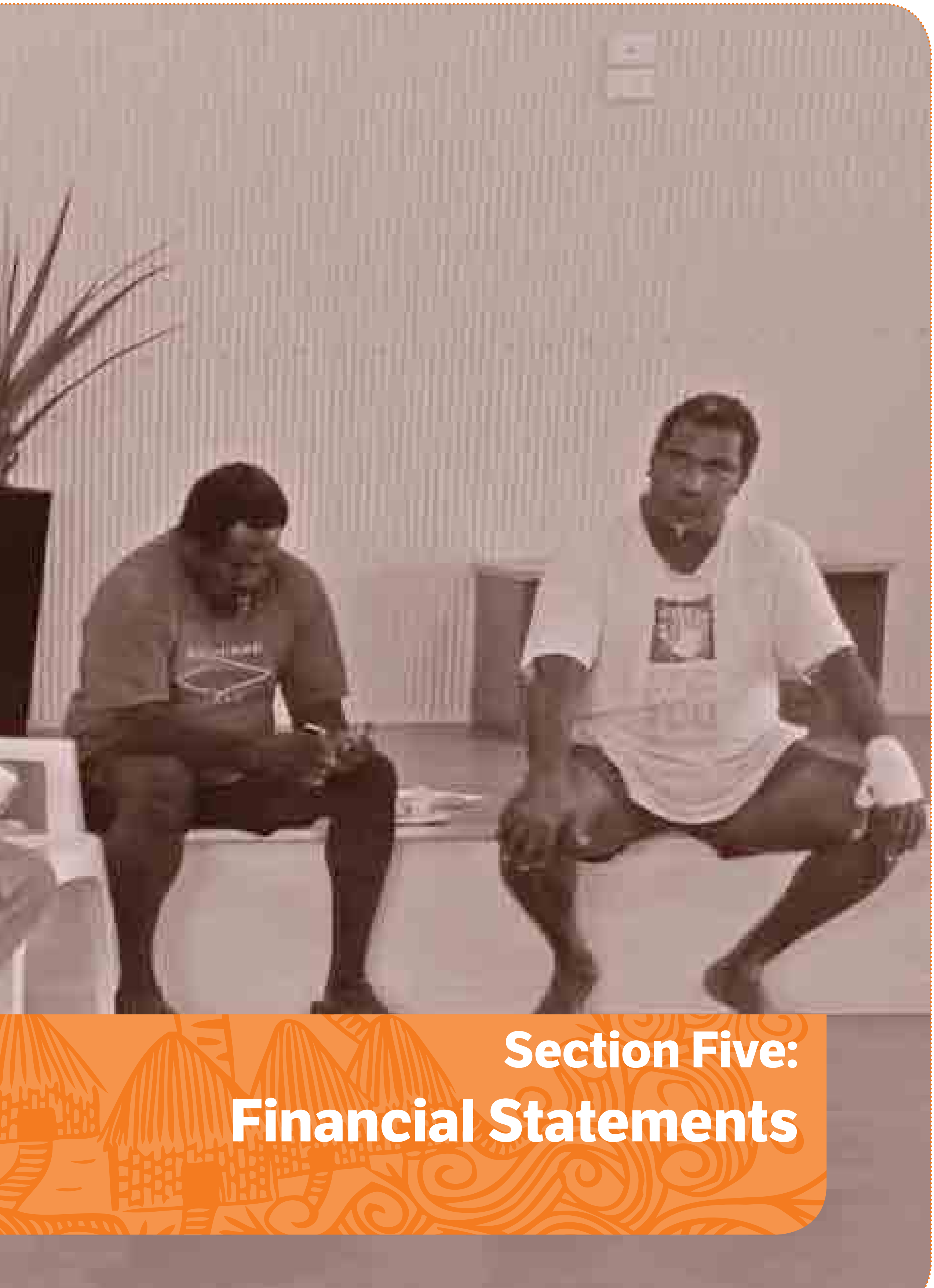

Section Five: Financial Statements

Australian National
Audit Office

INDEPENDENT AUDITOR'S REPORT

To the Minister for Families, Housing, Community Services and Indigenous Affairs

I have audited the accompanying financial statements of the Torres Strait Regional Authority for the year ended 30 June 2011, which comprise: a Statement by the Directors, Chief Executive and Chief Financial Officer; the Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; Schedule of Asset Additions; and Notes comprising a Summary of Significant Accounting Policies and other explanatory information.

Directors' Responsibility for the Financial Statements

The directors of the Torres Strait Regional Authority are responsible for the preparation of the financial statements that give a true and fair view in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including the Australian Accounting Standards, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on my audit. I have conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Torres Strait Regional Authority's preparation of the financial statements that give a true and fair view 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 Torres Strait Regional Authority's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

GPO Box 707 CANBERRA ACT 2601
19 National Circuit BARTON ACT
Phone (02) 6203 7300 Fax (02) 6203 7777

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

Independence

In conducting my audit, I have followed the independence requirements of the Australian National Audit Office, which incorporate the requirements of the Australian accounting profession.

Opinion

In my opinion, the financial statements of the Torres Strait Regional Authority:

(a) have been prepared in accordance with the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, including the Australian Accounting Standards; and

(b) give a true and fair view of the matters required by the Finance Minister's Orders including the Torres Strait Regional Authority's financial position as at 30 June 2011 and of its financial performance and cash flows for the year then ended.

Australian National Audit Office

Colin Bienke

Colin Bienke
Senior Director

Delegate of the Auditor-General

Canberra
8 September 2011

Financial Statements

STATEMENT BY THE DIRECTORS, CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICER

In our opinion, the attached financial statements for the year ended 30 June 2011 are based on properly maintained financial records and give a true and fair view of the matters required by the Finance Minister's Orders made under the *Commonwealth Authorities and Companies Act 1997*, as amended.

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 become due and payable.

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

Signed

Mr J T Kris
Chairperson

8 September 2011

Signed

Ms N Bin Tahal
Deputy Chairperson

8 September 2011

Signed

Mr W See Kee
General Manager

8 September 2011

Signed

Mr C de Mamiel
Chief Financial Officer

8 September 2011

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TORRES STRAIT REGIONAL AUTHORITY
STATEMENT OF COMPREHENSIVE INCOME
for the year ended 30 June 2011

	Notes	2011 $'000	2010 $'000
EXPENSES			
Employee benefits	3A	**8,066**	8,417
Suppliers	3B	**12,682**	12,637
Grants	3C	**53,988**	48,894
Depreciation	3D	**840**	706
Write-down and impairment of assets	3E	**150**	580
Total Expenses		**75,726**	71,234
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Sale of goods and rendering of services	4A	**499**	486
Interest	4B	**2,090**	1,447
Other	4C	**6,688**	3,681
Total own-source revenue		**9,277**	5,614
Gains			
Reversals of previous asset write-downs	4D	**358**	27
Other gains	4E	**-**	1
Total gains		**358**	28
Total own-source income		**9,635**	5,642
Net cost of services		**66,091**	65,592
Revenue from Government	4F	**69,758**	67,391
Surplus attributable to the Australian Government		**3,667**	1,799
OTHER COMPREHENSIVE INCOME			
Changes in asset revaluation reserves		**3,644**	(157)
Total other comprehensive income		**3,644**	(157)
Total comprehensive income		**7,311**	1,642
Total comprehensive income attributable to the Australian Government		**7,311**	1,642

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

TORRES STRAIT REGIONAL AUTHORITY
BALANCE SHEET
as at 30 June 2011

	Notes	2011 $'000	2010 $'000
ASSETS			
Financial Assets			
Cash and cash equivalents	5A	**21,057**	32,551
Trade and other receivables	5B	**11,117**	6,833
Total financial assets		**32,174**	39,384
Non-Financial Assets			
Land and buildings	6A,C	**27,425**	21,286
Plant and equipment	6B,C	**1,565**	685
Total non-financial assets		**28,990**	21,971
Total Assets		**61,164**	61,355
LIABILITIES			
Payables			
Suppliers	7A	**(2,079)**	(2,601)
Grants	7B	**(236)**	(11,955)
Other	7C	**(4,759)**	(430)
Total payables		**(7,074)**	(14,986)
Provisions			
Employee provisions	8A	**(2,130)**	(1,720)
Total provisions		**(2,130)**	(1,720)
Total Liabilities		**(9,204)**	(16,706)
Net Assets		**51,960**	44,649
EQUITY			
Contributed equity		**32**	32
Reserves		**12,534**	8,890
Retained surplus		**39,394**	35,727
Total Equity		**51,960**	44,649

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

Financial Statements

TORRES STRAIT REGIONAL AUTHORITY
STATEMENT of CHANGES in EQUITY
for the year ended 30 June 2011

	Retained earnings		Asset revaluation reserves		Contributed equity/capital		Total equity	
	2011	2010	2011	2010	2011	2010	2011	2010
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Opening balance								
Balance carried forward from previous period	35,727	33,928	8,890	9,047	32	32	44,649	43,007
Adjusted opening balance	35,727	33,928	8,890	9,047	32	32	44,649	43,007
Comprehensive income								
Other comprehensive income	-	-	3,644	(157)	-	-	3,644	(157)
Surplus for the period	3,667	1,799	-	-	-	-	3,667	1,799
Total comprehensive income	3,667	1,799	3,644	(157)	-	-	7,311	1,642
of which:								
Attributable to the Australian Government	3,667	1,799	3,644	(157)	-	-	7,311	1,642
Closing Balance attributable to the Australian Government	39,394	35,727	12,534	8,890	32	32	51,960	44,649

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

TORRES STRAIT REGIONAL AUTHORITY

CASH FLOW STATEMENT

for the year ended 30 June 2011

	Notes	2011 $'000	2010 $'000
OPERATING ACTIVITIES			
Cash received			
Goods and services		**5,609**	4,552
Receipts from Government		**69,758**	67,391
Interest		**1,985**	1,038
Net GST received		**5,771**	6,414
Total cash received		**83,123**	79,395
Cash used			
Employees		**(7,657)**	(7,512)
Suppliers		**(14,478)**	(13,519)
Loan payments		**(9)**	(409)
Grants		**(69,513)**	(49,406)
Total cash used		**(91,657)**	(70,846)
Net cash flows from operating activities	9	**(8,534)**	8,549
INVESTING ACTIVITIES			
Cash received			
Loan receipts		**764**	971
Total cash received		**764**	971
Cash used			
Loan payments		**(100)**	(547)
Purchase of property, plant and equipment		**(3,624)**	(1,888)
Total cash used		**(3,724)**	(2,435)
Net cash flows from investing activities		**(2,960)**	(1,464)
Net increase in cash held		**(11,494)**	7,085
Cash and cash equivalents at the beginning of the reporting period		**32,551**	25,466
Cash and cash equivalents at the end of the reporting period	5A	**21,057**	32,551

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

TORRES STRAIT REGIONAL AUTHORITY
SCHEDULE OF COMMITMENTS
as at 30 June 2011

	2011	2010
BY TYPE	**$'000**	$'000
Commitments receivable		
Sublease rental income	**1,278**	1,279
Net GST recoverable on commitments	**46**	77
Total commitments receivable	**1,324**	1,356
Commitments payable		
Other commitments payable		
Operating leases	**1,144**	419
Project commitments	-	1,268
Total other commitments	**1,144**	1,687
Net commitments by type	**180**	(331)
BY MATURITY		
Commitments receivable		
Operating lease income		
One year or less	**247**	272
From one to five years	**1,031**	1,007
Total operating lease income	**1,278**	1,279
Net GST commitments receivable		
One year or less	**21**	77
From one to five years	**25**	-
Total Net GST commitments receivable	**46**	77
Operating lease commitments payable		
One year or less	**615**	272
From one to five years	**529**	147
Total operating lease commitments payable	**1,144**	419
Project Commitments Payable		
One year or less	-	1,268
Total project commitments payable	-	1,268
Net Project Commitments by Maturity	**180**	(331)

Operating leases included are effectively non-cancellable and comprise:

Commitments Receivable

The Torres Strait Regional Authority (TSRA) receives rental income from the provision of staff housing. This is a necessary activity given the geographic location and housing availability in the Torres Strait.

Lease for office and residential accommodation

Lease payments exist for 3 office accommodations. The leases increases at CPI each year. One lease is for a period of 4 years with an option to extend for 1 additional year, the second lease is for a period of 2 years with an option to extend for an additional 2 years and the third lease is for a period of 3 years with an option to extend for an additional 3 years.

The TSRA currently leases 12 houses for staff and contractor accommodation. Lease terms range from 1 month to 2 years with varying expiry dates. Two of these leases have the option to extend for 1 further year.

Agreement for the provision of motor vehicles

One vehicle is leased for senior executive officer use. Four vehicles are leased for operating activities of the TSRA. There are no contingent rentals and no renewal or purchase options are available to the TSRA.

Leases for information and communication technology equipment

Leases are in place for standard office equipment for operating activities of the TSRA. Rates are fixed for the term of all leases with no purchase options available. Two multi-function device leases began in December 2008 for a 4 year term and two multi-function device leases began in November 2009 for a 37 month term. There are no options for extension on these lease arrangements.

This schedule should be read in conjunction with the accompanying notes.

TORRES STRAIT REGIONAL AUTHORITY
SCHEDULE OF ASSET ADDITIONS
for the period ended 30 June 2011

The following non-financial non-current assets were added in 2010-11

	Land $'000	Buildings $'000	Other Plant & equipment $'000	Heritage & cultural $'000	Total $'000
Additions funded in the current year					
By purchase - Government Funding	-	3,024	600	-	3,624
Contribution from state government entity	-	-	591	-	591
Total additions	-	3,024	1,191	-	4,215

The following non-financial non-current assets were added in 2009-10:

	Land $'000	Buildings $'000	Other Plant & equipment $'000	Heritage & cultural $'000	Total $'000
Additions funded in the current year					
By purchase - Government Funding	-	1,417	479	-	1,896
Total additions	-	1,417	479	-	1,896

Index to the Notes to the Financial Statements

TORRES STRAIT REGIONAL AUTHORITY
Notes to and forming part of the financial statements
for the year ended 30 June 2011

Note 1: Summary of Significant Accounting Policies

1.1 Objective of the Torres Strait Regional Authority

The Torres Strait Regional Authority (TSRA) is an Australian Government controlled entity. The objective of the Torres Strait Regional Authority is to achieve a better quality of life and develop an economic base for Torres Strait Islander and Aboriginal persons living in the Torres Strait.

The TSRA is structured to meet one outcome:

Progress towards closing the gap for Torres Strait Islander and Aboriginal people living in the Torres Strait Region through development planning, coordination, sustainable resource management, and preservation and promotion of Indigenous culture.

The continued existence of the TSRA in its present form and with its present programs is dependent on Government policy and on continuing funding by Parliament for the TSRA's administration and programs.

1.2 Basis of Preparation of the Financial Statements

The financial statements and notes are required by clause 1(b) of Schedule 1 to the *Commonwealth Authorities and Companies Act 1997.*

The financial statements have been prepared in accordance with:

- Finance Minister's Orders (FMO's) for reporting periods ending on or after 1 July 2010; and
- Australian Accounting Standards and Interpretations 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 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.

Unless an alternative treatment is specifically required by an accounting standard or the FMO's, assets and liabilities are recognised in the balance sheet when and only when it is probable that future economic benefits will flow to TSRA or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under agreements equally proportionately unperformed are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the schedule of commitments or the schedule of contingencies.

Unless alternative treatment is specifically required by an accounting standard, income and expenses are recognised in the Statement of Comprehensive Income when and only when the flow, consumption or loss of economic benefits has occurred and can be reliably measured.

1.3 Significant Accounting Judgements and Estimates

In the process of applying the accounting policies listed in this note, the TSRA has made the following judgements that have the most significant impact on the amounts recorded in the financial statements:

- The fair value of land and buildings has been taken to be the market value of similar properties as determined by an independent valuer as detailed in Note 1.16.
- 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.

No accounting assumptions or estimates have been identified that have a significant risk of causing a material adjustment to carrying amounts of assets and liabilities within the next accounting period.

1.4 New Accounting Standards

Adoption of New Australian Accounting Standard Requirements

No accounting standard has been adopted earlier than the application date as stated in the standard. The following amending standards was issued prior to the sign-off date, were applicable to the current reporting period and had a financial impact on the entity.

i) AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (AASB 5, AASB 8, AASB 101, AASB 107, AASB 117, AASB 118, AASB 136 & AASB 139)
The Standard amends eight standards resulting from the IASB Annual Improvements Project. The amendment of greatest interest to the TSRA is likely to be:
• cash flows under AASB 107 are only classified as investing cash flows if the underlying asset was recognised in the balance sheet.

Only expenditures that resulted in a recognised asset in the statement of financial position have been classified as cash flows from investing activities.

Other new standards, revised standards, interpretations and amendments that were issued prior to the sign-off date and are applicable to the current reporting period did not have a financial impact, and are not expected to have a future financial impact on the entity.

Future Australian Accounting Standard Requirements

The following new standards, revised standards, interpretations and amendments were issued by the Australian Accounting Standards Board prior to the sign-off date, which are expected to have a financial impact on the entity for future reporting periods:

i) AASB 124 *Related Party Disclosures* (applies year ended 30 June 2012)

The main changes to AASB 124 that may affect the public sector and the TSRA are:
• simplifies the definition of a related party;
• reduces requirements for disclosing transactions with the entity's controlling government, or with other entities controlled or influenced by that government.
Paragraphs 1-28 do not apply to not-for-profit public sector entities.

The amended definition of a related party is clearer in differentiating between parties that are persons or entities. TSRA will apply the amended standard from 1 July 2011. However, there will be no impact on any of the amounts recognised in the financial statements.

ii) AASB 2010-4 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project* (applies year ended 30 June 2012)

This amending standard makes changes flowing from the IASB's annual improvements project.
The main amendment is to paragraph 106 and addition of paragraph 106A, allowing reconciliations of other comprehensive income to be presented either in the statement of changes in equity or in the notes.
Subject to the requirements under FMOs, the TSRA will have an option to present comprehensive income either in the statement of changes in equity or in the notes.

iii) AASB 9 *Financial Instruments* (applies year ended 30 June 2014)

The IASB project is to replace IAS 39 (AASB 139) in three phases:
1. classification & measurement
2. impairment methodology
3. hedge accounting

AASB 9 represents the first phase, at least in respect of financial assets. It reduces four categories of financial asset to two: amortised cost and fair value.

Under AASB 9, assets are to be at fair value unless they:
• are held to collect cash flows, and
• are solely payment of interest and principal on specified dates.

An option exists to measure at fair value through profit and loss, if this reduces an inconsistency.

Gains/losses on assets carried at fair value are taken to profit/loss unless:
• they are equity instruments, and
• they are not held for trading, and
• the entity initially elects to recognise gains/losses in other comprehensive income.

This will impact the financial statement disclosures of TSRA and will simplify the current categories of financial assets. There will be no impact on TSRA's accounting for financial liabilities.

iv) AASB 1053 *Application of Tiers of Australian Accounting Standards* and AASB 2010-2 *Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements* (effective year ended 30 June 2014)

AASB 1053 was released in June 2010 and implements a two-tiered reporting framework for general purpose financial reporting by Australian reporting entities. Tier 1 comprises Australian Accounting Standards. Tier 2 comprises the recognition and measurement requirements of Australian Accounting Standards, with substantially reduced disclosure requirements. Tier 2 will be known as Australian Accounting Standards – Reduced Disclosure Requirements.

For-profit private sector reporting entities with public accountability, and federal, state, territory and local governments, must report in accordance with Tier 1. This will include TSRA. Therefore the two standards have no impact on the financial statements of TSRA.

Other new standards, revised standards, interpretations and amendments that were issued prior to the sign-off date and are applicable to the future reporting period are not expected to have a future financial impact on the entity.

1.5 Revenue

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 nor 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.

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 as at the end of reporting period. Allowances are made when collectability of the debt is no longer probable.

Interest revenue is recognised using the effective interest method as set out in AASB 139 *Financial Instruments: Recognition and Measurement*.

Resources Received Free of Charge

Resources received free of charge are recoginised as gains when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Resources received free of charge are recorded as either revenue or gains depending on their nature.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government agency or authority as a consequence of a restructuring of administrative arrangements (this did not occur in 2010-11 or 2009-10).

Revenue from Government

Funding received or receivable from agencies (appropriated to the agency as a CAC Act body payment item for payment to TSRA) is recognised as Revenue from Government unless they are in the nature of an equity injection or a loan.

Parental Leave Payments Scheme

The TSRA offsetted amounts received under Parental Leave Payments Scheme (for payment to employees) by amounts paid to employees under that scheme, because these transactions are only incidental to the main revenue-generating activities of the TSRA. Amounts received by the TSRA not yet paid to employees would be presented gross as cash and a liability (payable). The total amount received under this scheme is disclosed as a footnote to the Note 4F: Revenue from Government.

1.6 Gains

Resources Received Free of Charge

Resources received free of charge are recognised as gains when, and only when, a fair value can be reliably determined and the services would have been purchased if they had not been donated. Use of those resources is recognised as an expense.

Resources received free of charge are recorded as either revenue or gains depending on their nature.

Financial Statements

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition, unless received from another Government agency or authority as a consequence of a restructuring of administrative arrangements (this did not occur in 2010-11 or 2009-10).

Sale of Assets

Gains from disposal of non-financial assets are recognised when control of the asset has passed to the buyer.

1.7 Transactions with the Government as Owner

Equity Injections

Amounts that are designated as equity injections for a year are recognised directly in contributed equity in that year.

Other Distributions to Owners

The FMOs require that distributions to owners be debited to contributed equity unless in the nature of a dividend.

1.8 Employee Benefits

Liabilities for short-term employee benefits (as defined in AASB 119 *Employee Benefits*) and termination benefits due within twelve months of the end of the reporting period are measured at their nominal amounts.

The nominal amount is calculated with regard to the rates expected to be paid on settlement of the liability.

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. A provision for personal leave payable also exists for a select number of staff as personal leave is vesting for these staff due to a clause in their employment agreement.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that 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 liability for long service leave has been determined by reference to the work of an actuary as at 30 June 2011. 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

Staff of the TSRA are members of the Commonwealth Superannuation Scheme (CSS), the Public Sector Superannuation Scheme (PSS) or the PSS accumulation plan (PSSap).

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 by the Department of Finance and Deregulation as an administered item.

The TSRA makes employer contributions to the employee superannuation schemes at rates determined by an actuary to be sufficient to meet the cost to the Government. The TSRA 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 for the final fortnight of the year.

1.9 Leases

A distinction is made between finance leases and operating leases. Finance leases effectively transfer from the lessor to the lessee substantially all the risks and rewards incidental to ownership of leased assets. An operating lease is a lease that is not a finance lease. In operating leases, the lessor effectively retains substantially all such risks and benefits.

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. In 2010-11, the TSRA leased five vehicles, office accommodation and equipment, commercial and residential property for the operation of the organisation.

1.10 Grants

Most grant agreements require the grantee to perform services, provide facilities, or to meet eligibility criteria. In these cases, the TSRA recognises grant liabilities only to the extent that the services required have been performed or the eligibility criteria have been satisfied by the grantee.

In cases where grant agreements are made without conditions to be monitored, liabilities are recognised on signing of the agreement.

1.11 Cash

Cash and cash equivalents includes cash on hand and demand deposits in bank accounts with an original maturity of 3 months or less that are readily convertible to known amounts of cash and subject to insignificant risk of changes in value. Cash is recognised at its nominal amount.

1.12 Financial Assets

The TSRA classifies its financial assets in the following category:
-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 at fair value through profit or loss.

Financial Assets at Fair Value Through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss where the financial assets:

a) have been acquired principally for the purpose of selling in the near future;

b) are a part of an identified portfolio of financial instruments that the TSRA manages together and has a recent actual pattern of short-term profit-taking; or

c) are derivatives that are not designated and effective as a hedging instrument.

Assets in this category are classified as current assets.

Financial assets at fair value through profit or loss are stated at fair value, with any resultant gain or loss recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest earned on the financial asset.

Available-for-sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories.

Available-for-sale financial assets are recorded at fair value. Gains and losses arising from changes in fair value are recognised directly in the reserves (equity) with the exception of impairment losses. Interest is calculated using the effective interest method and foreign exchange gains and losses on monetary assets are recognised directly in profit or loss. Where the asset is disposed of or is determined to be impaired, part (or all) of the cumulative gain or loss previously recognised in the reserve is included in profit and loss for the period.

Where a reliable fair value can not be established for unlisted investments in equity instruments, these instruments are valued at cost. The TSRA has no such instruments.

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.

Available for sale financial assets - if there is objective evidence that an impairment loss on an available-for-sale financial asset has been incurred, the amount of the difference between its cost, less principal repayments and amortisation, and its current fair value, less any impairment loss previously recognised in expenses, is transferred from equity to the statement of comprehensive income.

Financial assets held at cost - if there is objective evidence that an impairment loss has been incurred the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

1.13 Financial Liabilities

Financial liabilities are classified as 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

Other financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield 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).

1.14 Contingent Liabilities and Contingent Assets

Contingent liabilities and contingent assets are not recognised in the balance sheet but are reported in the relevant schedules and 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.

1.15 Acquisition of Assets

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 Authority's accounts immediately prior to the restructuring.

1.16 Property, Plant and Equipment

Asset Recognition Threshold

Purchases of property, plant and equipment are recognised initially at cost in the balance sheet, 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).

Revaluations

Fair values for each class of asset are determined as shown below:

Asset class	*Fair value measured at:*
Land	Market selling price
Buildings	Market selling price
Other Plant & equipment	Depreciated replacement cost
Heritage and cultural assets	Depreciated replacement cost

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 do not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depends 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 reverses 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 reverse 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 TSRA 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:

	2011	2010
Buildings on freehold land	**40 years**	40 years
Other Plant and Equipment	**3 to 5 years**	3 to 5 years

The TSRA has items of property that are heritage and cultural assets, that have indefinite useful lives and are not depreciated.

Impairment

All assets were assessed for impairment at 30 June 2011. 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 to sell 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 TSRA 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 economic benefits are expected from its use or disposal.

Heritage and Cultural Assets

The TSRA has a limited collection of 16 (2010 : 16) distinct Cultural and Heritage assets. Cultural assets are comprised of artworks, carvings, and traditional headdresseses. Heritage assets consist of models of two (2010 : 2) sailing vessels and a brass Pearl Diver's helmet (2010 : 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 cultural heritage 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.

1.17 Taxation / Competitive Neutrality

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

Revenues, expenses and assets are recognised net of GST except:

- where the amount of GST incurred is not recoverable from the Australian Taxation Office; and
- for receivables and payables.

1.18 Change in Comparatives

Following a review of disclosure requirements, comparatives have been amended for supplier expenses, employee benefits, supplier payables and other payables. This is further detailed in Note 3 and Note 7. The amendment to comparatives have resulted in changes to Notes 3, 7, 9, 15 and 18.

1.19 Change in Disclosure for Assets Held in Trust

There has been a change in disclosure in respect to assets held in trust. This is further detailed in Note 17.

TORRES STRAIT REGIONAL AUTHORITY
Notes to and forming part of the financial statements
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Note 2: Events After the Reporting Period

There has been no event that has occurred after the reporting date that would significantly affect the ongoing structure and financial activities of the TSRA.

TORRES STRAIT REGIONAL AUTHORITY
Notes to and forming part of the financial statements
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Note 3: Expenses

	2011 $'000	2010 $'000
Note 3A: Employee Benefits		
Wages and salaries	(6,701)	(7,371)
Superannuation		
Defined contribution plans	(554)	(469)
Defined benefit plans	(401)	(293)
Leave and other entitlements	(410)	(284)
Total employee benefits	(8,066)	(8,417)
Note 3B: Suppliers		
Goods and services		
Consultants and Professional Fees	(4,852)	(5,638)
Travel	(1,898)	(2,008)
Repairs and maintenance	(1,208)	(1,015)
Other staff costs	(1,018)	(1,313)
Office Running Costs	(935)	(886)
Media, Advertising, Public Relations	(368)	(342)
Other	(1,927)	(993)
Total goods and services	(12,206)	(12,195)
Goods and services are made up of:		
Provision of goods – external parties	(505)	(550)
Rendering of services – external parties	(11,701)	(11,645)
Total goods and services	(12,206)	(12,195)
Other supplier expenses		
Operating lease rentals - external parties:		
Minimum lease payments	(463)	(433)
Workers compensation expenses	(13)	(9)
Total other supplier expenses	(476)	(442)
Total supplier expenses	(12,682)	(12,637)
Note 3C: Grants		
Private sector:		
Non-profit organisations	(53,988)	(48,894)
Total grants	(53,988)	(48,894)
Note 3D: Depreciation		
Depreciation:		
Buildings	(529)	(447)
Plant and equipment	(311)	(259)
Total depreciation	(840)	(706)
Note 3E: Write-Down and Impairment of Assets		
Asset writedowns from and impairments from:		
Loans provided for as impaired	(121)	-
Write down of loans to net present value	(29)	(580)
Total write-down and impairment of assets	(150)	(580)

In financial year 2009-10, leave fare allowance for employees was presented as a travel expense under Note 3B: Suppliers – Goods and services. In financial year 2010-11, the leave fare allowance, which forms part of employee remuneration, have been appropriately reclassified to Wages and salaries expense under Note 3A: Employee benefits. This change in presentation has increased the comparative figures for wages and salaries and total employee benefits in Note 3A by $621,000 to $7,371,000 and $8,417,000 respectively (2009-10: $6,750,000 and $7,796,000 respectively). This is matched by a corresponding decrease in the comparative figures for travel and total goods and services in Note 3B: Suppliers by $621,000 to $2,008,000 and $12,195,000 respectively (2009-10: $2,629,000 and $12,816,000 respectively). It is noted that the change in comparatives has a similar effect on disclosure notes in the 2008-09 financial statements ($440,000 increase for wages and salaries within employee benefits and a $440,000 decrease in other and total goods and services within supplier expenses).

TORRES STRAIT REGIONAL AUTHORITY
Notes to and forming part of the financial statements
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Note 4: Income

OWN-SOURCE REVENUE	2011 $'000	2010 $'000
Note 4A: Sale of Goods and Rendering of Services		
Provision of goods - external parties	255	242
Rendering of services - external parties	244	244
Total sale of goods and rendering of services	499	486
Note 4B: Interest		
Loans	408	408
Deposits	1,682	1,039
Total interest	2,090	1,447
Note 4C: Other Revenue		
Rent	27	74
Other Government contributions	6,661	3,607
Total other revenue	6,688	3,681
GAINS		
Note 4D: Reversals of Previous Asset Write-Downs and Impairments		
Reversal of losses from remeasuring financial instruments held at fair value	358	5
Reversal of expense recognised in previous years when providing for the impairment of financial instruments	-	22
Total reversals of previous asset write-downs and impairments	358	27
Note 4E: Other Gains		
Sale of assets	-	1
Total other gains	-	1
REVENUE FROM GOVERNMENT		
Note 4F: Revenue from Government		
Department of Families, Housing, Community Services and Indigenous Affairs		
CAC Act body payment item	69,758	67,391
Total revenue from Government	69,758	67,391

TORRES STRAIT REGIONAL AUTHORITY
Notes to and forming part of the financial statements
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Note 5: Financial Assets

	2011 $'000	2010 $'000
Note 5A: Cash and Cash Equivalents		
Cash at bank	21,057	32,551
Total cash and cash equivalents	21,057	32,551
Note 5B: Trade and Other Receivables		
Goods and services - external parties	6,515	115
GST receivable from the Australian Taxation Office	-	1,774
Loans	4,848	5,069
Total trade and other receivables (gross)	11,363	6,958
Less impairment allowance account:		
Loans	(246)	(125)
Total trade and other receivables (net)	11,117	6,833
Receivables are expected to be recovered in:		
No more than 12 months	6,515	1,889
More than 12 months	4,602	4,944
Total trade and other receivables (net)	11,117	6,833
Receivables are aged as follows:		
Not overdue	10,763	6,812
Overdue by:		
0 to 30 days	144	1
31 to 60 days	4	-
61 to 90 days	-	1
More than 90 days	452	144
Total receivables (gross)	11,363	6,958
The impairment allowance account is aged as follows:		
Overdue by:		
More than 90 days	(246)	(125)
Total impairment allowance account	(246)	(125)

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 2011 are as follows:

	2011 $'000	2010 $'000
Concessional loans - nominal value	5,545	6,200
Less: unexpired discount	(697)	(1,131)
Concessional loans - carrying value	4,848	5,069

Reconciliation of the impairment allowance account:

Movements in relation to 2011

	Loans $'000	Total $'000
Opening balance	(125)	(125)
Increase recognised in net surplus	(121)	(121)
Closing balance	(246)	(246)

Movements in relation to 2010

	Loans $'000	Total $'000
Opening balance	(648)	(648)
Amounts recovered and reversed	523	523
Closing balance	(125)	(125)

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Notes to and forming part of the financial statements
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Note 6: Non-Financial Assets

	2011 $'000	2010 $'000
Note 6A: Land and Buildings		
Land:		
Land at fair value	**9,185**	7,365
Total land and buildings	**9,185**	7,365
Buildings on freehold land:		
Work in progress	**68**	1,556
Fair value	**18,081**	12,365
Total buildings on freehold land	**18,149**	13,921
Leasehold Improvements:		
Fair value	**115**	-
Accumulated depreciation	**(24)**	-
Total leasehold improvements	**91**	-
Total land and buildings	**27,425**	21,286

All revaluations are conducted in accordance with the revaluation policy stated at Note 1. In 2010-11, an independent valuer, Neil Teves- AAPI Registered Valuer No. 382, conducted the revaluations.

A revaluation increment of $1,820,000 was recorded for land (2010: Nil) and revaluation increments were recorded for buildings on freehold land of $1,824,342 (2010: decrement of $156,954) and have been credited to the asset revaluation reserve by asset class and included in the equity section of the balance sheet and the other comprehensive income section of the statement of comprehensive income.

No indicators of impairment were found for land and buildings.
No land or buildings are expected to be sold or disposed of within the next 12 months.

Note 6B: Plant and Equipment

	2011 $'000	2010 $'000
Heritage and cultural:		
Artifacts and artworks		
Fair value	**41**	41
Total heritage and cultural	**41**	41
Other plant and equipment:		
Fair value	**2,394**	1,203
Accumulated depreciation	**(870)**	(559)
Total other plant and equipment	**1,524**	644
Total plant and equipment	**1,565**	685

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

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Note 6: Non-Financial Assets

Note 6C: Reconciliation of the opening and closing balances of property, plant and equipment (2010-11)

	Land $'000	Buildings $'000	Other Plant & Equipment $'000	Heritage & Cultural $'000	Total $'000
As at 1 July 2010					
Gross book value	7,365	13,921	1,203	41	22,530
Accumulated depreciation and impairment	-	-	(559)	-	(559)
Net book value 1 July 2010	7,365	13,921	644	41	21,971
Additions:					
by purchase	-	3,024	600	-	3,624
contribution from state government entity	-	-	591	-	591
Revaluations and impairments through equity	1,820	1,824	-	-	3,644
Depreciation expense	-	(529)	(311)	-	(840)
Net book value 30 June 2011	9,185	18,240	1,524	41	28,990
Net book value as of 30 June 2011 represented by:					
Gross book value	9,185	18,264	2,394	41	29,884
Accumulated depreciation	-	(24)	(870)	-	(894)
	9,185	18,240	1,524	41	28,990

Note 6C (Cont'd): Reconciliation of the opening and closing balances of property, plant and equipment (2009-10)

Item	Land $'000	Buildings $'000	Other Plant & Equipment $'000	Heritage & Cultural $'000	Total $'000
As at 1 July 2009					
Gross book value	7,365	13,108	856	41	21,370
Accumulated depreciation and impairment	-	-	(425)	-	(425)
Net book value 1 July 2009	7,365	13,108	431	41	20,945
Additions:					
by purchase	-	1,417	479	-	1,896
Revaluations and impairments through equity	-	(157)	-	-	(157)
Depreciation expense	-	(447)	(259)	-	(706)
Disposals:					
Other disposals	-	-	(7)	-	(7)
Net book value 30 June 2010	7,365	13,921	644	41	21,971
Net book value as of 30 June 2010 represented by:					
Gross book value	7,365	13,921	1,203	41	22,530
Accumulated depreciation and impairment	-	-	(559)	-	(559)
	7,365	13,921	644	41	21,971

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Notes to and forming part of the financial statements
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Note 7: Payables

	2011 $'000	2010 $'000
Note7A: Suppliers		
Trade creditors and accruals	(2,079)	(2,601)
Total supplier payables	(2,079)	(2,601)
Supplier payables expected to be settled within 12 months:		
External parties	(2,079)	(2,601)
Total	(2,079)	(2,601)
Settlement is usually made within 30 days.		
Note7B: Grants		
Private sector:		
Non-profit organisations	(236)	(11,955)
Total grant payables	(236)	(11,955)
Total grant payables are expected to be settled in:		
No more than 12 months	(236)	(11,955)
Total grant payables	(236)	(11,955)
Note 7C: Other Payables		
Salaries and wages	(498)	(430)
GST payable to ATO	(4,261)	-
Total other payables	(4,759)	(430)
Total other payables are expected to be settled in:		
No more than 12 months	(4,759)	(430)
Total other payables	(4,759)	(430)

In financial year 2009-10, accrued expenses were presented under Note 7C: Other Payables. In financial year 2010-11, accrued expenses have been appropriately reclassified to supplier payables under Note 7A: Suppliers. This change in presentation has increased comparative figures for trade creditors and accruals and total supplier payables in Note 7A by $926,000 to $2,601,000 (2009-10: $1,675,000). This is matched by a corresponding decrease in the comparative figures for accrued expenses and total other payables previously reported in other payables Note 7C by $926,000 to NIL and $430,000 respectively (2009-10: $926,000 and $1,356,000 respectively). It is noted that the change in comparatives has a similar effect on disclosure notes in the 2008-09 financial statements ($477,000 increase in supplier payables and a $477,000 decrease in other payables) which represent the opening balances for 2009-10.

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Notes to and forming part of the financial statements
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Note 8: Provisions

	2011	2010
	$'000	$'000
Note 8A: Employee provisions		
Long Service Leave	(833)	(700)
Annual Leave	(1,217)	(934)
Personal Leave	(80)	(86)
Total employee provisions	(2,130)	(1,720)
Employee provisions are expected to be settled in:		
No more than 12 months	(1,975)	(1,504)
More than 12 months	(155)	(216)
Total employee provisions	(2,130)	(1,720)

TORRES STRAIT REGIONAL AUTHORITY
Notes to and forming part of the financial statements
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Note 9: Cash Flow Reconciliation

	2011 $'000	2010 $'000
Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow statement		
Cash and cash equivalents as per:		
Cash flow statement	21,057	32,551
Balance Sheet	21,057	32,551
Difference	-	-
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	(66,091)	(65,592)
Add revenue from Government	69,758	67,391
Adjustments for non-cash items		
Depreciation	840	706
Net writedown of financial assets	141	580
Interest	(105)	(410)
Concessional component of Loans funded	-	(331)
Reversal of previous loan writedowns and impairments	(358)	(27)
Gain on Sale of Assets	-	(1)
Contribution of non-financial assets	(591)	-
Changes in assets / liabilities		
(Increase) / decrease in receivables from Goods and Services	(6,400)	385
(Increase) / decrease in GST receivable	6,035	(206)
Increase / (decrease) in employee provisions	410	284
Increase / (decrease) in supplier payables	(522)	1,077
Increase / (decrease) in grants payable	(11,719)	3,977
Increase / (decrease) in other payables	68	716
Net cash from operating activities	(8,534)	8,549

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Note 10: Contingent Liabilities and Assets

Quantifiable Contingencies

There are no contingent assets (2009-10 : Nil) or contingent liabilities (2009-10:Nil).

Unquantifiable and Remote Contingencies

There are no unquantifiable or remote contingencies (2009-10 : Nil).

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Note 11: Directors Remuneration

	2011	2010
The number of non-executive directors of the TSRA included in these figures are shown below in the relevant remuneration bands:		
Less than $150,000	**18**	19
$210,000 - $239,999	**1**	1
Total number of directors of the TSRA	**19**	20
Total remuneration received or due and receivable by directors of the TSRA:	**412,409**	424,956

The TSRA's Board consists of twenty director positions. Seventeen hold office by virtue of their election to regional councils last held in March 2008 under the *Local Government Act 1993* (Qld). The other three are elected in accordance with the *Aboriginal and Torres Strait Islander Act 2005* (Cth) (formerly the *Aboriginal and Torres Straight Islander Commission Act 1989*). The directors other than the chairperson receive sitting fees when undertaking business of the TSRA. Mr Philip Mills, TSRA Member for Port Kenedy resigned in March 2011 and the position was vacant at 30 June 2011.

TORRES STRAIT REGIONAL AUTHORITY
Notes to and forming part of the financial statements
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Note 12 A: Related Party Disclosures

Loans to Directors and Director-related Entities
Loans were made or held by 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 TSRA.

TSRA Director Name	Council Relationships
Mr Wayne Guivarra	Torres Strait Island Regional Councillor
Mr Donald Banu	Torres Strait Island Regional Councillor
Mr Phillemon Mosby	Torres Strait Island Regional Councillor
Mr Kenny Bedford	Torres Strait Island Regional Councillor
Mr Raymond (Mario) Seki	Torres Strait Island Regional Councillor
Mr Torenzo Elisala	Torres Strait Island Regional Councillor
Mrs Nancy Pearson	Torres Strait Island Regional Councillor
Mr David Bosun	Torres Strait Island Regional Councillor
Mr Keith Fell	Torres Strait Island Regional Councillor
Mr Ron Day	Torres Strait Island Regional Councillor
Mr Ron Enosa	Torres Strait Island Regional Councillor
Mrs Horianna Bero	Torres Strait Island Regional Councillor
Mr John Toshie Kris	Torres Strait Island Regional Councillor
Mr Willie Lui	Torres Strait Island Regional Councillor
Mr Walter Mackie	Torres Strait Island Regional Councillor
Mr John Mosby	Torres Strait Island Regional Councillor
Mr Reginald Williams	Northern Peninsula Area Regional Councillor
Mr Jeffrey Aniba	Northern Peninsula Area Regional Councillor
Ms Napcia Bin Tahal	Torres Shire Councillor
Mr John Abednego	Torres Shire Councillor

One director, Mr Phillip Mills, is not a councillor of any of the councils to which TSRA has provided grants in the 2011 financial Year. Mr Mills resigned as TSRA Member for Port Kenedy in March 2011.

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

Loans
Anthony Titasey
- Mr Keith Fell and Mr Philip Mills - TSRA Board Members
Ruth Doolah
- Mr Keith Fell and Mr Philip Mills - TSRA Board Members
Robert Sagigi
- Mr John Abednego - TSRA Board Member
Reginald Williams
- TSRA Board Member
Triple A Family Values
- Mr Phillip Mills - TSRA Board Member
Bamaga Enterprises
- Mr Reginald Williams - TSRA Board Member
Mosby Enterprises
- Mr John Mosby - TSRA Board Member
Poruma Island Pty Ltd
- Torres Strait Island Regional Councillors
Northern Peninsula Area Regional Council
- Northern Peninsula Area Regional Councillors
Elthies Alison Bowie
- Mr John Kris - TSRA Board Member
Mica Newie
- Mr John Kris and Mrs Nancy Pearson - TSRA Board Members
Derek Brank
- Mrs Nancy Pearson - TSRA Board Member

	2011	2010
	$	$
Loans to current Directors outstanding at year-end:	5,233	5,496
Loan repayments during the year:	-	2,000
Loans to current Director-related Entities outstanding at year-end:	**1,164,464**	1,227,404
Loans to current Director-related Entities during the year:	**108,460**	-
Loan repayments during the year:	257,774	297,641
Interest revenue included in operating result from loans to current Directors/Director-related Entities:	**96,493**	104,936
Related party loans for current Directors provided for as doubtful debts:	**126,193**	5,496

The TSRA has adopted *AASB 139 Financial Instruments - Recognition and Measurement* , and treated loans outstanding at year end as Loans and Receivables valued at amortised cost using the effective interest rate method.

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Note 12B: Related Party Disclosures

Other Transactions with Directors or Director-related Entities

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 relevant decisions of the TSRA.

Directors' Name	Council	Grants Received 2011 $	Grants Received 2010 $
*	Torres Shire Council	**18,251,000**	3,645,593
*	Torres Strait Island Regional Council	**13,586,150**	38,874,958
*	Northern Peninsula Area Regional Council	**5,015,000**	4,299,067
K Bedford	Erub Erwer Meta TSI Corporation	**166,600**	-
R Williams	Bamaga Enterprise Ltd	**5,000**	-
R Day	Opnor Bakir Atabur TSI Corporation	**93,600**	-
R Enosa	Saibai Community Development TSI Corporation	**93,600**	-
J Mosby	Kailag Enterprises Ltd	**90,000**	245,000
J Mosby	Torres Strait Islanders Regional Education Council Inc	**97,000**	-
J Mosby, W Mukie, P	Kulkalgal (central Islands) Development Association Inc	**6,000**	-
N Pearson	Mura Kosker Sorority Inc	**87,708**	-
K Fell & W Guivarra	Torres Strait Youth & Recreational Sporting Assn.	**450,000**	503,226
J Abednego	Torres Strait Islanders Media Assn.	**644,696**	670,297
J Abednego	Tagai College	-	36,415
D Bosun	Ngalmun Lagau TSI Corporation	**71,000**	-
W Guiverra	Badu Island Foundation	**102,120**	-

*Please refer to Note 12A for information regarding Director relationships with these entities.

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Note 13: Senior Executive Remuneration

Note 13A: Senior Executive Remuneration Expense for the Reporting Period

	2011 $	2010 $
Short-term employee benefits:		
Salary	804,565	755,988
Annual Leave Accrued	82,779	55,625
Performance Bonuses	30,555	43,966
Other allowances	101,431	186,829
Total short-term employee benefits	1,019,330	1,042,408
Post-employment benefits:		
Superannuation	118,272	123,336
Total post-employment benefits	118,272	123,336
Other long-term benefits:		
Long-service leave	96,934	59,142
Total other long-term benefits	96,934	59,142
Termination benefits	-	19,746
Total	1,234,536	1,244,632

Notes

1. Note 13A was prepared on an accrual basis (so the performance bonus expenses disclosed above differ from the cash 'Bonus paid' in Note 13B).
2. Note 13A excludes acting arrangements and part-year service where remuneration expensed was less than $150,000.

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Note 13B: Average Annual Remuneration Packages and Bonus Paid for Substantive Senior Executives as at the end of the Reporting Period

Fixed Elements and Bonus Paid[1]	as at 30 June 2011: Senior Executives No.	as at 30 June 2011 Fixed elements: Salary $	Allowances $	Total $	as at 30 June 2011: Bonus paid[2] $	as at 30 June 2010: Senior Executives No.	as at 30 June 2010 Fixed elements: Salary $	Allowances $	Total $	as at 30 June 2010: Bonus paid[2] $
Total remuneration (including part-time arrangements):										
less than $150,000	5	121,071	-	121,071	4,862	6	98,316	-	98,316	1,772
$150,000 to $179,999	-	-	-	-	-	1	179,271	-	179,271	9,531
$180,000 to $209,999	1	198,385	-	198,385	-	-	-	-	-	-
Total	6					7				

This table, including prior year comparative values, has been prepared based on the Finance Ministers Orders for reporting periods ending on or after 1 July 2010. There have been several changes to the presentation requirements of this note from prior years, specifically a requirement to distinguish between fixed and variable remuneration, and the requirement to report average annualised salary, average annualised fixed allowances and average performance bonuses. The composition of the note has changed from prior years and consequently the comparative figures will not agree to the corresponding table in the 2010 Financial Statements.

Notes:

1. This table reports on substantive senior executives who are employed by the entity as at the end of the reporting period. Fixed elements are based on the employment agreement of each individual - each row represents an average annualised figure (based on headcount) for the individuals in that remuneration package band (i.e. the 'Total' column).

2. Represents average actual bonuses paid during the reporting period. The 'Bonus paid' is excluded from the 'Total' calculation, (for the purpose of determining remuneration package bands). The 'Bonus paid' within a particular band may vary between financial years due to factors such as individuals commencing with or leaving the entity during the financial year.

Variable Elements:

With the exception of performance bonuses, variable elements are not included in the 'Fixed Elements and Bonus Paid' table above. The following variable elements are available as part of senior executives' remuneration package:

(a) Performance bonuses:

- Performance bonuses are based on the performance rating of each individual. The maximum bonus that an individual can receive is 10 per cent of his/her base salary;

(b) On average senior executives are entitled to the following leave entitlements:

- Annual Leave (AL): entitled to 27 days (2010: 27 days) each full year worked (pro-rata for part-time SES);
- Personal Leave (PL): entitled to 18 days (2010: 18 days) or part-time equivalent;
- Long Service Leave (LSL): in accordance with *Long Service Leave (Commonwealth Employees) Act 1976*;

(c) Senior executives are members of one of the following superannuation funds:

- Public Sector Superannuation Scheme (PSS): this scheme is closed to new members, with current employer contributions set at 15.9 per cent (2010: 16.3 per cent) (including productivity component). More information on PSS can be found at http://www.pss.gov.au; and
- Public Sector Superannuation Accumulation Plan (PSSAP): employer contribution is set at 15.4 percent (2010: 15.4 per cent), and the fund has been in operation since July 2005. More information on PSSAP can be found at http://www.pssap.gov.au

(d) Variable allowances:

- Rent Contribution is available to senior executives based on a percentage of DEEWR's standard rate and the employee's salary;
- Retention bonuses are available to senior executives based on length of service and a percentage of their salary;
- Leave fare allowances are available to senior executives based on family arrangements and individual negotiations;
- District allowances are available to senior executives based on family arrangements;
- Higher duties allowances are available to senior executives should they be required to act at a higher level

(e) Others:

Various salary sacrifice arrangements are available to senior executives including superannuation, motor vehicle and rent.

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Note 14: Remuneration of Auditors

	2011 $'000	2010 $'000
The cost of the financial statement audit services to the TSRA.	**43**	43

No other services were provided by the auditors of the financial statements.

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Note 15: Financial Instruments

	2011 $'000	2010 $'000
Note 15A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables		
Cash and cash equivalents	21,057	32,551
Receivables for goods and services	6,515	115
Loans receivable	4,848	5,069
Total	32,420	37,735
Carrying amount of financial assets	32,420	37,735
Financial Liabilities		
At amortised cost:		
Trade creditors and accruals	2,079	2,601
Grant liabilities	236	11,955
Total	2,315	14,556
Carrying amount of financial liabilities	2,315	14,556

	2011 $'000	2010 $'000
Note 15B: Net Income and Expense from Financial Assets		
Loans and receivables		
Interest revenue (see note 4B)	2,090	1,447
Allowance for Impairment (see note 3E)	(121)	-
Write down of loans to Net Present Value (see note 3E)	(29)	(580)
Net gain/(loss) loans and receivables	1,940	867
Net gain/(loss) from financial assets	1,940	867

There is no interest income not at fair value through profit or loss in the year ending 2011 (2010:- $Nil)

Note 15C: Net Income and Expense from Financial Liabilities

There is no income or expense through profit or loss in the year ending 2011 (2010:- $Nil)

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Note 15D: Fair Value of Financial Instruments

	Notes	Carrying Amount 2011 $'000	Fair Value 2011 $'000	Carrying Amount 2010 $'000	Fair Value 2010 $'000
Financial Assets					
Cash and cash equivalents	5A	21,057	21,057	32,551	32,551
Receivables for goods and services	5B	6,515	6,515	115	115
Loans receivable	5B	4,848	4,602	5,069	4,944
Total Financial Assets		32,420	32,174	37,735	37,610
Financial Liabilities					
Trade creditors and accruals	7A	2,079	2,079	2,601	2,601
Grant liabilities	7B	236	236	11,955	11,955
Total Financial Liabilities		2,315	2,315	14,556	14,556

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Note 15E: Credit risk

TSRA is exposed to minimal credit risk as the majority of loans and receivables are cash or high quality trade receivables. TSRA also holds a portfolio of concessional loans that are provided for business development and home ownership programs. The maximum exposure to credit risk is the risk that arises from potential default of a trade debtor or a concessional loan holder. This amount is equal to the total amount of trade and loan receivables (2011: $11,117,000 and 2010: $5,185,000).

In relation to the housing loans, TSRA holds mortgages as sole mortgagor over the houses 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. These policies mitigate against credit risk for the TSRA's loans portfolio.

Credit quality of financial instruments not past due or individually determined as impaired:

	Not Past Due Nor Impaired 2011 $'000	Not Past Due Nor Impaired 2010 $'000	Past due or impaired 2011 $'000	Past due or impaired 2010 $'000
Cash and cash equivalents	21,057	32,551	-	-
Receivables for goods and services	5,915	113	600	2
Loans receivable	4,594	4,925	254	144
Total	**31,566**	37,589	**854**	146

Ageing of financial assets that are past due but not impaired for 2011

	0 to 30 days $'000	31 to 60 days $'000	61 to 90 days $'000	90+ days $'000	Total $'000
Receivables for goods and services	143	1	-	448	592
Loans receivable	1	3	-	4	8
Total	**144**	**4**	-	**452**	**600**

Ageing of financial assets that are past due but not impaired for 2010

	0 to 30 days $'000	31 to 60 days $'000	61 to 90 days $'000	90+ days $'000	Total $'000
Receivables for goods and services	1	-	1	-	2
Loans receivable	-	-	-	20	20
Total	1	-	1	20	22

TSRA has assessed the risk of the default on payment and has allocated $246,000 in 2011 (2010: $125,000) to an allowance for impairment. Security underpinning this impairment includes a 5 bedroom house, which was independently valued in June 2009, a 2001 Toyota Camry taxi, 2 boats and motors, which have been valued based on the security value at the inception of the loan. These securities have an estimated total value of $546,000.

Note 15F: Liquidity Risk

TSRA's financial liabilities are trade creditors, grant liabilities and other liabilities. The exposure to liquidity risk is based on the notion that TSRA will encounter difficulty in meeting its obligations associated with financial liabilities. This is highly unlikely due to Government funding available to TSRA and internal policies and procedures put in place to ensure there are appropriate resources to meet its financial obligations.

Maturities for non-derivative financial liabilities 2011:

	On demand $'000	within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	Total $'000
Trade creditors and accruals	-	**2,079**	-	-	**2,079**
Grant liabilities	-	**236**	-	-	**236**
Total	-	**2,315**	-	-	**2,315**

Maturities for non-derivative financial liabilities 2010:

	On demand $'000	within 1 year $'000	1 to 2 years $'000	2 to 5 years $'000	Total $'000
Trade creditors and accruals	-	2,601	-	-	2,601
Grant liabilities	-	11,955	-	-	11,955
Total	-	14,556	-	-	14,556

TSRA receives funding from its Portfolio Department . TSRA manages its budgeted funds to ensure it has adequate funds to meet payments as they fall due. In addition, the TSRA has policies in place to ensure timely payments are made when due and has no past experience of default.

Note 15G: Market Risk

TSRA holds basic financial instruments that do not expose TSRA to certain market risks. The TSRA is not exposed to 'currency risk' or 'other price risk'.

Interest Rate Risk

The only interest-bearing items on the balance sheet are the cash at bank and loans. Interest earned on cash at bank may be effected by changes in market interest rates. The following table represents the effect to the statement of comprehensive income (and corresponding effect to the cash value in the balance sheet) when the current market interest rate is varied by 1.75%. 1.75% is anticipated to be a reasonable estimate of the maximum movement in market interest rates in financial year 2011-12.

	Value $'000	Effect on Statement of Comprehensive Income Income (Expense) $'000
Anticipated interest earned for 2011-12 financial year at current market interest rate	1,259	0
Increase of 1.75% in market interest rate	1,292	33
Decrease of 1.75% in market interest rate	1,226	(33)

The value of concessional loans is derived by applying the amortised cost using the effective interest method. Because the loan portfolio is valued at net present value using market interest rates, movements in market interest rates will impact on the value of the loan portfolio and the income statement. The following table represents the effect to the income statement (and corresponding effect to the loan portfolio value in the balance sheet) when the current market interest rate is varied by 1.75%. 1.75% is anticipated to be a reasonable estimate of the maximum movement in market interest rates in financial year 2011-12.

	Value $'000	Effect on Statement of Comprehensive Income Income (Expense) $'000
Net Present Value of Loans 30 June 2011	4,848	-
Increase of 1.75% in market interest rate	4,331	(517)
Decrease of 1.75% in market interest rate	5,498	650

Assets past due and impaired are represented by loans individually assessed to be at high risk of default.

In financial year 2009-10, accrued expenses were presented under Note 7C : Other Payables. In financial year 2010-11, accrued expenses has been reclassified to supplier payables under Note 7A: Suppliers. This change in presentation has increased the comparative figures for Trade creditors and accruals and total financial liabilities in Note 15A: Categories of financial instruments from $1,675,000 to $2,601,000. This change in presentation has also increased the comparative figures for Trade creditors and accruals and total financial liabilities in Note 15D: Fair Value of Financial Instruments from $1,675,000 to $2,601,000. This change in presentation has also increased the comparative figures for Trade creditors and accruals and total maturities for non-derivative financial liabilities 2010 in Note 15F: Liquidity Risk from $1,675,000 to $2,601,000.

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Note 16: Compensation and Debt Relief

	2011	2010
	$'000	$'000
No payments were made during the reporting period. (2010: No payments made).	-	-

Note 17: Assets Held in Trust

Non-Monetary Assets

There are no non-monetary assets held in trust by the TSRA.

Monetary Assets

MIP trust account

On 17 October 1998, the Queensland State and the TSRA entered into a Major Infrastructure Projects (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 State and TSRA has continued over the years and the current arrangement for co-funding for the period ending June 2011 is set out in a Memorandum of Understanding between TSRA and the State.

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

TSRA's role in MIP is set out in the Memorandum of Understanding between the State and TSRA. TSRA has a fiduciary duty in respect of the MIP funds and in the development of MIP projects but not as the owner of any assets under construction. This is evidenced by the fact that no future economic benefit will flow to TSRA during or on completion of the assets. In addition, and for accounting purposes, TSRA does not consolidate the MIP funds into its financial statements as TSRA is of the opinion that it does not have control of the funds. TSRA adopts AASB 127 Consolidated and Separate Financial Statements - paragraph 17.9 (b) as a policy position for this opinion. This is further evidenced by the fact that the TSRA cannot redirect MIP funds for its own use.

	2011	2010
	$'000	$'000
MIP trust account - Monetary Assets		
Total amount held at the beginning of the reporting period	61,036	37,778
Cash receipts	39,895	33,254
Cash payments	(15,472)	(9,996)
Total amount held at the end of the reporting period	85,459	61,036

Finfish trust account

Following the Australian Government 100% buyout of commercial finfish entitlements in favour of the Torres Strait Islanders, a decision of the representative Torres Strait Community Fisher Group (CFG) has vested responsibility for administration of the asset in support of the CFG to the TSRA. Activities will include leasing of a percentage of un-used fishing entitlements back to the commercial sector to provide additional benefits and opportunities to traditional inhabitants to increase their fishing capacity. The TSRA holds cash in trust for the beneficiaries.

	2011	2010
	$'000	$'000
Finfish trust account - Monetary Assets		
Total amount held at the beginning of the reporting period	533	424
Cash receipts	152	106
Interest received	7	3
Total amount held at the end of the reporting period	692	533

The values above are estimated fair values at the time when acquired.

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Changes in Disclosure of MIP Assets Held in Trust

During the 2010-11 financial year, TSRA sought legal advice in regard the TSRA's status as legal trustee of the MIP Trust account. Application of this legal advice requires the TSRA to include the details of the MIP trust account within the financial statements. This is the first year that the MIP trust account has been included as a note to the TSRA's financial statements, and TSRA will continue to disclose details on the MIP trust in future year financial statements.

Change in Disclosure of Finfish Assets Held in Trust

The disclosure of the amounts held in trust in the 2009-10 financial statements incorrecly included Finfish debtors as a monetary asset and reflected the balance of funds at May 2010 rather than 30 June 2010.

The 2009-10 disclosure has been corrected in the comparative information by restating the balances disclosed as follows:

	2009-10 $'000	Increase/ (Decrease) $'000	Restated 2009-10 $'000
Receipts from sale of finfish licenses			
Total amount held at the beginning of the reporting period	**479**	(55)	**424**
Cash receipts	**78**	28	**106**
Interest received	**3**	-	**3**
Movement in Receivables	**(22)**	22	**-**
Total	**538**	(5)	**533**

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Note 18: Reporting of Outcomes

Note 18A: Net Cost of Outcome Delivery

	Outcome 1		Total	
	2011	2010	**2011**	2010
	$'000	$'000	**$'000**	$'000
Expenses	**75,726**	71,234	**75,726**	71,234
Income from non-government sector				
Other	**2,974**	2,035	**2,974**	2,035
Total	**2,974**	2,035	**2,974**	2,035
Other own-source income	**6,661**	3,607	**6,661**	3,607
Net cost of outcome delivery	**66,091**	65,592	**66,091**	65,592

Outcome 1 is described in Note 1.1.

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Note 18B: Major Classes of Expenses, Income, Assets and Liabilities by Outcomes

0	Outcome 1		Total	
	2011	2010	2011	2010
	$'000	$'000	$'000	$'000
Expenses				
Employees	8,066	7,796	8,066	7,796
Suppliers	12,682	13,258	12,682	13,258
Depreciation and amortisation	840	706	840	706
Write-down of assets	150	580	150	580
Grants	53,988	48,894	53,988	48,894
Total	75,726	71,234	75,726	71,234
Income				
Income from government	69,758	67,391	69,758	67,391
Sales of goods and services	499	486	499	486
Interest	2,090	1,447	2,090	1,447
Net gain from disposal of assets	-	1	-	1
Reversal of previous asset write down	358	27	358	27
Other	6,688	3,681	6,688	3,681
Total	79,393	73,033	79,393	73,033
Assets				
Cash and cash equivalents	21,057	32,551	21,057	32,551
Trade and other receivables	11,117	6,833	11,117	6,833
Land and buildings	27,425	21,286	27,425	21,286
Plant and equipment	1,565	685	1,565	685
Total	61,164	61,355	61,164	61,355
Liabilities				
Suppliers	2,079	2,601	2,079	2,601
Grants	236	11,955	236	11,955
Other	4,759	430	4,759	430
Employee provisions	2,130	1,720	2,130	1,720
Total	9,204	16,706	9,204	16,706