



Annual Report 2018

Financial year ended June 30, 2018



3 September 2018



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3 September 2018

The Honourable Jackie Trad MP
Deputy Premier, Treasurer and Minister for Aboriginal and Torres Strait Islander Partnerships
Level 39, 1 William Street
BRISBANE QLD 4000

Dear Deputy Premier

I am pleased to submit for presentation to the Parliament the Annual Report 2017–2018 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 Annual Report reflects the twelve month period after the merger to 30 June 2018.

Yours sincerely



Mr Nigel Tillett
Chairperson
Community Enterprise Queensland



Torres Strait – Iama Island

Requirement for our report

This report details CEQ activities and financial performance for the financial year ending 30 June 2018. It meets the requirements of the Financial Accountability Act 2009 and is considered a key accountability document for CEQ.

Contents

CEQ introduction.....	1
CEQ vision.....	1
CEQ mission.....	1
CEQ goals	1
CEQ values	1
Chairmans report	3
Chief Executive Officers report	4
CEQ role and functions.....	6
Statutory obligations	6
Operating environment	6
Where CEQ operates	6
Supply chain	8
Cost of living	8
Healthy food choices program.....	9
CEQ pricing policy.....	9
Donations and event sponsorship.....	9
Threats to sustainability.....	10
Native title	10
People retention.....	10
Workforce planning and profile	11
Governance – management and structure ...	12
Summary of key activities.....	12
Meet the board	13
Organisational structure	19
Executive management.....	19
Financial performance	20
Compliance and audit	22
Other reporting requirements.....	23
Glossary	24
Annexure 1 – annual financial statements....	25

CEQ introduction

CEQ is a Statutory Body which delivers essential services into remote Indigenous communities within Queensland.

CEQ operations are vital to the health and economic well-being of remote communities. It provides dignified employment, and access to a range of fresh food including fruit, vegetables, dairy, meat and bakery products. Additionally, CEQ provides variety products and a western union style banking facility for residents.

CEQ has extensive infrastructure throughout Queensland culminating with a store at the most northern point of Australia at Boigu Island.

CEQ vision

To be the leader in delivering quality retail and essential services at best value and support economic and social opportunities within Aboriginal and Torres Strait communities.

CEQ mission

To provide essential goods and services to communities through sustainable business practices.

CEQ goals

- Manage the organisation to ensure financial sustainability;
- Provide goods and services at affordable prices;
- Promote and provide healthy food choices;
- Ensure culturally appropriate practices;
- Build capacity in communities;
- Provide local employment opportunities and career pathways.

CEQ values

Honesty - Reliability - Culturally Respectful – Fairness - Accountability

Executive summary – quick overview

Continuing operations	2018 \$'000	2017 \$'000
Total revenue	96,046	100,631
Total expenses	93,157	80,574
Operating result	2,889	20,057
Total assets	78,720	72,891
Total liabilities	13,852	13,518
Net assets	64,868	59,373
Accounting rate of return	4%	28%
Debt ratio	18%	19%
Current ratio	3.99	3.98

Note: (a) 2017 was a 17 month reporting year due to the merger of CEQ and the then Queensland Government Retail Stores, Revenue includes a capital grant of \$18M.

Community and other stakeholders

CEQ is a major contributor to the social fabric of remote Indigenous communities where it has a presence. CEQ partners with local organisations and the State Government to achieve its results. CEQ is active in the community and provides input into planning events as well as donations and event sponsorship. CEQ undertook a range of programmes in 2017/18 including:

- Regional festivals (e.g. NAIDOC week);
- Sporting events; and
- Partnering with the Taipans (basketball) to deliver a health and well-being program – Healthy food choices program.

Other partnering programmes included working closely with:

- DATSIP on pricing matters;
- TSIRC on planning matters;
- PBC's and future directions; and
- Local Disaster Management groups both pre and post emergency events.

CEQ Service Channel's

IBIS Channel



IBIS' origins were manifested from the work of Reverend Fred Walker, who established Papuan Industries Limited in 1905, with the intention of aiding the people of Papua and the Torres Straits. This morphed into the first version of the Island Industries Board, established in the 1930's by way of the Torres Strait Act, for the charitable function of advancing the welfare of the Torres Strait Island residents.

IBIS provides the basic necessities of daily life to communities that desperately need this service. Not only do the necessities need to be available, they need to be affordable for the local Indigenous population, which has a median annual income almost 50% lower than the state average.

CEQ pricing is structured to deliver equity to all residents. The merger of Retail Stores in 2017, with CEQ has created an organisation with expanded purchasing power. This has allowed IBIS to remain price competitive due to volume increases.

Future growth in the IBIS channel is expected to come from re-investment in infrastructure providing a modern retail environment and experience.

ABIS Channel



The ABIS channel has similar foundation blocks to IBIS in that ABIS stores provide essential goods and services to remote communities on the mainland from Woorabinda in central Queensland to Lockhart River in the north.

ABIS stores are branded locally as part of a CEQ initiative, an example being the Bwgcolman Store on Palm Island. Bwgcolman is an aboriginal word for 'many tribes – one people'.

ABIS stores participate in the variety, general merchandise, fuel and grocery retail sector.

ABIS stores are characterised by being remote mainland stores often experiencing disrupted supply chains due to inclement weather.

In its first year of operation, CEQ experienced double digit volume growth in ABIS stores due to introduction of weekly 'fresh' deliveries and increases in range of product. It is expected to continue to grow the business of ABIS with targeted ranging and supply side management.

Community Home and Hardware Channel



CHH is a combination of CEQ branded 'Col Jones Homewares' and T.I. Hardware.

'Col Jones' is an icon supplier (founded 1978) in the Torres Strait and NPA of quality home and giftwares, electrical furniture and traditional island clothing. T.I. Hardware is a Mitre 10 supplier of all things hardware related to both the domestic and trade segments of the market in the Torres Strait.

The acquisition of T.I. Hardware (2015) and Col Jones (2017) was a natural extension of industry board trading. The acquisitions have improved CEQ's ability to improve social and economic circumstances in the region by providing employment pathways for local Indigenous persons that they may not otherwise have experienced.

The acquisitions bring with it them additional benefits to regional economic development. These benefits include spin-offs by allowing an expanded product range in the outer islands of the Torres Strait – thereby improving service levels to disadvantaged areas and improving their standard of living.

Chairmans report

I am pleased to present the Annual Report for Community Enterprise Queensland (CEQ) for the year ended 30 June 2018.

2017/18 represented the first full year of trading since the completion of the merge under the CEQ banner of the IBIS stores and those retail stores previously operated by the Department of Aboriginal and Torres Strait Islander Partnerships (DATSIP).

During the year, the CEO and his team have continued to deliver a strategy of sustainability whilst providing an effective retail service via its 27 outlets in 21 communities.

Our greatest ongoing challenge remains that of reducing the cost of goods and services for our communities. Logistically this is extremely difficult given the remoteness of the areas in which CEQ operates 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 cost of freight to many communities represents a significant component of overall operating costs, especially when compared to urban centres where freight may be 'free into store'.

The challenge in maintaining significantly lower prices on fresh produce and other essential lines requires excellent processes and controls coupled with strong purchasing power to enable CEQ to pass on savings via regular promotional programmes to its customer base. Ongoing investment in systems and technology has played an integral part in the success of the CEQ model. 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.

The tyranny of distance impacts greatly on the supply chain and further compounds CEQ's ability to maintain extended shelf life for perishable products including fresh fruit and vegetable, dairy and meat products for our communities. This challenge has been met to some degree this year by doubling the frequency of deliveries to a number of stores

that CEQ operates on the mainland. CEQ has also continued to invest in new refrigeration to better improve shelf life and presentation of perishable goods.

Recent years have seen a significant increase in community residents taking advantage of online shopping from major supermarkets in regional centres. There is no doubt that this method of shopping and the technology available provides shoppers with access to a greater range at perceivably cheaper prices. The trend continues to be a threat to CEQ's ongoing sustainability and the board recognises the need to continually review its strategies to meet community expectations.

I must recognise the contribution of CEQ's CEO, his executive team, regional and store managers and all employees that make up our 411 staff count. I thank all of them for their continued dedication to the board's values and for their outstanding contribution, support and service to our customers. They operate under challenging conditions and deserve congratulations for their efforts.

I thank the Mayors, Councillors and Council CEO's of those communities in which the board operates. Their advice and support has again been of great assistance to CEQ, particularly in its first full year as a merged entity.

I also thank all of my fellow Board members for their strategic input, guidance and support. Their dedication to ensuring that CEQ remains successful in carrying out its legislated role has been a significant factor in the organisation's continued operational success.



Nigel Tillett
Chairperson
Community Enterprise Queensland

Chief Executive Officers report

As a Board and Executive, we are proud to report that the financial year ending 30 June 2018 was a year of continued delivery of socially beneficial outcomes for the communities which CEQ serves.

CEQ welcomed the ABIS stores into its operations in May 2017 with this financial year being used to implement changes in pricing, offer and quality. Most pleasing was the introduction of weekly delivery of fresh produce into the ABIS stores. Along with the increase in range, CEQ also bedded down processes and procedures, especially associated with retailing practices and food safety audits.

IBIS stores also benefitted from capital upgrades including:

- Bamaga store entrance;
- Erub freezer and airconditioning upgrade;
- Dauan loading dock extension;
- Onsite generation at Kubin and St Pauls; and
- Main store (Thursday Island) retail expansion.



Generator Base Floor – St Pauls

IBIS also benefited from access to better pricing from the combined group in terms of volume. During the year CEQ consolidated its supply chain leading to efficiency improvements and better analytics on product lines.

The purchasing power of the combined group allows CEQ to be price competitive with

mainland independent stores subject to freight considerations. Over \$1.9 million dollars was returned to our customers through the retail grocery stream promotional activity (advertised specials, *best buys* and instore promotions).

One of CEQ's goals is to provide healthy food choices – one of the many ways we do this is the provision of water for \$1. As an organisation, CEQ prides itself on the programmed delivery of fresh fruit, vegetables and dairy into some of the remotest locations in Queensland.

From an employment perspective, CEQ aims to be an employer of choice in Queensland. Our diverse workforce consists of 411 staff which includes a variety of professions including:

- Retail professionals;
- Procurement professionals;
- Logistic professionals;
- Human resource and safety professionals;
- Finance and administration professionals; and
- Trade professionals.

As an employer operating in remote locations 82% of CEQ employees are living and working in remote Queensland. Of all staff employed at CEQ, 76% identify as Indigenous.

CEQ actively skills its workforce with a mixture of internal and external training programs in the communities, which we consider a significant point of differentiation to other similar organisations.

Employees living at communities where CEQ provides its services are accessing the benefits of skilled category managers, procurement specialists, specialist trainers in food safety and compliance and skilled workplace health and safety staff – all of whom provide guidance, advice and mentoring. CEQ has an ongoing commitment to train staff to a minimum of Certificate II in Retail.



Training - Pormpuraaw

CEQ operates in locations where there is real evidence of market failure. CEQ as an organisation delivers on social and equity outcomes for these locations which go beyond commercial considerations. An example of this includes CEQ's region based pricing, where all sites experience the same level of service and pricing, irrespective of size or location.

Whilst CEQ has a primary role of providing essential services to communities, the financial aspects of the business cannot be ignored. We are pleased to announce that CEQ has again met its financial performance targets including delivering on its social return. Its strong balance sheet will enable CEQ to continue to deliver on its level of service to community.

2017 – 2018 was a successful year for CEQ, it saw the integration of the Retail Stores into the business and subsequent rebranding to ABIS. Service delivery including price, quality and product continued to be strong across all channels which was the cornerstone of our strong sales growth. CEQ continued to be a major sponsor of local events both sporting and cultural.

The Board and all staff need to be commended for taking on the values of the business and contributing to the success that is CEQ.

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. CEQ has rebranded the Retail Stores – as relevant local names under the ABIS banner.

The functions of 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 point. 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.



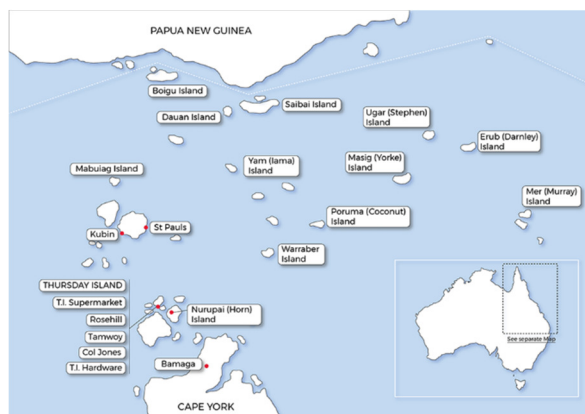
Several clusters of islands lie in the Strait, collectively called the Torres Strait Islands. There are at least 274 islands which are grouped into five distinct clusters, 17 of which have present-day permanent settlements. Of these 17 islands, 14 have stores and incorporate a treaty that enables trade 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 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.

ABIS deliverables

Like IBIS, ABIS is a full retail operation providing remote cape, north and central Queensland communities with essential services. ABIS supermarkets are located in six (6) very remote communities:

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



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

CHH deliverables

CHH is a retail operation consisting of hardware (both trade and domestic), homeware, electrical, furniture and active wear clothing. Two bricks and mortar stores (Col Jones Homewares and T.I. Hardware) are currently located on Thursday Island. These

stores also provide goods and services into the Torres Strait and NPA regions. Growth planning for Col Jones and T.I. Hardware will see satellite stores in locations where space is available.

Supply chain

The supply of goods and services to the channels incorporates a supply chain in excess of 3,000 kilometres. This in itself presents significant challenges which are compounded considerably when those services include the supply of fresh, chilled and frozen food.

The IBIS 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-palletised 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
- fresh food products are reasonably date coded to ensure a supply of fresh product to the communities for the duration between deliveries.

For mainland ABIS Stores, there are 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.

Cyclones and other natural disaster events

CEQ is an active participant in disaster management planning with the State and Local Governments. For the first time in 2017, CEQ experienced a cyclonic event which affected the remote communities of Kowanyama and Pormpuraaw. CEQ had the established supply runs that ensured that the communities were not without essential goods and services in the time after the event. CEQ was also able to leverage off its Col Jones business to help with the resupply of whitegoods and furnishings that were damaged in the event.

CEQ was also active in ensuring that communities still received their fresh produce in flood affected communities. Supply chains were established to deliver weekly fresh via air freight. This was at no extra cost to the community – that is, there were no price increases.

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.



Source – *Best Buys* February 2018

CEQ has maintained '*Best Buys*' (in IBIS and NPA) and introduced this program to the ABIS 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.



Fruit Display – Pormpuraaw Store

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.

Indirectly through its 'specialling' activity CEQ has provided communities with \$1.9M in savings during the financial year.

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 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.

Donations and event sponsorship

CEQ has a strong commitment to local and community events sponsoring both sporting and cultural activities.

During the financial year CEQ direct support totalled \$60K.

Some of the activities sponsored during the year include:

- Palm Island Spring Fair 1 September 2017;
- Doomadgee Rodeo 22 September 2017 - sponsorship for the open bronc event;
- Pormpuraaw Fire Brigade;
- Daisy Mye Sporting Carnival 24 September 2017 (Erub Island);
- Pormpuraaw Rodeo 29 September 2017;
- Zenadth Kes Cup 13 – 16 October 2017 (Thursday Island);
- Dan Ropeyarn Cup 26 – 28 October 2017 (Bamaga);

- TI Deadly Runners 6 – 7 October 2017 (Thursday Island);
- Zenadth Kes Carnival (Volleyball) 5-7 April 2018 (Warraber Island);
- NAIDOC Awards (Thursday Island).

Threats to sustainability

By far CEQ's most challenging issue is 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.

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. In some locations CEQ has had to install backup onsite generators to secure products.

Insurance – CEQ has experienced increased premiums in the past which were absorbed into our operating costs.

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 in accordance with 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, lack of local tradespeople to attend to maintenance issues and cost effective transport options. CEQ has worked extensively on preventative maintenance programs over the last three years and it is expected to see the benefits of reduced re-active maintenance over the next capital cycle.

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 market, CEQ has experienced positive real growth in its grocery business. This is based upon the dedicated pricing policy of CEQ coupled with providing increased lines and quality goods at value.

Native title

Acknowledgement is given to Torres Strait Island Regional Council for their cooperation in, and assistance with 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 six years has played an integral role in the continued growth of the business.

Native Title leases still under negotiation include:

- Boigu Island
- Iama Island
- Masig Island
- Moa Island – communities of St Pauls and Kubin.

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.

CEQs vision regarding staff is for local Indigenous people to view retail as a career and assume senior management roles. This is achieved through investing in staff through training and development, and an associated mentoring programs. 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 promoting 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 management role in any organisation. The practices that have 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.

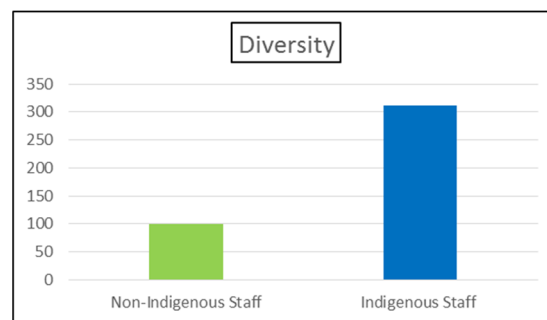
Recognising and rewarding staff is an integral component of CEQ's annual conference where store managers travel to a single location and are acknowledged for their contribution to the business. The conference includes keynote presentations and employment service awards. CEQ recognises high achievers, 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 an avenue where staff attend workshops and other training and development opportunities to better equip them in their current and future roles as leaders.

Workforce planning and profile

CEQ is a not for profit statutory body employing 411 staff at 30 June 2018. From its inception in 1905, CEQ 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 2018 had an Indigenous representation figure of 76% based on head count.



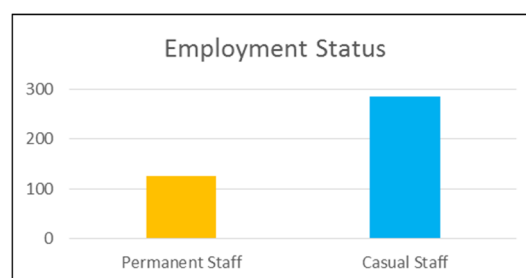
IBIS

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.

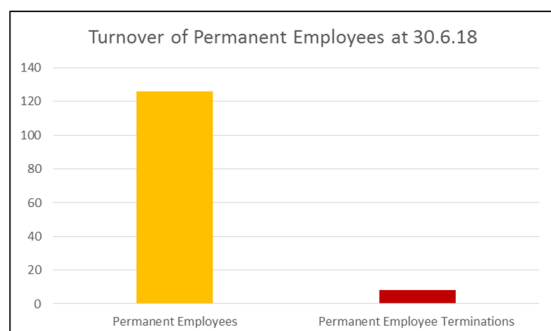
The IBIS model, now the CEQ model not only guarantees employment opportunities and a subsequent clearly defined career, it also provides a voice for Indigenous people regarding the operations of the business. CEQ provides clearly defined career paths for Indigenous people living in the remote central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

This model has recently been implemented in the newly merged ABIS stores with the appointment of two Indigenous staff into supervisory and assistant management positions.

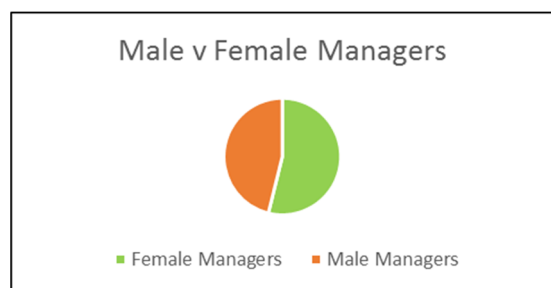
CEQ had a total 411 staff (headcount) at the end of the financial year. Permanent staff totalled 126 staff. From an FTE perspective CEQ currently has 223 FTE's.



CEQ over the last reporting period experienced an average attrition rate of 23%.



CEQ supports gender diversity within its workplace. 54% percent of all employees are female. From a management perspective, there are 26 managers in the organisation, of which 54% are female. 58% of managers identify as Aboriginal or Torres Strait Islander.



Training

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

- Food and Safety Compliance
- Risk Mitigation
- Employment Compliance
- Business Acumen

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; and
- Certified Training including Retail, First Aid, Customer Service, Food Safety Accreditation and Work Place Health and Safety.

CEQ employs 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.

Governance – 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 resources);
- Providing a source of major employment for Indigenous Australians (CEQ is one of the largest employers in the Torres Strait) with 76% 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.

Meet the board

The Board of CEQ has primary responsibility to

- set the strategic direction;
- set the risk appetite; and
- monitor business performance.

The Board is committed to ethical behaviour and works within its charter. The Board as part of its role in monitoring the business, review policies, business plans budgets and capital expenditure. The Board

- sets delegation limits for the executive to work within;
- utilises a committee structure to aid in the monitoring of compliance matters; and
- evaluates the performance of the CEO.

Board members are:

Mr Nigel Tillett
Independent Director – Chair
Ex-officio All Committees

Mr Nigel Tillett has extensive retailing and leadership experience combined with an 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.

Start Date	End Date	Member since
17/12/15	16/12/18	2015

Mr Pedro Stephen
Independent Director – Deputy Chair
Member – Community, Public Relations and Marketing Committee

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.

Start Date	End Date	Member since
01/04/2017	31/03/2019	2012

Mr Michael Aw
Independent Director
Member – Community, Public Relations and Marketing Committee; Finance Audit Risk and Governance Committee

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. Michael is also the current the chair/president of CADCAI a NFP an active community based arts and heritage organisation dedicated to celebrating and protecting the Chinese culture and heritage, in the process enriching the cultural, social and economic diversity of our local North Queensland community. Mr Aw is also a current serving member of Far North Queensland Football Board.

Start Date	End Date	Member since
01/04/2017	31/03/2021	2017

Ms Elverina Johnson
Independent Director
Member – Community, Public Relations and Marketing Committee; Employment, Training and Safety Committee

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.

Start Date	End Date	Member since
01/04/2017	31/03/2021	2017

Mayor Ralph Kendall
Independent Director
Member – Community, Public Relations and Marketing Committee

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.

Start Date	End Date	Member since
01/04/2017	31/03/2021	2017

Mayor Vonda Malone
Independent Director
Chair – Community, Public Relations and Marketing Committee

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.

Start Date	End Date	Member since
01/04/2017	31/03/2019	2012

Ms Jodi Peters B Bus (USQ), GAICD, FIML
Independent Director
Chair - Employment, Training and Safety Committee; Member – Finance Audit Risk and Governance Committee;

Ms Jodi Peters is a founder and Managing Director of The 20/20 Group, a North Queensland strategic consultancy specialising in strategic business and marketing planning international tender writing and Board governance. She holds a Bachelor of Business and is a Graduate of the Australian Institute of Company Directors course. Ms Peters is also a Fellow of the Australian Institute of Managers and Leaders. 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 to numerous 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 other current directorships on the Boards of Cairns and Hinterland Hospital and Health Service and The Far North Queensland Hospital Foundation.

Start Date	End Date	Member since
01/04/2017	31/03/2021	2017

Mrs Margot Richardson FCPA, GAICD
Independent Director
Member – Finance Audit Risk and Governance Committee; Employment, Training and Safety Committee

Mrs Richardson whom runs a successful accounting practice is a Professional Accountant (CPA Australia) with significant accounting, auditing, business and governance experience in Far North Queensland and across Northern Australia. 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.

Start Date	End Date	Member since
01/04/2017	31/03/2021	2017

Mr Mislam Sam
Independent Director
Member – Community, Public Relations and Marketing Committee; Finance Audit Risk and Governance Committee

Mr Mislam Sam is the current Deputy Chairman of the Palm Island Community Company Board with notable business experience and leadership within the Indigenous sector. He has served over 10 years as director in Indigenous corporations, sporting associations and most recently as Local Government councillor with the Palm Island Aboriginal Shire Council. Mr Sam operates Klub Kuda Palm Island Budget Accommodation on Palm Island which he has progressively grown into a prosperous business over the past five 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.

Start Date	End Date	Member since
01/04/2017	31/03/2021	2017

Ms Eleanor Scott
Independent Director
Chair – Finance Audit Risk and Governance Committee; Member - Employment, Training and Safety Committee

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 at Preston Law, based in the Cairns office. Ms Scott has lived in Cairns for 11 years after relocating from Papua New Guinea.

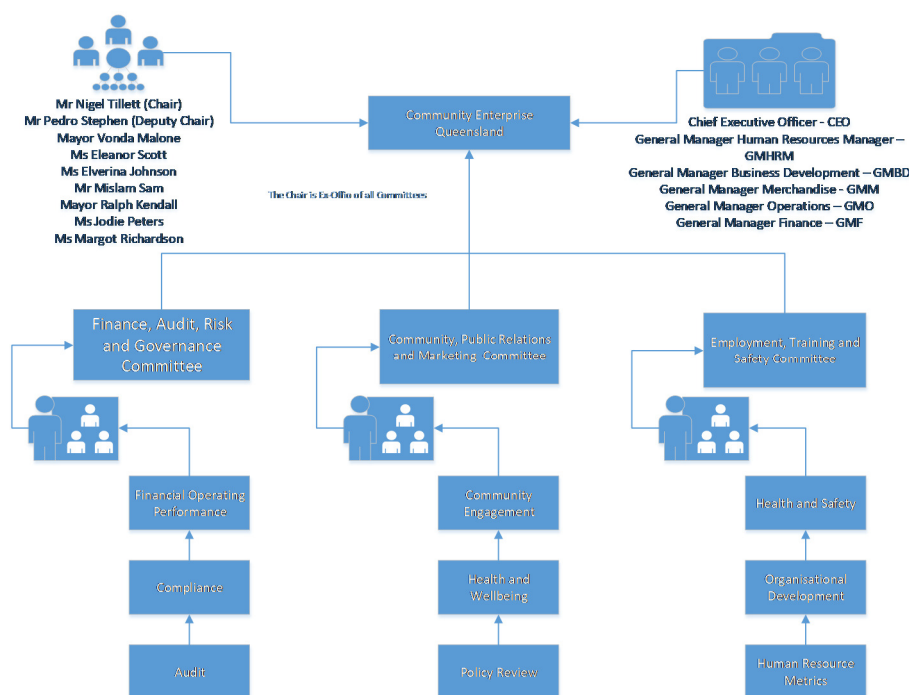
The Board's Charter contains procedures for assessing independence and any disclosure of interests that should be assessed by the Board. Directors are required at each meeting to declare any material personal interest or conflict.

Start Date	End Date	Member since
01/04/2017	31/03/2021	2017

Board Configuration: 1 July 2017 to 30 June 2018

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 1 July 2017 to 30 June 2018 is shown below:



Note: The CEQ Committee structure included a Business Development and Marketing (BDM) Committee, which was resolved during February 2018

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

Finance, Audit, Risk and Governance Committee – FARGC

The FARGC is responsible for ensuring the internal control, risk management framework and governance is compliant and 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 FARGC has the added task of developing and monitoring the financial section of the CEQ Annual Strategy Action Plan. The FARGC fulfils the statutory role of an Audit Committee.

From October 2017 Mr Michael Aw was appointed a member of the FARGC.

In February 2018 Mr Mislam Sam was appointed to the FARGC.



Material Handling Training – Ugar Island

Employment, Training and Safety Committee – ETSC

The ETSC 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 ETSC is also tasked with the development and oversight of the Employment and Training section of the CEQ Annual Strategy Action Plan.

In March 2018, Ms Margot Richardson was appointed to the ETSC.

Community, Public Relations and Marketing Committee - CPRMC

Meeting attendance 1 July 2017 – 30 June 2018

	Type of Meeting				Total Meetings Attended
	Board	FARG	ETS	CPR	
Scheduled Meetings	10	14	4	1	
Nigel Tillett	10	13	2	1	26
Michael Aw	10	9	-	1	20
Elverina Johnson	6	-	2	-	8

The Community and Public Relations Committee was established to assist the Board in delivering services within an appropriate framework of community understanding and public relations. The Committee reviews 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. In February 2018, the Business Development and Marketing Committee was resolved with marketing components incorporated into this Committee.

In February 2018 Mr Michael Aw and Mr Mislam Sam were both appointed to the CPRMC.

Business Development and Marketing Committee - BDMC

This Committee was created in April 2017 and subsequently resolved in February 2018. Marketing components were transferred to the CPRMC and business development components transferred to the full Board.

	Type of Meeting				Total Meetings Attended
	Board	FARG	ETS	CPR	
Scheduled Meetings	10	14	4	1	
Ralph Kendall	7	-	-	-	7
Vonda Malone	7	-	-	1	8
Jodi Peters	10	13	4	-	27
Margot Richardson	6	12	1	-	19
Mislam Sam	8	3	-	1	12
Eleanor Scott	7	12	3	-	22
Pedro Stephen	7	-	-	-	7

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

Payments to Board Members

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

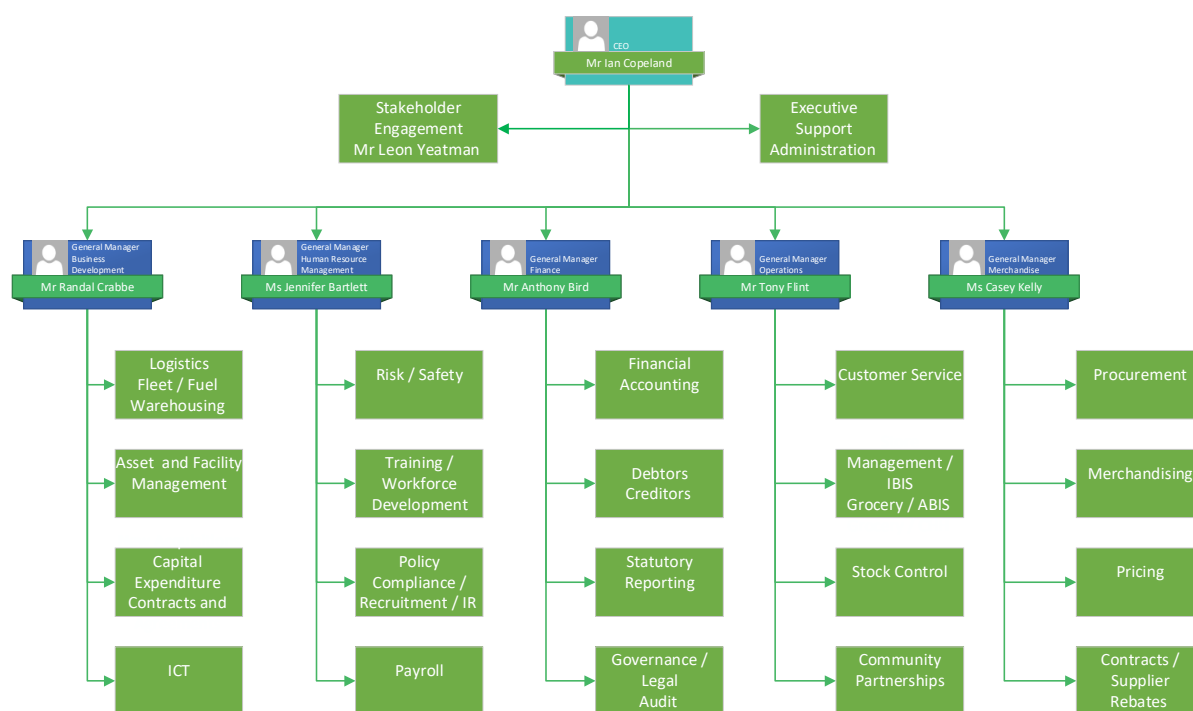
- Chairperson (Annual Fees): \$35,000;
- Member (Annual Fees): \$15,000;
- Sub-Committee Chairperson (Annual Fees): \$2,500; and
- Sub-Committee Member (Annual Fees): \$2,000.

Family Name	Given Name	Position Title	Payments \$
Tillett	Nigel	Chairperson	44,215
Aw	Michael	Member	19,227
Johnson	Elverina	Member	19,923
Kendall	Ralph	Member	0
Malone	Vonda	Chair CPRM Committee	0
Peters	Jodi	Chair ETS Committee	20,538
Richardson	Margot	Member	19,923
Scott	Eleanor	Chair FARG Committee	21,467

Family Name	Given Name	Position Title	Payments \$
Sam	Mislam	Member	18,139
Stephen	Pedro	Member	17,462

Note: Mayor(s) Malone and Kendall are ineligible for payments due to being considered public sector employees as defined by the remuneration procedures for part-time chairs and members of Queensland government bodies.

Organisational structure



Executive management

Ian Copeland is the Chief Executive Officer (CEO) with 37 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:

Mr Randal Crabbe

General Manager Business Development with over 15 years of experience in retail stores.

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 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.

Mr Anthony (Tony) Flint

General Manager Operations with 25 years of retail experience in mainstream and remote communities. Tony also has 3 years of experience in training and mentoring roles in remote communities.

Financial performance

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

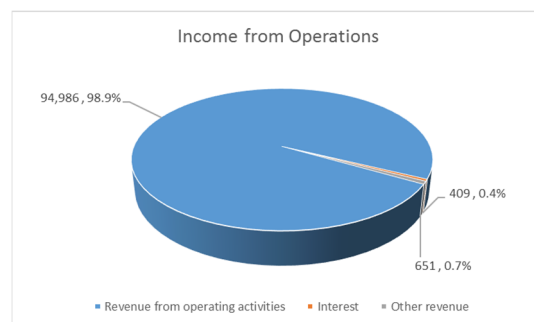
- The financial records of the statutory body has been properly maintained throughout the year ended 30 June 2018 in compliance with prescribed requirements; and
- The risk management and internal compliance and control systems of the statutory body relating to financial management have been operating efficiently, effectively and economically throughout the financial year.

There were several key highlights for the business over the financial year. These highlights included:

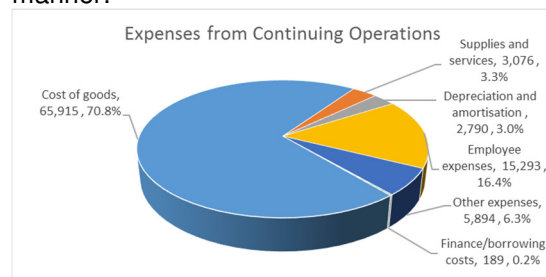
- Integration of DATSIP Retail Stores into CEQ's operational framework;
- Completion of capital works; and
- Delivering on CEQ's commitment to provide goods and services at affordable prices.

Operating Result

CEQ continues to perform strongly year on year. From an operating result perspective (excluding capital revaluations) CEQ produced a net result of \$2.9M. This was backed on strong revenue figures of \$95.0M which is up \$14.0M on previous year revenue (noting this was a 17 month year). Income was distributed in the following manner:



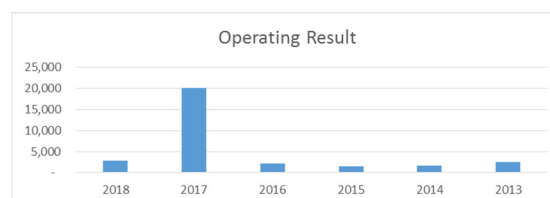
Expenses were distributed in the following manner:



As can be seen from the graph the majority of expenses for CEQ are COGS which make up 70.8%. Employee expenses are the next major category of expense at \$15.2M or 16.4% of total expenses. Major lines in other expense items and supplies and services include:

Expense Items > \$500K	\$'000
Electricity	1,864
Repairs and maintenance	1,606
Travel	862
Rent	812
Telephone and Communications	689

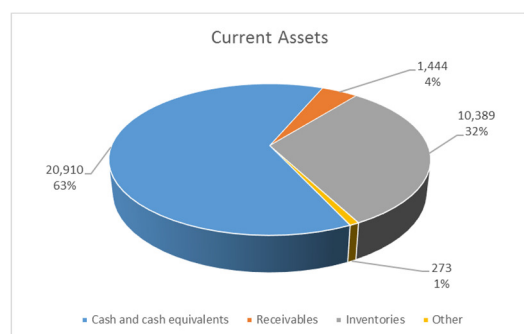
Net Result over Time



The net result of \$2.9M is 3% of turnover and in accordance with established norms for the business.

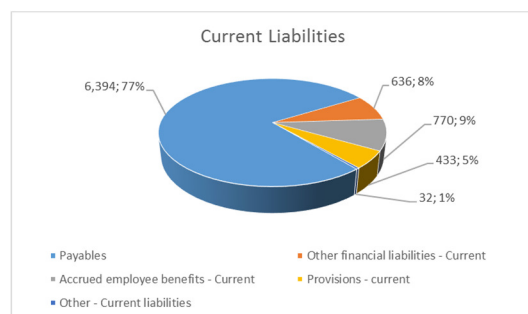
Balance Sheet - Assets

From a Balance Sheet perspective current assets are \$33.0M of which \$20.9M is cash.



Balance Sheet - Liabilities

CEQ at the end of financial year had current liabilities of \$8.3M of which \$6.4M was Accounts Payable.



Total non-current assets were \$46.0M of which \$42.0M was Property, Plant and Equipment. Total non-current liabilities were \$5.6M of which \$5.5M was a financial liability associated with Queensland Treasury Corporation.

Financial ratios at a glance

Ratio	2018	CEQ Average
Liquidity - working capital	3.99	3.12
Efficiency – gross profit margin	31%	33%
Efficiency – operating profit margin	3%	4%
Return on asset	4%	4%
Net profit margin	3%	4%

Note: CEQ average is an average over 4 years excluding 2017 due to the

capital grant received associated with Retail Stores.

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 financial year. The table below identifies capital expenditure in the current and previous years.

Year	Capital Expenditure \$'000
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	11,584
2017-18	2,259

Capital expenditure for the financial year was delivered in the following manner

Capital expenditure by asset class:	
Land	\$20,012
Buildings	\$531,782
Plant and equipment	1,452,998
Motor vehicles	144,937
Total Physical Assets	2,149,729
Rental assets	108,891
Total	2,258,620

Note: Motor vehicles are classified as Plant and Equipment in the Financial Statements.

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)
- Enterprise Risk Register

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. ABIS Stores have now had the same compliance requirements integrated into their operations.

Internal Audit

The Audit Year of 2017/18 was the second 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 enterprise 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. Second year audits included human resource and governance structures.

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 1994* 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.

Other reporting requirements

Overseas travel

There was no overseas travel undertaken by staff.

s60V Minister's power to give direction

No directions were received by CEQ during the reporting period.

Consultants

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

Consultancy Category	Expenditure (\$)
Consultants – Management including Legal	118,716
Consultants - Human resources management	31,818
Consultants - Communications	0
Consultants - Finance/accounting	25,252
Consultants - Professional/technical	82,654
Total	258,440

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.

Short Form**Description**

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
FAA	Financial Accountability Act
FMPM	CEQ Financial Management Practice Manual
NPA	Northern Peninsula Area, Cape York
ETSC	Safety, Employment and Training Committee

Glossary

Frequently used Terms:

Short Form	Description
ABIS	Aboriginal Business Industry and Service
BDMC	Business Development and Marketing Committee
CEO	Chief Executive Officer
CEQ	Community Enterprise Queensland
COAG	Council of Australian Governments
CPRMC	Community, Public Relations and Marketing Committee
FARGC	Finance, Audit, Risk and Governance Committee
FTE	Full Time Equivalent

Annexure 1 – annual financial statements

Note: Comparatives should be read with caution as they reflect a 17 month financial year.

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 was 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 comparatives to ensure figures quoted reflect the expanded reporting period (and that they are not a regular 12 month reporting period).

Community Enterprise Queensland

**Financial Statements
For the year ended 30 June 2018**

**Community Enterprise Queensland
Financial Statements
For the Year Ended 30 June 2018**

Contents	Page No.
STATEMENT OF COMPREHENSIVE INCOME	1
STATEMENT OF FINANCIAL POSITION	2
STATEMENT OF CHANGES IN EQUITY	3
STATEMENT OF CASH FLOWS	4
NOTES TO THE FINANCIAL STATEMENTS	5
MANAGEMENT CERTIFICATE	34
INDEPENDENT AUDITORS REPORT	35

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*.

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:

269 Mulgrave Road
WESTCOURT 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 General Manager Finance 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 YEAR ENDED 30 JUNE 2018**

		12 months ended 30 June 2018 \$'000	17 months ended 30 June 2017 \$'000
Operating Result			
Income from Continuing Operations	Notes		
Revenue	3(a)	94,986	81,413
Interest		409	263
Other revenue	3(b)	651	461
Total Revenue		96,046	82,137
Capital donations		-	18,494
Total Income from Continuing Operations		96,046	100,631
Expenses from Continuing Operations			
Cost of goods sold		65,915	55,379
Supplies and services	4	3,076	2,443
Depreciation	5	2,790	2,534
Employee expenses	6	15,293	14,703
Other expenses	7	5,894	5,374
Finance/borrowing costs	8	189	141
Total Expenses from Continuing Operations		93,157	80,574
Operating Result from Continuing Operations		2,889	20,057
Operating Result for the Year		2,889	20,057
Other Comprehensive Income			
<i>Items that will not be reclassified subsequently to Operating Result</i>			
Increase (decrease) in asset revaluation surplus	21	2,606	-
Total for Items that will not be reclassified to Operating Result		2,606	-
Total Other Comprehensive income		2,606	-
Total Comprehensive Income		5,495	20,057

The accompanying notes form part of these statements

**COMMUNITY ENTERPRISE QUEENSLAND
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2018**

		As at 30 June 2018 \$'000	As at 30 June 2017 \$'000
	Notes		
Current Assets			
Cash and cash equivalents	9	20,910	16,902
Receivables	10	1,444	1,681
Inventories	11	10,389	9,988
Other assets	12	273	359
Total Current Assets		33,016	28,930
Non-Current Assets			
Intangible assets	13	3,658	3,658
Property, plant and equipment	14	41,957	40,303
Other non-current assets	15	89	-
Total Non-Current Assets		45,704	43,961
Total Assets		78,720	72,891
Current Liabilities			
Payables	16	6,394	5,566
Interest bearing liabilities	17	636	619
Accrued employee benefits	18	770	691
Provisions	19	433	372
Other liabilities	20	32	23
Total Current Liabilities		8,265	7,271
Non-Current Liabilities			
Interest bearing liabilities	17	5,452	6,087
Provisions	19	135	160
Total Non-Current Liabilities		5,587	6,247
Total Liabilities		13,852	13,518
Net Assets		64,868	59,373
Equity			
Accumulated surplus		45,326	42,437
Asset revaluation surplus	21	19,542	16,936
Total Equity		64,868	59,373

The accompanying notes form part of these statements.

**COMMUNITY ENTERPRISE QUEENSLAND
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018**

	Accumulated Surplus \$'000	Asset Revaluation Surplus (Note 21) \$'000	TOTAL \$'000
Balance as at 1 February 2016	22,380	16,936	39,316
Operating Result from Continuing Operations	20,057	-	20,057
Other Comprehensive Income	-	-	-
- Increase / (decrease) in asset revaluation surplus	-	-	-
Total Comprehensive income for the Year	20,057	-	20,057
Balance as at 30 June 2017	42,437	16,936	59,373
Balance as at 1 July 2017	42,437	16,936	59,373
Operating Result from Continuing Operations	2,889	-	2,889
Other Comprehensive Income	-	2,606	2,606
- Increase / (decrease) in asset revaluation surplus	-	2,606	2,606
Total Comprehensive income for the Year	2,889	2,606	5,495
Balance as at 30 June 2018	45,326	19,542	64,868

The accompanying notes form part of these statements.

**COMMUNITY ENTERPRISE QUEENSLAND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2018**

		12 months ended 30 June 2018 \$'000	17 months ended 30 June 2017 \$'000
	Notes		
Cash flows from operating activities			
<i>Inflows:</i>			
Receipts from customers		95,573	74,698
GST input tax credits from ATO		5,016	4,363
GST collected from customers		5,696	4,993
Grants and other contributions		-	14,444
Interest receipts		409	263
<i>Outflows:</i>			
Employee expenses		(15,178)	(14,246)
Supplies and services		(73,718)	(61,157)
Finance/borrowing costs		(189)	(141)
GST paid to suppliers		(5,055)	(4,556)
GST remitted to ATO		(5,671)	(4,766)
Net cash provided by operating activities	25	6,883	13,896
Cash flows from investing activities			
<i>Inflows:</i>			
Sales of property, plant and equipment		2	-
<i>Outflows:</i>			
Payments for property, plant and equipment	14	(2,150)	(8,648)
Payments for rental pool assets	15	(109)	-
Payments for intangibles		-	(2,935)
Net cash (used in) investing activities		(2,257)	(11,584)
Cash flows from financing activities			
<i>Inflows:</i>			
Proceeds from borrowings		197	7,000
<i>Outflows:</i>			
Borrowing redemptions		(815)	(293)
Finance lease payments		(869)	(869)
Net cash provided by (used in) financing activities	25	(618)	5,838
Net increase in cash and cash equivalents		4,008	8,150
Cash and cash equivalents at beginning of financial year		16,902	8,752
Cash and cash equivalents at end of financial period/year	9	20,910	16,902

The accompanying notes form part of these statements.

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

NOTES TO THE FINANCIAL STATEMENTS

Page No.

Note:

1. Basis of Financial Statement Preparation	6
2. Objectives	7
3. Revenue	7
4. Supplies and Services	9
5. Depreciation	9
6. Employee Expenses	9
7. Other Expenses	10
8. Finance / Borrowings Costs	11
9. Cash and Cash Equivalents	11
10. Receivables	11
11. Inventories	13
12. Other Assets	13
13. Intangible Assets	14
14. Property, Plant and Equipment and Depreciation Expense	15
15. Other Non-Current assets – Rental Assets	18
16. Payables	18
17. Interest Bearing Liabilities	19
18. Accrued Employee Benefits	20
19. Provisions	20
20. Other Liabilities	21
21. Asset Revaluation Surplus by Class	21
22. Fair Value Measurement	21
23. Financial Risk Disclosures	23
24. Commitments	25
25. Reconciliation of Operating Results to Net Cash Flows Provided by Operating Activities	26
26. Events after the Balance Date	26
27. Future Impact of Accounting Standards Not Yet Effective	26
28. Related Parties	28
29. First Year Application of New Accounting Standards or Change in Accounting Policy	33
30. Taxation	33

COMMUNITY ENTERPRISE QUEENSLAND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2018

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* and controlled by the State of Queensland, which is the ultimate parent.

The head office and principal place of business is 269 Mulgrave Road, Westcourt 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 2017.

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 29.

(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 17 month period (ended 30 June 2017), 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 in September 2016 from 31 January to 30 June so as to bring the entity financial reporting in line with other state reporting entities. The current financial statements are prepared for 12 months from 1 July 2017 to 30 June 2018, 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 Statements 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 YEAR ENDED 30 JUNE 2018**

(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.

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 goals include promoting, supporting and improving services and the general welfare (including knowledge and skills) of community members where it operates.

CEQ provides the following on a fee for service basis:

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

3. Revenue

(a) Operating Activities

	12 months ended 30 June 2018 \$'000	17 months ended 31 June 2017 \$'000
Sale of goods	92,730	79,246
Rebates	1,569	1,203
Commissions received – Island receipts system	159	292
Other	528	672
Total	94,986	81,413

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.

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

	12 months ended 30 June 2018 \$'000	17 months ended 31 June 2017 \$'000
(b) Other Revenue		
Appliance rentals (i)	273	155
Property rentals (ii)	378	306
Total	651	461

(i) Appliance Rentals

Following the acquisition of Col Jones in 2017, CEQ 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 1 – 5 years '000	After 5 years '000	Total '000
30 June 2017	342	79	-	421
30 June 2018	310	122	-	432

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 1 – 5 years '000	After 5 years '000	Total '000
30 June 2017	102	129	-	231
30 June 2018	207	71	-	278

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 YEAR ENDED 30 JUNE 2018**

	12 months ended 30 June 2018	17 months ended 30 June 2017
	\$'000	\$'000
4. Supplies and Services		
Bank fees and charges	212	192
Board meeting expenses	245	148
Consultants and contractors	152	76
DATSIP Recharges	437	-
Employee recruitment/training/relocation expenses	141	64
Employee uniforms	33	40
Freight	71	65
Legal fees	106	85
Postage	11	7
Stationery	117	202
Telephone and communications	689	708
Travel	862	856
Total Supplies and Services	3,076	2,443
5. Depreciation		
Depreciation was incurred in respect of:		
Buildings and land improvements at Cost	158	91
Buildings and land improvements at Fair Value	1,215	1,644
Plant and equipment at cost	1,397	799
Rental pool assets at cost	20	-
Total	2,790	2,534
6. Employee Expenses		
Employee Benefits		
Wages and salaries	13,733	13,089
Employer superannuation contributions	1,274	1,184
Other employee benefits	140	287
Employee Related Expenses		
Workers' compensation premium	74	59
Other employee related expenses	72	84
Total	15,293	14,703

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	223	217
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Employer superannuation contributions, annual leave and long service leave are regarded as employee benefits.

CEQ pays premiums to WorkCover Queensland in respect of its obligations for employee compensation. Workers' compensation insurance is a consequence of employing employees, but is not counted in an employee's total remuneration package. It is not employee benefits and are recognised separately as employee related expenses.

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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 Commonwealth Government 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 28(a).

	12 months ended 30 June 2018	17 months ended 30 June 2017
	\$'000	\$'000
7. Other Expenses		
Advertising	66	58
Bad debts	53	-
Conference costs	-	115
Donations	25	47
Electricity	1,864	1,591
Equipment hire	62	19
Events sponsorships	35	-
Audit fees ⁽¹⁾	76	171
Insurance	301	284
Licences and fees	88	47
Net loss from disposal of property, plant and equipment	21	-
Rates	418	209
Rent	812	696
Repairs and maintenance	1,606	1,726
Security	11	25
Trade expenses	343	299
Vehicle operating expenses	107	59
Wrapping	2	23
Other	4	5
Total	5,894	5,374

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

Audit Fees

- (1) Total audit fees quoted by the Queensland Audit Office relating to the financial statements are \$99,100 (2017: \$103,100).
(2) Other audit services relate to Internal Audit work completed by Grant Thornton Audit Pty Ltd.

	12 months ended 30 June 2018	17 months ended 30 June 2017
	\$'000	\$'000
8. Finance / Borrowings Costs		
Interest on borrowings	189	99
Finance lease charges	-	42
Total	189	141

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.

9. Cash and Cash Equivalents

	12 months ended 30 June 2018	17 months ended 30 June 2017
Cash at bank and on hand	5,206	2,815
QTC working capital facility	2	2
QTC cash fund	15,702	14,085
Total	20,910	16,902

Cash deposited with the Queensland Treasury Corporation earned interest at rates of 2.38% (2017: 2.6%) on the cash fund facility and 1.5% (2017: 1.5%) working capital facility.

Accounting Policy – Cash and Cash equivalents

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash assets include all cash and cheques receipted 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.

10. Receivables

	12 months ended 30 June 2018	17 months ended 30 June 2017
Trade debtors	1,377	1,089
Less: Allowance for impairment loss	(28)	(11)
	1,349	1,078
GST receivable	449	410
GST payable	(477)	(452)
	(28)	(42)
Other	123	645
Total	1,444	1,681

Accounting Policy – Receivables

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

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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.

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 10(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.

(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 \$17,000. This is an increase of \$17,000 from 2017 and is due to a number of loss events.

Disclosure – Individually Impaired Receivables Position (Aged)

	30 June 2018			30 June 2017		
	Gross Receivables	Allowance for Impairment	Carrying Amount	Gross Receivables	Allowance for Impairment	Carrying Amount
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Overdue						
Less than 30 days	-	-	-	-	-	-
30 to 60 days	-	-	-	-	-	-
60 to 90 days	-	-	-	-	-	-
Greater than 90 days	75	(28)	47	62	(11)	51
Total overdue	75	(28)	47	62	(11)	51

Disclosure – Movement in Allowance for Impairment for Impaired Receivables

	12 months ended 30 June 2018 \$'000	17 months ended 30 June 2017 \$'000
Opening balance	11	9
Increase/decrease in allowance recognised in operating result	17	2
Amounts written-off during the year in respect of bad debts*	-	-
Total overdue	28	11

*All known bad debts were written-off as at year-end

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

Disclosure – Ageing of Past Due but Not Impaired Receivables

	12 months ended 30 June 2018 \$'000	17 months ended 30 June 2017 \$'000
Overdue		
Less than 30 days	-	-
30 to 60 days	191	452
60 to 90 days	143	52
Greater than 90 days	56	68
Total overdue	389	572

11. Inventories

Inventories on hand	9,609	8,343
Inventories in transit	780	1,645
Total	10,389	9,988

Accounting Policy - Inventories

Inventories held for sale are valued at the lower of cost or 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 Betta 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 2018.

12. Other Assets

	12 months ended 30 June 2018 \$'000	17 months ended 30 June 2017 \$'000
Prepayments	273	359
Total	273	359

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

13. Intangible Assets

12 months ended 30 June 2018 \$'000	17 months ended 30 June 2017 \$'000
--------------------------------------------------------	--------------------------------------------------------

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

Gross

Opening balance	3,658	723
Goodwill acquired through business combination	-	2,935
Balance at period end	3,658	3,658

Accumulated impairment

Opening balance	-	-
Impairment loss recognised	-	-
Balance at period end	-	-

Carrying amount at period end

3,658	3,658
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Accounting Policy – Intangible Assets

Intangible assets of CEQ consist of goodwill. Goodwill represents the future economic benefits arising from a business combination that are not individually identified and separately recognised. Goodwill is carried at cost less accumulated impairment losses.

Recognition and measurement - 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 expenses 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 acquisition. Assets acquired and liabilities assumed are generally measured at their acquisition-date fair values.

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 acquire, 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 bargain purchase) is recognised in profit and loss immediately.

Impairment

All intangible assets are assessed for indicators of impairment on an annual basis. If an indicator of possible impairment exists, CEQ determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

Intangible assets relating to cash-generating units are principally assessed for impairment by reference to the value-in-use calculations using cash flow projections covering a five year period, which is based on approved strategic plans or forecasts.

Based on the current assessment, no impairment of goodwill was identified in any of the CEQ business units.

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

14. Property, Plant and Equipment and Depreciation Expense

(a) Closing Balances and Reconciliation of Carrying Amount

2018	Land Fair value \$'000	Buildings Fair value \$'000	Plant & Equipment Cost \$'000	Work in progress Cost \$'000	Total \$'000
Gross	7,980	45,102	17,186	219	70,487
Less: Accumulated depreciation	-	(18,488)	(10,042)	-	(28,530)
	7,980	26,614	7,144	219	41,957
<i>Represented by movement in carrying amount</i>					
Carrying amount at 1 July 2017	8,231	24,589	6,955	528	40,303
Acquisitions	-	-	-	1,841	1,841
Disposals	-	(11)	(12)	-	(23)
Transfers between asset classes	20	532	1,598	(2,150)	-
Net Revaluation increments / (decrements) in asset revaluation surplus	(271)	2,877	-	-	2,606
Depreciation expense	-	(1,373)	(1,397)	-	(2,770)
Carrying amount at 30 June 2018	7,980	26,614	7,144	219	41,957

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)
	8,231	24,589	6,955	528	40,303
<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)	-
Net Revaluation increments / (decrements) in asset revaluation surplus	-	-	-	-	-
Accumulated depreciation for grant assets from DATSIP	-	(91)	(3,396)	-	(3,487)
Depreciation expense	-	(1,735)	(799)	-	(2,534)
Carrying amount at 30 June 2017	8,231	24,589	6,955	528	40,303

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 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, Mines and Energy ("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 was 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 the remaining leases at various stages awaiting approval.

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

(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 are 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 revalued on an annual basis either 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 YEAR ENDED 30 JUNE 2018

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 has been significant movement 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 as that is consistent with 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.

COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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

Class	Rate %
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, CEQ determines the asset's recoverable amount. Any amount by which the asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

The asset's recoverable amount is determined as the higher of the asset's fair value less costs to sell and depreciated replacement cost.

An impairment loss is recognised immediately in the Statement of Comprehensive Income, unless the asset is carried at a revalued amount. When the asset is measured at a revalued amount, the impairment loss is offset against the asset revaluation surplus of the relevant class to the extent available.

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. A reversal of an impairment loss is recognised as income, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

When an asset is revalued using either a market or income valuation approach, any accumulated impairment losses at that date are eliminated against the gross amount of the asset prior to restating for the revaluation.

12 months ended 30 June 2018 \$'000	17 months ended 30 June 2017 \$'000
--------------------------------------------------------	--------------------------------------------------------

15. Other Non-Current assets – Rental Assets

Opening balance	-	-
Acquisitions	109	-
Depreciation	(20)	-
Closing balance	<u>89</u>	<u>-</u>

Recognition and Measurement

Rental assets represent purchased consumer goods held in store or delivered to end customers and earning revenue via operating lease arrangements. These assets are stated at cost less accumulated depreciation. Cost includes expenditure that is directly attributable to the acquisition of the asset.

Depreciation is provided on rental assets and calculated on a straight line basis so as to write-off the net cost of each asset over its estimated useful life.

The estimated useful lives in the current and comparative periods are 1 to 3 years

16. Payables

	12 months ended 30 June 2018 \$'000	17 months ended 30 June 2017 \$'000
Trade creditors	4,869	4,240
Sundry creditors and accruals	1,525	1,326
Total	<u>6,394</u>	<u>5,566</u>

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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

	12 months ended 30 June 2018 \$'000	17 months ended 30 June 2017 \$'000
Current		
Borrowings	636	619
Total	636	619
Non-Current		
Borrowings	5,452	6,087
Total	5,452	6,087

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).

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 \$A denominated amounts. There have been no defaults or breaches of the loan agreement during the 2018 period. No assets have been pledged as security for any borrowings.

(ii) Interest Rates

Interest rates on borrowings is a fixed 2.94% (2017, 2.94%). No interest has been capitalised during the current or comparative period.

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

	12 months ended 30 June 2018 \$'000	17 months ended 30 June 2017 \$'000
18. Accrued Employee Benefits		
Current		
Annual leave	770	691
Total	770	691
19. Provisions		
Current		
Long Service Leave	433	372
Total	433	372
Non-Current		
Long Service Leave	135	160
Total	135	160
Movements in provisions		
Long Service Leave		
Opening balance	532	287
Additional provision recognised	99	328
Reduction in provision as a result of payments	(63)	(83)
Closing balance	568	532

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 2018 was 2.79% (2017, 2.41%).

COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

20. Other Liabilities

	12 months ended 30 June 2018 \$'000	17 months ended 30 June 2017 \$'000
Unearned revenue	32	23
Total	<u>32</u>	<u>23</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
Balance 1 February 2016	2,693	14,243	16,936
Revaluation increments	-	-	-
Balance 30 June 2017	<u>2,693</u>	<u>14,243</u>	<u>16,936</u>
Revaluation increments	192	2,877	3,069
Revaluation decrements	(463)	-	(463)
Total	<u>(271)</u>	<u>2,877</u>	<u>2,606</u>
Balance 30 June 2018	<u>2,422</u>	<u>17,120</u>	<u>19,542</u>

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 entity 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 entity include, but are not limited to, subjective adjustments made to observable data to take account of the characteristics of the entity's assets/liabilities, internal records of recent construction costs (and/or estimates of such costs), 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.

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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 as at 30 June 2018 as advised by QTC and are included in level 2.

(ii) Land

CEQ's land was last revalued in March 2018 based on specific appraisals by an independent valuer, Asset Advance Pty Ltd. The effective date of the valuation was 31 March 2018. 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 replacement cost 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.

For the purpose of assessing the fair value for the CEQ's land assets, value has been determined by using the Market Approach methodology. The Market Valuation approach concept of value is derived from transactions for the same or similar assets. To assist with assessing the movement of land prices an analysis of property sales evidence and property trend charts has been completed. The analysis of the movement in land prices is based on available sales data. In some cases, it may be adjusted based on the Valuers' professional judgement which is supported by recent sales data. As at 31 March 2018 the Land Asset Valuation has been primarily based on comparison with actual property sales data.

(iii) Buildings

CEQ's buildings were last revalued in March 2018 based on specific appraisals by an independent valuer, Asset Advance Valuers. The effective date of the valuation was 31 March 2018.

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 Public 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.

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

	Level 2		Level 3		Total Carrying Amount	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
Land	-	-	7,980	8,231	7,980	8,231
Buildings	-	-	26,614	24,589	26,614	24,589
Managed Funds	15,704	14,087	-	-	15,704	14,087
Total	15,704	14,087	34,594	32,820	50,298	46,907

COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

(d) Level 3 Fair Value Measurement – Reconciliation

The changes in level 3 assets with recurring fair value measurements are detailed in Note 14(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.

	2018		2017	
	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
Financial liabilities at amortised cost				
- QTC Borrowings	6,088	6,088	6,706	6,706
Total	6,088	6,088	6,706	6,706

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:

		12 months ended 30 June 2018 \$'000	17 months ended 30 June 2017 \$'000
	Note		
Financial Assets			
Total cash and cash equivalents	9	20,910	16,902
Loans and Receivables at amortised cost – comprising:			
Receivables	10	1,444	1,681
Total Financial Assets		22,354	18,583
Financial Liabilities			
Financial liabilities at amortised cost – comprising:			
Payables	16	6,394	5,566
Borrowings	17	6,088	6,706
Total Financial Liabilities at amortised cost		12,482	12,272

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 the administration office under policies approved by CEQ. 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:

COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

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 10).
Liquidity risk	Liquidity risk refers to the situation where CEQ may encounter difficulty 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) and borrowings from QTC (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 9)

(ii) Risk Measurement and Management Strategies

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

Risk Exposure	Measurement Method	Risk Management Strategies
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 liabilities at reporting date.

Financial Liabilities	Note	2018 Contractual Maturity Payable In				2017 Contractual Maturity Payable In			
		Total	< 1 Yr	1 – 5 Years	> 5 Years	Total	< 1 Yr	1 – 5 Years	> 5 Years
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Payables	16	6,394	6,394	-	-	5,566	5,566	-	-
QTC borrowings	17	6,088	636	3,490	1,962	6,706	619	3,388	2,699
Total		12,482	7,030	3,490	1,962	12,272	6,185	3,388	2,699

COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

(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 and borrowings from Queensland Treasury Corporation. With all other variables held constant, CEQ would have a surplus and equity increase/(decrease) of \$96,154 (2017: \$140,850).

Financial instrument	Carrying Amount \$'000	2018 Interest Rate Risk			
		-1%		+1%	
		Operating Result	Equity	Operating Result	Equity
Working capital facility	2	-	-	-	-
Cash fund	15,702	(157)	(157)	157	157
QTC Borrowings	6,088	61	61	(61)	(61)
Potential impact on		(96)	(96)	96	96

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

24. Commitments

12 months ended	17 months ended
30 June 2018	30 June 2017
\$'000	\$'000

Non-Cancellable Operating Lease Commitments

Commitments under operating leases at the reporting date (inclusive of anticipated GST) are payable:

Not later than one year	642	487
Later than one year and not later than five years	2173	524
Later than five years	380	-
	3,195	1,011

Capital Expenditure Commitments

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

Plant and Equipment		
Not later than one year	192	40
Later than one year and not later than five years	-	-
Later than five years	-	-
Total	192	40

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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

	12 months ended 30 June 2018 \$'000	17 months ended 30 June 2017 \$'000
Operating surplus	2,889	20,057
Depreciation expense	2,790	2,534
Non-cash capital donation from DATSIP		(4,050)
(Gain)/loss on disposal of property, plant and equipment	21	-
Change in assets and liabilities:		
(Increase)/decrease in trade receivables	(271)	(826)
(Increase)/decrease in GST input tax credits receivable	(39)	(193)
(Increase)/decrease in other receivables	522	(450)
(Increase)/decrease in inventories	(401)	(5,648)
(Increase)/decrease in prepayments/other	86	(250)
(Increase)/decrease in capital work in progress	309	80
Increase/(decrease) in accounts payable	828	2,051
Increase/(decrease) in accrued employee benefits	115	457
Increase/(decrease) in unearned revenue	9	(93)
Increase/(decrease) in GST payable	25	227
Net cash from operating activities	6,883	13,896

Changes in Liabilities Arising from Financing Activities

	Closing Balance 2017 \$'000	Cash Received \$'000	Cash Repayments \$'000	Closing Balance 2018 \$'000
Borrowings	6,706	197	(815)	6,088
Total	6,706	197	(815)	6,088

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 Queensland Government 'Retail Stores' in 2017 are shown in the Income Statement.

26. Events after the Balance Date

No significant events noted.

27. 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 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.

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

- J 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.
- J 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.
- J A range of new disclosures will also be required by the new standards in respect of CEQ's revenue.

CEQ does not currently have any revenue contracts with a material impact for the period after 1 July 2018, and will monitor the impact of any such contracts subsequently entered into before the new standards take effect.

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.

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.

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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 or the Statement of Financial Position of applying AASB 16 to its current operating leases, including the extent of additional disclosure required.

Impact for Lessors

Lessor accounting under AASB 16 remains largely unchanged from AASB 117. For finance leases, the lessor recognises a receivable equal to the net investment in the lease. Lease receipts from operating leases are recognised as income either on a straight-line basis or another systematic basis where appropriate.

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.

28. Related Parties

(a) Key Management Personnel 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 the revised version of AASB 124 *Related Party Disclosures*. That Minister is the 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 2017-18 and 2016-17. These positions include CEQ's board of directors, as well as certain management positions. For those members of management that have been determined as key management personnel, 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 18 September 2017
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 in business development matters and management of the statutory body's inventory supply chain.	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
Stakeholder Engagement Officer	The Stakeholder Engagement Officer provides strategic leadership and management of the statutory body's engagement with the communities.	Appointed 30 October 2017

All key management personnel are appointed under common law employment contracts.

COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

(ii) Remuneration Policies

Remuneration policy for CEQ key management personnel 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 key management personnel 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.

(iii) Remuneration Expense

The following disclosures focus on the expenses incurred by CEQ that are 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 ended 30 June 2017

Position	Short Term Employee Expenses		Long Term Employee Expenses	Post-Employment Expenses	Termination Expenses	Total Expenses
	Monetary Expenses \$'000	Non-Monetary Benefits \$'000				
Board of Directors	112	-	-	11	-	123
Chief Executive Officer	423	-	7	40	-	470
General Manager Finance	239	-	4	21	-	264
General Manager 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
Total	1,461	9	24	137	-	1,631

12 Months ended 30 June 2018

Position	Short Term Employee Expenses		Long Term Employee Expenses	Post-Employment Expenses	Termination Expenses	Total Expenses
	Monetary Expenses \$'000	Non-Monetary Benefits \$'000				

COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

Position	Short Term Employee Expenses		Long Term Employee Expenses	Post-Employment Expenses	Termination Expenses	Total Expenses
Board of Directors	181	-	-	17	-	198
Chief Executive Officer	303	-	5	29	-	337
General Manager Finance	176	-	3	16	-	195
General Manager Retail Operations (01 Jun 17 – 15 Sept 17))	43	3	-	4	6	56
General Manager Retail Operations (18 Sept 17 – 30 Jun 18)	128	-	2	10	-	140
General Manager Human Resources	165	-	3	17	-	185
General Manager Business Development	164	-	3	15	-	182
General Manager Merchandise	134	-	2	12	-	148
Stakeholder Engagement Officer (30 Oct 17 – 30 Jun 18)	83	-	1	8	-	92
Total	1377	3	19	128	6	1,533

(iv) Performance Payments

Details of Performance Payment Entitlements by Key Management Person:

Position	Summary of basis for Entitlement and Assessment	12 Months ended 30 June 2018		17 Months ended 30 June 2017	
		Date Paid	Amount \$'000	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 23 March 2017	56 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.	-	-	4 March 2016 16 August 2016 23 March 2017	15 15 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 23 March 2017	14 14
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 23 March 2017	14 15

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

Total Performance Payments	-	-		233
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The remuneration packages for all remaining Key Management Personnel do 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 key management personnel and entities over which they have control or significant influence were as follows:

17 Months ended 30 June 2017

KMP	Position	Goods and Services	Transaction values 17 Months ending 30 June 2017 \$'000	Balance outstanding 2017 \$'000
Mr Nigel Tillett - Chairperson	Director of Seisia Enterprises	Accommodation	6	-
Ms Eleanor Scott – Board Member	Partner at MacDonells Law	Legal services	66	4

12 Months ended 30 June 2018

KMP	Position	Goods and Services	Transaction values 2018 \$'000	Balance outstanding 2018 \$'000
Mr Nigel Tillett - Chairperson	Director of Seisia Enterprises	Accommodation	-	-
Ms Eleanor Scott – Board Member	Partner at MacDonells Law	Legal services	29	-
Ms Jodi Peters – Board Member	Business Manager Peters Bosel Lawyers	Legal services	1	-
Mr Mislam Sam – Board Member	Director – Klub Kuda Palm Island	Accommodation	1	-

(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.

Sales of goods		12 months ended 30 June 2018 \$'000	17 Months ended 30 June 2017 \$'000
Entity	Description		
Queensland Health	Sale of Goods	339	315
Torres Strait Island Regional council	Sale of Goods	275	295
Department of Education and Training	Sale of Goods	212	230
Torres Strait Regional Authority	Sale of Goods	162	-
Torres Shire Council	Sale of Goods	133	296
Department of Housing and Public Works	Sale of Goods	76	156
Palm Island Aboriginal Shire Council	Sale of Goods	71	15
Doomadgee Aboriginal Shire Council	Sale of Goods	61	7
Lockhart River Aboriginal Shire Council	Sale of Goods	61	4
Aboriginal Hostels Limited	Sale of Goods	40	-
Queensland Police Service and Queensland Fire and Emergency Services	Sale of Goods	37	6
State Disaster Co-Ord Centre	Sale of Goods	34	-
Department of Transport and Main Roads	Sale of Goods	33	2

COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

Sales of goods		12 months ended 30 June 2018 \$'000	17 Months ended 30 June 2017 \$'000
Entity	Description		
Kowanyama Shire Council	Sale of Goods	24	-
Pormpuraaw Aboriginal Shire Council	Sale of Goods	15	51
Northern Peninsula Area Regional Council	Sale of Goods	13	24
Department of Justice and Attorney-General	Sale of Goods	11	18
Department of Agriculture and Fisheries	Sale of Goods	7	7
Department of Aboriginal and Torres Strait Islander Partnerships	Sale of Goods	2	2
Queensland Ambulance Service	Sale of Goods	1	7
Far North Queensland Ports Corporation	Sale of Goods	-	8

Payments for goods and Services		12 months ended 30 June 2018 \$'000	17 Months ended 30 June 2017 \$'000
Entity	Description		
Ergon Energy Corporation	Payments for goods and services	5,076	3,532
Q Super	Superannuation contributions	841	734
Department of Aboriginal and Torres Strait Islander Partnerships	Payments for Goods and services	769	29
Torres strait Island Regional council	Payments for goods and services	132	168
Torres Shire Council	Payments for goods and services	132	142
Queensland Audit Office	Payments for Goods and services	103	135
WorkCover Queensland	Payments for Goods and services	74	50
Palm Island Aboriginal Council	Payments for Goods and services	65	-
Kowanyama Aboriginal Council	Payments for Goods and services	50	-
Pormpuraaw Aboriginal Shire Council	Payments for Goods and services	48	17
Doomadgee Aboriginal Shire council	Payments for Goods and services	32	33
Department of Housing and Public works	Payments for Goods and services	29	-
Department of Transport and Main Roads	Payments for Goods and services	22	18
Lockhart River Aboriginal council	Payments for Goods and services	18	-
Northern Peninsula Area Regional Council	Payments for Goods and services	8	16
Queensland Police Service and Queensland Fire and Emergency Services	Payments for Goods and services	8	14
Woorabinda Aboriginal Council	Payments for Goods and services	6	-

Other Related Party Transactions		12 months ended 30 June 2018 \$'000	17 Months ended 30 June 2017 \$'000
Entity	Description		
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	(815)	(396)
Queensland Treasury Corporation	Interest on cash deposits	354	243
Department of Natural Resources, Mines and Energy	Freeholding lease repayment	-	(916)

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018**

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

Changes in Accounting Policy

CEQ did not voluntarily change any of its accounting policies during 2017-18.

Accounting Standards Early Adopted

No Australian Accounting Standards have been early adopted for 2017-18

Accounting Standards Applied for the First Time

No Australian Accounting Standards have been applied for the first time for 2017-18

30. 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 10).

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 purposes.

**COMMUNITY ENTERPRISE QUEENSLAND
MANAGEMENT CERTIFICATE
FOR THE YEAR ENDED 30 JUNE 2018**

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 financial year ended 30 June 2018 and of the financial position of the statutory body at the end of year; 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 Tillett

Chairperson

Date 20 / 08 / 2018



Ian Copeland

Chief Executive Officer

Date 20 / 08 / 2018

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 entity's financial position as at 30 June 2018, and its financial performance and cash flows for the year then ended
- b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2009, the *Australian Charities and Not-for-profits Commission Act 2012*, the Australian Charities and Not-for-profits Commission Regulation 2013 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes to the financial statements including 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-profits Commission Act 2012*, the Australian Charities and Not-for-profits 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.

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 year ended 30 June 2018:

- 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