SECTION FIVE

Financial Statements

INDEPENDENT AUDITOR'S REPORT

To the Minister for Indigenous Affairs

Opinion

In my opinion, the financial statements of the Torres Strait Regional Authority for the year ended 30 June 2018:

(a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and

(b) present fairly the financial position of the Torres Strait Regional Authority as at 30 June 2018 and its financial performance and cash flows for the year then ended.

The financial statements of the Torres Strait Regional Authority, which I have audited, comprise the following statements as at 30 June 2018 and for the year then ended:

- Statement by the Accountable Authority, Chief Executive Officer and and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to the financial statements, comprising an Overview and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office 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 Statements* section of my report. I am independent of the Torres Strait Regional Authority in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) to the extent that they are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Accountable Authority's Responsibility for the Financial Statements

As the Accountable Authority of the Torres Strait Regional Authority the Chair and Directors are responsible under the *Public Governance, Performance and Accountability Act 2013* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards – Reduced Disclosure Requirements and the rules made under that Act. The Chair and Directors are also responsible for such internal control as the Chair and Directors determines necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Chair and Directors are responsible for assessing the Torres Strait Regional Authority's ability to continue as a going concern, taking into account whether the entity's operations will cease as a result of an administrative restructure or for any other reason. The Chair and Directors are also responsible for disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the assessment indicates that it is not appropriate.

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Auditor’s Responsibilities for the Audit of the Financial Statements

My objective is to obtain reasonable assurance about whether the financial statements as a whole are 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 National Audit Office 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 the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

As part of an audit in accordance with the Australian National Audit Office 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 statements, 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 the purpose of 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 Accountable Authority;
- conclude on the appropriateness of the Accountable Authority’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 statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based 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; and
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

I communicate with those charged with governance 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.

Australian National Audit Office

Lorena Skipper

Audit Principal

Delegate of the Auditor-General

Canberra

5 September 2017

CONTENTS

Torres Strait Regional Authority

STATEMENT BY THE ACCOUNTABLE AUTHORITY, CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2018 comply with subsection 42(2) of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act), and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

In our opinion, at the date of this statement, there are reasonable grounds to believe that the Torres Strait Regional Authority will be able to pay its debts as and when they fall due.

This statement is made in accordance with a resolution of the directors.

Signed

Mr N P Stephen AM
Chairperson

5 September 2018

Signed

Mr J D Stephen
Deputy Chairperson

5 September 2018

Signed

Mr C Kaddy
Acting Chief Executive Officer

5 September 2018

Signed

Mr C de Mamiel
Chief Financial Officer

5 September 2018

TORRES STRAIT REGIONAL AUTHORITY
Statement of Comprehensive Income
for the period ended 30 June 2018

	Notes	2018 $'000	2017 $'000	Original Budget $'000
NET COST OF SERVICES				
Expenses				
Employee benefits	1.1A	**18,732**	17,418	17,005
Suppliers	1.1B	**20,827**	21,228	16,998
Grants	1.1C	**10,568**	18,153	12,588
Depreciation and amortisation	2.2A	**1,834**	1,758	1,145
Finance costs	1.1D	**29**	126	150
Write-down and impairment of assets	1.1E	**60**	268	-
Loss on disposal of non-financial assets	1.1F	**-**	9	-
Total expenses		**52,050**	58,960	47,886
Own-Source Income				
Own-source revenue				
Sale of goods and rendering of services	1.2A	**1,395**	570	505
Interest	1.2B	**817**	942	900
Other Government contributions	1.2C	**17,266**	25,639	10,425
Other revenue	1.2C	**9**	1	-
Total own-source revenue		**19,487**	27,152	11,830
Gains				
Reversal of write-downs and impairment	1.2D	**18**	33	-
Total gains		**18**	33	-
Total own-source income		**19,505**	27,185	11,830
Net cost of services		**32,545**	31,775	36,056
Revenue from Government	1.2E	**36,056**	35,919	36,056
Surplus on continuing operations		**3,511**	4,144	-
OTHER COMPREHENSIVE INCOME				
Items not subject to subsequent reclassification to net cost of services				
Changes in asset revaluation surplus		**(671)**	290	-
Total other comprehensive income		**(671)**	290	-
Total comprehensive income /(loss)		**2,840**	4,433	-

The above statement should be read in conjunction with the accompanying notes.

TORRES STRAIT REGIONAL AUTHORITY
Statement of Financial Position
as at 30 June 2018

	Notes	2018 $'000	2017 $'000	Original Budget $'000
ASSETS				
Financial assets				
Cash and cash equivalents	2.1A	**2,391**	5,739	3,155
Trade and other receivables	2.1B	**4,197**	4,652	5,678
Other investments	2.1C	**34,774**	25,219	18,500
Total financial assets		**41,362**	35,610	27,333
Non-financial assets				
Land and buildings	2.2A	**47,902**	48,793	55,374
Plant and equipment	2.2A	**1,046**	1,355	3,050
Heritage and cultural	2.2A	**77**	77	60
Total non-financial assets		**49,025**	50,225	58,484
Total assets		**90,387**	85,835	85,817
LIABILITIES				
Payables				
Suppliers	2.3A	**1,407**	1,751	777
Grants	2.3B	**741**	-	3,600
Other payables	2.3C	**136**	133	1,458
Total payables		**2,284**	1,884	5,835
Provisions				
Employee provisions	3.1A	**4,503**	4,191	3,656
Total provisions		**4,503**	4,191	3,656
Total liabilities		**6,787**	6,075	9,491
Net assets		**83,600**	79,760	76,326
EQUITY				
Contributed equity		**1,032**	32	1,032
Reserves		**14,967**	15,638	15,348
Retained surplus		**67,601**	64,090	59,946
Total equity		**83,600**	79,760	76,326

The above statement should be read in conjunction with the accompanying notes.

TORRES STRAIT REGIONAL AUTHORITY
Statement of Changes In Equity
for the period ended 30 June 2018

	2018 $'000	2017 $'000	Original Budget $'000
CONTRIBUTED EQUITY			
Opening balance			
Balance carried forward from previous period	**32**	32	32
Adjusted opening balance	**32**	32	32
Transactions with owners			
Contributions by owners			
Equity injection - Appropriations	**1,000**	-	1,000
Total transactions with owners	**1,000**	-	1,000
Closing balance as at 30 June	**1,032**	32	1,032
RETAINED EARNINGS			
Opening balance			
Balance carried forward from previous period	**64,090**	59,946	59,946
Adjusted opening balance	**64,090**	59,946	59,946
Comprehensive income			
Surplus for the period	**3,511**	4,144	-
Total comprehensive income	**3,511**	4,144	-
Closing balance as at 30 June	**67,601**	64,090	59,946
ASSET REVALUATION RESERVE			
Opening balance			
Balance carried forward from previous period	**15,638**	15,348	15,348
Adjusted opening balance	**15,638**	15,348	15,348
Comprehensive income			
Other comprehensive income	**(671)**	290	-
Total other comprehensive income	**(671)**	290	-
Closing balance as at 30 June	**14,967**	15,638	15,348
TOTAL EQUITY			
Opening balance			
Balance carried forward from previous period	**79,760**	75,326	75,326
Adjusted opening balance	**79,760**	75,326	75,326
Comprehensive income			
Surplus for the period	**3,511**	4,144	-
Other comprehensive income	**(671)**	290	-
Total comprehensive income	**2,840**	4,434	-
Transactions with owners			
Contributions by owners			
Equity injection - Appropriations	**1,000**	-	1,000
Total transactions with owners	**1,000**	-	1,000
Closing balance as at 30 June	**83,600**	79,760	76,326

The above statement should be read in conjunction with the accompanying notes.

TORRES STRAIT REGIONAL AUTHORITY
Cash Flow Statement

for the period ended 30 June 2018

	Notes	2018 $'000	2017 $'000	Original Budget $'000
OPERATING ACTIVITIES				
Cash received				
Receipts from government		**36,056**	35,919	36,056
Sale of goods and rendering of services		**18,668**	26,031	10,930
Interest		**781**	911	750
Net GST received		**2,510**	2,715	-
Total cash received		**58,015**	65,576	47,736
Cash used				
Employees		**18,415**	16,751	17,005
Suppliers		**23,288**	23,884	16,998
Loan payments		**18**	11	-
Grants		**10,070**	22,177	12,738
Total cash used		**51,791**	62,823	46,741
Net cash from operating activities		**6,224**	2,753	995
INVESTING ACTIVITIES				
Cash received				
Loan receipts		**427**	937	600
Investments		**-**	-	2,000
Total cash received		**427**	937	2,600
Cash used				
Loan payments		**138**	170	450
Purchase of property, plant and equipment		**1,306**	6,340	3,817
Investments		**9,555**	718	-
Total cash used		**10,999**	7,228	4,267
Net cash used by investing activities		**(10,572)**	(6,291)	(1,667)
FINANCING ACTIVITIES				
Cash received				
Contributed Equity		**1,000**	-	1,000
Total cash received		**1,000**	-	1,000
Net cash from financing activities		**1,000**	-	1,000
Net decrease in cash held		**(3,348)**	(3,538)	328
Cash and cash equivalents at the beginning of the reporting period		**5,739**	9,277	2,827
Cash and cash equivalents at the end of the reporting period	2.1A	**2,391**	5,739	3,155

The above statement should be read in conjunction with the accompanying notes.

Overview

The Basis of Preparation

The financial statements are general purpose financial statements and are required by section 42 of the *Public Governance, Performance and Accountability Act 2013* .

The financial statements have been prepared in accordance with:

a) *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR); and

b) Australian Accounting Standards and Interpretations - Reduced Disclosure Requirements issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with the historical cost convention, except for certain assets and liabilities at fair value. Except where stated, no allowance is made for the effect of changing prices on the results or the financial position. The financial statements are presented in Australian dollars and values are rounded to the nearest thousand dollars unless otherwise specified.

New Accounting Standards

All new/revised/amending standards and/or interpretations that were issued prior to the sign-off date and are applicable to the current reporting period did not have a material effect on the TSRA's financial statements.

Taxation

The TSRA is exempt from all forms of taxation except Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

Events After the Reporting Period

There was no subsequent event that had the potential to significantly affect the ongoing structure and financial activities of the TSRA.

Financial Performance

This section analyses the financial performance of the Torres Strait Regional Authority for the year ended 2018.

1.1 Expenses

	2018 $'000	2017 $'000
1.1A: Employee benefits		
Wages and salaries	**14,465**	13,567
Superannuation		
Defined contribution plans	**1,545**	1,384
Defined benefit plans	**516**	547
Leave and other entitlements	**2,206**	1,920
Total employee benefits	**18,732**	17,418

Accounting Policy
Accounting policies for employee related expenses is contained in the People and Relationships section.

	2018 $'000	2017 $'000
1.1B: Suppliers		
Goods and services supplied or rendered		
Consultants and professional fees	**8,433**	6,016
Travel	**3,150**	3,993
Repairs and maintenance	**754**	639
Other staff costs	**305**	612
Office running costs	**1,362**	1,283
Property costs	**451**	532
Transport, freight and storage	**468**	517
Media, advertising and public relations	**399**	445
Licences	**2,802**	4,205
Other	**1,685**	1,796
Total goods and services supplied or rendered	**19,809**	20,038
Goods supplied	**3,021**	4,445
Services rendered	**16,788**	15,593
Total goods and services supplied or rendered	**19,809**	20,038
Other suppliers		
Operating lease rentals	**813**	1,038
Workers compensation expenses	**205**	152
Total other suppliers	**1,018**	1,190
Total suppliers	**20,827**	21,228

Leasing commitments

The Torres Strait Regional Authority in its capacity as lessor leases and sub-leases houses to staff for negotiated rents.

The TSRA in its capacity as lessee leases 4 offices, houses for staff accomodation and facilities for the ranger programme on the outer islands. One office lease is for a period of 1 year with no renewal option. One office lease is for a period of 7 months with no renewal option. The other office leases are periodic. Lease terms for houses are 1 month. Lease terms for ranger facilities are for 1 year.

Commitments for minimum lease payments in relation to non-cancellable operating leases are payable as follows:		
Within 1 year	**554**	614
Total operating lease commitments	**554**	614

Accounting Policy
The TSRA does not have any finance leases.

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

	2018 **$'000**	2017 $'000
1.1C: Grants		
Public sector:		
Australian Government entities (related parties)	**455**	-
State and Territory governments	**-**	10
Local governments	**4,389**	11,212
Private sector:		
Non-profit organisations	**5,724**	5,921
For-profit organisations	**-**	1,010
Total grants	**10,568**	18,153

1.1D: Finance costs		
Write down of loans to net present value	**29**	126
Total finance costs	**29**	126

Accounting Policy
All borrowing costs are expensed as incurred.

1.1E: Write-down and impairment of assets		
Loans provided for as impaired	**10**	268
Receivables goods and services - external parties provided for as impaired	**50**	-
Total write-down and impairment of assets	**60**	268

1.1F: Loss on disposal of non-financial assets		
Loss on disposal of non-financial assets - carrying value of assets disposed	**-**	9
Total loss on disposal of non-financial assets	**-**	9

1.2 Own-Source Revenue and Gains

	2018 $'000	2017 $'000
Own-Source Revenue		
1.2A: Sale of goods and rendering of services		
Sale of goods	**245**	230
Rendering of services	**1,150**	340
Total sale of goods and rendering of services	**1,395**	570

Accounting Policy
Revenue from the sale of goods is recognised when:
a) the risks and rewards of ownership have been transferred to the buyer;
b) the TSRA retains no managerial involvement or effective control over the goods;
c) the revenue and transaction costs incurred can be reliably measured; and
d) it is probable that the economic benefits associated with the transaction will flow to the TSRA.
Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:
a) the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
b) the probable economic benefits associated with the transaction will flow to the TSRA.
The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.
Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

1.2B: Interest		
Loans	**205**	226
Deposits	**612**	716
Total interest	**817**	942

Accounting Policy
Interest revenue is recognised using the effective interest method .

	2018 $'000	2017 $'000
1.2C: Other revenue		
Rent	**9**	1
Other Government contributions	**17,266**	25,639
Total other revenue	**17,275**	25,640
Gains		
1.2D: Reversal of write-downs and impairment		
Reversal of losses from remeasuring loans and receivables	**18**	33
Total reversals of previous asset write-downs and impairments	**18**	33
1.2E: Revenue from Government		
Department of the Prime Minister and Cabinet		
Corporate Commonwealth entity payments	**36,056**	35,919
Total revenue from Government	**36,056**	35,919

Accounting Policy
Revenue from Government
Funding received or receivable from non-corporate Commonwealth entities (appropriated to the non-corporate Commonwealth entity as a corporate Commonwealth entity payment item for payment to this entity) is recognised as Revenue from Government by the corporate Commonwealth entity unless the funding is in the nature of an equity injection or a loan.

Financial Position

This section analyses the Torres Strait Regional Authority's assets used to conduct its operations and the operating liabilities incurred as a result. Employee related information is disclosed in the People and Relationships section.

2.1 Financial Assets

	2018 $'000	2017 $'000
2.1A: Cash and cash equivalents		
Cash on hand or on deposit	**2,209**	3,231
Cash on hand or on deposit - TSRA Housing Fund	**182**	2,508
Total cash and cash equivalents	**2,391**	5,739

The Aboriginal and Torres Strait Islander Act 2005 (ATSI Act) requires that funds available under the TSRA Housing Fund, including interest earnings, are to be used exclusively for housing loans. Consequently, income earned on the TSRA Housing Fund is not available for operational expenses but is directed back into new loans.

	2018 $'000	2017 $'000
2.1B: Trade and other receivables		
Goods and services receivables		
Goods and services	**413**	355
Total goods and services receivables	**413**	355
Other receivables		
GST receivable from the Australian Tax Office	**746**	897
Loans	**3,355**	3,601
Interest	**11**	56
Other	**-**	86
Total other receivables	**4,112**	4,640
Total trade and other receivables (gross)	**4,525**	4,995
Less impairment allowance		
Loans	**(278)**	(268)
Goods and services	**(50)**	(75)
Total impairment allowance	**(328)**	(343)
Total trade and other receivables (net)	**4,197**	4,652

Credit terms are net 30 days (2017: 30 days).

Accounting Policy
The TSRA classifies its financial assets in the following categories:
a) loans and receivables; and
b) held-to-maturity investments.

Loans and Receivables
Trade receivables, loans and other receivables that have fixed or determinable payments and that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Held-to-Maturity Investments
Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Accounting Judgements and Estimates
The initial fair value of concessional loans is taken to be the present value of all future cash receipts, discounted using the prevailing market rate of interest for instruments of a similar structure (currency, term, type of interest rate, credit risk). Subsequently the value of the loan is derived by applying the amortised cost using the effective interest method, with the initial market rate as the effective rate, and anticipated cash flows based on contracted repayment terms, resulting in the amortisation of the discount over the anticipated life of the loan.

	2018 $'000	2017 $'000
TSRA holds a portfolio of concessional loans that are provided for business development and home ownership programs. The values of these loans as at 30 June are as follows:		
Concessional loans - nominal value	**3,598**	3,869
Less: unexpired discount	**(243)**	(268)
Concessional loans - (gross)	**3,355**	3,601
Less: impairment allowance	**(278)**	(268)
Concessional loans - carrying value	**3,077**	3,333

Loans to individuals and businesses are made under the Business Funding Scheme for periods up to 10 years and Home Loans for periods up to 32 years. In relation to the housing loans, TSRA holds mortgages as sole mortgagor over the properties for which the loans are provided. TSRA receives market advice from a qualified valuer or market expert on the value of a property prior to the loan being approved. In relation to Business Funding Scheme loans, from 2007-08 TSRA has required that inexperienced business owner(s) successfully complete an approved business course and submit a business plan prior to the loan being approved. Principal is repaid in full at maturity. Interest rates for Business Funding Scheme loans were fixed in accordance with the loan contracts. Housing Loan interest rates were varied on 1 January 2018 in accordance with the loan contracts. Effective interest rates average 4.32% (2017: 4.57%) for Business Funding Scheme loans and 4.22% (2017: 4.22%) for Housing loans.

Reconciliation of the Impairment Allowance

Accounting Policy
Financial assets are assessed for impairment at the end of each reporting period.

Movements in relation to 2018

	Goods and services $'000	Loans $'000	Total $'000
As at 1 July 2017	**(75)**	**(268)**	**(343)**
Amounts written off	**75**	**-**	**75**
Decrease recognised in net cost of services	**(50)**	**(10)**	**(60)**
Total as at 30 June 2018	**(50)**	**(278)**	**(328)**

Movements in relation to 2017

	Goods and services $'000	Loans $'000	Total $'000
As at 1 July 2016	(132)	(10)	(142)
Amounts written off	57	10	67
Decrease recognised in net cost of services	-	(268)	(268)
Total as at 30 June 2017	(75)	(268)	(343)

	2018 $'000	2017 $'000
2.1C: Other investments		
Term deposits	**24,653**	17,498
Term deposits - TSRA Housing Fund	**10,121**	7,721
Total other investments	**34,774**	25,219

2.2 Non-Financial Assets

2.2A: Reconciliation of the opening and closing balances of property, plant and equipment and intangibles

Reconciliation of the opening and closing balances of property, plant and equipment for 2018

	Land $'000	Buildings $'000	Total land & buildings $'000	Heritage and cultural[1] $'000	Other plant & equipment $'000	Total $'000
As at 1 July 2017						
Gross book value	**11,805**	**36,988**	**48,793**	**77**	**4,144**	**53,014**
Accumulated depreciation, amortisation and impairment	**-**	**-**	**-**	**-**	**(2,789)**	**(2,789)**
Total as at 1 July 2017	**11,805**	**36,988**	**48,793**	**77**	**1,355**	**50,225**
Additions						
Purchase	**222**	**718**	**940**	**-**	**365**	**1,305**
Revaluations and impairments recognised in other comprehensive income	**(222)**	**(449)**	**(671)**	**-**	**-**	**(671)**
Depreciation	**-**	**(1,160)**	**(1,160)**	**-**	**(674)**	**(1,834)**
Disposals	**-**	**-**	**-**	**-**	**-**	**-**
Total as at 30 June 2018	**11,805**	**36,097**	**47,902**	**77**	**1,046**	**49,025**
Total as at 30 June 2018 represented by						
Gross book value	**11,805**	**36,100**	**47,905**	**77**	**4,509**	**52,491**
Accumulated depreciation, amortisation and impairment	**-**	**(3)**	**(3)**	**-**	**(3,463)**	**(3,466)**
Total as at 30 June 2018	**11,805**	**36,097**	**47,902**	**77**	**1,046**	**49,025**

1. Land, buildings and other property, plant and equipment that met the definition of a heritage and cultural item were disclosed in the heritage and cultural asset class.

The TSRA's asset valuers, in their valuation report for the year ended 30 June 2018, identified an impairment to the buildings complex located at 56 Douglas Street, Thursday Island. This impairment is recognised in other comprehensive income and is reported in the financial statements as a decrease to the asset revaluation reserve. The TSRA is planning to demolish these buildings and commence construction of replacement office accommodation on the site within the next 12 months.

No other indicators of impairment were found for property, plant and equipment.
No other property, plant and equipment is expected to be sold or disposed of within the next 12 months.

Contractual commitments for the purchase of property, plant and equipment

The TSRA has a current contractual commitment of $1,767,554 for the construction of a multipurpose facility on Erub Island (2017: Nil).

Accounting Policy

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition, unless acquired as a consequence of restructuring of administrative arrangements. In the latter case, assets are initially recognised as contributions by owners at the amounts at which they were recognised in the transferor's accounts immediately prior to the restructuring.

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the statement of financial position, except for purchases costing less than $1,000, which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located.

Revaluations

Following initial recognition at cost, property, plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets did not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depended upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments are made on a class basis. Any revaluation increment is credited to equity under the heading of asset revaluation reserve except to the extent that it reversed a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets are recognised directly in the surplus/deficit except to the extent that they reversed a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Depreciation

Depreciable property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the entity using, in all cases, the straight-line method of depreciation.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2018	2017
Buildings on freehold land	**40 years**	40 years
Leasehold improvements	**Lease term**	Lease term
Plant and equipment	**3 to 8 years**	3 to 8 years

All heritage and cultural assets have indefinite useful lives and are not depreciated.

Impairment

All assets were assessed for impairment at 30 June 2018. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs of disposal and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the entity were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

Heritage and Cultural Assets

The TSRA has a limited collection of 23 (2017 : 23) distinct Cultural and Heritage assets with an aggregated fair value of $77,000 (2017: $77,000). Cultural assets are comprised of artworks, carvings, and traditional headdresses. Heritage assets consist of models of 2 (2017 : 2) sailing vessels and a brass Pearl Diver's helmet (2017 : 1) each of which has historical significance to the region. The assets are on display at the TSRA's main office and the Gab Titui Cultural Centre. The conservation and preservation of TSRA's heritage and cultural assets is achieved by a variety and combination of means including: the provision of education and awareness programs; asset management planning; professional training and development; research; and the provision of appropriate storage and display environments.

Accounting Judgements and Estimates

The fair value of land and buildings has been taken to be the market value of similar properties as determined by an independent valuer. In some instances, the TSRA's buildings are purpose-built and may in fact realise more or less in the market.

2.3 Payables

	2018 $'000	2017 $'000
2.3A: Suppliers		
Trade creditors and accruals	**1,407**	1,751
Total suppliers	**1,407**	1,751

Settlement was usually made within 30 days.

	2018 $'000	2017 $'000
2.3B: Grants		
Public sector:		
Local Governments	**590**	-
Private sector:		
Non-profit organisations	**151**	-
Total grants	**741**	-

	2018 $'000	2017 $'000
2.3C: Other payables		
Salaries and wages	**121**	118
Superannuation	**15**	15
Total other payables	**136**	133

People and Relationships

This section describes a range of employment and post employment benefits provided to our people and our relationships with other key people.

3.1 Employee Provisions

	2018 $'000	2017 $'000
3.1A: Employee provisions		
Long service leave	**2,653**	2,447
Annual leave	**1,757**	1,642
Personal leave	**93**	102
Total employee provisions	**4,503**	4,191

Accounting policy

Liabilities for short-term employee benefits and termination benefits expected within twelve months of the end of reporting period are measured at their nominal amounts.

Other long-term employee benefits are measured as net total of the present value of the defined benefit obligation at the end of the reporting period minus the fair value at the end of the reporting period of plan assets (if any) out of which the obligations are to be settled directly.

Leave

The liability for employee benefits includes provision for annual leave and long service leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, including the TSRA's employer superannuation contribution rates to the extent that the leave is likely to be taken during service rather than paid out on termination.

The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and Redundancy

Provision is made for separation and redundancy benefit payments. The TSRA recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Superannuation

The TSRA's staff are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS), or the PSS accumulation plan (PSSap), or other superannuation funds held outside the Australian Government.

The CSS and PSS are defined benefit schemes for the Australian Government. The PSSap is a defined contribution scheme.

The liability for defined benefits is recognised in the financial statements of the Australian Government and is settled by the Australian Government in due course. This liability is reported in the Department of Finance's administered schedules and notes.

The TSRA makes employer contributions to the employees' defined benefit superannuation scheme at rates determined by an actuary to be sufficient to meet the current cost to the Government. The entity accounts for the contributions as if they were contributions to defined contribution plans.

The liability for superannuation recognised as at 30 June represents outstanding contributions.

3.2 Key Management Personnel Remuneration

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity. The entity has determined the key management personnel to be the Portfolio Minister, Chairperson, Chief Executive Officer and Directors. Key management personnel remuneration is reported in the table below:

	2018 $'000	2017 $'000
Short-term employee benefits	**785**	791
Post-employment benefits	**88**	92
Other long-term employee benefits	**78**	43
Total key management personnel remuneration expenses[1]	**951**	926

The total number of key management personnel that are included in the above table are 22 (2017: 23)

1. The above key management personnel remuneration excludes the remuneration and other benefits of the Portfolio Minister. The Portfolio Minister's remuneration and other benefits are set by the Remuneration Tribunal and are not paid by the entity.

3.3 Related Party Disclosures

Related party relationships
The TSRA is an Australian Government controlled entity. Related parties to this entity are Key Management Personnel including the Portfolio Minister, Chairperson, Chief Executive Officer and Directors, and other Australian Government entities.

Transactions with related parties:

Given the breadth of Government activities, related parties may transact with the government sector in the same capacity as ordinary citizens. Such transactions include the payment or refund of taxes, receipt of a Medicare rebate or higher education loans. These transactions have not been separately disclosed in this note. There are no related party transactions with the Portfolio Minister, the Chief Executive Officer or their close family members. The following transactions with Director related parties occurred during the financial year:

Loans to Related Parties
Loans were made to the following directors and director-related entities. They were approved under normal terms and conditions applying to the TSRA's loan schemes. The directors involved took no part in the relevant decisions of the board.

The table below outlines the loan holder/s and the TSRA director with whom a related party connection exists.

Loan Holder: Seisia Community Torres Strait Islander Corporation
- Joseph Elu - TSRA Board Member - Seisia Community Torres Strait Islander Corporation Chairperson

Loan Holder: Alice Loban
- Yen Loban - TSRA Board Member - Close family member of Alice Loban

Loan Holder: Loban Marine
- Yen Loban - TSRA Board Member - Loban Marine Owner

Loans to Related Parties	2018 $	2017 $
Loans to directors and close family members outstanding as at year-end	**45,224**	51,470
Loan repayments by directors and close family members during the year	**10,131**	10,133
Loans to director-related entities outstanding as at year-end	**147,041**	145,978
Loans to director-related entities during the year	**25,000**	162,000
Loan repayments by director-related entities during the year	**34,199**	12,175
Interest revenue included in net cost of services from loans to directors/director-related entities	**15,179**	11,915

Grants to Related Parties

Grants were made to the following Director-related entities. They were approved under normal terms and conditions applying to the TSRA's grant programs. The Directors involved took no part in the grant application approval processes.

TSRA Director's Name and Relationship with Grantee	Grantee	2018 $	2017 $
J Elu - Councillor for Seisia	Northern Peninsula Area Regional Council	**300,000**	123,259
J Abednego - Councillor, Y Loban - Deputy Mayor	Torres Shire Council	**1,430,000**	124,000
G Lui, D Bosun - Councillors	Torres Strait Island Regional Council	**530,900**	1,713,050
M Nona - Chairperson, S Maka - Director	Malu Lamar (TSI) Corporation	**-**	50,750
P Yusia - Director	NPA Family and Community Services ATSI Corporation	**-**	27,579
D Bosun - Director	Ngalmun Lagau Minaral (TSI) Corporation	**-**	73,525
K Fell - Vice President, S Maka - Director	Torres Strait Youth and Recreational Sporting Association	**-**	1,950,000
J Abednego - President	TRAWQ Indigenous Corporation	**14,800**	57,082
C Repu - Chairperson	Goemulgaw (TSI) Corporation	**10,840**	-
F Fauid - Director, J Gela - Director	Torres Strait Islander Media Association	**1,342,626**	-
P Yusia - Director	Mura Badulagal (TSI) Corporation	**1,350,880**	-

Other Transactions with Related Parties

Grant receipts were received from the following Australian Government Entities by the TSRA during 2017-18.

Government Entity	Purpose of Grant	2018 $	2017 $
Department of the Prime Minister and Cabinet	Torres Strait Indigenous Ranger Program	**8,868,290**	8,711,480
Department of the Prime Minister and Cabinet	Indigenous Protected Areas	**210,200**	265,000
Department of the Prime Minister and Cabinet	Torres Strait Fisheries Investment Project	**3,750,000**	1,000,000
Department of the Prime Minister and Cabinet	Prince of Wales Island Jetty Infrastructure	**-**	6,000,000
Department of the Prime Minister and Cabinet	Purchase of Commercial Tropical Rock Lobster Fishing Licenses	**-**	6,000,000
Department of the Prime Minister and Cabinet	Major Infrastructure Programme 6 Funding	**-**	1,500,000
Department of the Prime Minister and Cabinet	Moa Island Land Tenure Resolution	**-**	150,000
Department of the Prime Minister and Cabinet	Ranger Capacity Building	**585,000**	-
Department of Agriculture and Water Resources	Training for Sea Ranger Program	**-**	204,000
Department of Agriculture and Water Resources	Underwater Drone Testing	**-**	130,000
Department of Agriculture and Water Resources	Torres Starit Frontline Biosecurity Resiliance	**1,730,000**	-
Department of the Environment and Energy	National Landcare Program	**657,280**	657,280
Attorney-General's Department	Indigenous Language Centre	**400,000**	-

Managing Uncertainties

This section analyses how the TSRA manages financial risks within its operating environment.

4.1 Contingent Assets and Liabilities

	Bank Guarantees		Total	
	2018	2017	**2018**	2017
	$'000	$'000	**$'000**	$'000
Contingent liabilities	**116**	116	**116**	116
Total contingent liabilities	**116**	116	**116**	116

Quantifiable Contingencies

The above table contains $116,000 of contingent liabilities disclosed in respect to a bank guarantee in favour of the Torres Shire Council (2017: $116,000)
The table contains no contingent assets. (2017: $0).

Unquantifiable Contingencies

At 30 June 2017, the TSRA had no unquantifiable contingencies. (2017: $0)

Accounting Policy
Contingent liabilities and contingent assets are not recognised in the statement of financial position but are reported in the notes. They may arise from uncertainty as to the existence of a liability or asset or represent an asset or liability in respect of which the amount cannot be reliably measured. Contingent assets are disclosed when settlement is probable but not virtually certain and contingent liabilities are disclosed when settlement is greater than remote.

4.2 Financial Instruments

	2018 $'000	2017 $'000
4.2A: Categories of financial instruments		
Financial Assets		
Held-to-maturity investments		
Term deposits	**34,774**	25,219
Total held-to-maturity investments	**34,774**	25,219
Loans and receivables		
Cash and cash equivalents	**2,391**	5,739
Trade and other receivables	**374**	366
Loan receivables	**3,077**	3,333
Total loans and receivables	**5,842**	9,438
Total financial assets	**40,616**	34,657
Financial Liabilities		
Financial liabilities measured at amortised cost		
Trade creditors	**1,407**	1,751
Grant Liabilities	**741**	-
Total financial liabilities measured at amortised cost	**2,148**	1,751
Total financial liabilities	**2,148**	1,751

Accounting Policy

Financial assets

The entity classifies its financial assets in the following categories:

a) held-to-maturity investments; and
b) loans and receivables.

The classification depends on the nature and purpose of the financial assets and is determined at the time of initial recognition. Financial assets are recognised and derecognised upon trade date.

Effective Interest Method

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset, or, where appropriate, a shorter period.

Income is recognised on an effective interest rate basis except for financial assets that are recognised at fair value through profit or loss.

Held-to-Maturity Investments

Non-derivative financial assets with fixed or determinable payments and fixed maturity dates that the group has the positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method less impairment, with revenue recognised on an effective yield basis.

Loans and Receivables

Trade receivables, loans and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as 'loans and receivables'. Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate.

Impairment of Financial Assets

Financial assets are assessed for impairment at the end of each reporting period.

Financial assets held at amortised cost - if there is objective evidence that an impairment loss has been incurred for loans and receivables or held to maturity investments held at amortised cost, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

Financial liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. Financial liabilities are recognised and derecognised upon trade date.

Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

Other Financial Liabilities

Other financial liabilities, including borrowings, are initially measured at fair value, net of transaction costs. These liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective interest basis.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments through the expected life of the financial liability, or, where appropriate, a shorter period.

Supplier and other payables are recognised at amortised cost. Liabilities are recognised to the extent that the goods or services have been received (and irrespective of having been invoiced).

	2018 $'000	2017 $'000
4.2B: Net gains or losses on financial assets		
Held-to-maturity investments		
Interest revenue	**612**	716
Net gains on held-to-maturity investments	**612**	716
Loans and receivables		
Interest revenue	**205**	226
Reversal of losses from remeasuring loans and receivables	**18**	33
Write down of loans to net present value	**(29)**	(126)
Loans and receivables provided for as impaired	**(60)**	(268)
Net gains/(losses) on loans and receivables	**134**	(135)
Net gains on financial assets	**746**	581

4.2C: Net gains or losses on financial liabilities

There are no gains or losses on financial liabilities for the year ending 30 June 2018 (2017: $Nil)

4.3 Fair Value Measurement

Accounting Policy
The fair value of land has been taken to be the market value of similar properties as determined by an independent valuer. The fair value of buildings has been taken to be the depreciated current replacement cost. In some instances, the TSRA's buildings are purpose-built and may in fact realise more or less in the market.

4.3A: Fair value measurement

	Fair value measurements at the end of the reporting period	
	2018	2017
	$'000	$'000
Non-financial assets		
Land	**11,805**	11,805
Buildings	**36,097**	36,988
Heritage and cultural	**77**	77
Total non-financial assets	**47,979**	48,870

The remaining assets and liabilities reported by the TSRA are not measured at fair value in the Statement of Financial Position.

Other Information

5.1 Assets Held in Trust

5.1A: Assets held in trust

Monetary assets

Torres Strait Major Infrastructure and Other Projects Trust Fund

On 17 October 1998, the Queensland State Government and the TSRA entered into a Major Infrastructure Program (MIP) Funding Agreement under which $15 million for major infrastructure projects was provided by the State over three years with matching funds from the Commonwealth. The co-funding arrangement between the State and TSRA has continued over the years as set out in a Memorandum of Understanding (MOU) between TSRA and the State. On 14 April 2014, a variation to the MOU was signed to expand the trust fund to include not only MIP projects, but also the Seawalls project and Other Projects. A further variation was executed on 22 May 2017 to reflect changes to the scope of and budget for the Seawalls Project and the introduction of the Major Infrastructure Programme Stage 6.

The recipients/ beneficiaries of infrastructure projects developed under the Torres Strait Major Infrastructure and Other Projects Trust Fund are the Torres Strait Island Regional Council (TSIRC), Torres Shire Council (TSC) and the Northern Peninsular Area Regional Council (NPARC).

TSRA's role in the Torres Strait Major Infrastructure and Other Projects Trust Fund is set out in the Memorandum of Understanding between the State and TSRA. TSRA has a fiduciary duty in respect of the Torres Strait Major Infrastructure and Other Projects Trust Fund funds and in the development of Torres Strait Major Infrastructure and Other Projects Trust Fund projects but not as the owner of any assets under construction or on completion. This is evidenced by the fact that no future economic benefit or returns will flow to TSRA as a result of its involvement with the Torres Strait Major Infrastructure and Other Projects Trust Fund. For financial statement preparation purposes, TSRA does not consolidate the Torres Strait Major Infrastructure and Other Projects Trust Fund funds into its financial statements as TSRA is of the opinion that it does not have control of the Fund.

	2018 $'000	2017 $'000
Torres Strait Major Infrastructure and Other Projects Trust Fund		
Monetary assets		
As at 1 July	**46,242**	66,575
Receipts	**7,515**	17,471
Payments	**(5,592)**	(37,804)
Total as at 30 June	**48,165**	46,242

Finfish Trust Account

Torres Strait Islanders own 100 per cent of the Finfish fishery. Finfish quota that is not used by Traditional Inhabitant fishers is leased to Non-Traditional fishers. Leasing revenue is held in trust by the TSRA and disbursed to the beneficiaries for the benefit of the fishery. For example, capacity building activities to increase the number of Torres Strait Islanders fishing in an economical and environmentally sustainable way in the fishery.

	2018 $'000	2017 $'000
Finfish Trust Account		
Monetary assets		
As at 1 July	**1,477**	1,263
Receipts	**227**	214
Payments	**-**	-
Total as at 30 June	**1,704**	1,477

5.2 Budget Variances Commentary

The below table provides commentary for significant variances between the TSRA's original budget estimates, as published in the 2017-18 Portfolio Budget Statements, and the actual expenditure and net asset position for the year.

Explanation of major budget variances	Affected line items (and Statement)
The budgeted Other Government contributions revenue and suppliers and grants expenses include revenue and expenditure on funding agreements that had been executed at the time the budget was prepared. During the financial year, after the budget was prepared, additional funding of $4.3m was provided by the Department of the Prime Minister and Cabinet for the Torres Strait Fisheries Investment Project ($3.8m), and the Capacity Building for Rangers Strategy ($0.6m). The TSRA also received $1.73m from the Department of Agriculture and Water Resources for the Torres Strait Frontline Biosecurity Resilience project. As the TSRA is the leading Commonwealth representative body for Torres Strait Islander and Aboriginal people living in the Torres Strait, they are often approached by other government agencies to deliver programmes on an adhoc basis throughout the year. In recent years it has become common practice for the TSRA to enter into additional funding agreements with other agencies after the date that the budget is formally finalised.	Other Government contributions, Employee Benefits, Suppliers and Grants (Statement of Comprehensive Income)
The budget reflects the depreciation funding received as part of the annual budget and is substantially less than the actual depreciation expense.	Depreciation (Statement of Comprehensive Income)
The annual stocktake and revaluation of assets, including impairments of property, has caused a write down in the asset revaluation reserve ($0.67m) that was not budgeted for.	Changes in asset revaluation surplus (Statement of Comprehensive Income - Other Comprehensive Income)
The variances of $0.76m in cash, $1.48m in Trade and Other Receivables, $16.3m in investments, $9.4m in non-financial assets and $4.2m in Grants and Other payables are due to timing differences for payments across financial years mainly due to major capital works projects and the June receipt of additional funding.	Cash and cash equivalents, Other investments, Non-Financial assets (Statement of Financial Position)