



## 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 2012, which comprise a Statement of the Directors' Total Executive and Chief Financial Officer; the Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments; and Notes to and forming part of the financial statements 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 to give a true and fair view in accordance with the Financial Minister's Orders made under the *Commonwealth Accountants and Companies Act 1997*, including the Australian Accounting Standards, and for such internal control as is necessary to enable the preparation of the financial statements that give a true and fair view and 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 sufficient 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 these 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 ensuring the overall presentation of the financial statements.

ANAO Audit Report No. 2012-001  
Date of issue: 12 September 2012  
Phone 02 6261 7000 Fax 02 6261 3777

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 Financial and Corporations Act 1997, including the Australian Accounting Standards; and
- (b) give a true and fair view of the position as at 30 June 2012 and of its financial performance and cash flows for the year then ended.

Australian National Audit Office



Colin Fletcher  
Senate Director

Delegate of the Auditor General

Cairns  
6 September 2012

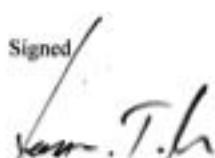
**STATEMENT BY THE DIRECTORS, CHIEF EXECUTIVE AND CHIEF FINANCIAL OFFICER**

In our opinion, the attached financial statements for the period ended 30 June 2012 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.

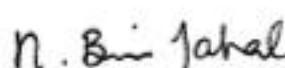
Signed



Mr J T Kris  
Chairperson

6 September 2012

Signed



Ms N Bin Tahal  
Deputy Chairperson

6 September 2012

Signed



Mr W See Kee  
Chief Executive Officer

6 September 2012

Signed



Mr C de Mamiel  
Chief Financial Officer

6 September 2012

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**TORRES STRAIT REGIONAL AUTHORITY**  
**STATEMENT OF COMPREHENSIVE INCOME**  
for the period ended 30 June 2012

|   | Notes | 2012<br>\$'000 | 2011<br>\$'000 |
|---|-------|----------------|----------------|
| <b>EXPENSES</b>   |       |                |                |
| Employee benefits   | 3A    | 12,046         | 8,056          |
| Suppliers   | 3B    | 15,929         | 12,682         |
| Grants  | 3C    | 29,038         | 53,988         |
| Depreciation  | 3D    | 1,121          | 840            |
| Write-down and impairment of assets   | 3E    | 47             | 121            |
| Finance costs   | 3F    | 157            | 29             |
| <b>Total Expenses</b>   |       | <b>56,338</b>  | <b>75,726</b>  |
| <b>LESS:</b>  |       |                |                |
| <b>OWN-SOURCE INCOME</b>  |       |                |                |
| <b>Own-source revenue</b>   |       |                |                |
| Sale of goods and rendering of services                                     | 4A    | 506            | 499            |
| Interest  | 4B    | 1,777          | 2,090          |
| Other revenue   | 4C    | 13,739         | 6,688          |
| <b>Total own-source revenue</b>   |       | <b>16,022</b>  | <b>9,277</b>   |
| <b>Gains</b>  |       |                |                |
| Sale of assets  | 4D    | 14             | -              |
| Reversals of previous asset write-downs                                     | 4E    | 320            | 358            |
| <b>Total gains</b>  |       | <b>334</b>     | <b>358</b>     |
| <b>Total own-source income</b>  |       | <b>16,356</b>  | <b>9,635</b>   |
| <b>Net cost of services</b>   |       | <b>39,982</b>  | <b>66,091</b>  |
| Revenue from Government   | 4F    | 50,454         | 69,758         |
| <b>Surplus attributable to the Australian Government</b>                    |       | <b>10,472</b>  | <b>3,667</b>   |
| <b>OTHER COMPREHENSIVE INCOME</b>   |       |                |                |
| Changes in asset revaluation reserves                                       |       | 733            | 3,644          |
| <b>Total other comprehensive income</b>                                     |       | <b>733</b>     | <b>3,644</b>   |
| <b>Total comprehensive income</b>   |       | <b>11,205</b>  | <b>7,311</b>   |
| <b>Total comprehensive income attributable to the Australian Government</b> |       | <b>11,205</b>  | <b>7,311</b>   |

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

**TORRES STRAIT REGIONAL AUTHORITY**  
**BALANCE SHEET**  
as at 30 June 2012

|                                   |       | 2012            | 2011           |
|-----------------------------------|-------|-----------------|----------------|
|                                   | Notes | \$'000          | \$'000         |
| <b>ASSETS</b>                     |       |                 |                |
| <b>Financial Assets</b>           |       |                 |                |
| Cash and cash equivalents         | 5A    | 21,412          | 21,057         |
| Trade and other receivables       | 5B    | 6,734           | 11,117         |
| Other investments                 | 5C    | 22,298          | -              |
| <b>Total financial assets</b>     |       | <b>50,444</b>   | <b>32,174</b>  |
| <b>Non-Financial Assets</b>       |       |                 |                |
| Land and buildings                | 6A,C  | 27,938          | 27,425         |
| Plant and equipment               | 6B,C  | 1,743           | 1,565          |
| <b>Total non-financial assets</b> |       | <b>29,681</b>   | <b>28,990</b>  |
| <b>Total Assets</b>               |       | <b>80,125</b>   | <b>61,164</b>  |
| <b>LIABILITIES</b>                |       |                 |                |
| <b>Payables</b>                   |       |                 |                |
| Suppliers                         | 7A    | (9,205)         | (2,079)        |
| Grants                            | 7B    | (4,438)         | (236)          |
| Other                             | 7C    | (467)           | (4,759)        |
| <b>Total payables</b>             |       | <b>(14,110)</b> | <b>(7,074)</b> |
| <b>Provisions</b>                 |       |                 |                |
| Employee provisions               | 8A    | (2,850)         | (2,130)        |
| <b>Total provisions</b>           |       | <b>(2,850)</b>  | <b>(2,130)</b> |
| <b>Total Liabilities</b>          |       | <b>(16,960)</b> | <b>(9,204)</b> |
| <b>Net Assets</b>                 |       | <b>63,165</b>   | <b>51,960</b>  |
| <b>EQUITY</b>                     |       |                 |                |
| Contributed equity                |       | 32              | 32             |
| Reserves                          |       | 13,267          | 12,534         |
| Retained surplus                  |       | 49,866          | 39,394         |
| <b>Total Equity</b>               |       | <b>63,165</b>   | <b>51,960</b>  |

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 2012

|  | Asset revaluation |                | Contributed    |                | Total equity |
|--|-------------------|----------------|----------------|----------------|--------------|
|  | Reserves          | equity/capital | equity/capital | equity/capital | Total equity |
| <b>Retained earnings</b>   |                   |                |                |                |              |
| 2012   | 2011              | 2012           | 2011           | 2012           | 2011         |
| \$'000   | \$'000            | \$'000         | \$'000         | \$'000         | \$'000       |
| <b>Opening balance</b>   | 39,394            | 35,727         | 12,534         | 8,890          | 32           |
| Balance carried forward from previous period                                     |                   |                |                |                |              |
| <b>Adjusted opening balance</b>  | 39,394            | 35,727         | 12,534         | 8,890          | 32           |
|  |                   |                |                |                |              |
| <b>Comprehensive income</b>  |                   |                |                |                |              |
| Other comprehensive income   | "                 | "              | 733            | 3,644          | "            |
| Surplus for the period   | 10,472            | 3,667          | "              | "              | "            |
| <b>Total comprehensive income</b>  | 10,472            | 3,667          | 733            | 3,644          | "            |
| of which:  |                   |                |                |                |              |
| Airportable to the Australian Government   | 10,472            | 3,667          | 733            | 3,644          | "            |
| <b>Closing Balance attributable to the Australian Government at 30 June 2012</b> | 49,866            | 39,394         | 13,267         | 12,534         | 32           |
|  |                   |                |                |                |              |
|  |                   |                |                |                |              |

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 2012

|   | Notes | 2012<br>\$'000  | 2011<br>\$'000  |
|---|-------|-----------------|-----------------|
| <b>OPERATING ACTIVITIES</b>   |       |                 |                 |
| <b>Cash received</b>  |       |                 |                 |
| Goods and services  |       | 19,031          | 5,609           |
| Receipts from Government  |       | 50,454          | 69,758          |
| Interest  |       | 1,694           | 1,985           |
| Net GST received  |       | -               | 5,771           |
| <b>Total cash received</b>  |       | <u>71,179</u>   | <u>83,123</u>   |
| <b>Cash used</b>  |       |                 |                 |
| Employees   |       | (11,326)        | (7,657)         |
| Suppliers   |       | (7,712)         | (14,478)        |
| Loan payments   |       | (90)            | (9)             |
| Grants  |       | (25,627)        | (69,513)        |
| Net GST paid  |       | (2,582)         | -               |
| <b>Total cash used</b>  |       | <u>(47,337)</u> | <u>(91,657)</u> |
| <b>Net cash flows from (used by) operating activities</b>           | 9     | <u>23,842</u>   | <u>(8,534)</u>  |
| <b>INVESTING ACTIVITIES</b>   |       |                 |                 |
| <b>Cash received</b>  |       |                 |                 |
| Loan receipts   |       | 541             | 764             |
| Proceeds from sales of property, plant and equipment                |       | 14              | -               |
| <b>Total cash received</b>  |       | <u>555</u>      | <u>764</u>      |
| <b>Cash used</b>  |       |                 |                 |
| Loan payments   |       | (665)           | (100)           |
| Purchase of property, plant and equipment                           |       | (1,079)         | (3,624)         |
| Investments   |       | (22,298)        | -               |
| <b>Total cash used</b>  |       | <u>(24,042)</u> | <u>(3,724)</u>  |
| <b>Net cash flows from investing activities</b>                     |       | <u>(23,487)</u> | <u>(2,960)</u>  |
| <b>Net increase/(decrease) in cash held</b>                         |       | <u>355</u>      | <u>(11,494)</u> |
| Cash and cash equivalents at the beginning of the reporting period  |       | 21,057          | 32,551          |
| <b>Cash and cash equivalents at the end of the reporting period</b> | 5A    | <u>21,412</u>   | <u>21,057</u>   |

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

**TORRES STRAIT REGIONAL AUTHORITY**  
**SCHEDULE OF COMMITMENTS**  
as at 30 June 2012

|  | 2012         | 2011         |
|--|--------------|--------------|
| <b>BY TYPE</b>                                   |              |              |
| <b>Commitments receivable</b>                    | \$'000       | \$'000       |
| Sublease rental income                           | 1,341        | 1,278        |
| Net GST recoverable on commitments               | 30           | 46           |
| <b>Total commitments receivable</b>              | <u>1,371</u> | <u>1,324</u> |
| <b>Commitments payable</b>                       |              |              |
| <b>Other commitments payable</b>                 |              |              |
| Operating leases                                 | 741          | 1,144        |
| <b>Total other commitments</b>                   | <u>741</u>   | <u>1,144</u> |
| Net commitments by type                          | 630          | 180          |
| <b>BY MATURITY</b>                               |              |              |
| <b>Commitments receivable</b>                    |              |              |
| <b>Operating lease income</b>                    |              |              |
| One year or less                                 | 258          | 247          |
| From one to five years                           | 1,083        | 1,031        |
| <b>Total operating lease income</b>              | <u>1,341</u> | <u>1,278</u> |
| <b>Net GST commitments receivable</b>            |              |              |
| One year or less                                 | 17           | 21           |
| From one to five years                           | 13           | 25           |
| <b>Total Net GST commitments receivable</b>      | <u>30</u>    | <u>46</u>    |
| <b>Operating lease commitments payable</b>       |              |              |
| One year or less                                 | 493          | 615          |
| From one to five years                           | 248          | 529          |
| <b>Total operating lease commitments payable</b> | <u>741</u>   | <u>1,144</u> |
| <b>Net Commitments by Maturity</b>               | <u>630</u>   | <u>180</u>   |

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 increase at CPI each year. One lease is for a period of 22 months with no renewal 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 11 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. Two 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. There are no options for extension on these lease arrangements.

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

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**TORRES STRAIT REGIONAL AUTHORITY**  
Notes to and forming part of the financial statements  
for the period ended 30 June 2012

**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. It is a not-for-profit 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 are general purpose financial statements and 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:

- a) Finance Minister's Orders (FMOs) for reporting periods ending on or after 1 July 2011; and
- b) 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 FMOs, 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 executive contracts 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 the carrying amounts of assets and liabilities within the next reporting 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. There have been no new standards, revised standards, amended standards or interpretations that were issued by the AASB prior to the sign off date that are applicable to the current reporting period and have a material financial impact on TSRA.

##### **Future Australian Accounting Standard Requirements**

There are no new standards, revised standards, amended standards or interpretations that have been issued by the AASB prior to the sign off date that are applicable to the future reporting period and are expected to have a future material financial impact on TSRA.

#### **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 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 entity.

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 as at end of the 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 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.

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 2011-12 or 2010-11).

##### **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 by the CAC Act body unless they are in the nature of an equity injection or a loan.

#### **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.

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 2011-12 or 2010-11).

#### **Sale of Assets**

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

#### **1.7 Transactions with the Government as Owner**

##### **Equity Injections**

Amounts appropriated which are designated as ‘equity injections’ for a year (less any formal reductions) and Departmental Capital Budgets (DCBs) 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 2012. 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 in the Department of Finance and Deregulation’s administered schedules and notes.

The TSRA makes employer contributions to the employee’s superannuation scheme at rates determined by an actuary to be sufficient to meet the current 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 2011-12, the TSRA leased four 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 categories:

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

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 parts of an identified portfolio of financial instruments that the TSRA manages together and has a recent actual pattern of short-term profit-taking;
- 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 either financial liabilities 'at fair value through profit and 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 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'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:

| <i>Asset class</i>           | <i>Fair value measured at:</i> |
|------------------------------|--------------------------------|
| Land                         | Market selling price           |
| Buildings                    | Market selling price           |
| Other Plant and equipment    | Depreciated replacement cost   |
| Heritage and cultural assets | Depreciated replacement cost   |

Following initial recognition at cost, property plant and equipment were carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations were 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 was 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 were 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 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:

|                            | <b>2012</b>         | <b>2011</b>  |
|----------------------------|---------------------|--------------|
| Buildings on freehold land | <b>40 years</b>     | 40 years     |
| Leasehold improvements     | <b>Lease term</b>   | Lease term   |
| Other Plant and Equipment  | <b>3 to 5 years</b> | 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 2012. 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 21 (2011 : 16) distinct Cultural and Heritage assets with an aggregated fair value of \$60,000 (2011: \$41,000). Cultural assets are comprised of artworks, carvings, and traditional headdresses. Heritage assets consist of models of two (2011 : 2) sailing vessels and a brass Pearl Diver's helmet (2011 : 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:

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

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**Note 2: 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.

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**Note 3: Expenses**

|                                   | 2012<br>\$'000  | 2011<br>\$'000 |
|-----------------------------------|-----------------|----------------|
| <b>Note 3A: Employee Benefits</b> |                 |                |
| Wages and salaries                | (9,322)         | (6,701)        |
| Superannuation                    |                 |                |
| Defined contribution plans        | (944)           | (554)          |
| Defined benefit plans             | (335)           | (401)          |
| Leave and other entitlements      | <u>(1,445)</u>  | <u>(410)</u>   |
| <b>Total employee benefits</b>    | <u>(12,046)</u> | <u>(8,066)</u> |

**Note 3B: Suppliers**

**Goods and services**

|  |                 |                 |
|--|-----------------|-----------------|
| Consultants and Professional Fees        | (3,635)         | (4,852)         |
| Travel                                   | (2,318)         | (1,898)         |
| Repairs and maintenance                  | (439)           | (1,208)         |
| Other staff costs                        | (953)           | (1,018)         |
| Office Running Costs                     | (1,232)         | (935)           |
| Media, Advertising, Public Relations     | (412)           | (368)           |
| Other                                    | <u>(4,262)</u>  | <u>(1,927)</u>  |
| <b>Total goods and services</b>          | <u>(13,251)</u> | <u>(12,206)</u> |
| Goods and services are made up of:       |                 |                 |
| Provision of goods – external parties    | (536)           | (505)           |
| Rendering of services – external parties | <u>(12,715)</u> | <u>(11,701)</u> |
| <b>Total goods and services</b>          | <u>(13,251)</u> | <u>(12,206)</u> |

**Other supplier expenses**

Operating lease rentals - external parties:

|                                      |                 |                 |
|--------------------------------------|-----------------|-----------------|
| Minimum lease payments               | (648)           | (463)           |
| Workers compensation expenses        | <u>(36)</u>     | <u>(13)</u>     |
| <b>Total other supplier expenses</b> | <u>(678)</u>    | <u>(476)</u>    |
| <b>Total supplier expenses</b>       | <u>(13,929)</u> | <u>(12,682)</u> |

**Note 3C: Grants**

**Public sector:**

|                                 |                |                 |
|---------------------------------|----------------|-----------------|
| State and Territory Governments | (6)            | (154)           |
| Local Governments               | <u>(9,977)</u> | <u>(27,727)</u> |

**Private sector:**

|                          |                 |                 |
|--------------------------|-----------------|-----------------|
| Non-profit organisations | (18,994)        | (26,102)        |
| For-profit organisations | <u>(61)</u>     | <u>(5)</u>      |
| <b>Total grants</b>      | <u>(29,038)</u> | <u>(53,988)</u> |

In financial year 2010-11, grants were incorrectly categorised as private sector - non-profit organisations under Note 3C: Grants. In financial year 2011-12, grants have been categorised to include categories for public sector (State and Territory Governments and Local Governments) and private sector (non-profit organisations and for-profit organisations). This change in presentation requires the comparative figures for financial year 2010-11 to be restated. The change in presentation has not resulted in any changes to the balance sheet, the statement of comprehensive income or the cash flow statement.

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**Note 3D: Depreciation**

Depreciation:

|                           |                |              |
|---------------------------|----------------|--------------|
| Buildings                 | (662)          | (529)        |
| Plant and equipment       | (459)          | (311)        |
| <b>Total depreciation</b> | <b>(1,121)</b> | <b>(840)</b> |

**Note 3E: Write-Down and Impairment of Assets**

Asset write-downs from and impairments from:

|  |             |              |
|--|-------------|--------------|
| Loans provided for as impaired   | -           | (121)        |
| Receivables Goods and services - external parties provided for as impaired | (47)        | -            |
| <b>Total write-down and impairment of assets</b>                           | <b>(47)</b> | <b>(121)</b> |

**Note 3F: Finance Costs**

Asset write-downs from and impairments from:

|  |              |             |
|--|--------------|-------------|
| Write down of loans to net present value         | (157)        | (29)        |
| <b>Total write-down and impairment of assets</b> | <b>(157)</b> | <b>(29)</b> |

Finance costs are comprised of amortisation charges for new loan advances and amortisation charges as a result of revaluations to the total concessional loan portfolio using current market interest rates.

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**Note 4: Income**

|  | 2012          | 2011          |
|--|---------------|---------------|
|  | \$'000        | \$'000        |
| <b>OWN-SOURCE REVENUE</b>  |               |               |
| <b><u>Note 4A: Sale of Goods and Rendering of Services</u></b>                 |               |               |
| Provision of goods - external parties  | 250           | 255           |
| Rendering of services - external parties                                       | 256           | 244           |
| <b>Total sale of goods and rendering of services</b>                           | <b>506</b>    | <b>499</b>    |
| <b><u>Note 4B: Interest</u></b>  |               |               |
| Loans  | 388           | 408           |
| Deposits   | 1,389         | 1,682         |
| <b>Total interest</b>  | <b>1,777</b>  | <b>2,090</b>  |
| <b><u>Note 4C: Other Revenue</u></b>   |               |               |
| Rent   | 67            | 27            |
| Other Government contributions   | 13,672        | 6,661         |
| <b>Total other revenue</b>   | <b>13,739</b> | <b>6,688</b>  |
| <b>GAINS</b>   |               |               |
| <b><u>Note 4D: Sale of Assets</u></b>  |               |               |
| Proceeds from sale   | 14            | -             |
| Carrying value of assets sold  | -             | -             |
| <b>Net gains from sale of assets</b>   | <b>14</b>     | <b>-</b>      |
| <b><u>Note 4E: Reversals of Previous Asset Write-Downs and Impairments</u></b> |               |               |
| Reversal of losses from remeasuring loans and receivables                      | 301           | 358           |
| Reversal of impairment losses  | 19            | -             |
| <b>Total reversals of previous asset write-downs and impairments</b>           | <b>320</b>    | <b>358</b>    |
| <b>REVENUE FROM GOVERNMENT</b>   |               |               |
| <b><u>Note 4F: Revenue from Government</u></b>                                 |               |               |
| Department of Families, Housing, Community Services and Indigenous Affairs     |               |               |
| CAC Act body payment item  | 50,454        | 69,758        |
| <b>Total revenue from Government</b>   | <b>50,454</b> | <b>69,758</b> |

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**Note 5: Financial Assets**

|  | 2012<br>\$'000 | 2011<br>\$'000 |
|--|----------------|----------------|
|--|----------------|----------------|

**Note 5A: Cash and Cash Equivalents**

|  |               |               |
|--|---------------|---------------|
| Cash on hand or on deposit             | 21,612        | 21,057        |
| <b>Total cash and cash equivalents</b> | <b>21,612</b> | <b>21,057</b> |

**Note 5B: Trade and Other Receivables**

|  |              |               |
|--|--------------|---------------|
| Goods and services - external parties            | 1,729        | 6,515         |
| Loans - external parties                         | 5,185        | 4,848         |
| <b>Total trade and other receivables (gross)</b> | <b>6,914</b> | <b>11,363</b> |

Less impairment allowance account:

|  |              |               |
|--|--------------|---------------|
| Goods and services - external parties          | (57)         | -             |
| Loans - external parties                       | (123)        | (246)         |
| <b>Total impairment allowance account</b>      | <b>(180)</b> | <b>(246)</b>  |
| <b>Total trade and other receivables (net)</b> | <b>6,734</b> | <b>11,117</b> |

Receivable are expected to be recovered inc:

|  |              |               |
|--|--------------|---------------|
| No more than 12 months                         | 2,377        | 6,515         |
| More than 12 months                            | 4,357        | 4,602         |
| <b>Total trade and other receivables (net)</b> | <b>6,734</b> | <b>11,117</b> |

Receivable are aged as follows:

|                                  |              |               |
|----------------------------------|--------------|---------------|
| Not overdue                      | 6,511        | 10,763        |
| Overdue by:                      |              |               |
| 0 to 30 days                     | 16           | 144           |
| 31 to 60 days                    | ?            | 4             |
| 61 to 90 days                    | 5            | -             |
| More than 90 days                | 375          | 452           |
| <b>Total receivables (gross)</b> | <b>6,914</b> | <b>11,363</b> |

The impairment allowance account is aged as follows:

|   |              |              |
|---|--------------|--------------|
| Overdue by:                               |              |              |
| More than 90 days                         | (180)        | (246)        |
| <b>Total impairment allowance account</b> | <b>(180)</b> | <b>(246)</b> |

Credit terms for goods and services were within 30 days (2011: 30 days).

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 2012 are as follows:

|  |              |              |
|--|--------------|--------------|
| Concessional loans - nominal value         | 5,638        | 5,545        |
| Less: unexpired discount                   | (483)        | (697)        |
| <b>Concessional loans - carrying value</b> | <b>5,155</b> | <b>4,848</b> |

Loans to individuals and businesses were 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 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. Security is not required for Business Funding Scheme loans. 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 2012 in accordance with the loan contracts. Effective interest rates average 3.57% (2011: 3.50%) for Business Funding Scheme loans and 5.76% (2011: 5.06%) for Housing loans.

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**Reconciliation of the impairment allowance account:**

**Movements in relation to 2012**

|                                    | Goods and<br>services<br>\$'000 | Loans<br>\$'000 | Total<br>\$'000 |
|------------------------------------|---------------------------------|-----------------|-----------------|
| <b>Opening balance</b>             | -                               | (246)           | (246)           |
| Amounts written off                | -                               | 104             | 104             |
| Amounts recovered and reversed     | -                               | 19              | 19              |
| Increase recognised in net surplus | (57)                            | -               | (57)            |
| <b>Closing balance</b>             | (57)                            | (123)           | (180)           |

**Movements in relation to 2011**

|   | Goods and<br>services<br>\$'000 | Loans<br>\$'000 | Total<br>\$'000 |
|---|---------------------------------|-----------------|-----------------|
| <b>Opening balance</b>                        | -                               | (125)           | (125)           |
| Increase/(decrease) recognised in net surplus | -                               | (121)           | (121)           |
| <b>Closing balance</b>                        | -                               | (246)           | (246)           |

|  | 2012<br>\$'000 | 2011<br>\$'000 |
|--|----------------|----------------|
| <b>Total other investments</b>                 | <u>22,298</u>  | -              |
| <b>Total trade and other receivables (net)</b> | <u>22,298</u>  | -              |

**Note 5C: Other Investments**

|                                |               |   |
|--------------------------------|---------------|---|
| Term deposits                  | <u>22,298</u> | - |
| <b>Total other investments</b> | <u>22,298</u> | - |

**Other investments are expected to be recovered in:**

|  |               |   |
|--|---------------|---|
| No more than 12 months                         | <u>22,298</u> | - |
| <b>Total trade and other receivables (net)</b> | <u>22,298</u> | - |

Term deposits were invested at 30 June 2012 for \$8,000,000 (5.10% interest rate maturing on 21 December 2012) and \$14,298,632 (3.55% interest rate maturing on 2 November 2012).

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**Note 6: Non-Financial Assets**

|   | 2012          | 2011          |
|---|---------------|---------------|
|   | \$'000        | \$'000        |
| <b>Note 6A: Land and Buildings</b>      |               |               |
| <b>Land:</b>                            |               |               |
| Land at fair value                      | 9,185         | 9,185         |
| <b>Total land and buildings</b>         | <u>9,185</u>  | <u>9,185</u>  |
| <b>Buildings on freehold land:</b>      |               |               |
| Work in progress                        | 482           | 68            |
| Fair value                              | <u>18,237</u> | <u>18,081</u> |
| <b>Total buildings on freehold land</b> | <u>18,719</u> | <u>18,149</u> |
| <b>Leasehold Improvements:</b>          |               |               |
| Fair value                              | 34            | 115           |
| Accumulated depreciation                | -             | (24)          |
| <b>Total leasehold improvements</b>     | <u>34</u>     | <u>91</u>     |
| <b>Total land and buildings</b>         | <u>27,938</u> | <u>27,425</u> |

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**

|  |              |              |
|--|--------------|--------------|
| <b>Heritage and cultural:</b>          |              |              |
| Artifacts and artworks                 |              |              |
| Fair value                             | 60           | 41           |
| <b>Total heritage and cultural</b>     | <u>60</u>    | <u>41</u>    |
| <b>Other plant and equipment:</b>      |              |              |
| Fair value                             | 3,008        | 2,394        |
| Accumulated depreciation               | (1,325)      | (870)        |
| <b>Total other plant and equipment</b> | <u>1,683</u> | <u>1,524</u> |
| <b>Total plant and equipment</b>       | <u>1,743</u> | <u>1,565</u> |

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.

All revaluations are conducted in accordance with the revaluation policy stated at Note 1. In 2011-12, an independent valuer, Neil Teves- AAPV Registered Valuer No. 382, conducted the revaluations as at 30 June 2012.

There were no revaluation increments or decrements recorded for land (2011: \$1,820,000). There were no revaluation increments or decrements recorded for plant and equipment (2011: Nil). Revaluation increments were recorded for buildings on freehold land of \$732,796 (2011: \$1,824,342) 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.

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**Note 6. Non-Financial Assets**

**Note 6C. Reconciliation of the opening and closing balances of property, plant and equipment 2012**

| Item  | Land<br>\$'000 | Buildings<br>\$'000 | Total Land & Buildings & Equipment<br>\$'000 |   | Heritage <sup>1</sup><br>& Cultural<br>\$'000 | Total<br>\$'000 |
|---|----------------|---------------------|--|---|---|-----------------|
|   |                |                     | Other Plant & Equipment<br>\$'000            | Heritage <sup>1</sup><br>& Cultural<br>\$'000 |   |                 |
| <b>As at 1 July 2011</b>  |                |                     |  |   |   |                 |
| Gross book value  | 9,185          | 18,264              | 27,449                                       | 2,384   | 41  | 29,864          |
| Accumulated depreciation and impairment                               | -              | (24)                | (24)   | (670)   | -   | (694)           |
| <b>Net book value 1 July 2011</b>                                     | <b>9,185</b>   | <b>18,240</b>       | <b>27,425</b>                                | <b>1,524</b>                                  | <b>41</b>                                     | <b>28,960</b>   |
| <b>Additions:</b>   |                |                     |  |   |   |                 |
| by purchase   | -              | 642                 | 642  | 648   | 19  | 1,879           |
| Revaluations and impairments recognised in other comprehensive income | -              | 735                 | 735  | -   | -   | 735             |
| Depreciation expense  | -              | (162)               | (162)  | (489)   | -   | (631)           |
| <b>Net book value 30 June 2012</b>                                    | <b>9,185</b>   | <b>18,755</b>       | <b>27,936</b>                                | <b>1,643</b>                                  | <b>46</b>                                     | <b>29,680</b>   |
| <b>Net book value as of 30 June 2012 represented by:</b>              |                |                     |  |   |   |                 |
| Gross book value  | 9,185          | 18,755              | 27,936                                       | 3,088   | 46  | 31,868          |
| Accumulated depreciation and impairment                               | -              | -                   | -  | (1,525)                                       | -   | (1,525)         |
|   | <b>9,185</b>   | <b>18,755</b>       | <b>27,936</b>                                | <b>1,643</b>                                  | <b>46</b>                                     | <b>29,680</b>   |

**Note 6C (Cont'd). Reconciliation of the opening and closing balances of property, plant and equipment 2011**

| Item  | Land<br>\$'000 | Buildings<br>\$'000 | Total Land & Buildings & Equipment<br>\$'000 |   | Heritage <sup>1</sup><br>& Cultural<br>\$'000 | Total<br>\$'000 |
|---|----------------|---------------------|--|---|---|-----------------|
|   |                |                     | Other Plant & Equipment<br>\$'000            | Heritage <sup>1</sup><br>& Cultural<br>\$'000 |   |                 |
| <b>As at 1 July 2010</b>  |                |                     |  |   |   |                 |
| Gross book value  | 7,365          | 15,921              | 21,286                                       | 1,283   | 41  | 22,538          |
| Accumulated depreciation and impairment                               | -              | -                   | -  | (559)   | -   | (559)           |
| <b>Net book value 1 July 2010</b>                                     | <b>7,365</b>   | <b>15,921</b>       | <b>21,286</b>                                | <b>644</b>                                    | <b>41</b>                                     | <b>21,971</b>   |
| <b>Additions:</b>   |                |                     |  |   |   |                 |
| by purchase   | -              | 3,624               | 3,624  | 680   | -   | 3,624           |
| contribution from state government entity                             | -              | -                   | -  | 591   | -   | 591             |
| Revaluations and impairments recognised in other comprehensive income | 1,828          | 1,824               | 3,648  | -   | -   | 3,644           |
| Depreciation expense  | -              | (1529)              | (1529)                                       | (511)   | -   | (640)           |
| <b>Net book value 30 June 2011</b>                                    | <b>9,185</b>   | <b>18,240</b>       | <b>27,425</b>                                | <b>1,524</b>                                  | <b>41</b>                                     | <b>28,960</b>   |
| <b>Net book value as of 30 June 2011 represented by:</b>              |                |                     |  |   |   |                 |
| Gross book value  | 9,185          | 18,264              | 27,449                                       | 2,384   | 41  | 29,864          |
| Accumulated depreciation and impairment                               | -              | (24)                | (24)   | (670)   | -   | (694)           |
|   | <b>9,185</b>   | <b>18,240</b>       | <b>27,425</b>                                | <b>1,524</b>                                  | <b>41</b>                                     | <b>28,960</b>   |

<sup>1</sup> Other plant and equipment that met the definition of a heritage and cultural item was disclosed in the heritage and cultural asset class.

**TORRES STRAIT REGIONAL AUTHORITY**  
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**Note 7: Payables**

|                                | 2012<br>\$'000 | 2011<br>\$'000 |
|--------------------------------|----------------|----------------|
| <b>Note7A: Suppliers</b>       |                |                |
| Trade creditors and accruals   | (9,205)        | (2,079)        |
| <b>Total supplier payables</b> | <u>(9,205)</u> | <u>(2,079)</u> |

Supplier payables expected to be settled within 12 months:

|                  |                |                |
|------------------|----------------|----------------|
| External parties | (9,205)        | (2,079)        |
| <b>Total</b>     | <u>(9,205)</u> | <u>(2,079)</u> |

Settlement is usually made within 30 days.

**Note7B: Grants**

Public sector:

|                   |       |   |
|-------------------|-------|---|
| Local Governments | (297) | - |
|-------------------|-------|---|

Private sector:

|                          |                |              |
|--------------------------|----------------|--------------|
| Non-profit organisations | (4,141)        | (236)        |
| <b>Total grants</b>      | <u>(4,438)</u> | <u>(236)</u> |

Total grant payables are expected to be settled in:

|                             |                |              |
|-----------------------------|----------------|--------------|
| No more than 12 months      | (4,438)        | (236)        |
| <b>Total grant payables</b> | <u>(4,438)</u> | <u>(236)</u> |

**Note 7C: Other Payables**

|                    |       |       |
|--------------------|-------|-------|
| Salaries and wages | (290) | (498) |
|--------------------|-------|-------|

|             |       |         |
|-------------|-------|---------|
| GST payable | (177) | (4,261) |
|-------------|-------|---------|

|                             |              |                |
|-----------------------------|--------------|----------------|
| <b>Total other payables</b> | <u>(467)</u> | <u>(4,759)</u> |
|-----------------------------|--------------|----------------|

Total other payables are expected to be settled in:

|                             |              |                |
|-----------------------------|--------------|----------------|
| No more than 12 months      | (467)        | (4,759)        |
| <b>Total other payables</b> | <u>(467)</u> | <u>(4,759)</u> |

Settlement was usually made within 30 days. (2011: 30 days)

**TORRES STRAIT REGIONAL AUTHORITY**  
**Notes to and forming part of the financial statements**  
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**Note 8: Provisions**

|  | 2012<br>\$'000 | 2011<br>\$'000 |
|--|----------------|----------------|
| <b><u>Note 8A: Employee provisions</u></b>         |                |                |
| Long Service Leave                                 | (1,293)        | (833)          |
| Annual Leave                                       | (1,443)        | (1,217)        |
| Personal Leave                                     | (114)          | (80)           |
| <b>Total employee provisions</b>                   | <b>(2,850)</b> | <b>(2,130)</b> |
| Employee provisions are expected to be settled in: |                |                |
| No more than 12 months                             | (449)          | (1,975)        |
| More than 12 months                                | (2,401)        | (155)          |
| <b>Total employee provisions</b>                   | <b>(2,850)</b> | <b>(2,130)</b> |

**TORRES STRAIT REGIONAL AUTHORITY**  
 Notes to and forming part of the financial statements  
 for the period ended 30 June 2012

**Note 9: Cash Flow Reconciliation**

|  | 2012           | 2011           |
|--|----------------|----------------|
|  | \$'000         | \$'000         |
| <b>Reconciliation of cash and cash equivalents as per Balance Sheet to<br/>Cash Flow statement</b> |                |                |
| <b>Cash and cash equivalents as per:</b>   |                |                |
| Cash flow statement  | 21,412         | 21,057         |
| Balance Sheet  | <u>21,412</u>  | <u>21,057</u>  |
| Difference   | <u>-</u>       | <u>-</u>       |
| <b>Reconciliation of net cost of services to net cash from operating activities:</b>               |                |                |
| Net cost of services   | (39,982)       | (66,091)       |
| Add revenue from Government  | 50,454         | 69,758         |
| <b>Adjustments for non-cash items</b>  |                |                |
| Depreciation   | 1,121          | 840            |
| Net writedown of financial assets  | 114            | 141            |
| Interest on concessional loans   | (83)           | (105)          |
| Reversal of previous loan writedowns and impairments   | (320)          | (358)          |
| Contribution of non-financial assets   | <u>-</u>       | <u>(591)</u>   |
| <b>Changes in assets / liabilities</b>   |                |                |
| Decrease / (increase) in receivables from Goods and Services                                       | 4,786          | (6,400)        |
| (Increase) / decrease in GST receivable  | <u>(4,084)</u> | <u>6,035</u>   |
| Increase in employee provisions  | 720            | 410            |
| Increase / (decrease) in supplier payables   | 7,124          | (522)          |
| Increase / (decrease) in grants payable  | 4,202          | (11,719)       |
| (Decrease) / increase in other payables  | <u>(210)</u>   | <u>68</u>      |
| <i>Net cash from operating activities</i>  | <u>23,842</u>  | <u>(8,534)</u> |

**TORRES STRAIT REGIONAL AUTHORITY**  
**Notes to and forming part of the financial statements**  
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**Note 10: Contingent Liabilities and Assets**

***Quantifiable Contingencies***

There are no contingent assets or contingent liabilities as at 30 June 2012 (2010-11: Nil)

**Unquantifiable and Significant Remote Contingencies**

There are no unquantifiable and significant remote contingencies as at 30 June 2012 (2010-11 : Nil).

**TORRES STRAIT REGIONAL AUTHORITY**  
 Notes to and forming part of the financial statements  
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**Note 11: Directors Remuneration**

|  | 2012<br>No.    | 2011<br>No.    |
|--|----------------|----------------|
| <b>The number of non-executive directors of the TSRA included in these figures<br/>are shown below in the relevant remuneration bands:</b> |                |                |
| \$0 to \$29,999  | 19             | 18             |
| \$30,000 to \$59,999   | *              | 1              |
| \$210,000 to \$239,999   | *              | 1              |
| \$270,000 to \$299,999   | 1              | *              |
| <b>Total</b>   | <b>20</b>      | <b>20</b>      |
|  | <b>\$</b>      | <b>\$</b>      |
| Total remuneration received or due and receivable by directors of the TSRA:  | <b>424,568</b> | <b>412,409</b> |

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 2011. This table reports the number of directors in remuneration bands commencing with the band of the lowest paid Directors. In the 2010-11 financial statements all directors with remuneration less than \$150,000 were reported in a single band, consequently the comparative figures have been restated.

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 Strait Islander Commission Act 1989*). The directors other than the chairperson receive sitting fees when undertaking business of the TSRA.

Mr Ted (Fuzer) Nel was elected Member for Mosig in October 2011 after Mr John Mosby resigned in August 2011. Willie Lui TSRA Member for Wamarr and Phillip Mills TSRA Member for Port Kennedy resigned in August 2011 and March 2011, respectively, and these positions remain vacant at 30 June 2012.

Remuneration of senior executives is included in Note 13: Senior Executive Remuneration.

**TORRES STRAIT REGIONAL AUTHORITY**  
 Notes to and forming part of the financial statements  
 for the period ended 30 June 2012

**Note 12A: 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 scheme. The directors involved took no part in the relevant decisions of the TSRA.

| TSRA Director Name   | Council Relationships                    |
|----------------------|--|
| Mr Wayne Curwen      | Torres Strait Island Regional Council    |
| Mr Donald Harris     | Torres Strait Island Regional Council    |
| Mr Philiomena Molloy | Torres Strait Island Regional Council    |
| Mr Kevin Redford     | Torres Strait Island Regional Council    |
| Mr Torvaldo Eleala   | Torres Strait Island Regional Council    |
| Mrs Nancy Pearson    | Torres Strait Island Regional Council    |
| Mr David Booth       | Torres Strait Island Regional Council    |
| Mr Keith Fell        | Torres Strait Island Regional Council    |
| Mr Ross Day          | Torres Strait Island Regional Council    |
| Mr Ross Evans        | Torres Strait Island Regional Council    |
| Mrs Portia Berna     | Torres Strait Island Regional Council    |
| Mr John Tashio Koin  | Torres Strait Island Regional Council    |
| Mr Ted Passar Mai    | Torres Strait Island Regional Council    |
| Mr Walter Makar      | Torres Strait Island Regional Council    |
| Mr Reginald Williams | Northern Peninsula Area Regional Council |
| Mr Jeffrey Aritua    | Northern Peninsula Area Regional Council |
| Ms Nacita Bin Talal  | Torres Strait Council                    |
| Mr John Abudaga      | Torres Strait Council                    |

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

**Loans**

- Mr Keith Fell - TSRA Board Member
- Rafiq Doulah
- Mr Keith Fell - TSRA Board Member
- Triple A Family Values
- Mr Keith Fell - TSRA Board Member
- Robert Sapegi
- Mr John Abudaga - TSRA Board Member
- Reginald Williams
- TSRA Board Member
- Ranaga Enterprises
- Mr Reginald Williams - TSRA Board Member
- Bunya Island Council
- Mr Reginald Williams - TSRA Board Member
- Punoma Island Pty Ltd
- Mr Philiomena Molloy - TSRA Board Member
- Northern Peninsula Area Regional Council
- Northern Peninsula Area Regional Councillors
- Elders' Action Review
- Mr John Koin - TSRA Board Member
- Mica Newte
- Mr John Koin and Mrs Nancy Pearson - TSRA Board Members
- Derek Banak
- Mrs Nancy Pearson - TSRA Board Member
- James Mills
- Mr Keith Fell - TSRA Board Member
- Quinton Mills
- Mr Keith Fell - TSRA Board Member
- Sirius Island Council
- Mr Jeffrey Aritua - TSRA Board Member

|  | 2012      | 2011      |
|--|-----------|-----------|
|  | \$        | \$        |
| Loans to current Directors outstanding at year-end:  | 5,324     | 5,223     |
| Loan repayments during the year:   | -         | -         |
| Loans to current Directors related Entities outstanding at year-end:                                     | 1,239,603 | 1,164,064 |
| Loans to current Directors related Entities during the year:   | 361,324   | 108,480   |
| Loan repayments during the year:   | 261,988   | 235,754   |
| Interest revenue included in operating result from loans to current Directors/Director-related Entities: | 99,461    | 96,083    |
| Related party loans for current Directors provided for as doubtful debts:                                | 6,324     | 128,183   |
| Related party loans written off:   | 164,066   | -         |

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.

**TORRES STRAIT REGIONAL AUTHORITY**  
 Notes to and forming part of the financial statements  
 for the period ended 30 June 2012

**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 |            |
|-----------------------------------|---|-----------------|------------|
|                                   |   | 2012<br>\$      | 2011<br>\$ |
| *                                 | Torres Strait Council   | 1,435,000       | 19,251,060 |
| *                                 | Torres Strait Island Regional Council   | 8,721,266       | 13,586,150 |
| *                                 | Northern Peninsula Area Regional Council  | 287,755         | 5,015,000  |
| K Bedford                         | Erub Erwer Meta TSI Corporation   | 85,000          | 166,660    |
| R Williams                        | Banaga Enterprise Ltd   | -               | 5,000      |
| R Day                             | Oproar Bakir Atisher TSI Corporation  | -               | 93,660     |
| K Bedford                         | Enabu Lu Traditional Land and Sea Owners Corporation Registered Native Title Body Corporate | 18,000          | -          |
| K Bedford                         | Gid Erub Trading Homeland Enterprises (Torres Strait Islander) Corporation                  | 35,000          | -          |
| R Day                             | Mer, Dower & Water Torres Strait Islanders Corporation For Fisheries                        | 198,000         | -          |
| R Day                             | Mer Gedken Le (Torres Strait Islanders) Corporation Registered Native Title Body Corporate  | 78,100          | -          |
| R Enosa                           | Saltui Community Development (Torres Strait Islanders) Corporation                          | 123,500         | 93,660     |
| T F Nai                           | Kailag Enterprise Ltd   | 96,000          | 90,000     |
| J Mosby                           | Torres Strait Islanders Regional Education Council Inc                                      | -               | 97,660     |
| J Mosby, W Makie, P Mosby & W Lui | Kalkalgal (central Islands) Development Association Inc                                     | -               | 6,000      |
| N Pearson                         | Mura Kosker Sorority Inc  | 372,000         | 87,718     |
| K Fell & W Guiaarra               | Torres Strait Youth and Recreation Sporting Association Inc                                 | 458,000         | 450,000    |
| W Guiaarra                        | Bada Island Foundation Ltd  | 488,417         | 102,120    |
| W Guiaarra                        | Mura Babelgal (Torres Strait Islanders) Corporation Registered Native Title Body Corporate  | 11,500          | -          |
| W Guiaarra                        | Badbulgaru Kathinase Mudh (Torres Strait Islanders) Corporation                             | 65,000          | -          |
| J Abesago                         | Torres Strait Islanders Media Aom   | -               | 644,696    |
| P Mosby                           | Buhu Lagau Sarai (Torres Strait Islanders) Corporation                                      | 21,730          | -          |
| P Mosby                           | Power of the Spirit Ltd   | 113,773         | -          |
| D Benitt                          | Ngaldun Lugu Mineral (Torres Strait Islanders) Corporation                                  | 58,000          | 71,660     |
| W Makie                           | Ierna Mura Mabiagal (Torres Strait Islanders) Corporation                                   | 24,000          | -          |
| J T Krik                          | Wug Danatalig Incorporated  | 24,000          | -          |
| F Bero                            | Kos and Aobob Fisheries (Torres Strait Islanders) Corporation                               | 125,000         | -          |

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

**TORRES STRAIT REGIONAL AUTHORITY**  
 Notes to and forming part of the financial statements  
 for the year ended 30 June 2012

**Note 13; Senior Executive Remuneration**

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

|   | 2012             | 2011             |
|---|------------------|------------------|
|   | \$               | \$               |
| <b>Short-term employee benefits:</b>      |                  |                  |
| Salary                                    | 911,947          | 804,565          |
| Annual Leave Accrued                      | 96,763           | 82,779           |
| Performance Bonuses                       | 19,694           | 30,555           |
| Other allowances                          | 130,409          | 101,431          |
| <b>Total short-term employee benefits</b> | <b>1,158,813</b> | <b>1,019,330</b> |
| <b>Post-employment benefits:</b>          |                  |                  |
| Superannuation                            | 109,891          | 118,272          |
| <b>Total post-employment benefits</b>     | <b>109,891</b>   | <b>118,272</b>   |
| <b>Other long-term benefits:</b>          |                  |                  |
| Long-service leave                        | 60,634           | 96,934           |
| <b>Total other long-term benefits</b>     | <b>60,634</b>    | <b>96,934</b>    |
| <b>Total</b>                              | <b>1,329,338</b> | <b>1,234,536</b> |

**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.

TOURIST STRAIT REGIONAL AUTHORITY  
Series Ia and Ia/1 being part of the Financial statements  
For the year ended 30 June 2012

Table 1.1.1.1. Average Annual Reportable Remuneration Paid to Salaried Executives During the Reporting Period

|   |            | 2012                                 |           |   |           | 2011                                     |           |  |            |
|---|------------|--------------------------------------|-----------|---|-----------|--|-----------|--|------------|
| <i>Average annual reportable remuneration<sup>1</sup></i>     |            | <i>Salaried Executives</i>           |           | <i>Contributed representation<sup>2</sup></i> |           | <i>Reportable allowances<sup>3</sup></i> |           | <i>Reportable allowances<sup>4</sup></i> |            |
|   | <i>No.</i> | <i>Reportable salary<sup>5</sup></i> | <i>\$</i> | <i>Reportable salary<sup>5</sup></i>          | <i>\$</i> | <i>Reportable allowances<sup>3</sup></i> | <i>\$</i> | <i>Reportable allowances<sup>4</sup></i> | <i>\$</i>  |
| <b>Total remuneration (including part-time arrangements)</b>  |            |                                      |           |   |           |  |           |  |            |
| Less than \$151,000   | 1          | 87,282                               | \$        | 9,427   | \$        | -  | \$        | -  | \$ 61,198  |
| \$1,50,000 to \$1,79,999                                      | 3          | 141,886                              | \$        | 16,191  | \$        | -  | \$        | -  | \$ 66,439  |
| \$1,80,000 to \$2,09,999                                      | 1          | 162,634                              | \$        | 26,344  | \$        | -  | \$        | -  | \$ 65,588  |
| \$210,000 to \$239,999  | 2          | 195,455                              | \$        | 21,489  | \$        | -  | \$        | -  | \$ 215,362 |
| <b>Total</b>  | <b>7</b>   |                                      |           |   |           |  |           |  |            |
| <br><b>Average annual reportable remuneration<sup>1</sup></b> |            |                                      |           |   |           |  |           |  |            |
| Less than \$151,000   | 1          | 126,825                              | \$        | 17,773  | \$        | -  | \$        | -  | \$ 144,658 |
| \$1,50,000 to \$1,79,999                                      | 2          | 141,265                              | \$        | 20,781  | \$        | -  | \$        | -  | \$ 167,734 |
| \$1,80,000 to \$2,09,999                                      | 2          | 187,413                              | \$        | 26,363  | \$        | -  | \$        | -  | \$ 210,232 |
| <b>Total</b>  | <b>6</b>   |                                      |           |   |           |  |           |  |            |

This table, including prior years comparative values, has been prepared based on the Finance Ministers Order for reporting a period ending on or after 1 July 2011. These have been several changes to the presentation requirements of this note from prior years, specifically the requirement to report average annual salary, average annual contributed representation, average annual 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 figures in the 2011 Financial Statements.

*Notes:*

1. This table reports contributions by a senior executive who received remuneration during the reporting period. Each row is an averaged figure based on benefits of four individuals in the band.
2. Reportable salary includes the following:
  - a) gross payments into a pension fund, which are reported and disclosed in the 'Bonus paid' column;
  - b) expense fringe benefits in the net amount prior to 'grossing up' to account for its benefit; and
  - c) change fringe employment income.
3. The 'Contributed representation' amount is the average annual representation contribution paid to senior executives in that reportable remuneration band during the reporting period, including any voluntary contributions by the individual employees.
4. Reportable allowances are the average actual allowances paid in per the 'total allowances' for an individual's payment statement.
5. Bonus paid represents average actual bonuses paid during the reporting period in that reportable remuneration band. The 'Bonus paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the entity during the financial year.
6. Various salary sacrifice arrangements were available to senior executives, such as superannuation, stock options and various permanent fringe benefits. Salary sacrifice benefits are reported in the 'Reportable salary' column, excluding salary sacrificed representation, which is reported in the 'Contributed representation' column.

See D.C. Other Males Field Staff

There was no other employee where total remuneration exceeded \$179,999.

**TORRES STRAIT REGIONAL AUTHORITY**  
**Notes to and forming part of the financial statements**  
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**Note 14: Remuneration of Auditors**

|  | 2012   | 2011   |
|--|--------|--------|
|  | \$'000 | \$'000 |

Financial statement audit services were provided by the Australian National Audit Office (ANAO).

**Fair value of the services provided**

|                                    |           |           |
|------------------------------------|-----------|-----------|
| Financial statement audit services | <u>44</u> | <u>43</u> |
|------------------------------------|-----------|-----------|

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

**TORRES STRAIT REGIONAL AUTHORITY**  
 Notes to and forming part of the financial statements  
 for the period ended 30 June 2012

**Note 15: Financial Instruments**

|  | 2012<br>\$'000 | 2011<br>\$'000 |
|--|----------------|----------------|
| <b>Note 15A: Categories of Financial Instruments</b> |                |                |
| <b>Financial Assets</b>                              |                |                |
| <b>Held-to-maturity</b>                              |                |                |
| Term deposits  | <u>22,298</u>  | -              |
| <b>Total</b>   | <u>22,298</u>  | -              |
| <b>Loans and receivables</b>                         |                |                |
| Cash and cash equivalents                            | 21,412         | 21,057         |
| Receivables for goods and services                   | 1,672          | 6,515          |
| Loans receivable                                     | <u>5,062</u>   | 4,848          |
| <b>Total</b>   | <u>28,146</u>  | 32,420         |
| <b>Carrying amount of financial assets</b>           | <u>50,444</u>  | 32,420         |
| <b>Financial Liabilities</b>                         |                |                |
| At amortised cost:                                   |                |                |
| Trade creditors and accruals                         | 9,205          | 2,079          |
| Grant liabilities                                    | <u>4,438</u>   | 236            |
| <b>Total</b>   | <u>13,643</u>  | 2,315          |
| <b>Carrying amount of financial liabilities</b>      | <u>13,643</u>  | 2,315          |

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 2012 are as follows:

|  | 2012         | 2011   |
|--|--------------|--------|
| Concessional loans - nominal value         | 5,638        | 5,545  |
| Less: unexpired discount                   | (453)        | (697)  |
| Less: impairment allowance                 | <u>(123)</u> | (246)  |
| <b>Concessional loans - carrying value</b> | <u>5,062</u> | 4,602  |
|  | \$'000       | \$'000 |

**Note 15B: Net Income and Expense from Financial Assets**

|  | 2012         | 2011  |
|--|--------------|-------|
| <b>Loans and receivables</b>   |              |       |
| Interest revenue (see note 4B)   | 1,777        | 2,090 |
| Reversal of impairment losses (see note 4E)  | 19           | -     |
| Reversal of losses from re-measuring loans and receivables (see note 4E)                 | 301          | -     |
| Write down of loans to Net Present Value (see note 3F)                                   | (157)        | (29)  |
| Receivables Goods and services - external parties provided for as impaired (see note 3E) | (47)         | -     |
| Loans provided for as impaired (see note 3E)   | -            | (121) |
| <b>Net gain/(loss) loans and receivables</b>   | <u>1,893</u> | 1,940 |
| <b>Net gain/(loss) from financial assets</b>   | <u>1,893</u> | 1,940 |

**Note 15C: Net Income and Expense from Financial Liabilities**

There is no income or expense from financial liabilities for the year ending 30 June 2012 (2011: \$Nil)

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**Note 15D: Fair Value of Financial Instruments**

The carrying amount of financial instruments matches their fair value as in 2011-12 and 2010-11.

**Note 15E: Credit risk**

TSRA is exposed to minimal credit risk as the majority of loans and receivables and all held-to-maturity financial instruments 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 (2012: \$6,734,000 and 2011: \$11,117,000).

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.

TSRA has assessed the risk of the default on payment and has allocated \$180,031 in 2012 (2011: \$246,000) 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.

|                                    | Not Due<br>Nor<br>Impaired | Not Due<br>Nor<br>Impaired | Past due<br>or<br>impaired | Past due<br>or<br>impaired |
|------------------------------------|----------------------------|----------------------------|----------------------------|----------------------------|
|                                    | 2012<br>\$'000             | 2011<br>\$'000             | 2012<br>\$'000             | 2011<br>\$'000             |
| Cash and cash equivalents          | 21,412                     | 21,057                     | -                          | -                          |
| Receivables for goods and services | 1,383                      | 5,915                      | 346                        | 600                        |
| Loans receivable                   | 5,005                      | 4,594                      | 180                        | 254                        |
| Term Deposits                      | 22,298                     | -                          | -                          | -                          |
| <b>Total</b>                       | <b>50,098</b>              | <b>31,566</b>              | <b>526</b>                 | <b>854</b>                 |

**Ageing of financial assets that are past due but not impaired for 2012**

|                                    | 0 to 30<br>days | 31 to 60<br>days | 61 to 90<br>days | 90+<br>days | Total      |
|------------------------------------|-----------------|------------------|------------------|-------------|------------|
|                                    | \$'000          | \$'000           | \$'000           | \$'000      | \$'000     |
| Receivables for goods and services | 2               | -                | -                | 287         | 289        |
| Loans receivable                   | 14              | 7                | 5                | 31          | 57         |
| <b>Total</b>                       | <b>16</b>       | <b>7</b>         | <b>5</b>         | <b>318</b>  | <b>346</b> |

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

|                                    | 0 to 30<br>days | 31 to 60<br>days | 61 to 90<br>days | 90+<br>days | Total      |
|------------------------------------|-----------------|------------------|------------------|-------------|------------|
|                                    | \$'000          | \$'000           | \$'000           | \$'000      | \$'000     |
| Receivables for goods and services | 143             | 1                | -                | 448         | 592        |
| Loans receivable                   | 1               | 3                | -                | 4           | 8          |
| <b>Total</b>                       | <b>144</b>      | <b>4</b>         | <b>-</b>         | <b>452</b>  | <b>600</b> |

**Note 15F: Liquidity Risk**

TSRA's financial liabilities are trade creditors and accruals and grant 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 2012:**

|                              | On demand | within 1 year | 1 to 2 years | 2 to 5 years | Total         |
|------------------------------|-----------|---------------|--------------|--------------|---------------|
|                              | \$'000    | \$'000        | \$'000       | \$'000       | \$'000        |
| Trade creditors and accruals | -         | 9,205         | -            | -            | 9,205         |
| Grant liabilities            | -         | 4,438         | -            | -            | 4,438         |
| <b>Total</b>                 | -         | <b>13,643</b> | -            | -            | <b>13,643</b> |

**Maturities for non-derivative financial liabilities 2011:**

|                              | On demand | within 1 year | 1 to 2 years | 2 to 5 years | Total        |
|------------------------------|-----------|---------------|--------------|--------------|--------------|
|                              | \$'000    | \$'000        | \$'000       | \$'000       | \$'000       |
| Trade creditors and accruals | -         | 2,079         | -            | -            | 2,079        |
| Grant liabilities            | -         | 236           | -            | -            | 236          |
| <b>Total</b>                 | -         | <b>2,315</b>  | -            | -            | <b>2,315</b> |

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 such as 'currency risk' and 'other price risk'.

The interest-bearing items on the balance sheet are cash at bank, loans and term deposits. Interest earned on cash at bank and term deposits after they mature 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 1.40%. 1.40% is anticipated to be a reasonable estimate of the maximum movement in market interest rates in financial year 2012-13.

|  | Value<br>\$'000 | Effect on Statement<br>of Comprehensive<br>Income<br>Income (Expense)<br>\$'000 |
|--|-----------------|---|
| Anticipated interest earned for 2012-13 financial year at current market interest rate | 1,666           | 0   |
| Increase of 1.40% in market interest rate  | 2,002           | 336   |
| Decrease of 1.40% in market interest rate  | 1,358           | (308)   |

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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 1.40%. 1.40% is anticipated to be a reasonable estimate of the maximum movement in market interest rates in financial year 2012-13.

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|   | Effect on Statement<br>of Comprehensive<br>Income |                            |
|---|---|----------------------------|
|   | Value<br>\$'000                                   | Income (Expense)<br>\$'000 |
| Net Present Value of Loans 30 June 2012   | 5,185   | -                          |
| Increase of 1.40% in market interest rate | 4,730   | (455)                      |
| Decrease of 1.40% in market interest rate | 5,726   | 541                        |

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

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**Note 16: Compensation and Debt Relief**

No payments were made during the reporting period. (2011: No payments made).

| 2012   | 2011   |
|--------|--------|
| \$'000 | \$'000 |
| -      | -      |

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**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 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 State and TSRA has continued over the years and the current arrangement for the period ending June 2012 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 Peninsula 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.

|   | 2012          | 2011          |
|---|---------------|---------------|
|   | \$'000        | \$'000        |
| <b>MIP trust account - Monetary Assets</b>                  |               |               |
| Total amount held at the beginning of the reporting period  | <b>85,459</b> | 61,036        |
| Receipts  | 16,886        | 39,885        |
| Payments  | (43,660)      | (15,472)      |
| <b>Total amount held at the end of the reporting period</b> | <b>57,685</b> | <b>85,459</b> |

*Firfish trust account*

Torres Strait Islanders own 100 per cent of the Firfish fishery. Firfish 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.

|   | 2012       | 2011       |
|---|------------|------------|
|   | \$'000     | \$'000     |
| <b>Firfish trust account - Monetary Assets</b>                |            |            |
| Total amount held at the beginning of the reporting period    | 692        | 533        |
| Receipts  | 49         | 152        |
| Interest received   | 9          | 7          |
| Payments  | (167)      | -          |
| Net cash - (used in) / provided by firfish program activities | (89)       | 159        |
| <b>Total amount held at the end of the reporting period</b>   | <b>603</b> | <b>692</b> |

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

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**Note 18: Reporting of Outcomes**

**Note 18A: Net Cost of Outcome Delivery**

|                                     | Outcome I     |        | Total         |        |
|-------------------------------------|---------------|--------|---------------|--------|
|                                     | 2012          | 2011   | 2012          | 2011   |
|                                     | \$'000        | \$'000 | \$'000        | \$'000 |
| <b>Expenses</b>                     | <b>56,338</b> | 75,726 | <b>56,338</b> | 75,726 |
| <b>Own-source income</b>            | <b>16,356</b> | 9,635  | <b>16,356</b> | 9,635  |
| <b>Net cost of outcome delivery</b> | <b>39,982</b> | 66,091 | <b>39,982</b> | 66,091 |

Outcome I is described in Note 1.1.

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

|                                       | Outcome 1     |               | Total         |               |
|---------------------------------------|---------------|---------------|---------------|---------------|
|                                       | 2012          | 2011          | 2012          | 2011          |
|                                       | \$'000        | \$'000        | \$'000        | \$'000        |
| <b>Expenses</b>                       |               |               |               |               |
| Employees                             | 12,046        | 8,066         | 12,046        | 8,066         |
| Suppliers                             | 13,929        | 12,682        | 13,929        | 12,682        |
| Depreciation and amortisation         | 1,121         | 840           | 1,121         | 840           |
| Write-down of assets                  | 204           | 150           | 204           | 150           |
| Grants                                | 29,038        | 53,988        | 29,038        | 53,988        |
| <b>Total</b>                          | <b>56,338</b> | <b>75,726</b> | <b>56,338</b> | <b>75,726</b> |
| <b>Income</b>                         |               |               |               |               |
| Income from government                | 50,454        | 69,758        | 50,454        | 69,758        |
| Sales of goods and services           | 506           | 499           | 506           | 499           |
| Interest                              | 1,777         | 2,090         | 1,777         | 2,090         |
| Sale of assets                        | 14            | -             | 14            | -             |
| Reversal of previous asset write down | 320           | 358           | 320           | 358           |
| Other                                 | 13,739        | 6,688         | 13,739        | 6,688         |
| <b>Total</b>                          | <b>66,810</b> | <b>79,393</b> | <b>66,810</b> | <b>79,393</b> |
| <b>Assets</b>                         |               |               |               |               |
| Cash and cash equivalents             | 21,412        | 21,057        | 21,412        | 21,057        |
| Trade and other receivables           | 6,734         | 11,117        | 6,734         | 11,117        |
| Other investments                     | 22,298        | -             | 22,298        | -             |
| Land and buildings                    | 27,938        | 27,425        | 27,938        | 27,425        |
| Plant and equipment                   | 1,743         | 1,565         | 1,743         | 1,565         |
| <b>Total</b>                          | <b>80,125</b> | <b>61,164</b> | <b>80,125</b> | <b>61,164</b> |
| <b>Liabilities</b>                    |               |               |               |               |
| Suppliers                             | 9,205         | 2,079         | 9,205         | 2,079         |
| Grants                                | 4,438         | 236           | 4,438         | 236           |
| Other                                 | 467           | 4,759         | 467           | 4,759         |
| Employee provisions                   | 2,850         | 2,130         | 2,850         | 2,130         |
| <b>Total</b>                          | <b>16,960</b> | <b>9,204</b>  | <b>16,960</b> | <b>9,204</b>  |