



Annual Report

2021

3 September 2021



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3 September 2021

The Honourable Craig Crawford MP
Minister for Seniors and Disability Services and Minister for Aboriginal and Torres Strait Islander Partnerships
Level 39, 1 William Street
BRISBANE QLD 4000

Dear Minister Crawford

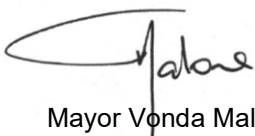
I am pleased to submit for presentation to the Parliament the Annual Report 2020–2021 and financial statements for Community Enterprise Queensland.

I certify that this Annual Report complies with:

- the prescribed requirements of the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2019*, and
- the detailed requirements set out in the *Annual report requirements for Queensland Government agencies*.

This Annual Report highlights CEQ's resolve to deliver on its mission to provide essential goods and services to communities through sustainable business practices.

Yours sincerely

A handwritten signature in dark ink, appearing to read 'V. Malone', with a large, sweeping loop at the beginning.

Mayor Vonda Malone
Chair
Community Enterprise Queensland

Requirement for our report

This report details CEQ activities and financial performance for the financial year ending 30 June 2021. 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
Chair and CEO report	3
CEQ role and functions.....	4
Statutory obligations	4
Operating environment	4
Where CEQ operates	4
Supply chain	6
Cost of living	7
Health and wellbeing program.....	7
CEQ pricing policy.....	7
Donations and event sponsorship.....	8
Threats to sustainability.....	8
Native title	9
Employee retention	9
Workforce planning and profile	9
Governance – management and structure ...	10
Summary of key activities.....	10
Meet the board	11
Organisational structure	18
Executive management.....	18
Financial performance	18
Compliance and audit	20
Other reporting requirements.....	22
Glossary	22
Annexure 1 – annual financial statements	23

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 other ancillary services.

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	2021 \$'000	2020 \$'000
Total revenue	123,261	112,049
Total expenses	114,535	105,081
Operating result	8,726	6,968
Total assets	96,558	89,760
Total liabilities	13,643	16,093
Net assets	82,915	73,667
Accounting rate of return	9%	8%
Debt ratio	14%	18%
Current ratio	4.97	3.81

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 2020/21 including:

- Community NAIDOC awards and celebrations;
- Supporting local cultural and sporting events including Island of Origin (football in the Straits);
- Supporting health initiatives and clinics including fresh fruit donations to schools;
- Church events; and
- School award nights.

Other partnering programmes included working closely with:

- The state and federal governments on COVID-19 related matters;
- TSIRC and PBC's on planning matters; and
- Local disaster management groups both pre and post emergency events including COVID-19.

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. Due to its comparative size, CEQ is an organisation with expanded purchasing power. This has allowed IBIS to remain price competitive.

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 in a triangle from Palm Island (Coral Sea) to Lockhart River in the north, to Doomadgee in the Gulf of Carpentaria

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.

Now in its fourth year of operation, CEQ continues to experience volume growth in ABIS stores. Initiatives including expanded weekly 'fresh' deliveries and increases in range of product are delivering this growth.

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 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.

Chair and CEO report

We acknowledge the traditional custodians of the lands on which we work, and we pay our respects to the Elders past, present and future.

We are pleased to announce that the end of the 2021 financial year has seen overwhelming performance across the organisation through the most unprecedented times in the organisation's history.

Despite this success, the impact of COVID-19 continues to play havoc across the board, challenging all aspects of the organisation, yet our people, processes, and our continued commitment to the task at hand has delivered us results that exceed all expectations.

The COVID-19 virus and its implications have been a constant pressure on our workforce. Preparing and managing processes for the virus has been relentless and has taken a toll on our human resources. Fatigue and burnout due to COVID-19 is one of the greatest challenges facing CEQ at this present time. We are proud of the way our staff have lifted to meet this challenge.

The financial results speak for themselves and it is clearly evident that the stimulus incentives from all levels of Government issued to community has had a monumental influence on both revenue and operating surplus.

CEQ is very aware of food security and price sensitivity and one of the most significant factors in the end of year results is that CEQ managed to absorb multiple price increases from suppliers over the last financial year.

The CEQ team has managed to stay in front of sales volume growth and has ensured that not one CEQ community ran out of essential goods and services throughout the year. On top of any COVID-19 influences, Far North Queensland also experienced an extended wet season. Again, the team was able to maintain supply and service, having airfreight continue for an additional three months longer than planned. The business was able to absorb this cost without placing any further price burden on consumers.

CEQ continues to deliver on real economic outcomes for the communities we operate in. We are especially proud of the re-investment of CEQ capital into communities during the

past financial year. Some key projects completed included:

- Completion of the new supermarket at Nurupai.
- Satellite communication backup systems at key stores.
- Fuel upgrades across the OTSI and Thursday Island.
- Various accommodation refurbishments and
- Investment in cardboard and plastic wrap recycling.

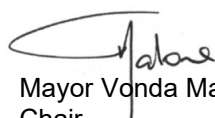
Whilst it was not finished at 30 June 2021, the new supermarket at Erub Island is a testament to CEQ's re-investment into the community in the past year.

At the end of year 2021, with all the upheavals experienced in Australia and the world, we felt it important to reflect on the stability that CEQ provides to the communities that it serves. For instance, CEQ is a major employer throughout the region and it is this employment which provides community with a bedrock to build on. From 2010 to 2021 IIB and then CEQ has had its headcount employment increase from 119 employees to 400 in June 2021.

Further to providing employment opportunities, CEQ is also a proud supporter of community, cultural and sporting events. CEQ through its programs support not-for-profit community organisations and individuals to deliver on social, cultural, environmental and sporting events which help improve community's social health and wellbeing.

Finally, we would like to take this opportunity to thank those Board members who left the organisation in March 2021. Eleanor, Jodi and Ralph were active Board and Committee Chairs who provided insight and guidance whilst on the Board. We wish them well in their future endeavours.

We look forward to another year of serving people in our communities and our hope is that we continue to remain safe and healthy during these unprecedented times.



Mayor Vonda Malone
Chair



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. CEQ has rebranded the previous Government / Department stores in consultation with Community with 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.



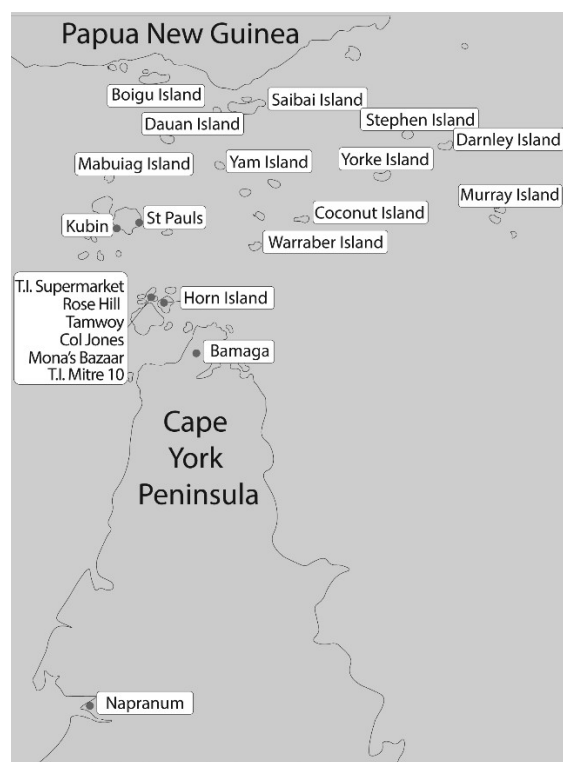
Several clusters of islands lie in the Strait, collectively called the Torres Strait Islands. There are at least 274 islands which are grouped into five distinct clusters, 17 of which have present-day permanent settlements. Of these 17 islands, 14 have stores and incorporate a treaty that enables trade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

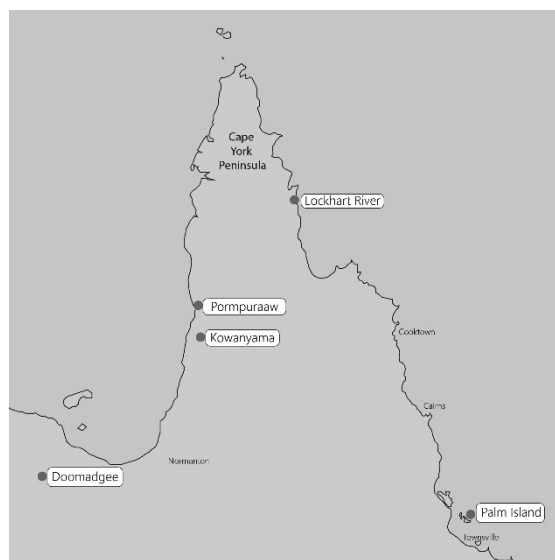
- Dry grocery
- Chilled grocery
- Frozen grocery
- Meat
- Fresh fruit and vegetables

- Large and small electrical appliances
- Variety and seasonal goods
- Fuel and power cards
- Special orders to meet individual needs.

ABIS deliverables

Like IBIS, ABIS is a full retail operation providing remote cape and north Queensland communities with essential services. ABIS supermarkets are located in five (5) very remote communities:

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



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. 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 CEQ store is the only provider of food on an island or Community. 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, king or very low 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. CEQ stands prepared for significant weather events with management plans in place.

CEQ was also active in ensuring that communities still received their fresh produce in general 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.

The wet season during 2020/21 was increased in duration with air freight commencing in December 2020 and finalising in the last week of May 2021.

Corona Virus / COVID-19

CEQ was active in state and federal working groups to try to ensure stock lines were delivered to the communities it serves. The Australian Consumer and Competition Commission (ACCC) provided continued authorisations to allow for cooperation in response to the ongoing COVID-19 pandemic, to ensure the supply and fair and equitable distribution of retail products to Australian consumers. The National Indigenous Australians Agency (NIAA) set up an external working group during the last financial year to provide high-level expertise, share information, and develop solutions to food security risks arising from COVID-19, in remote Indigenous communities. CEQ was an active participant in this working group which continued through to 2020/21.

The Covid-19 pandemic had a significant impact on store operations and CEQ's logistics chain. CEQ was able to work with staff and community to reduce uncertainty around food security and supply. Reports of southern panic buying from 'spot' lockdowns did not affect supply in CEQ stores during the financial year.

CEQ continued to work with suppliers and contractors to manage delivery plans and comply with community entry requirements to continue to provide essential foods in to the communities we serve.

The CEQ team were able to source critical goods (toilet paper, rice, flour and other staples) from suppliers throughout the year which enabled goods to be placed on the shelves. No store in the CEQ network was unable to supply staple lines.

At a store level previously implemented operational procedures were refined to mitigate against the risk of spreading COVID-19. Common areas of public touchpoints including Automatic Teller Machines (ATM), shopping trolley's, baskets and checkout counters were cleaned on a regular basis and hand sanitisation for staff and customers was also provided.

Cost of living

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

CEQ has maintained '*Best Buys*' in all stores. *Best Buys* offer savings to customers through the provision of 300 to 400 specialised items at any given time. '*Best Buys*' returned \$1.3M in savings to customers off the CEQ RRP.

In addition to *Best Buys* CEQ also provides for a '*Low Price Everyday*' on a basket of over 100 essential commonly purchased household goods. These goods are sold at reduced margins. The '*Low Price Everyday*' basket returned \$1.2M in savings to customers off the CEQ RRP.

Best Buys and *Low Price Everyday* allows customers choice and at the same time

maintains CEQ commitment to being financially sustainable.

Health and wellbeing program

CEQ is committed to healthy choices and has had a program in place for more than five years. CEQ provides health and wellbeing products in affordable ways through its pricing policies allowing families to save and reduce the cost of living in remote areas. CEQ *Best Buys* are continually cross referenced with three major mainland grocery retailers for price and value.

CEQ pricing policy

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

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

Indirectly through its 'specialling' activity CEQ has provided communities with \$2.5M 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 an underlying return on investment in its operations of 5% over a number of years with its profits being reinvested back into the communities via capital expenditure and increased employment. CEQ has improved its return for the 2020-21 year on its historical average due to volume increase.

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 \$90K.

Some of the activities sponsored during the year include:

- Palm Island Bwgcolman Day, Freedom Week 2021 and various fresh fruit donations through the year;
- Doomadgee events including COVID-19 vaccination support 2021 and NAIDOC week support;
- Island of Origin 2021 Rugby League Carnival (Badu Island) ;
- Battle of the Islands (Touch Football) (Thursday Island);
- Pormpuraaw State of Origin 2020;
- Kowanyama NAIDOC week (2020);
- Mud Rally 2020 (Bamaga);
- ANZAC Day – Mer Island 2021;
- Volleyball Carnival Warraber Island 2021;
- Tagai State College Secondary Awards Night (Thursday Island) November 2020; and
- Various School Donations (fresh fruit and healthy eating).

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 elsewhere in

Australia, 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 carbon "footprint" CEQ in partnership with Ergon Energy (Retailer) embarked upon a "Power Savvy" programme 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 five years and it is expected to see the benefits of reduced re-active maintenance during 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 the progressing of trustee leases 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 years has played an integral role in the continued growth of the business.

Trustee leases and ILUAs still under negotiation include:

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

Employee 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.

CEQ's 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 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 remote nature of the communities and the availability of certified trainers prepared to work in these 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.

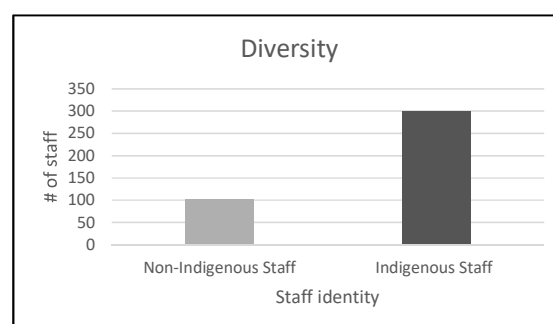
Recognising and rewarding staff is an integral component of CEQ's employment practices. In previous years staff would come together to celebrate the success of their achievements. In a COVID-19 environment CEQ's annual conference has not been able to be achieved. CEQ has instead opted for smaller more personal events held at a store level.

The training that would normally be undertaken at the annual conference has instead been re-developed to be delivered both electronically and in a small group basis to reduce risk associated with COVID-19 and its spread.

Workforce planning and profile

CEQ is a not for profit statutory body employing 400 staff (headcount) at 30 June 2021. From its inception in 1905, CEQ has grown to produce a footprint of 26 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 2021 had an Indigenous representation figure of 75% based on head count.



IBIS

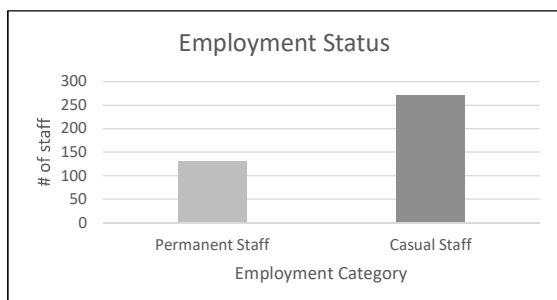
The unique management model implemented in IBIS retail operations at its stores has been in existence for over a decade. The uniqueness of this model lies not only in local community members managing the grocery outlets but also ensures majority Indigenous staff comprise the staffing mix in IBIS outlets.

The IBIS model, now the CEQ model not only guarantees employment opportunities and a

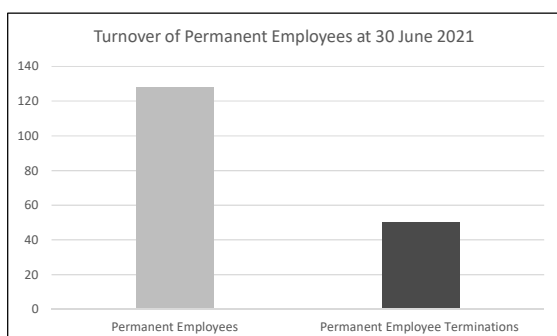
subsequent clearly defined career, it also provides a voice for Indigenous people regarding the operations of the business. CEQ provides clearly defined career paths for Indigenous people living in the remote central and northern parts of this country. CEQ's mentoring, training and development model provides existing managers with 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 positions.

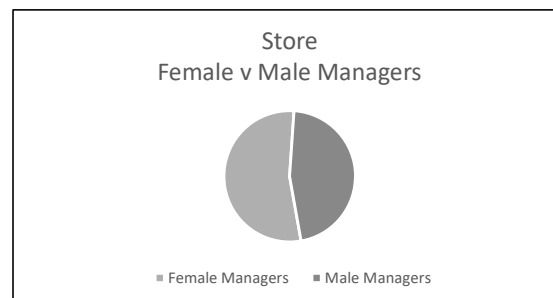
CEQ had a total 400 staff at the end of the financial year. Permanent staff totalled 128 staff. From an FTE perspective CEQ currently has 234 FTE's.



CEQ over the last reporting period experienced an average employee turnover rate of 39%.



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 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 75% 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:

Mayor Vonda Malone
Independent Director – Chair
Ex-officio All Committees

Mayor Vonda Malone is an Indigenous nationally acclaimed political leader of the year, and the first female Mayor of Torres Shire Council, with extensive professional experience across three levels of governments specialising in Indigenous Affairs.

Cr Malone was awarded the prestigious McKinnon Prize for Emerging Political Leader of the Year through the University of Melbourne School of Government in 2017. She holds a Graduate Certificate in Australian Rural Leadership, Graduate Certificate in Public Sector Management and is a recipient of the 2001 Centenary Medal. Cr Malone has international experience from her engagements with the Department of Foreign Affairs and Trade and the United Nations Office of the Human Rights Commission, Geneva.

In addition, Cr Malone is the Chairperson and Founder of Torres Health Indigenous Corporation, member of the Senior Advisory Group (Voice Co-design), member of the Indigenous Advisory Group to the Ministerial Forum on Northern Australia, member of the Qld Telstra Advisory Group and Former Chairperson of Torres and Cape Indigenous Councils Alliance (13 LGA).

Cr Malone is a continuing member of the Board, with her previous tenure expiring 31 March 2019.

Start Date	End Date	Member since
10/10/19	09/10/23	2012

Mr Michael Aw
Independent Director
Chair - Finance Audit Risk and Governance Committee, Member – Community, Public Relations and Marketing 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 immediate past chair/president of CADCAI a NFP which is 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. He sits on the management committee of CADCAI. Mr Aw is also a current serving member of Far North Queensland Football Board and Football Queensland.

Mr Aw is a continuing Board member serving his second term with his previous tenure expiring in March 2021.

Start Date	End Date	Member since
27/05/2021	26/05/2024	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, been 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.

Ms Johnson is a continuing Board member serving her second term with her previous tenure expiring in March 2021.

Start Date	End Date	Member since
27/05/2021	26/05/2024	2017

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

Mrs Richardson who 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. She won the Australian Awards NFP Accountant of the Year 2020. Mrs Richardson is a graduate of the Australian Institute of Company Directors course (2010), a Fellow of the Governance Institute of Australia and has served as a member on a number of boards, including several indigenous boards, Queensland Small Business Advisory Council and the Finance and Audit Committee, Southern Gulf NRM. Mrs Richardson is currently a Director of Business Mapping Solutions Pty Ltd.

Mrs Richardson is a continuing Board member serving her second term with her previous tenure expiring in March 2021.

Start Date	End Date	Member since
27/05/2021	26/05/2024	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 Mayor of the Palm Island Aboriginal Shire Council. Prior to that Mr Sam was Chair of the Palm Island Community Company Board. Mr Sam has notable business experience and leadership within the Indigenous sector. He has served over 10 years as director in Indigenous corporations and sporting associations.

Mr Sam operates Klub Kuda Palm Island Budget Accommodation on Palm Island which he has progressively grown into a prosperous business over the past six 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.

Mr Sam is a continuing Board member serving his second term with his previous tenure expiring in March 2021.

Start Date	End Date	Member since
27/05/2021	26/05/2024	2017

Mr Pedro Stephen
Independent Director
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 forty 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.

Mr Stephen has an ongoing commitment to ensure strategic and policy priorities complement grassroots communities' aspirations.

Mr Stephen is a continuing member of the Board, with his previous tenure expiring 30 June 2019.

Start Date	End Date	Member since
10/10/2019	09/10/2021	2012

Dr Mark Wenitong
Independent Director
Chair – Community, Public Relations and Marketing Committee; Member - Employment Training and Safety Committee

Dr Wenitong (Adjunct Prof QUT) is about the 6th Aboriginal doctor (Kabi Kabi of South East Qld) to graduate in Australia and is currently the director of Research Knowledge Translation for the Lowitja Institute and the

inaugural Chair of the Queensland Health State-wide Aboriginal and Torres Strait Islander clinical network. (2021)

For the last 12 years he was the Senior Public Health Medical Advisor, Senior Medical Officer, clinician, and health service policy and strategic planning advisor for Apunipima Cape York Health Council including the remote social and emotional wellbeing programs, anti ICE, as well as the prison wellbeing program.

In 2013 he was the Aboriginal Public Health Medical Officer for the National Aboriginal Community Controlled Health Organisation. (NACCHO) and acting CEO for NACCHO, Canberra.

Prior to this he was the Senior Medical Officer at Wuchopperen Health Service in Cairns. He is also involved in national policy as well as a number of research programs.

He sits on the board of GDPS (National Aboriginal and Torres Strait Islander Mental Health Leadership Group) and was previously a member of the Queensland Mental Health Commission Advisory Board, and AIATSIS Board as well the AITHM board. He is currently on the board of CEQ (Remote Stores), and others. He co-chairs the national co-design group for the national evaluation of the IAHF, and sits on the national Aboriginal and Torres Strait Islander COVID Taskforce as well as the IPAG (national implementation group of the Aboriginal and Torres Strait Islander health plan) and the national Aboriginal and Torres Strait Islander Genomics group.

He was a founding member and past president of the Australian Indigenous Doctors Association and previously the medical advisor to the Australian Dept of Health, (OATSIHS) His awards include:

- National Public Health Award – Aboriginal and Torres Strait Islander Health 2020
- Newcastle University Alumni Award 2019
- Wuchopperen Health Service Lifetime Award
- Queensland Aboriginal and Islander Health Council – Hall of Fame 2010
- AMA Federal Award – Excellence in primary health care 2011
- Best research publication MJA 2014

His current work entails high level policy, health service planning, organisational collaboration, research, as well as translating

evidence to practice in primary health care including the effects of colonialism with respect to allostatic load and chronic diseases in Aboriginal and Torres Strait Islander communities and cultural determinants of health.

As part of this he has been instrumental in developing an evidence-based Family Centred Primary Health Care model for Cape York. He also has worked in international aid and community development as well as work in east Timor during the war. He has studied internationally at the Johns Hopkins Summer School for Indigenous Health, the Harvard Leadership in Medical education, and previously at the CDC in Atlanta during his 11 years as a pathology technician.

Start Date	End Date	Member since
10/10/2019	09/10/2023	2019

On 31 March 2021, three Board members had their tenure come to a close. These Board members included:

- Ms Jodi Peters who was also Chair of the Employment, Training and Safety Committee and member of the Finance Audit Risk and Governance Committee;
- Mr Ralph Kendall who was also Chair of the Community, Public Relations and Marketing Committee; and
- Ms Eleanor Scott who was also Chair of the Finance Audit Risk and Governance Committee and member of the Employment Training and Safety Committee.

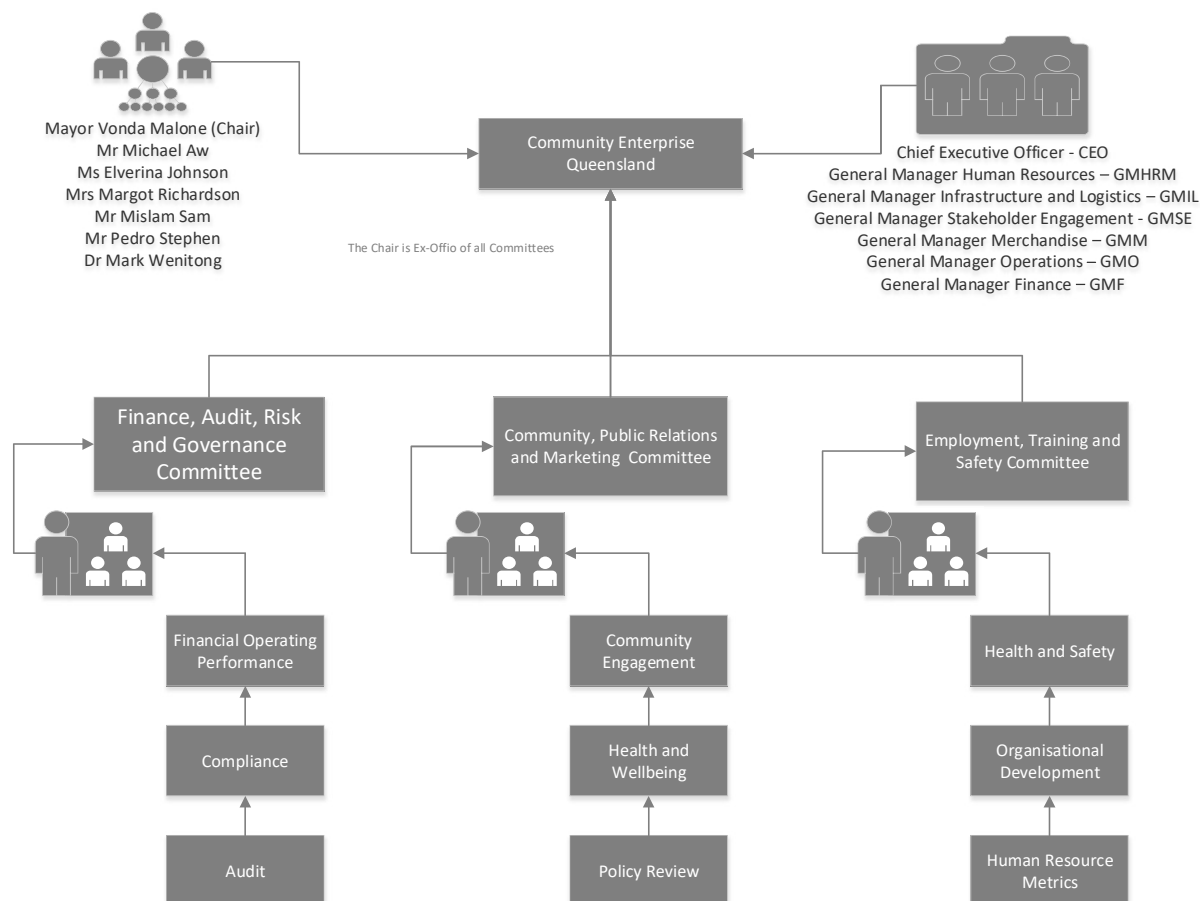
Board Charter

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.

Board Configuration: 30 June 2021

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 at 30 June 2021 is shown below:



Note: Mr Michael Aw, Ms Elverina Johnson, Mrs Margot Richardson and Mr Mislam Sam had terms expiring on 31 March 2021. They were subsequently renewed in their roles of Board members from 27 May 2021. From 27 May 2021 there were no changes to the structure of the Committees with Dr Wenitong becoming Chair of the Community Public Relations and Marketing Committee and Mr Michael Aw becoming Chair of the Finance, Audit, Risk and Governance Committee. At 30 June 2021 the Chair of the Employment Training and Safety Committee was vacant.

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.

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 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.

Community, Public Relations and Marketing Committee - CPRMC

The Community and Public Relations Committee was established to assist the Board

Meeting attendance 1 July 2020 – 30 June 2021

	Type of Meeting				Total Meetings Attended
	Board	FARG	ETS	CPRM	
Scheduled Meetings	9	11	3	4	
Mayor Vonda Malone	8	5	1	2	16
Michael Aw	7	11	-	2	20
Elverina Johnson	4	-	-	2	6
Ralph Kendall	5	-	-	1	6
Jodi Peters	6	9	3	-	18
Margot Richardson	8	10	3	-	21
Mislam Sam	4	6	-	2	12
Eleanor Scott	6	10	3	-	19
Pedro Stephen	1	-	-	-	1
Dr Mark Wenitong	7	-	-	1	8

Note:

- Board Meetings were unable to be held between the period 1 April 2021 and 27 May 2021 as the Board was not fully constituted – meetings scheduled for these dates have not been included in the totals above;
- Sub-Committees are Committees of review with any resolutions requiring ratification by the full Board; and
- The Board meeting for June 2021 was held on 2 July 2021 and is included above.

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:

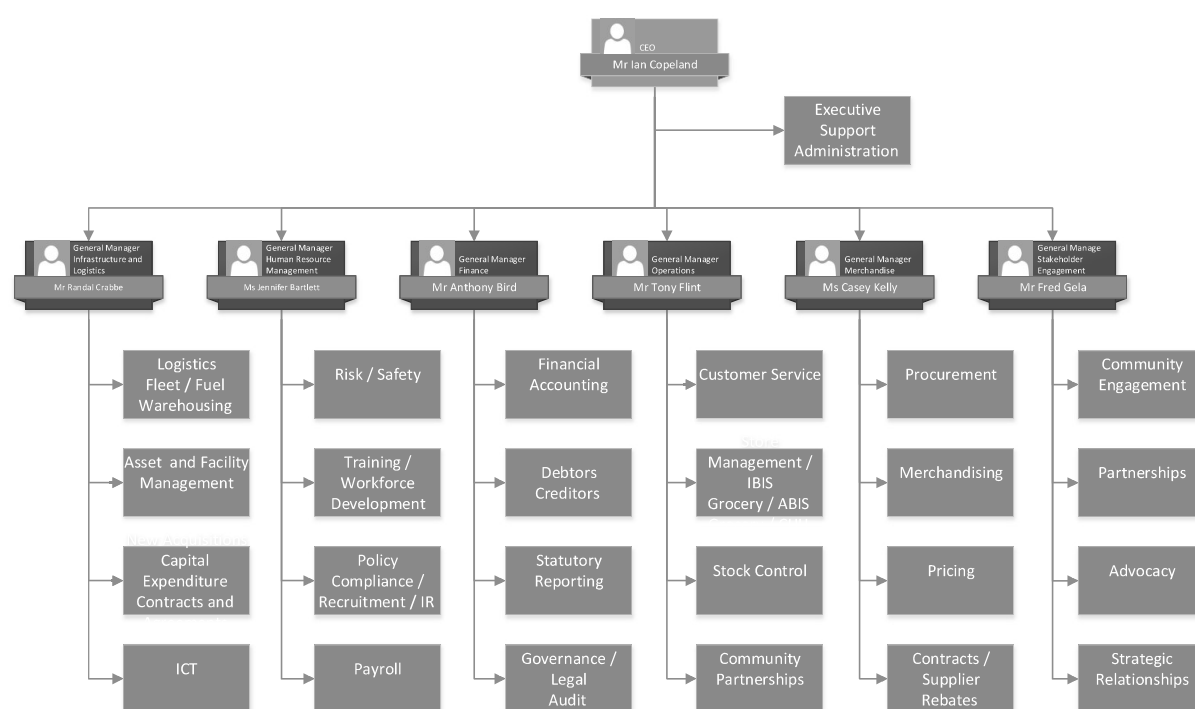
- Chairperson (Annual Fees): \$35,000;
- Member (Annual Fees): \$15,000;
- Sub-Committee Chairperson (Annual Fees): \$2,500; and
- Sub-Committee Member (Annual Fees): \$2,000.

Family Name	Given Name	Position Title	Payments \$
Malone	Vonda	Chair	-
Aw	Michael	Chair FARG Committee (24/06/2021)	17,079
Johnson	Elverina	Member	17,027
Kendall	Ralph	Deputy Chair and Chair CPRM Committee (01/01/2019 – 31/03/2021)	13,865
Peters	Jodi	Chair ETS Committee (01/01/2019 – 31/03/2021)	15,450
Richardson	Margot	Member	17,027
Scott	Eleanor	Chair FARG Committee (01/01/2019 – 31/03/2021)	15,450
Sam	Mislam	Member	-
Stephen	Pedro	Member	-
Wenitong	Mark	Chair CPRM Committee (11/06/2021)	12,267

Note:

- Mayor Malone and Mayor Sam are ineligible for board remuneration due to being considered a Queensland public sector employee as defined by the remuneration procedures for part-time chairs and members of Queensland government bodies.
- Mr Pedro Stephen provides his time on a voluntary basis.
- Dr Wenitong was paid \$23,146 in the financial year with a \$10,879 payment representing payments for Board membership in the prior year.

Organisational structure



Executive management

Ian Copeland is the Chief Executive Officer (CEO) with 38 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 Infrastructure and Logistics with over 40 years in main stream corporate, independent and remote retail.

Ms Jennifer Bartlett

General Manager Human Resource Management with over 20 years of experience in business management and staff development in an adult training area. Jennifer has extensive experience working and living with Indigenous Australians and delivering health and wellbeing initiatives.

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 over 21 years of retail experience in both mainstream and remote locations.

Mr Anthony (Tony) Flint

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

Mr Fred Gela

General Manager Stakeholder Engagement with 19 years of experience in public service advocating at National, State, Regional and Local level, brokering and delivering positive life changing outcomes for Aboriginal and Torres Strait people.

Financial performance

In accordance with the *Financial Accountability Act 2009* and *Financial and Performance Management Standard 2019*, the following applies:

- The financial records of the statutory body has been properly maintained

throughout the year ended 30 June 2021 in compliance with prescribed requirements; and

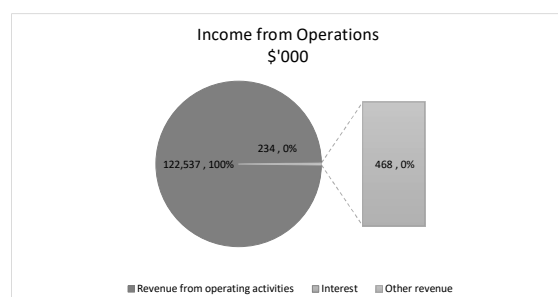
- The risk management and internal compliance and control systems of the statutory body relating to financial management have been operating efficiently, effectively and economically throughout the financial year.

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

- Continued service delivery within an environment framed by COVID-19;
- Weathering the storms associated with the usual wet season;
- Completion of capital works; and
- Delivering on CEQ's commitment to provide goods and services at affordable prices.

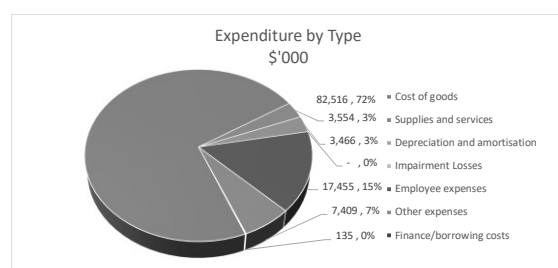
Operating Result

CEQ continues to perform strongly year on year. From an operating result perspective (excluding capital revaluations) CEQ produced a net result of \$8.7M. This was backed on strong revenue figures of \$123.2M which is up \$11.2M on previous year revenue. Income was distributed in the following manner:



Note: excludes Gains on disposal and remeasurement of assets (\$22K)

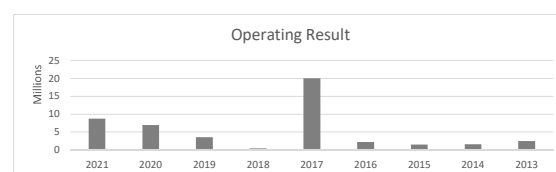
Expenses were distributed in the following manner:



As can be seen from the graph the majority of expenses for CEQ are COGS which make up 72% of expenses. Employee expenses are the next major category of expense at \$17.5M or 15% of total expenses. Major lines in other expense items and supplies and services include:

Expense Items > \$400K	\$'000
Electricity	1,692
Insurance	578
Repairs and maintenance	3,311
Lease expenses	901
Telephone and communications	751
Travel	711
Loss from disposal of property	544

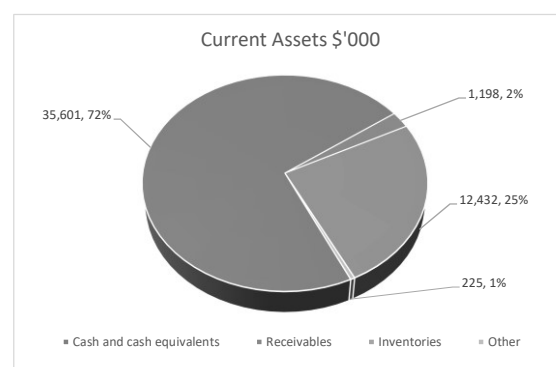
Net Result over Time



The net result of \$8.7M is 7.1% of turnover and in accordance with established norms for the business.

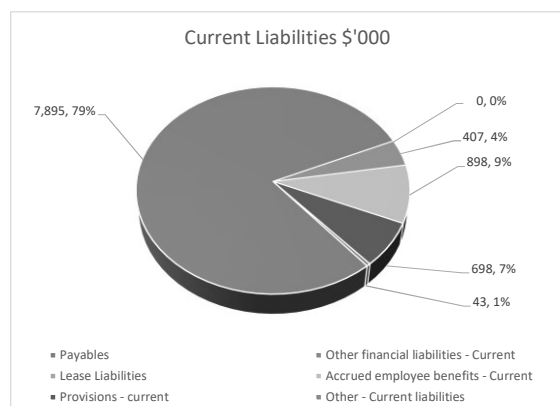
Balance Sheet - Assets

From a Balance Sheet perspective current assets are \$49.5M of which \$35.6M is cash and cash equivalents.



Balance Sheet - Liabilities

CEQ at the end of financial year had current liabilities of \$9.9M of which \$7.9M was Accounts Payable.



Non-Current Balance Sheet Items

Total non-current assets were \$47.1M of which \$43.6M was Property, Plant and Equipment. Total non-current liabilities were \$3.7M of which \$3.5M were lease liabilities in accordance with accounting standards.

Financial ratios at a glance

Ratio	2021	CEQ Average
Liquidity - working capital	4.97	3.65
Efficiency – gross profit margin	33%	33%
Efficiency – operating profit margin	7%	4%
Return on asset	9%	5%
Net profit margin	7%	4%

Note: CEQ average is an average over 7 years excluding 2017 due to the capital grant received associated with the merger of Retail Stores (Government Agency).

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
2018-19	1,407
2019-20	1,354
2020-21	4,128

Note: excludes Work in Progress.

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

Capital expenditure by asset class:	
Land	\$0
Buildings	\$2,513,000
Plant and equipment	\$1,549,000
Motor vehicles	\$66,000
Total Physical Assets	\$4,128,000

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. All CEQ stores have the same compliance requirements integrated into their operations where appropriate.

Internal Audit

Grant Thornton (a provider of independent assurance, tax and advisory services) were engaged as CEQ's Internal Auditor during the financial year. The role and function of 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. Reports were completed on Human Resources, Business Continuity / Disaster Response Planning and Information Technology.

Grant Thornton have internal quality processes which are reviewed to ensure that there are no conflicts of interest. Grant Thornton 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.

Human Rights

CEQ as an organisation respects, protects, and promotes the human rights of all people in Queensland. CEQ is building a culture of human rights by changing policies and procedures to highlight human rights ensuring that human rights are central to the work it undertakes.

During the reporting period, CEQ received no human rights complaints.

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	85,007
Consultants - Human resources management	-
Consultants - Communications	20,986
Consultants - Finance/accounting	9,258
Consultants - Professional/technical	157,611
Total	272,863

Information Systems and Record Keeping

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

Glossary

Frequently used Terms:

Short Form	Description
ABIS	Aboriginal Business Industry and Service
COAG	Council of Australian Governments
CEO	Chief Executive Officer
CEQ	Community Enterprise Queensland
CHH	Community Home and Hardware
CPRMC	Community, Public Relations and Marketing Committee
ETSC	Employment, Training and Safety Committee
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
FARGC	Finance, Audit, Risk and Governance Committee – also meets as the Audit Committee
FMPM	CEQ Financial Management Practice Manual
FTE	Full Time Equivalent
IBIS	Trading name - Islanders Board of Industry and Service of the IIB
IIB	Island Industries Board
ILUA	Indigenous Land Use Agreement
NPA	Northern Peninsula Area, Cape York
PBC	Prescribed Body Corporate

Annexure 1 – annual financial statements

Community Enterprise Queensland

**Financial Statements
For the year ended 30 June 2021**

**Community Enterprise Queensland
Financial Statements
For the Year Ended 30 June 2021**

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	31
INDEPENDENT AUDITORS REPORT	32

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 corporate 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 2021**

		2021	2020
		\$'000	\$'000
Operating Result			
Income	Note		
Revenue	3	122,537	111,212
Interest		234	426
Grants and other contributions		164	101
Other revenue		304	310
Gains on disposal and remeasurement of assets		22	0
Total Income		123,261	112,049
Expenses			
Supplies and services	4	86,070	77,569
Depreciation on property, plant and equipment (PPE)	13	2,975	2,971
Amortisation of right-of-use assets (ROU)		491	505
Employee expenses	5	17,455	16,623
Impairment losses	6	-	723
Other expenses	7	7,409	6,061
Finance/borrowing costs	8	135	629
Total Expenses		114,535	105,081
Operating result for the year		8,726	6,968
Other Comprehensive Income			
<i>Items that will not be reclassified subsequently to Operating Result</i>			
Increase (decrease) in asset revaluation surplus	19	522	56
Total for Items that will not be reclassified to operating result		522	56
Total Other Comprehensive Income		522	56
Total Comprehensive Income		9,248	7,024

The accompanying notes form part of these statements.

**COMMUNITY ENTERPRISE QUEENSLAND
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2021**

		2021	2020
		\$'000	\$'000
	Note		
Current assets			
Cash and cash equivalents	9	35,601	31,792
Receivables	10	1,198	1,044
Inventories	11	12,432	10,693
Other assets		225	375
Total current assets		49,456	43,904
Non-current assets			
Goodwill	12	-	-
Property, plant and equipment	13	43,623	41,437
Right-of-use assets	15	3,479	4,419
Total non-current assets		47,102	45,856
Total assets		96,558	89,760
Current liabilities			
Payables	14	7,895	9,617
Lease liabilities	15	407	358
Accrued employee benefits	17	898	911
Provisions	18	698	625
Other liabilities		43	-
Total current liabilities		9,941	11,511
Non-current liabilities			
Lease liabilities	15	3,576	4,455
Provisions	18	126	127
Total non-current liabilities		3,702	4,582
Total liabilities		13,643	16,093
Net assets		82,915	73,667
Equity			
Accumulated surplus		61,877	53,151
Asset revaluation surplus	19	21,038	20,516
Total equity		82,915	73,667

The accompanying notes form part of these statements.

**COMMUNITY ENTERPRISE QUEENSLAND
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2021**

	Accumulated Surplus	Asset Revaluation Surplus (Note 19)	TOTAL
	\$'000	\$'000	\$'000
Balance as at 1 July 2019	46,356	20,460	66,816
Operating result	6,968	-	6,968
Other comprehensive income			
- Increase / (decrease) in asset revaluation surplus	-	56	56
- On transition adjustment in relation to former operating leases	(173)	-	(173)
Total comprehensive income for the year	6,795	56	6,851
Balance as at 30 June 2020	53,151	20,516	73,667
Balance as at 1 July 2020	53,151	20,516	73,667
Operating result	8,726	-	8,726
Other comprehensive income			
- Increase / (decrease) in asset revaluation surplus	-	522	522
Total comprehensive income for the year	8,726	522	9,248
Balance as at 30 June 2021	61,877	21,038	82,915

The accompanying notes form part of these statements.

**COMMUNITY ENTERPRISE QUEENSLAND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2021**

		2021	2020
		\$'000	\$'000
	Note		
Cash flows from operating activities			
<i>Inflows:</i>			
Receipts from customers		121,098	111,244
GST input tax credits from ATO		7,307	5,782
GST collected from customers		7,860	6,916
Grants and other contributions		164	101
Interest receipts		234	426
<i>Outflows:</i>			
Employee expenses		(17,396)	(16,440)
Supplies and services		(94,606)	(80,829)
Finance/borrowing costs		-	(490)
GST paid to suppliers		(7,169)	(6,062)
GST remitted to ATO		(8,004)	(6,632)
Net cash provided by operating activities	23	9,488	14,016
Cash flows from investing activities			
<i>Inflows:</i>			
Sales of property, plant and equipment		3	-
<i>Outflows:</i>			
Payments for property, plant and equipment	13	(5,184)	(3,160)
Net cash (used in) investing activities		(5,181)	(3,160)
Cash flows from financing activities			
<i>Inflows:</i>			
Proceeds from borrowings		-	155
<i>Outflows:</i>			
Borrowing redemptions		-	(5,606)
Lease payments		(498)	(514)
Net cash (used in) financing activities	23	(498)	(5,965)
Net increase in cash and cash equivalents		3,809	4,891
Cash and cash equivalents at beginning of financial year		31,792	26,901
Cash and cash equivalents at end of financial year	9	35,601	31,792

The accompanying notes form part of these statements.

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

NOTES TO THE FINANCIAL STATEMENTS

Note:	Page No.
1. Basis of Financial Statement Preparation	6
2. Objectives	7
3. Revenue	7
4. Supplies and Services	8
5. Employee Expenses	8
6. Impairment Losses	9
7. Other Expenses	9
8. Finance / Borrowing Costs	10
9. Cash and Cash Equivalents	10
10. Receivables	10
11. Inventories	12
12. Goodwill	12
13. Property, Plant and Equipment and Depreciation Expense	13
14. Payables	16
15. Right-of-use Assets and Lease Liabilities	17
16. Interest Bearing Liabilities	19
17. Accrued Employee Benefits	19
18. Provisions	20
19. Asset Revaluation Surplus by Class	20
20. Fair Value Measurement	21
21. Financial Risk Disclosures	22
22. Commitments	24
23. Reconciliation of Operating Results to Net Cash Flows Provided by Operating Activities	25
24. Events after the Balance Date	25
25. Future Impact of Accounting Standards Not Yet Effective	25
26. Related Parties	26
27. Taxation	30
28. Climate Risk Disclosure	30
29. COVID-19	30

COMMUNITY ENTERPRISE QUEENSLAND

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2021

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 corporate office and principal place of business is 269 Mulgrave Road, Westcourt QLD 4870.

b) Compliance with Prescribed Requirements

CEQ has prepared these financial statements in compliance with section 38 of the *Financial and Performance Management Standard 2019*. The financial statements comply with Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2020.

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 Flows which is prepared on a cash basis) in accordance with Australian Accounting Standards and Interpretations applicable to not-for-profit entities.

There were no new standards adopted during the year.

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 period ended 30 June 2020, except where restated as necessary to be consistent with disclosures in the current reporting period.

(iii) 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.

(iv) Authorisation of Financial Statements for Issue

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

(v) 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;
- Inventories which are measured at the lower of cost or net realisable value; and
- Lease liabilities which are measured at present value of future minimum non-cancellable lease payments including options reasonably expected to be taken up.

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.

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

Fair Value

Refer to Note 20.

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 achieves its goals through market channels being IBIS grocery, ABIS grocery and Community Home & Hardware.

3. Revenue

Operating Activities

	2021	2020
	\$'000	\$'000
Sale of goods	120,021	108,840
Rebates	2,088	1,747
Commissions received	40	55
Other	388	570
Total	122,537	111,212
	2021	2020
	\$'000	\$'000
Sale of Goods by Market Channels		
IBIS	70,080	61,496
ABIS	38,445	36,905
CHH	11,496	10,439
Total	120,021	108,840

Accounting Policy – Goods Sold and Other Income

Revenue from the sales of goods are recognised on transfer of the goods to the customer, which is the sole performance obligation. 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 2021**

4. Supplies and Services

	2021	2020
	\$'000	\$'000
Bank fees and charges	256	242
Board meeting expenses	117	171
Consultants and contractors	310	210
Employee recruitment/training/relocation expenses	113	70
Employee uniforms	18	30
Freight	192	142
Inventories consumed – held for sale	82,516	74,403
Lease expenses*	901	829
Legal fees	85	66
Postage	10	10
Stationery	90	194
Telephone and communications	751	743
Travel	711	459
Total	86,070	77,569

Lease expenses

*Lease expenses relate to leases of low value assets and variable lease payments. Refer to Note 15 for disclosures.

5. Employee Expenses

	2021	2020
	\$'000	\$'000
Employee Benefits		
Wages and salaries	15,288	14,572
Employer superannuation contributions	1,446	1,380
Other employee benefits	505	501
Employee Related Expenses		
Workers' compensation premium	84	85
Other employee related expenses	132	85
Total	17,455	16,623

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	234	230
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Employer superannuation contributions, annual leave and long service leave are regarded as employee benefits.

Accounting Policy – Worker's Compensation Premiums

CEQ pays premiums to WorkCover Queensland in respect of its obligations for employee compensation. Workers' compensation insurance is not an employee benefit but is recognised separately as an employee related expense.

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.

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

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. As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

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 26(a).

6. Impairment Losses

	2021	2020
	\$'000	\$'000
Goodwill	-	723
Total	-	723

Impairment

Impairment losses may arise on assets held by CEQ from time to time. Accounting for impairment losses is dependent upon the individual asset (or group of assets) subject to impairment. Accounting policies and events giving rise to impairment losses are disclosed in the following note:

- Receivables – Note 10.
- Right-of-use assets – Note 15.

7. Other Expenses

	2021	2020
	\$'000	\$'000
Advertising	48	58
Audit external – financial statements (QAO)*	88	88
Audit internal	50	28
Bad debts	7	1
Conference costs	-	197
Donations	51	42
Electricity	1,692	1,767
Equipment hire	89	65
Events sponsorships	40	53
Insurance	578	437
Licences and fees	120	124
Net loss from disposal of property, plant and equipment	544	70
Other	1	3
Rates	363	354
Repairs and maintenance	3,311	2,326
Security	12	21
Trade expenses	260	305
Vehicle operating expenses	155	118
Wrapping	-	4
Total	7,409	6,061

Audit Fees

*Total audit fees quoted by the Queensland Audit Office relating to the financial statements are \$93,000 (2020: \$93,000).

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

8. Finance / Borrowing Costs

	2021	2020
	\$'000	\$'000
Interest on borrowings	-	490
Interest on lease liabilities	135	139
Total	135	629

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.

There were no qualifying assets this year or prior year, therefore, no borrowing costs were capitalised.

9. Cash and Cash Equivalents

	2021	2020
	\$'000	\$'000
Cash at bank and on hand	4,733	5,397
QTC working capital facility	2	2
QTC cash fund	30,866	26,393
Total	35,601	31,792

Cash deposited with the Queensland Treasury Corporation earned interest at rates of 0.51% (2020: 0.87%) on the cash fund facility and 0.10% (2020: 0.25%) 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. Cash and cash equivalents also include 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

	2021	2020
	\$'000	\$'000
Trade debtors	1,018	946
Less: Loss allowance	(9)	(8)
	1,009	938
Other	189	106
Total	1,198	1,044

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 2021**

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.

Impairment of Receivables

Accounting Policy – Impairment of Receivables

The loss allowance for trade and other debtors reflects lifetime expected credit losses and incorporates reasonable and supportable forward-looking information, including forecast economic changes expected to impact the CEQ's debtors along with relevant industry and statistical data where applicable.

Where CEQ has no reasonable expectation of recovering an amount owed by a debtor, the debt is written-off by directly reducing the receivable against the loss allowance. This occurs when the debt is over 120 days past due and CEQ has ceased enforcement activity. If the amount of debt written off exceeds the loss allowance, the excess is recognised as an impairment loss.

The amount of impairment losses recognised for receivables is disclosed in Note 6.

Disclosure – Credit Risk Exposure of Receivables

The maximum exposure to credit risk at balance date for receivables is the gross carrying amount of those assets. No collateral is held as security and there are no other credit enhancements relating to CEQ's receivables.

CEQ uses a provision matrix to measure the expected credit losses on their trade debtors. The calculations reflect historical observed default rates using credit losses experienced on past sales transactions during the last 3 years preceding 30 June 2021. The historical default rates are then adjusted by reasonable and supportable forward-looking information for expected changes in macroeconomic indicators that affect the future recovery of those receivables. For CEQ, a change in the unemployment rate is determined to be the most relevant forward-looking indicator for the receivables. Actual credit losses over the 3 years preceding 30 June 2021 have been correlated against changes in the unemployment rate. Based on those results, the historical default rates are adjusted based on expected changes to that indicator.

CEQ has not recognised a loss allowance under AASB 9 for receivables from another Government agency on the basis that the Treasury's expectation that the impairment would be negligible, and therefore immaterial.

Set out below is the credit risk exposure on the CEQ's trade debtors.

Impairment of Receivables

	Gross Receivables	2021 Loss rate	Expected credit losses	Gross Receivables	2020 Loss rate	Expected credit losses
	\$'000	%	\$'000	\$'000	%	\$'000
Overdue						
Less than 30 days	546	0.56	3	459	0.72	3
30 to 60 days	122	1.65	2	85	2.08	2
60 to 90 days	19	2.96	1	20	3.15	1
Greater than 90 days	6	56.8	3	1	7.25	-
Total overdue	693	1.34	9	565	1.32	6

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

11. Inventories

	2021	2020
	\$'000	\$'000
Inventories on hand	11,756	10,074
Inventories in transit	676	619
Total	12,432	10,693

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 inventory transfer to CEQ at the time the inventory is dispatched from the suppliers' warehouse. Accordingly, goods in transit have been brought to account as at 30 June 2021.

12. Goodwill

	2021	2020
	\$'000	\$'000
The movements in the net carrying amount of Goodwill are as follows:		
Gross		
Opening balance	-	723
Impairment loss recognised	-	(723)
Carrying amount at year end	-	-

Accounting Policy – 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.

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.

COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

During CEQ's 2020 annual assessment for goodwill recorded from the purchase of Thursday Island Hardware store there were indicators of a possible impairment. After further review in June 2020 an impairment loss of \$723,016 was recognised adjusting the carrying amount to \$0.

Key assumptions in the value-in-use impairment model included for 2020 were:

Annual growth rate:		The growth rate is negative due to a decrease in sales reflecting the forecast market and consistent with trends in the business.
Discount rate:	0.89%	Commonwealth Government 10-year bond rate.

13. Property, Plant and Equipment and Depreciation Expense

(a) Closing Balances and Reconciliation of Carrying Amount

2021	Land Fair value \$'000	Buildings Fair value \$'000	Plant & Equipment Cost \$'000	Work in progress Cost \$'000	Total \$'000
Gross	8,305	48,288	18,233	3,168	77,994
Less: Accumulated depreciation	-	(22,091)	(12,280)	-	(34,371)
	8,305	26,197	5,953	3,168	43,623
<i>Represented by movement in carrying amount:</i>					
Carrying amount at 1 July 2020	8,305	25,141	5,880	2,112	41,437
Acquisitions	-	-	-	5,184	5,184
Disposals	-	(409)	(135)	-	(544)
Transfers between asset classes	-	2,513	1,614	(4,128)	-
Net revaluation increments / (decrements) in asset revaluation surplus	-	522	-	-	522
Depreciation expense	-	(1,570)	(1,405)	-	(2,975)
Carrying amount at 30 June 2021	8,305	26,197	5,953	3,168	43,623
2020	Land Fair value \$'000	Buildings Fair value \$'000	Plant & Equipment Cost \$'000	Work in progress Cost \$'000	Total \$'000
Gross	8,305	48,099	17,378	2,112	75,894
Less: Accumulated depreciation	-	(22,958)	(11,499)	-	(34,457)
	8,305	25,141	5,880	2,112	41,437
<i>Represented by movement in carrying amount:</i>					
Carrying amount at 1 July 2019	7,980	26,286	6,691	306	41,263
Acquisitions	-	-	-	3,160	3,160
Disposals	-	-	(70)	-	(70)
Transfers between asset classes	328	345	681	(1,354)	-
Net revaluation increments / (decrements) in asset revaluation surplus	(3)	59	-	-	56
Depreciation expense	-	(1,549)	(1,422)	-	(2,972)
Carrying amount at 30 June 2020	8,305	25,141	5,880	2,112	41,437

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 Resources ("the Minister").

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

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

(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 (including land improvements)	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 machinery of government 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, buildings and infrastructure 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.

Land and buildings 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 (comprehensive revaluations)

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 a comprehensive valuation in that 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).

COMMUNITY ENTERPRISE QUEENSLAND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

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 20).

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 an assets 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.

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.

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. The exception to this are the buildings located on land secured by way of native title trustee lease. These buildings are depreciated on a straight line basis so as to allocate the net cost or revalued amount of each asset, 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.

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.

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

Class	Rate %
Buildings	2.6 – 33.3
Plant and equipment:	5 – 50

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

(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.

14. Payables

	2021	2020
	\$'000	\$'000
Trade creditors	6,125	8,080
Sundry creditors and accruals	1,730	1,492
	<u>7,855</u>	<u>9,571</u>
GST payable	614	758
GST receivable	(574)	(713)
	<u>40</u>	<u>45</u>
Total	<u><u>7,895</u></u>	<u><u>9,617</u></u>

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.

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

15. Right-of-use Assets and Lease Liabilities

Leases as Lessee

Right-of-use assets

	2021	2020
	\$'000	\$'000
Buildings		
Opening balance at 1 July	4,419	5,310
Additions	71	566
Amortisation charge	(491)	(1,318)
Disposals/derecognition	(518)	-
Other adjustments	(1)	(140)
Closing Balance at 30 June	3,479	4,419

Lease liabilities

	2021	2020
	\$'000	\$'000
Current		
Lease liabilities	407	358
Non-current		
Lease liabilities	3,576	4,455
Total	3,983	4,813

Accounting Policies – Leases as lessee

Right-of-use assets

Right-of-use assets are initially recognised at cost comprising the following:

- the amount of the initial measurement of the lease liability;
- lease payments made at or before the commencement date, less any lease incentives received;
- initial direct costs incurred; and
- the initial estimate of restoration costs.

Right-of-use assets are subsequently depreciated over the lease term and be subject to impairment testing on an annual basis.

The carrying amount of right-of-use assets are adjusted for any remeasurement of the lease liability in the financial year following a change in discount rate, a reduction in lease payments payable, changes in variable lease payments that depend upon variable indexes/rates of a change in lease term.

CEQ measures right-of-use assets from concessionary leases at cost on initial recognition, and measures all right-of-use assets at cost subsequent to initial recognition.

CEQ has elected not to recognise right-of-use assets and lease liabilities arising from short-term leases, and leases of low value assets. Variable lease payments not based on an index are also excluded from right-of-use asset calculations. The lease payments are recognised as expenses on a straight-line basis over the lease term. An asset is considered low value where it is expected to cost less than \$10,000 when new.

Where a contract contains both a lease and non-lease components such as asset maintenance services, CEQ allocates the contractual payments to each component on the basis of their stand-alone prices. However, for leases of plant and equipment, CEQ has elected not to separate lease and non-lease components and instead accounts for them as a single lease component.

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

Impairment of right-of-use assets

All right-of-use 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 right-of-use asset's carrying amount exceeds the recoverable amount is recorded as an impairment loss.

For the year ending 30 June 2021 there were no indicators of impairment for right-of-use assets.

Lease liabilities

Lease liabilities are initially recognised at the present value of lease payments over the lease term that are not yet paid. The lease term includes any extension or renewal options that CEQ is reasonably certain to exercise. The future lease payments included in the calculation of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable;
- variable lease payments that depend on an index or rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by CEQ under residual value guarantees;
- the exercise price of a purchase option that CEQ is reasonably certain to exercise; and
- payments for termination penalties, if the lease term reflects the early termination.

When measuring the lease liability, CEQ uses its incremental borrowing rate as the discount rate where the interest rate implicit in the lease cannot be readily determined. To determine the incremental borrowing rate, CEQ uses loan rates provided by Queensland Treasury Corporation that correspond to the commencement date and term of the lease.

Subsequent to initial recognition, the lease liabilities are increased by the interest charge and reduced by the amount of lease payments. Lease liabilities are also remeasured in certain situations such as a change in variable lease payments that depend on an index or rate (e.g. a market rent review), or a change in the lease term.

Disclosures – Leases as lessee

(i) Details of leasing arrangements as lessee

Buildings

CEQ has various leases for buildings used for corporate office, warehousing, stores and staff accommodation. Some of these leases are low value leases.

Lease terms are varied, and some have renewal or extension options. The options are not included in the right-of-use asset or lease liability unless CEQ is reasonably certain it will renew the lease.

The Cairns warehouse and corporate office locations contain a variable lease component based on overhead's (utility charges). These payments are recognised as lease expenses when incurred. See Note 4.

	2021	2020
	\$'000	\$'000
<i>(ii) Amounts recognised in profit or loss</i>		
Interest expense on lease liabilities	135	139
Breakdown of 'Lease expenses' included in Note 4		
- Expenses relating to short term leases	844	792
- Expenses relating to leases of low value assets	43	25
- Expenses relating to variable lease payments	13	11
<i>(iii) Total cash outflow for leases</i>	1,036	967

In 2021, CEQ has reviewed the ongoing lease accounting requirements for the building lease portfolio. CEQ has determined that it is no longer reasonably certain to exercise the additional 5 year option for the Cairns Corporate Warehouse in November 2021. CEQ has entered into an agreement for a new warehouse unrelated to the existing warehouse.

The remeasurement of the lease resulted in a decrease of \$537,000 to the lease liability, with the difference of \$518,000 credited against the right-of-use asset and the excess of \$19,000 recognised in the Statement of Comprehensive Income. These amounts are disclosed in Note 3(d) and this Note 15.

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

As the remaining lease payments are all due within 7 months, CEQ has determined that the effect of discounting would not be material.

A lease liability and right-of-use asset for the new warehouse has not been recorded in the 2021 financial year as the commencement date of the lease is not until the 2022 financial year. However, the amounts of the lease to which CEQ is committed to at reporting date is disclosed in Note 22 – Commitments.

Accounting policies – Leases as lessor

CEQ recognises lease payments from operating leases as income on a periodic straight line basis over the lease term.

Disclosures – Leases as lessor

(i) Details of leasing arrangements a lessor

Land and Property Rentals

Certain components of CEQ owned properties and land are leased out under non-cancellable operating lease arrangements.

Lease income from operating leases is reported as 'Property rental' in Note 3(c). No amounts were recognised in respect of variable lease payments other than CPI or market rent reviews.

CEQ does not have any finance leases.

(ii) Maturity analysis

The following table sets out a maturity analysis of future undiscounted lease payments receivable under CEQ's operating leases.

	2021	2020
	\$'000	\$'000
Less than 1 year	276	226
1 to 2 years	21	25
2 to 3 years	-	-
3 to 4 years	-	-
4 to 5 years	-	-
More than 5 years	-	-
Total	297	251

16. Interest Bearing Liabilities

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.

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)(iii).

CEQ paid out the balance of the previous loan on 5 June 2020.

17. Accrued Employee Benefits

	2021	2020
	\$'000	\$'000
Current		
Annual leave	898	911
Total	898	911

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

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.

18. Provisions

	2021	2020
	\$'000	\$'000
Current		
Long Service Leave	698	625
Total	698	625
Non-Current		
Long Service Leave	126	127
Total	126	127
Movements in provisions		
Long Service Leave		
Opening balance	752	675
Additional provision recognised	107	136
Reduction in provision as a result of payments	(35)	(59)
Closing balance	824	752

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 service. 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 2021 was 1.52% (2020: 0.92%).

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.

19. 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 July 2019	2,422	18,038	20,460
Revaluation increments	-	59	59
Revaluation decrements	(3)	-	(3)
Balance 30 June 2020	2,419	18,097	20,516
Revaluation increments	-	522	522
Revaluation decrements	-	-	-
Total	-	522	522
Balance 30 June 2021	2,419	18,619	21,038

COMMUNITY ENTERPRISE QUEENSLAND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2021

20. Fair Value Measurement

(a) Accounting Policies and Inputs for Fair Values

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.

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 20(c).

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

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

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

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

(b) Basis for Fair Values of Assets and Liabilities

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 2021 as advised by QTC and are included in level 2 of the fair value hierarchy.

Land

CEQ's land was last comprehensively revalued in March 2018 based on specific appraisals by an independent valuer, Asset Advance Valuers & Property Consultants. 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 had been primarily based on comparison with actual property sales data.

During 2020-21, a desktop valuation was performed to ensure any material changes in value were recognised. Asset Advance Valuers provided appropriate indices derived from data on land sales in the respective areas during the previous year as well as data from other Far North Queensland regions with similarity to the Torres Strait LGA area. Based on the analysis of the indices, the valuer recommended a nil change to fair value.

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

Buildings

CEQ's buildings were last comprehensively 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 into 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 replacement 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 published building price indices.

Where there is no depth of market, the net current value of a building asset is the gross current replacement 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, the pattern of consumption of the asset's future economic benefit and the condition of the asset. Condition was assessed taking into account both physical characteristics as well as factors such as functionality, capability, utilisation and obsolescence.

During 2020-21, the fair values of all types of buildings were updated using appropriate indices supplied by Asset Advance Valuers. The basis of derivation of these indices are consistent with the underlying data inputs adopted for the last specific appraisal. Based on the analysis of the indices, the valuer recommended an increase of 2% applicable to this asset class.

Assets in this category which were purchased or established during 2020-21 and imported into the fixed asset register after valuations were completed, are not subject to the 2% indexation and replacement cost value remain at the actual cost incurred. This particularly refers the new retail facility(s) constructed.

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

	Level 2		Level 3		Total Carrying Amount	
	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000	2021 \$'000	2020 \$'000
Land	8,305	8,305	-	-	8,305	8,305
Buildings	-	-	26,197	25,141	26,197	25,141
Managed Funds	30,868	26,395	-	-	30,868	26,395
Total	39,173	34,700	26,197	25,141	65,370	59,841

(d) Level 3 Fair Value Measurement – Reconciliation

The changes in level 3 assets with recurring fair value measurements are detailed in Note 13(a).

21. Financial Risk Disclosures

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.

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

Risks Arising from Financial Instruments

(a) 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 Corporate office under policies approved by CEQ. CEQ provides written principles for overall risk management as well as policies covering specific areas.

COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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

Risk Exposure	Definition	Exposure
Credit risk	The risk that 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	The risk 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 14).
Market risk	<p>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.</p> <p><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.</p>	<p>CEQ does not trade in foreign currency and is not materially exposed to commodity price changes or other market prices.</p> <p>CEQ is exposed to interest rate risk through its cash deposited in interest bearing accounts (Note 9).</p>

(b) 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	<p>CEQ manages credit risk through the use of a credit management strategy.</p> <p>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.</p> <p>Exposure to credit risk is monitored on an ongoing basis.</p>
Liquidity risk	Cash flow maturity analysis	<p>CEQ manages liquidity risk through the use of a liquidity management strategy.</p> <p>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.</p> <p>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.</p>
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.

COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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	2021	Contractual Maturity Payable In			2020	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	14	7,855	7,855	-	-	9,571	9,571	-	-
Lease liabilities	15	3,983	407	1,522	2,054	4,813	357	1,823	2,633
Total		11,838	8,262	1,522	2,054	14,384	9,928	1,823	2,633

22. Commitments

	2021	2020
	\$'000	\$'000

Indigenous Land Use Agreements

Commitments under Indigenous Land Use Agreements (ILUA) at the reporting date (inclusive of anticipated GST) are payable:

Not later than one year	51	51
Later than one year and not later than five years	213	210
Later than five years	937	991
Total	1,201	1,252

Capital Expenditure Commitments

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

Plant and Equipment:		
Not later than one year	678	4,367
Later than one year and not later than five years	-	-
Later than five years	-	-
Total	678	4,367

Right of Use Assets Commitments

Leases not yet commenced to which the lessee is committed at reporting date (inclusive of anticipated GST):

Not later than one year	217	-
Later than one year and not later than five years	1,235	-
Later than five years	1,858	-
Total	3,310	-

COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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

	2021	2020
	\$'000	\$'000
Operating surplus	8,726	6,968
Impairment charge	-	723
Depreciation expense	2,975	2,971
Amortisation of ROU Assets	491	505
Interest expense	135	139
(Gain)/loss on disposal of property, plant and equipment	542	70
(Gain)/loss on derecognition of ROU Assets	(19)	-
Change in assets and liabilities:		
(Increase)/decrease in trade receivables	(71)	54
(Increase)/decrease in GST input tax credits receivable	139	(280)
(Increase)/decrease in other receivables	(82)	19
(Increase)/decrease in inventories	(1,740)	(291)
(Increase)/decrease in prepayments/other	150	(60)
Increase/(decrease) in accounts payable	(1,715)	2,753
Increase/(decrease) in accrued employee benefits	58	184
Increase/(decrease) in unearned revenue	43	(23)
Increase/(decrease) in GST payable	(144)	284
Net cash from operating activities	9,488	14,016

Changes in Liabilities Arising from Financing Activities

2021	Non-cash changes				Cash flows		Closing Balance 2021
	Closing Balance 2020	New Leases Acquired	AASB 16 Transition	Other	Cash Received	Cash Repayments	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Lease liabilities	4,813	71	-	(403)	-	(498)	3,983
Borrowings	-	-	-	-	-	-	-
Total	4,813	71	-	(403)	-	(498)	3,983

2020	Non-cash changes				Cash flows		Closing Balance 2020
	Closing Balance 2019	New Leases Acquired	AASB 16 Transition	Other	Cash Received	Cash Repayments	
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Lease liabilities	-	566	4,670	90	-	(514)	4,813
Borrowings	5,451	-	-	-	155	(5,606)	-
Total	5,451	566	4,670	90	155	(6,120)	4,813

24. Events after the Balance Date

No significant events noted.

25. Future Impact of Accounting Standards Not Yet Effective

At the date of authorisation of the financial report, all Australian accounting standards and interpretations with future effective dates are not applicable to CEQ.

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

26. Related Parties

(a) Key Management Personnel Disclosures

(i) Details of Key Management Personnel

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 KMP include those positions that had authority and responsibility for planning, directing and controlling the activities of CEQ during 2020-21 and 2019-20. These positions include CEQ's board of directors, as well as certain management positions. For those members of management that have been determined as KMP, further details have been included in the below table.

Position	Responsibilities
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.
General Manager Finance	The General Manager Finance provides strategic leadership and direction for the financial administration of the statutory body.
General Manager Operations	The General Manager Operations provides strategic leadership and management of the statutory body's retail service delivery.
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.
General Manager Infrastructure and Logistics	The General Manager Infrastructure and Logistics provides strategic leadership in business development matters, capital delivery, management of the statutory body's inventory supply chain and information, technology and communications.
General Manager Merchandise	The General Manager Merchandise provides strategic leadership and management of the statutory body's inventory procurement.
General Manager Stakeholder Engagement	The General Manager Stakeholder Engagement provides strategic leadership and management of the statutory body's engagement with communities.

All KMP are appointed under common law employment contracts.

(ii) Remuneration Policies

Remuneration policy for CEQ KMP is set by CEQ's Employment, Training and Safety Committee, a sub-committee of the Board, in conjunction with the CEO. The remuneration and other terms of employment for the KMP are specified in employment contracts.

Remuneration expenses for KMP comprise the following components:

Short term employee expenses which include:

- meeting attendance fees, salaries, allowances and leave entitlements earned and expensed for the entire year or for that part of the year during which the employee occupied a KMP position;
- performance payments recognised as expense during the year; 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 include payments in lieu of notice on termination and other lump sum separation entitlements (excluding annual and long service leave entitlements) payable on termination of employment or acceptance of an offer of termination of employment.

COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

At risk performance payments may be paid or payable annually depending on satisfaction of key criteria, as described in part (iv) *Performance Payments*. The amounts are approved by the CEQ Board in conjunction with the Employment, Training and Safety Committee, a sub-committee of the CEQ Board, and 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 KMP during the respective reporting periods. Therefore, the amounts disclosed reflect expenses recognised in the Statement of Comprehensive Income.

2020-21

Position	Short Term Employee Expenses		Long Term Employee Expenses	Post-Employment Expenses	Total Expenses
	Monetary Expenses \$'000	Non-Monetary Benefits \$'000	\$'000	\$'000	\$'000
Board of Directors	108	-	-	10	118
Chief Executive Officer	419	-	6	41	465
General Manager Finance	232	-	3	21	256
General Manager Retail Operations	188	-	3	18	208
General Manager Human Resources	212	-	3	19	234
General Manager Infrastructure and Logistics	192	-	3	19	214
General Manager Merchandise	190	-	3	18	210
General Manager Stakeholder Engagement	149	-	2	14	166
Total	1,690	-	23	160	1,871

2019-20

Position	Short Term Employee Expenses		Long Term Employee Expenses	Post-Employment Expenses	Total Expenses
	Monetary Expenses \$'000	Non-Monetary Benefits \$'000	\$'000	\$'000	\$'000
Board of Directors	128	-	-	12	140
Chief Executive Officer	395	-	6	38	439
General Manager Finance	210	-	3	19	233
General Manager Retail Operations	168	-	2	16	186
General Manager Human Resources	196	-	3	18	217
General Manager Infrastructure and Logistics	185	-	3	18	206
General Manager Merchandise	172	-	3	16	191
General Manager Stakeholder Engagement (From 11 May 2020)	15	-	-	1	16
Total	1,469	-	20	138	1,627

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021**

(iv) Performance Payments

Details of Performance Payment Entitlements by KMP:

Position	Summary of basis for entitlement and assessment	12 Months ended 30 June 2021		12 Months ended 30 June 2020	
		Date Paid	Amount \$'000	Date Paid	Amount \$'000
Chief Executive Officer (CEO)	<p>The remuneration package for the CEO provides for performance payments to be made conditional on the achievement of key performance indicators (KPI) specified in the KMP's employment contract and subject to discretionary approval by the Board of Directors.</p> <p>Achievement of each KPI is measured on an annual basis against deliverables linked to the CEQ strategic plan. Eligibility for performance payments only occurs where deliverables have been met.</p>	15 July 2020	66	5 August 2019	64
General Manager Finance (GMF)	<p>The remuneration package for the GMF provides for performance payments to be made conditional on the achievement of key performance indicators (KPI) specified in the KMP's employment contract and subject to discretionary approval by the CEO.</p> <p>Achievement of each KPI is measured on an annual basis against deliverables linked to the CEQ strategic plan. Eligibility for performance payments only occurs where deliverables have been met.</p>	15 July 2020	19	5 August 2019	18
General Manager Operations (GMO)	<p>The remuneration package for the GMO provides for performance payments to be made conditional on the achievement of key performance indicators (KPI) specified in the KMP's employment contract and subject to discretionary approval by the CEO.</p> <p>Achievement of each KPI is measured on an annual basis against deliverables linked to the CEQ strategic plan. Eligibility for performance payments only occurs where deliverables have been met.</p>	15 July 2020	15	5 August 2019	14
General Manager Human Resources (GMHR)	<p>The remuneration package for the GMHR provides for performance payments to be made conditional on the achievement of key performance indicators (KPI) specified in the KMP's employment contract and subject to discretionary approval by the CEO.</p> <p>Achievement of each KPI is measured on an annual basis against deliverables linked to the CEQ strategic plan. Eligibility for performance payments only occurs where deliverables have been met.</p>	15 July 2020	18	5 August 2019	17

COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

Position	Summary of basis for entitlement and assessment	12 Months ended 30 June 2021		12 Months ended 30 June 2020	
		Date Paid	Amount \$'000	Date Paid	Amount \$'000
General Manager Infrastructure and Logistics (GMIL)	The remuneration package for the GMIL provides for performance payments to be made conditional on the achievement of key performance indicators (KPI) specified in the KMP's employment contract and subject to discretionary approval by the CEO. Achievement of each KPI is measured on an annual basis against deliverables linked to the CEQ strategic plan. Eligibility for performance payments only occurs where deliverables have been met.	15 July 2020	17	5 August 2019	16
General Manager Merchandise (GMM)	The remuneration package for the GMM provides for performance payments to be made conditional on the achievement of key performance indicators (KPI) specified in the KMP's employment contract and subject to discretionary approval by the CEO. Achievement of each KPI is measured on an annual basis against deliverables linked to the CEQ strategic plan. Eligibility for performance payments only occurs where deliverables have been met.	15 July 2020	15	5 August 2019	14
General Manager Stakeholder Engagement (GMSE)	The remuneration package for the GMSE provides for performance payments to be made conditional on the achievement of key performance indicators (KPI) specified in the KMP's employment contract and subject to discretionary approval by the CEO. Achievement of each KPI is measured on an annual basis against deliverables linked to the CEQ strategic plan. Eligibility for performance payments only occurs where deliverables have been met.	15 July 2020	2	-	-
Total Performance Payments			152		143

Conditional Entitlement to Performance Payments at 30 June 2021

As at the date of management certification of these financial statements, the eligibility to a performance payment for the KMP in respect of 2020-21 has been confirmed subsequent to 1 July 2021 and \$101,272 was paid on 22 July 2021. The amount approved for payment has been determined in accordance with the guidelines specified above. The performance payment will be reported as an expense within 2021-22.

As at the date of management certification of these financial statements, the eligibility to a performance payment for the CEO in respect of 2020-21 has not yet been confirmed. The maximum potential performance payment available is \$68,322. Eligibility will be determined only once the assessment process is completed. Any performance payment ultimately approved will be reported as an expense within 2021-22.

(b) Transactions with People/Entities Related to KMP

A number of KMP, 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-KMP related entities on an arm's length basis.

COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2021

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

2020-21

KMP	Position	Goods and Services	Transaction values 2021 \$'000	Balance outstanding 2021 \$'000
Ms Eleanor Scott – Ex Board Member	Partner at Preston Law	Legal Services provided by Preston Law	10	-

2019-20

KMP	Position	Goods and Services	Transaction values 2020 \$'000	Balance outstanding 2020 \$'000
Ms Eleanor Scott – Board Member	Partner at Preston Law	Legal Services provided by Preston Law	39	-

(c) Transactions with Other Queensland Government-Controlled Entities

CEQ had borrowings from Queensland Treasury Corporation (QTC) for the financial year ending 2020. Note 16 outlines the key terms and conditions of those borrowings.

The Department of Seniors, Disability Services and Aboriginal and Torres Strait Island Partnerships (DSDSATSIP) and CEQ have entered into a Memorandum of Understanding (MoU) in relation to the relevant roles and responsibilities by the parties including the use of the store buildings previously managed by DSDSATSIP. "The purpose of this MoU is to provide the parties with clear guidance for roles, responsibilities and costs attributable to functions and services provided or utilised by CEQ during the transition period." Under the MoU, CEQ has incurred costs in relation to the properties located at Doomadgee, Kowanyama, Pormpuraaw, Lockhart River and Palm Island communities (refer to Note 15).

27. 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 14).

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.

28. Climate Risk Disclosure

Climate Risk Assessment

CEQ addresses the financial impacts of climate risks by identifying and monitoring the accounting judgements and estimates that will potentially be affected, including asset useful lives, fair value of assets, provisions or contingent liabilities and changes to future expenses and revenue.

CEQ has not identified any material climate related risks relevant to the financial report at the reporting date, however CEQ constantly monitors the emergence of such risks under the Queensland Government's Climate Transition Strategy.

29. COVID-19

CEQ has assessed the impact of COVID-19 on Financial Reporting for 2020-21 as not having a material negative impact. Revenue from sales of goods was higher for the year, which can be largely attributed to an increase in demand for certain products as a result of COVID-19. CEQ provides essential services to remote Indigenous communities, as such CEQ has continued to provide goods and services in accordance with its statutory objectives. CEQ has amended daily operations in accordance with health guidelines including social distancing and increased sanitation obligations. CEQ has not experienced any material change in receivables, fair value of assets or any change in employee entitlements associated with COVID-19.

CEQ's financial statements are not expected to be impacted by COVID-19 programs beyond June 2021, although the actual impacts cannot be reliably estimated at the reporting date.

**COMMUNITY ENTERPRISE QUEENSLAND
MANAGEMENT CERTIFICATE
FOR THE YEAR ENDED 30 JUNE 2021**

These general purpose financial statements have been prepared pursuant to section 62(1) of the *Financial Accountability Act 2009* (the Act), section 38 of the Financial and Performance Management Standard 2019 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 2021 and of the financial position of the statutory body at the end of year; and

We acknowledge responsibility under s.7 and s.11 of the Financial and Performance Management Standard 2019 for the establishment and maintenance, in all material respects, of an appropriate and effective system of internal controls and risk management processes with respect to financial reporting throughout the reporting period.



Mayor Vonda Malone

Chairperson

Date: 24 August 2021



Ian Copeland

Chief Executive Officer

Date: 24 August 2021

INDEPENDENT AUDITOR'S REPORT

To the Board of Community Enterprises Queensland

Report on the audit of the financial report

Opinion

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

In my opinion, the financial report:

- a) gives a true and fair view of the entity's financial position as at 30 June 2021, 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 2019, 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 2021, 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 summaries of significant accounting policies and other explanatory information, and the management certificate.

Basis for opinion

I conducted my audit in accordance with the *Auditor-General 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 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 2019, 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. This is not done for the purpose of expressing an opinion on the effectiveness of the entity's internal controls, but allows me to express an opinion on compliance with prescribed requirements.
- 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.

Report on other legal and regulatory requirements

Statement

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2021:

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

Prescribed requirements scope

The prescribed requirements for the establishment and keeping of accounts are contained in the *Financial Accountability Act 2009*, any other Act and the Financial and Performance Management Standard 2019. The applicable requirements include those for keeping financial records that correctly record and explain the entity's transactions and account balances to enable the preparation of a true and fair financial report.



John Welsh
as delegate of the Auditor-General

25 August 2021

Queensland Audit Office
Brisbane