade and other payables

These represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period which remain unpaid. The balance is recognised as a current liability with the amounts normally paid within 30 days of recognition of the liability.

(o) Critical accounting estimates and judgments

The directors evaluate estimates and judgments incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data obtained both externally and within the company.

1. Summary of Significant Accounting Policies (continued)

Key estimates – impairment

At 30 June 2010 the directors reviewed the key assumptions made on valuations and associated assumptions as at 30 June 2009. The directors have concluded that these assumptions remain materially unchanged and are satisfied that carrying values do not exceed the recoverable amount of land and buildings at 30 June 2010.

No impairment has been recognised in respect of assets held at 30 June 2010.

Key judgments – available for sale investments

Trade and other receivables are non-interest bearing and are on 60 days terms for business services customers and 30 days terms for non-business services customers. A provision for impairment is recognised when there is objective evidence that an individual trade or other receivables is impaired. A carried over provision of \$41,103 is recognised as an impairment on receivables as at the reporting date. Other balances within trade and other receivables do not contain impaired assets. It is expected that these other balances will be received when due.

(p) Economic dependence

Activ Foundation Incorporated is dependent on the Disability Services Commission and the Department of Families, Housing, Community Services and Indigenous Affairs for the majority of its revenue used to operate the business. At the date of this report the Board of Directors has no reason to believe the department will not continue to support Activ Foundation Incorporated.

(q) Adoption of new and revised accounting standards

During the current year Activ adopted all of the new and revised Australian Accounting Standards and interpretations applicable to its operations which became mandatory.

The adoption of these standards has impacted the recognition, measurement and disclosure of certain transactions. The following is an explanation of the impact the adoption of these standards and interpretations has had on the financial statements of Activ Foundation Incorporated.

AASB 101: Presentation of Financial Statements

In September 2007 the Australian Accounting Standards Board revised AASB 101 and as a result there have been changes to the presentation and disclosure of certain information within the financial statements. Below is an overview of the key changes and the impact on the company's financial statements.

Disclosure impact

Terminology changes - The revised version of AASB 101 contains a number of terminology changes, including the amendment of the primary financial statements.

Reporting changes in equity - The revised AASB 101 requires all changes in equity arising from transactions with owners in their capacity as owners, to be presented separately from non-owner changes in equity. Owner changes in equity are to be presented in the statement of changes in equity, with non-owner changes in equity presented in the statement of comprehensive income. The previous version of AASB 101 required that owner changes in equity and other comprehensive income be presented in the statement of changes in equity.

Statement of Comprehensive Income - The revised AASB101 requires all income and expenses to be presented in either one statement, the statement of comprehensive income, or two statements, a separate income statement and a statement of comprehensive income. The previous version of AASB 101 required only the presentation of a single income statement.

The company's financial statements now contain a statement of comprehensive income.

Other Comprehensive Income - The revised version of AASB 101 introduces the concept of other comprehensive income which comprises of income and expenses that are not recognised in profit or loss as required by other Australian Accounting Standards. Items of other comprehensive income are to be disclosed in the statement of comprehensive income. The previous version of AASB 101 did not contain an equivalent concept.

1. Summary of Significant Accounting Policies (continued)

(r) New accounting standards for application in future periods

The AASB has issued new and amended standards and interpretations that have mandatory application dates for future reporting periods. The entity has decided against early adoption of these standards. The following standards have been issued and may be applicable to Activ, a description of their effects on Activ are included below;

AASB 9: Financial Instruments and AASB 2009-11: Amendments to Australian Accounting Standards arising from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12] (applicable for annual reporting periods commencing on or after 1 January 2013).

These standards are applicable retrospectively and amend the classification and measurement of financial assets. As the entity has minimal financial assets held at fair value the effect on the financial report is unlikely to be significant.

The changes made to accounting requirements include:

- Simplifying the classifications of financial assets into those carried at amortised cost and those carried at fair value;
- Simplifying the requirements for embedded derivatives;
- Removing the tainting rules associated with held to maturity assets;
- Removing the requirements to separate and fair value embedded derivatives for financial assets carried at amortised cost;
- Requiring financial assets to be reclassified where there is a change in an entity's business model as they are initially classified based on:
 - (i) The objective of the entity's business model for managing the financial assets and
 - (ii) The characteristics of the contractual cash flows.

AASB 2009-4: Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 2 and AASB 138 and AASB Interpretations 9 & 16] (applicable for annual reporting periods commencing from 1 July 2009) and AASB 2009-5: Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 5, 8, 101, 117, 118, 136 & 139] (applicable for annual reporting periods commencing from 1 January 2010).

These standards detail numerous non-urgent but necessary changes to accounting standards arising from the IASB's annual improvements project. The entity is assessing the impact on the financial report however any impact is unlikely to be significant.

AASB 2009-8 Amendments to Australian Accounting Standards – Group Cash-settled Share-based Payment Transactions [AASB 2]. This Standard makes amendments to Australian Accounting Standard AASB 2 Share-based Payment and supersedes Interpretation 8 Scope of AASB 2 and Interpretation 11 AASB 2 – Group and Treasury Share Transactions. As the entity does not undertake group cash-settled share-based transactions the new standard will not have an impact on the financial report.

AASB 2009-9: Amendments to Australian Accounting Standards - Additional Exemptions for first time Adopters [AASB 1] (applicable for annual reporting periods commencing on or after 1 January 2010).

AASB 2009-10 Amendments to Australian Accounting Standards – Classification of Rights Issues. As the entity does not have any rights, options or warrants to acquire their own equity instruments, these amendments will not have any impact on the entity's financial report.

AASB 2009-12: Amendments to Australian Accounting Standards [AASBs 5, 8, 108, 112, 119, 133, 137, 139, 1023 & 1031 and Interpretations 2, 4, 16, 1039 & 1052] (applicable for annual reporting periods commencing on or after 1 January 2011).

1. Summary of Significant Accounting Policies (continued)

This standard makes a number of editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text in IFRS's by the IASB. The Standard also amends AASB to require entities to exercise judgment in assessing whether a government and entities known to be under the control of that government are considered a single customer for the purposes of certain operating segment disclosures. Since the entity is not a government related entity; there is not expected to be any changes arising from this standard.

AASB 2009-13: Amendments to Australian Accounting Standards arising from Interpretation 19 [AASB 1] (applicable for annual reporting periods commencing on or after 1 July 2010).

This standard makes amendments to AASB 1 arising from the issue of Interpretation 19. The amendments allow a first time adopter to apply the transitional provisions in Interpretation 19. As the entity has not renegotiated any financial liabilities into equity instruments this interpretation is not expected to have any impact on the entity's financial report.

AASB 2009-14: Amendments to Australian Interpretation - Prepayments of a Minimum Funding Requirement [AASB Interpretation 14] (applicable for annual reporting periods commencing on or after 1 January 2011).

This standard amends Interpretation 14 to address unintended consequences that can arise from the previous accounting requirements when an entity prepays future contributions into a defined benefit pension plan. As the entity does not have a defined benefit pension plan this amendment to Interpretation 14 is not expected to have any impact on the entity's financial report.

AASB 2010-04 - Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101, AASB 134 and Interpretation 13]. The standard is not likely to have a significant impact on the financial report other than disclosure requirements.

AASB 1053 Application of Tiers of Accounting Standards (applicable for annual reporting periods commencing on or after 1 July 2013). This Standard establishes a differential financial reporting framework consisting of two Tiers of reporting requirements for preparing general purpose financial statements:

- (i) Tier 1: Australian Accounting Standards; and
- (ii) Tier 2: Australian Accounting Standards – Reduced Disclosure Requirements.

Tier 2 comprises the recognition, measurement and presentation requirements of Tier 1 and substantially reduced disclosures corresponding to those requirements.

The following entities apply Tier 1 requirements in preparing general purpose financial statements:

- (i) For-profit entities in the private sector that have public accountability (as defined in this Standard); and
- (ii) The Australian Government and State, Territory and Local Governments.

The following entities apply either Tier 2 or Tier 1 requirements in preparing general purpose financial statements:

- (i) For-profit private sector entities that do not have public accountability;
- (ii) All not-for-profit private sector entities; and
- (iii) Public sector entities other than the Australian Government and State, Territory and Local Governments.

The impact from this standard has not yet been determined in relation to the entity and is to be considered in the 2011-12 financial year.

The entity does not anticipate early adoption of any of the above Australian Accounting Standards.

The Financial Report was authorised for issue on 26th September by the Board of Directors.

2. Movement in Reserves

(a) State capital grants	30-Jun-11	30-Jun-10
	\$	\$
Balance at start of period	3,560,607	3,862,481
Transfers to / (from) reserve	(44,270)	(301,874)
Balance at end of period	<u>3,516,337</u>	<u>3,560,607</u>

Some assets held by Activ have been partially purchased with Commonwealth funds that were subsequently transferred to the State. The State retains equity in these assets in proportion to their initial outlay contribution. This reserve has been set aside on the basis that eventual sale of these assets may entitle the State to be reimbursed their equity proportion. The assets reflected within this reserve are recorded at historical cost less accumulated depreciation attributable to them according to note 1(d). Upon sale of these assets the equity proportion may be returned to the State at market value.

(b) Facility and improvements reserve

Balance at start of period	630,369	620,104
Transfers to / (from) reserve	(520,596)	10,265
Balance at end of period	<u>109,773</u>	<u>630,369</u>

Represents funds raised by each facility that can be used at the Manager's discretion for the benefit of service recipients and funds identified that can be used at the discretion of the Chief Executive Officer for improvement initiatives.

(c) Gift fund reserve

Balance at start of period	1,178,313	450,264
Transfers to / (from) reserve	160,676	728,049
Balance at end of period	<u>1,338,989</u>	<u>1,178,313</u>

Represents monies set aside in the Activ Gift Fund bank account including donations, charitable trust distributions, legacies and bequests, proceeds from the disposal of gifted assets and interest returns thereon. In the event of the Gift Fund being wound up or Direct Gift Recipient (DGR) endorsement revoked, Activ is required to transfer this surplus to another DGR.

(d) HACC asset replacement reserve

Balance at start of period	500,104	446,429
Transfers to / (from) reserve	(168,651)	53,675
Balance at end of period	<u>331,453</u>	<u>500,104</u>

Represents monies set aside for the replacement of Home and Community Care (HACC) assets.

(e) Maintenance reserve

Balance at start of period	22,999	14,279
Transfers to / (from) reserve	19,691	8,720
Balance at end of period	<u>42,690</u>	<u>22,999</u>

Represents monies set aside for maintenance expenditure.

2. Movement in Reserves (continued)

(f) Service development & expansion reserve	30-Jun-11	30-Jun-10
	\$	\$
Balance at start of period	5,895,619	5,462,994
Transfers to / (from) reserve	2,159,343	432,625
Balance at end of period	8,054,962	5,895,619

Represents monies set aside to purchase, build, develop or improve facilities, technology and equipment that contribute to the ability of Activ to deliver a range of services in fulfillment of its purpose. Proceeds of asset sales are transferred and held in this reserve. During 2010/2011 the reserve was used to fund the development of Minna St and in part for minor expenses relating to the construction of the Central Services Building in Wembley.

(g) Fundraising reserve

Balance at start of period	82,050	81,517
Transfers to / (from) reserve	104,966	533
Balance at end of period	187,016	82,050

Represents funds from net fundraising proceeds which may be used for future capital expenditure.

(h) Specific purpose reserve

Balance at start of period	42,336	42,336
Transfers to / (from) reserve	198	-
Balance at end of period	42,534	42,336

Represents monies set aside for residential facilities in the Busselton region.

(i) Support groups reserve

Balance at start of period	1,091,403	1,016,041
Transfers to / (from) reserve	69,058	75,362
Balance at end of period	1,160,461	1,091,403

Represents the affiliated Support Groups monies and Special Assistance Grant funds following the closure of the Southern Suburbs, Esperance and Central Branches.

(j) Changed needs reserve

Balance at start of period	967,091	973,222
Transfers to / (from) reserve	4,534	(6,131)
Balance at end of period	971,625	967,091

Represents surplus monies generated from Disability Services Commission recurrent funding to be set aside for improvement to service delivery and to manage changes in the relative support needs of clients.

2. Movement in Reserves (continued)

(k) House account reserve	Note	30-Jun-11 \$	30-Jun-10 \$
Balance at start of period		108,791	108,325
Transfers to / (from) reserve		(108,791)	466
Balance at end of period		-	108,791

Represents monies transferred from individual group home bank accounts into Activ's main bank account for improved cash management of household expenditure. The funds are to be used for household items for the benefit of the residents of the home from which the funds originated. These funds have been amalgamated in 2010/11 with the Fundraising Reserve to simplify internal accounting processes.

(l) Summary of movements in reserves balances

Balance at start of period	14,079,680	13,077,992
Transfers to / (from) reserve	1,676,159	1,001,688
Balance at end of period	15,755,839	14,079,680

3. Revenue and Other Income

(a) Revenue

Revenue from Government Grants and Other Grants

State grants	32,803,456	28,790,157
Federal grants	12,732,434	12,381,102
Other government grants	247,812	173,697
Other organisations	-	-
	45,783,702	41,344,956

Other Revenue

Supported employment goods and services	13,524,432	11,758,914
Transportation fees	542,502	1,592,020
	14,066,934	13,350,933
Total revenue	59,850,636	54,695,890

(b) Other income

Support services fees		4,185,724	3,948,588
Proceeds from sale of assets	4c	2,645,025	1,439,646
Interest		835,393	682,179
Fundraising	4e	957,958	537,160
Donations and bequests		164,922	1,114,183
Rental income		362,124	345,832
Dividends		728	743
Other		1,094,016	979,654
Total other income		10,245,890	9,047,985
Total revenue and other income		70,096,526	63,743,875

4. Surplus for the Year

	30-Jun-11	30-Jun-10
(a) Cost of sales	\$	\$
Supported employment goods and services	8,622,859	7,456,125
(b) Expenses		
Depreciation and Amortisation		
Buildings	319,852	285,685
Motor vehicles	899,265	908,410
Plant & equipment	406,271	400,796
Computer equipment	45,906	55,902
Furniture	20,039	13,539
Fixtures & fittings	77,029	32,294
Total depreciation of non-current assets	<u>1,768,364</u>	<u>1,696,626</u>
Amortisation of non-current assets		
Leasehold improvements	95,009	94,166
Leased motor vehicles	4,735	81,339
Leased equipment	-	-
Registered design and trademarks	825	825
Software licenses	32,162	37,400
Total amortisation of non-current assets	<u>132,731</u>	<u>213,730</u>
Total depreciation and amortisation expenses	<u>1,901,095</u>	<u>1,910,356</u>
Staff & employee benefits expense		
Staff salaries	31,101,334	28,314,875
Casual staff salaries & wages	4,637,524	4,670,232
Staffing on-costs	3,484,386	3,245,323
Staff employment agency costs	908,292	732,178
Provision for entitlements - annual leave	3,716,637	3,444,906
Provision for entitlements - long service leave	696,169	1,055,055
Workers compensation	1,386,296	1,091,286
Other staffing costs (includes training, recruitment & travel within WA)	1,336,518	1,264,987
	<u>47,267,157</u>	<u>43,818,842</u>
Employee salaries disclosed at cost of sales	-	-
Employee salaries disclosed at employee benefits expense	4,084,408	4,240,697
	<u>4,084,408</u>	<u>4,240,697</u>
Total staff & employee benefits expense	<u>51,351,565</u>	<u>48,059,539</u>

4. Surplus for the Year (continued)

	30-Jun-11	30-Jun-10
	\$	\$
Finance cost		
Interest on loans	128,971	115,620
Interest to residents for funds held on their behalf	173,783	125,642
Bank charges	53,408	43,240
Total finance costs	<u>356,163</u>	<u>284,502</u>
Operational lease expense		
Building/accommodation leases	1,935,530	1,803,641
Plant & machinery leases	38,937	49,051
Total operating lease expense	<u>1,974,466</u>	<u>1,852,692</u>

(c) Significant revenue and expenses

On April 20 2010, Activ sold a portion of its Transport segment, thereby discontinuing its operations for those bus runs directly affected by PTA contracts.

The following significant revenue and expense items are relevant in explaining the financial performance of the sale agreement.

Net gain/(loss) on disposal of going concern (PTA bus contracts)

Proceeds on disposal		
- Goodwill	-	1,165,000
- Assets (buses)	-	1,125,000
- Other	-	40,000
	<u>-</u>	<u>2,330,000</u>
Disposals at net book value	-	925,283
Net gain/(loss) on disposal	<u>-</u>	<u>1,404,717</u>

Net gain/(loss) on disposal of non-current assets (excluding buses servicing PTA contracts 2009/10 only)

Proceeds on disposal	2,645,025	1,439,646
Disposals at net book value	(795,138)	(625,052)
Net gain/(loss) on disposals	<u>1,849,887</u>	<u>814,594</u>

The following significant revenue and expense items are relevant in explaining the financial performance.

Accommodation household expense	1,247,696	1,184,181
Motor fleet operating expense	1,170,959	1,198,335
Audit, consultancy and legal expense	756,151	727,422
Repairs and maintenance expense	1,174,575	1,416,498
Raw materials and consumables used	3,780,074	3,102,153
Changes in inventories	19,734	113,275
Utilities	669,861	590,748
	<u>8,819,050</u>	<u>8,332,612</u>

4. Surplus for the Year (continued)

	30-Jun-11	30-Jun-10
	\$	\$
(d) Other expenses		
Client expenses	377,579	267,646
Refund of prior year funding	1,208,248	-
Rates & taxes	622,520	550,102
General insurances	386,899	398,733
Communication expenses	673,895	643,240
External services	789,677	700,151
Office expenses	305,423	330,909
Sales and distribution expenses	211,835	190,833
Subscriptions and memberships	74,201	68,994
Written down value of assets sold	795,139	625,053
Minor asset expenses	341,675	406,421
Bad debts written off	30,332	6,093
Provision for impairment of receivables	5,882	-
Other expenses	449,088	262,125
Total other expenses from ordinary activities	6,272,393	4,450,300
Total operating expense for the entity	70,674,731	64,890,000
(e) Fundraising income		
City to Surf	850,000	425,646
Support groups	63,221	59,061
Other	44,738	52,453
Total fundraising income	957,959	537,161
Fundraising expenditure		
City to Surf	13,815	13,494
Support groups	70,407	48,236
Other	-	-
Total fundraising expenditure	84,222	61,730
Net fundraising	873,737	475,431
(f) Lotterywest funding		
Grants	2,225,443	23,423
	2,225,443	23,423

5. Economic Dependency

Activ is dependent on the Disability Services Commission and the Department of Families, Housing, Community Services and Indigenous Affairs for the majority of its revenue used to operate the business. At the date of this report the Board of Directors has no reason to believe the Commission or the Department will not continue to support Activ.

6. Inventories	Note	30-Jun-11	30-Jun-10
		\$	\$
Raw materials at cost		342,574	342,500
Work in progress at cost		49,616	47,029
Finished goods at net realisable value		427,493	449,761
Finished services - unbilled		5,155	2,909
Land held for resale		-	686,195
Total inventories at the lower of cost and net realisable value		824,837	1,528,394

(a) The properties at Sabina Court, Augusta; Lot 425, 15 Hybanthus Avenue, High Wycombe and Lot 428, 5 Calophylla Way in High Wycombe were listed for sale as at June 30 2010. During 2010/11 the properties were sold and settlement took place successfully.

7. Other Assets

(a) Current			
Prepayments		280,955	354,079
Other		-	49,992
	7(a)	<u>280,955</u>	<u>404,071</u>
(b) Non current			
Refundable bonds		7,040	12,993
	7(b)	<u>7,040</u>	<u>12,993</u>
Total other current assets		<u>280,955</u>	<u>404,071</u>

8. Financial Assets

Current			
Financial assets at fair value through the Statement of Comprehensive Income	8(a)	<u>12,779</u>	<u>13,315</u>
(a) Held for trading Australian listed shares:			
Listed investments, at fair value			
- Shares in listed corporations at market value		12,779	13,315
		<u>12,779</u>	<u>13,315</u>

The fair value of listed investments has been determined by reference to published price quotations in an active market. There are no individually material investments.

9. Property, Plant and Equipment	Note	30-Jun-11	30-Jun-10
Property, plant and equipment at cost:		\$	\$
Land			
Carrying amount at beginning		8,872,243	9,023,471
Additions		-	-
Additions at fair value		-	-
Disposals	9(a)	-	(149,000)
Transfers to Land held for resale		-	(2,228)
		<u>8,872,243</u>	<u>8,872,243</u>
Buildings			
Carrying amount at beginning		8,320,139	6,807,767
Additions		-	-
Additions at fair value		-	-
Depreciation expense		(319,852)	(285,685)
Disposals	9(a)	-	(98,736)
Transfers from Work in Progress	9(c)	7,226,482	1,896,793
		<u>15,226,769</u>	<u>8,320,139</u>
Motor vehicles			
Carrying amount at beginning		4,465,479	4,839,593
Additions		433,266	909,910
Depreciation expense		(899,265)	(908,388)
Disposals		(106,281)	(375,636)
Transfers		20,532	-
		<u>3,913,731</u>	<u>4,465,479</u>
Plant & equipment			
Carrying amount at beginning		1,773,742	1,789,765
Additions		71,664	386,586
Depreciation expense		(406,271)	(400,926)
Disposals		(25,812)	(1,683)
Transfers		39,353	-
		<u>1,452,676</u>	<u>1,773,742</u>
Computer equipment			
Carrying amount at beginning		85,323	118,015
Additions		89,777	23,210
Depreciation expense		(45,906)	(55,902)
Disposals		(9,976)	-
Transfers		-	-
		<u>119,218</u>	<u>85,323</u>

9. Property, Plant and Equipment (continued)

	Note	30-Jun-11	30-Jun-10
Furniture & equipment		\$	\$
Carrying amount at beginning		61,092	68,667
Additions		471,820	9,095
Depreciation expense		(20,039)	(13,363)
Disposals		(3,197)	-
Transfers		(13,825)	(3,307)
		495,851	61,092
Fixtures & fittings			
Carrying amount at beginning		154,807	121,927
Additions		1,796,674	45,426
Depreciation expense		(77,046)	(32,294)
Disposals		(9,195)	-
Transfers		-	19,748
		1,865,240	154,807
Leasehold improvements			
Carrying amount at beginning		971,410	1,052,468
Additions		85,537	13,109
Depreciation expense		(94,993)	(94,167)
Disposals		-	-
Transfers		-	-
		961,954	971,410
Leased motor vehicles (buses)			
Carrying amount at beginning		50,719	795,324
Additions		-	262,017
Depreciation expense		(4,735)	(81,339)
Disposals	9(b)	-	(925,283)
Transfers		(45,984)	-
		-	50,719
Capital projects in progress			
Carrying amount at beginning		3,345,824	2,361,358
Additions	9(c)	8,340,054	2,955,381
Depreciation expense		-	-
Disposals	9(d)	(22,820)	(63,628)
Transfers to capital (property, plant & equipment)	9(e)	(9,855,457)	(1,907,287)
	9(f)	1,807,601	3,345,824
Total property, plant and equipment (net book value)		34,715,283	28,100,778

9. Property, Plant and Equipment (continued)

- (a) Disposal of land and buildings at historical cost for lot 2 Selby Street Floreat and lots 1 and 2 Jersey Street, Wembley.
- (b) In 2009/2010 Activ sold the Public Transport Authority bus charter service to an external source. A fleet of buses associated with the charter service which were under a finance agreement with Westpac bank were disposed upon execution of the sale agreement.
- (c) In October 2009 Activ entered into a formal contractual commitment with Merit Constructions to construct the new Central Services Building located at 327 Cambridge Street in Wembley. Construction was completed in May 2011.
- (d) In 2009/2010 the business intelligence project was deemed to be no longer a work in progress as any further progression was abandoned in the 2008/2009 year. The associated costs have been expensed in 2009/2010.
- (e) Construction of new group homes at Seagrave St Gwelup were completed in 2009/2010, construction of the new Central Services building in Wembley was completed 2010/2011. New welding and storage sheds were completed at Shenton Street, Geraldton for the Business Services division.
- (f) In 2010/11 Capital Projects in Progress included property projects in Albany, Gelorup, High Wycombe, Wembley and Wanneroo.
- (g) Bishop St Jolimont is no longer occupied by Activ. Construction of the new head office building in Wembley was completed in May 2011. Control over Bishop St has been handed back to the City of Subiaco.
- (h) Capitalisation of the Central Services Building included borrowing costs incurred during the period of construction. These were included in the capitalising of the building.

10. Trade and Other Receivables	Note	30-Jun-11 \$	30-Jun-10 \$
Trade receivables		2,779,925	2,562,264
Provision for impairment of losses	10(a)	(41,103)	(59,027)
Sundry receivables		274,213	442,454
Loans receivable		528,329	-
Total receivables		3,541,365	2,945,691

- (a) Current trade and other receivables' terms are 60 days for business services customers and 30 days for non-business services customers. Activ does not have any non current receivables as at reporting date.

Movements in the provision for impairment are as follows:

Current trade & service receivables			
Opening balance		(59,027)	(56,436)
Charge for the year	10(b)	54,139	22,552
Amount written off		(36,214)	(25,143)
Closing balance		(41,103)	(59,027)

- (b) A decrease to the provision for impairment was applied throughout the year to June 30 2011. A review was undertaken to adjust for those receivables that were previously deemed as impaired. As a result a decrease in the impairment value was achieved. The decrease in the provision for impairment in 2010 is directly attributed to one debtor under Administration in 2008, whose debt was written off in 2009.

11. Other Current Liabilities	Note	30-Jun-11	30-Jun-10
		\$	\$
Funds held on behalf of residents	11(a)	4,434,647	3,987,836
Unpaid staff salaries and wages	11(b)	8,189	2,813
Staff Social & Christmas Club funds		50,546	33,733
Refund of Funding		642,433	-
Other		-	487
Total funds held on behalf of others		5,135,815	4,024,869
Grants received in advance		1,418,350	1,607,256
Deposits received in advance		38,883	818,598
Total other current liabilities		6,593,048	6,450,723

12. Commitments

Lease expenditure commitments

(a) Operating leases (non cancellable):

Minimum lease payments			
Not later than 1 year		1,430,417	1,824,390
Later than 1 year and not later than 5 years		1,278,943	2,409,439
Later than 5 years		12,055	35,150
Aggregate lease expenditure contracted for at balance date		2,721,415	4,268,979

Operating leases are entered into as a means of obtaining the use of minor items of plant and equipment and includes rental of properties. Rental payments are generally fixed. No leases have escalation clauses other than in the event of payment default. No renewal or purchase option exists in relation to operating leases and no operating leases contain restrictions on financing or other leasing activities.

(b) Finance leases:

Minimum lease payments			
Not later than 1 year		213,708	157,352
Later than 1 year and not later than 5 years		438,363	279,300
Later than 5 years		-	-
Total minimum lease payments		652,071	436,652
Future finance charges		(93,907)	(46,958)
Lease liability		558,164	389,694
Current liability*	22(a)	213,708	133,168
Non-current liability*	22(b)	438,363	256,526
		652,071	389,694

* Excludes any commercial bill liability

Finance leases are entered into as a means of financing the acquisition of significant plant and equipment, the fit-out of the Brolo Court Property and for the purpose of acquiring motor vehicles. Payments are fixed. No leases have escalation clauses other than in the event of payment default.

12. Commitments (continued)

In October 2009 Activ entered into a formal contractual commitment with Merit Constructions to construct the new Central Services Building located at 327 Cambridge Street in Wembley. This was funded by way of a commercial bill facility with a facility limit of \$6,500,000. As at the reporting date \$6,496,268 was drawn down. See note 14 for details.

Lease receivable commitments

Activ has entered into commercial property leases on its property portfolio consisting of the surplus office space located at the newly completed Central Services building at 327 Cambridge Street, Wembley.

A non cancellable lease has been entered into as at the reporting date. The remaining terms continue through for up to 7 years.

All leases include a clause to enable upward revision of the rental charge on an annual basis according to predetermined increases as per the lease agreement.

Future minimum rentals receivable under non-cancellable operating leases as at reporting date are as follows:

	30-Jun-11	30-Jun-10
	\$	\$
Not later than 1 year	49,569	-
Later than 1 year and not later than 5 years	891,861	-
Later than 5 years	511,991	-
Total minimum lease payments	1,453,421	-

13. Provisions

Employee benefits

Opening balance 1 July	6,883,961	5,581,795
Movements during the year	698,990	1,302,166
Balance at 30 June	7,582,951	6,883,961

Workers' compensation premium

Opening balance 1 July	267,507	184,877
Movements during the year	490,660	82,630
Balance at 30 June	758,167	267,507

Total provisions

Opening balance 1 July	7,151,468	5,766,672
Movements during the year	1,189,650	1,384,796
Balance at 30 June	8,341,118	7,151,468

Analysis of total provisions

(a) Current	6,860,903	5,998,241
(b) Non Current	1,480,215	1,153,227
	8,341,118	7,151,468

A provision has been recognised for employee entitlements relating to long service leave and superannuation. In calculating the present value of future cash flows in respect of long service leave, the probability of long service leave being taken is based on historical data. The measurement and recognition criteria relating to employee benefits have been included in Note 1 to this report.

14. Financing Arrangements

Activ has access to the following financing facilities with Westpac Bank:

	Note	Accessible \$	Drawn Down \$	Unused \$
2011				
Commercial bill facility	14 (a)	6,500,000	(6,496,268)	3,732
Forward exchange contract	14 (a)	150,000	-	150,000
Westpac MasterCard corporate card	14 (a)	150,000	(146,000)	4,000
Equipment finance - revolving limit	14 (b)	1,250,000	(201,377)	1,048,623
Toyota financing	14 (b)	2,000,000	(363,276)	1,636,724
Total financing facilities		10,050,000	(7,206,921)	2,843,079
2010				
Commercial bill facility	14 (a)	6,500,000	(1,422,439)	5,077,561
Forward exchange contract	14 (a)	150,000	-	150,000
Westpac MasterCard corporate card	14 (a)	150,000	(123,000)	27,000
Equipment finance - revolving limit (buses)	14 (b)	750,000	(389,695)	360,305
Total financing facilities		7,550,000	(1,935,134)	5,614,866

- (a) All of Activ's facilities, with the exception of equipment finance - revolving limit, are subject to annual review and subject to cancellation at either party's election at each review date.
- (b) Equipment finance facility is secured by a charge over the vehicle or equipment financed.
- (c) Activ has an obligation under the terms of the commercial bill facility to ensure a minimum debt service cover ratio of 1 and a Loan to Valuation (LVR) against 327 Cambridge Street Wembley to not exceed 55% at all times. Activ is in breach of the minimum debt service cover ratio as at 30 June 2011. Westpac has been notified of the breach as at reporting date. Subsequent to balance date but preceding publication date of these financial statements, Westpac has provided to Activ reassurance that the bank will forebear any immediate corrective action against the before mentioned breach. The next review will be held at 30 June 2012. Refer to note 22 & 26 for additional disclosing items.
- (d) The commercial bill facility is secured with details disclosed at note 22.

15. Segmental Information

Activ primarily operates within the human services area and is concerned with the provision of services to people with disability and their families. Activ operates wholly within Western Australia.

Activ's surplus for the year ended 30 June 2011 is a function of two distinct activity categories:

	30-Jun-11	30-Jun-10
	\$	\$
Primary operating activities	(6,366,168)	(4,258,513)

Primary operating activities

- (i) Primary operating activities of Activ are the provision of services such as accommodation, employment, alternative to employment, respite, home care services, recreation, library services and transport to people with disability and their families. These services are substantially funded by government grants.
- (ii) The Primary and Secondary operating results include corporate services overhead allocations from 2010/11 onwards.

Secondary operating activities

Interest derived	591,100	682,179
Land, building, motor vehicle and equipment disposals	1,866,822	814,594
Sale of PTA bus contracts	-	1,404,717
Net fundraising (inc support group activities)	873,736	475,431
Donations and bequests	164,922	1,114,183
Lotterywest grant for Wembley Central Services building	2,225,443	-
Other	65,940	26,001
Total secondary operating activities	5,787,963	4,517,104
Total surplus (deficit) from primary and secondary activities	(578,205)	258,591
Segment assets		
Primary activities	46,656,861	37,949,015
Secondary activities	4,825,000	8,704,353
Total assets	51,481,861	46,653,368
Segment liabilities		
Primary activities	24,402,236	18,698,899
Secondary activities	3,360	300,000
Total liabilities	24,405,596	18,998,899

The above information has been included for additional disclosure purposes only. This information has been presented for the benefit of the readers of the financial statements rather than to comply with any specific accounting standards.

16. Contingencies

Liabilities

- a) Activ entered into a hybrid Workers' Compensation policy from 1 July 2009 (policy expires in June 2014) on the basis of improved injury management and preventative risk management practices within Activ and thereby benefiting from reduced upfront premium costs. Actuarial reviews may be required during the course of the policy to confirm the appropriate provisioning for final claims cost in 2014.
- b) Currently Activ is a party to, or is potentially affected by Native Title Claims. The proceedings relating to this claim are not finalised, but the potential impact, if any, on the operations of Activ is not considered to be of material value.
- c) On 10 July 2011, the Commonwealth Government announced the "Securing a Clean Energy Future – the Australian Government's Climate Change Plan". Whilst the announcement provides further details of the framework for a carbon pricing mechanism, uncertainties continue to exist on the impact of any carbon pricing mechanism to Activ as legislation must be voted on and passed by both houses of Parliament. In addition, as Activ will not fall within the "Top 500 Australian Polluters", the impact of the Carbon Scheme will be through indirect effects of increased prices on many production inputs and general business expenses as suppliers subject to the carbon pricing mechanism are likely to pass on their carbon price burden to their customers in the form of increased prices. Directors of Activ expect that this will not have a significant impact upon operation costs within the business, and therefore will not have an impact upon the valuation of assets and/or going concern of the business.

17. Financial Risk Management

Financial risk management policies

Activ's financial instruments consist mainly of deposits with banks, shares, accounts receivable and payable and leases. No derivative instruments were held at 30 June 2011.

An Audit and Risk Committee, consisting of non-executive directors and senior executives, meet on a regular basis to analyse financial risk exposure and to evaluate treasury management strategies in the context of the most recent economic conditions and forecasts.

The Committee's overall risk management strategy seeks to assist Activ in meeting its financial targets, whilst minimising potential adverse effects on financial performance.

Directors and management continue to adopt a conservative approach to risk exposure to interest rates, foreign currency and investment strategies.

Specific financial risk exposures and management

Liquidity risk

Activ manages liquidity risk by monitoring forecast cash flows and ensuring that adequate unutilised borrowing facilities are maintained.

Credit risk

Activ's operations are substantially diversified and are not concentrated so as to present a significant credit risk. The maximum exposure to credit risk, excluding the value of any collateral or other security, at balance date to recognised financial assets, is the carrying amount, net of any provisions for impairment of such assets, as disclosed in the statement of Financial Position and notes to the financial statements.

Foreign currency risk

Activ is not exposed to any material fluctuations in foreign currency.

Price risk

Activ is not exposed to any material commodity price risk.

17. Financial Risk Management (continued)

Interest rate risk

Activ is exposed to interest rate risk through primary financial assets and liabilities. The following table illustrates sensitivities to Activ's exposures to changes in interest rates. The table indicates the impact on how the deficit and equity values reported at balance date would have been affected by changes to interest rates.

Sensitivity analysis

	30-Jun-11	30-Jun-10
Change in surplus/deficit		
<i>decreased deficit/(increased deficit)</i>	\$	\$
i) Increase in interest rate by 2%	(465,699)	(1,563)
ii) Decrease in interest rate by 2%	(661,809)	(415,556)
Change in Equity		
<i>decreased deficit/(increased deficit)</i>		
i) Increase in interest rate by 2%	(465,699)	(1,563)
ii) Decrease in interest rate by 2%	(661,809)	(415,556)

The above interest rate sensitivity analysis has been performed on the assumption that all other variables remain unchanged.

No sensitivity analysis has been performed on foreign exchange risk, as the entity is not exposed to foreign currency fluctuations.

Trade & other payables are expected to be paid as follows:

Less than 6 months	2,323,091	3,584,574
6 months - 1 year	-	-
1 - 5 years	-	-
	2,323,091	3,584,574

The fair values of financial liabilities are presented in the following table and can be compared to their carrying values as presented in the statement of financial position. Fair values are those amounts at which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Fair values derived are based on information that is estimated or subject to judgment, where changes in assumptions may have a material impact on the amounts estimated. Areas of judgment and the assumptions have been detailed below.

Where possible, valuation information used to calculate fair value is extracted from market, with more reliable information available from markets that are actively traded. In this regard, fair values for listed securities are obtained from quoted market prices. All values disclosed have been sought from an active market and a discounted cash flow analysis has not been used.

Most of these instruments will be held until maturity. No financial assets as at 30 June 2011 are listed as available for sale financial assets.

17. Financial Risk Management (continued)

	Note	30-Jun-11		30-Jun-10	
		Net Carrying Value	Net Fair Value	Net Carrying Value	Net Fair Value
		\$	\$	\$	\$
Financial assets					
Cash and cash equivalents	17(a)	12,051,095	12,051,095	13,584,401	13,584,401
Trade and other receivables	17(a)	3,541,365	3,541,365	2,945,691	2,945,691
Other financial assets	17(b)	12,779	12,779	13,315	13,315
Total financial assets		15,605,239	15,605,239	16,543,407	16,543,407
Financial liabilities					
Lease liabilities		7,148,340	7,148,340	1,812,134	1,812,134
Trade and other payables	17(a)	2,323,091	2,323,091	3,584,574	3,584,574
Commercial bill	17(c)	-	-	1,422,439	1,422,439
Total financial liabilities		9,471,431	9,471,431	6,819,147	6,819,147

The fair values disclosed in the above table have been determined based on the following methodologies:

- (a) Cash and cash equivalents, trade and other receivables and trade and other payables are short term instruments in nature whose carrying value is equivalent to fair value. Trade and other payables exclude amounts relating to the provision of annual leave, which is not considered a financial instrument. As at 30 June 2011 no other financial assets were listed as available for sale. Other financial assets have been marked to market based on a quoted market bid price as at 30 June 2011 and is subsequently recorded at net fair value. Activ entered in to a contractual arrangement using a commercial bill with Westpac Banking Corporation to raise funds to construct the new premises at 327 Cambridge Street, Wembley. Construction of the new premises was completed in May 2011 and the first principal and interest drawdown will come into effect in July 2011. The fair value of the commercial bill is deemed to be equal to the carrying amount in the statement of financial performance.

	Level 1	Level 2	Level 3	Total
	\$	\$	\$	\$
2011				
Financial assets at fair value through Statement of Comprehensive Income				
Other financial assets				
Listed shares	12,779	-	-	12,779
	12,779	-	-	12,779
2010				
Financial assets at fair value through Statement of Comprehensive Income				
Other financial assets				
Listed shares	13,315	-	-	13,315
	13,315	-	-	13,315

Included within Level 1 of the hierarchy are listed investments. The fair value of these financial assets has been based on the closing quoted bid price at the end of the reporting period, excluding transaction costs.

18. Financial Asset and Financial Liability Maturity Analysis

Cash Flows realised from financial assets reflect management's expectation, as to the timing of realisation. Actual timing may therefore differ from that disclosed. The timing of cash flows presented in the table to settle financial liabilities reflects the earliest contractual settlement dates.

	Note	Within 1 year		1 to 5 years		Total contractual cash	
		2011	2010	2011	2010	2011	2010
		\$	\$	\$	\$	\$	\$
Financial liabilities							
Hire purchase liabilities	22	213,708	133,168	438,363	256,527	652,070	389,696
Trade and other payables	21	2,323,091	3,584,574	-	-	2,323,091	3,584,574
Commercial bill		6,496,268	-	-	-	6,496,268	-
		9,033,067	3,717,742	438,363	256,527	9,471,429	3,974,270
Financial assets							
Cash and cash equivalents	20(a)	12,051,095	13,584,401	-	-	12,051,095	13,584,401
Trade receivables	10	3,541,365	2,945,691	-	-	3,541,365	2,945,691
Other financial assets	8	12,779	13,315	-	-	12,779	13,315
		15,605,237	16,543,408	-	-	15,605,237	16,543,408
Net (outflow)/ inflow on financial instruments		6,572,171	12,825,665	(438,363)	(256,527)	6,133,808	12,569,138

The commercial bill financial liabilities are classified with in one year due to the breach in the debt service ratio covenant. Refer to notes 14 and 26.

19. Capital Management

Management controls the capital of the entity to ensure that adequate cash flows are generated to fund its programs and that returns from investments are maximised. The Board ensures that the overall Risk Management strategy is in line with this objective.

Risk management policies are approved and reviewed by the Board on a regular basis. These include credit risk policies and future cash flow requirements.

The entity's capital consists of financial liabilities, supported by financial assets.

Management effectively manages the entity's capital by assessing the entity's financial risks and responding to changes in these risks and in the market.

There have been no changes to the strategy adopted by management to control the capital of the entity since the previous year.

20. Cash Flow Information

(a) Reconciliation of cash

Cash balance comprises:

	30-Jun-11	30-Jun-10
	\$	\$
Cash at bank and on hand	2,877,297	3,940,850
Short term cash deposits	9,173,798	9,643,551
Closing cash balance	12,051,095	13,584,401

(b) Reconciliation of cashflow from operations

Operating surplus / (deficit) (578,205) 258,591

Non-cash flows in surplus:

Depreciation of non-current assets	1,768,364	1,696,626
Amortisation of non-current assets	132,731	213,730
Contribution of assets by external entity	-	(355,920)
Net (gain) / loss on disposal of property, plant and equipment	(1,849,887)	(814,594)
Net gain on disposal of sale of PTA contracts	-	(1,404,717)
Write-off capitalised expenditure	22,000	110,961
Write-off of stock	19,734	113,275
Other non-cash revenue and expense items	(9,073)	131,021

Changes in assets and liabilities

(Increase) / decrease in trade receivables and prepayments	(745,990)	(187,859)
(Increase) / decrease in inventory	703,557	(136,189)
(Increase) / decrease in accrued income	166,142	105,936
(Increase) / decrease in shares	536	(1,261)
(Increase) / decrease in other assets	44,039	3,100
(Decrease) / increase in creditors and accruals	(1,403,090)	857,145
(Decrease) / increase in goods and services tax payable	143,767	(92,294)
(Decrease) / increase in employee benefits	802,674	852,069
(Decrease) / increase in funds held on behalf of others	463,624	272,262
(Decrease) / increase in grants & subsidies received in advance	(87,020)	103,800
(Decrease) / increase in other liabilities	(234,279)	(14,054)

Net cash from operating activities (640,377) 1,711,627

21. Trade and Other Payables

Trade creditors - unsecured	620,518	350,560
Sundry creditors - unsecured	199,592	55,594
Accrued expenses	1,502,981	3,178,420
Total trade and other payables	2,323,091	3,584,574

22. Financial Liabilities	Note	30-Jun-11	30-Jun-10
(a) Short-term borrowings		\$	\$
Hire purchase liability - secured		198,135	119,140
Fit-out loan- secured		15,573	14,028
Commercial bill- secured *		6,496,268	-
Total short-term borrowings	12(b)	6,709,976	133,168
(b) Long-term borrowings			
Hire purchase liability - secured		399,323	201,913
Fit-out loan - secured		39,041	54,614
Commercial bill - secured *		-	1,422,439
Total long-term borrowings	12(b)	438,364	1,678,966
Total financial liabilities		7,148,339	1,812,134

* The commercial bill facility offered by Westpac Banking Corporation is secured in two ways:

i) A mortgage over the Central Services property situated at 327 Cambridge Street, Wembley.

ii) An Unregistered Fixed and Floating Charge limited to the Central Services property situated at 327 Cambridge Street, Wembley.

Refer to note 14 (c) & 26 for additional disclosing items.

23. Intangible Assets

Cost	1,832,107	1,906,184
Accumulated amortisation	(1,783,598)	(1,842,459)
Net book value	48,508	63,725
Reconciliation of registered design & trademarks		
Balance at the beginning of the year	4,497	5,322
Additions	-	-
Disposals	-	-
Amortisation charge	(825)	(825)
Impairment losses	-	-
Balance at the end of the year	3,672	4,497
Reconciliation of computer software		
Balance at the beginning of the year	59,228	96,628
Reclassification from property, plant & equipment	-	-
Additions	17,770	-
Disposals	-	-
Amortisation charge	(32,162)	(37,400)
Impairment losses	-	-
Balance at the end of the year	44,836	59,228
Net book value	48,508	63,725

24. Related Party Transactions

Directors

The directors of Activ during the financial year were:

Mr Martin Alciaturi - Resigned during 2010/11

Mr Matthew Battrick - Resigned during 2010/11

Ms Stephanie Black

Mrs Phillis Breheny

Mr Andrew Edwards (Vice President)

Mr Neil Guard

Mr Peter Knowles (President)

Ms Tina Thomas

Mr Tony Vis (Chief Executive Officer)

Mrs Leonie Walker

Ms Penelope Willems

Transactions between related parties are on normal commercial terms and conditions no more favourable than those available to other persons unless otherwise stated.

Directors, Mr Matthew Battrick, Mrs Leonie Walker, Ms Penelope Willems and Mrs Phillis Breheny are parents/family members of a person with disability or have an interest in a particular person or group of persons with disability.

Director Andrew Edwards retired from PriceWaterhouseCoopers on 30 June 2009. During the 2009 -2010 year PriceWaterhouseCoopers was contracted to provide services to Activ to the sum of \$102,300.

*Key management personnel compensation**

	Short -term Benefit	Post Employment Benefit	Total
2011	\$	\$	\$
Total compensation	345,505	29,652	375,157
2010			
Total compensation	324,315	27,770	352,085

* Key Management Personnel includes the President

Principles of compensation

Activ seeks to recruit and retain high quality Board Members and Executives by fair and appropriate remuneration with reference to industry standards and benchmarks.

25. Auditors' Remuneration

Amounts received or due and receivable for the audit of the financial report.

	30-Jun-11	30-Jun-10
	\$	\$
Grant Thornton	40,500	40,500

26. Events after the Reporting Period

Management of Activ have met with Westpac subsequent to the reporting date to discuss the breach to the debt covenant directly relating to the commercial bill facility, namely the debt service cover ratio. Westpac has provided assurance through formal written communication that the bank has chosen to forebear any actions relating to the breach in the debt service cover ratio. A review period has been set for 30 June 2012 when the same covenants will be tested for compliance. Refer to note 14 (c) & 22 for additional disclosing items.

No additional matters or circumstances have arisen since the end of the financial year which significantly affected or may significantly affect the operations, the results of those operations, or the state of affairs of Activ in future financial years.

Activ Foundation Inc.

Annual Report – 2010/2011

Financial Statements

Statement by Chief Executive Officer and Non Executive Director

We, Tony Vis and Andrew Edwards, being the Chief Executive Officer and Non Executive Director, respectively of Activ Foundation Inc. state that to the best of our knowledge and belief the financial report:

- a) Presents a true and fair view of the financial position of Activ Foundation Inc. as at 30 June 2011, its performance for year ended on that date in accordance with Australian Accounting Standards, mandatory professional reporting requirements and other authoritative pronouncements of the Australian Accounting Standards Board.
- b) At the date of this statement, there are reasonable grounds to believe that Activ Foundation Inc. will be able to pay its debts as and when they fall due.

Dated at Perth this 26th day of September 2011.



Tony Vis
Chief Executive Officer



Andrew Edwards
Non Executive Director

To be read in conjunction with the full financial statements which have been published and are available on request.

www.activ.asn.au

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Independent Auditor's Report To the Members of Activ Foundation Inc.

We have audited the accompanying financial report of Activ Foundation Inc. (the "Association"), which comprises the statement of financial position as at 30 June 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information to the financial report and the statement by the Chief Executive Officer and Non Executive Director.

Responsibility of the Directors for the financial report

The Directors of the Association are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and Associations Incorporation Act 1987 (WA). This responsibility includes such internal controls as the Directors determine are necessary to enable the preparation of the financial report to be free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

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 which require us to 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.

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In making those risk assessments, the auditor considers internal control relevant to the Association's preparation and fair presentation of the financial report 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 Association'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 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 applicable independence requirements of the Accounting Professional and Ethical Standards Board.

Auditor's Opinion

In our opinion,

- a the financial report of Activ Foundation Inc.
 - i presents fairly, in all material respects, the Association's financial position as at 30 June 2011 and of its performance and cash flows for the year then ended; and
 - ii complies with Australian Accounting Standards and the Associations Incorporation Act (WA) 1987 as amended.



GRANT THORNTON AUDIT PTY LTD
Chartered Accountants



M J Hillgrove
Director - Audit & Assurance

Perth, 26 September 2011

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Activ Foundation Inc.

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Members' liability limited

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