

**IIB**



**ABN: 42 060 262 890**

# **ANNUAL REPORT**

**FINANCIAL YEAR ENDED 31 JANUARY**

**2014**

**13 APRIL 2014**

## **MISSION**

To serve the communities of the Torres Strait & NPA by providing quality goods and services at the lowest possible prices. Our focus is delivering nutritional outcomes for our communities whilst remaining sustainable.

## **VISION**

Provide a safe place for our customers to shop and our people to work

Delight our customers by providing fresh and healthy food choices at the lowest possible prices

Offer rewarding job and career opportunities to the people of the NPA and Torres Strait

Return the value that we create back to the community that we serve

## **VALUES**

Honesty

Reliability

Culturally

Respectful

Empathetic

Fair

Community Minded

## LETTER FROM IIB CHAIRPERSON

13 April 2014

The Honourable Glen Elmes MP  
Minister for Aboriginal and Torres Strait Islander and Multicultural Affairs and Minister  
Assisting the Premier  
PO Box 15397  
CITY EAST  
Brisbane Qld 4002

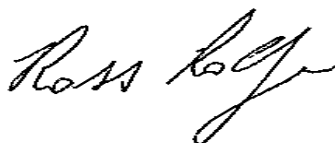
Dear Minister Elmes

I am pleased to present the Annual Report 2013-2014 for the IIB.

I certify that this Annual Report complies with:

- the prescribed requirements of the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, and
- the detailed requirements set out in the *Annual Report Requirements for Queensland Government Agencies* as listed at <http://www.premiers.qld.gov.au/publications/categories/guides/annual-report-guidelines.aspx>

Yours sincerely



Ross Rolfe  
Chairperson  
Island Industries Board

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## **CHAIRPERSON'S FOREWORD**

I am pleased to present the Island Industries Board (IIB) Annual Report for the Islanders Board of Industry and Service (IBIS) for the year ended 31st January 2014.

Firstly, I would to acknowledge Dr Deborah Kuchler and her outgoing Board for the continued financial success of IBIS. Her contribution over the past 12 years is recognised and is greatly appreciated. I would also like to acknowledge and thank Terry Waia the Deputy Chair, Neil Castles and Mark Johnston who have also helped turn IBIS around from financial difficulty in 2002 into the stable and strong organisation it is today.

I welcome back for a new term Mayor Fred Gela, Mayor Pedro Stephen, Vonda Moar-Malone and David Stout and I welcome for their first term Tom Hannaford, Jan Pool and Colin Kane to the Board.

I look forward to working with the new Board in taking IBIS to the next level in its 110 years of operation and beyond. I would also like to congratulate Mayor Gela in his appointment as Deputy Chair of the Island Industries Board.

During the year, our Chief Executive Ian Copeland and his team, delivered a strategy of continued sustainability whilst increasing our capacity through the new store development program with the completion of the Mer (Murray) Island store extension. This investment finalises the remaining obligation of the residual balance of the \$2.2m Government funding provided through the Department of Communities in 2007 for new stores at Mabuiag, Dauan and Ugar (Stephen) and Mer Islands. This funding, along with \$1.8m received to replace the store on Saibai Island, brings the re-investment amount to well over \$15m in four years of which over \$11m was IBIS funding.

It is pleasing therefore to announce that the IBIS management team has delivered its seventh consecutive annual operating surplus result of \$1.587m from sales revenues of \$39.4m. This net profit for (F2014) of \$1.587m is 4% of sales. It is important to note that the global after tax net profit benchmark for grocery stores is 2.0% of sales.

Our greatest ongoing challenge is reducing the cost of goods and services for our communities in the NPA and Torres Straits. Logistically this is extremely difficult given the remoteness of our market and the touch points required to deliver stock to our customers. With a supply chain of over 3000 kilometres with road, rail and sea transport required to tranship supply, the cost incurred over and beyond mainland retail is significant representing in excess of an additional 10% to the cost of goods sold. This has been compounded by the Cairns to Horn Island and beyond sectors being operated by only one service provider. We therefore welcome the entry of new competition into the supply chain in the Torres Strait in the coming year.

The challenge to maintaining significant subsidies on quality food and services requires excellent processes and controls coupled with strong purchasing power to enable IBIS to permanently discount and market the 'Family Value Basket'. Ongoing investment in systems and technology has played an integral part in the success of the IBIS model. Automation within a central system provides user friendly tools for

our store teams to more effectively manage their stores specifically around cash handling, stock and wage controls.

This tyranny of distance and supply chain hurdles further compound IBIS's ability to maintain extended shelf life for perishable products including fresh fruit and vegetable, dairy and meat products for our communities. Strategic alliances, local sourcing and improved scheduling have aided in gaining an additional average of three days of shelf life.

IBIS employs over 75% indigenous work force and invests in the ongoing training and development of its staff with 100% of the store managers achieving certificate III in Retail Training in the 2013/4 period. We were very proud of Helen Kepa from Iama (Yam) Island who was a finalist in the NRA Young Executive of the year held in Melbourne. This is testimony that the training conducted in conjunction with our service providers is of the highest national standard. We recognise and value the contribution and dedication of our staff and their enthusiasm towards the comprehensive IBIS training and education environment which is part of our strategy of being the employer of choice in the Torres Strait

Performance management is at the forefront of all senior managers to ensure behaviours that are modelled mirror those of our values. All senior executives and store managers have a formal performance review process that includes clear and measurable expectations.

It is critical to the company's long term viability that a sinking fund is built into the budget. The direction and strategic imperatives developed by the board in collaboration with the executive team should ensure that IBIS can remain self-sustainable at minimal risk to the Government and stakeholders in the NPA and Torres Strait. The IBIS board is committed to managing the company in a way that ensures the viability of all stores on a sustainable basis within its own financial capabilities

Being a remote retail based organisation we work in partnership and cooperation with a diverse group of external organisations, government bodies and service providers, and recognise the important role they play in ensuring the delivery of the best goods and services IBIS provides to its customers.

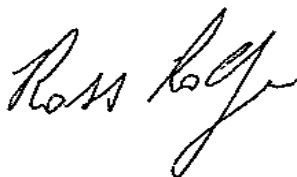
The Board takes this opportunity to thank and acknowledge Ian Copeland our CEO for his leadership of IBIS over the past year. The Board also recognises the Executive Management Team and the Regional and Store Managers for their outstanding contribution, support and service to our customers.

The Board thanks the Queensland Government for its support in assisting IBIS to deliver a significant capital expenditure program in the area with the new store program continuing to be rolled out.

IBIS looks forward to working with the communities of the Torres Strait to achieve our five key imperatives. These include:

- *To provide a safe workplace for our staff and customers*
- *To provide access to quality goods and services including healthy food choices to the communities of the NPA & Torres Strait at the lowest possible prices*
- *To improve purchasing power through increased volume*
- *To channel the benefits back to the community*
- *To deliver an operating surplus to ensure the business is fully sustainable into the future.*

I thank all Board members for their strategic input, guidance and support since our appointment and look forward to working with you and achieving our company's goals in the years ahead.



Ross Rolfe  
Chairperson  
Island Industries Board

13<sup>th</sup> April, 2014

## **INTRODUCTION**

The Islanders Board of Industry and Service (IBIS) is the registered trading name of the Island Industries Board (IIB), a statutory body included within the *Aboriginal and Torres Strait Islander Communities (Justice, Land and Other Matters) Act 1984* ('the Act'). For the purpose of reporting simplicity, the IIB and its trading name IBIS will be combined here and referred to as IIB/IBIS. However, in the marketplace, the IIB is more commonly known by its trading name "IBIS".

## **IIB/IBIS OPERATIONS**

The Torres Strait is a body of water that lies between Australia and Papua New Guinea. It is approximately 150 kilometres wide at its narrowest extent. To the south is Cape York Peninsula, the northernmost continental extremity of the Australian state of Queensland. To the north is Papua New Guinea.

The Torres Strait links the Coral Sea to the east with the Arafura Sea in the west. Although it is an important international sea-lane, it is very shallow, and the maze of reefs and islands make it hazardous to navigate.

Several clusters of islands lie in the Strait, collectively called the Torres Strait Islands. There are at least 274 of these islands, 17 of which have present-day permanent settlements. These Islands are grouped into five distinct clusters. These clusters exhibit differences in geology and formation, as well as having individual cultural characteristics and language.

IIB/IBIS operates 16 retail convenience stores, two supermarkets and a service station. The convenience stores provide groceries, fresh fruit and vegetables, meat, variety products and other items commonly found in general stores or small supermarkets.

These stores are located at:

### *Thursday Island*

- Main Store (Supermarket)
- Tamwoy
- Rosehill

### *Ngurapai (Horn) Island*

- Horn

### *Northern Peninsula Area (NPA)*

- Bamaga (Supermarket)

### *Torres Strait Islands*

- Boigu
- Poruma (Coconut)
- Erub(Darnley)
- Dauan



- Kubin (on Moa Island)
- Mabuiag
- Mer (Murray)
- Saibai
- St Pauls (on Moa Island)
- Warraber
- lama (Yam)
- Masig (Yorke)
- Ugar (Stephen).

The service station is operated on Thursday Island under a Caltex franchise.

It is also worth noting that Saibai, Dauan and Boigu stores also serve Papua New Guinean villagers who live just a short boat trip away. Cross border traffic is sometimes disrupted and the resultant fluctuations in demand add further complexity to servicing Torres Strait communities.

The provision of essential services to the communities of the Torres Strait present significant challenges, which are compounded considerably when those services include the supply of fresh, chilled and frozen food. IBIS retail outlets provide a full range of consumer goods including:

- dry grocery
- chilled grocery
- frozen grocery
- fresh fruit and vegetables
- large and small electrical appliances
- variety and seasonal goods
- fuel
- western union banking facilities
- special orders to meet individual needs.

The supply chain to the islands of the Torres Strait involves multiple freight handlers and is thus complex, with goods generally first, travelling from Brisbane to Cairns by rail (approximately 1750 kilometres); then by line ship to Thursday Island (in excess of 1000 kilometres); where they are reloaded and shipped to landing barges that finally transport the product to the island stores (up to 300 kilometres). This complex supply chain is in total, about 3050 kilometres. Freight costs associated with the operation are significant and are reflected in product pricing.

Every product is handled several times during shipping. It is transhipped from train to truck, to ship to barge, to the stores as well as being re-palleted or containerised in Cairns. Many significant issues further compound the cost of supplying this service, and ensuring that:

- all food products are safe;
- the cold chain for all temperature sensitive products is unbroken;

- the goods arrive in good condition - undamaged by mishandling and uncontaminated by other products that are co-shipped with them and/or by seawater;
- all food products are reasonably date coded to allow for the extended shipping period; and
- the fresh food products are reasonably date coded to ensure a supply of fresh product to the communities for the duration between deliveries.

In many cases, the IBIS store is the only provider of food on an island. Failure in the supply chain caused by such issues as natural disasters (flooded railway lines between Brisbane and Cairns), telecommunication breakdowns (Telstra lines outage at the supply or demand end) or king tides preventing supply barges from docking at the islands can have catastrophic results, as food cannot be delivered for the residents. IIB/IBIS link to Queensland Government helps to ensure prompt responses to these supply chain issues by providing seamless liaison with agencies that can assist, such as the Department of Emergency Services.

## **REMOTE LIVING**

The IIB/IBIS recognises that the biggest issue facing the people of the Torres Strait and NPA is the rising cost of living. The IIB/IBIS family value basket program provides a bundle of essential foods at the lowest possible cost to customers. The IIB/IBIS is keen to assist our customers as much as we can without putting at risk our financial operations. IIB/IBIS is required to financially sustain its operations. The costs of sustainability are outlined later.

IIB/IBIS has Charitable Institution tax status as well as being a not-for-profit Queensland Government Statutory Body, so that all the income that IIB/IBIS invests is for the benefit of the communities of the Torres Strait and NPA. The summary of capital expenditure undertaken by IIB/IBIS over the past three years (set out below) is a huge investment into improving the infrastructure that IIB/IBIS uses to provide services to the communities of the Torres Strait and Northern Peninsula Area.

IIB/IBIS is committed to working with other agencies in the Torres Strait and with State and Commonwealth Governments to assist in raising the living standards in the Torres Straits and NPA region.

## **HEALTHY FOOD CHOICES PROGRAM**

IIB/IBIS has now been committed to its Healthy Food Choices Program for the past 3 years. In addition to that on-going commitment, IIB/IBIS has introduced a "Family Value Basket" which includes products at low prices to allow families to save and reduce the cost of living in remote areas. While IIB/IBIS is committed to providing Healthy Food Choices at lower prices (often substantially discounted), it also recognises that it must supply a complete range of retail goods to satisfy community requirements.

The Family Value Basket confirms the IIB/IBIS commitment through its subsidy in the 2014 period of over \$555,000 to assist families to reduce the cost of living.

## **IIB/IBIS PRICING POLICY**

Due to the high cost of doing business in the Torres Strait and NPA, communities normally would be paying far higher prices for goods and services including healthy food choices than other Australians.

However, IIB/IBIS has a policy where it sells all Healthy Food Choices items at the lowest possible price, whilst operating the business on a sustainable basis. Items that are not in the 'Healthy Food Choices' category are priced at a level where the IIB/IBIS pricing remains competitive and benchmarks against competitors attempting to offer the cheapest or equal to the cheapest in the Torres Strait and NPA.

## **IIB/IBIS CRITICAL ISSUES**

The IIB/IBIS critical issues are sustainability costs; native title, people retention, and cultural adoption of mainstream retail practices as outlined below.

### **Sustainability Costs**

By far the IIB/IBIS most challenging issue is in the cost of sustainability and the significant factors around sustainability remain. They are:

- Freight – the supply chain length and associated costs in delivery goods and services to the NPA and Torres Strait continue to be one of the most challenging costs to incur whilst trying to offer the communities competitive pricing. Freight constitutes 10% of the business operating expenses, this situation contrasts with normal retail practice whereby suppliers deliver free into store. IIB/IBIS has a long supply chain of 3,050 km. With a kilogram of chilled product costing in excess of \$1.40 to freight, this has a significant impact on the in-store pricing of groceries. In this regard, the IIB/IBIS freight cost last financial year was \$3.94 million being 10.0% of total revenue;
- Power – The cost of electricity has increased significantly over the past few years. IIB/IBIS is the second largest consumer of electrical power in the NPA & Torres Strait next to the Hospitals;
- Insurance – A lack of competition and the remoteness of the area we work in coupled with the recent natural disasters has led to significantly increased premiums which also need to be absorbed into our operating costs;
- Remote cost of living pressure – The financial pressures on families leave less disposable income for food consumption – fuel, transport, rent and power. The cost of providing goods and services to the Torres Strait and NPA is significantly higher than in mainstream Australia;
- Maintenance – the ongoing cost of maintenance is a major impost to the business because of the extreme environment and tyranny of distance. Store maintenance is a critical issue for grocery retailing, impacting on a range of issues, from customer and staff comfort to food safety and public health risks. Maintaining plant and equipment in remote maritime locations is expensive and a challenge, because of corrosion, and the lack of local tradespeople and flexible and cost effective transport options; and

- Size of Catchment – The cost of doing business on a small scale on in the Torres Strait and the NPA is significantly higher than in areas with substantially larger populations and this is reflected in the price of goods and services being provided.

### **Native Title**

IIB/IBIS acknowledged the cooperation and assistance of the Torres Strait Island Regional Council for its support for the Trustee Lease approval process which has supported and enabled the relevant Indigenous Land Use Agreements (ILUA) to proceed without undue delay. This assistance has been invaluable to the progress of the new store development program.

IIB/IBIS is in a stronger position for the securing of the remaining Native Title Leases since the relevant parties, including Traditional Owners, the Prescribed Body Corporate and the Native Title Office have agreed on a template.

The IIB/IBIS CEO was successful in securing Native Title agreements or Reserve title for the following sites:

- Tamwoy – Trustee for Reserve
- Rosehill – Department of Communities Trustee for Reserve
- Thursday Island (TI) Supermarket (Main Store) – Freehold
- Thursday Island Service Station – Freehold
- Blackall street flats – Freehold
- Travel Centre Victoria parade – Freehold
- Slipway land 12-23 Douglas Street – Crown free holding lease able to be converted to freehold title
- Bamaga Crown Reserve – Department of Communities Trustee
- Dauan Island – 30 year Trustee lease with 30 year ILUA
- Saibai Island – 30 year Trustee lease with 30 year ILUA
- Mer (Murray Island) – 30 year Trustee lease with 30 year ILUA
- Ugar (Stephen) Island – 30 year Trustee lease with 30 year ILUA
- Mabuiag Island – 30 year Trustee lease with 30 year ILUA
- Erub (Darnley) Island – 30 year Trustee lease with 30 year ILUA
- Sue (Warraber) Island – 30 year Trustee lease with 30 year ILUA

### **Native Title under negotiation**

- Iama (Yam) Island – 30 year ILUA & 30 year lease drafted and awaiting execution
- Masig (Yorke) Island – 30 year ILUA & 30 year lease drafted and awaiting execution
- Moa (Kubin) Island – 30 year ILUA & 30 year lease drafted and awaiting execution
- Moa (St Pauls) Island – 30 year ILUA & 30 year lease drafted and awaiting execution

- Boigu Island – 30 year ILUA & 30 year lease drafted and awaiting execution
- Poruma (Coconut) Island – 30 year ILUA & 30 year lease drafted and awaiting execution.

### **People Retention**

It is difficult to attract and retain experienced people to work in our remote areas, due to the lack of suitable available accommodation and accessibility.

Investing in our people is critical to the on-going growth and development of IBIS in the NPA and Torres Strait. Training and education form part of the most significant strategic imperatives of the organisation. This investment is a substantial financial impost given the tyranny of distance of the islands and the availability of certified trainers prepared to work in remote locations.

IBIS conducts an annual conference bringing the island store manager team to Cairns to deliver training and educational programmes equal to Australian best retail practice. The conference includes keynote presentations and employment service awards. IBIS recognises high achievers, including best performing store, store manager and outstanding customer service, encouraging all employees to strive for excellence within their local communities. IBIS trade partners sponsor the conference through financial and product support presented at a suppliers trade show. This trade show demonstrates new brands and product innovation offered to retail stores on the mainland.

IIB/IBIS now offers as a standard to all of their Island community employees an opportunity to develop their skills that was not afforded to them in the past. We include training modules in Certificate I - IV in retailing, improving their skill levels and capacity for career enhancement and employability.

### **Cultural Adoption of Mainstream Retail Practices**

IBIS is working towards encouraging community members to become retail champions. Through educating key community stakeholders the importance of the IBIS sustainability model and how critical the collective footprint is for all communities. Family pressure on store managers within small communities often causes conflict and IBIS is introducing training regimes to assist in dealing with these difficult situations.

These factors demonstrate the difficulties that IIB/IBIS faces in operating a retail service and they ultimately lead to higher prices for our customers, regardless of how determined we are in delivering competitive pricing for our products.

### **COMMUNITY SERVICE OBLIGATION**

The collective consolidated IIB/IBIS financial model enables IIB/IBIS to provide all communities with a sustainable retail offering of quality goods and services at competitive pricing regardless of the individual stores ability to generate a trading surplus.

Within the IIB/IBIS self-sustainability model, IIB/IBIS generates sufficient funds to invest in a sinking fund for future capital infrastructure investment. This has been clearly demonstrated over the past 3 years with new stores being built on Mabuiag,

Ugar, Bamaga, Dauan and Saibai and a storage extension on Warraber. IIB/IBIS has also invested in manager accommodation on Thursday Island, and all of the islands listed above. This commitment to continuing to reinvest in preserving and growing our asset base, distinguishes us against all other retail operations in remote communities.

The coming year will see extensions at Iama (Yam), Poruma (Coconut), Bamaga and Masig (Yorke). Significant investment in preventative maintenance on refrigeration upgrades will also be undertaken.

IIB/IBIS works closely with Torres Strait Island Regional Council, Torres Shire Council, Torres Strait Regional Authority and Northern Peninsula Area Regional Council to be part of the social fabric in terms of delivering consistent outcomes under the health and wellbeing pillar of the current COAG agreement.

The IIB/IBIS commitment to subsidising the Family Value Basket in 2013 was in excess of \$555,000. IIB/IBIS has partnered with the Menzies Institute to develop certain health protocols and benchmarks to be delivered in all indigenous communities throughout Australia.

IIB/IBIS has introduced innovative merchandising processes to motivate consumers into healthier purchasing choices – turning buyer hot spots into nutritional placement. Leveraging trade partner relationships we have developed product display units encouraging change in consumer behaviour. For example, IIB/IBIS has put a lot of effort into shifting purchases from full sugared soft drinks to bottled water.

IBIS has provided \$11,169 in sponsorship by providing communities with access to fruit, vegetables, water and variety products by way of donation in support of local activities, such as sporting carnivals, church groups, community meetings and healthy lifestyle activities. IIB/IBIS plays an important role in the healthier lifestyle programs run by the individual island communities.

IIB/IBIS continues to work with Queensland Maritime Safety to provide Safety Grab bags that have an EPIRB, 6 Safety jackets, marine flares, v sheets, reflector mirror and torch for Community travel safety. IBIS have a shipping/travel log for people who wish to travel between Islands in the Torres Strait, MSQ will service the kits to ensure that they are operable and IBIS manages the logistics.

IIB/IBIS is extremely conscious of the environmental impact of its operations and has developed strategies in minimising its footprint in this pristine location. IIB/IBIS has secured partial funding from Queensland Waste Management to roll out eight cardboard compactors and are endeavouring to get additional funding for the remaining Islands.

IIB/IBIS continues to work with Ergon's Power Savvy team to reduce the high demand of energy consumed and improve power efficiencies within the group. IIB/IBIS has formed strategic alliances with leading educational institutions, with a view to build capacity from primary school through to tertiary, encouraging islanders to choose retail as a career path.

The 3rd Annual Southern Skies Community Clinic was held on Thursday Island in September 2013. This partnership between IIB/IBIS and Southern Skies, a subsidiary of Brisbane Boys College provided the opportunity for 120 school students from schools within the Torres Strait and Northern Peninsula Area to attend a two day sporting clinic for possible selection into the Brisbane Boy's College (BBC). Sports included, gymnastics, tennis, netball, cricket and rugby.

Students who were identified as having sporting prowess were later provided the opportunity for academic assessment to attract financial assistance by way of scholarships for schooling at BBC.

IIB/IBIS supported the program once again by donating \$5,000 and catering for all students and coaches for the 2 day clinic. In addition, the two IIB/IBIS nutritionists delivered health and fitness sessions to the students.

## **IIB COMPOSITION**

The current composition of the Island Industries Board is an appropriate mix of five specialist and three Torres Strait Islander representatives.

The model developed by IIB/IBIS strives to represent best practice in retail service delivery in remote indigenous communities, through:

- Its diverse economic development capabilities;
- Delivery of compliant, safe, high quality food at the lowest possible prices;
- Operating at no cost to Government (i.e. consumes no Government financial resource);
- Providing a source of major employment for indigenous Australians (the IIB/IBIS is one of the largest employers in the Torres Strait with 70% of staff being indigenous Australians);
- Presenting a low cost, fit for purpose model delivering an effective and efficient essential service in an extremely remote environment;
- Operating with minimum bureaucracy;
- Arms - length government reporting standards;
- Complying with best practice consumer retailing and meeting all legislative and regulatory requirements; and operating commercially on a 'not for loss' basis;
- Managing risk to all stakeholders via its Hazard Analysis Critical Control Point (HACCP) system of risk management – integrated across the organisation through a comprehensive Risk Management Program and accredited Food Safety Program; and
- Sound governance in that IIB/IBIS:
  - acts legitimately by complying with all required legislation;
  - observes due process in all business activities (i.e. with documented policies and procedures) and respecting the rights of all stakeholders; and

- meets and exceeds its publicly declared standards of performance in the economic use of resources, supply of outputs and achievement of desired economic, social and environmental outcomes.

## **THE ISLAND INDUSTRIES BOARD AND SUB-COMMITTEES**

In accordance with section 60 of the *Aboriginal and Torres Strait Islander Communities (Justice, Land and Other Matters) Act 1984*, the IIB/IBIS is comprised of at least five, but not more than eight members appointed by the Governor in Council. At a minimum the IIB/IBIS meets bi-monthly.

### **New Chairperson**

Ross Rolfe was appointed Chairperson on 28 November, 2013. Fred Gela was appointed Deputy Chairperson on 7 February, 2014.

The current IIB/IBIS comprises:

Ross Rolfe	Chairperson – IIB/IBIS
Fred Gela	Deputy Chairperson – IIB/IBIS
Jan Pool	Chair of Audit and Risk Committee
David Stout	Chair of the Employment and Training Committee
Tom Hannaford	Member
Colin Kane	Member
Cr Napau Pedro Stephen	Member
Vonda Moar-Malone	Member

The members of the IIB have extensive skills and experience in:

- Operating and managing retail operations and in particular supermarkets;
- Operating and managing businesses;
- Economic and regional development;
- Local custom and developing indigenous communities;
- Multicultural communities;
- Grocery retailing;
- Government/stakeholder relations and partnering;
- Business and corporate accounting; and

The IIB' aim is to maximise the Government's investment that underwrites IIB/IBIS business.

The IIB/IBIS has the following sub-committees that report to the IIB/IBIS on a regular basis. A strategy report for the past year is delivered to the IIB/IBIS for each committee.



**Audit and Risk Committee – ARC**

The ARC is responsible for ensuring the internal control and risk management framework is appropriate for the organisation. It monitors the ongoing financial performance of IIB/IBIS and is also responsible for ensuring audit recommendations are addressed. The Committee is also responsible for reviewing the financial accounts prior to their release. The ARC has the added task of developing and monitoring the financial section of the IIB/IBIS Annual Strategy Action Plan.

**Employment and Training Committee – ETC**

The ETC considers matters with respect to the management and remuneration of IIB/IBIS employees and human resources and industrial relations issues. Its focus is the appropriateness of any new or amended human resource policy, remuneration of IIB/IBIS staff, the performance and appropriate recognition of IBIS staff, and the training programs for staff and the termination and recruitment of staff. The ETC is also tasked with the development and oversight of the Employment and Training section of the IIB/IBIS Annual Strategy Action Plan. Going forward the ETC will oversee the business's performance on Work, Health and Safety in line with our vision.

**IIB Member Terms**

<b>Family Name</b>	<b>Given Name</b>	<b>Position Title</b>	<b>Appointment Start Date</b>	<b>Appointment End Date</b>	<b>Member Since</b>
Pool	Jan	Member	28-11-2013	27-11-2016	2013
Hannaford	Tom	Member	28-11-2013	27-11-2016	2013
Kane	Colin	Member	28-11-2013	27-11-2016	2013
Rolfe	Ross	Chairperson	28-11-2013	27-11-2016	2013
Moar-Malone	Vonda	Member	28-11-2013	27-11-2016	2012
Gela	Fred	Deputy Chairperson	28-11-2013	27-11-2016	2009
Stephen	Napau	Member	28-11-2013	27-11-2016	2012
Stout	David	Member	28-11-2013	27-11-2016	2012
Castles	Neil	Member	17-05-2009	26-04-2013	2002
Johnston	Mark	Member	17-05-2009	31-10-2013	2002
Kuchler	Deborah	Chairperson	17-05-2009	31-10-2013	2002
Waia	Terry	Deputy Chairperson	17-05-2009	31-10-2013	2006

### Attendance at Meetings 2013-2014

<b>Meetings Held</b>	<b>IIB/IBIS 10</b>	<b>FAC 10</b>	<b>ETC 2</b>	<b>CGC 1</b>	<b>CPRC 2</b>
Neil Castles	2	2	1	1	-
Cr Fred Gela	7	7	-	-	2
Mark Johnston	8	8	2	1	2
Dr Deborah Kuchler	10	10	2	1	-
Vonda Moar-malone	9	9	-	-	2
Terry Waia	9	9	-	-	2
Cr Napau Pedro Stephen	9	9	-	-	2
David Stout	9	9	1	-	-

## **Executive Management**

Ian Copeland is the Chief Executive Officer (CEO) and, has 33 years' experience in business development, strategic planning, sales and marketing including over 25 years' experience at senior executive level.

Other members of the Executive team are:

- Sam Roberts CPA, Chief Finance Officer – 25 years experience in corporate accounting including over 10 years in convenience store and grocery retail.
- Randal Crabbe, Supply Chain Manager- over 15 years experience in retail stores
- Jennifer Bartlett, Human Resources Manager – 20 years experience in business management, staff development in an adult training area, and extensive experience working and living with Indigenous Australians.
- Volker Franz, Chief Information Officer – 20 years experience in the IT industry, mostly in executive roles specialising in organisational networking.
- Bruce Ranga, Retail Operations Manager – over 20 years experience in automotive, property, finance and shipping.

## **COMPLIANCE**

During the year there has been an increased emphasis on compliance across the whole IIB/IBIS organisation. This started with the updating early in the year of the IIB/IBIS Financial Management Practice Manual. This document details all of the complex Policies and Procedures that IIB/IBIS performs. It includes:

- IIB/IBIS Financial Management Practice Manual Control Document
- IIB/IBIS Human Resources Induction Manual
- IIB/IBIS Human Resources Corporate Manual
- IIB/IBIS Cultural Awareness Manual
- IIB/IBIS Business Plan 2011-2016
- IIB/IBIS Operations Manual (Retail Computer System Manual)
- IIB/IBIS Administration Manual (Computerised Administration Manual)
- IIB/IBIS Corporate Governance Manual

IIB/IBIS Food Safety Program was developed in 2008 to ensure that IIB/IBIS complies with the requirements of the *Safe Food Act 2006* and the Food Safety Standards of the Australia New Zealand Food Standards Code.

These updated documents have not only formalised and updated a large number of functions carried out by the organisation they have also improved the tools available for the staff in the stores.

## FINANCIAL RESULTS

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

- The financial records of the statutory body has been properly maintained throughout the year ended 31 January 2014 in compliance with prescribed requirements;
- The risk management and internal compliance and control systems of the statutory body relating to financial management have been operating efficiently, effectively and economically throughout the financial year; and
- Since the balance date of 31 January 2014 there have been no changes that may have a material effect on the operation of the risk management and internal compliance and control systems of the statutory body.

The IIB/IBIS income in 2013–14 was \$41.058 million, with the major sources of income provided by the provision of grocery retailing services. The other major components of revenue are grants provided by the Queensland government for the provision of services and user charges. These include rental revenue of \$218,000 received from tenants living in the IIB/IBIS accommodation dwellings, as well as rent from dwellings leased to community organisations and other entities.

During 2013–14, the IIB/IBIS received income from:

- Grocery retailing revenue: \$39.423 million
- User charges: \$852,000
- Grants and other contributions: \$38,000
- Other revenue: \$743,000

<b>Our income</b>	<b>\$ million</b>
Grocery retailing revenue	39.423
User charges	0.852
Grants and other contributions	.038
Other revenue	0.745

<b>Our expenses</b>	<b>\$ million</b>
Employee expenses	6.824
Supplies and services	4.223
Cost of sales	26.631
Depreciation and amortisation	1.715
Other expenses	0.078

The statutory body provides a range of services to the community, with products and services delivered largely by non-government organisations and statutory body staff.

As a result, our two largest expense categories are payments to trade suppliers and employee expenses.

Our total operating expenses for 2013–14 were \$39.471 million including:

- Cost of sales : \$26.631 million
- Employee expenses: \$6.824 million
- Supplies and services (for example, rates to local governments, property maintenance, freight, general operating expenses and accommodation lease costs): \$4.223 million
- Depreciation and amortisation expense: \$1.715 million
- Other expenses: borrowing costs \$0.078 million

Our total assets as at 31 January, 2014 were \$38.469 million.

The primary assets held by the statutory body were properties utilised to support people living in remote areas and dealing with the high cost of living associated with those locations.

The value of our assets by category is as follows:

- Cash and cash equivalents: \$4.550 million
- Receivables: \$0.252 million
- Property, plant and equipment: \$30.006 million
- Inventories: \$3.603 million
- Other assets: \$0.058 million

Our total liabilities as at 31 January, 2014 were \$4.732 million. Our liabilities consist primarily of trade and sundry creditors, accruals and provisions for employee entitlements.

Liabilities by category are shown below:

- Payables: \$3.211 million
- Provisions: \$0.600 million
- Other liabilities: \$0.921 million

## Capital Expenditure

Year	Capital Expenditure \$'000	Capital Maintenance \$'000
2004-05	378	228
2005-06	184	245
2006-07	147	514
2007-08	904	363
2008-09	604	387
2009-10	727	399
2010-11	4,719*	555**
2011-12	3,253	530
2012-13	3,750	522
2013-14	2,505	955
2014-15	2,225	806

\* Significant investment in recent years with more planned for 2014-15 year.

\*\* Increased maintenance expenditure to ensure longevity of assets.

## OTHER

### Overseas Travel

There was no overseas travel undertaken by staff.

### Consultants

During this financial year MacDonnell's Law at \$41,990 was the only consultant engaged to provide legal and consulting services to IIB/IBIS

### Auditors

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

### Interpreter Service

The Queensland Government is committed to providing accessible services to Queenslanders from all culturally and linguistically diverse backgrounds. If you have difficulty in understanding the annual report, you can contact us on (07) 4050 4321 and we will arrange for an interpreter to effectively communicate the report to you.

### Keeping Records

As a Queensland Government agency, we meet the accountability requirements of the *Public Records Act 2002* including the General Retention and Disposal Schedule for Administrative Records (GRDS) and information standard 31: Retention and disposal of public records.

### **Carers Recognition Act 2008**

As a public authority, IIB/IBIS is aware of its responsibilities under the *Carers Recognition Act 2008*. In compliance with *section 9(1)a* of the *Act*, IIB/IBIS has ensured that its officers and employees:

(a) have an awareness and understanding of the carers charter. This is achieved through the IIB/IBIS HR Induction and training policies and implementation; and,

(b) take action to reflect the principles of the charter in providing services of the authority which affect carers and the persons for which they care.

IIB/IBIS consults with the representative bodies that the authority is satisfied represent the carers affected when making strategic policy or planning decisions relevant to carers and the persons for which they care.

#### *Meaning of carer*

(1) A *carer* is an individual who provides, in a non-contractual and unpaid capacity, ongoing care or assistance to another person who, because of disability, frailty, chronic illness or pain, requires assistance with everyday tasks.

(2) However, for the purpose of this *Act*, a person is not a carer—

(a) only because the person is the spouse, parent or guardian of a person to whom care is provided; or

(b) if the person provides the care or assistance as a volunteer for a voluntary organisation.

### **Public Sector Ethics Act 1994**

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

Existing staff are provided with training to understand the Public Sector Ethics Act and the IIB/IBIS code of conduct. New staff are provided with the IIB/IBIS Code of Conduct as part of the induction process and the Code of Conduct is made available to all staff on the IIB/IBIS intranet.

## GLOSSARY

CEO	Chief Executive Officer, Ian Copeland
COAG	Council of Australian Governments
CPA	Certified Practising Accountant
ETC	Employment and Training Committee
FAC	Finance and Audit Committee
F2013-14	Financial year ending 31 January 2014
ARC	Audit and Risk Committee
FMPM	IIB/IBIS Financial Management Practice Manual
IIB/IBIS	Island Industries Board
IIB/IBIS Service	Trading name Islanders Board of Industry and Service
Islanders Board of Industry and Service (IIB/IBIS)	Registered trading name of Island Industries Board
ILUA	Indigenous Land Use Agreement
NPA	Northern Peninsula Area, Cape York



**ANNEXURE 1 – ANNUAL FINANCIAL STATEMENTS**

**ISLAND INDUSTRIES BOARD (IIB)  
Financial Statements 2013-14**

<b>Contents</b>	<b>Page No.</b>
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Statement of Changes in Equity	4
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**General Information**

These financial statements cover the Island Industries Board.

The Island Industries Board (IIB) is a statutory body established under the *Aboriginal and Torres Strait Islander Communities (Justice, Land and Other Matters) Act 1984*.

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

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

149 Spence Street  
CAIRNS QLD 4870

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

For information in relation to the statutory body's financial statement please call Sam Roberts CPA, Chief Finance Officer on (07) 4050 4329 or email [sam@ibis-ti.org](mailto:sam@ibis-ti.org)

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

**ISLAND INDUSTRIES BOARD**  
**Statement of Comprehensive Income**  
**for the year ended 31 January 2014**

	Notes	2014 \$'000	2013 \$'000
<b>Income from Continuing Operations</b>			
Revenue from operating activities	2(a)	40,706	36,856
Grants and other contributions	2(b)	38	1,915
Other revenue	2(c)	<u>312</u>	<u>315</u>
<b>Total Revenue</b>		<b>41,056</b>	<b>39,086</b>
Gains	2(d)	<u>2</u>	<u>0</u>
<b>Total Income from Continuing Operations</b>		<b>41,058</b>	<b>39,086</b>
<b>Expenses from Continuing Operations</b>			
Cost of goods		26,631	24,157
Supplies and services	3	1,547	1,425
Depreciation and amortisation	5	1,715	1,613
Employee expenses	4 & 23	6,824	6,421
Other expenses	7	2,676	2,927
Finance/borrowing cost expense	6	<u>78</u>	<u>88</u>
<b>Total Expenses from Continuing Operations</b>		<b>39,471</b>	<b>36,631</b>
<b>Operating Result from Continuing Operations</b>		<b><u>1,587</u></b>	<b><u>2,455</u></b>
<b>Other Comprehensive Income</b>			
Increase (decrease) in asset revaluation surplus	17	<u>3,140</u>	<u>0</u>
<b>Total Other Comprehensive Income</b>		<b>3,140</b>	<b>0</b>
<b>Total Comprehensive Income</b>		<b><u>4,727</u></b>	<b><u>2,455</u></b>

*The accompanying notes form part of these statements.*

**ISLAND INDUSTRIES BOARD**  
**Statement of Financial Position**  
**as at 31 January 2014**

	Notes	2014 \$'000	2013 \$'000
<b>Current Assets</b>			
Cash and cash equivalents	8	4,550	3,435
Receivables	9	252	391
Inventories	10	3,603	2,821
Other	11	58	62
<b>Total Current Assets</b>		<b>8,463</b>	<b>6,709</b>
<b>Non-Current Assets</b>			
Property, plant and equipment	12	30,006	27,032
<b>Total Non-Current Assets</b>		<b>30,006</b>	<b>27,032</b>
<b>Total Assets</b>		<b>38,469</b>	<b>33,741</b>
<b>Current Liabilities</b>			
Payables	13	3,105	3,239
Other financial liabilities	14	23	20
Provisions	15	513	426
Other	16	106	51
<b>Total Current Liabilities</b>		<b>3,747</b>	<b>3,736</b>
<b>Non-Current Liabilities</b>			
Other financial liabilities	14	898	923
Provisions	15	87	72
<b>Total Non-Current Liabilities</b>		<b>985</b>	<b>995</b>
<b>Total Liabilities</b>		<b>4,732</b>	<b>4,731</b>
<b>Net Assets</b>		<b>33,737</b>	<b>29,010</b>
<b>Equity</b>			
Accumulated surplus		18,621	17,034
Asset revaluation surplus	17	15,116	11,976
<b>Total Equity</b>		<b>33,737</b>	<b>29,010</b>

*The accompanying notes form part of these statements.*

**ISLAND INDUSTRIES BOARD**  
**Statement of Changes in Equity**  
**for the year ended 31 January 2014**

	Accumulated Surplus	Asset Revaluation Surplus (Note 17)	TOTAL
	\$'000	\$'000	\$'000
<b>Balance as at 1 February 2012</b>	<b>14,579</b>	<b>11,976</b>	<b>26,555</b>
Operating Result from Continuing Operations	2,455	0	2,455
Other Comprehensive Income			
- Increase / (Decrease) in Asset Revaluation Surplus	0	0	0
Total Comprehensive Income for the Year	2,455	0	2,455
<b>Balance as at 31 January 2013</b>	<b>17,034</b>	<b>11,976</b>	<b>29,010</b>
<b>Balance as at 1 February 2013</b>	<b>17,034</b>	<b>11,976</b>	<b>29,010</b>
Operating Result from Continuing Operations	1,587	0	1,587
Other Comprehensive Income			
- Increase / (Decrease) in Asset Revaluation Surplus	0	3,140	3,140
Total Comprehensive Income for the Year	1,587	3,140	4,727
<b>Balance as at 31 January 2014</b>	<b>18,621</b>	<b>15,116</b>	<b>33,737</b>

*The accompanying notes form part of these statements.*

**ISLAND INDUSTRIES BOARD**  
**Statement of Cash Flows**  
**for the year ended 31 January 2014**

	Notes	2014 \$'000	2013 \$'000
<b>Cash flows from operating activities</b>			
<i>Inflows:</i>			
Receipts from customers		40,254	36,793
GST input tax credits from ATO		2,161	2,054
GST collected from customers		2,229	2,032
Grants and other contributions		38	1,915
Interest receipts		94	92
<i>Outflows:</i>			
Employee expenses			
Supplies and services		(36,700)	(34,684)
Finance/borrowing costs		(78)	(88)
GST paid to suppliers		(2,151)	(2,129)
GST remitted to ATO		(2,207)	(2,005)
<b>Net cash provided by operating activities</b>	18	<u><b>3,640</b></u>	<u><b>3,980</b></u>
<b>Cash flows from investing activities</b>			
<i>Inflows:</i>			
Sales of property, plant and equipment		2	4
<i>Outflows:</i>			
Payments for property, plant and equipment		<u>(2,505)</u>	<u>(3,750)</u>
<b>Net cash (used in) investing activities</b>		<u><b>(2,503)</b></u>	<u><b>(3,746)</b></u>
<b>Cash flows from financing activities</b>			
<i>Outflows:</i>			
Finance lease payments		<u>(22)</u>	<u>(19)</u>
<b>Net cash (used in) financing activities</b>		<u><b>(22)</b></u>	<u><b>(19)</b></u>
Net increase (decrease) in cash and cash equivalents		1,115	215
Cash and cash equivalents at beginning of financial year		3,435	3,220
<b>Cash and cash equivalents at end of financial year</b>	8	<u><u><b>4,550</b></u></u>	<u><u><b>3,435</b></u></u>

*The accompanying notes form part of these statements.*

ISLAND INDUSTRIES BOARD  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2013-14

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**Objectives and Principal Activities of the Statutory Body**

<b>Note 1:</b>	Summary of Significant Accounting Policies
<b>Note 2:</b>	Revenue
<b>Note 3:</b>	Supplies and services
<b>Note 4:</b>	Employee expenses
<b>Note 5:</b>	Depreciation and amortisation
<b>Note 6:</b>	Finance/Borrowing costs
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<b>Note 11:</b>	Other current assets
<b>Note 12:</b>	Property, plant and equipment
<b>Note 13:</b>	Payables
<b>Note 14:</b>	Other financial liabilities
<b>Note 15:</b>	Accrued employee benefits
<b>Note 16:</b>	Other current liabilities
<b>Note 17:</b>	Asset revaluation surplus by class
<b>Note 18:</b>	Reconciliation of Operating Surplus to Net Cash from Operating Activities
<b>Note 19:</b>	Non-cash financing and investing activities
<b>Note 20:</b>	Commitments for expenditure
<b>Note 21:</b>	Contingencies
<b>Note 22:</b>	Financial instruments
<b>Note 23:</b>	Key executive management personnel and remuneration
<b>Note 24:</b>	Fair value measurement

# ISLAND INDUSTRIES BOARD

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2013-14

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### **Objectives and Principal Activities of the Statutory Body.**

The objective of the IIB is to provide a high level of quality goods and services in retailing and banking to the Torres Strait Region.

The IIB provides the following on a fee for service basis:

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

The IIB also receives Government funding.

### **1. Summary of Significant Accounting Policies**

#### **(a) Statement of Compliance**

The Island Industries Board has prepared these financial statements in compliance with section 42 of the *Financial and Performance Management Standard 2009*.

These financial statements are general purpose financial statements and have been prepared on an accrual basis in accordance with Australian Accounting Standards and Interpretations. In addition, the financial statements comply with Queensland Treasury and Trade's Minimum Reporting Requirements for the year ending 31 January 2014, and other authoritative pronouncements.

With respect to compliance with Australian Accounting Standards and Interpretations, the Island Industries Board has applied those requirements applicable to not-for-profit entities, as the Island Industries Board is a not-for-profit statutory body. Except where stated, the historical cost convention is used.

#### **(b) The Reporting Entity**

The financial statements include the value of all revenues, expenses, assets, liabilities and equity of the IIB.

#### **(c) Repairs and Maintenance**

Routine maintenance, repair costs and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold the cost is capitalised and depreciated.

#### **(d) Operating Leases**

Operating lease payments are representative of the pattern of benefits derived from the leased assets and are expensed in the periods in which they are incurred.

#### **(e) Finance Leases**

Finance leases effectively transfer from the lessor to the lessee all the risks and benefits incidental to ownership.

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

Lease payments are allocated between the principal component of the lease liability and the interest expense.

#### **(f) Revenue – Goods and Services rendered**

Revenue from the sales of goods is recognised in the Statement of Comprehensive Income when it is probable that the economic benefits will flow to the entity. Services provided by the IIB are recognised as revenues when invoices for the related services are issued.

#### **(g) Grants and Contributions**

Grants, contributions, donations and gifts that are non-reciprocal in nature are recognised as revenue in the year in which the IIB obtains control over them. Where grants are received that are reciprocal in nature, revenue is accrued over the term of the funding arrangements.

Contributed assets are recognised at their fair value. Contributions of services are recognised only when a fair value can be determined reliably and the services would be purchased if they had not been donated.

#### **(h) Cash and Cash Equivalents**

For the purposes of the Statement of Financial Position and the Statement of Cash Flows, cash and cash equivalents comprise all cash and cheques receipted but not banked at 31 January as well as deposits at call with financial



# ISLAND INDUSTRIES BOARD

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2013-14

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institutions. It also includes investments with short periods to maturity that are readily convertible to cash on hand at the IIB's or issuer's option and that are subject to a low risk of changes in value.

### **(i) Receivables**

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

The collectability of receivables is assessed periodically with a provision being made for impairment. All known bad debts were written-off as at 31 January 2014.

### **(j) Inventories**

Inventories held for sale are valued at the lower of cost and net realisable value.

Cost is assigned on a weighted average basis and includes expenditure incurred in acquiring the inventories and bringing them to their existing condition, except for training costs which are expensed as incurred.

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

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

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

Under current arrangements with suppliers, title to inventories passes to the IIB as soon as the inventories are dispatched from the supplier's warehouse. Accordingly, goods in transit have been brought to account as at 31 January 2014.

### **(k) Acquisitions of Assets**

Actual cost is used for the initial recording of all non-current physical and intangible asset acquisitions. Cost is determined as the value given as consideration plus costs incidental to the acquisition, including all other costs incurred in getting the assets ready for use, including architects' fees and engineering design fees. However, any training costs are expensed as incurred.

### **(l) Property, Plant and Equipment**

Items of property, plant and equipment with a cost or other value equal to or in excess of the following thresholds are recognised for financial reporting purposes in the year of acquisition:

Buildings and Infrastructure	\$10,000
Land	\$1
Other (including heritage & cultural)	\$5,000

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

Land improvements undertaken by the IIB are included with Buildings.

### **(m) Fair Value**

Fair value means the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date taking account of characteristics that are specific to that asset or liability. Valuation techniques and inputs used to develop fair value measurements are provided in the accounting policy notes below.

The recognised fair value of financial and non-financial assets and liabilities are classified according to the following fair value hierarchy that reflects the significance of the inputs used on making these measurements:

- Level 1 – Fair values that reflect the unadjusted quoted prices in active markets for identical assets/liabilities;
- Level 2 – Fair values that are based on inputs that are directly or indirectly observable for the asset/liability (other than unadjusted quoted prices); and
- Level 3 – Fair values that are derived from data not observable in a market.

Island Industries Board recognises transfers between the fair value hierarchy levels, where relevant, at the end of the reporting period. Details of fair value measurements are provided in note 24.

### **(n) Revaluations of Non-Current Physical Assets**

Land, buildings and infrastructure are measured at fair value, in accordance with AASB 116 *Property, Plant and Equipment* and Queensland Treasury's *Non-Current Asset Accounting Policies for the Queensland Public Sector*. In

# ISLAND INDUSTRIES BOARD

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2013-14

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respect of these asset classes, the cost of items acquired during the financial year has been judged by management of the IIB to materially represent their fair value at the end of the reporting period.

Plant and equipment other than major plant and equipment is measured at cost, in accordance with Treasury's Non-Current Asset Policies.

Non-current physical assets measured at fair value are revalued on an annual basis by appraisals undertaken by an independent professional valuer, or by the use of appropriate and relevant indices. Revaluations based on independent valuer appraisals are undertaken at least once every 5 years. However if a class of asset experiences significant and volatile changes in fair value (where indicators suggest that the value of the class of asset may have changed by 20% or more from one reporting period to the next), it is subject to such revaluations in the reporting period, where practicable, regardless of the timing of the previous method of valuation.

Some of these assets are constructed on leasehold Deed of Grant in Trust ('DOGIT') land. In order to ensure that material movements in the value of non-current physical assets are identified between comprehensive revaluations, suitable indices are utilised by a registered valuer as part of an independent appraisal. If there has been significant movement in indices that include but do not directly relate to the where the assets are located, management assesses the relevance and suitability of appraisal and any material movement in the valuation since the most recent comprehensive revaluation is disclosed.

Any revaluation increment arising on the revaluation of an asset is credited to the asset revaluation surplus of the appropriate class, except to the extent it reverses a revaluation decrement for the class previously recognised as an expense. A decrease in the carrying amount on revaluation is charged as an expense, to the extent it exceeds the balance, if any, in the revaluation surplus relating to that class.

On revaluation, accumulated depreciation is re-stated proportionately with the change in the carrying amount of the asset and any change in the estimate of remaining useful life.

Materiality concepts under AASB 1031 are considered in determining whether the difference between the carrying amount and the fair value of the asset is material.

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

### **(o) Amortisation and Depreciation of Intangibles and Property, Plant and Equipment**

Land is not depreciated as it has an unlimited useful life.

Property, plant and equipment is depreciated on a straight-line basis so as to allocate the net cost or revalued amount of each asset, less its estimated residual value, progressively over its estimated useful life to the statutory body.

Buildings located on land secured by way of native title trustee lease are depreciated on a straight line basis so as to allocate the net cost or revalued amount of each asset, less its estimated residual value, progressively over its estimated useful life to the statutory body, rather than the unexpired term of the native title lease. Native title leases are granted to the statutory body initially on a 30 year term. The leases will be renegotiated at the end of the initial 30 year term, on the basis the terms of the lease are complied with.

Assets under construction (work-in-progress) are not depreciated until they reach service delivery capacity. Service delivery capacity relates to when the construction is complete and the asset is first put to use or is installed ready for use in accordance with its intended application. These assets are then reclassified to the relevant classes within the property, plant and equipment.

Where assets have separately identifiable components that are subject to regular replacement, these components are assigned useful lives distinct from the asset to which they relate and are depreciated accordingly.

Any expenditure that increases the originally assessed capacity or service potential of an asset is capitalised and the new depreciable amount is depreciated over the remaining useful life of the asset to the IIB.

Major spares purchased specifically for particular assets are capitalised and depreciated on the same basis as the asset to which they relate.

For each class of depreciable asset the following depreciation and amortisation rates are used:

<b>Class</b>	<b>Rate%</b>
Buildings	2.6 – 33.3
Plant and equipment:	5 - 50

# ISLAND INDUSTRIES BOARD

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2013-14

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### **(p) Impairment of Non-Current Assets**

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

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

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

Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. A reversal of an impairment loss is recognised as income, unless the asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase. Refer also note 1(n).

### **(q) Payables**

Trade creditors are recognised upon receipt of the goods or services ordered and are measured at the agreed purchase/contract price, gross of applicable trade and other discounts. Amounts owing are unsecured and are generally settled on 7 to 30 day terms.

### **(r) Financial Instruments**

#### *Recognition*

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

#### *Classification*

Financial instruments are classified and measured as follows:

- Cash and cash equivalents – held at fair value through the profit and loss
- Receivables – held at amortised cost
- Held to maturity investment – held at amortised cost
- Payables – held at amortised cost
- Borrowings – held at amortised cost.

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

Any borrowing costs are added to the carrying amount of the borrowing to the extent that they are not settled in the period in which they arise. Borrowings are classified as non-current liabilities to the extent that the statutory body has an unconditional right to defer settlement until at least 12 months after the reporting date.

The statutory body does not enter transactions for speculative purposes, nor for hedging. Apart from cash and cash equivalents, the statutory body holds no financial assets classified at fair value through profit and loss.

All other disclosures relating to the measurement basis and financial risk management of other financial instruments held by the statutory body are included in Note 22.

### **(s) Employee Benefits**

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

Payroll tax and workers' compensation insurance are a consequence of employing, but are not counted in an employee's total remuneration package. They are not employee benefits and are recognised separately as employee related expenses.

#### *Wages, Salaries and sick leave*

Wages and salaries due but unpaid at the reporting date are recognised in the Statement of Financial Position at the current salary rates.

## ISLAND INDUSTRIES BOARD

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2013-14

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For unpaid entitlements expected to be paid within 12 months, the liabilities are recognised at their undiscounted values. For those entitlements not expected to be paid within 12 months, the liabilities are classified as non-current liabilities and recognised at their present value, calculated using yields on Fixed Rate Commonwealth Government bonds of similar maturity after projecting the remuneration rates expected to apply at the time of likely settlement.

Prior history indicates that on average, sick leave taken each reporting period is less than the entitlement accrued. This is expected to continue in future periods. Accordingly, it is unlikely that existing accumulated entitlements will be used by employees and no liability for unused sick leave entitlements is recognised.

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

#### *Annual Leave*

Employee entitlements are accrued for annual leave in respect of services provided by employees up to the reporting date, having regard to remuneration rates, employment related on-costs and leave taken prior to the reporting date.

#### *Long Service Leave*

Long service leave entitlements payable are assessed at balance date having regard to current employee remuneration rates, employment related on-costs and other factors including accumulated years of employment, future remuneration levels and experience of employee departure per year of service. Long service leave expected to be paid in the next 12 months is recorded as a current liability in the Statement of Financial Position at its nominal value. Long service leave expected to be paid later than one year has been measured at the present value of the estimated future cash flows to be made for these entitlements accrued to balance date and recorded as a non-current liability.

#### *Superannuation*

The default fund of the IIB is QSuper, the superannuation plan for Queensland Government employees. Employees have the right to choose to have their employer contributions paid to other qualifying funds and some employees have exercised this right. Contributions are expensed in the period in which they are paid or payable. The IIB's obligation is limited to the superannuation guarantee charge.

#### *Key Management Personnel and Remuneration*

Key management personnel and remuneration disclosures are made in accordance with the section 5 of the Financial Reporting Requirements for Queensland Government Agencies issued by Queensland Treasury and Trade. Refer to note 23 for the disclosures on key management personnel and remuneration.

#### **(t) Financing/Borrowing Costs**

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

Finance costs include:

- Interest on bank overdrafts and short-term and long-term borrowings;
- Finance lease charges;
- Ancillary administration charges

No borrowing costs are capitalised into qualifying assets.

#### **(u) Insurance**

The IIB's non-current physical assets and other risks are insured with premiums being paid on a risk assessment basis. In addition, the IIB pays premiums to WorkCover Queensland in respect of its obligations for employee compensation.

#### **(v) Taxation**

The IIB is a statutory body as defined under the *Income Tax Assessment Act 1936* and is exempt from Commonwealth taxation with the exception of Fringe Benefits Tax (FBT) and Goods and Services Tax (GST). FBT and GST are the only taxes accounted for by the IIB. GST credits receivable from and GST payable to the ATO are recognised. (refer to note 9)

#### **(w) Issuing of Financial Statements**

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

# ISLAND INDUSTRIES BOARD

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2013-14

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### (x) Accounting Estimates and Judgments

The preparation of financial statements necessarily requires the determination and use of certain critical accounting estimates, assumptions and management judgements that have the potential to cause material adjustment to the carrying amounts of assets and liabilities within the next financial year. Such estimates, judgements and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods as relevant.

Estimates and assumptions that have a potential significant effect are outlined in the following financial statement notes:

Inventories – note 10  
Valuation of Property, Plant and Equipment – note 12  
Provisions – note 15  
Fair Value Measurement – note 24

The Australian Government passed its Clean Energy Act in November 2011. The pricing mechanism commenced in 1 July 2012 and set a fixed price path for the first 3 years (\$23 per tonne of CO<sub>2</sub>-equivalent emissions adjusted in real terms by 2.5% per annum) before moving to a flexible price mechanism from 1 July 2015. The legislation will result in the introduction of a price on carbon emissions made by Australian businesses from 1 July 2012.

IIB has been, and will continue to be indirectly impacted through increased costs arising from the carbon pricing mechanism. The most significant of these will be electricity and fuel. Commonwealth Treasury modelling published in July 2011 in the document “Strong growth, low pollution modelling a carbon price” indicates that the carbon pricing is expected to increase electricity prices by 10% within 5 years from 1 July 2012 and increase other costs by 0.7% on inflation. In addition fuel tax credits will be progressively reduced over the initial fixed price period.

IIB is unable to determine the exact impact of carbon pricing on supplier charge amounts; however, based on current known costs and the expected percentage increases disclosed above, it is expected that electricity and fuel costs will increase by the following amounts over the 2014/15 and 2015/16 financial periods:

Year	Electricity \$'000	Fuel \$'000
2014/15	86	1
2015/16	86	1
	<u>172</u>	<u>2</u>

### (y) Rounding and Comparatives

Amounts included in the financial statements are in Australian dollars and have been rounded to the nearest \$1,000 or, where the amount is \$500 or less, to zero, unless disclosure of the full amount is specifically required.

Comparative information has been restated where necessary to be consistent with disclosures in the current reporting period.

### (z) Provisions

Provisions are recorded when the statutory body has a present obligation, either legal or constructive as a result of a past event. They are recognised at the amount expected at the reporting date for which the obligation will be settled in a future period. Where the settlement of the obligation is expected after 12 or more months, the obligation is discounted to the present value using an appropriate discount rate. The amounts recognised as provisions in relation to the dismantling and removal of assets and the restoration of land on which the assets have been located, have been included in the cost of the assets.

### (aa) New and Revised Accounting Standards

The statutory body did not voluntarily change any of its accounting policies in 2013-14. Australian accounting standard changes applicable for the first time for 2013-14 have had minimal effect on the IIB's financial statements, as explained below.

AASB 13 Fair Value Measurement applied from reporting periods beginning on or after 1 January 2013. AASB 13 sets out a new definition of “fair value”, as well as new principles to be applied when determining the fair value of assets and liabilities. The new requirements will apply to all of the IIB's assets and liabilities (excluding leases) that are measured and/or disclosed at fair value or another measurement based on fair value. The potential impacts of AASB 13 relate to the fair value measurement methodologies used and financial statement disclosures made in respect of such assets and liabilities. The non-current physical assets were independently assessed at 31 January 2014 and the effects of the changes to fair value methodologies were considered to be minimal in relation to the IIB's property plant and equipment.

## ISLAND INDUSTRIES BOARD

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2013-14

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The Australian accounting standard amendments that are applicable for the first time for 2013-14 to the financial statements are AASB 1, 5, 7, 10, 11, 12, 13, 101,102, 108, 112,118,119,127,128, 132, 133, 134, 137, 1023,1038,1039 & 1049 as a consequence of AASB 2012-10 Amendments to Australian Accounting Standards – Transition Guidance and Other Amendments. A number of the amendments are largely technical, clarifying particular terms, or eliminating unintended consequences. The adoption of these amendments has not resulted in any change to the Statutory Body's accounting policies and have no effect on the amounts reported for the current or prior periods.

#### AASB 1004 Contributions

AASB 1004 Contributions applied from reporting periods beginning on or after 1 January 2013. AASB 1004 introduced changes to recognition criteria in relation to grant revenue and required separate disclosure in the statement of comprehensive income.

#### AASB 119 Employee benefits

A revised version of AASB119 Employee Benefits applies from reporting periods beginning on or after 1 January 2013. The revised AASB 119 is generally to be applied retrospectively.

The revised standard includes changed criteria for accounting for employee benefits as "short term employee benefits".

The statutory body is not permitted to early adopt a new or amended accounting standard ahead of the specified commencement date unless approval is obtained from Queensland Treasury and Trade. Consequently, the Statutory Body has not applied any Australian accounting standards and interpretations that have been issued but are not yet effective. The statutory body applies standards and interpretations in accordance with their respective commencement dates.

ISLAND INDUSTRIES BOARD  
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2013-14

	2014 \$'000	2013 \$'000
<b>2. Revenue</b>		
<b>(a) Operating Activities</b>		
Sale of goods	39,423	36,030
Rebates	431	347
Commissions received – Island receipts system	166	179
Other revenue	686	300
<b>Total</b>	<b>40,706</b>	<b>36,856</b>
<b>(b) Grants and Other Contributions</b>		
Grants #	38	1,915
<b>Total</b>	<b>38</b>	<b>1,915</b>
<p># Included in revenue from grants for 2014 is a non-reciprocal grant of \$37,500 from the Queensland Government's Department of Health. The terms of the grant are that it must be used to encourage healthy food consumption. The grant has been recognised in its entirety upon receipt as the statutory body has met the grant agreement conditions entitling it to receipt of the funding. To the extent that the statutory body does not spend the grant on encouraging healthy food consumption and if so directed by the Department of Health, the statutory body will then recognise a corresponding liability calculated according to the agreement. At 31 January 2014, \$2,353 of the grant remained unspent, although the statutory body expects to fully comply with the conditions of the grant, and so does not expect to recognise a liability in the future.</p>		
<b>(c) Other Revenue</b>		
Interest	94	92
Property rental	218	223
<b>Total</b>	<b>312</b>	<b>315</b>
<b>(d) Gains</b>		
Gains on sale of property, plant and equipment	2	-
<b>Total</b>	<b>2</b>	<b>-</b>
<b>3. Supplies and services</b>		
Auditors remuneration*	73	80
Bank fees and charges	71	60
Board meeting expenses	13	20
Consultants	65	14
Employee recruitment/training/relocation expenses	76	49
Employee uniforms	6	24
Freight	18	9
Legal fees	42	62
Postage	1	1
Stationery	82	74
Telephone and communications	417	420
Travel expenses	683	612
<b>Total Supplies and services</b>	<b>1,547</b>	<b>1,425</b>

\*Total audit fees paid to the Queensland Audit Office relating to the 2013-14 financial statements are estimated to be \$72,000 (2013:\$80,000). There are no non-audit services included in this amount.

ISLAND INDUSTRIES BOARD  
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2013-14

	2014 \$'000	2013 \$'000
<b>4. Employee Expenses</b>		
<b>Employee Benefits</b>		
Wages and salaries	5,807	5,390
Employer superannuation contributions	506	464
Other Employee Benefits	78	167
<b>Employee Related Expenses</b>		
Workers' compensation premium	42	35
Payroll tax	326	302
Fringe Benefits Tax	16	14
Staff amenities	49	49
<b>Total</b>	<b><u>6,824</u></b>	<b><u>6,421</u></b>

**Remuneration of Board Members**

<b>Board Members</b>		
Payments in respect of attendance of meetings	9	12
Payments in respect of special assignments	-	6
<b>Total Payments to Board Members</b>	<b><u>9</u></b>	<b><u>18</u></b>
Board Members whose income was within the following bands:		
Earnings in the range \$0 - \$5,000	4	3
Earnings in the range \$5,001 - \$10,000	-	1

The number of employees including both full-time employees and part-time employees measured on a full-time equivalent basis is:

Number of employees	100	93
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ISLAND INDUSTRIES BOARD  
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2013-14

	2014 \$'000	2013 \$'000
<b>5. Depreciation and Amortisation</b>		
Depreciation and amortisation were incurred in respect of:		
Buildings and land improvements at cost	223	126
Buildings and land improvements at valuation	778	819
Plant and equipment	714	668
<b>Total</b>	<b>1,715</b>	<b>1,613</b>

<b>6. Finance/Borrowings Costs</b>		
Finance charges relating to finance leases	78	88
<b>Total</b>	<b>78</b>	<b>88</b>

The IIB does not capitalise finance/borrowings costs.

<b>7. Other Expenses</b>		
Advertising	29	23
Conference costs	(21)	41
Donations	24	23
Electricity	858	760
Equipment hire	1	1
Insurance	225	221
Licences & fees	62	44
Loss on sale of plant and equipment	-	454
Rates	54	76
Rent	222	142
Repairs and maintenance	955	877
Security	47	52
Sundry expenses	4	2
Trade expenses	164	147
Vehicle operating expenses	22	20
Wrapping	30	44
<b>Total</b>	<b>2,676</b>	<b>2,927</b>

<b>8. Cash and Cash Equivalents</b>		
Cash at bank and on hand	1,954	1,776
QTC working capital facility	1	1
QTC cash fund	2,595	1,658
<b>Total</b>	<b>4,550</b>	<b>3,435</b>

Cash deposited with the Queensland Treasury Corporation earned interest at rates of 3.53% (2013: 3.50%) on the working capital facility and 2.50% (2013: 4.27%) on the cash fund.

ISLAND INDUSTRIES BOARD  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2013-14

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	<b>2014</b> <b>\$'000</b>	<b>2013</b> <b>\$'000</b>
<b>9. Receivables</b>		
Trade debtors	228	184
Less: Allowance for impairment loss	<u>(9)</u>	<u>(9)</u>
	219	175
GST receivable	199	208
GST payable	(206)	(184)
Other	<u>40</u>	<u>192</u>
<b>Total</b>	<b><u>252</u></b>	<b><u>391</u></b>
<b>10. Inventories</b>		
Inventories on hand	2,684	1,857
Inventories in transit	<u>919</u>	<u>964</u>
<b>Total</b>	<b><u>3,603</u></b>	<b><u>2,821</u></b>
<b>11. Other Current Assets</b>		
Prepayments	<u>58</u>	<u>62</u>
<b>Total</b>	<b><u>58</u></b>	<b><u>62</u></b>

ISLAND INDUSTRIES BOARD  
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2013-14

	2014	2013
	\$'000	\$'000
<b>12. Property, Plant and Equipment</b>		
Land:		
At fair value	5,425	5,245
	<u>5,425</u>	<u>5,245</u>
Buildings:		
At cost	-	5,602
Less: Accumulated depreciation	-	(157)
	<u>-</u>	<u>5,445</u>
Buildings:		
At fair value	22,134	14,236
Less: Accumulated depreciation	(3)	(1,568)
	<u>22,131</u>	<u>12,668</u>
Total Buildings	<u>22,131</u>	<u>18,113</u>
Plant and equipment:		
At cost	7,287	7,776
Less: Accumulated depreciation	(4,872)	(5,092)
	<u>2,415</u>	<u>2,684</u>
Work in progress:		
At cost	35	990
<b>Total</b>	<u><u>30,006</u></u>	<u><u>27,032</u></u>

Plant and equipment is valued at cost in accordance with Queensland Treasury's *Non-Current Asset Accounting Policies for the Queensland Public Sector*.

The IIB has a crown free holding lease agreement with the Department of Environment and Resource Management for the slipway land located at 15 Douglas Street, Thursday Island which will expire on 01/01/ 2032. It is a term of the lease that at any point during the lease term the IIB can pay the outstanding balance and unconditionally obtain freehold title to the land. Other than non-payment of the lease, there are no circumstances that can arise that would result in the IIB not being granted freehold title and as such the land is valued at fair value. Details of the crown free holding lease commitment are disclosed in Note 20.

ISLAND INDUSTRIES BOARD  
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2013-14

**12. Property, Plant and Equipment Reconciliation**

	Land	Buildings	Plant & Equipment	Work in progress	Total
	2013	2013	2013	2013	2013
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 February 2012	5,245	16,655	2,463	160	24,523
Acquisitions	-	-	-	4,580	4,580
Transfers between classes	-	2,857	893	(3,750)	-
Disposals	-	(454)	(4)	-	(458)
Depreciation/Amortisation	-	(945)	(668)	-	(1,613)
<b>Carrying amount at 31 January 2013</b>	<b>5,245</b>	<b>18,113</b>	<b>2,684</b>	<b>990</b>	<b>27,032</b>
	Land	Buildings	Plant & Equipment	Work in progress	Total
	2014	2014	2014	2014	2014
	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount at 1 February 2013	5,245	18,113	2,684	990	27,032
Acquisitions	-	-	-	1,550	1,550
Transfers between classes	180	1,880	445	(2,505)	-
Revaluation increments	-	3,140	-	-	3,140
Depreciation/Amortisation	-	(1,001)	(714)	-	(1,715)
<b>Carrying amount at 31 January 2014</b>	<b>5,425</b>	<b>22,131</b>	<b>2,415</b>	<b>35</b>	<b>30,006</b>

## ISLAND INDUSTRIES BOARD

### NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2013-14

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The Board's buildings that are constructed on leasehold Deed of Grant in Trust (DOGIT) land are held in trust by the Torres Strait Island Regional Council for the benefit of the peoples of the Torres Strait. Tenure to the various parcels of land is secured by way of a trustee lease from the Torres Strait Island Regional Council for a periods of thirty (30) years. Under Section 61 of the Land Act 1994, the trustee lease must not contain a covenant, agreement or condition to review the lease. All trustee leases are subject to the approval of the Minister for Natural Resources and Mines ("the Minister").

When a lease is due to expire, the Torres Strait Island Regional Council and the Board may negotiate a new lease and approach the Minister for approval of the new lease. Such approval is not expected to be unreasonably withheld, provided the current lease has been complied with and the proposed lease was in accordance with the Land Act 1994. Of the thirteen stores constructed on DOGIT land, eight stores have had 30 year trustee leases successfully negotiated. The remaining five stores are in advanced stages of lease negotiation/renewal. Four stores have leases that have expired as at 31 January 2014 and one store has no previously existing native title lease in place.

The Board has plant and equipment with an original cost of \$1,764,484 that has been written down to a residual value of zero still being used in the provision of services. 40 percent of these assets with a gross cost of \$705,793 are expected to be replaced in 2014/15 with the remaining 60% to be replaced in the 2015-16 year.

Land and buildings were revalued by Neil V Teves, Certified Practising Valuer (Qld Registration No. 382) as at 31 January 2014. Further details of the valuation methodology are contained in Note 24.

ISLAND INDUSTRIES BOARD  
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2013-14

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	2014 \$'000	2013 \$'000
<b>13. Payables</b>		
Trade creditors	2,470	2,552
Sundry creditors and accruals	633	682
Money transfers in transit	<u>2</u>	<u>5</u>
<b>Total</b>	<b><u>3,105</u></b>	<b><u>3,239</u></b>

**14. Other Financial Liabilities**

**Current**

Finance Lease Liability (see Note 20)	<u>23</u>	<u>20</u>
<b>Total</b>	<b><u>23</u></b>	<b><u>20</u></b>

**Non-Current**

Finance Lease liability (see Note 20)	<u>898</u>	<u>923</u>
<b>Total</b>	<b><u>898</u></b>	<b><u>923</u></b>

The interest rate applicable to the 2014 billing period was 8.56%

Interest on finance leases is amortised as an expense as it accrues.

Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

**15. Provisions**

**Current**

Annual leave	391	321
Long Service Leave	<u>122</u>	<u>105</u>
<b>Total</b>	<b><u>513</u></b>	<b><u>426</u></b>

**Non-Current**

Long Service Leave	<u>87</u>	<u>72</u>
<b>Total</b>	<b><u>87</u></b>	<b><u>72</u></b>

**Movements in provisions**

**Long Service Leave**

Balance at 1 February	177	150
Additional provision recognised	46	39
Reduction in provision as a result of payments	<u>(14)</u>	<u>(12)</u>
<b>Balance at 31 January</b>	<b><u>209</u></b>	<b><u>177</u></b>

**16. Other Current Liabilities**

Unearned revenue	<u>106</u>	<u>51</u>
<b>Total</b>	<b><u>106</u></b>	<b><u>51</u></b>

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ISLAND INDUSTRIES BOARD  
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2013-14

17. Asset Revaluation Surplus by Class

	Land	Buildings	Total
Balance 1 February 2012	2,693	9,283	11,976
Revaluation increments	-	-	-
Revaluation decrements	-	-	-
Impairment losses through equity	-	-	-
<b>Balance 31 January 2013</b>	<b>2,693</b>	<b>9,283</b>	<b>11,976</b>

	Land	Buildings	Total
Balance 1 February 2013	2,693	9,283	11,976
Revaluation increments	-	3,140	3,140
Revaluation decrements	-	-	-
Impairment losses through equity	-	-	-
<b>Balance 31 January 2014</b>	<b>2,693</b>	<b>12,423</b>	<b>15,116</b>

The asset revaluation surplus represents the net effect of upwards and downwards revaluations of assets to fair value.

<b>2014</b>	<b>2013</b>
<b>\$'000</b>	<b>\$'000</b>

18. Reconciliation of Operating Surplus to Net Cash from Operating Activities

Operating surplus	1,587	2,455
Depreciation and Amortisation expense	1,715	1,613
(Gain)/loss on disposal of property, plant and equipment	(2)	455
Change in assets and liabilities:		
(Increase)/decrease in trade receivables	(44)	(43)
(Increase)/decrease in GST input tax credits receivable	10	(79)
(Increase)/decrease in other receivables	152	(97)
(Increase)/decrease in inventories	(782)	(115)
(Increase)/decrease in prepayments/other	4	(31)
(Increase)/decrease in capital work in progress	955	(830)
Increase/(decrease) in accounts payable	(134)	549
Increase/(decrease) in provisions	102	52
Increase/(decrease) in unearned revenue	55	20
Increase/(decrease) in GST payable	22	31
<b>Net cash from operating activities</b>	<b>3,640</b>	<b>3,980</b>

ISLAND INDUSTRIES BOARD  
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2013-14

2014  
\$'000

2013  
\$'000

**19. Non-Cash Financing and Investing Activities**

Assets and liabilities received or donated/transferred by the IIB are recognised as revenues and expenses.

**20. Commitments for Expenditure**

**(a) Freeholding Lease Liabilities**

Lease liabilities recognised in the Statement of Financial Position

Current	23	20
Non-Current	898	923
<b>Total</b>	<b>921</b>	<b>943</b>

Commitments under finance leases at reporting date are inclusive of anticipated GST and are payable as follows:

Not later than one year	107	107
Later than one year and not later than five years	428	428
Later than five years	1,390	1,497
	<b>1,925</b>	<b>2,032</b>
Less: Future finance charge	(1,004)	(1,089)
<b>Total</b>	<b>921</b>	<b>943</b>

A crown free holding lease has been entered into as a means of funding the acquisition of land on Thursday Island. Lease payments are fixed. The crown free holding lease has a purchase option.

No Lease arrangements create restrictions on other financing transactions.

**(b) Non-Cancellable Operating Lease**

Commitments under operating leases at the reporting date are inclusive of anticipated GST and are payable as follows:

Not later than one year	121	114
Later than one year and not later than five years	40	161
Later than five years	0	0
<b>Total</b>	<b>161</b>	<b>275</b>

Operating leases are entered into as a means of acquiring access to office accommodation and security monitoring services. Lease payments are generally fixed, but with inflation escalation clauses on which contingent rentals are determined.

**(c) Capital Expenditure Commitments**

Material classes of capital expenditure commitments inclusive of anticipated GST, contracted for at reporting date but not recognised in the accounts are payable as follows:

2014	Buildings
Payable:	
Not later than one year	-
Later than one year and not later than five years	-
Later than five years	-
<b>Total</b>	<b>-</b>
<b>2013</b>	<b>Buildings</b>
Payable:	
Not later than one year	885
Later than one year and not later than five years	-
Later than five years	-
<b>Total</b>	<b>885</b>



ISLAND INDUSTRIES BOARD  
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2013-14

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**21. Contingencies**

The Board is unaware of any material or significant contingent liabilities as at balance date. All known liabilities have been provided for in these statements.

**22. Financial Instruments**

**(a) Categorisation of Financial Instruments**

The statutory body has the following categories of financial assets and financial liabilities:

Category	Note	2014 \$'000	2013 \$'000
<b>Financial Assets</b>			
Cash and cash equivalents	8	4,550	3,435
Receivables	9	252	391
<b>Total</b>		<b>4,802</b>	<b>3,826</b>
<b>Financial Liabilities</b>			
Finance lease liabilities	14	921	943
Payables	13	3,105	3,239
<b>Total</b>		<b>4,026</b>	<b>4,182</b>

**(b) Financial Risk Management**

IIB's activities expose it to a variety of financial risks – interest rate risk, credit risk, liquidity risk and market risk.

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

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

IIB measures risk exposure using a variety of methods as follows –

Risk Exposure	Measurement Method
Credit risk	Aging analysis, earnings at risk
Liquidity risk	Sensitivity analysis
Market risk	Interest rate sensitivity analysis

**(c) Credit Risk Exposure**

Credit risk exposure refers to the situation where the Statutory Body may incur financial loss as a result of another party to a financial instrument failing to discharge their obligation.

The maximum exposure to credit risk at balance date in relation to each class of recognised financial assets is the gross carrying amount of those assets inclusive of any provisions for impairment.

No significant concentration of credit risks have been identified, as exposure is mostly confined to State and Federal government departments, Councils and organisations receiving State and Federal government funding.

ISLAND INDUSTRIES BOARD  
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2013-14

22. Financial Instruments (cont'd)

(c) Credit Risk Exposure (cont'd)

Financial Assets

The carrying amount of receivables represents the maximum exposure to credit risk. As such, receivables are not included in the above disclosure.

No collateral is held as security and no credit enhancements relate to the assets held by the Statutory Body.

The Statutory Body manages credit risk through the use of a credit management strategy. This strategy aims to reduce the exposure to credit default by ensuring that the Statutory Body invests in secure assets and monitors all funds owed on a timely basis. Exposure to credit risk is monitored on an ongoing basis.

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

The method of calculating any allowance for impairment is based on past experience and current and expected changes in economic conditions. No loss events affected the current calculation of provisions.

No financial assets have had their terms renegotiated so as to prevent them from being past due or impaired, and are stated at the carrying amounts as indicated.

Aging of past due but not impaired as well as impaired assets is disclosed in the following tables:

2014 Financial Assets Past Due But Not Impaired

	Overdue				Total \$'000
	Less than 30 days \$'000	30-60 days \$'000	61-90 days \$'000	More than 90 Days \$'000	
Receivables		71	8	10	89
<b>Total</b>		<b>71</b>	<b>8</b>	<b>10</b>	<b>89</b>

2013 Financial Assets Past Due But Not Impaired

	Overdue				Total \$'000
	Less than 30 days \$'000	30-60 days \$'000	61-90 days \$'000	More than 90 Days \$'000	
Receivables		13	6	9	28
<b>Total</b>		<b>13</b>	<b>6</b>	<b>9</b>	<b>28</b>

2014 Individually Impaired Financial Assets

	Overdue				Total \$'000
	Less than 30 days \$'000	30-60 days \$'000	61-90 days \$'000	More than 90 Days \$'000	
Receivables (gross)			7	4	11
Allowance for Impairment			(5)	(4)	(9)
<b>Carrying Amount</b>			<b>2</b>	<b>0</b>	<b>2</b>

2013 Individually Impaired Financial Assets

	Overdue				Total \$'000
	Less than 30 days \$'000	30-60 days \$'000	61-90 days \$'000	More than 90 Days \$'000	
Receivables (gross)		8	3		11
Allowance for Impairment		(7)	(2)		(9)
<b>Carrying Amount</b>		<b>1</b>	<b>1</b>		<b>2</b>

ISLAND INDUSTRIES BOARD  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2013-14

22. Financial Instruments (cont'd)

(c) Credit Risk Exposure (cont'd)

	2014 \$'000	2013 \$'000
<b>Movements in Allowance for Impairment</b>		
Balance at 1 February	9	9
Increase/decrease in allowance recognised in operating result	2	
Amounts written-off during the year	(2)	
Balance at 31 January	<u>9</u>	<u>9</u>

**Financial Liabilities**

The IIB had not provided any guarantees

(d) Liquidity Risk

Liquidity risk refers to the situation where the Statutory Body may encounter difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

The statutory body is exposed to liquidity risk in respect of its payables and borrowings from the Department of Natural Resources and Mines for land purchase. The borrowings are based on the Queensland Government's gazetted floating rate.

The statutory body manages liquidity risk through the use of a Liquidity Management Strategy. This strategy aims to reduce the exposure to liquidity risk by ensuring the statutory body has sufficient funds available to meet employee and supplier obligations as they fall due. This is achieved by holding surplus cash in a cash facility with Queensland Treasury Corporation offering real time global settlement.

The following table sets out the liquidity risk of financial liabilities held by the statutory body. It represents the contractual maturity of financial liabilities, calculated based on undiscounted cash flows relating to liabilities at reporting date.

	Note	2014 Payable in			Total \$'000
		1 year or less \$'000	1 to 5 years \$'000	Greater than 5 years \$'000	
Finance lease liabilities	14	23	110	788	921
Payables	13	3,105			3,105
<b>Total</b>		<b>3,128</b>	<b>110</b>	<b>788</b>	<b>4,026</b>

	Note	2013 Payable in			Total \$'000
		1 year or less \$'000	1 to 5 years \$'000	Greater than 5 years \$'000	
Finance lease liabilities	14	20	100	823	943
Payables	13	3,239			3,239
<b>Total</b>		<b>3,259</b>	<b>100</b>	<b>823</b>	<b>4,182</b>

(e) Market Risk

The IIB does not trade in foreign currency and is not materially exposed to commodity price changes. The IIB is exposed to interest rate risk through its finance lease and cash deposited in interest bearing accounts. The IIB does not undertake any hedging in relation to interest risk and manages its risk as per the liquidity risk management strategy.

ISLAND INDUSTRIES BOARD  
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2013-14

**(f) Interest Rate Sensitivity Analysis**

The following interest rate sensitivity analysis is based on a report similar to that which would be provided to management, depicting the outcome on net income if interest rates would change by +/- 1% from the year end rates applicable to the Statutory Body's financial assets and liabilities. With all other variables held constant, the Statutory Body would have a surplus and equity increase/(decrease) of \$17,000 (2013: \$8,000). This is mainly attributable to the Statutory Body's exposure to variable interest rates on its funds held at Queensland Treasury Corporation.

Financial Instruments	Carrying Amount	2014 Interest rate risk			
		-1%		+1%	
		Profit	Equity	Profit	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
QTC working capital facility	1	-	-	-	-
QTC cash fund	2,595	(26)	(26)	26	26
Finance lease liabilities	921	9	9	(9)	(9)
<b>Overall effect on profit and equity</b>		<b>(17)</b>	<b>(17)</b>	<b>17</b>	<b>17</b>

The Statutory Body's sensitivity to interest has increased in the current period due to increased cash assets held at Queensland Treasury Corporation.

Financial Instruments	Carrying Amount	2013 Interest rate risk			
		-1%		+1%	
		Profit	Equity	Profit	Equity
	\$'000	\$'000	\$'000	\$'000	\$'000
QTC working capital facility	1	-	-	-	-
QTC cash fund	1,658	(17)	(17)	17	17
Finance lease liabilities	943	9	9	(9)	(9)
<b>Overall effect on profit and equity</b>		<b>(8)</b>	<b>(8)</b>	<b>8</b>	<b>8</b>

**(g) Fair Value**

The recognised fair values of financial and non-financial assets and liabilities are classified according to the following fair value hierarchy that reflects the significance of the inputs used on making these measurements:

Level 1 – Fair values that reflect the unadjusted quoted prices in active markets for identical assets/liabilities;

Level 2 – Fair values that are based on inputs that are directly or indirectly observable for the asset/liability (other than unadjusted quoted prices); and

Level 3 – Fair values that are derived from data not observable in a market.

According to the above hierarchy, the fair values of each class of financial asset/liability recognised at fair value are as follows:

Class	Classification according to fair Value hierarchy			2014 Total Carrying Amount
	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	
<b>Financial Assets</b>				
QTC cash fund		2,595		2,595
<b>Total</b>		<b>2,595</b>		<b>2,595</b>
<b>Financial Liabilities</b>				
Finance Lease Liabilities		921		921
<b>Total</b>		<b>921</b>		<b>921</b>

ISLAND INDUSTRIES BOARD  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2013-14

	2014 Carrying Amount \$'000	Fair Value \$'000	2013 Carrying Amount \$'000	Fair Value \$'000
<b>Financial Liabilities</b>				
Financial liabilities at amortised cost:				
Finance Lease Liabilities	921	921	943	943
<b>Total</b>	<b>921</b>	<b>921</b>	<b>943</b>	<b>943</b>

**23. Key management personnel and remuneration**

**(a) Key management personnel**

The following details for key management personnel include those positions that had authority and responsibility for planning, directing and controlling the activities of the statutory body during 2013-14. Further information on these positions can be found in the body of the Annual Report under the section relating to Management.

Position	Responsibilities	Current Incumbents
		Date appointed to position (Date resigned from position)
Chief Executive Officer	The Chief Executive Officer provides strategic leadership of the statutory body's service delivery and is responsible for the efficient, effective and economic administration of the statutory body.	Appointed 1 July 2009
Chief Finance Officer	The Chief Finance Officer provides strategic leadership and direction for the financial administration of the statutory body.	Appointed 3 January 2006
Chief Information Officer	The Chief Information Officer provides strategic leadership and management of the statutory body's Information, communication and technology systems.	Appointed 18 April 2007
Retail Operations Manager	The Retail Operations Manager provides strategic leadership and management of the statutory body's retail service delivery.	Appointed 6 August 2012
Human Resources Manager	The Human Resources manager provides strategic leadership and management of the statutory body's human capital and human resources systems.	Appointed 1 March 2010
Supply Chain Manager	The Supply Chain Manager provides strategic leadership and management of the statutory body's inventory supply chain.	Appointed 15 March 2010

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

**(b) Remuneration**

Remuneration policy for the Statutory Body's key management personnel is set by the IIB Employment and Training Committee in conjunction with the IIB CEO. The remuneration and other terms of employment for the key management personnel are specified in employment contracts.

**ISLAND INDUSTRIES BOARD**  
**NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2013-14**

**23. Key management personnel and remuneration (cont'd)**

For the 2013-14 year, remuneration of key management personnel increased by between 1.0% and 6.0% in accordance with the decision of the IIB Employment and Training Committee.

Remuneration packages for key management personnel comprise the following components:

Short term employee benefits which include:

Base – consisting of base salary, allowances and leave entitlements paid and provided for the entire year or for that part of the year during which the employee occupied the specified position.

Non-monetary benefits – consisting of provision of vehicle together with fringe benefits tax applicable to the benefit.

Long term employee benefits include long service leave accrued.

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

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

Performance bonuses may be paid or payable annually depending on satisfaction of key criteria. Amounts are agreed by the IIB Employment and Training Committee in conjunction with the IIB CEO.

Total fixed remuneration is calculated on a 'total cost' basis and includes the base and non-monetary benefits, long term employee benefits and post employment benefits.

**1 February 2013 – 31 January 2014**

Position (date resigned if applicable)	Short Term Employee Benefits		Long Term Employee Benefits	Post Employment Benefits	Termination Benefits	Total Remuneration
	Base	Non-Monetary Benefits	\$'000	\$'000	\$,000	\$'000
	\$'000	\$'000				
Chief Executive Officer (1Feb 2013-31 Jan 2014)	263		4	23		290
Chief Finance Officer (1Feb 2013-31 Jan 2014)	170		3	16		189
Chief Information Officer (1Feb 2013-31 Jan 2014)	123		2	11		136
Retail Operations Manager (1 Feb 2013 - 31 Jan 2014)	141		2	12		155
Human Resources Manager (1Feb 2013-31 Jan 2014)	120		2	11		133
Supply Chain Manager (1Feb 2013-31 Jan 2014)	129		2	11		142
Total Remuneration	946		15	84		1,045

ISLAND INDUSTRIES BOARD  
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2013-14

23. Key management personnel and remuneration (cont'd)

1 February 2012 – 31 January 2013

Position (date resigned if applicable)	Short Term Employee Benefits		Long Term Employee Benefits	Post Employment Benefits	Termination Benefits	Total Remuneration
	Base	Non-Monetary Benefits	\$'000	\$'000	\$,000	\$'000
	\$'000	\$'000				
Chief Executive Officer (1Feb 2012-31 Jan 2013)	257		4	23		284
Chief Finance Officer (1Feb 2012-31 Jan 2013)	169		3	15		187
Chief Information Officer (1Feb 2012-31 Jan 2013)	119		2	11		132
Retail Operations Manager (6Aug 2012 - 31 Jan 2013)	70		2	6		78
Retail Operations Manager (1Feb 2012 – 4May 2012)	59			5		64
Human Resources Manager (1Feb 2012-31 Jan 2013)	125		2	10		137
Supply Chain Manager (1Feb 2012-31 Jan 2013)	121		2	11		134
Total Remuneration	920		15	81		1,016

(c) Performance Payments

The basis for performance bonuses paid or payable in the 2013-14 financial year is set out below:

Position	Date Paid	Basis for payment
Chief Executive Officer	12 March 2013	The cash performance bonus was calculated by reference to achievement of key strategic plan deliverables and individual performance in their area of operation. The bonus paid equated to 20% as compared to the maximum 20% of total fixed remuneration payable.
Chief Finance Officer	8 March 2013	The cash performance bonus was calculated by reference to achievement of key strategic plan deliverables and individual performance in their area of operation. The bonus paid equated to 10% as compared to the maximum 10% of total fixed remuneration payable.
Chief Information Officer	8 March 2013	The cash performance bonus was calculated by reference to achievement of key strategic plan deliverables and individual performance in their area of operation. The bonus paid equated to 10% as compared to the maximum 10% of total fixed remuneration payable.
Retail Operations Manager	8 March 2013	The cash performance bonus was calculated by reference to achievement of key strategic plan deliverables and individual performance in their area of operation. The bonus paid equated to 10% as compared to the maximum 10% of total fixed remuneration payable.
Human Resources Manager	8 March 2013	The cash performance bonus was calculated by reference to achievement of key strategic plan deliverables and individual performance in their area of operation. The bonus paid equated to 10% as compared to the maximum 10% of total fixed remuneration payable.
Supply Chain Manager	8 March 2013	The cash performance bonus was calculated by reference to achievement of key strategic plan deliverables and individual performance in their area of operation. The bonus paid equated to 10% as compared to the maximum 10% of total fixed remuneration payable.

ISLAND INDUSTRIES BOARD  
 NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2013-14

23. Key executive management personnel and remuneration (cont'd)

The basis for performance bonuses paid or payable in the 2012-13 financial year is set out below:

Position	Date Paid	Basis for payment
Chief Executive Officer	21 June 2012	The cash performance bonus was calculated by reference to achievement of key strategic plan deliverables and individual performance in their area of operation.
Chief Finance Officer	17 February 2012	The cash performance bonus was calculated by reference to achievement of key strategic plan deliverables and individual performance in their area of operation.
Chief Information Officer	17 February 2012	The cash performance bonus was calculated by reference to achievement of key strategic plan deliverables and individual performance in their area of operation.
Human Resources Manager	17 February 2012	The cash performance bonus was calculated by reference to achievement of key strategic plan deliverables and individual performance in their area of operation.

The aggregate performance bonuses paid to all key executive management personnel are as follows:

	2014 \$'000	2013 \$'000
Key Executive Management Personnel	117	31

24. Fair Value Measurement

(i) Recognised fair value measurements

The following table represents IIB's assets and liabilities measured at fair value at 31 January 2014. All fair value measurements are recurrent and categorised as either level 2 or level 3 fair value measurements. There have been no transfers between level 1 and level 2 during the current financial period. IIB has no assets or liabilities measured at fair value on a non-recurring basis.

The fair values of financial and non-financial assets that are not traded in an active market are determined using valuation techniques. These valuation techniques maximise the use of observable data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an asset are observable, the asset is included in level 2. If one or more of the significant inputs is not based on observable market data, the asset is included in level 3. This is the case for IIB building assets of which tenure is of a specialist nature and there is no active market for the assets.

At 31 January 2014	Note	Level 2 (Significant other observable inputs) \$,000	Level 3 (Significant unobservable inputs) \$,000	Total \$,000
<b>Financial assets</b>				
QTC Cash Fund	8	2,595		2,595
<b>Non-financial assets</b>				
Land	12		5,425	5,425
Buildings	12		22,131	22,131
			<b>22,556</b>	<b>22,556</b>



# ISLAND INDUSTRIES BOARD

## NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS 2013-14

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### **(ii) Disclosed fair values**

IIB borrowings are measured at amortised cost with interest recognised in the profit or loss when incurred. The fair value of borrowings disclosed in note 14 is provided by the Department of Natural Resources and Mines and represents the contractual undiscounted cash flow at balance date.

The carrying amounts of trade receivables and trade payables are assumed to approximate their fair values due to their short term nature.

### **(iii) Valuation techniques used to derive fair value**

Specific valuation techniques used to value IIB assets include:

#### **Managed Funds**

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

#### **Land**

Land fair values were determined by independent valuer, Asset Advance Valuers (AAV) effective 31 January 2014. Level 2 valuation inputs were used to value land in freehold title. Sales prices for comparable land sites in close proximity are adjusted for differences in key attributes such as property size. The most significant inputs into this valuation approach are price per square metre. Valuations represent the replacement cost of the land. Land components not held under freehold title have not been assessed as use is restricted under trustee leases and indigenous land use agreements (ILUA) in place.

#### **Buildings**

Buildings fair values were determined by independent valuer, Asset Advance Valuers (AAV) effective 31 January 2014. Where there is a market for IIB building assets, fair value has been derived from sales prices of comparable properties after adjusting for differences in key attributes such as property size. The most significant inputs in to this valuation approach were price per square metre.

Where IIB buildings are of a specialist nature and there is no active market for the assets, fair value has been determined on the basis of replacement with a modern equivalent corresponding to the building presently existing. The gross current values have been derived from reference to actual costs incurred for some of the subject assets, cost of similar asset improvements constructed within the far north Queensland region and also supported by reference to available data prepared and provided by construction cost consultants and building price indices provided by the Queensland Government Department of Housing and Works.

Where there is no depth of market, the net current value of a building asset is the gross current value less accumulated depreciation to reflect the consumed or expired service potential of the asset.

In determining the level of accumulated depreciation the asset has been disaggregated in significant components which exhibit different patterns of consumption or useful lives. Allowance has been made for the typical asset life cycle and renewal treatments of each component, residual value at the time the asset is considered to be no longer available for use, the pattern of consumption of the asset's future economic benefit and the condition of the asset. Condition was assessed taking into account both physical characteristics as well as factors such as functionality, capability, utilisation and obsolescence.

To accurately assess the value of the properties, all locations were visited and inspections were carried out to calculate the size of each structure and to record structural details to allow the replacement cost of structures of a similar nature to be investigated.

Whilst the unit rates based on square metres or lineal metres could be supported by market evidence (level 2), other inputs (such as estimates of residual value, useful life, pattern of consumption and asset condition) were also required (level 3).

If estimated cost used in level 3 fair value calculations were 10% higher or lower, the fair value of these assets would increase or decrease by \$2,213K

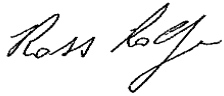
### **(iv) Uncertainty**

The valuation techniques used in the determination of fair values maximise the use of observable data where it is available, are based on past actual outcomes and rely as little as possible on entity specific estimates. Where estimates are used, these represent the most probable outcome in management's judgement and are subject to annual review against actual outcomes in subsequent periods. The disclosure of valuation estimates is designed to provide user with an insight into the judgements that management has made in the determination of fair values.

## CERTIFICATE OF ISLAND INDUSTRIES BOARD

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

- (a) the prescribed requirements for establishing and keeping the accounts have been complied with in all material respects; and
- (b) the statements have been drawn up to present a true and fair view, in accordance with prescribed accounting standards, of the transactions of the Island Industries Board for the financial year ended 31 January 2014 and of the financial position of the statutory body at the end of that year.



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Ross Rolfe

Chairperson

Date 20/03/14



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Ian Copeland

Chief Executive Officer

Date 19/03/14

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## INDEPENDENT AUDITOR'S REPORT

To the Board of Island Industries Board

### Report on the Financial Report

I have audited the accompanying financial report of Island Industries Board, which comprises the statement of financial position as at 31 January 2014, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, notes comprising a summary of significant accounting policies and other explanatory information, and certificates given by the Chief Executive Officer and the Chairperson of the Board.

#### *The Board's Responsibility for the Financial Report*

The Board is responsible for the preparation of the financial report that gives a true and fair view in accordance with prescribed accounting requirements identified in the *Financial Accountability Act 2009* and the *Financial and Performance Management Standard 2009*, including compliance with Australian Accounting Standards. The Board's responsibility also includes such internal control as the Board determines is necessary to enable the preparation of the financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

#### *Auditor's Responsibility*

My responsibility is to express an opinion on the financial report based on the audit. The audit was conducted in accordance with the *Auditor-General of Queensland Auditing Standards*, which incorporate the Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit is planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives 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 entity's internal control, other than in expressing an opinion on compliance with prescribed requirements. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Board, as well as evaluating the overall presentation of the financial report including any mandatory financial reporting requirements approved by the Treasurer for application in Queensland.

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

#### *Independence*

The *Auditor-General Act 2009* promotes the independence of the Auditor-General and all authorised auditors. The Auditor-General is the auditor of all Queensland public sector entities and can be removed only by Parliament.

The Auditor-General may conduct an audit in any way considered appropriate and is not subject to direction by any person about the way in which audit powers are to be exercised. The Auditor-General has for the purposes of conducting an audit, access to all documents and property and can report to Parliament matters which in the Auditor-General's opinion are significant.

*Opinion*

In accordance with s.40 of the *Auditor-General Act 2009* –

- (a) I have received all the information and explanations which I have required; and
- (b) in my opinion –
  - (i) the prescribed requirements in relation to the establishment and keeping of accounts have been complied with in all material respects; and
  - (ii) the financial report presents a true and fair view, in accordance with the prescribed accounting standards, of the transactions of the Island Industries Board for the financial year 1 February 2013 to 31 January 2014 and of the financial position as at the end of that year.

  
R W HODSON CPA  
as Delegate of the Auditor-General of Queensland

Queensland Audit Office  
Brisbane

