



Annual Report 2019

Financial Year Ended June 30, 2019



29 August 2019



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29 August 2019

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

Dear Deputy Premier

I am pleased to submit for presentation to the Parliament the Annual Report 2018–2019 and financial statements for Community Enterprise Queensland.

I certify that this Annual Report complies with:

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

This Annual Report reflects the second twelve month period after the merger in May 2017 of Retail Stores and the Island Industries Board with many initiatives completed and levels of service improved upon.

Yours sincerely



Mayor Ralph Kendall
Acting Chairperson
Community Enterprise Queensland



Dinghies at the wharf – lama Island

Requirement for our report

This report details CEQ activities and financial performance for the financial year ending 30 June 2019. It meets the requirements of the Financial Accountability Act 2009 and is considered a key accountability document for CEQ.

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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	2019 \$'000	2018 \$'000
Total revenue	99,195	96,046
Total expenses	95,674	95,648
Operating result	3,521	398
Total assets	80,722	76,257
Total liabilities	13,906	13,880
Net assets	66,816	62,377
Accounting rate of return	4%	1%
Debt ratio	17%	18%
Current ratio	4.31	3.98

Note: 2018 expenses are inflated due to a write-down of goodwill.

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 2018/19 including:

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

Other partnering programmes included working closely with:

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

CEQ Service Channel's

IBIS Channel



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

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

CEQ pricing is structured to deliver equity to all residents. 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 Bwgcorman Store on Palm Island. Bwgcorman 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 second 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.

Chairman and CEO report

It is pleasing to report that Community Enterprise Queensland (CEQ) again surpassed its key financial objectives and exceeded its core strategic objectives improving the financial sustainability of the organisation with improved outcomes in both sales revenues and operating surpluses. This has come off the back of another challenging year with the transitional issues of Retail Stores into CEQ and the perils of Mother Nature with one of the most significant wet seasons on record with multiple cyclones and flooding.

CEQ has now completed its second year with ABIS stores. Over the last two years we have worked with community and continued to innovate our offer on pricing, range and quality. Most pleasing was the enhancement of a range of weekly delivery of fresh produce and meat into the ABIS stores. ABIS stores are continuing to deliver volume increases to CEQ which is a testament to communities and the offer being presented.

CEQ continues to develop plans that are in line with the corporate objective and strategy of providing goods and services as affordable as possible in the communities we serve. During the financial year CEQ developed an initiative coined "Low Price Everyday". The Low Price Everyday basket consists of goods that would be readily found within an everyday shopping cart. This initiative provides consumers with a wider choice that has not been included in the health and wellbeing baskets of CEQ in recent years.

IBIS also benefited from access to better pricing from the combined group in terms of volume. The purchasing power of the combined group allows CEQ to be price competitive with mainland independent stores subject to freight considerations. Over \$1.8 million dollars was returned to our customers through the Retail Grocery stream promotional activity (advertised specials, best buys and instore promotions).

One of CEQ's goals is to provide healthy food choices – one of the ways we do this is the provision of \$1 water. In terms of volume CEQ sold 821,000 litres of water. CEQ's water purchases total 35% of all purchases of bottled drinks from its major supplier CCA Amatil.

IBIS stores also benefitted from maintenance and capital upgrades with a number of stores being completed with the IBIS livery.



Along with the changes in range and pricing, CEQ also bedded down processes and procedures, especially associated with retailing practices and food safety audits. CEQ undertook 64 food safety audits during the financial year. These audits help ensure CEQ maintains high standards and levels of service.



Karen in the Deli at Main Store Thursday Island

From an employment perspective, CEQ aims to be an employer of choice in Queensland. Our diverse workforce consists of 363 staff which includes a variety of professions from retail to procurement to logistics to administration to trades. Of all staff employed at CEQ 72% identify as indigenous. Whilst 72% can be considered a good number, we believe we can improve on this number and are actively recruiting for indigenous staff.

We consider a point of differentiation from our organisation to others is that we actively skill our workforce with a mixture of internal and external training programs in the communities. Employees living at communities where CEQ provides its services are accessing the benefits of skilled category managers, procurement specialists, specialist trainers in food safety and compliance and skilled workplace health and safety staff – all of whom provide guidance, advice and mentoring. CEQ has an ongoing commitment to train staff to a minimum of Level 3 in Retail.



Mariah helping with choice at Col Jones

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

We would like at this point to acknowledge the service of Board Members whom left the organisation in 2018-19. Mr Nigel Tillet (Chair), Mayor Malone from Torres Shire and Mr Pedro Stephen also from the Torres Strait had their terms conclude during the financial year. As a Board and organisation, we wish our past Board members all the best for their future endeavours and value the contribution that they have made to CEQ.

We would like to thank the Mayors, Councillors and Council CEO's of those communities in which the board operates. Their advice and support has again been of great assistance to CEQ.

We also recognise the outstanding efforts of the Executive Management group and their respective teams in what has been a very challenging year.

A final thank-you to continuing Board members and all staff for taking on the values of the business and contributing to the success that is CEQ.

Mayor Ralph Kendall
Acting 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.



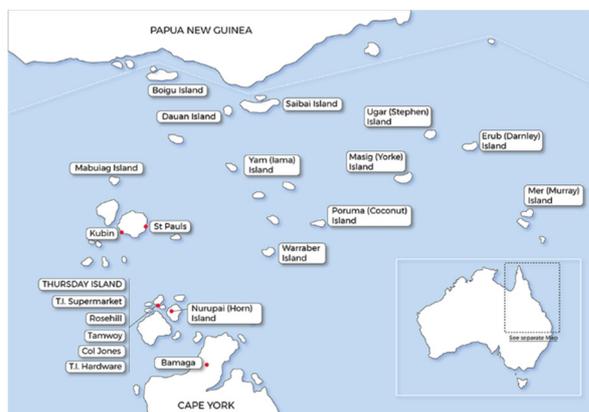
Several clusters of islands lie in the Strait, collectively called the Torres Strait Islands. There are at least 274 islands which are grouped into five distinct clusters, 17 of which have present-day permanent settlements. Of these 17 islands, 14 have stores and incorporate a treaty that enables trade 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
- fresh fruit and vegetables
- large and small electrical appliances
- variety and seasonal goods
- fuel
- 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-palleted or containerised in Cairns. They are then shipped to Thursday Island (in excess of 1,000 kilometres), where they are reloaded and shipped to landing barges that finally transport the goods to the island stores (up to 300 kilometres).

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

- all food products are safe;
- the cold chain for all temperature sensitive products is unbroken;
- the goods arrive in good condition - undamaged by mishandling and uncontaminated by other products that are co-shipped with them and/or by seawater;
- all food products are reasonably date coded to allow for the extended shipping period; and
- 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. In 2018-19, CEQ experienced cyclonic event(s) which affected the remote communities of Lockhart River, Kowanyama and Pormpuraaw. CEQ had the established supply runs that ensured that the communities were not without essential goods and services in the time after the event. CEQ was also able to leverage off its Col Jones business to help with the resupply of whitegoods and furnishings that were damaged in the event. Townsville also experienced a catastrophic flood event during the financial year which could have affected supply into Palm Island had CEQ's supply chain not been robust enough to accommodate the event.

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.

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.

\$8.99

Save \$8.16

\$0.50 per 100g

Fab Laundry Powder

1.8-2kg Varieties

Source – Advertised Specials June 2019

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.

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.

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.



Produce Display – Kowanyama Store



Fresh Display – Palm Island

CEQ pricing policy

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

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

Indirectly through its 'specialling' activity CEQ has provided communities with \$1.8M 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 4% over the last three years with its profits being reinvested back into the communities via capital expenditure and increased employment.

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

Donations and event sponsorship

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

During the financial year CEQ direct support totalled \$95K.

Some of the activities sponsored during the year include:

- Palm Island Spring Fair September 2018 and NAIDOC events June 2019;
- Doomadgee Rodeo September 2018 - sponsorship for the Open Bull and Station Buck Jump events;
- Kowanyama Rodeo October 2018;
- Island of Origin July 2018 (Badu Island);
- Pormpuraaw Rodeo September 2018;
- Zenadth Kes Rugby League Cup October 2018 (Thursday Island);
- Dan Ropeyarn Cup October 2018 (Bamaga);
- Unveiling of Torres Strait Light Infantry Battalion Digger October 2018 (Thursday Island);
- "Throwdown" Fitness Challenge July 2018 (Badu Island);
- ANZAC day event April 2019 (Bamaga);
- Zenadth Kes Carnival (Volleyball) May 2019 (Warraber Island);
- Various School Donations (fresh fruit and healthy eating); and
- NAIDOC Awards July 2018 (Thursday Island).

Threats to sustainability

By far CEQ's most challenging issue is ensuring sustainability while continuing to grow the business and provide value to customers.

Significant factors impacting on sustainability are:

Freight – Freight constitutes nine percent (9%) of the turnover and consequential of the supply chain length and associated costs in delivery goods and services. Unlike the majority of retail practice, suppliers do not deliver free into store.

Power – Due to the extensive refrigeration requirements of CEQ operations, power consumption is keenly monitored. To reduce overheads and CEQ's environmental "footprint" CEQ in partnership with Ergon Energy (Retailer) embarked upon a "Power Savvy" program which entailed solar panels being installed on IBIS shops. CEQ also takes opportunities to install energy saving devices where appropriate. In some locations CEQ has had to install backup onsite generators to secure products.

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

Remote cost of living pressure – The financial pressures on families leave less disposable income for food consumption – fuel, transport, rent and power. CEQ is acutely aware of the environment and demographic that it supplies its goods and services in and strives to ensure that customers have choice in accordance with its healthy food choices and pricing policy.

Maintenance – the ongoing cost of maintenance is a major impost to the business because of the extreme environment and tyranny of distance. Store maintenance is a critical issue for grocery retailing, impacting on a range of issues, from customer and staff comfort to food safety and public health risks. Maintaining plant and equipment in remote maritime locations is expensive and a challenge, because of corrosion, lack of local tradespeople to attend to maintenance issues and cost effective transport options. CEQ has worked extensively on preventative maintenance programs over the last four 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.

People retention

Attracting and retaining staff in community stores is an ongoing challenge. In this regard, CEQ has significantly reduced the turnover rate during the past five years which in itself is a significant achievement.

CEQs vision regarding staff is for local Indigenous people to view retail as a career and assume senior management roles. This is achieved through investing in staff through training and development, and an associated mentoring programs. Training and education form part of the most significant strategic imperatives of the organisation. This investment, however, does come at a cost due to the 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.



Marissa successfully completed a Certificate III in Retail

One of the imperatives of CEQ is for store managers to be able to assume a management role in any organisation. The practices that have been adopted at a store level are those that will be accepted in mainstream retail outlets. This also forms the basis of the mentoring program that has continued to be enacted during the year as part of the succession plan for CEQ.

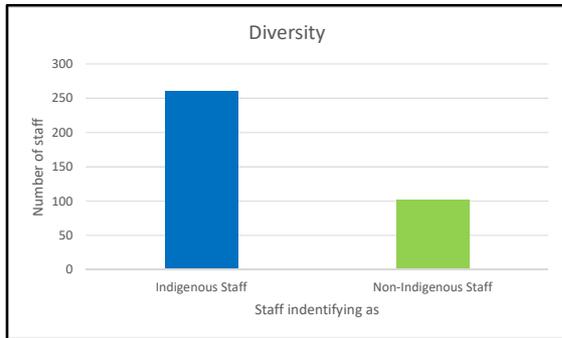
Recognising and rewarding staff is an integral component of CEQ's annual conference where store managers travel to a single location and are acknowledged for their contribution to the business. The conference includes keynote presentations and employment service awards. CEQ recognises high achievers,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

The conference is also an avenue where staff attend workshops and other training and development opportunities to better equip them in their current and future roles as leaders.

Workforce planning and profile

CEQ is a not for profit statutory body employing 363 staff (headcount) at 30 June 2019. From its inception in 1905, CEQ has grown to produce a footprint of twenty-six (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 2019 had an Indigenous representation figure of 72% based on head count.



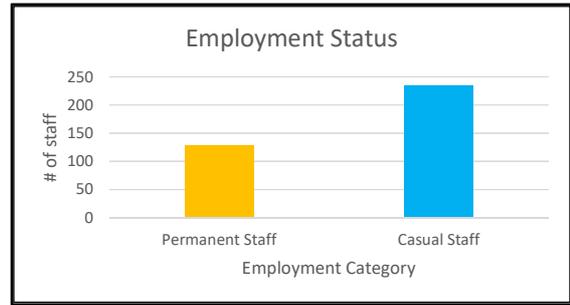
IBIS

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

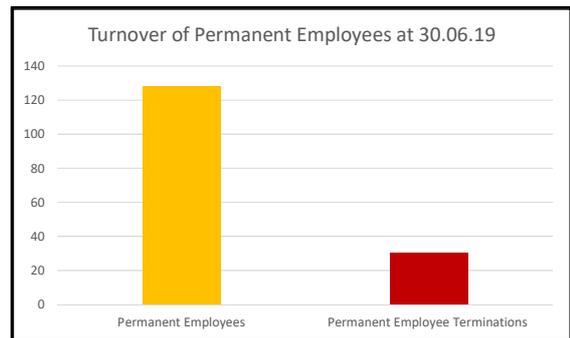
The IBIS model, now the CEQ model not only guarantees employment opportunities and a subsequent clearly defined career, it also provides a voice for Indigenous people regarding the operations of the business. CEQ provides clearly defined career paths for Indigenous people living in the remote central 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 and assistant management positions.

CEQ had a total 363 staff at the end of the financial year. Permanent staff totalled 128 staff. From an FTE perspective CEQ currently has 222 FTE's.



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



CEQ supports gender diversity within its workplace. 54% percent of all employees are female. From a management perspective, there are 25 managers in the organisation, of which 64% are female. 56% 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.



Amelia inspecting produce on Nurupai

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 72% 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.

Tenure for the Chair of the Board, Mr Nigel Tillett was extended from December 2018 to expire on 30 June 2019.

Tenure for Mayor Malone expired on 31 March 2019.

Tenure for the Deputy Chair, Mr Pedro Stephen was extended from 31 March 2019 to expire on 30 June 2019.

Board members are:

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

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

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

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

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

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

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

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

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

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

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

Mayor Ralph Kendall
Independent Director
Member – Community, Public Relations and Marketing Committee. Chair from 3 May 2019

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

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

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

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

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

Ms Jodi Peters is a founder and Managing Director of The 20/20 Group, a North Queensland strategic consultancy specialising in strategic business and marketing planning international tender writing and Board governance. She holds a Bachelor of Business and is a Graduate of the Australian Institute of Company Directors course. Ms Peters is also a Fellow of the Australian Institute of Managers and Leaders. She has an extensive background managing law firms and is presently the Business Manager of Peters Bosel Lawyers. Ms Peters has chaired, sat on, and consulted to numerous not-for-profit boards, giving her a strong knowledge of governance, executive reporting, financial and performance management. She was a member of the Board of Worklink Employment Support Group Inc. for 16 years, the last 12 of which she held the position of Chair. She presently holds other current directorships on the Boards of Cairns and Hinterland Hospital and Health Service and The Far North Queensland Hospital Foundation.

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

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

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

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

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

Mr Mislam Sam is the current Deputy Chairman of the Palm Island Community Company Board with notable business experience and leadership within the Indigenous sector. He has served over 10 years as director in Indigenous corporations, sporting associations and most recently as Local Government councillor with the Palm Island Aboriginal Shire Council. Mr Sam operates Klub Kuda Palm Island Budget Accommodation on Palm Island which he has progressively grown into a prosperous business over the past five years. Prior to his role in council, Mr Sam also has over ten years' experience working within State Government in the areas of Aboriginal and Torres Strait Islander Policy, Education and Training both in Townsville and on Palm Island.

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

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

Ms Eleanor Scott has extensive experience in remote Queensland and Indigenous communities providing legal services to local communities, predominantly commercial transactions including contracts for goods and services, property, planning and land tenure, corporate structures and native title. Ms Scott is currently a partner at Preston Law, based in the Cairns office. Ms Scott has lived in Cairns for 17 years after relocating from Papua New Guinea.

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

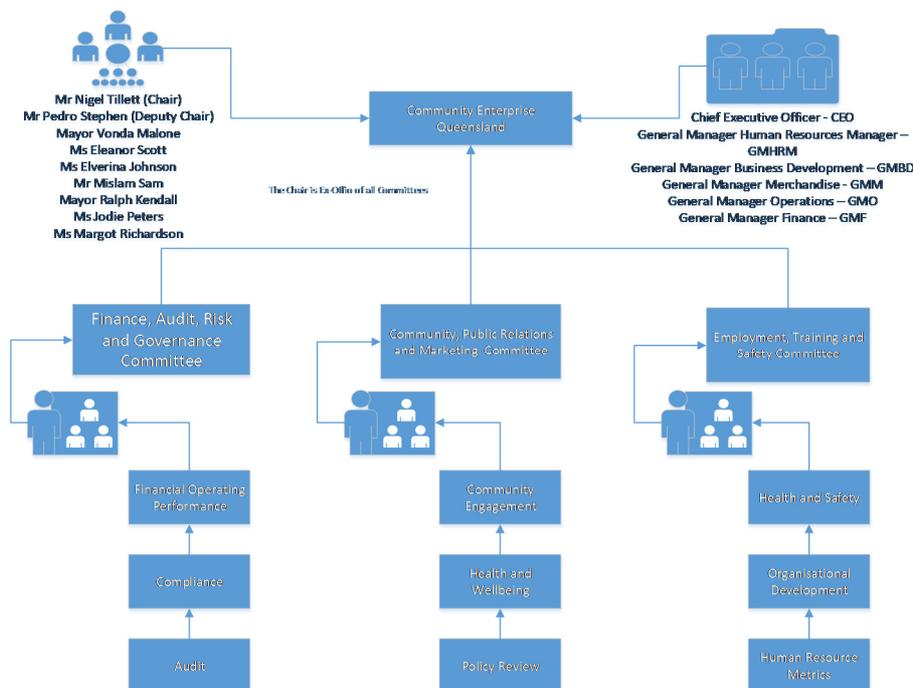
Board Charter

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: 1 July 2018 to 30 June 2019

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

The structure of the Board and Sub-Committees from 1 July 2018 to 30 June 2019 is shown below:



Note: Mr Nigel Tillet and Mr Pedro Stephen completed their terms on 30 June 2019. Mayor Malone completed her term on 31 March 2019.

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.



Daniella completing Food Safety Training course work – Warraber Island

Employment, Training and Safety Committee – ETSC

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



The Thursday Island Main Store Farmers Market completed in 2019 was an initiative of the CPRM driven by the community.

Community, Public Relations and Marketing Committee - CPRMC

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

Meeting attendance 1 July 2018 – 30 June 2019

	Type of Meeting				Total Meetings Attended
	Board	FARG	ETS	CPRM	
Scheduled Meetings	10	11	4	2	
Nigel Tillett	8	11	2	2	23
Michael Aw	8	10	-	1	19
Elverina Johnson	3	-	1	1	5
Ralph Kendall	6	-	-	2	8
Vonda Malone	2	-	-	1	3
Jodi Peters	9	11	3	-	23
Margot Richardson	6	9	4	-	19
Mislam Sam	7	4	-	2	13

	Type of Meeting				Total Meetings Attended
	Board	FARG	ETS	CPRM	
Scheduled Meetings	10	11	4	2	
Eleanor Scott	8	8	3	-	19
Pedro Stephen	6	-	-	1	7

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

Payments to Board Members

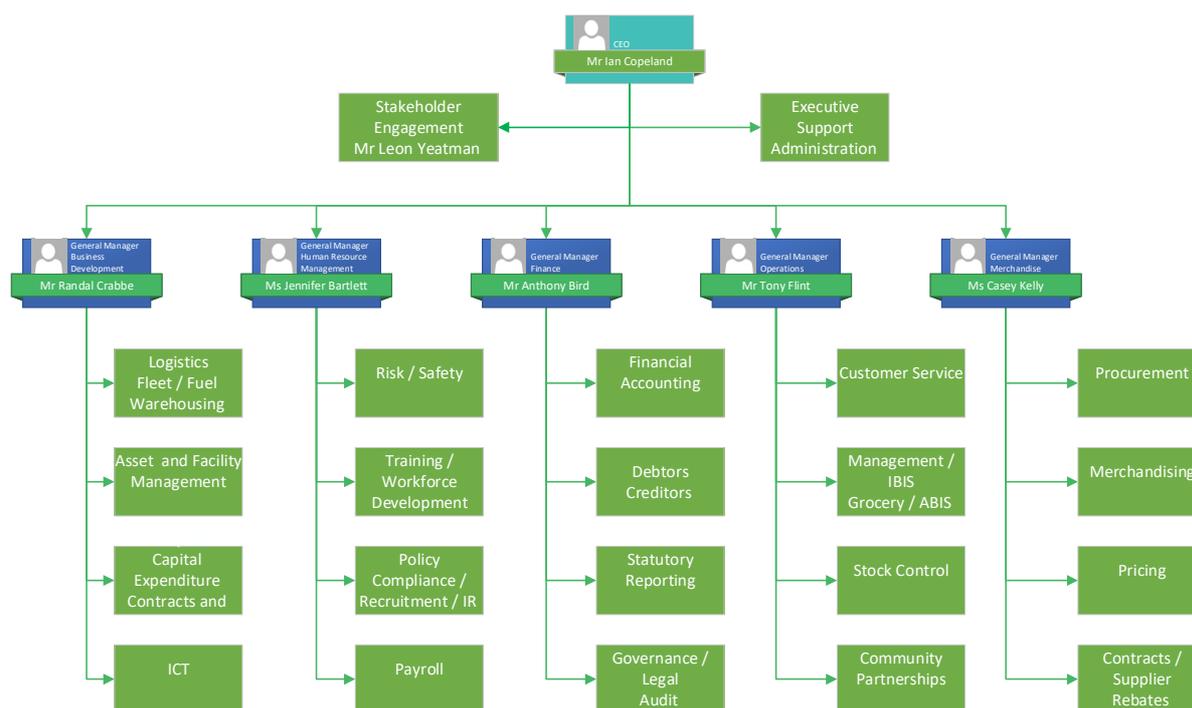
Payments to the CEQ Board are in accordance with the Remuneration Procedures for Part-Time Chairs and Members of Queensland Government Bodies, being:

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

Family Name	Given Name	Position Title	Payments \$
Tillett	Nigel	Chairperson	44,895
Aw	Michael	Member	20,805
Johnson	Elverina	Member	20,805
Kendall	Ralph	Member	0
Malone	Vonda	Chair CPRM Committee	0
Peters	Jodi	Chair ETS Committee	21,353
Richardson	Margot	Member	20,805
Scott	Eleanor	Chair FARG Committee	21,353
Sam	Mislam	Member	20,805
Stephen	Pedro	Member	20,435

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

Organisational structure



Executive management

Ian Copeland is the Chief Executive Officer (CEO) with 37 years' experience in business development, strategic planning, sales and marketing including over 25 years' experience at senior executive level.

Other members of the Executive team are:

Mr Randal Crabbe

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

Ms Jennifer Bartlett

General Manager Human Resources Manager with over 20 years of experience in business management, staff development in an adult training area, and extensive experience working and living with Indigenous Australians.

Mr Anthony Bird

General Manager Finance – experience in alternate financing arrangements, performance based reform of public sector agencies, pricing, rate of return and costing methodologies.

Ms Casey Kelly

General Manager Merchandise with over 18 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 3 years of experience in training and mentoring roles in remote communities.

Financial performance

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

- The financial records of the statutory body has been properly maintained throughout the year ended 30 June 2019 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

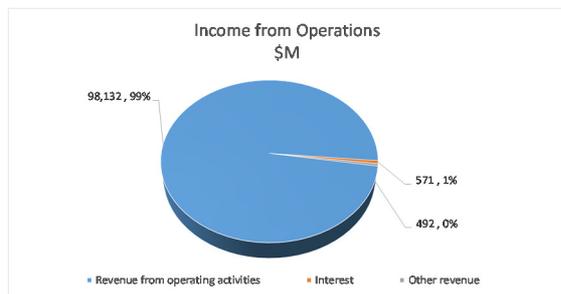
efficiently, effectively and economically throughout the financial year.

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

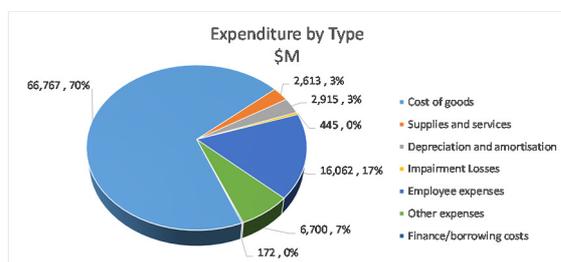
- Weathering the storms of Cyclones Owen (December 2018) and Ann (May 2019) and a generally longer than usual wet season;
- Completion of capital works; and
- Delivering on CEQ’s commitment to provide goods and services at affordable prices.

Operating Result

CEQ continues to perform strongly year on year. From an operating result perspective (excluding capital revaluations) CEQ produced a net result of \$3.5M. This was backed on strong revenue figures of \$98.1M which is up \$3.2M on previous year revenue. Income was distributed in the following manner:



Expenses were distributed in the following manner:



As can be seen from the graph the majority of expenses for CEQ are COGS which make up 70% of expenses. Employee expenses are the next major category of expense at \$16.1M or 17% of total expenses. Major lines in other expense items and supplies and services include:

Expense Items > \$500K	\$'000
Electricity	1,812
Repairs and maintenance	1,205
ICT Expense	541
Travel	767
Rent	1,161
Telephone and Communications	623

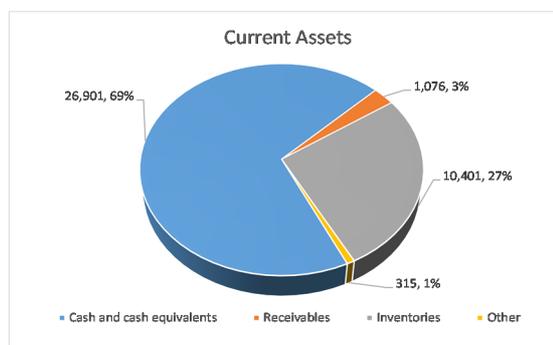
Net Result over Time



The net result of \$3.5M is 4% of turnover and in accordance with established norms for the business.

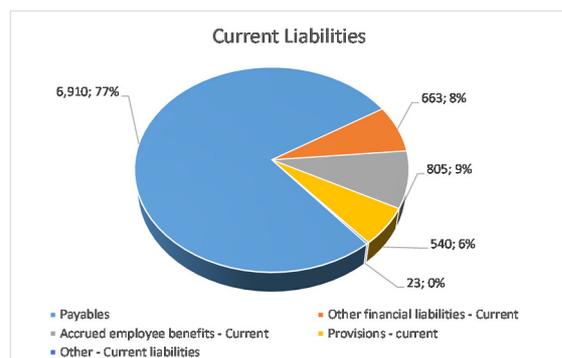
Balance Sheet - Assets

From a Balance Sheet perspective current assets are \$38.7M of which \$26.9M is cash.



Balance Sheet - Liabilities

CEQ at the end of financial year had current liabilities of \$9.0M of which \$7.0M was Accounts Payable.



Non-Current Balance Sheet Items

Total non-current assets were \$42.0M of which \$41.3M was Property, Plant and Equipment. Total non-current liabilities were \$4.9M of which \$4.8M was a financial liability associated with Queensland Treasury Corporation.

Financial ratios at a glance

Ratio	2019	CEQ Average
Liquidity - working capital	4.31	3.36
Efficiency – gross profit margin	32%	33%
Efficiency – operating profit margin	3%	3%
Return on asset	4%	4%
Net profit margin	4%	3%

Note: CEQ average is an average over 5 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

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

Capital expenditure by asset class:	
Land	\$-
Buildings	\$266,385
Plant and equipment	1,072,666
Motor vehicles	67,906
Total Physical Assets	1,406,956

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
- 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 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

The Audit Year of 2018/19 was the second year of CEQ engaging in a formal Internal Audit function. Grant Thornton (a provider of independent assurance, tax and advisory services) were engaged as CEQ's Internal Auditor. The role and function Internal Audit at CEQ is to:

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

Specifically, Internal Audit is required to:

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

The Internal Audit Plan developed was based upon CEQ's enterprise risk register. In this year of Audit, Grant Thornton undertook three projects including Asset Management, Marketing and Corporate Governance. Grant Thornton in its dealings with CEQ had due regard for Audit Committee Guidelines and as an external agency was independent of management and Authorised Auditors.

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

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

ETHICAL BEHAVIOUR

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

Existing staff are provided with training to understand the *Public Sector Ethics Act 1994* and CEQ Code of Conduct. New staff are provided with the Code of Conduct as part of the induction process and the Code of Conduct is made available to all staff on the CEQ intranet.

Other reporting requirements

Overseas travel

There was no overseas travel undertaken by staff.

s60V Minister's power to give direction

No directions were received by CEQ during the reporting period.

Consultants

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

Consultancy Category	Expenditure (\$)
Consultants – Management including Legal	108,420
Consultants - Human resources management	-
Consultants - Communications	33,906
Consultants - Finance/accounting	8,760
Consultants - Professional/technical	5,764
Total	156,850

Information Systems and Record Keeping

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

Short Form

Description

COAG	Council of Australian Governments
CPRMC	Community, Public Relations and Marketing Committee
ETSC	Employment, Training and Safety Committee
FARGC	Finance, Audit, Risk and Governance Committee
FTE	Full Time Equivalent
IBIS	Trading name - Islanders Board of Industry and Service of the IIB
IIB	Island Industries Board
ILUA	Indigenous Land Use Agreement
F2016-17	Financial year ending 30 June 2017 – note this is an extended reporting period from 1 February 2016 to 30 June 2017
FAA	Financial Accountability Act
FMPM	CEQ Financial Management Practice Manual
NPA	Northern Peninsula Area, Cape York
ETSC	Safety, Employment and Training Committee

Glossary

Frequently used Terms:

Short Form	Description
ABIS	Aboriginal Business Industry and Service
BDMC	Business Development and Marketing Committee
CEO	Chief Executive Officer
CEQ	Community Enterprise Queensland

Annexure 1 – annual financial statements

Community Enterprise Queensland

**Financial Statements
For the year ended 30 June 2019**

**Community Enterprise Queensland
Financial Statements
For the Year Ended 30 June 2019**

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General Information

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

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

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

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

269 Mulgrave Road
WESTCOURT QLD 4870

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

For information in relation to the statutory body's financial statement please call the General Manager Finance on (07) 4050 4300.

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

**COMMUNITY ENTERPRISE QUEENSLAND
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2019**

		2019	2018*
		\$'000	\$'000
Operating Result			
Income	Note		
Revenue	3(a)	98,132	94,986
Interest		571	409
Other revenue	3(b)	492	651
Total Income		99,195	96,046
Expenses			
Cost of goods sold		66,767	65,915
Supplies and services	4	2,613	3,076
Depreciation		2,915	2,790
Employee expenses	5	16,062	15,293
Impairment losses	6	445	2,490
Other expenses	7	6,700	5,895
Finance/borrowing costs	8	172	189
Total		95,674	95,648
Operating Result for the Year		3,521	398
Other Comprehensive Income			
<i>Items that will not be reclassified subsequently to Operating Result</i>			
Increase (decrease) in asset revaluation surplus	19	918	2,606
Total for Items that will not be reclassified to Operating Result		918	2,606
Total Other Comprehensive income		918	2,606
Total Comprehensive Income		4,439	3,004

The accompanying notes form part of these statements.

** The comparatives have been adjusted as disclosed in Note 27.*

**COMMUNITY ENTERPRISE QUEENSLAND
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2019**

		2019	2018*
		\$'000	\$'000
	Note		
Current Assets			
Cash and cash equivalents	9	26,901	20,910
Receivables	10	1,117	1,471
Inventories	11	10,402	10,389
Other assets		315	273
Total Current Assets		38,735	33,043
Non-Current Assets			
Goodwill	12	723	1,168
Property, plant and equipment	13	41,264	41,957
Other non-current assets	14	-	89
Total Non-Current Assets		41,987	43,214
Total Assets		80,722	76,257
Current Liabilities			
Payables	15	6,952	6,422
Interest bearing liabilities	16	663	636
Accrued employee benefits	17	805	770
Provisions	18	540	433
Other liabilities		23	32
Total Current Liabilities		8,983	8,293
Non-Current Liabilities			
Interest bearing liabilities	16	4,788	5,452
Provisions	18	135	135
Total Non-Current Liabilities		4,923	5,587
Total Liabilities		13,906	13,880
Net Assets		66,816	62,377
Equity			
Accumulated surplus		46,356	42,835
Asset revaluation surplus	19	20,460	19,542
Total Equity		66,816	62,377

The accompanying notes form part of these statements.

** The comparatives have been adjusted as disclosed in Note 27.*

**COMMUNITY ENTERPRISE QUEENSLAND
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2019**

	Accumulated Surplus \$'000	Asset Revaluation Surplus (Note 19) \$'000	TOTAL \$'000
Balance as at 1 July 2017	<u>42,437</u>	<u>16,936</u>	<u>59,373</u>
Operating Result	398	-	398
Other Comprehensive Income			
- Increase / (decrease) in asset revaluation surplus	-	2,606	2,606
Total Comprehensive income for the Year	<u>398</u>	<u>2,606</u>	<u>3,004</u>
Balance as at 30 June 2018*	<u>42,835</u>	<u>19,542</u>	<u>62,377</u>
Balance as at 1 July 2018	<u>42,835</u>	<u>19,542</u>	<u>62,377</u>
Operating Result	<u>3,521</u>	-	<u>3,521</u>
Other Comprehensive Income			
- Increase / (decrease) in asset revaluation surplus	-	918	918
Total Comprehensive income for the Year	<u>3,521</u>	<u>918</u>	<u>4,439</u>
Balance as at 30 June 2019	<u>46,356</u>	<u>20,460</u>	<u>66,816</u>

The accompanying notes form part of these statements.

** The comparatives have been adjusted as disclosed in Note 27.*

**COMMUNITY ENTERPRISE QUEENSLAND
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2019**

		2019	2018
		\$'000	\$'000
	Note		
Cash flows from operating activities			
<i>Inflows:</i>			
Receipts from customers		98,912	95,573
GST input tax credits from ATO		5,154	5,016
GST collected from customers		5,909	5,696
Interest receipts		571	409
<i>Outflows:</i>			
Employee expenses		(15,920)	(15,178)
Supplies and services		(75,437)	(74,027)
Finance/borrowing costs		(172)	(189)
GST paid to suppliers		(5,138)	(5,055)
GST remitted to ATO		(5,912)	(5,671)
Net cash provided by operating activities	23	<u>7,967</u>	<u>6,574</u>
Cash flows from investing activities			
<i>Inflows:</i>			
Sales of property, plant and equipment		158	2
<i>Outflows:</i>			
Payments for property, plant and equipment	13	(1,494)	(1,841)
Payments for rental pool assets	14	(3)	(109)
Net cash (used in) investing activities		<u>(1,339)</u>	<u>(1,948)</u>
Cash flows from financing activities			
<i>Inflows:</i>			
Proceeds from borrowings		178	197
<i>Outflows:</i>			
Borrowing redemptions		(815)	(815)
Net cash (used in) financing activities	23	<u>(637)</u>	<u>(618)</u>
Net increase in cash and cash equivalents		5,991	4,008
Cash and cash equivalents at beginning of financial year		20,910	16,902
Cash and cash equivalents at end of financial year	9	<u>26,901</u>	<u>20,910</u>

The accompanying notes form part of these statements.

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

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**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

NOTES TO THE FINANCIAL STATEMENTS

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Note:

1. Basis of Financial Statement Preparation

(a) General Information

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

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

(b) Compliance with Prescribed Requirements

CEQ has prepared these financial statements in compliance with section 42 of the *Financial and Performance Management Standard 2009*. The financial statements comply with Queensland Treasury's Minimum Reporting Requirements for reporting periods beginning on or after 1 July 2018.

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.

New accounting standards early adopted and/or applied for the first time in these financial statements are outlined in Note 28.

(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 2018, except where restated as necessary (Refer Note 27) 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.

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

(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; and
- Inventories which are measured at the lower of cost or net realisable value.

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

Fair Value

Refer to Note 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 provides the following on a fee for service basis:

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

	2019	2018
	\$'000	\$'000
3. Revenue		
(a) Operating Activities		
Sale of goods	95,713	92,730
Rebates	1,545	1,569
Commissions received – Island receipts system	141	159
Other	733	528
Total	98,132	94,986

Accounting Policy – Goods Sold and Services Rendered

Revenue from the sales of goods is recognised in the Statement of Comprehensive Income when the revenue has been earned and can be measured reliably with a sufficient degree of certainty. This occurs upon delivery of the goods to the customer or completion of the requested services at which time the invoice is raised. Services provided by CEQ are recognised as revenues when the services are performed.

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
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	2019	2018
	\$'000	\$'000
(b) Other Revenue		
Appliance rentals (i)	117	273
Property rentals (ii)	375	378
Total	492	651

(i) Appliance Rentals

Following the acquisition of Col Jones in 2017, CEQ rents appliances to its customers. These rental agreements are usually for a period of between 12 and 36 months. Following a review of the appliance rental business operations in 2019, the operation was discontinued.

Future minimum lease rentals are as follows:

	Within 1 year	Minimum lease receipts due		Total
	\$'000	1 – 5 years	After 5 years	'000
	\$'000	'000	'000	'000
30 June 2018	310	122	-	432
30 June 2019	94	20	-	114

Accounting Policy – Appliance Rental

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

(ii) Property Rentals

Certain components of properties owned by CEQ are leased out.

Future minimum lease rentals are as follows:

	Within 1 year	Minimum lease receipts due		Total
	\$'000	1 – 5 years	After 5 years	'000
	\$'000	'000	'000	'000
30 June 2018	207	71	-	278
30 June 2019	275	105	-	380

Accounting Policy – Property Rental

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

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

	2019	2018
	\$'000	\$'000
4. Supplies and Services		
Bank fees and charges	221	212
Board meeting expenses	216	245
Consultants and contractors	163	152
DATSIP Recharges	204	437
Employee recruitment/training/relocation expenses	80	141
Employee uniforms	20	33
Freight	71	71
Legal fees	100	106
Postage	13	11
Stationery	135	117
Telephone and communications	623	689
Travel	767	862
Total Supplies and Services	<u>2,613</u>	<u>3,076</u>

5. Employee Expenses

Employee Benefits

Wages and salaries	14,211	13,733
Employer superannuation contributions	1,332	1,274
Other employee benefits	340	140

Employee Related Expenses

Workers' compensation premium	88	74
Other employee related expenses	91	72
Total	<u>16,062</u>	<u>15,293</u>

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	225	223
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Employer superannuation contributions, annual leave and long service leave are regarded as employee benefits.

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

Accounting Policy – Wages and Salaries

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

Accounting Policy – Sick Leave

Prior history indicates that on average, sick leave taken at each reporting period is less than the entitlement accrued. This is expected to continue in future periods. As sick leave is non-vesting, an expense is recognised for this leave as it is taken.

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
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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).

	2019	2018
	\$'000	\$'000
6. Impairment Losses		
Goodwill	445	2,490
Total	<u>445</u>	<u>2,490</u>

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 notes:

Goodwill – Note 12.

	2019	2018
	\$'000	\$'000
7. Other Expenses		
Advertising	75	66
Bad debts	7	53
Conference costs	172	-
Donations	41	25
Electricity	1,812	1,864
Equipment hire	53	62
Events sponsorships	55	35
Audit fees*	110	76
Insurance	327	301
Licences and fees	81	88
Net loss from disposal of property, plant and equipment	123	21
Rates	281	418
Rent	1,161	812
Repairs and maintenance	2,054	1,606
Security	7	11
Trade expenses	197	343
Vehicle operating expenses	133	107
Wrapping	6	2
Other	5	5
Total	<u>6,700</u>	<u>5,895</u>

Audit Fees

*Total audit fees quoted by the Queensland Audit Office relating to the financial statements are \$95,000 (2018: \$99,100).

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

	2019	2018
	\$'000	\$'000
8. Finance / Borrowings Costs		
Interest on borrowings	172	189
Total	<u>172</u>	<u>189</u>

Accounting Policy – Financing/ Borrowing Costs

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

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

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

9. Cash and Cash Equivalents

	2019	2018
	\$'000	\$'000
Cash at bank and on hand	4,464	5,206
QTC working capital facility	2	2
QTC cash fund	22,435	15,702
Total	<u>26,901</u>	<u>20,910</u>

Cash deposited with the Queensland Treasury Corporation earned interest at rates of 2.36% (2018: 2.38%) on the cash fund facility and 1.25% (2018: 1.5%) working capital facility.

Accounting Policy – Cash and Cash equivalents

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

10. Receivables

	2019	2018
	\$'000	\$'000
Trade debtors	1000	1,377
Less: Loss allowance	(9)	(29)
	<u>991</u>	<u>1,348</u>
Other	126	123
Total	<u>1,117</u>	<u>1,471</u>

Accounting Policy – Receivables

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

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

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

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
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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. Economic changes impacting CEQ's debtors, and relevant industry data form part of the CEQ's impairment assessment.

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 below.

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 29 months preceding 30 June 2019. 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 29 months preceding 30 June 2019 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. The comparative disclosure for 2018 is made under AASB 139 impairment rules, where receivables are assessed individually for impairment.

Impairment of Receivables

	Gross Receivables	2019 Loss rate	Expected credit losses	Gross Receivables	2018 Allowance for Impairment	Carrying Amount
Overdue	\$'000	%	\$'000	\$'000	\$'000	\$'000
Less than 30 days	596	1.10	7	-	-	-
30 to 60 days	46	2.89	1	-	-	-
60 to 90 days	11	3.80	-	-	-	-
Greater than 90 days	18	6.52	1	75	(29)	46
Total overdue	671	1.40	9	75	(29)	46

Disclosure – Movement in Loss Allowance for Impaired Receivables

	2019	2018
	\$'000	\$'000
Loss allowance as at 1 July	29	11
Increase/decrease in allowance recognised in operating result	7	18
Amounts written-off during the year in respect of bad debts*	(27)	-
Loss allowance as at 30 June	9	29

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

There has been a significant decrease in gross trade receivables at 30 June 2019 compared to 30 June 2018 primarily because CEQ managed to collect more outstanding debts and \$26,444 of trade debtors was deemed uncollectable in 2018-19 and were written off.

**COMMUNITY ENTERPRISE QUEENSLAND
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Disclosure – Ageing of Past Due but Not Impaired Receivables

This disclosure relates only to comparative balances at 30 June 2018. Under AASB 9, effective from 1 July 2018, a loss allowance is assessed for all receivables.

	2019	2018
	\$'000	\$'000
Overdue		
Less than 30 days	-	-
30 to 60 days	94	191
60 to 90 days	24	143
Greater than 90 days	45	56
Total overdue	163	390

11. Inventories

Inventories on hand	9,611	9,609
Inventories in transit	791	780
Total	10,402	10,389

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

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

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

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

Under current arrangements with CEQ's suppliers, the risks and rewards of ownership of inventories transfer to CEQ at the time the inventories are dispatched from the suppliers' warehouse. Accordingly, goods in transit have been brought to account as at 30 June 2019.

12. Goodwill

2019	2018
\$'000	\$'000

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

Gross		
Opening balance	1,168	3,658
Impairment loss recognised	(445)	(2,490)
Carrying amount at year end	723	1,168

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.

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
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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.

Key assumptions in the value-in-use impairment model include:

Annual growth rate:	1.00%	Estimated annual rate of growth for revenue.
Discount rate:	2.13%	Commonwealth Government 10-year bond rate.

The CEQ Board undertook a review of the Col Jones business operations during the 2019 year. Consequently, the Board decided to discontinue the Local Appliance Rentals operation. An impairment loss has been recognised to adjust the carrying amount of goodwill to nil.

A review of the impairment model in 2019 financial year resulted in a recalculation of the overhead component. As a result, the Col Jones goodwill was impaired in the 2018 year and prior year comparatives have been restated. Refer to note 27.

13. Property, Plant and Equipment and Depreciation Expense

(a) Closing Balances and Reconciliation of Carrying Amount

2019	Land Fair value \$'000	Buildings Fair value \$'000	Plant & Equipment Cost \$'000	Work in progress Cost \$'000	Total \$'000
Gross	7,980	46,562	17,002	306	71,850
Less: Accumulated depreciation	-	(20,276)	(10,310)	-	(30,586)
	7,980	26,286	6,692	306	41,264
<i>Represented by movement in carrying amount</i>					
:					
Carrying amount at 1 July 2018	7,980	26,614	7,144	219	41,957
Acquisitions	-	-	-	1,494	1,494
Disposals	-	(21)	(194)	-	(215)
Transfers between asset classes	-	266	1,141	(1,407)	-
Net Revaluation increments / (decrements) in asset revaluation surplus	-	918	-	-	918
Depreciation expense	-	(1,491)	(1,399)	-	(2,890)
Carrying amount at 30 June 2019	7,980	26,286	6,692	306	41,264

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

COMMUNITY ENTERPRISE QUEENSLAND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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

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

(b) Recognition and Acquisition

Accounting Policy – Recognition Thresholds

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

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

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

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

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

Accounting Policy – Cost of Acquisition

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

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

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

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

(c) Measurement using historical cost

Accounting Policy

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

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

(d) Measurement using Fair Value

Accounting Policy

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

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

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.

COMMUNITY ENTERPRISE QUEENSLAND NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2019

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).

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 their useful life to CEQ.

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

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

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

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

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

(f) Impairment

Accounting Policy

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

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

	2019	2018
	\$'000	\$'000

14. Other Non-Current assets – Rental Assets

Opening balance	89	-
Acquisitions	3	109
Depreciation	(25)	(20)
Derecognition of Assets	(67)	-
Closing balance	<u>-</u>	<u>89</u>

Recognition and Measurement

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

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

Derecognition is the removal of a previously recognised financial asset or liability from an entity's balance sheet. The rental assets were derecognised on 31 March 2019 due to all assets being transferred to a third party along with the risks and rewards of ownership.

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

15. Payables

	2019	2018
	\$'000	\$'000
Trade creditors	5,234	4,869
Sundry creditors and accruals	1,676	1,525
	<u>6,910</u>	<u>6,394</u>
GST payable	474	477
GST receivable	(432)	(449)
	<u>42</u>	<u>28</u>
Total	<u>6,952</u>	<u>6,422</u>

GST has been reclassified from prior year receivables to payables.

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.

16. Interest Bearing Liabilities

	2019	2018
	\$'000	\$'000
Current		
Borrowings	663	636
Total	<u>663</u>	<u>636</u>
Non-Current		
Borrowings	4,788	5,452
Total	<u>4,788</u>	<u>5,452</u>

Accounting Policy – Borrowings

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

The fair value of borrowings is disclosed in Note 20 (e).

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

(a) Borrowings

(i) Terms and Conditions

The term of borrowings is 10 years. The maturity profile is disclosed in Note 21 (b) along with CEQ's other financial liabilities. All borrowings are in \$A denominated amounts. There have been no defaults or breaches of the loan agreement during the 2019 period. No assets have been pledged as security for any borrowings.

(ii) Interest Rates

Interest rates on borrowings is a fixed 2.94% (2018: 2.94%). No interest has been capitalised during the current or comparative period.

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	2019	2018
	\$'000	\$'000

17. Accrued Employee Benefits

Current

Annual leave	805	770
Total	805	770

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

Current

Long Service Leave	540	433
Total	540	433

Non-Current

Long Service Leave	135	135
Total	135	135

Movements in provisions

Long Service Leave

Opening balance	568	532
Additional provision recognised	144	99
Reduction in provision as a result of payments	(37)	(63)
Closing balance	675	568

Accounting Policy – Provisions

The provision for long service leave represents CEQ's best estimate of the future benefit that employees have earned. The amount and timing of the associated outflows is uncertain and dependant on employees attaining the required years of services. Where CEQ no longer has the ability to defer settlement of the obligation beyond 12 months from the reporting date, liabilities are presented as current. This would usually occur when employees are expected to reach the required years of service in the 12 months from reporting date. The discount rate used to determine the present value of future benefits at 30 June 2019 was 1.65% (2018: 2.79%).

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.

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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 2017	2,693	14,243	16,936
Revaluation increments	-	2,877	2,877
Revaluation decrements	(271)	-	(271)
Balance 30 June 2018	2,422	17,120	19,542
Revaluation increments	-	918	918
Revaluation decrements	-	-	-
Total	-	918	918
Balance 30 June 2019	2,422	18,038	20,460

20. Fair Value Measurement

(a) Accounting Policies and Inputs for Fair Values

(i) What is Fair Value?

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

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

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

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

(ii) Fair Value Measurement Hierarchy

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

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(b) Basis for Fair Values of Assets and Liabilities

(i) Managed Funds

Managed funds are investments in the Queensland Treasury Corporation's (QTC) cash fund measured at fair value based on the current redemption value of the fund as at 30 June 2019 as advised by QTC and are included in level 2 of the fair value hierarchy.

(ii) Land

CEQ's land was last revalued in March 2018 based on specific appraisals by an independent valuer, Asset Advance Pty Ltd. The effective date of the valuation was 31 March 2018. Level 2 valuation inputs were used to value land in freehold title. Sales prices for comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre. Valuations represent the replacement cost of the land. Land components not held under freehold title have not been assessed as use is restricted under trustee leases and indigenous land use agreements (ILUA) in place.

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

During 2018-19, 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.

(iii) Buildings

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

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

Where buildings are of a specialist nature and there is no active market for the assets, fair value has been determined on the basis of replacement with a modern equivalent corresponding to the building presently existing. The gross current 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 building price indices provided by the Queensland Government Department of Housing and Public Works.

Where there is no depth of market, the net current value of a building asset is the gross current 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 2018-19, 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 3.25% is applicable to this asset class.

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

	Level 2		Level 3		Total Carrying Amount	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Land	7,980	7,980	-	-	7,980	7,980
Buildings	-	-	26,286	26,614	26,286	26,614
Managed Funds	22,437	15,704	-	-	22,437	15,704
Total	30,417	23,684	26,286	26,614	56,703	50,298

(d) Level 3 Fair Value Measurement – Reconciliation

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

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

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

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

	2019		2018	
	Carrying Amount \$'000	Fair Value \$'000	Carrying Amount \$'000	Fair Value \$'000
Financial liabilities at amortised cost				
- QTC Borrowings	5,451	5,743	6,088	6,127
Total	5,451	5,743	6,088	6,127

21. Financial Risk Disclosures

(a) Financial Instrument Categories

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

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

(i) Risk Exposure

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

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

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

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 15) and borrowings from QTC (Note 16).

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Risk Exposure	Definition	Exposure
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 borrowings from QTC (Note 16) and cash deposited in interest bearing accounts (Note 9)</p>

(ii) Risk Measurement and Management Strategies

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

Risk Exposure	Measurement Method	Risk Management Strategies
Credit risk	Aging analysis, earnings at risk	<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.

(b) 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	2019 Contractual Maturity Payable In				2018 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	15	6,910	6,910	-	-	6,394	6,394	-	-
QTC borrowings	16	6,113	815	3,260	2,038	6,928	815	3,260	2,853
Total		13,023	7,725	3,260	2,038	13,322	7,209	3,260	2,853

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	2019	2018
	\$'000	\$'000

22. Commitments

Non-Cancellable Operating Lease Commitments

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

Not later than one year	590	642
Later than one year and not later than five years	1,618	2,173
Later than five years	380	380
	<u>2,588</u>	<u>3,195</u>

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	50	50
Later than one year and not later than five years	207	204
Later than five years	1045	1,098
	<u>1,302</u>	<u>1,352</u>

Capital Expenditure Commitments

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

Plant and Equipment

Not later than one year	516	192
Later than one year and not later than five years	-	-
Later than five years	-	-
Total	<u>516</u>	<u>192</u>

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

	2019	2018
	\$'000	\$'000
Operating surplus	3,521	398
Impairment charge	445	2,490
Depreciation expense	2,915	2,790
(Gain)/loss on disposal of property, plant and equipment	123	21
Change in assets and liabilities:		
(Increase)/decrease in trade receivables	358	(270)
(Increase)/decrease in GST input tax credits receivable	16	(39)
(Increase)/decrease in other receivables	(3)	522
(Increase)/decrease in inventories	(11)	(401)
(Increase)/decrease in prepayments/other	(42)	86
Increase/(decrease) in accounts payable	515	828
Increase/(decrease) in accrued employee benefits	142	115
Increase/(decrease) in unearned revenue	(9)	9
Increase/(decrease) in GST payable	(3)	25
Net cash from operating activities	<u>7,967</u>	<u>6,574</u>

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Changes in Liabilities Arising from Financing Activities

2019	Closing Balance 2018 \$'000	Cash Received \$'000	Cash Repayments \$'000	Closing Balance 2019 \$'000
Borrowings	6,088	178	(815)	5,451
Total	6,088	178	(815)	5,451

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

*Prior year cash repayments have been reclassified from Finance lease payments to Borrowing redemptions

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

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

The transition date for both AASB 15 and AASB 1058 is 1 July 2019. Consequently, these standards will first apply to CEQ when preparing the financial statements for 2019-20.

CEQ does not currently have any revenue contracts with a material impact for the period after 1 July 2018.

AASB 16 Leases

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

Impact for Lessees

Under AASB 16, the majority of operating leases (as defined by the current AASB 117 and shown at Note 22) will be reported on the statement of financial position as right-of-use assets and lease liabilities.

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

The lease liability will be initially recognised at an amount equal to the present value of the lease payments during the lease term that are not yet paid. Current operating lease rental payments will no longer be expensed in the statement of comprehensive income. They will be apportioned between a reduction in the recognised lease liability and the implicit finance charge (the effective rate of interest) in the lease. The finance cost will also be recognised as an expense.

AASB 16 allows a 'cumulative approach' rather than full retrospective application to recognising existing operating leases. In accordance with Queensland Treasury policy, CEQ will apply the 'cumulative approach', and will not need to restate comparative information. Instead, the cumulative effect of applying the standard is recognised as an adjustment to the opening balance of accumulated surplus (or other component of equity, as appropriate) at the date of initial application.

AASB 16 allows lessees to choose, on a lease-by-lease basis, between measuring the right-of-use asset either as if the standard had always applied or at an amount equal to the lease liability. CEQ will apply the first method as recommended by Queensland Treasury.

Outcome of review as lessee

CEQ has quantified the transitional impact on the statement of financial position and statement of comprehensive income of all qualifying lease arrangements that will be recognised on-balance sheet under AASB 16, as follows.

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- Statement of financial position impact on 1 July 2019:
 - \$4,914,012 increase in lease liabilities
 - \$4,786,832 increase in right-of-use assets
 - \$128,180 decrease in opening accumulated surplus

- Statement of comprehensive income impact expected for the 2019-20 financial year, as compared to 2018-19:
 - \$499,668 increase in depreciation and amortisation expense
 - \$137,369 increase in interest expense
 - \$516,113 decrease in supplies and services expense
 - This results in a net increase of \$120,923 in total expenses

Impact for Lessors

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

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

26. Related Parties

(a) Key Management Personnel Disclosures

(i) Details of Key Management Personnel

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

Non-ministerial key management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of CEQ during 2018-19 and 2017-18. These positions include CEQ's board of directors, as well as certain management positions. For those members of management that have been determined as key management personnel, further details have been included in the below table.

Position	Responsibilities	Current Incumbents
		Date appointed to position (Date resigned from position)
Chief Executive Officer	The Chief Executive Officer provides strategic leadership of the statutory body's service delivery and is responsible for the efficient, effective and economic administration of the statutory body.	Appointed 1 July 2009
General Manager Finance	The General Manager Finance provides strategic leadership and direction for the financial administration of the statutory body.	Appointed 7 December 2015
General Manager Operations	The General Manager Operations provides strategic leadership and management of the statutory body's retail service delivery.	Appointed 18 September 2017
General Manager Human Resources	The General Manager Human Resources provides strategic leadership and management of the statutory body's human capital and human resources systems.	Appointed 1 March 2010
General Manager Business Development	The General Manager Business Development provides strategic leadership in business development matters and management of the statutory body's inventory supply chain.	Appointed 15 March 2010
General Manager Merchandise	The General Manager Merchandise provides strategic leadership and management of the statutory body's inventory procurement	Appointed 20 March 2017
Stakeholder Engagement Officer	The Stakeholder Engagement Officer provides strategic leadership and management of the statutory body's engagement with the communities.	Appointed 30 October 2017 Resigned 13 November 2018 Not replaced

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

(ii) Remuneration Policies

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

Remuneration expenses for key management personnel comprise the following components:

Short term employee expenses which include:

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

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

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

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

At risk performance bonuses may be paid or payable annually depending on satisfaction of key criteria. The amounts are approved by the CEQ Board in conjunction with the Employment and Training 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 key management positions during the respective reporting periods. Therefore, the amounts disclosed reflect expenses recognised in the Statement of Comprehensive Income.

2018-19

Position	Short Term Employee Expenses		Long Term Employee Expenses	Post-Employment Expenses	Performance Bonus	Total Expenses
	Monetary Expenses \$'000	Non-Monetary Benefits \$'000	\$'000	\$'000	\$'000	\$'000
Board of Directors	175	-	-	17	-	192
Chief Executive Officer	323	-	5	36	60	424
General Manager Finance	186	-	3	19	17	225
General Manager Retail Operations	142	-	2	15	13	172
General Manager Human Resources	171	-	3	18	16	208
General Manager Business Development	171	-	3	17	16	207
General Manager Merchandise	137	-	2	15	13	167
Stakeholder Engagement Officer (01 Jul 18 – 13 Nov 18)	70	5	1	6	-	82
Total	1,375	5	19	143	135	1,677

One executive staff member left the organisation on 13 November 2018.

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2017-18

Position	Short Term Employee Expenses		Long Term Employee Expenses	Post-Employment Expenses	Performance Bonus	Total Expenses
	Monetary Expenses \$'000	Non-Monetary Benefits \$'000				
Board of Directors	181	-	-	17	-	198
Chief Executive Officer	303	-	5	29	-	337
General Manager Finance	176	-	3	16	-	195
General Manager Retail Operations (01 Jun 17 – 15 Sept 17)	49	3	-	4	-	56
General Manager Retail Operations (18 Sept 17 – 30 Jun 18)	128	-	2	10	-	140
General Manager Human Resources	165	-	3	17	-	185
General Manager Business Development	164	-	3	15	-	182
General Manager Merchandise	134	-	2	12	-	148
Stakeholder Engagement Officer (30 Oct 17 – 30 Jun 18)	83	-	1	8	-	92
Total	1,383	3	19	128	-	1,533

One executive staff member left the organisation on 15 September 2017.

Remuneration Package Band	No of Executive Staff Within Band 2019	No of Executive Staff Within Band 2018
\$100,000 - \$199,000	2	5
\$200,000 - \$299,000	3	-
\$300,000 - \$399,000	-	1
\$400,000 - \$499,000	1	-

(iv) Performance Payments

Details of Performance Payment Entitlements by Key Management Person:

Position	Summary of basis for Entitlement and Assessment	12 Months ended 30 June 2019		12 Months ended 30 June 2018	
		Date Paid	Amount \$'000	Date Paid	Amount \$'000
Chief Executive Officer	The cash performance bonus was calculated by reference to achievement of key strategic plan deliverables and individual performance in their area of operation. The bonus paid equated to 20% as compared to the maximum 20% of total fixed remuneration payable.	17 August 2018	60	-	-
General Manager Finance	The cash performance bonus was calculated by reference to achievement of key strategic plan deliverables and individual performance in their area of operation. The bonus paid equated to 10% as compared to the maximum 10% of total fixed remuneration payable.	17 August 2018	17	-	-

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General Manager Retail Operations	The cash performance bonus was calculated by reference to achievement of key strategic plan deliverables and individual performance in their area of operation. The bonus paid equated to 10% as compared to the maximum 10% of total fixed remuneration payable.	17 August 2018	13	-	-
General Manager Human Resources	The cash performance bonus was calculated by reference to achievement of key strategic plan deliverables and individual performance in their area of operation. The bonus paid equated to 10% as compared to the maximum 10% of total fixed remuneration payable.	17 August 2018	16	-	-
General Manager Business Development	The cash performance bonus was calculated by reference to achievement of key strategic plan deliverables and individual performance in their area of operation. The bonus paid equated to 10% as compared to the maximum 10% of total fixed remuneration payable.	17 August 2018	16	-	-
General Manager Merchandise	The cash performance bonus was calculated by reference to achievement of key strategic plan deliverables and individual performance in their area of operation. The bonus paid equated to 10% as compared to the maximum 10% of total fixed remuneration payable.	17 August 2018	13	-	-
Total Performance Payments			135		-

(b) Transactions with people/entities related to KMP

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

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

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

2018-19

KMP	Position	Goods and Services	Transaction values 2019 \$'000	Balance outstanding 2019 \$'000
Ms Eleanor Scott – Board Member	Partner at Preston Law	Legal Services provided by Preston Law	27	-
Mr Nigel Tillet - Chairperson	Director of Seisia Enterprises	Accommodation provided by Seisia Enterprises	1	-

2017-18

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

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

(c) Transactions with other Queensland Government-controlled entities

CEQ has borrowings from Queensland Treasury Corporation (QTC), and Note 16 outlines the key terms and conditions of those borrowings.

The Department of Aboriginal and Torres Strait Island Partnerships (DATSIP) 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 DATSIP. "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 of \$737,836 (2018: \$848,721) in relation to the properties located at Doomadgee, Kowanyama, Pormpuraaw, Lockhart River, Palm Island and Woorabinda communities.

27. Prior Period Errors and Adjustments

In Preparation of the 2018-19 financial statements, CEQ identified that the Goodwill for the Col Jones store should have been impaired in full – refer to Note 12

Comparative numbers reported in the 2017-18 have been restated to correct these errors below. The line items affected are as follows:

Financial Statement line items affected	Published financial Statements \$'000	Correction of error \$'000	Restated actuals \$'000
<u>Statement of financial position</u>			
Non-Current Assets			
Goodwill	3,658	(2,490)	1,168
Total Non-Current Assets	45,704	(2,490)	43,214
Total Assets	78,747	(2,490)	76,257
Net Assets	64,867	(2,490)	62,377
Equity			
Accumulated Surplus	45,325	(2,490)	42,835
Total Equity	64,867	(2,490)	62,377
<u>Statement of comprehensive income</u>			
Impairment losses	-	2,490	2,490
Total expenses	93,158	2,490	95,648
Operating Result	2,888	(2,490)	398
Operating Result for the Year	2,888	(2,490)	398
Total Comprehensive Income	5,494	(2,490)	3,004
Financial Statement line items affected	Published financial Statements \$'000	Correction of error \$'000	Restated actuals \$'000
<u>Statement of Changes in Equity</u>			
Operating Result from Continuing Operations	2,888	(2,490)	398

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

Total Comprehensive income for the Year	<u>5,494</u>	<u>(2,490)</u>	<u>3,004</u>
Balance as at 30 June 2018	<u>45,325</u>	<u>(2,490)</u>	<u>42,835</u>

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

Changes in accounting policies – AASB 9 *Financial Instruments*

CEQ applied AASB 9 *Financial Instruments* for the first time in 2018-19. Comparative information for 2017-18 has been restated to reflect the adoption of AASB 9: Financial Instruments. The nature and effect of the changes as a result of adopting of this new accounting standard are described below.

Classification and measurement

Under AASB 9, debt instruments are categorised into one of three measurement bases-amortised cost, fair value through other comprehensive income (FVOCI) or fair value through profit or loss (FVTPL). The classification is based on two criteria:

- Whether the financial asset's contractual cash flows represent 'solely payments of principal and interest', and
- The CEQ's business model for managing the assets.

CEQ's debt instruments comprise of receivables disclosed in Note 10. They were classified as Receivables as at 30 June 2018 (under AASB 139) and were measured at amortised cost. These receivables are held for collection of contractual cash flows that are solely principal payments. As such, they continue to be measured at amortised cost beginning 1 July 2018.

AASB 139 measurement category	Balances at 30 June 2018	AASB 9 measurement category (Balances at 1 July 2018)		Fair value through profit or loss \$'000
		Amortised cost \$'000	Fair value through OCI \$'000	
Loans and receivables				
- Trade and other receivables*	1,349	1,348	-	-
Total	1,349	1,348	-	-

*The change in carrying amount is due to additional impairment allowance – see discussion on impairment below

Impairment

AASB 9 requires the loss allowance to be measured using a forward-looking expected credit loss approach, replacing AASB 139's incurred loss approach. AASB 9 requires a loss allowance to be recognised for all debt instruments other than those held at fair value through profit or loss.

On adoption of AASB 9's new impairment model, CEQ recognised additional impairment losses of \$720 on its trade receivables. This resulted in a decrease in prior year surplus of \$720.

Accounting standards early adopted

No Australian Accounting Standards have been early adopted for 2018-19

Accounting standards applied for the first time

Other than AASB 9 *Financial Instruments*, which is detailed above, no accounting standards that apply to CEQ for the first time in 2018-19 have any material impact on the financial statements.

**COMMUNITY ENTERPRISE QUEENSLAND
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2019**

29. 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 15).

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

**COMMUNITY ENTERPRISE QUEENSLAND
MANAGEMENT CERTIFICATE
FOR THE YEAR ENDED 30 JUNE 2019**

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

- (a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects;
- (b) the financial statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of Community Enterprise Queensland for the financial year ended 30 June 2019 and of the financial position of the statutory body at the end of year; and
- (c) we acknowledge(s) responsibility under s.8 and s.15 of the Financial and Performance Management Standard 2009 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.



Ralph Kendall

Acting Chairperson

Date 22/08/2019



Ian Copeland

Chief Executive Officer

Date 22/08/2019

INDEPENDENT AUDITOR'S REPORT

To the Board of Community Enterprise Queensland

Report on the audit of the financial report

Opinion

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

In my opinion, the financial report:

- a) gives a true and fair view of the entity's financial position as at 30 June 2019, and its financial performance and cash flows for the year then ended
- b) complies with the *Financial Accountability Act 2009*, the Financial and Performance Management Standard 2009, the *Australian Charities and Not-for-profits Commission Act 2012*, the Australian Charities and Not-for-profits Commission Regulation 2013 and Australian Accounting Standards.

The financial report comprises the statement of financial position as at 30 June 2019, 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 of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

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

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

Responsibilities of the entity for the financial report

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

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

Auditor's responsibilities for the audit of the financial report

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

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

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

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

In accordance with s.40 of the *Auditor-General Act 2009*, for the year ended 30 June 2019:

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



John Welsh
as delegate of the Auditor-General

26 August 2019

Queensland Audit Office
Brisbane