

**COMMUNITY ENTERPRISE QUEENSLAND  
FORMERLY  
ISLAND INDUSTRIES BOARD**



**ANNUAL REPORT**

**FINANCIAL YEAR ENDED 30 JUNE 2017**

**6 September 2017**

Poruma Island



ABN: 42 060 262 890



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6 September 2017

The Honourable Mark Furner  
Minister for Local Government and Minister for Aboriginal and Torres Strait Islander  
Partnerships  
Ministerial Office  
1 William Street  
BRISBANE QLD 4000

Dear Minister Furner

**Community Enterprise Queensland Annual Report 2017**

I am pleased to submit for presentation to the Parliament the Annual Report 2016-2017 and financial statements for Community Enterprise Queensland.

I certify that this Annual Report complies with:

- the prescribed requirements of the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, and
- the detailed requirements set out in the *Annual report requirements for Queensland Government agencies*.

In May 2017, the Department of Aboriginal and Torres Strait Islander Partnerships Retail Stores merged with Community Enterprise Queensland. This report is prepared on the basis of the current administrative arrangements for Community Enterprise Queensland, that is, it reflects the structure, operations and performance as it now exists.

Yours sincerely



Mr Nigel Tillett  
Chairperson  
Community Enterprise Queensland

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## **CHAIRPERSON FOREWORD**

I am pleased to present the Community Enterprise Queensland (CEQ) Annual Report for the year ended 30 June 2017.

The year ended 30 June 2017 is significant for CEQ and the previous Island Industries Board (IIB). Firstly, I would like to acknowledge outgoing Board members, Ms Jan Pool, Mr David Stout, Mr Tom Hannaford, Mr Colin Kane and Mayor Fred Gela (Torres Strait Island Regional Council) for the continued financial success of the IIB. Their contribution is recognised and is greatly appreciated. In particular, a special thank-you to Mayor Fred Gela who served the Board for seven (7) years including considerable time as acting Chair. The outgoing Board has left IBIS as a stable and strong organisation.

I welcome back for a continuing term Mayor Vonda Malone from Torres Shire Council and Torres Strait Regional Authority (TSRA) Chair Pedro Stephen. I welcome for their first term, Mr Michael Aw, Ms Elverina Johnson, Mayor Ralph Kendall from Pormpuraaw Aboriginal Shire Council, Ms Jodi Peters, Ms Eleanor Scott, Ms Margot Richardson, and Mr Mislam Sam. I look forward to working with the new Board in taking CEQ to the next level in its 112 years of operation and beyond.

During the year, our Chief Executive Ian Copeland and his team, delivered a strategy of continued sustainability whilst increasing our capacity through the acquisition of land, retail operations (Col Jones) and the merger with Retail Stores, previously operated by the Department of Aboriginal and Torres Strait Islander Partnerships on various communities.

Our greatest ongoing challenge is reducing the cost of goods and services for our communities. Logistically this is extremely difficult given the remoteness of our market and the touch points required to deliver stock to our customers. With a supply chain of over 3,000 kilometres with road, rail, sea and air transport required to tranship supply, the cost incurred over and beyond mainland retail is significant to the cost of goods sold.

The challenge in maintaining significant subsidies on quality food and services requires excellent processes and controls coupled with strong purchasing power to enable CEQ to permanently discount and market the 'Best Buys' program. Ongoing investment in systems and technology has played an integral part in the success of the IBIS model which has been incorporated in the Retail Stores as part of the merger. Automation within a central system provides user friendly tools for our store teams to more effectively manage their stores specifically around cash handling, stock and wage controls.

This tyranny of distance and supply chain hurdles further compound CEQ's ability to maintain extended shelf life for perishable products including fresh fruit and vegetable, dairy and meat products for our communities. CEQ over the last reporting period invested in new model refrigeration to better improve shelf life and presentation of perishable goods.

I am proud to say that CEQ employs a 74% indigenous work force and invests in the ongoing training and development of its staff with 100% of the store managers in the IBIS

chain having a Certificate III in Retail Training. We were very proud of Margaret Larry from Mabuiag Island who has risen through the ranks and attained a regional manager position in 2016. This is testimony that the training conducted in conjunction with our service providers is of the highest national standard. We recognise and value the contribution and dedication of our staff and their enthusiasm towards the comprehensive IBIS training and education environment which is part of our strategy of being the employer of choice in the Torres Strait.

Performance management is at the forefront of all senior managers to ensure behaviours that are modelled mirror those of our values. All senior executives and store managers have a formal performance review process that includes clear and measurable expectations.

The Board takes this opportunity to thank and acknowledge Ian Copeland our CEO for his leadership of CEQ over the past year. The Board also recognises the executive management team and the regional and store managers and staff for their outstanding contribution, support and service to our customers.

The Board thanks the Queensland Government for its support in assisting CEQ to successfully merge the Department of Aboriginal and Torres Strait Island Partnerships (DATSIP) Retail Stores into CEQ. I also acknowledge the support and assistance by the Mayors, Councillors and CEO's of those communities in implementing the merger. This merger occurred within budget and on-time.

CEQ looks forward to working with those communities where it has a footprint and in other places where the CEQ model can add value.

I thank all Board members for their strategic input, guidance and support since our appointment and look forward to working with you and achieving our organisations goals in the years ahead.



Nigel Tillett  
Chairperson  
Community Enterprise Queensland

6 September 2017

## CEO FOREWORD

Community Enterprise Queensland (CEQ) came into existence on 1 September 2016. This was a significant event in the evolution of essential service supply in the Torres Strait (Torres) and Northern Peninsula Area (NPA). The Island Industries Board (IIB) which had its origins in the Papuan Industries established in 1905 was to be substantially reformed with several new directions in its enabling legislation. The new legislation continued the IIB in existence as CEQ. The new legislation also provided for a diversified board including specific community representation. Perhaps the most significant change was the removal of geographic restrictions – CEQ now had a direction to serve the communities in which it had a presence, no longer was CEQ restricted to the Torres and NPA.

The State Government in May 2017 transferred its operating Retail Stores to CEQ. This merger of Retail Stores into CEQ has created a significant organisation with a turnover in excess of \$90M supplying essential services to communities in Queensland as far south as Woorabinda and north to the utmost Communities on the border of Papua New Guinea being Boigu and Saibai. I will talk about this a little later as I would like to celebrate the success that is IIB and Islanders Board of Industry and Service (IBIS) as it is known in the Torres Strait and NPA.

The final year of IBIS was an incredibly successful year for the organisation and is a testament to the commitment of staff, support from trade partners and of course the people we serve as customers. IBIS always had a key driver of providing affordable goods and services to Community and this was delivered in its last financial year. Margins on goods were some of the lowest the Torres and Cape communities had experienced due to targeted buying and management of freight contracts. It is important to state that IBIS is not going anywhere and has been retained as a trading name of CEQ.

IBIS had a big year in 2016-2017 which culminated in the delivery of a new retail system in all IBIS stores. This was a major project which was rolled out to all grocery stores over an eight (8) month period. Further to this, IBIS also invested heavily in a capital refit at the hardware store and the acquisition of land upon which the hardware store is located. IBIS also funded the pay-out of the freeholding lease on the slipway land, and the refurbishment of the regional office – all major capital expenditures. Another significant acquisition was associated with the purchase of Col Jones an electrical and variety retailer on Thursday Island. This acquisition complimented the already significant offer by IBIS and has given birth to the Community Home and Hardware channel of CEQ in partnership with the existing Mitre 10 franchise.

Despite these major capital expenditures in IBIS there has not been a loss of focus on our important human resources. During the reporting period, IBIS delivered on eighteen (18) training programs with seventy-eight (78) attendees. Significant training was also undertaken in work place health and safety initiatives ranging from basic lifting and carrying to fire and emergency.

I am proud to say that there are a number of staff who completed important qualifications during the reporting period. All IBIS store managers currently have a Certificate III in

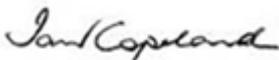
Retail and Food Safety, also seventeen (17) staff throughout the Torres Straits stores completed a Certificate III in Retail Operations qualification in the past twelve (12) months. Four (4) participants that participated in the partnership with My Pathway completed a Certificate II in Retail Services qualification – one of those working in the Thursday Island hardware store. Retail Stores staff are also heavily engaged in CEQ training programs with seven (7) staff completing the course Engage the Customer and another three (3) completing Food Safety Training.

With regard to Retail Stores operations there has been significant change in freight and goods handlings with goods to all former Retail Stores is now delivered weekly as a minimum. The former Retail Stores freight providers and rates have been re-negotiated and where appropriate the method of delivery has changed. For example, freight for Lockhart River has been re-directed to an all year round weekly service with Seaswift under the terms of the existing Seaswift contract. This has generated real savings for the store and strengthens continuity of supply.

The introduction of the Retail Stores into the CEQ portfolio has also helped to keep prices down in all of the CEQ Stores. The larger buying power from CEQ provides CEQ with an ability to access more favourable freight rates from Brisbane to Cairns especially and access further supplier incentives associated with reduced service fees and higher rebates where applicable.

I would again like to acknowledge the support and assistance from both Boards. The previous Board had extensive oversight of the IBIS operations until 30 March 2017. Many of the achievements associated with the IBIS business as outlined above occurred prior to 1 April 2017. From 1 April 2017 the baton was passed to the new Board who have provided strategic review of the merger process with Retail Stores.

Finally I would like to thank all the staff at CEQ who have all provided input in delivering another positive result to our communities and I am confident that we are well positioned to meet and address the exciting challenges and opportunities that will be presented to CEQ in the coming year.



Ian Copeland  
Chief Executive Officer.

## CEQ ROLE AND FUNCTIONS

### Statutory Obligations

On 1 September 2016, the Governor-in-Council approved amendments to the Aboriginal and Torres Strait Islander Communities (Justice, Land and Other Matters) Act 1984 (the Act). Amendments to the Act included a name change from Island Industries Board (IIB) to Community Enterprise Queensland (CEQ). IIB is continued in existence as CEQ. Another amendment was the change in financial year for CEQ / IIB to include a financial year ending 30 June.

CEQ has retained the Islanders Board of Industry and Service (IBIS) as a registered trading name of CEQ. In the marketplace, especially the Torres Strait and Northern Peninsula Area (NPA), CEQ is more commonly known by its trading name 'IBIS'. On 1 May 2017, the State Government transferred management of its operating stores to CEQ. These stores are well known in their communities as the Retail Store.

The functions of the CEQ are:

- (a) *to act as a commercial enterprise for the general convenience or benefit of the residents of the communities in which Community Enterprise Queensland performs its functions;*
- (b) *to provide the communities mentioned in paragraph (a) with access to a range of food, drinks and household items essential for a healthy life at a fair price;*
- (c) *to apply its operating surplus or assets to promote, support and improve its services and the general welfare, including the knowledge and skills, of the Aboriginal and Torres Strait Islander residents of the communities mentioned in paragraph (a).*

*Examples of supporting residents—*

- *encouraging the development of trade, commerce and businesses in the communities*
- *supporting trade, commerce and businesses carried out by residents of the communities*
- *providing support for educational or health initiatives, local organisations and community programs or activities*

Source: Aboriginal and Torres Strait Islander Communities (Justice, Land and Other Matters) Act 1984

## OPERATING ENVIRONMENT

### Where CEQ Operates

#### *Torres Strait and NPA*

The Torres Strait is a body of water that lies between Australia and Papua New Guinea. It is approximately 150 kilometres wide at its narrowest extent. To the south is Cape York Peninsula (the northernmost continental extremity of the Australian state of Queensland) whilst to the north is Papua New Guinea. The Torres Strait links the Coral Sea to the east with the Arafura Sea in the west.

Several clusters of islands lie in the Strait, collectively called the Torres Strait Islands. There are at least 274 islands which are grouped into five distinct clusters, 17 of which have present-day permanent settlements. Of these 17 islands, 14 have stores and incorporate a treaty that enables trade practices with Papua New Guinea Nationals. IBIS has a store on 13 of the 14 islands.



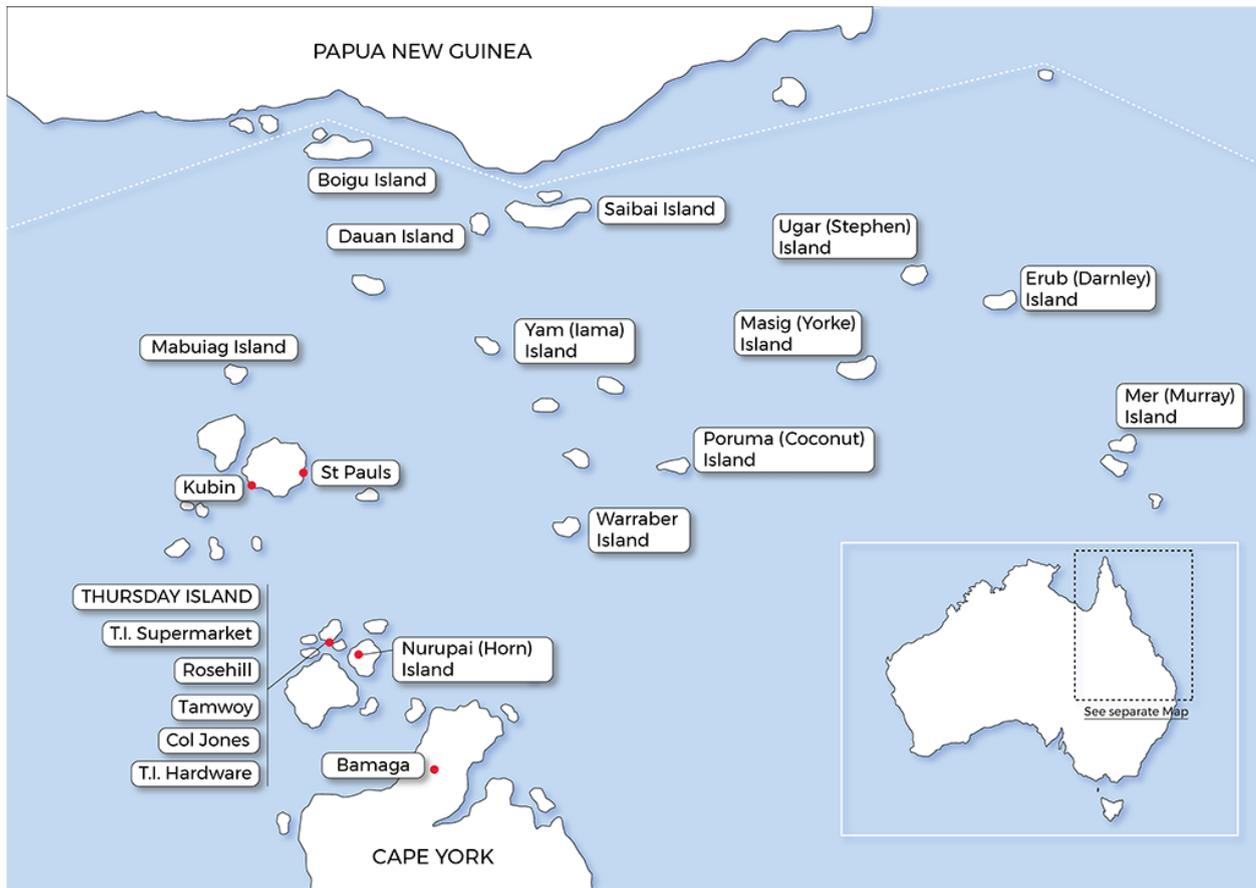
These clusters exhibit differences in geology and formation, as well as having individual cultural characteristics and language.

Thirteen of the inhabited islands are located within the protected zone, as outlined in the Torres Strait Treaty. The Treaty allows for a cooperative approach to managing the traditional movements of traditional inhabitants across the Torres Strait protected area.

#### IBIS Deliverables

In total, IBIS operates sixteen (16) retail convenience stores, two (2) supermarkets and a service station as well as five (5) small fuel outlets associated with five of the outer island stores. In addition to these stores, CEQ has a presence on Thursday Island supplying hardware and electrical goods. The convenience stores provide groceries, fresh fruit and vegetables, meat, variety products and other items commonly found in general stores or small supermarkets.

The IBIS stores are located at:



Waiben (Thursday) Island

Main Store - Supermarket  
 Tamwoy Store  
 Rosehill Store

Mitre 10 Hardware  
 Col Jones (Variety Store)

Nurupai (Horn) Island

Horn Store

Northern Peninsula Area (NPA)

Bamaga – Supermarket

Torres Strait Outer Islands - Stores

Boigu  
 Poruma (Coconut)  
 Erub (Darnley)  
 Dauan  
 Kubin (on Moa Island)  
 Mabuiag  
 Mer (Murray)  
 Saibai  
 St Pauls (on Moa Island)  
 Warraber (Sue)  
 Iama (Yam)  
 Masig (Yorke)  
 Ugar (Stephen).

The service station is operated on Thursday Island under a Caltex franchise. The IBIS retail outlets provide a general range of consumer goods including:

- dry grocery
- chilled grocery
- frozen grocery
- fresh fruit and vegetables
- large and small electrical appliances
- variety and seasonal goods
- fuel
- western union style banking facilities
- special orders to meet individual needs.

### Community Home and Hardware

Through 2016-2017 CEQ consolidated its retail footprint on Waiben, creating a Home and Hardware channel by acquiring 'Col Jones' and linking this business with the existing Mitre 10 Hardware (purchased October 2015). Col Jones was founded in 1978 and had been operated by family members throughout the years. At the time of acquisition in January 2017, it was a diversified business carrying recognised brands such as Betta Home Electrical, Monas Bazaar (locally), Toyworld, Newsagency and Sportspower franchises for the area. The business employed twenty-three (23) staff.

The business of Col Jones met the then IIB business vision and model in that it is a retail establishment which had the ability to deliver services to the remote area of the Torres Strait. As CEQ is a not-for-profit, benefits were immediately made available to the Torres Strait through pricing structures designed to take into account the social and economic circumstances of the region. Col Jones at the time was a natural expansion of existing retail activities.

The acquisition of Col Jones by the then IIB provided for an increase in economic development and employment prospects of Torres Strait Islanders. CEQ has improved the ratio to TSI employment at Col Jones on previous management levels. At the time of change over there were twelve (12) indigenous staff. CEQ now employs fifteen (15) indigenous staff increasing this percentage from fifty-two (52%) to sixty-five (65%) percent. The acquisition also provides an additional career choice for CEQ staff from other retail channels.

### Additional Benefits

The acquisition of Col Jones brings with it additional benefits to regional economic development. These benefits include spin-offs from the existing franchise(s) by allowing an expanded product range in the outer islands of the Torres Strait – thereby improving service levels to disadvantaged areas. The increased access to goods by CEQ shall allow greater choice for outer island residents thereby improving their standard of living.

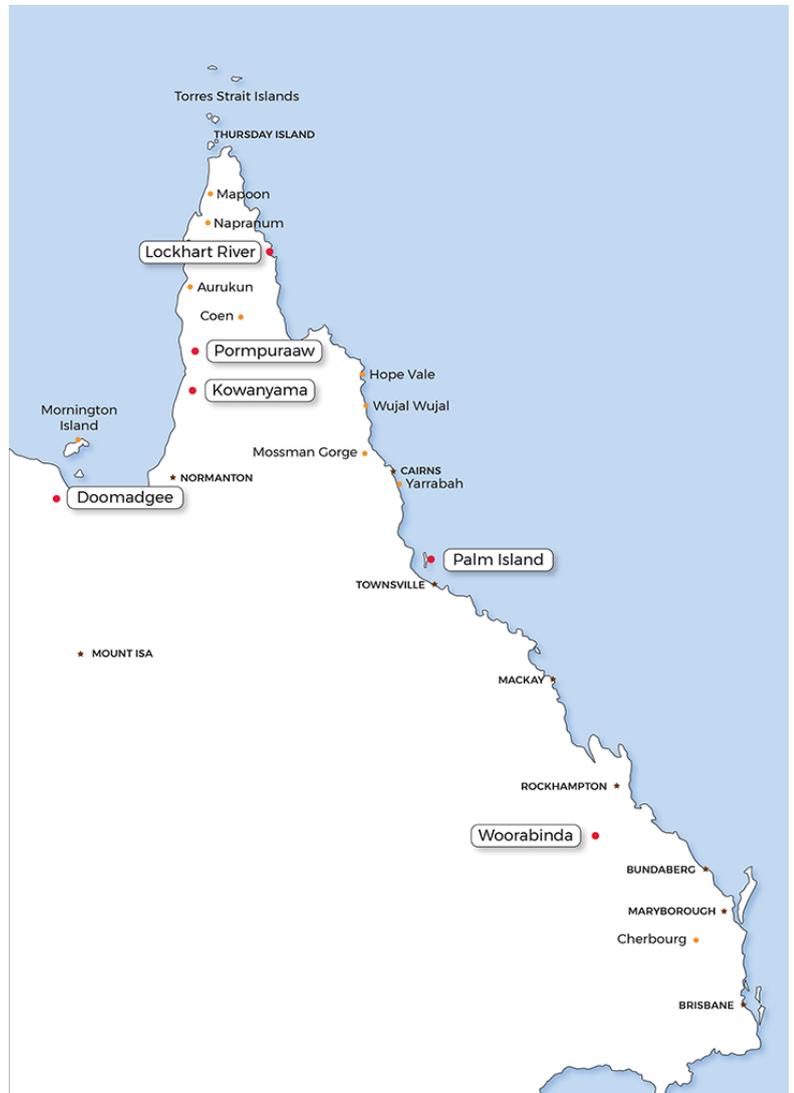
*Retail Stores*

The State Government during 2016 undertook a review of the operations of the Department of Aboriginal and Torres Strait Islander Partnerships (DATSIP) – Retail Stores. The outcome of the review was that there was benefit in merging the operations of CEQ with DATSIP Retail Stores. The merger of DATSIP Retail Stores with IBIS under the management of CEQ was approved by the Queensland Government in late 2016. The merger was completed by 30 June 2017.

Retail Stores supermarkets managed by CEQ are located in six (6) very remote communities:

- Doomadgee;
- Kowanyama;
- Lockhart River;
- Palm Island;
- Pormpuraaw; and
- Woorabinda;

These stores provide fresh and healthy food, drinks and a variety of other supermarket products at a fair price. They tailor their store ranges to give remote local communities the best fresh produce and encourage healthy food choices. A number of stores retail general merchandise such as whitegoods, drapery, manchester, furniture, power cards, along with fuel and domestic gas bottles.



**Supply Chain**

As the supply of these goods and services incorporates a supply chain in excess of 3,050 kilometres, this in itself presents significant challenges which are compounded considerably when those services include the supply of fresh, chilled and frozen food.

This supply chain involves multiple freight handlers and is quite involved with goods generally travelling first from Brisbane to Cairns by rail (approximately 1,750 kilometres). Goods are then re-palleted or containerised in Cairns. They are then shipped to Thursday Island (in excess of 1,000 kilometres), where they are reloaded and shipped to landing barges that finally transport the goods to the Island Stores (up to 300 kilometres).

Many significant issues further compound the cost of supplying this service, and ensuring that:

- all food products are safe;
- the cold chain for all temperature sensitive products is unbroken;
- the goods arrive in good condition - undamaged by mishandling and uncontaminated by other products that are co-shipped with them and/or by seawater;
- all food products are reasonably date coded to allow for the extended shipping period; and
- the fresh food products are reasonably date coded to ensure a supply of fresh product to the communities for the duration between deliveries.

Retail Stores have different supply runs and different challenges than the IBIS Stores. In particular during the wet season the stores at Doomadgee, Kowanyama and Pormpuraaw require essential goods to be freighted in by aircraft. Woorabinda can receive freight directly from Brisbane by truck whereas other stores are by rail and then palletised for trucking to their final destinations. Palm Island is slightly different as the goods are palletised and barged (sea freight).

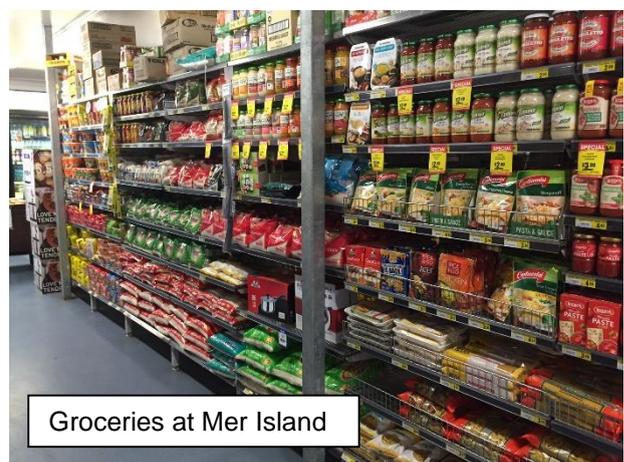
Associated freight costs incurred in the transportation are subsequently reflected in product pricing.

In many cases, the IBIS store is the only provider of food on an island. The result of a supply chain failure can be catastrophic as food cannot be delivered to communities. Failure in the supply chain can be caused by such issues as natural disasters, breakdowns or king tides preventing supply barges from docking at the islands. Poor port access to some communities further compounds the supply of goods to some communities.

### **Cost of Living**

CEQ recognises that the biggest issue facing the people of the Torres Strait, NPA and remote Indigenous communities is the rising cost of living. CEQ has pricing policies in place to mitigate against margin increases on essential goods.

CEQ has maintained 'Best Buys' (in IBIS and NPA) and introduced this program to the Retail Stores. Best Buys offer savings to customers through the provision of 300 to 400 specialised items at any given time. This allows customers choice and at the same time maintains CEQ commitment to being financially sustainable.



### Healthy Food Choices Program

CEQ is committed to healthy food choices and has had a program in place for more than five years. CEQ Best Buys is now the conduit in this program, allowing families to save and reduce the cost of living in remote areas. CEQ Best Buys are continually cross referenced with three major mainland grocery retailers for price and value.

### CEQ Pricing Policy

Due to the high operational costs associated with service provision in rural and remote areas, there is the expectation that items will be more expensive in these remote areas.



In order to curb these costs to the community, CEQ has committed (through policy development) to provide healthy food choices at the lowest possible price, whilst operating the business on a sustainable basis. Items that are not in the healthy food choices category are still priced at a level where pricing remains competitive against other local competitors. In all instances CEQ strives to offer the best value for the communities it serves.

CEQ is very aware of its charter in providing goods and services to community in a sustainable manner. A key component of this charter (as a not-for-profit) is to ensure that goods and services are delivered in meaningful ways that provide the customer with value. CEQ has averaged a return on investment in its operations of 4% over the last three years with its profits being reinvested back into the communities via capital expenditure and increased employment.

CEQ is committed to working with other agencies and the State and Commonwealth Governments to assist in raising the living standards in within community.

## KEY MANAGEMENT THEMES

### CEQ Key Factors to Success

CEQ is required to closely monitor several key factors to ensure success in its operations. These key factors are:

- Sustainability;
- Native Title,
- People Retention, and
- Adoption of Mainstream Retail Practices

### *Sustainability*

By far CEQ's most challenging issue is in ensuring sustainability while continuing to grow the business and provide value to customers. Significant factors impacting on sustainability are:

- Freight – Freight constitutes eight percent (8%) of the turnover and consequential of the supply chain length and associated costs in delivery goods and services. Unlike the majority of retail practice, suppliers do not deliver free into store. With a kilogram of chilled product costing in excess of \$1.14 to freight, this has a significant impact on the in-store pricing of groceries. In this regard, the CEQ freight cost last financial year was \$6.2M. Due to negotiations with freight competitors in 2015 freight has reduced by fourteen percent (14%) with this benefit being passed on to consumers;
- Power – Due to the extensive refrigeration requirements of CEQ operations, power consumption is keenly monitored. To reduce overheads and CEQ's environmental "footprint" CEQ in partnership with Ergon (Energy Retailer) embarked upon a Power Savvy program which entailed solar panels being installed on IBIS shops. CEQ also takes opportunities to install energy saving devices where appropriate;
- Insurance – CEQ has experienced increased premiums in the past which were absorbed into our operating costs. In late 2015 a competitive tender was called for insurance and brokerage services which has resulted in a plateau of insurance premiums for 2016. The nature of the contract ensured price stability in the second year of operation;
- Remote cost of living pressure – The financial pressures on families leave less disposable income for food consumption – fuel, transport, rent and power. CEQ is acutely aware of the environment and demographic that it supplies its goods and services in and strives to ensure that customers have choice as per its healthy food choices and pricing policy;
- Maintenance – the ongoing cost of maintenance is a major impost to the business because of the extreme environment and tyranny of distance. Store maintenance is a critical issue for grocery retailing, impacting on a range of issues, from customer and staff comfort to food safety and public health risks. Maintaining plant and equipment in remote maritime locations is expensive and a challenge, because of corrosion, and the lack of local tradespeople and flexible and cost effective transport options. CEQ has worked extensively on preventative maintenance programs in 2016 and 2017 and it is expected to see the benefits of reduced re-active maintenance over the next capital cycle; and

- **Size of Catchment** – The cost of doing business on a small scale in communities is significantly higher than in areas with substantially larger populations. This is reflected in the price of goods and services being provided. Despite a static to declining population, CEQ has experienced positive real growth in its grocery business. This is based upon the dedicated pricing policy of CEQ coupled with providing quality goods at value.

**Native Title**

Acknowledgement is given to Torres Strait Island Regional Council for their cooperation in, and assistance in progressing the acquisition of native title for the majority of IBIS stores. Their support in the Trustee Lease approval process which has supported and enabled the relevant Indigenous Land Use Agreements (ILUA) that have been approved during the past five years has played an integral role in the continued growth of the business.

Subsequently, CEQ is in a stronger position for the securing of the remaining Native Title Leases since the relevant parties, including Traditional Owners, the Prescribed Body Corporate and the Native Title Office have agreed on a template.

Native Title under Negotiation

Location	Action
Boigu	Lease negotiations to be completed
Iama	Lease negotiations to be completed
Masig	Lease negotiations to be completed
Moa Is – Kubin	30 year ILUA agreed and awaiting execution
Moa Is – St Pauls	30 year ILUA agreed and awaiting execution

**People Retention**

Attracting and retaining staff in community stores is an ongoing challenge. In this regard CEQ has significantly reduced the turnover rate during the past five years which in itself is a significant achievement. One of the causes of retail turnover is the desire to work in administration roles as opposed to retail, and this explanation has been provided when staff resign.

The operational vision regarding staff is for local Indigenous people to assume senior management roles. This is achieved through investing in staff through training and development, and an associated mentoring program. Training and education form part of the most significant strategic imperatives of the organisation. This investment however, does come at a cost due to the tyranny of distance of the communities and the availability of certified trainers prepared to work in remote locations. Regardless, CEQ has been

successful in elevating local staff to store management and regional management positions.

One of the imperatives of CEQ is for store managers to be able to assume a manager's role if they choose to move from their community. The practices that have therefore been adopted at a store level are those that will be accepted in mainstream retail outlets. This also forms the basis of the mentoring program that has continued to be enacted during the year as part of the succession plan for CEQ.



Harriet Bani receiving her Certificate III in Retail Operations

Recognising and rewarding staff is an integral component of the annual conference where store managers travel to a single location and are acknowledged for their contribution to the business. The conference includes keynote presentations and employment service awards. CEQ recognises high achievers, including Best Performing Store, Store Manager and Outstanding Customer Service, thereby

encouraging all employees to strive for excellence within their local communities.

The conference is also a avenue where staff attend workshops and other training and development opportunities to better equip them in their roles and in an endeavour to develop them into senior managers of the future.

CEQ trade partners sponsor the conference through financial and product support presented at a suppliers trade show. This trade show demonstrates new brands and product innovation that is normally provided to stores on the mainland.

100% of IBIS store managers have attained nationally recognised certification in Certificate III in Retail. CEQ has shifted its focus onto workplace health and safety (WH&S) and the continued development of its mentoring program that is incorporated into the succession plan. WH&S certification was also offered to assistant store managers in an endeavour to ensure all staff accept responsibility for workplace and personal safety.

### *Cultural Diversity*

IBIS supports cultural diversity and 'Ailan Kastom'. The CEQ business model operates in a culturally diverse environment and one which offers a unique and enriching experience. It is however not without challenges given cultural beliefs and practices of one culture can conflict with the beliefs and practices of another culture.

CEQ has largely addressed cultural awareness issues through its induction program and ongoing human resource practices. Awareness of cultural diversity is heightened at CEQ

and ‘differences’ are respected, for example IBIS stores carries its own slogan of “IBIS Time / Island Time” to further re-inforce itself as a preferred employer in the community.

### **Community Service Obligation**

The collective consolidated CEQ financial model enables CEQ to provide all communities with a sustainable retail offering of quality goods and services at competitive pricing regardless of the individual stores ability to generate a trading surplus. There are a number of stores which are marginal in a financial sense and some operate below the break-even line. Despite this, these stores still have the same price and range as other like CEQ stores.

Within the CEQ self-sustainability model, CEQ generates sufficient funds to invest in a sinking fund for future capital infrastructure investment. This has been clearly demonstrated over the past six (6) years with new stores being built on Mabuig, Ugar, Bamaga, Nurupai, Dauan and Saibai and a storage extension on Warraber, Bamaga and Murray. This commitment to continuing to reinvest in preserving and growing our asset base, distinguishes us against all other retail operations in remote communities. The strength of the CEQ balance sheet allowed for repayment of the freeholding lease associated with the slipway land on Thursday Island and the purchase of Col Jones in January 2017.

Plans are also in progress for a new store at Erub (Darnley) and strong community demand for an IBIS store on Badu has resulted in negotiations taking place with traditional owners. With regard to Retail Stores – plans are being formulated for a hardware offer at Palm Island.

It is envisaged that extensions will also come to fruition at lama (Yam), Poruma (Coconut) and Masig (Yorke) in the next twelve (12) to eighteen (18) months. Significant investment in preventative maintenance on refrigeration upgrades is also to be undertaken.

CEQ works closely with the Torres Strait Regional Authority and local Council’s to be part of the social fabric in terms of delivering consistent outcomes under the health and wellbeing pillar of the current Council of Australian Governments (COAG) agreement.

CEQ continues to demonstrate its commitment to improving the health and wellbeing of local residents through innovative merchandising processes to motivate consumers into healthier purchasing choices – turning buyer hot spots into nutritional placement. The continued leveraging of trade partner relationships to develop product display units encouraging change in consumer behaviour is beginning to prove beneficial to the community. This includes the commitment of shifting purchases from full sugared soft drinks to bottled water.



The annual freight savings that have been negotiated will be generated back to the communities by way of reduced pricing of goods and therefore result in better buying power for community members.

CEQ has provided \$47K in sponsorship by providing communities with access to fruit, vegetables, water and variety products by way of donation in support of local activities, such as sporting carnivals, church groups, community events and healthy lifestyle activities. CEQ plays an important role in the healthier lifestyle programs run by the individual island communities.

CEQ continues to work with Ergon's Power Savvy team to reduce the high demand of energy consumed and improve power efficiencies within the group. This is further ensured through sustainable architecture with new buildings and extensions and the ongoing placement of energy efficient equipment in stores. The works undertaken with Ergon will result in further reductions of carbon emissions.

IBIS continues to work with leading educational institutions and Job Service Networks, with a view to build capacity from primary school through to tertiary, encouraging Islanders to choose retail as a career path.

## **MANAGEMENT AND STRUCTURE**

### **Summary of Key Activities**

The model developed by CEQ strives to represent best practice in retail service delivery in remote indigenous communities, through:

- Its diverse economic development capabilities;
- Delivery of compliant, safe, high quality food at the lowest possible prices;
- Operating at no cost to Government (i.e. consumes no Government financial resource);
- Providing a source of major employment for indigenous Australians (CEQ is one of the largest employers in the Torres Strait) with seventy-four percent (74%) of staff being indigenous Australians);
- Presenting a low cost, fit for purpose model delivering an effective and efficient essential service in an extremely remote environment;
- Arms - length government reporting standards;
- Complying with best practice consumer retailing and meeting all legislative and regulatory requirements; and operating commercially on a 'not for loss' basis;
- Managing risk to all stakeholders via a system of risk management – integrated across the organisation through a comprehensive risk management program and accredited food safety program; and

- Sound governance in that CEQ:
  - acts legitimately by complying with all required legislation;
  - actively manages risk via the Risk Framework and Enterprise Risk Register;
  - observes due process in all business activities (i.e. with documented policies and procedures) and respecting the rights of all stakeholders; and
  - meets and exceeds its publicly declared standards of performance in the economic use of resources, supply of outputs and achievement of desired economic, social and environmental outcomes.

### **Board Governance and Sub-Committees**

During the 2016/2017 Financial Year the organisation that was IIB (continued in existence as CEQ) had two separate Boards. There was a Board changeover on 1 April 2017.

Members of the Board have skills and experience in:

- Operating and managing retail operations and in particular supermarkets;
- Operating and managing businesses;
- Economic and regional development;
- Strategic and business planning;
- Governance and leadership;
- Legal and risk management;
- Community engagement;
- Developing indigenous and multi-cultural communities;
- Government/stakeholder relations and partnering; and
- Business and corporate accounting.

#### *Board Profile 30 June 2017*

##### **Mr Nigel Tillett (Chair)**

Mr Nigel Tillett has extensive retailing and leadership experience combined with essential understanding of policy and government processes through a lengthy public sector career. Mr Tillett has gained substantial knowledge through living and working in the Torres Strait and Far North Queensland, of issues and challenges remote Queensland communities face in accessing quality, fair priced and reliable grocery and retail supplies. Mr Tillett brings a wealth of experience and knowledge to his role as Chairman, having held a number of Directorships across a range of organisations, including the Queensland Rugby League and is currently a Director of the QRL Northern Division.

#### Mr Michael Aw

Mr Michael Aw has extensive experience in the retail industry, being the founding director of The Good Guys in Cairns – one of the most successful stores of its kind in the nation. Mr Aw has been the Far North Queensland Chairman for the Good Guys over a number of years and has also been a member of the national marketing and advertising advisory committee for nine years. Mr Aw is also a current serving member of Far North Queensland Football Board.

#### Ms Elverina Johnson

Ms Elverina Johnson has significant knowledge of the Yarrabah region, having lived and worked within the community performing community engagement roles for an extensive period of time in a range of social impact areas including drug and alcohol issues, school attendance and child safety related matters to name a few. Ms Johnson is an awarded member of the Queensland Performing Arts community, having, amongst a number of experiences, being awarded a Premier's award for her role as a consultant curator for an Indigenous Dance Exhibition called 'Kicking Up Dust'. Ms Johnson has extensive experience in the arts and creative writing industry, and uses her knowledge and insights gained to support community engagement activities in Yarrabah.

#### Mayor Ralph Kendall

Councillor Ralph Kendall was elected as Mayor of Pormpuraaw in March 2016 having previously been a land and sea ranger on Pormpuraaw DOGIT land from January 2014. Mayor Kendall has widespread community knowledge of Pormpuraaw, having worked for the Pormpuraaw Aboriginal Shire Council in an official capacity since early 2007.

#### Mayor Vonda Malone

Councillor Vonda Malone is a continuing member of the CEQ board and Mayor of Torres Shire Council, having been elected to the position in April 2016 as the first female Mayor for the Shire. Mayor Malone has extensive experience in senior management positions having worked extensively across community health coordination roles with both federal and state Governments. Mayor Malone has completed the Australian Institute of Company Directors Course amongst a number of other qualifications including an Indigenous Fellowship Programme with the United Nations in Geneva, Switzerland.

#### Ms Jodi Peters

Ms Jodi Peters is a founder and Managing Director of The 20/20 Group, a North Queensland strategic consultancy specialising in business and marketing planning. Through that business Ms Peters primarily advises on strategic planning, governance, and major tendering projects. She holds a Bachelor of Business and is a graduate of the Australian Institute of Company Directors course. She has an extensive background managing law firms and is presently the Business Manager of Peters Bosel Lawyers. Ms Peters has chaired, sat on, and consulted for several not-for-profit boards, giving her a strong knowledge of governance, executive reporting, financial and performance management. She was a member of the Board of Worklink Employment Support Group Inc. for 16 years, the last 12 of which she held the position of Chair.

She presently holds current directorships on the Boards of Cairns and Hinterland Hospital and Health Service and Trinity Anglican School Limited.

#### Ms Margot Richardson

Ms Richardson is a Professional Accountant (CPA Australia) with significant accounting, auditing, business and governance experience in Far North Queensland and the Gulf of Carpentaria. Ms Richardson is a graduate of the Australian Institute of Company Directors course (2010) and has served as a member on a number of boards, including the Gumbi Gumbi Aboriginal and Torres Strait Islander Corporation, Queensland Small Business Advisory Council and the Finance and Audit Committee, Southern Gulf NRM. Ms Richardson is currently a Director of Business Mapping Solutions Pty Ltd and Independent Director of Laynhapuy Aviation Aboriginal.

#### Mr Mislam Sam

Mr Mislam Sam is the current Director of Palm Island Junior Sports Aboriginal Corp. and former and now current Director of Palm Island Community Company Board with notable business experience as a local government Councillor and educator, having most recently completed a four-year tenure as a Palm Island Aboriginal Shire Councillor. Mr Sam operates an accommodation business with a commercial kitchen on Palm Island which he has progressively grown into a prosperous business over the past four years. Prior to his role in council, Mr Sam also has over ten years' experience working within State Government in the areas of Aboriginal and Torres Strait Islander Policy, Education and Training both in Townsville and on Palm Island.

#### Ms Eleanor Scott

Ms Eleanor Scott has extensive experience in remote Queensland and Indigenous communities providing legal services to local communities, predominantly commercial transactions including contracts for goods and services, property, planning and land tenure, corporate structures and native title. Ms Scott is currently a partner and practice group leader at MacDonnells Law, based in the Cairns office. Ms Scott has lived in Cairns for 10 years after relocating from Papua New Guinea.

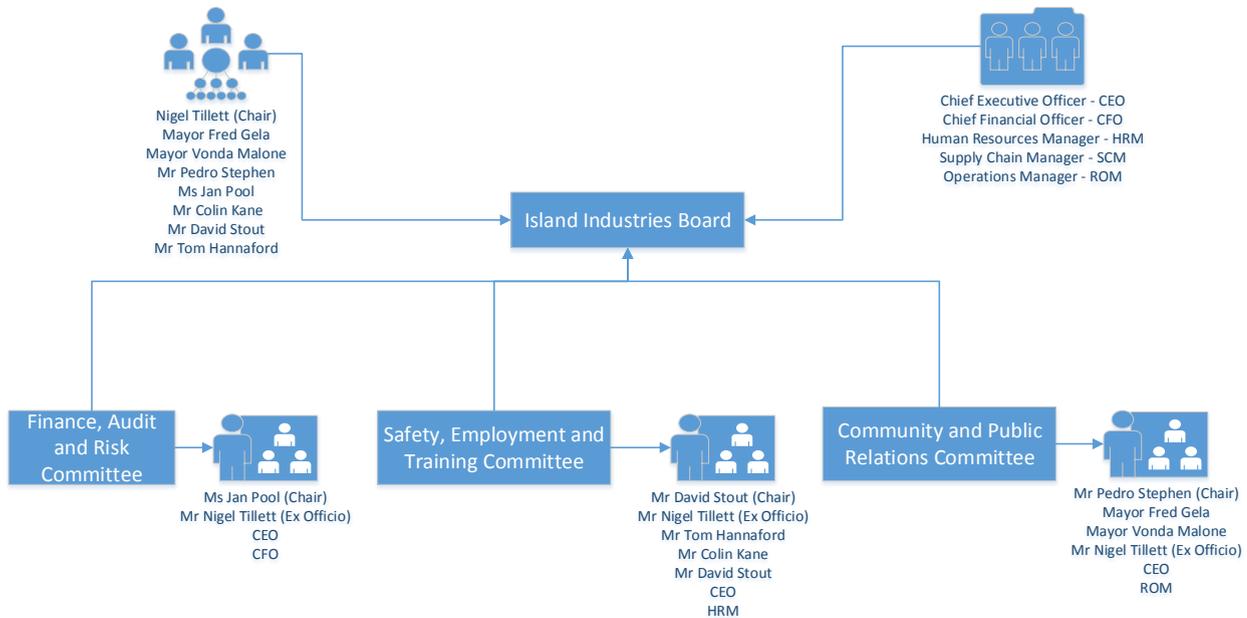
#### Mr Pedro Stephen

Mr Napau Pedro Stephen is the Chairman of Torres Strait Regional Authority with extensive community knowledge and networks established through the Torres Strait and Aboriginal Communities that he has worked with. Mr Stephen has extensive experience in leadership with over thirty years involvement in government and non-government organisations, having held various positions as a public and elected official and a long history of community service.

**Board Configuration: 1 February 2016 to 31 March 2017**

In accordance with section 60 of the *Aboriginal and Torres Strait Islander Communities (Justice, Land and Other Matters) Act 1984*, IIB was comprised of at least five (5), but not more than eight (8) members appointed by the Governor in Council.

The composition of the IIB and then CEQ Board included an appropriate mix of skills including members who have a deep understanding of the community and local cultures. The structure of the Board and Sub-Committees to 31 March 2017 is shown below:



**Chairperson**

Mr Nigel Tillet was appointed Chairperson on 17 December 2015. Mr Tillet continued this role in the new Board from 1 April 2017.

The Board was comprised of the following individuals (up to 31 March 2017):

Member	Role
Nigel Tillet	Chairperson
Fred Gela	Deputy Chairperson
Jan Pool	Chair of Finance, Audit and Risk Committee
David Stout	Chair of Safety, Employment and Training Committee
Pedro Stephen	Chair of Community and Public Relations Committee
Vonda Malone	Member

Member	Role
Tom Hannaford	Member
Colin Kane	Member

The Board has the following sub-committees that report to it on a regular basis.

*Finance, Audit and Risk Committee – FARC*

The FARC is responsible for ensuring the internal control and risk management framework is appropriate for the organisation. It monitors the ongoing financial performance of CEQ and is also responsible for ensuring audit recommendations are addressed. The Committee is also responsible for reviewing the financial accounts prior to their release. The FARC has the added task of developing and monitoring the financial section of the CEQ Annual Strategy Action Plan. The FARC fulfils the statutory role of an Audit Committee.

The Finance, Audit and Risk Committee membership to 31 March 2017 included Ms Jan Pool (Chair) and Mr Nigel Tillett. Representation from management included the CEO and CFO.

With the advent of the new Board, the FARC was re-branded to include Governance becoming the Finance, Audit, Risk and Governance Committee. From 1 April 2017, the Committee comprised of Ms Eleanor Scott (Chair), Ms Jodi Peters, Ms Margot Richardson and Mr Nigel Tillett. Management representation comprised of the CEO and General Manager Finance (GMF).

*Safety, Employment and Training Committee – SETC*

The SETC considers matters with respect to safety, the management and remuneration of CEQ employees and human resources and industrial relations issues. Its focus is the appropriateness of any new or amended human resource policy, remuneration of CEQ staff, the performance and appropriate recognition of CEQ staff, and the training programs for staff and the termination and recruitment of staff. The SETC is also tasked with the development and oversight of the Employment and Training section of the CEQ Annual Strategy Action Plan.

The Safety, Employment and Training Committee membership to 31 March 2017 included Mr David Stout (Chair), Mr Tom Hannaford, Mr Colin Kane and Mr Nigel Tillett. Representation from management included the CEO and General Manager Human Resources.

With the advent of the new Board, the SETC was re-branded to the Employment, Training and Safety Committee. From 1 April 2017, the Committee comprised of Ms Jodi Peters (Chair), Ms Eleanor Scott, Ms Elverina Johnson and Mr Nigel Tillett. Management representation comprised of the CEO and General Manager Human Resources.

*Community and Public Relations Committee - CPRC*

The Committee is established to assist the Board in delivering services within an appropriate framework of community understanding and public relations. The Committee reviewed specific aspects of community engagement and understanding, including engagement of the community in items of a strategic nature and enhancement of health and wellbeing in the community.

The Community and Public Relations Committee membership to 31 March 2017 included Pedro Stephen (Chair), Mayor Vonda Malone, Mayor Fred Gela and Mr Nigel Tillett. Representation from management included the CEO and General Manager Operations.

From 1 April 2017, the Committee comprised of, Mayor Vonda Malone (Chair), Mayor Ralph Kendall, Mr Pedro Stephen, Ms Elverina Johnson and Mr Nigel Tillett. Management representation comprised of the CEO and General Manager Operations.

**Board Member Terms**

<b>Family Name</b>	<b>Given Name</b>	<b>Position Title</b>	<b>Appointment Start Date</b>	<b>Appointment End Date</b>	<b>Member Since</b>
Gela	Fred	Deputy Chairperson	28-11-2013	27-11-2016	2009
Hannaford	Tom	Member	28-11-2013	27-11-2016	2013
Kane	Colin	Member	28-11-2013	27-11-2016	2013
Malone	Vonda	Member	28-11-2013	27-11-2016	2012
Pool	Jan	Member	28-11-2013	27-11-2016	2013
Stephen	Pedro	Member	28-11-2013	27-11-2016	2012
Stout	David	Member	28-11-2013	27-11-2016	2012
Tillett	Nigel	Chairperson	17-12-2015	16-12-2018	2015

Note: Board member terms were extended to 31 March 2017.

*Attendance at Meetings 1 February 2016 – 31 March 2017*

	Type of Meeting				Total Meetings Attended
	Board	CPRC	FARC	SETC	
Scheduled Meetings	7	2	9	3	
Nigel Tillett	7	2	9	-	18
Fred Gela	6	2	-	-	8
Tom Hannaford	6	-	-	3	9

	Type of Meeting				Total Meetings Attended
	Board	CPRC	FARC	SETC	
Scheduled Meetings	7	2	9	3	
Colin Kane	6	-	-	3	9
Vonda Malone	6	2	-	-	8
Jan Pool	6	-	9	-	15
Pedro Stephen	7	2	-	-	9
David Stout	7	-	-	3	10

Note: Sub-Committees are Committees of review with any resolutions requiring ratification by the full Board.

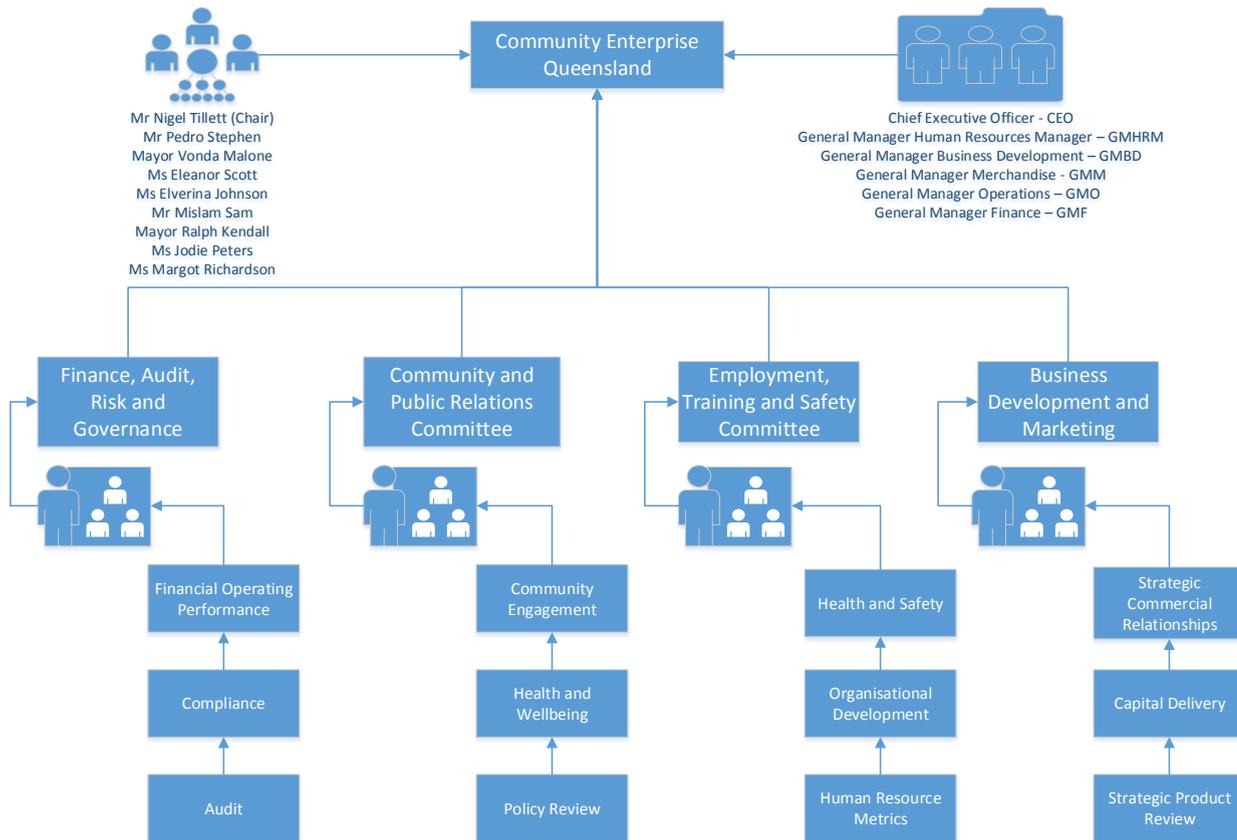
Payments to Board members are as follows:

Family Name	Given Name	Position Title	Payments \$
Tillett	Nigel	Chairperson	24,048
Gela	Fred	Deputy Chairperson	0
Hannaford	Tom	Member	10,135
Kane	Colin	Member	10,135
Malone	Vonda	Member	2,109
Pool	Jan	Member	13,246
Stephen	Pedro	Member	5,269
Stout	David	Member	11,686

#### Board Configuration: 1 April 2017 to 30 June 2017

In accordance with section 60 of the *Aboriginal and Torres Strait Islander Communities (Justice, Land and Other Matters) Act 1984*, the CEQ Board is comprised of at least five (5), but not more than ten (10) members appointed by the Governor in Council.

The structure of the Board and Sub-Committees from 31 March 2017 to 30 June 2017 is shown below:



With the advent of the new Board in April 2017, a new Committee was structured being the Business Development and Marketing Committee. The role of this Committee is to have oversight responsibility for ensuring corporate goals are met within an appropriate framework of business growth, capital rationing, strategic marketing and commercial acumen. This is achieved by reviewing and reporting to the Board on specified aspects of business development, including long term growth prospects and profitability, management of capital and assets, strategic oversight of market driven information and strategic supplier engagement.

From 1 April 2017, the Committee comprised of Mr Michael Aw (Chair), Mr Mislam Sam, Ms Margot Richardson and Mr Nigel Tillett. Management representation comprised of the CEO and General Manager Operations.

Board Member Terms

Family Name	Given Name	Position Title	Appointment Start Date	Appointment End Date	Member Since
Tillett	Nigel	Chairperson	17-12-2015	16-12-2018	2015
Aw	Michael	Chair – Business Development and Marketing	01-04-2017	31-03-2021	2017
Johnson	Elverina	Member	01-04-2017	31-03-2021	2017
Kendall	Ralph	Member	01-04-2017	31-03-2021	2017

Family Name	Given Name	Position Title	Appointment Start Date	Appointment End Date	Member Since
Malone	Vonda	Chair – Community and Public Relations Committee	01-04-2017	31-03-2019	2012
Peters	Jodi	Chair – Employment, Training and Safety	01-04-2017	31-03-2021	2017
Scott	Eleanor	Chair – Finance, Audit, Risk and Governance	01-04-2017	31-03-2021	2017
Richardson	Margot	Member	01-04-2017	31-03-2021	2017
Sam	Mislam	Member	01-04-2017	31-03-2021	2017
Stephen	Pedro	Member	01-04-2017	31-03-2019	2012

The Audit Committee comprised of Ms Eleanor Scott, Ms Jodi Peters, Ms Margot Richardson and Mr Nigel Tillett with officer representation consisting of the CEO and GMF.

*Attendance at Meetings 1 April 2017 – 30 June 2017*

	Type of Meeting				Total Meetings Attended
	Board	FARGC	BDMC	CPRC	
Scheduled Meetings	2	3	1	1	
Nigel Tillett	2	3	1	1	7
Michael Aw	2	-	1	-	3
Elverina Johnson	2	-	-	1	3
Ralph Kendall	1	-	-	1	2
Vonda Malone	2	-	-	1	3
Jodi Peters	2	3	-	-	5
Margot Richardson	1	3	-	-	4
Mislam Sam	2	-	1	-	3
Eleanor Scott	2	2	-	-	4
Pedro Stephen	-	-	-	-	

Note: Sub-Committees are Committees of review with any resolutions requiring ratification by the full Board.

Payments to Board members are as follows:

Family Name	Given Name	Position Title	Payments \$
Tillett	Nigel	Chairperson	8,077
Aw	Michael	Chair BDMC	3,462
Johnson	Elverina	Member	3,462
Kendall	Ralph	Member	0
Malone	Vonda	Chair CPRC	0
Peters	Jodi	Chair ETSC	3,462
Richardson	Margot	Member	3,462
Scott	Eleanor	Chair FARGC	2,308
Sam	Mislam	Member	3,462
Stephen	Pedro	Member	7,385

Payments to the CEQ Board are in accordance with the Remuneration Procedures for Part-Time Chairs and Members of Queensland Government Bodies, being:

- Chairperson (Annual Fees): \$35,000;
- Member (Annual Fees): \$15,000;
- Sub-Committee Chairperson (Annual Fees): \$2,500; and
- Sub-Committee Member (Annual Fees): \$2,000.

### *Executive Management*

Ian Copeland is the Chief Executive Officer (CEO) and, has 35 years' experience in business development, strategic planning, sales and marketing including over 25 years' experience at senior executive level.

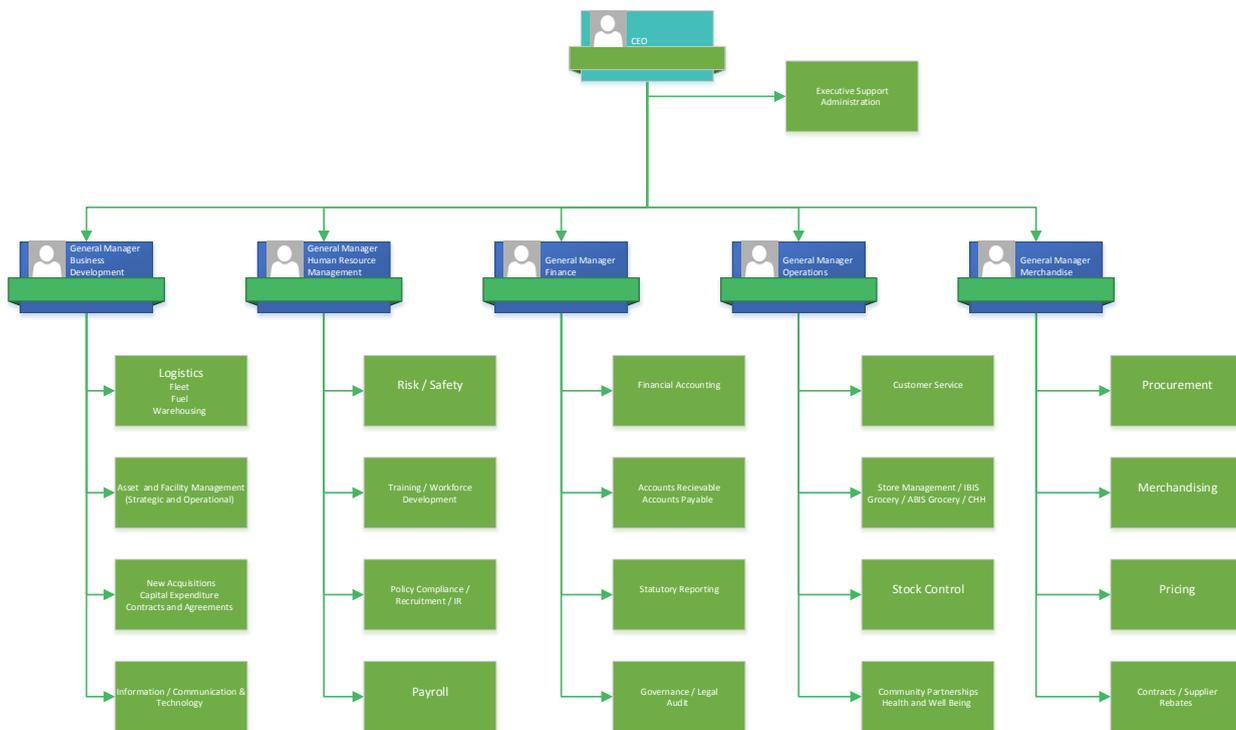
Other members of the Executive team are:

Executive Member	Experience
Mr Randal Crabbe	General Manager Business Development with over 15 years of experience in retail stores.

Executive Member	Experience
Ms Jennifer Bartlett	General Manager Human Resources Manager with over 20 years of experience in business management, staff development in an adult training area, and extensive experience working and living with Indigenous Australians.
Mr Bruce Ranga	General Manager Operations – over 20 years of experience in automotive, property, finance and shipping.
Mr Anthony Bird	General Manager Finance – experience in alternate financing arrangements, performance based reform of public sector agencies, pricing, rate of return and costing methodologies.
Ms Casey Kelly	General Manager Merchandise with 18 years of retail experience in both mainstream and remote locations.

### Organisational Structure

The organisational structure of CEQ is shown below:



## Compliance and Audit

During the year there has been an increased emphasis on compliance across the whole of CEQ. CEQ has a number of overarching management documents to aid compliance, these were:

- Financial Management Practice Manual Control Document
- Human Resources Induction Manual
- Human Resources Corporate Manual
- Cultural Awareness Manual
- Operational Plan
- Operations Manual (Retail Computer System Manual)
- Administration Manual (Computerised Administration Manual)
- Corporate Governance Manual

The IBIS Food Safety Program was developed in 2008 to ensure that IBIS complies with the requirements of the *Safe Food Act 2006* and the Food Safety Standards of the Australia New Zealand Food Standards Code. The program is continually refined and updated as per legislative requirements. It is planned to roll this program out to Retail Stores in the coming financial year.

### Internal Audit

The Audit Year of 2016/17 was the first year of CEQ engaging in a formal Internal Audit function. Grant Thornton (a provider of independent assurance, tax and advisory services) were engaged as CEQ's Internal Auditor. The role and function Internal Audit at CEQ is to:

- Provide a risk weighted Internal Audit Plan for a three (3) year rolling period; and
- Undertake Audits in accordance with that plan.

Specifically, Internal Audit is required to:

- Assess the internal control environment and whether systems are controlled and working effectively;
- Assess whether financial, managerial and operating information is accurate, reliable and timely;
- Assess employees' actions are in compliance with policies, procedures and applicable laws and regulations;
- Assess whether resources are acquired economically, used efficiently and adequately protected;
- Assess whether major programs, plans and objectives are achieved;
- Report on systems of quality and provide recommendations for continuous improvement;

- Review management responses to significant legislative and regulatory requirements impacting on CEQ for completeness; and
- Report on observations or suggestions about any matters arising from audits or relating matters that should be brought to the Boards attention.

The Internal Audit Plan developed was based upon CEQ’s risk register. In the first year of Audit, Grant Thornton reviewed IT Practices and Inventory and Procurement. Grant Thornton in its dealings with CEQ had due regard for Audit Committee Guidelines and as an external agency was independent of management and Authorised Auditors.

Grant Thornton have internal quality processes which are reviewed to ensure that there are no conflicts of interest. Grant Thornton’s confirmed that they do not have, or are likely to acquire, engagements which may give rise to any actual or perceived conflict of interest, with any services required in connection with the CEQ engagement.

In accordance with the provisions of the Auditor-General Act 2009 and the Financial Accountability Act 2009, the Queensland Audit Office is the external auditor for CEQ. The Queensland Audit Office has the responsibility for providing Queensland’s Parliament with assurances as to the adequacy of CEQ’s discharge of its financial and administrative obligations.

### **ETHICAL BEHAVIOUR**

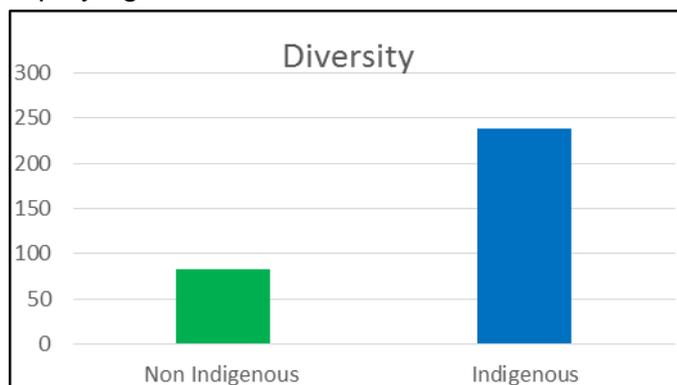
As a public sector entity, CEQ is required to have its code of conduct endorsed by the responsible authority described by the Act. Approval was sought on 14 July 2011 and endorsement was granted on 24 October 2011.

Existing staff are provided with training to understand the Public Sector Ethics Act and CEQ Code of Conduct. New staff are provided with the Code of Conduct as part of the induction process and the Code of Conduct is made available to all staff on the CEQ intranet.

### **WORKFORCE PLANNING AND PROFILE**

CEQ is a not for profit statutory body employing 322 staff at 30 June 2017. From its inception in 1905 it has grown to produce a footprint of twenty-seven (27) retail outlets including fuel, hardware and electrical / variety all of which are positioned in remote parts of Queensland, Australia.

CEQ is committed to promoting indigenous employment and at 30 June 2017 had an indigenous representation figure of seventy-four percent (74%) based on Head Count.



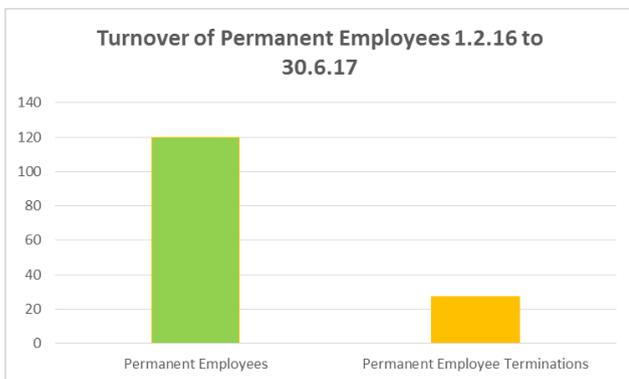
IBIS

The unique management model implemented in IBIS retail operations at its stores has been in existence for more than ten (10) years. The uniqueness of this model lies not only in local community members managing the grocery outlets but also ensures 100% Indigenous staff comprise the staffing mix in fifteen (15) of its outlets.

The IBIS model not only guarantees employment opportunities and a subsequent clearly defined career, it also provides a voice for Indigenous people regarding the operations of the business. IBIS provides clearly defined career paths for Indigenous people living in the remote northern part of this country through the acquisition of business acumen and the ability to role model standards and practices for future aspiring store managers.

Over time it is the goal of management to implement the IBIS model into the newly merged Retail Stores.

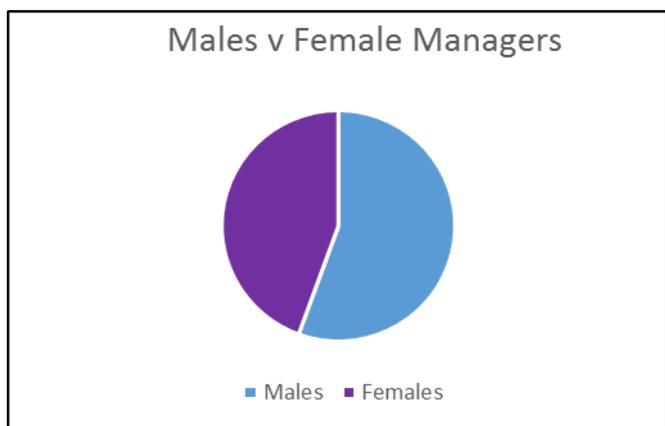
CEQ had a total 322 staff (headcount) at the end of the financial year. Permanent staff totalled 120 staff.



CEQ over the last reporting period experienced an average attrition rate of twenty-three percent (23%).

From an FTE perspective CEQ currently has 215 FTE's.

CEQ supports gender diversity within its workplace. Fifty-seven (57%) percent of all employees are female. From a management perspective, there are twenty-seven (27) managers in the organisation, of which forty-four (44%) percent are female. Fifty-two (52%) percent of managers identify as Aboriginal or Torres Strait Islander.



Training

CEQ invests in heavily in training with the current training strategy encompassing:

- Safety Compliance
- Risk Mitigation
- Employment Compliance

Positive Training outcomes are achieved through a structured program that encompasses:

- Mentoring and regular store visits from experienced staff in a variety of disciplines;
- Lunch box sessions;
- Task analysis and task observations;
- Certified Training including Retail, First Aid, Customer Service, Food Safety Accreditation and Work Place Health and Safety.

CEQ utilised the services of Qualified Training Officers and undertakes Audits associated with Workplace Health and Safety, Food and Store Audits. Staff development is identified through current performance review processes.

## **SUMMARY OF FINANCIAL PERFORMANCE**

In accordance with the Financial Accountability Act 2009 and Financial and Performance Management Standard 2009, the following applies:

- The financial records of the statutory body has been properly maintained throughout the year ended 30 June 2017 in compliance with prescribed requirements; and
- The risk management and internal compliance and control systems of the statutory body relating to financial management have been operating efficiently, effectively and economically throughout the financial year.

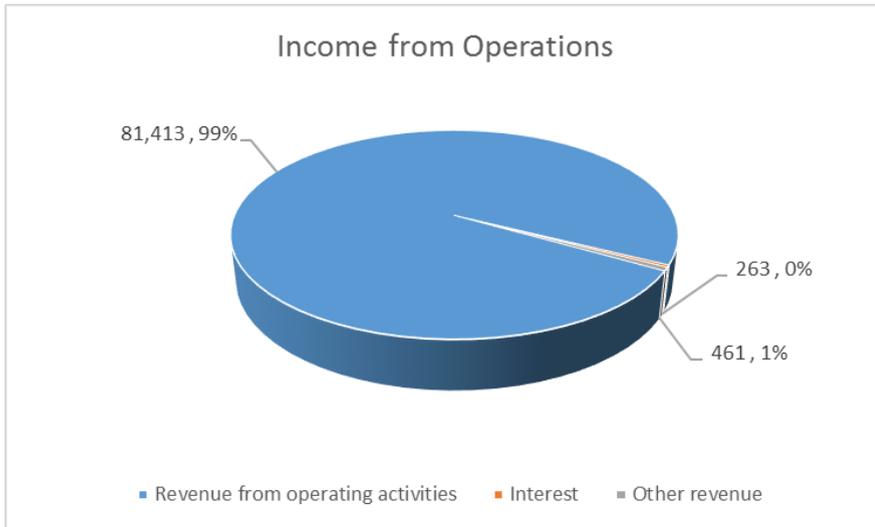
CEQ has reported on an extended financial year being 1 February 2016 to 30 June 2017. There were several key highlights for the business over this extended financial year. These highlights included:

- The acquisition of land upon which the Thursday Island hardware store resides;
- The conversion of the free-holding lease to freehold for the slipway land;
- The acquisition of the Col Jones business;
- The rollout of a retail specific inventory management system (Worldsmart); and
- Integration of DATSIP Retail Stores into CEQ's operational framework.

CEQ continued to supply goods and services at reduced margins. The gross profit margin achieved by CEQ for the reporting period was 32%. The figures discussed below reflect an Operating Result of \$20.1M. This result is skewed by the grant from DATSIP for \$18.5M. CEQ's Operating Result (excluding the Grant) is \$1.6M.

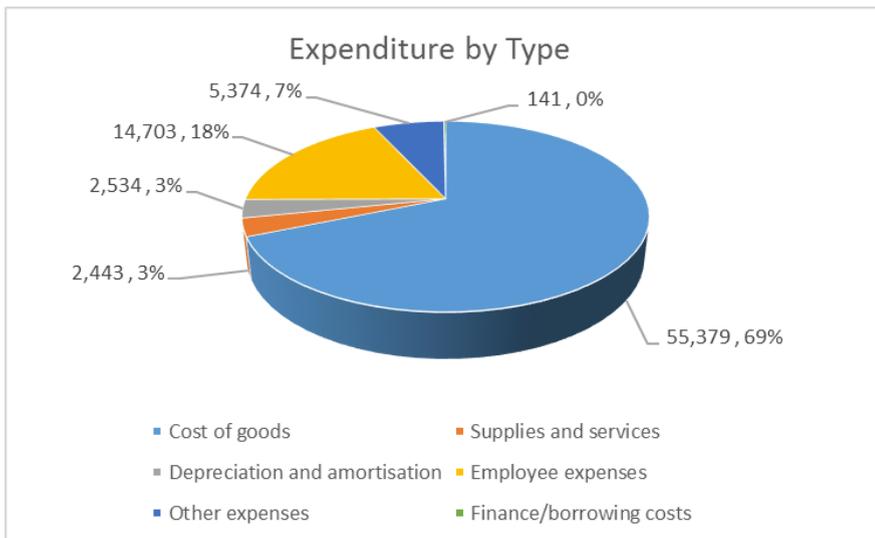
Key income, expense and balance sheet items are shown below:

**Income**



CEQ income was derived primarily from sales. Other revenue is property income and interest (received from investments with Queensland Treasury Corporation).

**Expense**



The bulk of CEQ costs are associated with Cost of Goods Sold. This is \$55.4M which includes freight associated with merchandise sales.

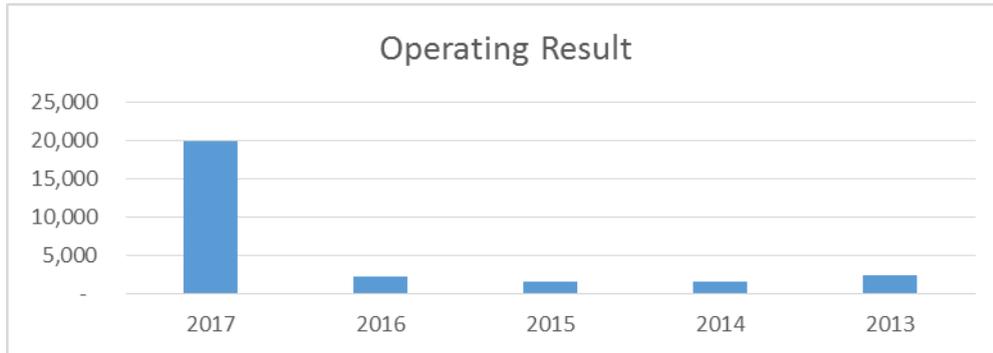
The Gross Profit margin for 2016/17 was 32%.

The largest items in other expenses are:

Expense Items > \$200K	\$'000
Repairs and maintenance	\$1,726
Electricity	\$1,591
Rent	\$696
Trade expenses	\$299

Expense Items > \$200K	<b>\$'000</b>
Insurance	\$284
Rates	\$209

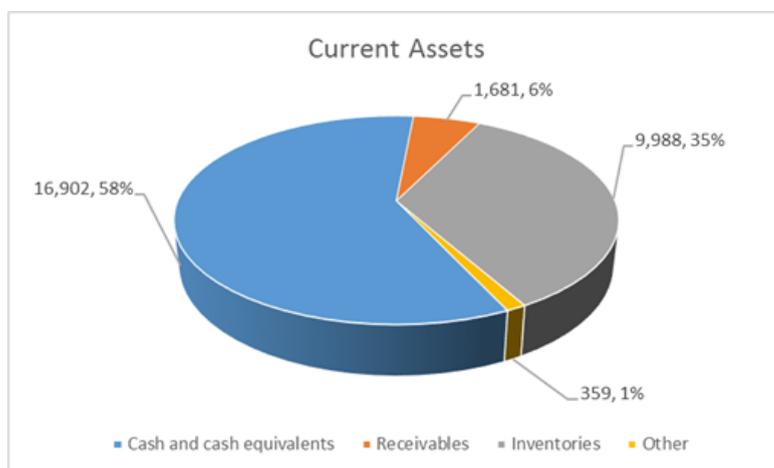
**Operating Result**



Over the last four years CEQ as IIB has had sustained small surpluses averaging \$2M. For the 2017 financial year the surplus was \$20.1M which is due to receiving the DATSIP grant of \$18.5M associated with the Retail Stores merger. This is not considered profit in the true cash sense. Rather, it is grant income to reflect the transfer of assets from the Department of Aboriginal and Torres Strait Islander Partnerships. The grant income will be used in the operations of CEQ to further improve physical asset condition and other projects.

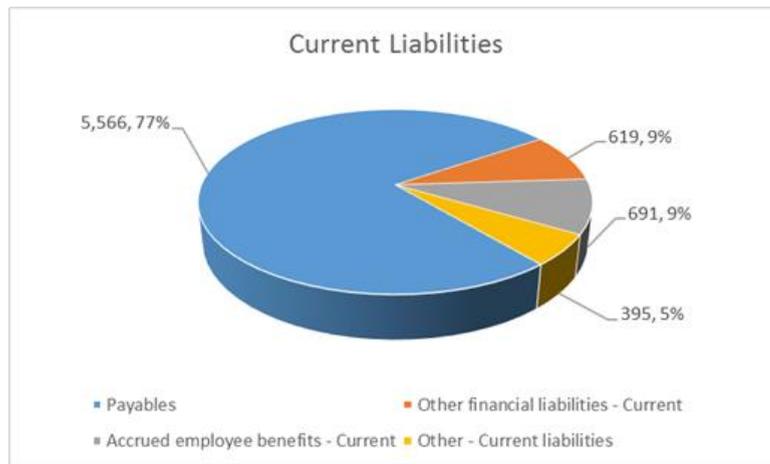
**Balance Sheet - Assets**

From a Balance Sheet perspective current assets are \$28.9M of which \$16.9M is cash.



**Balance Sheet - Liabilities**

CEQ at the end of financial year had current liabilities of \$7.2M of which \$5.6M was Accounts Payable.



Total non-current assets were \$44.0M of which \$40.3M was Property, Plant and Equipment. Total non-current liabilities were \$6.3M of which \$6.1M was a financial liability associated with Queensland Treasury Corporation.

**Ratio Analysis**

Ratio	Calculation	Information	Actual 2017	Actual 2016	Actual 2015	Actual 2014	Average Across Years (excluding 2017)
Liquidity - Working Capital Ratio	Current Assets	This is an indicator of the management of working capital. Measures the extent to which IIB has liquid assets available to meet short term financial obligations. General rule is that this figure should be 2 or greater.	3.98	3.13	3.10	2.26	2.83
	Current Liabilities						
Efficiency - Operating Profit Margin	Operating Result - Interest	Operational earnings (excluding interest) divided by sales. This ratio reflects CEQ expenses including depreciation as well as its cost of goods sold thereby serving as an overall measure of effectiveness	24%	5%	3%	4%	4%
	Total Operating Revenue						
Coverage - Interest Ratio	Net Interest Expense on Debt	This ratio indicates the extent to which CEQ's operating revenues are committed to interest expense. Declining ratios indicate a lower reliance on debt finance.	0.17%	0.14%	0.16%	0.19%	0.16%
	Total Operating Revenue						
Return on Asset	Net Income	This is an indicator of the extent to which IIB is using its assets to generate income. Commercial returns to reflect business risk would be higher - possibly in the order of 15-20%.	28%	5%	4%	4%	4%
	Average Total Assets						
Asset Sustainability Ratio	Capital Expenditure on Replacement Assets	This is an approximation of the extent to which the infrastructure assets are being replaced as they reach the end of their useful lives. A ration of 100% would indicate that the capital stock is being replenished as it is being used e.g. depreciation.	35%	56%	16%	15%	29%
	Depreciation Expense						

Large increases in the ratio's are due to the DATSIP grant of \$18.5M being recognised.

CEQ continues to exhibit a strong balance sheet (low debt) coupled with stable returns. Due to the community service obligation of CEQ, commercial returns are kept intentionally low due to targeted pricing of goods and services.

**Capital Expenditure**

CEQ has invested heavily in capital expenditure in the 2016/17 reporting period. The table below identifies capital expenditure in previous year and in the seventeen month reporting period.

<b>Year</b>	<b>Capital Expenditure \$'000</b>
2010-11	4,719
2011-12	3,253
2012-13	3,750
2013-14	2,505
2014-15	264
2015-16	1,598
2016-17	11,582

Capital expenditure for 2016-17 was delivered in the following manner:

#### **Capital expenditure by asset class:**

Land	2,805,900
Buildings	3,922,732
Plant and equipment	1,836,643
Motor vehicles	82,088
<b>Total Physical Assets</b>	<b>8,647,363</b>
Intangibles	2,935,000
<b>Total</b>	<b>11,582,363</b>

## **OTHER REPORTING REQUIREMENTS**

### **Overseas Travel**

There was no overseas travel undertaken by staff.

### **Consultants**

During this financial year the following consultants were engaged to provide a range of services:

Consultancy Category	Expenditure (\$)
Consultants – Management including Legal	85,387
Consultants - Human resources management	2,041
Consultants - Communications	-
Consultants - Finance/accounting	49,227
Consultants - Professional/technical	43,800
	\$180,455

### Information Systems and Record Keeping

As a Queensland Government agency, CEQ meets the accountability requirements of the *Public Records Act 2002* including the General Retention and Disposal Schedule (GRDS) and Information Standard 31: Retention and Disposal of Public Records.

### GLOSSARY

Frequently used Terms:

Short Form	Description
CEO	Chief Executive Officer
CEQ	Community Enterprise Queensland
COAG	Council of Australian Governments
FARC	Finance, Audit and Risk Committee
FTE	Full Time Equivalent
IBIS	Trading name - Islanders Board of Industry and Service of the IIB
IIB	Island Industries Board
ILUA	Indigenous Land Use Agreement
F2016-17	Financial year ending 30 June 2017 – note this is an extended reporting period from 1 February 2016 to 30 June 2017

<b>Short Form</b>	<b>Description</b>
FMPM	CEQ Financial Management Practice Manual
NPA	Northern Peninsula Area, Cape York
SETC	Safety, Employment and Training Committee

## **ANNEXURE 1 – ANNUAL FINANCIAL STATEMENTS**

*Following the changes to the Aboriginal and Torres Strait Islander Communities (Justice, Land and Other Matters) Act 1984 made by the Queensland Parliament in 2016, the financial reporting period for CEQ was amended from an end of financial year date of 31 January to 30 June. This has had the effect that the first reporting period after these changes is 1 February 2016 to 30 June 2017 – a 17 month period. Accordingly, figures provided in the financial statements cover two consecutive calendar years of 2016 and 2017, and caution should be exercised in referencing the accounts to ensure figures quoted reflect the expanded reporting period (and that they are not a regular 12 month reporting period).*

**Community Enterprise Queensland  
(Formerly Island Industries Board)**

**Financial Statements  
For the period ended 30 June 2017**

**Community Enterprise Queensland  
(Formerly Island Industries Board)  
Financial Statements  
For the Period Ended 30 June 2017**

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Statement of Financial Position	2
Statement of Changes in Equity	3
Statement of Cash Flows	4
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**General Information**

These financial statements cover Community Enterprise Queensland, formerly known as the Island Industries Board.

Community Enterprise Queensland (CEQ) is a statutory body established under the *Aboriginal and Torres Strait Islander Communities (Justice, Land and Other Matters) Act 1984* as amended by the Queensland Government.

The statutory body is controlled by the State of Queensland which is the ultimate parent.

The head office and principal place of business of the statutory body is:

379 Spence Street  
BUNGALOW QLD 4870

A description of the nature of the statutory body's operations and its principal activities is included in the notes to the financial statements.

For information in relation to the statutory body's financial statement please call the Chief Financial Officer on (07) 4050 4300

Amounts shown in these financial statements may not add to the correct sub-totals due to rounding.

**COMMUNITY ENTERPRISE QUEENSLAND  
STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 JUNE 2017**

		17 months ended 30 June 2017 \$'000	12 months ended 31 January 2016 \$'000
<b>Operating Result</b>			
<b>Income from Continuing Operations</b>	<b>Notes</b>		
Revenue	4(a)	81,413	46,219
Interest		263	183
Other revenue	4(b)	461	183
<b>Total Revenue</b>		<u>82,137</u>	<u>46,585</u>
Capital donations	3	18,494	-
<b>Total Income from Continuing Operations</b>		<u>100,631</u>	<u>46,585</u>
<b>Expenses from Continuing Operations</b>			
Cost of goods sold		55,379	30,446
Supplies and services	5	2,443	1,549
Depreciation	6	2,534	1,573
Employee expenses	7	14,703	7,696
Other expenses	8	5,374	3,019
Finance/borrowing costs	9	141	67
<b>Total Expenses from Continuing Operations</b>		<u>80,574</u>	<u>44,350</u>
<b>Operating Result from Continuing Operations</b>		<u>20,057</u>	<u>2,235</u>
<b>Operating Result for the Year</b>		<u>20,057</u>	<u>2,235</u>
<b>Other Comprehensive Income</b>			
<i>Items that will not be reclassified subsequently to Operating Result</i>			
Increase in asset revaluation surplus	21	-	1,820
<b>Total for items that will not be reclassified to Operating Result</b>		<u>-</u>	<u>1,820</u>
<b>Total Other Comprehensive Income</b>		<u>-</u>	<u>1,820</u>
<b>Total Comprehensive Income</b>		<u><u>20,057</u></u>	<u><u>4,055</u></u>

*The accompanying notes form part of these financial statements*

**COMMUNITY ENTERPRISE QUEENSLAND  
STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2017**

	Notes	30 June 2017 \$'000	31 January 2016 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	10	16,902	8,752
Receivables	11	1,681	439
Inventories	12	9,988	4,338
Other assets	13	359	109
<b>Total Current Assets</b>		<b>28,930</b>	<b>13,638</b>
<b>Non-Current Assets</b>			
Goodwill	14	3,658	723
Property, plant and equipment	15	40,303	30,221
<b>Total Non-Current Assets</b>		<b>43,961</b>	<b>30,944</b>
<b>Total Assets</b>		<b>72,891</b>	<b>44,582</b>
<b>Current Liabilities</b>			
Payables	16	5,566	3,515
Interest bearing liabilities	17	619	30
Accrued employee benefits	18	691	479
Provisions	19	372	224
Other liabilities	20	23	116
<b>Total Current Liabilities</b>		<b>7,271</b>	<b>4,364</b>
<b>Non-Current Liabilities</b>			
Interest bearing liabilities	17	6,087	839
Provisions	19	160	63
<b>Total Non-Current Liabilities</b>		<b>6,247</b>	<b>902</b>
<b>Total Liabilities</b>		<b>13,518</b>	<b>5,266</b>
<b>Net Assets</b>		<b>59,373</b>	<b>39,316</b>
<b>Equity</b>			
Accumulated surplus		42,437	22,380
Asset revaluation surplus	21	16,936	16,936
<b>Total Equity</b>		<b>59,373</b>	<b>39,316</b>

*The accompanying notes form part of these financial statements.*

**COMMUNITY ENTERPRISE QUEENSLAND  
STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 JUNE 2017**

	Accumulated Surplus \$'000	Asset Revaluation Surplus (Note 21) \$'000	TOTAL \$'000
<b>Balance as at 1 February 2015</b>	<u>20,145</u>	<u>15,116</u>	<u>35,261</u>
Operating Result from Continuing Operations	<u>2,235</u>	<u>-</u>	<u>2,235</u>
Other Comprehensive Income			
- Increase in asset revaluation surplus	<u>-</u>	<u>1,820</u>	<u>1,820</u>
Total Comprehensive Income for the Year	<u>2,235</u>	<u>1,820</u>	<u>4,055</u>
<b>Balance as at 31 January 2016</b>	<u>22,380</u>	<u>16,936</u>	<u>39,316</u>
<b>Balance as at 1 February 2016</b>	<u>22,380</u>	<u>16,936</u>	<u>39,316</u>
Operating Result from Continuing Operations	<u>20,057</u>	<u>-</u>	<u>20,057</u>
Other Comprehensive Income			
- Increase / (decrease) in asset revaluation surplus	<u>-</u>	<u>-</u>	<u>-</u>
Total Comprehensive Income for the Year	<u>20,057</u>	<u>-</u>	<u>20,057</u>
<b>Balance as at 30 June 2017</b>	<u>42,437</u>	<u>16,936</u>	<u>59,373</u>

*The accompanying notes form part of these financial statements.*

**COMMUNITY ENTERPRISE QUEENSLAND  
STATEMENT OF CASH FLOWS  
FOR THE PERIOD ENDED 30 JUNE 2017**

	Notes	17 months ended 30 June 2017 \$'000	12 months ended 31 January 2016 \$'000
<b>Cash Flows from Operating Activities</b>			
<i>Inflows:</i>			
Receipts from customers		74,698	45,334
GST input tax credits from ATO		4,363	2,291
GST collected from customers		4,993	2,529
Grants		14,444	-
Interest receipts		263	183
<i>Outflows:</i>			
Employee expenses		(14,246)	(7,513)
Supplies and services		(61,157)	(34,878)
Finance/borrowing costs		(141)	(67)
GST paid to suppliers		(4,556)	(2,328)
GST remitted to ATO		(4,766)	(2,496)
<b>Net Cash provided by Operating Activities</b>	26	<u><b>13,896</b></u>	<u><b>3,055</b></u>
<b>Cash Flows from Investing Activities</b>			
<i>Inflows:</i>			
Sales of property, plant and equipment		-	14
<i>Outflows:</i>			
Payments for property, plant and equipment		(8,648)	(875)
Payments for intangibles		(2,935)	(723)
<b>Net Cash used in Investing Activities</b>		<u><b>(11,584)</b></u>	<u><b>(1,584)</b></u>
<b>Cash Flows from Financing Activities</b>			
<i>Inflows:</i>			
Proceeds from borrowings		7,000	-
<i>Outflows:</i>			
Borrowing redemptions		(293)	-
Finance lease payments		(869)	(25)
<b>Net Cash provided by (used in) Financing Activities</b>		<u><b>5,838</b></u>	<u><b>(25)</b></u>
Net increase cash and cash equivalents		8,150	1,446
Cash and cash equivalents at beginning of financial year		8,752	7,306
<b>Cash and Cash Equivalents at end of Financial Period/Year</b>	10	<u><u><b>16,902</b></u></u>	<u><u><b>8,752</b></u></u>

*The accompanying notes form part of these financial statements.*

**COMMUNITY ENTERPRISE QUEENSLAND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2017**

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# **COMMUNITY ENTERPRISE QUEENSLAND NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017**

## **1. Basis of Financial Statement Preparation**

### **(a) General Information**

Community Enterprise Queensland ("CEQ") is a statutory body established under the *Aboriginal and Torres Strait Islander Communities (Justice, Land and Other Matters) Act 1984* as amended by and controlled by the State of Queensland, which is the ultimate parent.

The head office and principal place of business is 379 Spence Street, Bungalow QLD 4870.

With effect from 1 September 2016, in accordance with *Statutory Bodies Financial Arrangements and Other Legislation (Community Enterprise Queensland) Amendment Regulation (No. 1) 2016* the name of the entity was changed from Island Industries Board to Community Enterprise Queensland.

### **(b) Compliance with Prescribed Requirements**

CEQ has prepared these financial statements in compliance with section 42 of the *Financial and Performance Management Standard 2009*. The financial statements comply with Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2015.

CEQ is a not-for-profit entity and these general purpose financial statements are prepared on an accrual basis (except for the Statement of Cash Flow which is prepared on a cash basis) in accordance with Australian Accounting Standards and Interpretations applicable to not-for-profit entities.

New accounting standards early adopted and/or applied for the first time in these financial statements are outlined in Note 31.

### **(c) Presentation**

#### **(i) Currency and Rounding**

Amounts included in the financial statements are in Australian dollars and rounded to the nearest \$1,000 or, where that amount is \$500 or less, to zero, unless disclosure of the full amount is specifically required.

#### **(ii) Comparatives**

Comparative information reflects the audited financial statements for the year ended 31 January 2016, except where restated as necessary to be consistent with disclosures in the current reporting period.

#### **(iii) Change of Year-End**

CEQ's financial year end was changed by statute from 31 January to 30 June so as to bring the entity financial reporting in line with other national reporting entities. Accordingly, the current financial statements are prepared for 17 months from 1 February 2016 to 30 June 2017 and as a result, the comparative figures in the statement of comprehensive income, statement of changes in equity, statement of cash flows and the related notes are not directly comparable.

#### **(iv) Current/Non-Current Classification**

Assets and liabilities are classified as either 'current' or 'non-current' in the Statement of Financial Position and associated notes.

Assets are classified as 'current' where their carrying amount is expected to be realised within 12 months after the reporting date. Liabilities are classified as 'current' when they are due to be settled within 12 months after the reporting date, or the entity does not have an unconditional right to defer settlement beyond 12 months after the reporting date.

All other assets and liabilities are classified as non-current.

#### **(v) Authorisation of Financial Statements for Issue**

The financial statements are authorised for issue by the Board at the date of signing the Management Certificate.

**COMMUNITY ENTERPRISE QUEENSLAND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2017**

**(vi) Basis of Measurement**

Historical cost is used as the measurement basis in this financial report except for the following:

- Land and buildings which are measured at fair value;
- Provisions expected to be settled 12 or more months after reporting date which are measured at their present value; and
- Inventories which are measured at the lower of cost or net realisable value.

Under historical cost, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire assets at the time of their acquisition. Liabilities are recorded at the amount of proceeds received in exchange for the obligation or at the amounts of cash or cash equivalents expected to be paid to satisfy the liability in the normal course of business.

*Fair Value*

Refer to Note 22(a)(i)

*Present Value*

Present value represents the present discounted value of the future net cash inflows that the item is expected to generate (in respect of assets) or the present discounted value of the future net cash outflows expected to settle (in respect of liabilities) in the normal course of business.

*Net Realisable Value*

Net realisable value represents the amount of cash or cash equivalents that could currently be obtained by selling an asset in an orderly disposal.

**2. Objectives**

The objective of CEQ is to act as an enterprise providing essential services for the general convenience of the Torres Strait Region and mainland communities where CEQ has a footprint. CEQ provides communities with access to a range of food, drinks and household items essential for a healthy life at a fair price.

CEQ provides the following on a fee for service basis:

- (a) Island banking; and
- (b) Bill payment.

**3. Capital Donations**

On 1 May 2017, CEQ received a transfer of assets and liabilities from the Department of Aboriginal and Torres Strait Islander Partnerships in respect of the Retail Stores operations. These operations consist of 6 stores located at Doomadgee, Kowanyama, Pormpuraaw, Lockhart River, Palm Island and Woorabinda and from 1 May 2017, CEQ incorporated these stores into the operations of the entity.

The assets and liabilities transferred as a result of this change were as follows:

	<b>\$'000</b>
<b>Assets</b>	
Cash	11,569
Receivables (trade debtors)	754
Inventories	2,673
Plant & equipment	4,181
	<hr style="border-top: 1px solid black;"/>
	<b>19,177</b>
 <b>Liabilities</b>	
Employee benefits	90
Payables (accounts payable)	593
	<hr style="border-top: 1px solid black;"/>
	<b>683</b>
 <b>Net Assets</b>	
	<hr style="border-top: 1px solid black;"/>
	<b>18,494</b>
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**COMMUNITY ENTERPRISE QUEENSLAND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2017**

The increase in net assets of \$18.49 million has been accounted for as a capital donation in accordance with guidance provided from the Department of Aboriginal and Torres Strait Islander Partnerships.

	17 months ended 30 June 2017	12 months ended 31 January 2016
	\$'000	\$'000
<b>4. Revenue</b>		
<b>(a) Operating Activities</b>		
Sale of goods	79,246	44,983
Rebates	1,203	574
Commissions received – Island receipts system	292	176
Other	672	486
<b>Total</b>	<b>81,413</b>	<b>46,219</b>

**Accounting Policy – Goods Sold and Services Rendered**

Revenue from the sales of goods is recognised in the Statement of Comprehensive Income when it is probable that the economic benefits will flow to the entity. Services provided by CEQ are recognised as revenues when the services are performed.

**(b) Other Revenue**

Appliance rentals	155	-
Property rentals	306	183
<b>Total</b>	<b>461</b>	<b>183</b>

**(i) Appliance Rentals**

Following the acquisition of Col Jones during the year, CEQ now rents appliances to its customers. These rental agreements are usually for a period of between 12 and 36 months.

Future minimum lease rentals are as follows:

	Within 1 year \$'000	Minimum lease receipts due		Total '000
		1 – 5 years '000	After 5 years '000	
31 January 2016	-	-	-	-
30 June 2017	342	79	-	421

**Accounting Policy – Appliance Rental**

Revenue from the rental of appliances is recognised as income on a periodic straight line basis over the term of the rental agreement.

**(ii) Property Rentals**

Certain components of properties owned by CEQ are leased out.

Future minimum lease rentals are as follows:

	Within 1 year \$'000	Minimum lease receipts due		Total '000
		1 – 5 years '000	After 5 years '000	
31 January 2016	93	175	-	268
30 June 2017	102	129	-	231

**Accounting Policy – Property Rental**

Rental revenue from investment property is recognised as income on a periodic straight line basis over the lease term.

**COMMUNITY ENTERPRISE QUEENSLAND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2017**

	<b>17 months ended 30 June 2017</b>	<b>12 months ended 31 January 2016</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>5. Supplies and Services</b>		
Bank fees and charges	192	98
Board meeting expenses	148	9
Consultants and contractors	76	9
Employee recruitment/training/relocation expenses	64	79
Employee uniforms	40	9
Freight	65	19
Legal fees	85	249
Postage	7	1
Stationery	202	126
Telephone and communications	708	413
Travel	856	537
<b>Total Supplies and Services</b>	<b>2,443</b>	<b>1,549</b>
<b>6. Depreciation</b>		
Depreciation was incurred in respect of:		
Buildings and land improvements at FV	91	25
Buildings and land improvements at FV	1,644	1,061
Plant and equipment at cost	799	487
<b>Total</b>	<b>2,534</b>	<b>1,573</b>
<b>7. Employee Expenses</b>		
<b>Employee Benefits</b>		
Wages and salaries	13,089	6,639
Employer superannuation contributions	1,184	598
Other employee benefits	287	213
<b>Employee Related Expenses</b>		
Workers' compensation premium	59	31
Payroll tax	-	147
Other employee related expenses	84	68
<b>Total</b>	<b>14,703</b>	<b>7,696</b>

The number of employees as at 30 June including both full-time employees and part-time employees measured on a full-time equivalent basis is:

Number of employees	217	126
---------------------	-----	-----

Employer superannuation contributions, annual leave and long service leave are regarded as employee benefits.

Payroll tax and workers' compensation insurance are a consequence of employing employees, but are not counted in an employee's total remuneration package. Consequently these expenses are not regarded as employee benefits and are recognised separately as employee related expenses.

**COMMUNITY ENTERPRISE QUEENSLAND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2017**

**Accounting Policy – Wages and Salaries**

Wages and salaries due but unpaid at the reporting date are recognised in the Statement of Financial Position at the current salary rates. As CEQ expects such liabilities to be wholly settled within 12 months of reporting date, the liabilities are recognised at undiscounted amounts.

**Accounting Policy – Sick Leave**

Prior history indicates that on average, sick leave taken at each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised. As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

**Accounting Policy – Annual Leave**

Employee entitlements are accrued for annual leave in respect of services provided by employees up to the reporting date, having regard to remuneration rates, employment related on-costs and leave taken prior to the reporting date.

**Accounting Policy – Long Service Leave**

A liability for long service leave is measured as the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date. The value of the liability is calculated using current pay rates and projected future increases in those rates and includes related employee on-costs. The estimates are adjusted for the probability of the employee remaining in CEQ's employment or other associated employment which would result in CEQ being required to meet the liability. Adjustments are then made to allow for the proportion of the benefit earned to date, and the result is discounted to present value. The interest rates attaching to Reserve Bank of Australia guaranteed securities at the reporting date are used to discount the estimated future cash outflows to their present value. This liability is reported in Note 19 as a provision.

Where employees have met the prerequisite length of service and CEQ does not have an unconditional right to defer this liability beyond 12 months long service leave is classified as a current liability. Otherwise it is classified as non-current.

**Accounting Policy - Superannuation**

The default fund of CEQ is QSuper, the superannuation plan for Queensland Government employees. Employees have the right to choose to have their employer contributions paid to other qualifying funds and some employees have exercised this right. Contributions are expensed in the period in which they are paid or payable. CEQ's obligation is limited to the superannuation guarantee charge.

Key management personnel and remuneration disclosures are detailed in Note 30.

	17 months ended 30 June 2017	12 months ended 31 January 2016
	\$'000	\$'000
<b>8. Other Expenses</b>		
Advertising	58	31
Conference costs	115	40
Donations	47	16
Electricity	1,591	884
Equipment hire	19	2
Audit fees <sup>(1)</sup>	171	78
Insurance	284	232
Licences and fees	47	11
Net loss from disposal of property, plant and equipment	-	30
Rates	209	161
Rent	696	203
Repairs and maintenance	1,726	1,126
Security	25	22
Trade expenses	299	118
Vehicle operating expenses	59	23
Wrapping	23	36
Other	5	5
<b>Total</b>	<b>5,374</b>	<b>3,018</b>

**Audit Fees**

(1) Total external audit fees quoted by the Queensland Audit Office relating to the financial statements are \$103,100 (2016: \$73,000).

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	17 months ended 30 June 2017	12 months ended 31 January 2016
	\$'000	\$'000
<b>9. Finance / Borrowings Costs</b>		
Interest on borrowings	99	-
Finance lease charges	42	67
<b>Total</b>	<u>141</u>	<u>67</u>

**Accounting Policy – Financing/ Borrowing Costs**

Finance costs are recognised as an expense in the period in which they are incurred.

Finance costs include interest on short-term and long-term borrowings, finance lease charges and ancillary administration charges.

No borrowing costs are capitalised into qualifying assets.

	30 June 2017 \$'000	31 January 2016 \$'000
<b>10. Cash and Cash Equivalents</b>		
Cash at bank and on hand	2,815	2,220
QTC working capital facility	2	1
QTC cash fund	14,085	6,531
<b>Total</b>	<u>16,902</u>	<u>8,752</u>

Cash deposited with the Queensland Treasury Corporation earned interest at rates of 2.6% (2016: 3.07%) on the working capital facility and 1.5% (2016: 2.00%) on the cash fund.

**Accounting Policy – Cash and Cash Equivalents**

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets comprise all cash and cheques received but not banked at 30 June as well as deposits at call with financial institutions. It also includes investments with short periods to maturity that are readily convertible to cash and that are subject to a low risk of changes in value.

**11. Receivables**

Trade debtors	1,089	261
Less: Allowance for impairment loss	(11)	(9)
	<u>1,078</u>	<u>252</u>
GST receivable	410	217
GST payable	(452)	(225)
	<u>(42)</u>	<u>(8)</u>
Other	645	195
<b>Total</b>	<u>1,681</u>	<u>439</u>

**Accounting Policy – Receivables**

Receivables are measured at amortised cost which approximates their fair value at reporting date.

Trade debtors are recognised at the nominal amounts due at the time of sale or service delivery. Settlement of these amounts is required within 30 days from statement date.

Other debtors generally arise from transactions outside the usual operating activities of CEQ and are recognised at their assessed values. Terms are a maximum of three months, no interest is charged and no security is obtained.

**Disclosure – Credit Risk Exposure of Receivables**

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment.

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No collateral is held as security and no credit enhancements relate to the assets held by the CEQ. Receivables fall into one of the following categories when assessing collectability:

- within terms and expected to be fully collectible
- within terms but impaired
- past due but not impaired
- past due and impaired

Note 11(a) details the accounting policies for impairment of receivables, including the loss events giving rise to impairment and the movements in the allowance for impairment.

All receivables within terms and expected to be fully collectible are considered of good credit quality based on recent collection history. Credit risk management strategies are detailed in Note 23 (b).

**(a) Impairment of Receivables**

**Accounting Policy – Impairment of Receivables**

The allowance for impairment reflects the occurrence of loss events. The most readily identifiable loss event is where a debtor is overdue in paying a debt to CEQ, according to the due date (normally terms of 30 days). Economic changes impacting CEQ's debtors, and relevant industry data, also form part of CEQ's documented risk analysis.

If no loss events have arisen in respect of a particular debtor or group of debtors, no allowance for impairment is made in respect of that debt/group of debtors. If CEQ determines that an amount owing by such a debtor does become uncollectible (after appropriate range of debt recovery actions), that amount is recognised as a Bad Debt expense and written-off directly against Receivables. In other cases where a debt becomes uncollectible but the uncollectible amount exceeds the amount already allowed for impairment of that debt, the excess is recognised directly as a Bad Debt expense and written-off directly against Receivables.

Impairment loss expense for the current year regarding CEQ's receivables is zero.

**Disclosure – Individually Impaired Receivables Position (Aged)**

	30 June 2017			31 January 2016		
	Gross Receivables \$'000	Allowance for Impairment \$'000	Carrying Amount \$'000	Gross Receivables \$'000	Allowance for Impairment \$'000	Carrying Amount \$'000
<b>Overdue</b>						
Less than 30 days	-	-	-	-	-	-
30 to 60 days	-	-	-	-	-	-
60 to 90 days	-	-	-	16	(9)	7
Greater than 90 days	62	(11)	51	-	-	-
<b>Total overdue</b>	<b>62</b>	<b>(11)</b>	<b>51</b>	<b>16</b>	<b>(9)</b>	<b>7</b>

**Disclosure – Movement in Allowance for Impairment for Impaired Receivables**

	30 June 2017 \$'000	31 January 2016 \$'000
Opening balance	9	9
Increase/decrease in allowance recognised in operating result	2	-
<b>Total overdue</b>	<b>11</b>	<b>9</b>

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**Disclosure – Ageing of Past Due but Not Impaired Receivables**

	<b>30 June 2017</b>	<b>31 January 2016</b>
	<b>\$'000</b>	<b>\$'000</b>
Overdue		
Less than 30 days	-	-
30 to 60 days	452	24
60 to 90 days	52	8
Greater than 90 days	68	16
Total overdue	<u>572</u>	<u>48</u>

**12. Inventories**

Inventories on hand	8,343	3,554
Inventories in transit	1,645	784
<b>Total</b>	<u><b>9,988</b></u>	<u><b>4,338</b></u>

**Accounting Policy - Inventories**

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

For non-electrical items included in inventory, cost is assigned on a weighted average basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition, except for training costs which are expensed as incurred.

Costs in respect of electrical items included in inventory through the Beta franchise are assigned on a first in first out basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition, except for training costs which are expensed as incurred.

Net realisable value is determined on the basis of CEQ's normal selling pattern.

Expenses associated with marketing, selling and distribution are deducted to determine net realisable value.

CEQ conducts stocktakes throughout the reporting period. Where a stocktake is not conducted at the end of the reporting period, a provision for expected shrinkage is made based on previously achieved stocktake shrinkage results.

Under current arrangements with CEQ's suppliers, the risks and rewards of ownership of inventories transfer to CEQ at the time the inventories are dispatched from the suppliers' warehouse. Accordingly, goods in transit have been brought to account as at 30 June 2017.

**13. Other Assets**

Prepayments	<u>359</u>	<u>109</u>
<b>Total</b>	<u><b>359</b></u>	<u><b>109</b></u>

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**14. Goodwill**

<b>30 June 2017</b>	<b>31 January 2016</b>
<b>\$'000</b>	<b>\$'000</b>

The movements in the net carrying amount of goodwill are as follows:

**Gross**

Opening balance	723	-
Acquired through business combination	2,935	723
Balance at period end	<u>3,658</u>	<u>723</u>

**Accumulated impairment**

Opening balance	-	-
Impairment loss recognised	-	-
Balance at period end	<u>-</u>	<u>-</u>

**Carrying amount at period end**

	<u>3,658</u>	<u>723</u>
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**Accounting Policy – Goodwill**

Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. See Note 27 for information on how goodwill is initially determined. Goodwill is carried at cost less accumulated impairment losses.

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**15. Property, Plant and Equipment and Depreciation Expense**

**(a) Closing Balances and Reconciliation of Carrying Amount**

2017	Land Fair value \$'000	Buildings Fair value \$'000	Plant & Equipment Cost \$'000	Work in progress Cost \$'000	Total \$'000
Gross	8,231	39,215	16,895	528	64,869
Less: Accumulated depreciation	-	(14,626)	(9,940)	-	(24,566)
	<b>8,231</b>	<b>24,589</b>	<b>6,955</b>	<b>528</b>	<b>40,303</b>
<i>Represented by movement in carrying amount:</i>					
Carrying amount at 1 February 2016	5,425	22,373	1,814	609	30,221
Acquisitions	-	-	-	8,567	8,567
Grant assets from DATSIP	-	119	7,417	-	7,536
Disposals	-	-	-	-	-
Transfers between asset classes	2,806	3,923	1,919	(8,648)	-
Revaluation increments	-	-	-	-	-
Accumulated depreciation for grant assets from DATSIP	-	(91)	(3,396)	-	(3,487)
Depreciation	-	(1,735)	(799)	-	(2,534)
Carrying amount at 30 June 2017	<b>8,231</b>	<b>24,589</b>	<b>6,955</b>	<b>528</b>	<b>40,303</b>

2016	Land Fair value \$'000	Buildings Fair value \$'000	Plant & Equipment Cost \$'000	Work in progress Cost \$'000	Total \$'000
Gross	5,425	35,082	7,684	609	48,890
Less: Accumulated depreciation	-	(12,797)	(5,870)	-	(18,669)
	<b>5,425</b>	<b>22,373</b>	<b>1,814</b>	<b>609</b>	<b>30,221</b>
<i>Represented by movement in carrying amount:</i>					
Carrying amount at 1 February 2015	5,425	21,142	1,967	159	28,693
Acquisitions	-	-	-	1,325	1,325
Disposals	-	-	(44)	-	(44)
Transfers between asset classes	-	498	377	(875)	-
Revaluation increments	-	1,820	-	-	1,820
Depreciation	-	(1,086)	(487)	-	(1,573)
Carrying amount at 31 January 2016	<b>5,425</b>	<b>22,374</b>	<b>1,813</b>	<b>609</b>	<b>30,221</b>

CEQ had a crown freehold lease agreement with the Department of Environment and Resource Management for the slipway land located at 15 Douglas Street, Thursday Island with an expiration date of 1 January 2032. In October 2016 CEQ paid out the outstanding balance of the lease and subsequently was granted the freehold title and as such the land is valued at fair value.

CEQ's buildings that are constructed on leasehold Deed of Grant in Trust (DOGIT) land are held in trust by the Torres Strait Island Regional Council (TSIRC) for the benefit of the peoples of the Torres Strait. Tenure to the various parcels of land is secured by way of a trustee lease from the TSIRC for a period of thirty years. Under Section 61 of the *Land Act 1994*, the trustee lease must not contain a covenant, agreement or condition to review the lease. All trustee leases are subject to the approval of the Minister for Natural Resources and Mines ("the Minister").

When a lease is due to expire, TSIRC and CEQ may negotiate a new lease and approach the Minister for approval of that lease. Such approval is not expected to be unreasonably withheld, provided the current lease has been complied with and the proposed lease is in accordance with the *Land Act 1994*. Of the thirteen stores constructed on DOGIT land, ten stores have had 30 year trustee leases successfully negotiated with two leases awaiting execution. The remaining three stores are in advanced stages of lease negotiation.

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**(b) Recognition and Acquisition**

**Accounting Policy – Recognition Thresholds**

Items of property, plant and equipment with a historical cost or other value equal to or in excess of the following thresholds in the year of acquisition are reported as Property, Plant and Equipment:

	\$
Buildings and Infrastructure	10,000
Land	1
Plant and Equipment	5,000

Items with a lesser value are expensed in the year of acquisition.

Land improvements undertaken by CEQ are included within the building class.

Expenditure is only added to an asset's carrying amount if it increases the service potential or useful life of the existing asset. Maintenance expenditure that merely restores original service potential (lost through ordinary wear and tear) is expensed.

**Accounting Policy – Cost of Acquisition**

Historical cost is used for the initial recording of all Property, Plant and Equipment acquisitions. Historical cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the assets ready for use, including architects' fees and engineering design fees. However, any training costs are expensed as incurred.

Where assets are received free of charge from another Queensland Government agency (whether as a result of a donation or other involuntary transfer), the acquisition cost is recognised as the carrying amount in the books of the other agency immediately prior to the transfer.

Assets acquired at no cost or for nominal consideration, other than from another Queensland Government entity, are recognised at their fair value at date of acquisition.

Where a non-current physical asset is acquired by means of a finance lease, the asset is recognised at the lower of the fair value of the leased property and the present value of the minimum lease payments. The lease liability is recognised at the same amount.

**(c) Measurement using Historical Cost**

**Accounting Policy**

Plant and equipment is measured at historical cost in accordance with Queensland Treasury's Non-Current Asset Accounting Policies. The carrying amounts for such plant and equipment are not materially different from their fair values.

Separately identified components of assets are measured on the same basis as the assets to which they relate.

**(d) Measurement using Fair Value**

**Accounting Policy**

Land and buildings are measured at fair value in accordance with Queensland Treasury's Non-Current Asset Accounting Policies. These assets are reported at their revalued amounts, being the fair value at the date of valuation, less any subsequent accumulated depreciation and impairment losses, where applicable.

The cost of items acquired during the financial year has been determined by management of CEQ to materially represent their fair value at the end of the reporting period.

Property, plant and equipment classes measured at fair value are reviewed on an annual basis by appraisals undertaken by an independent professional valuer, or by the use of appropriate and relevant indices.

Use of Specific Appraisals

Revaluations based on independent valuer appraisals are undertaken at least once every five years. However if a class of asset experiences significant and volatile changes in fair value (where indicators suggest that the value of the class of asset may have changed by 5% or more from one reporting period to the next), it is subject to such revaluations in the reporting period, where practicable, regardless of the timing of the previous method of valuation.

Materiality is considered in determining whether the difference between the carrying amount and the fair value of an asset is material (in which case revaluation is warranted).

The fair values reported by CEQ are based on appropriate valuation techniques that maximise the use of available and relevant observable inputs and minimise the use of unobservable inputs (as defined in Note 22).

## COMMUNITY ENTERPRISE QUEENSLAND NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

### Use of Indices

In order to ensure that material movements in the value of non-current physical assets are identified between comprehensive revaluations, suitable indices are utilised by a registered valuer as part of an independent appraisal. If there have been significant movements in indices that include but do not directly relate to where the assets are located, management assesses the relevance and suitability of appraisal and any material movement in the valuation since the most recent comprehensive revaluation is disclosed.

### Accounting for Changes in Fair Value

Any revaluation increment arising on the revaluation of an asset is credited to the asset revaluation surplus of the appropriate class, except to the extent it reverses a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense, to the extent it exceeds the balance, if any, in the revaluation surplus relating to that class.

On revaluation, accumulated depreciation is re-stated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining life.

### **(e) Depreciation Expense**

#### **Accounting Policy**

Land is not depreciated as it has an unlimited useful life.

Property, plant and equipment is depreciated on a straight-line basis so as to allocate the net cost or revalued amount of each asset, less its estimated residual value, progressively over its estimated useful life to CEQ.

#### **Key Judgement**

Straight line depreciation is used reflecting the even, consumption of future economic benefits over their useful life to CEQ.

For depreciable assets, residual value is determined to be zero reflecting the estimated amount to be received on disposal at the end of their useful life.

Buildings located on land secured by way of native title trustee lease are depreciated on a straight line basis so as to allocate the net cost or revalued amount of each asset, less its estimated residual value, progressively over its estimated useful life to CEQ, rather than the unexpired term of the native title lease. Native title leases are granted to CEQ initially on a 30 year term. The leases will be renegotiated at the end of the initial 30 year term, on the basis the terms of the lease are complied with.

Assets under construction (work-in-progress) are not depreciated until they reach service delivery capacity. Service delivery capacity relates to when the construction is complete and the asset is first put to use or is installed ready for use in accordance with its intended application. These assets are then reclassified to the relevant classes within the property, plant and equipment.

Where assets have separately identifiable components that are subject to regular replacement, these components are assigned useful lives distinct from the asset to which they relate and are depreciated accordingly.

Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset to CEQ.

Major spares purchased specifically for particular assets are capitalised and depreciated on the same basis as the asset to which they relate.

The depreciable amount of improvements to or on leasehold land is allocated progressively over the estimated useful lives of the improvements or the unexpired period of the lease, whichever is the shorter. The unexpired period of a lease includes any option period where exercise of the option is probable.

Plant and equipment subject to a finance lease is depreciated on a straight line basis over the term of the lease, or, where it is likely that the statutory body will obtain ownership of the asset, the expected useful life of the asset to the statutory body.

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For each class of depreciable asset the following depreciation rates are used:

<b>Class</b>	<b>Rate %</b>
Buildings	2.6 – 33.3
Plant and equipment:	5 - 50

**(f) Impairment**

**Accounting Policy**

All non-current physical assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, the entity/statutory body determines the asset's recoverable amount. Recoverable amount is determined as the higher of the asset's fair value less cost to sell and depreciated replacement cost. Any amount by which the asset's carrying amount exceeds the recoverable amount, the impairment loss is accounted for as follows:

- for assets measured at cost, an impairment loss is recognised immediately in the statement of comprehensive income
- for assets measured at fair value, the impairment loss is treated as a revaluation decrease and offset against the asset revaluation surplus of the relevant class to the extent available. Where no asset revaluation surplus is available in respect of the class of asset, the loss is expensed in the statement of comprehensive income as a revaluation decrement.

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years.

For assets measured at cost, impairment losses are reversed through income. For assets measured at fair value, to the extent the original decrease was expensed through the statement of comprehensive income, the reversal is recognised in income, otherwise the reversal is treated as a revaluation increase for the class of asset through asset revaluation surplus.

	<b>30 June 2017</b>	<b>31 January 2016</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>16. Payables</b>		
Trade creditors	4,240	2,814
Sundry creditors and accruals	1,326	698
Money transfers in transit	-	3
<b>Total</b>	<b><u>5,566</u></b>	<b><u>3,515</u></b>

**Accounting Policy - Payables**

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price, gross of applicable trade and other discounts. Amounts owing are unsecured and are generally settled on 7 to 30 day terms.

**17. Interest Bearing Liabilities**

**Current**

Lease liability	-	30
Borrowings	619	-
<b>Total</b>	<b><u>619</u></b>	<b><u>30</u></b>

**Non-Current**

Lease liability	-	839
Borrowings	6,087	-
<b>Total</b>	<b><u>6,087</u></b>	<b><u>839</u></b>

**Accounting Policy – Borrowings**

Borrowings are initially recognised at fair value, plus any transaction costs initially attributable to the borrowings, then subsequently held at the amortised cost using the effective interest method. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of a financial instrument (or, when appropriate, a shorter period) to the net carrying amount of that instrument.

The fair value of borrowings is subsequently measure at amortised cost as set out in Note 22 (e).

**COMMUNITY ENTERPRISE QUEENSLAND  
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Any borrowing costs are added to the carrying amount of the borrowing to the extent that they are not settled in the period in which they arise. Borrowings are split between current and non-current liabilities using the principles set out in Note 1(c)(iv).

**Accounting Policy – Lease Liabilities**

A distinction is made in the financial statements between finance leases that effectively transfer from the lessor to the lessee substantially all risks and benefits incidental to ownership, and operating leases, under which the lessor retains substantially all risk and benefits.

Lease payments are allocated between the principal component of the lease liability and the interest expense.

**(a) Borrowings**

**(i) Terms and Conditions**

The term of borrowings is 10 years. The maturity profile is disclosed in Note 23 (c) along with CEQ's other financial liabilities. All borrowings are in \$AU denominated amounts. There have been no defaults or breaches of the loan agreement during the 2017 period. No assets have been pledged as security for any borrowings.

**(ii) Interest Rates**

Interest rates on borrowings is a fixed 2.94% No interest has been capitalised during the current or comparative period.

**(b) Finance Lease Liabilities and Commitments**

**(i) Finance Lease Terms and Conditions**

Finance leases are entered into as a means of funding the acquisition of certain plant and equipment. Lease payments are generally fixed.

**(ii) Interest Rates**

Interest on finance leases is recognised as an expense as it accrues on the outstanding lease liability. No interest has been capitalised during the current or comparative reporting period.

**(iii) Security**

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

**(iv) Present Value of Minimum Lease Payments**

A freeholding lease with the Department of Natural Resources and Mines was paid out on 30 September 2016. No new finance leases have been entered into during the financial year 2016-2017.

	2017				2016			
	Total	< 1 Year	1 – 5 Years	Payable In > 5 Years	Total	< 1 Year	1 – 5 Years	Payable In > 5 Years
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Minimum Payments	-	-	-	-	1,509	94	377	1,038
Less: Future finance charges	-	-	-	-	(640)	(40)	(160)	(440)
<b>Present Value of Minimum Lease Payments</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>869</b>	<b>54</b>	<b>217</b>	<b>598</b>

**COMMUNITY ENTERPRISE QUEENSLAND  
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**18. Accrued Employee Benefits**

	30 June 2017 \$'000	31 January 2016 \$'000
<b>Current</b>		
Annual Leave	691	479
<b>Total</b>	<u>691</u>	<u>479</u>

**19. Provisions**

<b>Current</b>		
Long Service Leave	372	224
<b>Total</b>	<u>372</u>	<u>224</u>

<b>Non-Current</b>		
Long Service Leave	160	63
<b>Total</b>	<u>160</u>	<u>63</u>

**Movements in provisions**

<b>Long Service Leave</b>		
Opening balance	287	250
Additional provision recognised	328	47
Reduction in provision as a result of payments	(83)	(10)
<b>Closing Balance</b>	<u>532</u>	<u>287</u>

**Accounting Policy – Provisions**

The provision for long service leave represents CEQ's best estimate of the future benefit that employees have earned. The amount and timing of the associated outflows is uncertain and dependant on employees attaining the required years of services. Where CEQ no longer has the ability to defer settlement of the obligation beyond 12 months from the reporting date, liabilities are presented as current. This would usually occur when employees are expected to reach the required years of service in the 12 months from reporting date. The discount rate used to determine the present value of future benefits at 30 June 2017 was 2.41% (2016: 2.73%).

**20. Other Liabilities**

Unearned revenue	23	116
<b>Total</b>	<u>23</u>	<u>116</u>

**21. Asset Revaluation Surplus by Class**

**Accounting Policy**

The asset revaluation surplus represents the net effect of upwards and downwards revaluations of assets to fair value.

	Land \$'000	Buildings \$'000	Total \$'000
<b>Balance 1 February 2015</b>	2,693	12,423	15,116
Revaluation increments	-	1,820	1,820
<b>Balance 31 January 2016</b>	<u>2,693</u>	<u>14,243</u>	<u>16,936</u>
Revaluation increments	-	-	-
Revaluation decrements	-	-	-
<b>Balance 30 June 2017</b>	<u>2,693</u>	<u>14,243</u>	<u>16,936</u>

**COMMUNITY ENTERPRISE QUEENSLAND  
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**22. Fair Value Measurement**

**(a) Accounting Policies and Inputs for Fair Values**

**(i) What is Fair Value?**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date under current market conditions (i.e. an exit price) regardless of whether that price is directly derived from observable inputs or estimated using another valuation technique.

Observable inputs are publicly available data that are relevant to the characteristics of the assets/liabilities being valued. Observable inputs used by the statutory body include, but are not limited to, published sales data for land and general office buildings.

Unobservable inputs are data, assumptions and judgements that are not available publicly, but are relevant to the characteristics of the assets/liabilities being valued. Significant unobservable inputs used by the statutory body include, but are not limited to, subjective adjustments made to observable data to take account of the characteristics of the statutory body assets/liabilities, internal records of recent construction costs (and/or estimates of such costs) for assets' characteristics/functionality, and assessments of physical condition and remaining useful life. Unobservable inputs are used to the extent that sufficient relevant and reliable observable inputs are not available for similar assets/liabilities.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use.

**(ii) Fair Value Measurement Hierarchy**

Details of individual assets and liabilities measured under each category of fair value are set out in the tables at Note 22(c).

All assets and liabilities of the statutory body for which fair value is measured or disclosed in the financial statements are categorised within the following fair value hierarchy, based on the data and assumptions used in the most recent specific appraisals:

Level 1	represents fair value measurements that reflect unadjusted quoted market prices in active markets for identical assets and liabilities;
Level 2	represents fair value measurements that are substantially derived from inputs (other than quoted prices included within level 1) that are observable, either directly or indirectly; and
Level 3	represents fair value measurements that are substantially derived from unobservable inputs.

None of CEQ's valuations of assets or liabilities are eligible for categorisation into level 1 of the fair value hierarchy.

There were no transfers of assets between fair value hierarchy levels during the period.

**(b) Basis for Fair Values of Assets and Liabilities**

**(i) Managed Funds**

Managed funds are investments in the Queensland Treasury Corporation's (QTC) cash fund measured at fair value based on the current redemption value of the fund advised by QTC and are included in level 2.

**(ii) Land**

CEQ's land was last revalued in January 2014 based on specific appraisals by an independent valuer, Asset Advance Valuers. The effective date of the valuation was 31 January 2014. Level 2 valuation inputs were used to value land in freehold title. Sales prices for comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre. Valuations represent the fair value of the land. Land components not held under freehold title have not been assessed as use is restricted under trustee leases and indigenous land use agreements (ILUA) in place.

During 2015-16 and 2016-17, those fair values were updated using indexation. Asset Advance Valuers provided appropriate indices derived from data on land sales in the respective areas during the previous year as well as data from other Far North Queensland regions with similarity to the Torres Strait LGA area.

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**(iii) Buildings**

CEQ's buildings were last revalued in January 2014 based on specific appraisals by an independent valuer, Asset Advance Valuers. The effective date of the valuation was 31 January 2014.

Where there is a market for buildings, fair value has been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs in to this valuation approach were price per square metre.

Where buildings are of a specialist nature and there is no active market for the assets, fair value has been determined on the basis of replacement with a modern equivalent corresponding to the building presently existing. The gross current values have been derived from reference to actual costs incurred for some of the subject assets, cost of similar asset improvements constructed within the far north Queensland region and also supported by reference to available data prepared and provided by construction cost consultants and building price indices provided by the Queensland Government Department of Housing and Works.

Where there is no depth of market, the net current value of a building asset is the gross current value less accumulated depreciation to reflect the consumed or expired service potential of the asset.

In determining the level of accumulated depreciation the asset has been disaggregated in significant components which exhibit different patterns of consumption or useful lives. Allowance has been made for the typical asset life cycle and renewal treatments of each component, residual value at the time the asset is considered to be no longer available for use, the pattern of consumption of the asset's future economic benefit and the condition of the asset. Condition was assessed taking into account both physical characteristics as well as factors such as functionality, capability, utilisation and obsolescence.

During 2015-16, the fair values of all types of buildings were updated using appropriate indices supplied by Asset Advance Valuers. The basis of derivation of these indices are consistent with the underlying data inputs adopted for the last specific appraisal.

**(c) Categorisation of Assets and Liabilities Measured at Fair Value**

	Level 2		Level 3		Total Carrying Amount	
	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000	2017 \$'000	2016 \$'000
Land	-	-	5,425	5,425	5,425	5,425
Buildings	-	-	20,642	22,285	20,642	22,285
Managed Funds	14,087	6,531	-	-	14,087	6,531
<b>Total</b>	<b>14,087</b>	<b>6,531</b>	<b>26,067</b>	<b>27,710</b>	<b>40,154</b>	<b>34,241</b>

**(d) Level 3 Fair Value Measurement – Reconciliation**

The changes in level 3 assets with recurring fair value measurements are detailed in Note 15(a).

**(e) Fair Value Disclosures for Financial Liabilities Measured at Amortised Cost**

With the exception of Queensland Treasury Corporation borrowings, the carrying amount of financial liabilities measured at amortised cost approximates their fair value at reporting date.

The fair value of borrowings is notified by the Queensland Treasury Corporation and is calculated using discounted cash flow analysis and the effective interest rate. They are categorised as level three fair values within the fair value hierarchy.

	2017		2016	
	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
Financial liabilities at amortised cost				
- QTC Borrowings	6,706	6,706	-	-
- Lease Liability	-	-	869	869
<b>Total</b>	<b>6,706</b>	<b>6,706</b>	<b>869</b>	<b>869</b>

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**23. Financial Risk Disclosures**

**(a) Financial Instrument Categories**

Financial assets and financial liabilities are recognised in the Statement of Financial Position when CEQ becomes party to the contractual provisions of the financial instrument. CEQ has the following categories of financial assets and financial liabilities:

	Note	30 June 2017 \$'000	31 January 2016 \$'000
<b>Financial Assets</b>			
Total Cash and Cash Equivalents	10	16,902	8,752
Loans and Receivables at amortised cost – comprising:			
Receivables	11	1,681	439
<b>Total Financial Assets</b>		<b>18,583</b>	<b>9,191</b>
<b>Financial Liabilities</b>			
Financial Liabilities at amortised cost – comprising:			
Payables	16	5,566	3,515
Borrowings	17	6,706	-
Lease Liability	17	-	869
<b>Total Financial Liabilities at Amortised cost</b>		<b>12,272</b>	<b>4,384</b>

No financial assets and financial liabilities have been offset and presented net in the Statement of Financial Position.

**(b) Financial Risk Management**

**(i) Risk Exposure**

Financial risk management is implemented pursuant to Government and CEQ policy. The policies focus on the unpredictability of financial markets and seek to minimise potential adverse effects on the financial performance of CEQ.

All financial risk is managed by and under policies approved by CEQ Board. CEQ provides written principles for overall risk management as well as policies covering specific areas.

CEQ's activities expose it to a variety of financial risks as set out in the following table:

Risk Exposure	Definition	Exposure
Credit risk	Credit risk exposure refers to the situation where CEQ may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation.	CEQ is exposed to credit risk in respect of its receivables (Note 11).
Liquidity risk	Liquidity risk refers to the situation where CEQ may encounter difficult in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.	CEQ is exposed to liquidity risk in respect of its payables (Note 16), lease liability and borrowings from Queensland Treasury Corporation (Note 17).
Market risk	The risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.  <i>Interest rate risk</i> is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.	CEQ does not trade in foreign currency and is not materially exposed to commodity price changes or other market prices.  CEQ is exposed to interest rate risk through its borrowings from QTC (Note 17) and cash deposited in interest bearing accounts (Note 10)

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**(ii) Risk Measurement and Management Strategies**

CEQ measures risk exposure using a variety of methods as follows:

<b>Risk Exposure</b>	<b>Measurement Method</b>	<b>Risk Management Strategies</b>
Credit risk	Aging analysis, earnings at risk	CEQ manages credit risk through the use of a credit management strategy. This strategy aims to reduce exposure to credit default by ensuring that CEQ invests in secure assets and monitors all funds owed on a timely basis. Exposure to credit risk is monitored on an ongoing basis.
Liquidity risk	Cash flow maturity analysis	CEQ manages liquidity risk through the use of a liquidity management strategy. This strategy aims to reduce exposure to liquidity risk by ensuring CEQ has sufficient funds available to meet employee, supplier and financier obligations as they fall due. This is achieved by ensuring that minimum levels of cash are held within the various bank accounts so as to match the expected duration of the various liabilities.
Market risk	Interest rate sensitivity analysis	CEQ does not undertake any hedging in relation to interest risk and manages its risk as per its liquidity risk management strategy.

**(c) Liquidity Risk – Contractual Maturity of Financial Liabilities**

The following table sets out the liquidity risk of financial liabilities held by the statutory body. It represents the contractual maturity of financial liabilities, calculated based on undiscounted cash flows relating to relating to liabilities at reporting date.

<b>Financial Liabilities</b>		<b>2017 Contractual Maturity Payable In</b>				<b>2016 Contractual Maturity Payable In</b>			
		<b>Total</b>	<b>&lt; 1 Year</b>	<b>1 – 5 Years</b>	<b>&gt; 5 Years</b>	<b>Total</b>	<b>&lt; 1 Year</b>	<b>1 – 5 Years</b>	<b>&gt; 5 Years</b>
		<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Payables	16	5,566	5,566	-	-	3,515	3,515	-	-
QTC borrowings	17	6,706	619	3,388	2,699	-	-	-	-
Lease liability	17	-	-	-	-	869	30	145	694
<b>Total</b>		<b>12,272</b>	<b>6,185</b>	<b>3,388</b>	<b>2,699</b>	<b>4,384</b>	<b>3,545</b>	<b>145</b>	<b>694</b>

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**(d) Disclosure about Sensitivity to Interest Rate Movements**

The following interest rate sensitivity analysis is based on a report similar to that provided to management, depicting the outcome on net income if interest rates would change by +/- 1% from the year end rates as applied to CEQ's variable rate cash with balances from Queensland Treasury Corporation. With all other variables held constant, CEQ would have a surplus and equity increase/(decrease) of \$140,850 (2016: \$56,000).

Financial instrument	Carrying Amount \$'000	2017 Interest Rate Risk			
		-1%		+1%	
		Operating Result	Equity	Operating Result	Equity
Working capital facility	2	0	0	0	0
Cash fund	14,085	(141)	(141)	141	141
Potential impact on		(141)	(141)	141	141

Financial instrument	Carrying Amount \$'000	2016 Interest Rate Risk			
		-1%		+1%	
		Operating Result	Equity	Operating Result	Equity
Working capital facility	1	-	-	-	-
Cash fund	6,531	(65)	(65)	65	65
Lease liability	869	9	9	(9)	(9)
Potential impact on		(56)	(56)	56	56

**24. Contingencies**

	30 June 2017 \$'000	31 January 2016 \$'000
Pro-rata employee entitlements	-	24
<b>Total</b>	<u>-</u>	<u>24</u>

On 16 November 2015 CEQ acquired the business assets of TI Enterprise Pty Ltd trading as T.I. Hardware. Certain employees of T.I. Hardware transferred to CEQ employment. An amount relating to pro-rata long service leave entitlements was held in trust until the transferring employees reached unconditional entitlement.

CEQ status as a PBI was voluntarily revoked on 31 October 2015 based on the advice received from the Australian Charities and Not-for-Profits Commission (ACNC). A review of CEQ's eligibility to be registered with the ACNC was conducted during 2016 and CEQ achieved full reinstatement to the ACNC Register. The registration was back dated to take effect on 31 October 2015.

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**25. Commitments**

**Commitments for Finance Leases – Refer to Note 17 (b).**

	<b>30 June 2017 \$'000</b>	<b>31 January 2016 \$'000</b>
<b>Non-Cancellable Operating Lease Commitments</b>		
Commitments under operating leases at the reporting date (inclusive of anticipated GST) are payable:		
Not later than one year	487	387
Later than one year and not later than five years	524	635
Later than five years	-	-
	<u><b>1,011</b></u>	<u><b>1,022</b></u>

**Capital Expenditure Commitments**

Commitments for capital expenditure at reporting date (inclusive of anticipated GST) are payable:

<b>Plant and Equipment</b>		
Not later than one year	40	249
Later than one year and not later than five years	-	-
Later than five years	-	-
<b>Total</b>	<u><b>40</b></u>	<u><b>249</b></u>

**26. Reconciliation of Operating Results to Net Cash Flows Provided by Operating Activities**

	<b>17 months ended 30 June 2017 \$'000</b>	<b>12 months ended 31 January 2016 \$'000</b>
Operating surplus	20,057	2,235
Depreciation expense	2,534	1,573
Non-cash capital donation from DATSIP	(4,050)	
(Gain)/loss on disposal of property, plant and equipment	-	30
Change in assets and liabilities:		
(Increase)/decrease in trade receivables	(826)	(154)
(Increase)/decrease in GST input tax credits receivable	(193)	(37)
(Increase)/decrease in other receivables	(450)	(156)
(Increase)/decrease in inventories	(5,648)	(690)
(Increase)/decrease in prepayments/other	(250)	(68)
(Increase)/decrease in capital work in progress	80	(450)
Increase/(decrease) in accounts payable	2,051	553
Increase/(decrease) in accrued employee benefits	457	122
Increase/(decrease) in unearned revenue	(93)	64
Increase/(decrease) in GST payable	227	33
<b>Net Cash from Operating Activities</b>	<u><b>13,896</b></u>	<u><b>3,055</b></u>

**Non-Cash Investing and Financing Activities**

Assets and liabilities received or donated/transferred by CEQ are recognised as revenues and expenses.

Assets and liabilities received by CEQ as a result of the transfer of Retail Stores are set out in Note 3.

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**27. Business Acquisitions**

**(a) Acquisition of Col Jones**

On 11 January 2017, CEQ acquired the business assets of Col Jones, a Thursday Island-based business, thereby obtaining control. The acquisition was made to acquire a business selling furniture, appliances and homewares to expand CEQ range of retail channels.

Details of the business combination are as follows:

	<b>\$'000</b>
Fair value of consideration transferred:	
• Amount settled in cash	8,155
Recognised amounts of identifiable net assets:	
• Property, plant and equipment	4,210
<b>Total non-current assets</b>	<u>4,210</u>
• Inventories	1,010
• Trade and other receivables	-
• Cash and cash equivalents	-
<b>Total current assets</b>	<u>1,010</u>
• Trade and other payables	-
• Other liabilities	-
<b>Total current liabilities</b>	<u>-</u>
• Provisions and contingent liabilities	-
• Other non-current liabilities	-
<b>Total non-current liabilities</b>	<u>-</u>
Net identifiable assets and liabilities	<u>5,220</u>
<b>Goodwill on acquisition</b>	<u>2,935</u>
Consideration transferred and settled in cash	(8,155)
Cash and cash equivalents acquired	-
<b>Net cash outflow on acquisition</b>	<u>(8,155)</u>
Acquisition costs charged to expenses	-
<b>Net cash paid relating to the acquisition</b>	<u>(8,155)</u>

**Consideration transferred**

The acquisition of Col Jones was settled in cash amounting to \$8,155,000.

Acquisition related costs of \$6,549 are not included as part of consideration transferred and have been recognised as an expense in the Statement of Comprehensive Income, as part of 'other expenses'.

**Identifiable net assets**

The fair value of the property, plant and equipment acquired as part of the business combination amounted to \$4,210,000, fair value of inventory acquired amounted \$1,010,000. The acquisition cost is deemed to equate to fair value of the identifiable assets acquired.

**Goodwill**

Goodwill of \$2,935,000 is primarily related to Col Jones homewares retail business.

**Col Jones's contribution to results**

Col Jones contributed \$183,473 to the profit for the 5 months from 12 January 2017 to 30 June 2017.

**Accounting Policy – Business Combination**

CEQ applies the acquisition method in accounting for business combinations. The consideration transferred by CEQ to obtain control of a subsidiary is calculated as the sum of the acquisition-date fair values of assets transferred, liabilities incurred and the equity interests issued by CEQ, which includes the fair value of any asset or liability arising from a contingent consideration arrangement. Acquisition costs are expensed as incurred.

CEQ recognises identifiable assets acquired and liabilities assumed in a business combination regardless of whether they have been previously recognised in the acquiree's financial statements prior to the acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

## COMMUNITY ENTERPRISE QUEENSLAND NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

Goodwill is stated after separate recognition of identifiable intangible assets. It is calculated as the excess of the sum of: (a) fair value of consideration transferred, (b) the recognised amount of any non-controlling interest in the acquiree, and (c) acquisition-date fair value of any existing equity interest in the acquiree, over the acquisition-date fair values of identifiable net assets. If the fair values of identifiable net assets exceed the sum calculated above, the excess amount (ie gain on a bargain purchase) is recognised in profit or loss immediately.

### 28. Events after the Balance Date

No significant events noted.

### 29. Future Impact of Accounting Standards Not Yet Effective

At the date of authorisation of the financial report, the expected impacts of new or amended Australian Accounting Standards issued but with future effective dates are set out below:

#### ***AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107***

For CEQ's financial statements for 2017-18, this standard will require additional disclosures to enable the reader to evaluate changes in liabilities arising from financing activities. These disclosures will include both cash flows and non-cash changes between the opening and closing balance of the relevant liabilities and be disclosed by way of a reconciliation in the notes to the Statement of Cash Flows.

#### ***AASB 1058 Income of Not-for-Profit Entities and AASB 15 Revenue from Contracts with Customers***

These standards will first apply to CEQ from its financial statements for 2019-20.

CEQ has commenced analysing the new revenue recognition requirements under these standards and is yet to form conclusions about significant impacts. Potential future impacts identifiable at the date of this report are as follows:

- Grants received to construct non-financial assets controlled by CEQ will be recognised as a liability, and subsequently recognised progressively as revenue as CEQ satisfies its performance obligations under the grant. At present, such grants are recognised as revenue upfront.
- Under the new standards, other grants presently recognised as revenue upfront may be eligible to be recognised as revenue progressively as the associated performance obligations are satisfied, but only if the associated performance obligations are enforceable and sufficiently specific. CEQ is yet to evaluate the existing grant arrangements with the Australian Government Departments as to whether revenue from those grants could be deferred under the new requirements.
- Grants that are not enforceable and/or not sufficiently specific will not qualify for deferral, and continue to be recognised as revenue as soon as they are controlled. CEQ receives several grants for which there are no sufficiently specific performance obligations - these grants are expected to continue being recognised as revenue upfront assuming no change to the current grant arrangements.
- Depending on the respective contractual terms, the new requirements of AASB 15 may potentially result in a change to the timing of revenue from sales of CEQ's goods and services such that some revenue may need to be deferred to a later reporting period to the extent that CEQ has received cash but has not met its associated performance obligations (such amounts would be reported as a liability in the meantime). CEQ is yet to complete its analysis of existing arrangements for sale of its goods and services and the impact, if any, on revenue recognition has not yet been determined.
- A range of new disclosures will also be required by the new standards in respect of CEQ's revenue.

#### ***AASB 9 Financial Instruments and AASB 2014-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)***

These standards will first apply to CEQ from its financial statements for 2018-19. The main impacts of these standards on CEQ are that they will change the requirements for the classification, measurement, impairment and disclosures associated with CEQ's financial assets. AASB 9 will introduce different criteria for whether financial assets can be measured at amortised cost or fair value.

CEQ has commenced reviewing the measurement of its financial assets against the new AASB 9 classification and measurement requirements. However, as the classification of financial assets at the date of initial application of the new standard will depend on the facts and circumstances existing at that date, CEQ's conclusions will not be confirmed until closer to that time. At this stage, and assuming no change in the types of transactions CEQ enters into, all of CEQ's financial assets are expected to be required to be measured at fair value. In the case of CEQ's current receivables, as they are short-term in nature, the carrying amount is expected to be a reasonable approximation of fair value. Changes in the fair value of those assets will be reflected in CEQ's operating result.

## COMMUNITY ENTERPRISE QUEENSLAND NOTES TO THE FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2017

Another impact of AASB 9 relates to calculating impairment losses for CEQ's receivables. Assuming no substantial change in the nature of CEQ's receivables, as they don't include a significant financing component, impairment losses will be determined according to the amount of lifetime expected credit losses. On initial adoption of AASB 9, CEQ will need to determine the expected credit losses for its receivables by comparing the credit risk at that time to the credit risk that existed when those receivables were initially recognised.

CEQ will not need to restate comparative figures for financial instruments on adopting AASB 9 as from 2018-19. However, changed disclosure requirements will apply from that time. A number of one-off disclosures will be required in the 2018-19 financial statements to explain the impact of adopting AASB 9. Assuming no change in the types of financial instruments that CEQ enters into, the most likely ongoing disclosure impacts are expected to relate to the credit risk of financial assets subject to impairment, and investments in unquoted equity instruments measured at fair value through other comprehensive income and de-recognition of these items.

### **AASB 16 Leases**

This standard will first apply to CEQ from its financial statements for 2019-20. When applied, the standard supersedes AASB 117 Leases, AASB Interpretation 4 *Determining whether an Arrangement contains a Lease*, AASB Interpretation 115 *Operating Leases – Incentives* and AASB Interpretation 127 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*.

#### Impact for Lessees

Unlike AASB 117 *Leases*, AASB 16 introduces a single lease accounting model for lessees. Lessees will be required to recognise a right-of-use asset (representing rights to use the underlying leased asset) and a liability (representing the obligation to make lease payments) for all leases with a term of more than 12 months, unless the underlying assets are of low value.

In effect, the majority of operating leases (as defined by the current AASB 117) will be reported on the statement of financial position under AASB 16. There will be a significant increase in assets and liabilities for agencies that lease assets. The impact on the reported assets and liabilities would be largely in proportion to the scale of the agency's leasing activities.

The right-of-use asset will be initially recognised at cost, consisting of the initial amount of the associated lease liability, plus any lease payments made to the lessor at or before the effective date, less any lease incentive received, the initial estimate of restoration costs and any initial direct costs incurred by the lessee. The right-of-use asset will give rise to a depreciation expense.

The lease liability will be initially recognised at an amount equal to the present value of the lease payments during the lease term that are not yet paid. Current operating lease rental payments will no longer be expensed in the Statement of Comprehensive Income. They will be apportioned between a reduction in the recognised lease liability and the implicit finance charge (the effective rate of interest) in the lease. The finance cost will also be recognised as an expense. AASB 16 allows a 'cumulative approach' rather than full retrospective application to recognising existing operating leases. If a lessee chooses to apply the 'cumulative approach', it does not need to restate comparative information. Instead, the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of accumulated surplus (or other component of equity, as appropriate) at the date of initial application. CEQ will await further guidance from Queensland Treasury on the transitional accounting method to be applied.

CEQ has not yet quantified the impact on the Statement of Comprehensive Income and the Statement of Financial Position of applying AASB 16 to its current operating leases, including the extent of additional disclosure required.

All other Australian accounting standards and interpretations with future effective dates are either not applicable to CEQ's activities, or have no material impact on the entity.

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**30. Related Parties**

**(a) Key Management Personnel (KMP) Disclosures**

**(i) Details of Key Management Personnel**

As from 2016-17, CEQ's responsible Minister is identified as part of its KMP, consistent with additional guidance included in the revised version of AASB 124 Related Party Disclosures. That Minister is the Minister for Local Government and Minister for Aboriginal and Torres Strait Islander Partnerships.

Non-ministerial key management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of CEQ during 2016-17 and 2015-16. These positions include CEQ's board of directors, as well as certain management positions. For those members of management that have been determined as KMP, further details have been included in the below table.

Position	Responsibilities	Current Incumbents
		Date appointed to position (Date resigned from position)
Chief Executive Officer	The Chief Executive Officer provides strategic leadership of the statutory body's service delivery and is responsible for the efficient, effective and economic administration of the statutory body.	Appointed 1 July 2009
General Manager Finance	The General Manager Finance provides strategic leadership and direction for the financial administration of the statutory body.	Appointed 7 December 2015
General Manager Operations	The General Manager Operations provides strategic leadership and management of the statutory body's retail service delivery.	Appointed 6 August 2012
General Manager Human Resources	The General Manager Human Resources provides strategic leadership and management of the statutory body's human capital and human resources systems.	Appointed 1 March 2010
General Manager Business Development	The General Manager Business Development provides strategic leadership and management of the statutory body's inventory logistics and business development.	Appointed 15 March 2010
General Manager Merchandise	The General Manager Merchandise provides strategic leadership and management of the statutory body's inventory procurement.	Appointed 20 March 2017

All KMP are appointed under common law employment contracts.

**(ii) Remuneration Policies**

Remuneration policy for CEQ KMP is set by CEQ's Employment and Training Committee in conjunction with the CEO. The remuneration and other terms of employment for the key management personnel are specified in employment contracts.

Remuneration expenses for KMP comprise the following components:

Short term employee expenses which include:

- Meeting attendance fees, salaries, allowances and leave entitlements earned and expensed for the entire year or for that part of the year during which the employee was a key management person; and
- non-monetary benefits – consisting of provision of vehicle together with fringe benefits tax applicable to the benefit.

Long term employee expenses include amounts expensed in respect of long service leave entitlements earned.

Post-employment expenses include amounts expensed in respect of employer superannuation obligations.

Termination benefits are not provided for within individual contracts of employment. Contracts of employment provide only for notice periods or payment in lieu of notice on termination, regardless of the reason for termination.

Performance bonuses may be paid or payable annually depending on satisfaction of key criteria. Amounts are agreed by the Employment and Training Committee in conjunction with the CEO.

Total fixed remuneration is calculated on a 'total cost' basis and includes the base and non-monetary benefits, long term employee benefits and post employment benefits.

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**(iii) Remuneration Expense**

The following disclosures focus on the expenses incurred by CEQ that is attributable to key management positions during the respective reporting periods. Therefore, the amounts disclosed reflect expenses recognised in the Statement of Comprehensive Income.

**17 months to 30 June 2017**

Position	Short Term Employee Expenses		Long Term Employee Expenses	Post Employment Expenses	Termination Expenses	Total Expenses
	Monetary Expenses	Non-Monetary Benefits				
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Board of Directors	112			11		123
Chief Executive Officer	423		7	40		470
General Manager Finance	239		4	21		264
General Manager Retail Operations	230	9	4	22		265
General Manager Human Resources	204		4	20		228
General Manager Business Development	219		4	20		243
General Manager Merchandise (20 Mar 2017-30 June 2017)	34		1	3		38
<b>Total</b>	<b>1,461</b>	<b>9</b>	<b>24</b>	<b>137</b>		<b>1,631</b>

**(iv) Performance Payments**

Details of Performance Payment Entitlements by KMP:

Position	Summary of basis for Entitlement and Assessment	Expensed in 2016-17	
		Date Paid	Amount \$'000
Chief Executive Officer	The cash performance bonus was calculated by reference to achievement of key strategic plan deliverables and individual performance in their area of operation. The bonus paid equated to 20% as compared to the maximum 20% of total fixed remuneration payable.	29 April 2016	56
		23 March 2017	58
General Manager Finance	The cash performance bonus was calculated by reference to achievement of key strategic plan deliverables and individual performance in their area of operation. The bonus paid equated to 10% as compared to the maximum 10% of total fixed remuneration payable.	23 March 2017	16
General Manager Retail Operations	The cash performance bonus was calculated by reference to achievement of key strategic plan deliverables and individual performance in their area of operation. The bonus paid equated to 10% as compared to the maximum 10% of total fixed remuneration payable. A retention bonus of \$15,000 was paid on completion of 4 years' service.	4 March 2016	15
		16 August 2016	15
		23 March 2017	16
General Manager Human Resources	The cash performance bonus was calculated by reference to achievement of key strategic plan deliverables and individual performance in their area of operation. The bonus paid equated to 10% as compared to the maximum 10% of total fixed remuneration payable.	4 March 2016	14
		23 March 2017	14

**COMMUNITY ENTERPRISE QUEENSLAND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2017**

Position	Summary of basis for Entitlement and Assessment	Expensed in 2016-17	
		Date Paid	Amount \$'000
General Manager Business Development	The cash performance bonus was calculated by reference to achievement of key strategic plan deliverables and individual performance in their area of operation. The bonus paid equated to 10% as compared to the maximum 10% of total fixed remuneration payable.	4 March 2016	14
		23 March 2017	15
<b>Total Performance Payments</b>			<b>233</b>

The remuneration packages for all remaining KMP did not provide for any performance or bonus payments.

**(b) Transactions with People/Entities related to KMP**

A number of key management personnel, or their related parties, hold positions in other entities that result in them having control or significant influence over those entities.

A number of those entities transacted with CEQ during the year. The terms and conditions of the transactions were no more favourable than those available, or which might reasonably be expected to be available, in similar transactions with non-key management personnel related entities on an arm's length basis.

The aggregate value of transactions and outstanding balances relating to KMP and entities over which they have control or significant influence were as follows:

			Transaction values 2017 \$'000	Balance outstanding 2017 \$'000
Eleanor Scott – Board Member	Partner at MacDonnells Law	Legal services	66	4
Nigel Tillett - Chairperson	Director of Seisia Enterprises	Accommodation	6	-

**(c) Transactions with other Queensland Government-Controlled Entities**

CEQ has borrowings from Queensland Treasury Corporation (QTC), and Note 17 outlines the key terms and conditions of those borrowings.

Note 3 outlines a transfer of assets and liabilities from the Department of Aboriginal and Torres Strait Islander Partnerships' Retail Stores on 1 May 2017.

Sales of Goods		
Entity	Description	Amount \$'000
Queensland Health	Sales of goods	315
Torres Shire Council	Sales of goods	296
Torres Strait Island Regional Council	Sales of goods	295
Department of Education and Training	Sales of goods	230
Department of Housing and Public Works	Sales of goods	156
Pompuraaw Aboriginal Shire Council	Sales of goods	51
Northern Peninsula Area Regional Council	Sales of goods	24
Department of Justice and Attorney-General	Sales of goods	18
Palm Island Aboriginal Shire Council	Sales of goods	15
Far North Queensland Ports Corporation	Sales of goods	8
Doomadgee Aboriginal Shire Council	Sales of goods	7
Department of Agriculture and Fisheries	Sales of goods	7
Queensland Ambulance Service	Sales of goods	7
Queensland Police Service and Queensland Fire and Emergency Services	Sales of goods	6
Lockhart River Aboriginal Shire Council	Sales of goods	4
Department of Transport and Main Roads	Sales of goods	2

**COMMUNITY ENTERPRISE QUEENSLAND  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE PERIOD ENDED 30 JUNE 2017**

**(c) Transactions with other Queensland Government-Controlled Entities (continued)**

Department of Aboriginal and Torres Strait Islander Partnerships	Sales of goods	2
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<b>Payments for Goods and Services</b>		
<b>Entity</b>	<b>Description</b>	<b>Amount \$'000</b>
Ergon Energy Corporation	Payments for goods and services	3,532
Q Super	Superannuation contributions	734
Torres Strait Island Regional Council	Payments for goods and services	168
Torres Shire Council	Payments for goods and services	142
Queensland Audit Office	Payments for goods and services	135
WorkCover Queensland	Payments for goods and services	50
Doomadgee Aboriginal Shire Council	Payments for goods and services	33
Department of Aboriginal and Torres Strait Islander Partnerships	Payments for goods and services	29
Department of Transport and Main Roads	Payments for goods and services	18
Pompuraaw Aboriginal Shire Council	Payments for goods and services	17
Northern Peninsula Area Regional Council	Payments for goods and services	16
Queensland Police Service and Queensland Fire and Emergency Services	Payments for goods and services	14

<b>Other Related Party Transactions</b>		
<b>Entity</b>	<b>Description</b>	<b>Amount \$'000</b>
Department of Aboriginal and Torres Strait Islander Partnerships	Grant capital donation – Retail Stores Branch	18,484
Queensland Treasury Corporation	Loan	7,000
Queensland Treasury Corporation	Loan and interest repayments	(396)
Queensland Treasury Corporation	Interest on cash deposits	243
Department of Natural Resources and Mines	Freeholding lease repayment	(916)

**31. First Year Application of New Accounting Standards or Change in Accounting Policy**

**Accounting Standards Applied for the First Time in 2016-17**

**AASB 124 - Related Party Disclosures**

The only Australian Accounting Standard that became effective for the first time in 2016-17 is AASB 124 *Related Party Disclosures*. This standard requires note disclosures about relationships between a parent entity and its controlled entities, key management personnel (KMP) remuneration expenses and other related party transactions, and does not impact on financial statement line items. Material related party transactions for 2016-17 are disclosed in Note 30.

No comparative information about related party transactions is required in respect of the year ended 31 January 2016.

**32. Taxation**

CEQ is a statutory body as defined under the Income Tax Assessment Act 1936 and is exempt from Commonwealth taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). FBT and GST are the only taxes accounted for by CEQ. GST credits receivable from and GST payable to the ATO are recognised (refer to Note 11).

In June 2015, CEQ was registered as a Charitable Institution under the Taxation Administration Act 2001 (Qld). As a registered Charitable Institution, CEQ is eligible for an exemption under the Queensland Duties Act 2001, Land Tax Act 2010 and Payroll Tax Act 1971 for activities which meet the criteria for qualifying exempt purpose.

**COMMUNITY ENTERPRISE QUEENSLAND  
MANAGEMENT CERTIFICATE  
FOR THE PERIOD ENDED 30 JUNE 2017**

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), section 42 of the Financial and Performance Management Standard 2009 and other prescribed requirements. In accordance with section 62(1)(b) of the Act we certify that in our opinion:

- (a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects;
- (b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of Community Enterprise Queensland for the 17 month period ended 30 June 2017 and of the financial position of the statutory body at the end of period; and
- (c) these assertions are based on an appropriate system of internal controls and risk management processes being effective, in all material respects, with respect to financial reporting throughout the reporting period.



Nigel Tillet

Chairperson

Date 23/08/2017



Anthony Bird

Chief Financial Officer

Date 23/08/2017

## INDEPENDENT AUDITOR'S REPORT

To the Board of Community Enterprise Queensland

### Report on the audit of the financial report

#### Opinion

I have audited the accompanying financial report of Community Enterprise Queensland.

In my opinion, the financial report:

- a) gives a true and fair view of the financial position as at 30 June 2017, and the financial performance and cash flows for the period then ended
- b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2009, the *Australian Charities and Not-for-profit Commission Act 2012*, the Australian Charities and Not-for-profit Commission Regulation 2013 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2017, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the period then ended, notes to the financial statements including summaries of significant accounting policies and other explanatory information, and the management certificate.

#### Basis for opinion

I conducted my audit in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

I am independent of the entity in accordance with the auditor independence requirements of the *Australian Charities and Not-for-profits Commission Act 2012* and with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. I have also fulfilled my other ethical responsibilities in accordance with the Code and the *Auditor-General of Queensland Auditing Standards*.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

#### Responsibilities of the entity for the financial report

The Board is responsible for the preparation of the financial report that gives a true and fair view in accordance with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2009, the *Australian Charities and Not-for-profit Commission Act 2012*, the Australian Charities and Not-for-profit Commission Regulation 2013 and Australian Accounting Standards, and for such internal control as the Board determines is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

The Board is also responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless it is intended to abolish the entity or to otherwise cease operations.

## Auditor's responsibilities for the audit of the financial report

My objectives are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- Identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for expressing an opinion on the effectiveness of the entity's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the entity.
- Conclude on the appropriateness of the entity's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. I base my conclusions on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the business activities within the entity to express an opinion on the financial report. I am responsible for the direction, supervision and performance of the audit of the entity. I remain solely responsible for my audit opinion.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

In accordance with s.40 of the *Auditor-General Act 2009*, for the period ended 30 June 2017:

- a) I received all the information and explanations I required.
- b) In my opinion, the prescribed requirements in relation to the establishment and keeping of accounts were complied with in all material respects.



Nick George  
as delegate of the Auditor-General



Queensland Audit Office  
Brisbane