

**Income Statement**  
for the year ended 30 June 2005

	Note	2005 \$	2004 \$
<b>Revenues</b>			
Supported employment goods and services		8,019,585	8,152,253
Support services fees		2,169,977	2,044,394
Transportation fees		1,470,799	1,449,767
<b>Grants</b>			
Non-recurrent grants		1,377,801	552,418
Recurrent grants		29,273,474	27,262,431
Proceeds from sale of assets		1,409,925	1,737,596
Land development		561,749	5,178,242
Other income	<a href="#">2(a)</a>	3,012,482	2,678,309
<b>Expenses</b>			
Cost of sales - supported employment goods and services		(4,856,366)	(5,045,280)
Cost of sales - land development		(15,217)	(3,201,340)
Depreciation and amortisation expenses	<a href="#">3(a)</a>	(1,306,478)	(1,293,396)
Borrowing cost expenses	<a href="#">3(b)</a>	(88,863)	(67,229)
Staffing expenses (not included in cost of sales)	<a href="#">3(c)</a>	(28,410,045)	(27,329,214)
Other expenses	<a href="#">3(d)</a>	(8,410,778)	(8,363,263)
Adjustments due to change in accounting method	<a href="#">21</a>	(375,502)	-
<b>Surplus</b>		<u>3,832,543</u>	<u>3,755,688</u>
Share of net profits of joint venture accounted for using the equity method	<a href="#">21</a>	<u>-</u>	<u>19,099</u>
<b>Surplus</b>		<u>3,832,543</u>	<u>3,774,787</u>
Surplus attributable to primary activities	<a href="#">14</a>	2,407,385	866,748
Surplus attributable to secondary activities	<a href="#">14</a>	1,425,158	2,908,039

**Balance Sheet**  
as at 30 June 2005

	Note	2005 \$	2004 \$
<b>ASSETS</b>			
<b>Current Assets</b>			
Cash and cash equivalents	<a href="#">17(a)</a>	13,232,912	11,970,622
Financial assets	<a href="#">8</a>	15,277	16,109
Trade and other receivables	<a href="#">9</a>	1,666,094	1,637,055
Inventories	<a href="#">6</a>	919,757	885,179
Other current assets	<a href="#">20</a>	<u>319,890</u>	<u>1,225,174</u>
<b>Total Current Assets</b>		<u>16,153,930</u>	<u>15,734,139</u>
<b>Non-current Assets</b>			
Investments accounted for using the equity method	<a href="#">21</a>	-	540,820
Property, plant and equipment	<a href="#">7</a>	19,315,201	15,779,539
Intangible assets	<a href="#">22</a>	50,696	67,345
Other non-current assets	<a href="#">20</a>	<u>1,985</u>	<u>200</u>
<b>Total Non-current Assets</b>		<u>19,367,882</u>	<u>16,387,904</u>
<b>Total Assets</b>		<u><u>35,521,812</u></u>	<u><u>32,122,043</u></u>
<b>LIABILITIES</b>			
<b>Current Liabilities</b>			
Trade and other payables	<a href="#">18</a>	1,339,944	2,289,434
Short-term borrowings	<a href="#">19</a>	60,515	40,448
Short-term provisions	<a href="#">12</a>	3,934,350	3,772,863
Other current liabilities	<a href="#">10</a>	<u>2,610,360</u>	<u>2,274,472</u>
<b>Total Current Liabilities</b>		<u>7,945,169</u>	<u>8,377,217</u>
<b>Non-current Liabilities</b>			
Long-term borrowings	<a href="#">19</a>	99,997	60,175
Long-term provisions	<a href="#">12</a>	<u>669,115</u>	<u>709,665</u>
<b>Total Non-current Liabilities</b>		<u>769,112</u>	<u>769,840</u>
<b>Total Liabilities</b>		<u>8,714,281</u>	<u>9,147,057</u>
<b>Net Assets</b>		<u><u>26,807,531</u></u>	<u><u>22,974,986</u></u>
<b>EQUITY</b>			
Reserves	<a href="#">4 (i)</a>	11,412,767	12,014,273
Retained earnings	<a href="#">4(iii)(o)</a>	<u>15,394,764</u>	<u>10,960,713</u>
<b>Total Equity</b>		<u><u>26,807,531</u></u>	<u><u>22,974,986</u></u>

**Cash Flow Statement  
for the year ended 30 June 2005**

	Note	2005	2004
		\$	\$
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Receipts from customers and public support		14,328,809	19,139,919
Payments to suppliers and employees		(40,408,135)	(41,310,279)
Dividends received	2(a)	579	519
Grants received		30,690,044	27,482,572
Interest received		875,542	662,866
Trust funds received		294,471	325,352
Borrowing costs	3(b)	(88,863)	(67,229)
Goods and services tax paid		<u>163,900</u>	<u>(110,612)</u>
NET CASH FLOWS FROM/(USED IN) OPERATING ACTIVITIES	<a href="#">17(b)</a>	<u>5,856,347</u>	<u>6,123,108</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		(6,063,872)	(2,586,405)
Proceeds from sale of property, plant and equipment		<u>1,409,925</u>	<u>1,737,596</u>
NET CASH FLOWS FROM/(USED IN) INVESTING ACTIVITIES		<u>(4,653,946)</u>	<u>(848,809)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from finance leases		<u>59,889</u>	<u>(102,579)</u>
NET CASH FLOWS FROM/(USED IN) FINANCING ACTIVITIES		<u>59,889</u>	<u>(102,579)</u>
NET INCREASE/(DECREASE) IN CASH HELD		1,262,290	5,171,720
Add opening cash brought forward		<u>11,970,622</u>	<u>6,798,902</u>
<b>CLOSING CASH CARRIED FORWARD</b>	<a href="#">17(a)</a>	<u><u>13,232,912</u></u>	<u><u>11,970,622</u></u>

## **Notes to the financial statements**

**30 JUNE 2005**

### **1. Summary of significant accounting policies**

#### **(a) Basis of accounting**

The financial report has been prepared as a general purpose financial report in accordance with the requirements of Australian Accounting Standards and other mandatory professional reporting requirements (Urgent Issues Groups Consensus Views).

The financial report has been prepared in accordance with the historical cost convention, except for assets acquired by way of gift.

#### **(b) Changes in accounting policies**

The accounting policies adopted are consistent with those of the previous year.

#### **(c) Cash and cash equivalents**

Cash on hand and in banks and short-term deposits are stated at nominal value.

For the purpose of the Cash Flow Statement, cash includes cash on hand and in banks, and money market investments readily convertible to cash within 2 working days, net of outstanding bank overdrafts.

#### **(d) Trade receivables**

Trade receivables are recognised and carried at original invoice amount less a provision for any uncollectible debts. An estimate for doubtful debts is made when collection of the full amount is no longer probable. Bad debts are written-off as incurred.

#### **(e) Investments**

Listed shares held for trading are carried at the lower of cost and net market value.

#### **(f) Inventories**

##### *Manufacturing and maintenance*

Inventories are valued at the lower of cost and net realisable value.

Costs incurred in bringing each product to its present location and condition are accounted for as follows:

- raw materials - purchases cost on an average cost basis; and
- finished goods and work-in-progress - cost of direct material and labour and a proportion of manufacturing overheads based on normal operating capacity.

##### *Land held for resale*

Freehold property and other assets held for resale are valued at the lower of cost and net realisable value.

#### **(g) Recoverable amount**

Non-current assets measured using the cost basis are not carried at an amount above their recoverable amount, and where carrying values exceed this recoverable amount assets are written down. In determining recoverable amount, the expected net cash flows have not been discounted to their present value.

## **(h) Property, plant and equipment**

### *Cost and valuation*

All classes of property, plant and equipment are measured at cost except for Buildings (unrestricted) on leasehold land. Buildings (unrestricted) on leasehold land have been measured at current fair market value by an independent valuer. This valuation occurred during the 2003 financial year and will occur every three years. Alternate years will be appraised by the directors.

### *Depreciation*

Depreciation is provided on a straight-line or diminishing balance basis on all property, plant and equipment, other than freehold land.

Major depreciation periods and methods are:

Buildings	40 years	straight line
Motor vehicles	10 years	diminishing balance
Plant & equipment	7.5 years	diminishing balance
Computer equipment & software	4 years	diminishing balance
Furniture	7.5 years	diminishing balance
Fixtures & fittings	7.5 years	diminishing balance
Leasehold improvements	Lease term	diminishing balance
Leasehold motor vehicles	10 years	diminishing balance

## **(i) Leases**

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and benefits incidental to ownership.

### *Operating leases*

The minimum lease payments of operating leases, where the lessor effectively retains substantially all of the risks and benefits of ownership of the leased item, are recognised as an expense on a straight-line basis.

The lease incentive liability in relation to the non-cancellable operating lease is being reduced on an imputed interest basis over the lease term (5 years) at the interest rate implicit in the lease.

Contingent rentals are recognised as an expense in the financial year in which they are incurred.

### *Finance leases*

Finance lease liability is determined in accordance with the requirements of AASB 117 "Leases".

Leases which effectively transfer substantially all of the risks and benefits incidental to ownership of the leased item to Activ Foundation Inc. (herein referred to as Activ Foundation) are capitalised at the present value of the minimum lease payments and disclosed as property, plant and equipment under lease. A lease liability of equal value is also recognised.

Capitalised lease assets are depreciated over the estimated useful life of the assets. Minimum lease payments are allocated between interest expense and reduction of the lease liability with the interest expense calculated using the interest rate implicit in the lease and charged directly to the Income Statement.

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.

## **(j) Trade and other payables**

Liabilities for trade creditors and other amounts are carried at cost which is the fair value of the consideration to be paid in the future for goods and services received.

## **(k) Short-term and long-term borrowings**

All loans are measured at the principal amount. Interest is charged as an expense as it accrues. Bills of exchange are carried at the principal amount plus deferred interest.

## **(l) Short-term and long term provisions**

Provisions are recognised when the economic entity has a legal, equitable or constructive obligation to make a future sacrifice of economic benefits to other entities as a result of past transactions or other past events, it is probable that a future sacrifice of economic benefits will be required and a reliable estimate can be made of the amount of the obligation.

#### **(m) Revenue recognition**

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the entity and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

##### *Sale of goods*

Control of the goods has passed to the buyer.

##### *Rendering of services*

Where the contract outcome can be reliably measured, control of the right to be compensated for the services exists, and the stage of completion can be reliably measured. Stage of completion is measured by reference to the labour hours incurred to date as a percentage of total estimated labour hours for each contract. When the contract outcome cannot be reliably measured, revenue is recognised only to the extent that costs have been incurred.

##### *Interest*

Control of the right to receive the interest payment.

##### *Dividends*

Control of the right to receive the dividend payment.

#### **(n) Tax**

##### *Income Taxes*

Under the provisions of the current income tax legislation, Activ Foundation is exempt from Income Tax. Activ Foundation 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].

##### *Goods and Services Tax (GST)*

Revenues, expenses and assets are recognised net of the amount of GST except:

Where the GST incurred on a purchase of goods and services is not recoverable from the taxation authority, in which case the GST is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

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

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the Balance Sheet.

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

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

#### **(o) Employee and staff entitlements**

Provision is made for employee entitlement benefits accumulated as a result of employees rendering services up to the reporting date. These benefits include wages and salaries, annual leave and long service leave.

Liabilities arising in respect of wages and salaries, annual leave and any other employee entitlements expected to be settled within twelve months of the reporting date are measured at their nominal amounts. All other employee entitlement liabilities are measured at the present value of the estimated future cash outflow to be made in respect of services provided by employees up to the reporting date. In determining the present value of future cash outflows, a 5.06% discount rate is used.

Employee and staff entitlements expenses and revenues arising in respect of the following categories:

Wages and salaries, non-monetary benefits, annual leave, long service leave, sick leave and other leave entitlements; and

Other types of employee entitlements

are charged against profits on a net basis in their respective categories.

#### **(p) Affiliated support groups**

Activ Foundation is supported by a number of affiliated support groups. Each support group controls its income and expenditure. Activ Foundation manages the Support Groups funds on their behalf.

The accompanying financial statements reflect the activities of Activ Foundation including the income, expenditure, assets and liabilities of the Support Groups.

#### **(q) Intangibles**

Registered Designs are valued in the accounts at cost of acquisition and are amortised over the period in which their benefits are expected to be realised.

#### **(r) Impact of Adoption of Australian Equivalents to International Financial Reporting Standards**

Activ Foundation is preparing and managing the transition to "Australian Equivalents to International Financial Reporting Standards" (AIFRS) effective for the financial years commencing 1 January 2005. The adoption of AIFRS will be reflected in Activ Foundation's financial statements for the year ending 30 June 2006. On the first time adoption of AIFRS, comparatives for the financial year ended 30 June 2005 are required to be restated. The majority of the AIFRS transitional adjustments will be made retrospectively against retained earnings at 1 July 2004.

Activ Foundation's management, along with its auditors, have assessed the significance of the expected changes and are preparing for their implementation. The impact of alternative treatments and elections under AASB 1: First Time Adoption of Australian Equivalents to International Financial Reporting Standards has been considered where applicable.

The Board Members are of the opinion that there are no material differences in Activ Foundation's accounting policies upon conversion to AIFRS. Users of the financial statements should note, however that this could change if there are any amendments by standard setters to the current AIFRS, or interpretation of the AIFRS requirements changes due to the continuing work of the Activ Foundation's accounting team or it's advisors.

<b>2. Revenue</b>	<b>Note</b>	<b>2005</b>	<b>2004</b>
		<b>\$</b>	<b>\$</b>
<b>(a) Other income</b>			
Interest		891,898	749,088
Rent		159,277	184,973
Dividends		579	519
Fundraising	3(e)	1,025,926	845,883
Sundry income		934,802	897,846
<b>Total other income</b>		<b><u>3,012,482</u></b>	<b><u>2,678,309</u></b>
 <b>3. Expenses</b>			
<b>Cost of sales</b>		<b><u>4,871,583</u></b>	<b><u>8,246,620</u></b>
<b>(a) Depreciation of non-current assets</b>			
Buildings		192,001	160,494
Motor vehicles		586,122	553,675
Plant & equipment		82,056	79,319
Computer equipment & software		279,907	356,239
Furniture		18,229	27,727
Fixtures & fittings		51,496	14,902
Total depreciation of non-current assets		<u>1,209,811</u>	<u>1,192,356</u>
Amortisation of non-current assets			
Leasehold improvements		64,005	68,069
Leased motor vehicles		14,778	14,778
Leased equipment		1,234	1,543
Registered design and trademarks		16,650	16,650
Total amortisation of non-current assets		<u>96,667</u>	<u>101,040</u>
<b>Total depreciation and amortisation expenses</b>		<b><u>1,306,478</u></b>	<b><u>1,293,396</u></b>
<b>(b) Borrowing cost expenses</b>			
Interest on loans		7,481	8,498
Interest to residents for funds held on their behalf		81,097	58,731
Loan establishment security fees		285	-
<b>Total borrowing cost expenses</b>		<b><u>88,863</u></b>	<b><u>67,229</u></b>
<b>(c) Staffing expenses (not included in cost of sales)</b>			
Staff salaries & wages		18,640,057	18,092,936
Casual staff salaries & wages		3,062,331	2,949,034
Staffing on-costs		2,416,762	2,389,356
Employment agency costs		108,990	121,210
Provision for entitlements - annual leave		2,095,980	1,959,922
Provision for entitlements - long service leave		424,666	368,769
Workers compensation		711,737	677,001
Other staffing costs		949,522	770,986
<b>Total staffing expenses (not included in cost of sales)</b>		<b><u>28,410,045</u></b>	<b><u>27,329,214</u></b>



	Note	2005 \$	2004 \$
<b>(d) Other expenses</b>			
Operational lease costs		1,298,085	1,222,756
Motor vehicle expenses		1,118,875	970,587
Communication expenses		593,753	626,695
Administrative expenses		840,734	743,707
Repairs & maintenance		524,619	476,221
Accommodation & recreational expenses		379,040	381,169
Legal expenses		62,354	64,395
Purchase of external services		592,187	503,075
Utilities		305,445	298,749
Property & asset expenses		406,087	416,321
Maintenance service contracts		258,807	241,389
General expenses		128,194	192,062
General insurances		177,367	210,102
Rates & taxes		112,142	180,668
Client expenses		72,647	74,326
Recreation expenses		98,589	113,216
Bad debts written off		11,652	17,869
Provision for doubtful debts		(8,677)	47,138
Decrement in value of non-current assets		-	-
Write down of buildings demolished		-	32,130
Written down value of assets sold		1,324,767	1,417,202
Other expenses (individual amounts less than \$50,000)		114,111	133,486
<b>Total other expenses from ordinary activities</b>		<b>8,410,778</b>	<b>8,363,263</b>
<b>(e) Fundraising income</b>			
City to Surf		639,046	497,931
City to Surf Ball		31,829	-
Golf day		47,686	330
Activators		6,092	13,309
Hat Frenzy Friday		24,525	23,138
Support groups		168,144	156,571
Other		108,604	154,604
<b>Total fundraising income</b>		<b>1,025,926</b>	<b>845,883</b>
<b>Fundraising expenditure</b>			
City to surf		330,112	295,515
City to Surf Ball		40,444	-
Golf day		18,513	1,024
Activators		226	2,073
Hat Frenzy Friday		16,866	16,776
Support groups		102,504	111,831
Other		9,224	120,252
<b>Total fundraising expenditure</b>		<b>517,889</b>	<b>547,471</b>
<b>4. Movements in Equity</b>			
<b>(i) Balance in reserves</b>			
Commonwealth capital grants	4 (a)	2,733,058	2,684,325
Facility managers' reserve	4 (b)	77,751	68,905
General reserve	4 (c)	-	-
Gift fund reserve	4 (d)	254,690	387,572
HACC asset replacement reserve	4 (e)	47,854	68,194
Maintenance reserve	4 (f)	8,458	7,437
Other reserve	4 (g)	-	-
Service development and expansion reserve	4 (h)	5,987,742	7,983,220
Specific building reserve	4 (i)	-	-
Fundraising reserve	4 (j)	228,375	145,444
Specific purpose reserve	4 (k)	42,336	42,336
Support groups reserve	4 (l)	734,173	626,840
Changed needs reserve	4 (m)	420,892	-
Training and support reserve	4 (n)	877,438	-
	4 (o)	<b>11,412,767</b>	<b>12,014,273</b>

(ii) Reserves	2005 \$	2004 \$
<b>(a) Commonwealth capital grants</b>		
Balance at start of period	2,684,325	2,759,246
Transfers to / (from) reserve	48,733	(74,921)
Balance at end of period	<u>2,733,058</u>	<u>2,684,325</u>
<b>(b) Facility managers' reserve</b>		
Balance at start of period	68,905	70,839
Transfers to / (from) reserve	8,846	(1,934)
Balance at end of period	<u>77,751</u>	<u>68,905</u>
<b>(c) General reserve</b>		
Balance at start of period	-	291,345
Transfers to / (from) reserve	-	(291,345)
Balance at end of period	<u>-</u>	<u>-</u>
<b>(d) Gift Fund Reserve</b>		
Balance at start of period	387,572	-
Transfers to / (from) reserve	(132,882)	387,572
Balance at end of period	<u>254,690</u>	<u>387,572</u>
<b>(e) HACC asset replacement reserve</b>		
Balance at start of period	68,194	-
Transfers to / (from) reserve	(20,340)	68,194
Balance at end of period	<u>47,854</u>	<u>68,194</u>
<b>(f) Maintenance reserve</b>		
Balance at start of period	7,437	13,256
Transfers to / (from) reserve	1,021	(5,819)
Balance at end of period	<u>8,458</u>	<u>7,437</u>
<b>(g) Other reserve</b>		
Balance at start of period	-	367,647
Transfers to / (from) reserve	-	(367,647)
Balance at end of period	<u>-</u>	<u>-</u>
<b>(h) Service development and expansion reserve</b>		
Balance at start of period	7,983,220	-
Transfers to / (from) reserve	(1,995,478)	7,983,220
Balance at end of period	<u>5,987,742</u>	<u>7,983,220</u>
<b>(i) Specific building reserve</b>		
Balance at start of period	-	221,722
Transfers to / (from) reserve	-	(221,722)
Balance at end of period	<u>-</u>	<u>-</u>
<b>(j) Fundraising reserve</b>		
Balance at start of period	145,444	455,152
Transfers to / (from) reserve	82,931	(309,708)
Balance at end of period	<u>228,375</u>	<u>145,444</u>
<b>(k) Specific purpose reserve</b>		
Balance at start of period	42,336	75,948
Transfers to / (from) reserve	-	(33,612)
Balance at end of period	<u>42,336</u>	<u>42,336</u>
<b>(l) Support groups reserve</b>		
Balance at start of period	626,840	540,924
Transfers to / (from) reserve	107,333	85,916
Balance at end of period	<u>734,173</u>	<u>626,840</u>
<b>(m) Changed needs reserve</b>		
Balance at start of period	-	-
Transfers to / (from) reserve	420,892	-
Balance at end of period	<u>420,892</u>	<u>-</u>
<b>(n) Training and support reserve</b>		
Balance at start of period	-	-
Transfers to / (from) reserve	877,438	-
Balance at end of period	<u>877,438</u>	<u>-</u>
<b>Total Reserves</b>	<u><u>11,412,767</u></u>	<u><u>12,014,273</u></u>

**(iii) Nature and purpose of reserves**

**(a) Commonwealth capital grants**

Some assets held by Activ Foundation have been partially purchased with Commonwealth funds. The Commonwealth 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 will entitle the Commonwealth to be reimbursed their equity proportion. The assets reflected within this reserve are recorded at historical cost less and accumulated depreciation attributable to them according to note 1(h). Upon sale of these assets the equity proportion is returned to the Commonwealth at market value.

**(b) Facility managers' reserve**

Represents funds raised by facility staff which may be used at the manager's discretion for the benefit of service recipients.

**(c) General reserve**

Represents reserve closed during the year. Surplus funds remaining at time of closure were transferred to the Service Development and expansion reserve.

**(d) Gift fund reserve**

Represents monies set aside in the Activ Foundation 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 DGR endorsement revoked, Activ Foundation is required to transfer to surplus to another DGR. Items to be funded from the Gift Fund Reserve in 2005/2006 include installation of air-conditioning in a number of accommodation facilities and replacement of floor coverings and furniture and fittings in accommodation and ATE facilities.

**(e) HACC asset replacement reserve**

Represents monies set aside for the replacement of HACC assets.

**(f) Maintenance reserve**

Represents monies set aside for maintenance expenditure.

**(g) Other reserve**

Represents reserve closed during the year. Surplus funds remaining at time of closure were transferred to the Service Development and expansion reserve.

**(h) Service development and expansion reserve**

Represents monies set aside to purchase, build, develop or improve facilities, technology and equipment that contribute to the ability of Activ Foundation to deliver a range of services in fulfilment of its Purpose. During 2004/2005 this reserve funded the purchase of Minna Street, Salvado Road and Karrinyup Rd properties.

**(i) Specific building reserve**

Represents monies set aside for the Pelican pre-school redevelopment. Given the completion of this redevelopment, no further funds remain.

**(j) Fundraising reserve (previously named the Specific Donations Reserve)**

Represents funds from net fundraising proceeds which may be used for future capital expenditure. Items to be funded from the Fundraising Reserve in 2005/2006 include replacement of a number of buses.

**(k) Specific purpose reserve**

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

**(l) Support groups reserve**

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

**(m) Changed needs reserve**

Represents surplus generated from the efficient use of Disability Services Commission operating grant to be set aside to manage changes in the relative support needs of service recipients.

**(n) Training and support reserve**

Represents surplus generated from the efficient use of Family and Community Services operating grant to be set aside to manage fluctuations and contingencies in providing the training and employment support needs of employees.

**(o) Retained earnings**

	<b>2005</b>	<b>2004</b>
	<b>\$</b>	<b>\$</b>
Balance at start of period	10,960,713	14,404,116
Changes in accounting policy	-	-
Restate balance	10,960,713	14,404,116
Surplus for the period	3,832,543	3,774,787
Aggregate amount transferred (to) / from reserves	601,508	(7,218,190)
Members' equity at the end of the financial year	<u>15,394,764</u>	<u>10,960,713</u>

## 5. Economic dependency

A significant proportion of Activ Foundation's operating income is received from Federal and State Government Grants. Without these grants Activ Foundation would find it difficult to maintain the current level of operations. Moreover, a reduction in the real level of this funding in the future could threaten the viability of Activ's programs and services.

<b>6. Inventories</b>	<b>2005</b>	<b>2004</b>
	<b>\$</b>	<b>\$</b>
Raw materials at cost	311,646	292,344
Work in progress at cost	1,370	5,135
Finished goods	424,250	496,839
Services in progress at cost	3,039	-
Finished services - unbilled	7,819	-
Land held for resale	171,633	90,861
	<hr/>	<hr/>
<b>Total inventories</b>	<b><u>919,757</u></b>	<b><u>885,179</u></b>

**7 Property, Plant And Equipment**
**2005**
**2004**
**\$**
**\$**
**(a) Property, plant and equipment at cost:**
**Land**

Carrying amount at beginning	7(d)	2,417,467	2,366,266
Additions		2,367,706	360,000
Disposals		(37,162)	(300,000)
Transfers		429,464	(8,799)
		<u>5,177,475</u>	<u>2,417,467</u>

**Buildings**

Carrying amount at beginning		4,880,161	5,133,874
Additions		700,151	245,163
Depreciation expense		(192,001)	(173,859)
Disposals		(146,245)	(619,810)
Transfers		18,470	294,793
		<u>5,260,536</u>	<u>4,880,161</u>

**Motor vehicles**

Carrying amount at beginning		3,143,534	2,975,593
Additions		2,081,535	1,208,860
Depreciation expense		(586,122)	(553,675)
Disposals		(1,133,622)	(486,186)
Transfers		19,147	(1,058)
		<u>3,524,472</u>	<u>3,143,534</u>

**Plant & equipment**

Carrying amount at beginning		306,323	300,943
Additions	7(e)	78,742	89,594
Depreciation expense		(82,056)	(79,319)
Disposals		-	(4,895)
Transfers		(16,511)	-
		<u>286,498</u>	<u>306,323</u>

**Computer equipment & software**

Carrying amount at beginning		714,642	920,822
Additions		90,396	156,239
Depreciation expense		(279,907)	(356,239)
Disposals		(6,580)	-
Transfers		125	(6,180)
		<u>518,676</u>	<u>714,642</u>

**Furniture**

Carrying amount at beginning		51,909	32,702
Additions		8,696	49,327
Depreciation expense		(18,229)	(27,727)
Disposals		(1,697)	(2,393)
Transfers		-	-
		<u>40,679</u>	<u>51,909</u>

**Fixtures & fittings**

Carrying amount at beginning		84,450	23,461
Additions		101,208	79,892
Depreciation expense		(51,496)	(14,902)
Disposals		-	-
Transfers		-	(4,001)
		<u>134,162</u>	<u>84,450</u>

**Leasehold improvements**

Carrying amount at beginning		834,622	868,153
Additions		10,366	34,538
Depreciation expense		(64,005)	(68,069)
Disposals		-	-
Transfers		-	-
		<u>780,983</u>	<u>834,622</u>

**Leased motor vehicles**

Carrying amount at beginning		35,393	50,171
Additions		89,409	-
Depreciation expense		(14,778)	(14,778)
Disposals		-	-
Transfers		-	-
		<u>110,024</u>	<u>35,393</u>

**Leased equipment**

Carrying amount at beginning		6,172	7,715
Additions		-	-
Depreciation expense		(1,234)	(1,543)
Disposals		-	-
Transfers		-	-
		<u>4,938</u>	<u>6,172</u>

**Land projects in progress (not for resale)**

Carrying amount at beginning		2,823,631	2,788,238
Additions		535,663	362,792
Depreciation expense		-	-
Disposals		-	-
Transfers		(345,003)	(327,399)
		<u>3,014,291</u>	<u>2,823,631</u>

<b>Total property, plant and equipment at cost</b>		<u>18,852,734</u>	<u>15,298,304</u>
<b>(b) Property, plant and equipment at valuation:</b>		<b>2005</b>	<b>2004</b>
		<b>\$</b>	<b>\$</b>
<b>Buildings (unrestricted) on leasehold land</b>			
Carrying amount at beginning	7(c)	481,235	500,000
Additions		-	-
Depreciation expense		(18,768)	(18,765)
Disposals		-	-
Transfers		-	-
Revaluation		-	-
<b>Total buildings (unrestricted) on leasehold land</b>		<u>462,467</u>	<u>481,235</u>
<b>Total property, plant and equipment (net book value)</b>		<u>19,315,201</u>	<u>15,779,539</u>

(c) The valuation of "Buildings (unrestricted) on leasehold land", of \$500,000 for the year ended 30 June 2003, was determined by averaging the results of the following two valuation methods:

Present value of the present rental over the remaining term of the lease.

Potential rental profit from the improved property after deducting rental expenses including ground lease.

The valuation was undertaken by GR Wilkinson AAPI, Certified Practising Valuer, Licensed Valuer Number 127 of Knight Frank.

(d) Land at Bunbury of \$14,429 is subject to a registered caveat held by Ministry of Housing (formerly Homeswest) to cover a trust deed requiring Activ Foundation to offer the land back to Homeswest for re-purchase in the event that the land is no longer required as a Hostel site.

(e) Tailored assistance grants, to the value of \$840,751 have been received during the financial year specifically to purchase materials handling equipment and information systems upgrades. To date \$378,275 of these funds are yet to be spent.

#### 8. Financial assets

Shares in listed companies		15,277	16,109
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#### 9. Trade and other receivables

Trade receivables		1,444,754	1,365,878
Provision for doubtful debts		(71,587)	(80,321)
Sundry receivables		292,927	351,498
<b>Total trade receivables</b>		<u>1,666,094</u>	<u>1,637,055</u>

#### 10. Other current liabilities

Funds held on behalf of residents	10(a)	1,900,359	1,623,253
Unpaid staff salaries and wages	10(b)	358,848	344,212
Staff social club funds		6,847	4,118
<b>Total funds held in trust</b>		<u>2,266,054</u>	<u>1,971,583</u>
Short term loans		(8,827)	(9,149)
Grants received in advance		353,133	312,038
<b>Total other current liabilities</b>		<u>2,610,360</u>	<u>2,274,472</u>

(a) Represents monies held in trust for Activ Foundation residents.

(b) Represents salaries and wages held in a salary packaging account for each staff member.

11. Commitments	Note	2005 \$	2004 \$
<b>Lease expenditure commitments</b>			
<i>(a) Operating leases (non cancellable):</i>			
Minimum lease payments			
not later than 1 year		1,694,994	1,091,553
later than 1 year and not later than 5 years		3,752,173	2,874,399
later than 5 years		330,646	606,860
Aggregate lease expenditure contracted for at balance date		<u>5,777,813</u>	<u>4,572,812</u>

Operating leases are entered into as a means of obtaining the use of minor items of plant and equipment. Rental payments are generally fixed, however certain leases for photocopiers have a contingent rental obligation which is dependent on the volume of usage. 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.

<i>(b) Finance leases:</i>			
not later than 1 year		69,895	45,651
later than 1 year and not later than 5 years		112,367	63,062
later than 5 years		-	-
total minimum lease payments		<u>182,261</u>	<u>108,713</u>
future finance charges		<u>(21,749)</u>	<u>(8,090)</u>
lease liability		<u>160,512</u>	<u>100,623</u>
current liability	<u>19</u>	60,515	40,448
non-current liability	<u>19</u>	99,997	60,175
		<u>160,512</u>	<u>100,623</u>

Finance leases are entered into as a means of financing the acquisition of minor items of plant and equipment. Rental payments are generally fixed. No leases have escalation clauses other than in the event of payment default.

## 12. Provisions

### Short-term provisions

Provision for annual leave		2,391,938	2,332,998
Provision for long service leave		1,542,412	1,439,865
<b>Total short-term provisions</b>		<u>3,934,350</u>	<u>3,772,863</u>

### Long-term provisions

Provision for long service leave		<u>669,115</u>	<u>709,665</u>
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## 13. Financing Arrangements

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

	Note	Accessible \$	30 June 2005 Drawn Down \$
Commercial bill facility		250,000	-
Forward exchange contract		150,000	-
Westpac MasterCard corporate card		100,000	(76,000)
Equipment finance - revolving limit	13(b)	400,000	-
<b>Total financing facilities</b>	13(a)	<u>900,000</u>	<u>(76,000)</u>
		Accessible \$	30 June 2004 Drawn Down \$
Commercial bill facility		250,000	-
Forward exchange contract		150,000	-
Westpac MasterCard corporate card		100,000	(82,500)
Equipment finance - revolving limit	13(b)	400,000	-
<b>Total financing facilities</b>	13(a)	<u>900,000</u>	<u>(82,500)</u>

(a) All of Activ Foundation's facilities, with the exception of equipment finance - revolving limit, are subject to annual review (demand) and subject to cancellation at either party's election at each review date.

(b) These facilities are secured by a charge over buildings and freehold land.

#### 14. Segmental Information

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

Activ Foundation's surplus for the year ended 30 June 2005 is a function of two distinct activity categories:

	Note	2005 \$	2004 \$
<b>Primary operating activities</b>	14(a)	<u>2,407,385</u>	<u>866,748</u>
(a) Primary operating activities of Activ Foundation include the provision of accommodation, employment, alternative to employment, recreation, library services and transport to people with intellectual disability and their families. The net surplus from these activities include non-recurrent grants, to the value of \$1,377,801.			
<b>Secondary operating activities</b>			
Interest derived		891,898	749,088
Karingal Green land development surplus	14(b)	382,461	1,754,040
Land, building, motor vehicle and equipment disposals	14(c)	85,158	320,394
Support Group activities surplus	14(d)	<u>65,641</u>	<u>84,517</u>
<b>Total surplus from secondary operating activities</b>		<u>1,425,158</u>	<u>2,908,039</u>
<b>Total surplus from primary and secondary activities</b>		<u><u>3,832,543</u></u>	<u><u>3,774,787</u></u>
<b>Segment assets</b>			
Primary activities		33,166,887	29,872,308
Secondary activities		<u>2,354,925</u>	<u>2,249,735</u>
<b>Total assets</b>		<u><u>35,521,812</u></u>	<u><u>32,122,043</u></u>
<b>Segment liabilities</b>			
Primary activities		8,257,456	8,470,776
Secondary activities		<u>456,825</u>	<u>676,281</u>
<b>Total liabilities</b>		<u><u>8,714,281</u></u>	<u><u>9,147,057</u></u>

(b) The Karingal Green land development project consisted of 247,723 square meters of land comprising 213 residential lots, nursing home, retirement village, three (3) group dwelling sites and three (3) further Activ Foundation housing sites. All residential sites, held for resale, have been sold in prior financial years. Only one non residential site was sold during the 2005 financial year.

(c) Represents net proceeds from motor vehicles, equipment, Iris Litis Hostel and Parade Road, Bunbury sold during 2005. 2004 results represent net proceeds from motor vehicles, equipment, 5 Hodgson Way, Kewdale and the demolition of 56 Garrat Road, Bayswater.

(d) Surplus funds generated by Support Group activities are vested in trust for the Support Groups to be utilised in future projects at their discretion. These funds are not available for the provision of primary operating activities.

#### 15. Contingencies

##### Assets

As a result of the Karingal Green land development project, Activ Foundation is currently negotiating with the Minister for Planning to determine the level of compensation due to Activ Foundation for land ceded to the Crown.

##### Liabilities

Currently Activ Foundation is a party to, or is potentially affected by a Native Title Claim. The proceedings relating to this claim are not finalised, but the potential impact, if any, on the operations of Activ Foundation is not considered to be of material value.

## 16. Financial Instruments

### Credit Risk

Activ Foundation's operations are substantially diversified and are not concentrated so as to present a significant credit risk.

Activ Foundation's exposure to Balance Sheet credit risk are as indicated by the carrying amounts of its financial assets.

### Interest Rate Risk Exposures

Activ Foundation is exposed to interest rate risk through primary financial assets and liabilities. The following table summarise

		Floating interest rate	Fixed 1 year or less
<b>2005</b>			
<b>Financial Assets</b>			
Cash and cash equivalents	17(a)	335,701	12,641,480
Other financial assets	8	-	-
Trade receivables	9	-	-
		<u>335,701</u>	<u>12,641,480</u>
<b>Financial Liabilities</b>			
Trade and other payables	18	-	-
Lease liability	19	-	60,515
		<u>-</u>	<u>60,515</u>
<b>2004</b>			
<b>Financial Assets</b>			
Cash and cash equivalents	17(a)	206,421	11,380,551
Other financial assets	8	-	-
Trade receivables	9	-	-
		<u>206,421</u>	<u>11,380,551</u>
<b>Financial Liabilities</b>			
Trade and other payables	18	-	-
Lease liability	19	-	40,448
		<u>-</u>	<u>40,448</u>

### Fair Value of Financial Instruments

The carrying amounts of trade receivables, trade creditors, bank and other loans approximate their fair values.

## 17. Cash Flow Statement

### (a) Reconciliation of Cash and cash equivalents

	2005	2004
	\$	\$
Cash balance comprises:		
Cash at Bank and on Hand	591,432	590,071
Short Term Cash Deposits	12,641,480	11,380,551
Closing cash balance	<u>13,232,912</u>	<u>11,970,622</u>

### (b) Reconciliation of the net surplus after tax to the net cash flows from operations

Operating Surplus	3,832,543	3,774,787
<b>Non-Cash Items</b>		
Depreciation of non-current assets	1,209,811	1,224,486
Amortisation of non-current assets	96,667	101,040
Contribution of assets by external entity	(6,800)	(2,000)
Net (profit) / loss on disposal of property, plant and equipment	(85,158)	(320,394)
Land received in consideration for sale	(550,000)	-
Inventory adjustments	142,476	92,189
Bad & doubtful debts	2,975	65,007
Fee waivers	80,088	58,119
Joint venture expenses	375,502	-
Other non-cash expenses	(201,614)	(10,049)
<b>Changes in assets and liabilities</b>		
(Increase) / decrease in trade receivables and prepayments	873,941	(1,000,319)
(Increase) / decrease in inventory	(34,578)	1,813,317
(Increase) / decrease in accrued income	57,948	191,932
(Increase) / decrease in shares	832	(5,513)
(Increase) / decrease in intangible assets	16,649	15,155
(Increase) / decrease in interests in partnerships	540,820	(110,875)
(Decrease) / increase in creditors and accruals	(1,205,455)	374,581
(Decrease) / increase in goods and services tax payable	163,900	(110,612)
(Decrease) / increase in employee entitlements	212,423	(21,578)
(Decrease) / increase in funds held in trust	291,742	326,277
(Decrease) / increase in grants & subsidies received in advance	41,635	(332,442)
Net Cash from Operating Activities	<u>5,856,347</u>	<u>6,123,108</u>

## 18. Trade and other payables

Trade creditors - unsecured	201,312	209,997
Sundry creditors - unsecured	5,915	4,429
Accrued expenses	1,132,717	2,075,008
<b>Total trade and other payables</b>	<u><b>1,339,944</b></u>	<u><b>2,289,434</b></u>

## 19. Borrowings

	2005	2004
	\$	\$
<b>Short-term borrowings</b>		
Lease liability - secured	60,515	40,448
<b>Long-term borrowings</b>		
Lease Liability - secured	99,997	60,175

## 20. Other assets

<b>Other current assets</b>		
Prepayments	319,890	1,120,174
Other short term funds	-	105,000
<b>Total other current assets</b>	<u><b>319,890</b></u>	<u><b>1,225,174</b></u>
<b>Other non-current assets</b>		
Refundable bonds	1,985	200

**21. Investments Accounted For Using The Equity Method**

	2005 \$	2004 \$
Investment in joint venture partnership	-	<u>540,820</u>

Activ Foundation entered into an agreement with Ministry of Housing (formerly Homeswest) where the latter provided funds for the construction of group homes in High Wycombe, Albany and Bunbury. Under the agreement, Activ Foundation receives all rental income and, in return provides all maintenance for the property. Ministry of Housing retains an equity in the property according to the proportion of capital contributed at the beginning of the project. All rentals, however, are deemed to be the property of Activ Foundation and are retained as such.

In prior financial years these joint venture partnerships were recorded within the financial statements of Activ Foundation using the Equity Method of accounting.

For this financial year, and all future financial years, Activ Foundation will no longer report these joint venture partnerships using the Equity Method of Accounting. This is a consequence of a review of these activities during the financial year. It was determined that this arrangement is merely an "interest in respect of jointly controlled assets", rather than a true "Joint Venture", and accordingly should not be reported using the Equity Method of Accounting.

As a result of this change in accounting method, \$375,502 has been expensed against the Income Statement during the financial year. This transfer effectively reverses out any prior year surpluses resulting from "deemed sale" of assets by Activ Foundation to the Joint Venture. Additionally, \$165,318 has been transferred from "Investment in joint venture partnership" to "Property, plant and equipment" within the balance sheet. The purpose of this adjustment is to record the true historical cost of these "Joint Venture" within "property plant and equipment" at their original historical costs less accumulated depreciation, where appropriate.

**22. Intangible Assets**

Registered design & trademarks	83,995	83,995
Amortisation of Registered design & trademarks	(33,299)	(16,650)
<b>Total intangible assets</b>	<u><b>50,696</b></u>	<u><b>67,345</b></u>

**23. Remuneration Of Directors**

Income paid or payable, or otherwise made available, in respect of the financial year, to all directors, directly or indirectly, by Activ Foundation

214,560	191,696
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The number of directors of Activ Foundation whose income (including superannuation contributions) falls within the followings bands is:

	2005 No.	2004 No.
\$0	8	9
\$10,000 - \$19,999	1	1
\$170,000 - \$179,999	-	1
\$200,000 - \$209,999	1	-

Eight directors did not receive any remuneration during the year.

**Directors**

The directors of Activ Foundation during the financial year were:

Mr Martin Alciaturi  
Mr Matthew Battrick  
Mrs Hazel Costigan  
Mr John Francks  
Mr John Groves  
Mr Peter Knowles  
Ms Nicky Munro  
Mrs Ray Reeves  
Prof. Walter Stern  
Mr Tony Vis

**25. Auditors' Remuneration**

	2005 \$	2004 \$
Amounts received or due and receivable for the audit of the financial report		
Hall Chadwick	40,349	31,500