

ABORIGINALS BENEFIT ACCOUNT FINANCIAL STATEMENTS



INDEPENDENT AUDITOR'S REPORT

To the Minister for Indigenous Affairs

Opinion

In my opinion, the financial statements of the Aboriginals Benefit Account for the year-ended 30 June 2017:

- (a) comply with Australian Accounting Standards – Reduced Disclosure Requirements and the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*; and
- (b) present fairly the financial position of the Aboriginals Benefit Account as at 30 June 2017 and its financial performance and cash flows for the year then ended.

The financial statements of the Aboriginals Benefit Account, which I have audited, comprise the following statements as at 30 June 2017 and for the year then ended:

- Statement by the Secretary and Chief Financial Officer;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement; and
- Notes to and forming part of the Financial Statements, comprising Significant Accounting Policies and other explanatory information.

Basis for Opinion

I conducted my audit in accordance with the Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. My responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of my report. I am independent of the Aboriginals Benefit Account in accordance with the relevant ethical requirements for financial statement audits conducted by the Auditor-General and his delegates. These include the relevant independence requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants*, to the extent that they are not in conflict with the *Auditor-General Act 1997* (the Code). I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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Secretary's Responsibility for the Financial Statements

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Aboriginals Benefit Account's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretary;
- conclude on the appropriateness of the Secretary's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Aboriginals

Benefit Account's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern; and

- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

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

Australian National Audit Office



Michael White
Executive Director

Delegate of the Auditor-General

Canberra
8 September 2017

ABORIGINALS BENEFIT ACCOUNT STATEMENT BY THE SECRETARY AND CHIEF FINANCIAL OFFICER

The accompanying financial statements of the Aboriginals Benefit Account (ABA) for the year ended 30 June 2017 have been prepared in accordance with section 64B of the *Aboriginal Land Rights (Northern Territory) Act 1976*, which requires the financial statements to be prepared in accordance with section 42 of the *Public Governance, Performance and Accountability Act 2013* (PGPA Act).

The Minister for Finance has granted ABA an exemption under the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR). The exemption applies to the following requirements of the FRR:

- (a) Sections 9, 32 and 33 of the FRR. The ABA is required to present its administered activities in departmental format, in accordance with current practice.
- (b) Divisions 2, 3, 4 and 5 of Part 6 of the FRR to the extent that ABA has no appropriation transactions and balances other than through its special account.

In our opinion, the attached financial statements for the year ended 30 June 2017 comply with subsection 42(2) of the PGPA Act, and are based on properly maintained financial records as per subsection 41(2) of the PGPA Act.

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



Dr Martin Parkinson AC PSM
Secretary

7 September 2017



Charlotte Tressler
Chief Financial Officer

7 September 2017

**ABORIGINALS BENEFIT ACCOUNT
STATEMENT OF COMPREHENSIVE INCOME**

for the period ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
NET COST OF SERVICES			
Expenses			
Payments to advisory committee members		124	51
Suppliers	1.1A	60	584
Grants	1.1B	33,742	43,908
Payments for township leases	1.1C	6,210	3,836
Payments to Land Councils for administrative purposes	1.1D	48,671	49,522
Distribution to Land Councils	1.1E	52,994	62,057
Other expenses	1.1F	3,006	3,137
Total expenses		144,807	163,095
Own-Source Income			
Own-source revenue			
Interest	1.2A	16,906	16,394
Lease rental income	1.2B	2,280	2,228
Resources received free of charge	1.2C	2,944	2,576
Return of grant funding		73	263
Total own-source revenue		22,203	21,461
Gains			
Gain on realisation of investment	1.2D	-	-
Total gains		-	-
Total own-source income		22,203	21,461
Net cost of services		122,604	141,634
Revenue from Government	1.2E	176,651	206,860
Surplus		54,047	65,226
Total comprehensive income		54,047	65,226

ABORIGINALS BENEFIT ACCOUNT
STATEMENT OF FINANCIAL POSITION
as at 30 June 2017

	Notes	2017 \$'000	2016 \$'000
ASSETS			
Financial Assets			
Cash and cash equivalents	3.1	24,334	19,560
Trade and other receivables	2.1A	8,993	7,464
Investments - term deposits		607,500	551,500
Total financial assets		640,827	578,524
Non-Financial Assets			
Other non-financial assets	2.2A	2,670	4,403
Total non-financial assets		2,670	4,403
Total assets		643,497	582,927
LIABILITIES			
Payables			
Suppliers	2.3A	464	1,050
Grants - Non-profit organisations		6,427	494
Other payables	2.3B	2,523	1,249
Total payables		9,414	2,793
Provisions			
Other provisions paid		-	98
Total provisions		-	98
Total liabilities		9,414	2,891
Net assets		634,083	580,036
EQUITY			
Retained surplus		634,083	580,036
Total equity		634,083	580,036

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

**ABORIGINALS BENEFIT ACCOUNT
STATEMENT OF CHANGES IN EQUITY**
for the period ended 30 June 2017

	2017	2016
	\$'000	\$'000
TOTAL EQUITY - RETAINED EARNINGS		
Opening balance		
Balance carried forward from previous period	580,036	514,810
Adjusted opening balance	580,036	514,810
Comprehensive income		
Surplus for the period	54,047	65,226
Total comprehensive income	54,047	65,226
Closing balance as at 30 June	634,083	580,036

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

ABORIGINALS BENEFIT ACCOUNT
CASH FLOW STATEMENT
for the period ended 30 June 2017

	Notes	2017 \$'000	2016 \$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations		177,965	207,285
Net GST received		2,743	4,053
Lease rental receipts		<u>2,170</u>	<u>2,440</u>
Total cash received		<u>182,878</u>	<u>213,778</u>
Cash used			
Committee members		124	52
Suppliers		384	547
Grants		30,564	48,918
Payments for township leases		4,282	1,364
Payments to Land Councils for administrative purposes		48,874	49,427
Distributions to Land Councils		53,389	62,185
Other		-	350
Total cash used		<u>137,617</u>	<u>162,843</u>
Net cash from operating activities		<u>45,261</u>	<u>50,935</u>
INVESTING ACTIVITIES			
Cash received			
Proceeds from realisation of investments		729,500	537,340
Interest on investments		<u>15,513</u>	<u>15,152</u>
Total cash received		<u>745,013</u>	<u>552,492</u>
Cash used			
Investments		<u>785,500</u>	<u>598,000</u>
Total cash used		<u>785,500</u>	<u>598,000</u>
Net cash used by investing activities		<u>(40,487)</u>	<u>(45,508)</u>
Net increase in cash held		<u>4,774</u>	<u>5,427</u>
Cash and cash equivalents at the beginning of the reporting period		<u>19,560</u>	<u>14,133</u>
Cash and cash equivalents at the end of the reporting period	3.1	<u>24,334</u>	<u>19,560</u>

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

ABORIGINALS BENEFIT ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2017

Overview	141
1. Financial Performance	143
1.1. Expenses	143
1.2. Own-Source Revenue and Gains	145
2. Financial Position	148
2.1. Financial Assets	148
2.2. Non-Financial Assets	148
2.3. Payables	148
3. Funding	149
3.1. Special Accounts.....	149
4. Managing Uncertainties	150
4.1. Quantifiable Contingent Assets and Liabilities.....	150
4.2. Financial Instruments	150

ABORIGINALS BENEFIT ACCOUNT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2017

Overview

Basis of preparation of the financial statements

The Aboriginals Benefit Account's (ABA) activities are classified as administered activities carried out by the Department of the Prime Minister and Cabinet (PM&C) on behalf of the Australian Government and are reported in PM&C's administered financial statements for the period 1 July 2016 to 30 June 2017. In addition to being consolidated into PM&C's financial statements, the ABA prepares separate audited financial statements as required by the *Aboriginal Land Rights (Northern Territory) Act 1976* (ALRA).

The Minister for Finance has granted ABA an exemption under the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015* (FRR). The exemption applies to the following requirements of the FRR:

- (a) Sections 9, 32 and 33 of the FRR. The ABA is required to present its administered activities in departmental format, in accordance with current practice.
- (b) Divisions 2, 3, 4 and 5 of Part 6 of the FRR to the extent that ABA has no appropriation transactions and balances other than through its special account.

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

New Australian Accounting Standards

No accounting standard has been adopted earlier than the application date as stated in the standard.

There are no new standards, revised standards, amended standards or interpretations that were issued by the Australian Accounting Standards Board (AASB) prior to the sign off date that are applicable to the current reporting period and have a material financial impact on the ABA.

Taxation

The ABA is exempt from all forms of taxation except Mining Withholding Tax (MWT), Fringe Benefits Tax (FBT) and the Goods and Services Tax (GST).

MWT is payable in respect of payments made from royalty equivalents credited to the ABA pursuant to section 63 of the ALRA. In accordance with the *Taxation Laws Amendment Act (No. 3) 1994*, the rate of MWT payable in respect of the payments made from royalty equivalents credited to the ABA pursuant to section 63 of the ALRA, is 4% (2016: 4%).

GST is payable on purchases made by the ABA under subsection 64(4) and 64(6) of the ALRA. These amounts are recoverable from the Australian Taxation Office (ATO).

ABORIGINALS BENEFIT ACCOUNT NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2017

Compliance with statutory conditions for payments from the consolidated revenue fund

The Australian Government continues to have regard to developments in case law, including the High Court's decision on Commonwealth expenditure in *Williams v Commonwealth [2014] HCA 23*, as they contribute to the larger body of law relevant to the development of Commonwealth programs. In accordance with its general practice, the Government will continue to monitor and assess risk and decide on any appropriate actions to respond to risks of expenditure not being consistent with constitutional or other legal requirements.

During 2016-17 PM&C reviewed the ABA's exposure to the risk of not complying with statutory conditions on payments from appropriations, namely section 83 of the Constitution. The risk profile and internal controls to manage this risk continue to remain appropriate.

Total ABA cash expenditure for 2016-17 was \$137.617 million. Three payments totalling \$0.604 million made in 2016-17 from the ABA under section 64(3) of the ALRA contravened section 83 of the Constitution due to erroneous reporting by mining companies of royalties.

Payments are required to be made out of the ABA based on royalties received by the Northern Territory or Australian Governments. The contraventions occurred when the royalties upon which the payments were based had been estimated at a value greater than the eventual actual. Legislation has been prepared, and is awaiting presentation to Parliament, to reduce the risks of non-compliance associated with these payments to an acceptably low level.

The payments were a technical contravention of section 83, despite the payments having been made in accordance with the requirements of section 64(3) of the ALRA. Of the overpayments, \$0.005 million has been recovered through reduction of subsequent payments and the remaining \$0.599 million will be offset against future payments. Overpayments from previous years of \$0.205 million were recovered during the year.

Significant accounting judgements and estimates

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

Events after the reporting period

There are no known events occurring after the reporting period that could impact on the financial statements.

Related party disclosures

Related parties to the ABA are Key Management Personnel including the Minister for Indigenous Affairs, and other Australian Government entities. Given consideration to relationships with related entities, and transactions entered into during the reporting period by ABA, there are no related party transactions to be separately disclosed.

ABORIGINALS BENEFIT ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2017

1. Financial Performance

This section analyses the financial performance of the Aboriginals Benefit Account for the year ended 30 June 2017.

1.1. Expenses

	2017	2016
	\$'000	\$'000
Note 1.1A: Suppliers		
Services rendered		
Travel and other administrative costs	60	-
ABA Stores Infrastructure	-	584
Total services rendered	60	584
Note 1.1B: Grants		
Public sector		
State and Territory Governments	225	431
Private sector		
Non-profit organisations	29,113	24,713
Stores Infrastructure Project	3,823	17,626
Mining Withholding Tax (MWT)	581	1,138
Total grants	33,742	43,908

Accounting Policy

The ABA makes payments to or for the benefit of Aboriginals living in the Northern Territory under subsection 64(4) of the ALRA. MWT is payable on grant payments made from royalty equivalents credited to the ABA pursuant to section 63 of the ALRA.

MWT is not payable on grant payments made from other income.

Note 1.1C: Payments for township leases		
Office of township leasing administrative expenses	3,305	2,027
Payments to township leases – amortisation of introductory payments	2,128	1,809
Other	777	-
Total payments for township leases	6,210	3,836

ABORIGINALS BENEFIT ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2017

Office of the Executive Director Township Leasing

The Office of Township Leasing (OTL) is headed by the Executive Director of Township Leasing, a statutory appointment under the ALRA. The Executive Director of Township Leasing is responsible for managing, on behalf of the Australian Government, any township leases entered into with Indigenous communities in the Northern Territory as specified under section 19A of the ALRA. The OTL manages the head lease over the specified township and negotiates any sub-leasing to commercial entities, government agencies, community organisations and others.

Expenses related to incentive payments for township head leases in the Northern Territory are:

- In 2007 an amount of \$5.000 million was paid as an introductory payment for a 99 year lease for the Wurrumiyanga (formerly known as Nguui) Head Lease on the Tiwi Islands. On 3 March 2014 the Minister approved (under Section 27(3) of the ALRA), a deed of variation to this lease; it was subsequently reduced by \$0.600 million.
- In 2008 an amount of \$4.500 million was paid as an introductory payment for a 40 plus 40 year lease for the Groote Head Lease on Groote Eylandt.
- In 2011 an amount of \$1.800 million was paid as an introductory payment for a 99 year lease for the Milikapiti Township under the Milikapiti & Wurankuwu Head Lease on the Tiwi Islands.
- In 2011 an amount of \$0.200 million was paid as an introductory payment for a 99 year lease for the Wurankuwu Township under the Milikapiti and Wurankuwu Head Lease on the Tiwi Islands.
- In 2017 a Head Lease for the Mutitjulu Township was signed in March 2017. There was no incentive payment.
- In 2017 an amount of \$2.000 million will be paid in 2017-18 as an introductory payment for a 99 year lease for the Pirlangimpi Township.

	2017	2016
	\$'000	\$'000
Note 1.1D: Payments to land councils for administrative purposes		
Subsection 64(1) payments:		
Northern Land Council	21,636	22,638
Mining Withholding Tax	865	906
Sub-total Northern Land Council	22,501	23,544
Central Land Council	18,027	18,211
Mining Withholding Tax	721	728
Sub-total Central Land Council	18,748	18,939
Tiwi Land Council	3,215	2,875
Mining Withholding Tax	129	115
Sub-total Tiwi Land Council	3,344	2,990
Anindilyakwa Land Council	3,921	3,893
Mining Withholding Tax	157	156
Sub-total Anindilyakwa Land Council	4,078	4,049
Total payments associated with land councils administration	48,671	49,522

Accounting Policy

Land Councils obtain funding on a workload basis in accordance with subsection 64(1) of the ALRA. Estimates for funding are submitted to the Minister for Indigenous Affairs for approval and are distributed to Land Councils on a quarterly basis during the year.

ABORIGINALS BENEFIT ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2017

	2017	2016
	\$'000	\$'000
Note 1.1E: Distribution to land councils		
Subsection 64(3) payments:		
Northern Land Council	14,674	15,472
Mining Withholding Tax	611	645
Sub-total Northern Land Council	15,285	16,117
Central Land Council	21,822	17,532
Mining Withholding Tax	909	730
Sub-total Central Land Council	22,731	18,262
Anindilyakwa Land Council	14,379	26,571
Mining Withholding Tax	599	1,107
Sub-total Anindilyakwa Land Council	14,978	27,678
Total land councils distributions	52,994	62,057

Accounting Policy

In accordance with subsection 64(3) and 35(2) of the ALRA, 30% of the royalty equivalents are paid to the Land Councils for distribution to Aboriginal associations, communities or groups, for the benefit of those Aboriginal people who are affected by mining operations.

Note 1.1F: Other expenses

Salaries and operating expenses ¹	2,944	2,576
Impairment of financial assets	62	211
Other	-	350
Total other expenses	3,006	3,137

¹ Expenses associated with the administration of the ABA were received from PM&C as resources received free of charge.

1.2. Own Source Revenue and Gains

OWN-SOURCE REVENUE

Note 1.2A: Interest

Term deposits	16,662	16,092
Interest bearing bank account	244	302
Total interest	16,906	16,394

Accounting Policy

Interest revenue is recognised using the effective interest method.

**ABORIGINALS BENEFIT ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS**

for the period ended 30 June 2017

	2017 \$'000	2016 \$'000
Note 1.2B: Lease rental income		
Revenue lease receipt - Wurrumiyanga	944	1,063
Revenue lease receipt - Groote	894	757
Revenue lease receipt - Milikapiti	278	276
Revenue lease receipt - Wurankuwu	15	28
Other	149	104
Total lease rental income	2,280	2,228

Accounting Policy

The ABA receives lease rental income for Township Head Leases in the Northern Territory. Lease rental income is recognised when received by the ABA (refer to Note 1.1C Payments for township leases).

Note 1.2C: Resources received free of charge

Salaries	2,880	2,512
Remuneration of auditors - financial statements audit	64	64
Total resources received free of charge	2,944	2,576

Accounting Policy

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

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

The ABA reports a number of resources received free of charge in relation to PM&C expenses associated with management of the ABA account, oversight of ABA grants and the ABA Advisory Committee secretariat.

GAINS

Note 1.2D: Gain on realisation of investment

Investments		
Proceeds from sale	729,500	537,340
Carrying value of assets sold	(729,500)	(537,340)
Total gain from sale of assets	-	-

Accounting Policy

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

ABORIGINALS BENEFIT ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2017

REVENUE FROM GOVERNMENT	2017	2016
	\$'000	\$'000
Note 1.2E: Revenue from Government		
Appropriations		
Special appropriations	<u>176,651</u>	<u>206,860</u>
Total revenue from Government	<u>176,651</u>	<u>206,860</u>

Accounting Policy

Amounts appropriated are recognised as revenue. Revenue from Government is not typically recognised by administered entities, however, the determination provided by the Minister for Finance in relation to the ABA enables disclosure of such amounts as revenue.

Royalties in respect of uranium and non-uranium mining on Aboriginal land are paid to the Australian Government, the Department of Industry, Innovation & Science and the Northern Territory Treasury (Royalty Branch), respectively. Following advice from these entities, drawdowns are made from the Official Public Account (OPA) to enable royalty equivalents to be credited to the ABA, in accordance with section 63 of the ALRA.

These receipts are credited to the ABA shortly after receipt of advice from the respective entity, which usually occurs in the week following the payment of the royalties by mining companies to the entity.

ABORIGINALS BENEFIT ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2017

2. Financial Position

This section analyses the Aboriginals Benefit Account's assets used to conduct its operations and the operating liabilities incurred as a result.

2.1. Financial Assets

	2017	2016
	\$'000	\$'000
Note 2.1A: Trade and other receivables		
Other receivables		
Interest	8,340	6,947
GST receivable from the ATO	326	442
Other	619	286
Total other receivables	9,285	7,675
Less impairment allowance		
Other receivables	(292)	(211)
Total impairment allowance	(292)	(211)
Total trade and other receivables (net)	8,993	7,464

Receivables are expected to be recovered in no more than 12 months. Impaired receivables are overdue by more than 90 days.

2.2. Non Financial Assets

Note 2.2A: Other non-financial assets

Prepayments – subsection 64(3)	709	314
Prepayments – subsection 64(4A)	1,961	4,089
Total other non-financial assets	2,670	4,403

No indicators of impairment were found for other non-financial assets.

2.3. Payables

Note 2.3A: Suppliers

Office of the Executive Director Township Leasing administrative liabilities	464	824
Suppliers	-	226
Total suppliers payables	464	1,050

Settlement is usually made within 30 days.

Settlement is usually made according to the terms and conditions of each grant. This is usually within 30 days of performance or eligibility.

Note 2.3B: Other payables

Royalty equivalent overpayment	2,363	1,046
Township leasing payable	160	-
Other	-	203
Total other payables	2,523	1,249

ABORIGINALS BENEFIT ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2017

3. Funding

This section identifies the Aboriginals Benefit Account funding structure.

3.1. Special Accounts

Note 3.1: Special accounts ('recoverable GST exclusive')

	Aboriginals Benefit Account ¹	
	2017	2016
	\$'000	\$'000
Balance brought forward from previous period	19,560	14,133
Increases		
Appropriation credited to special account	177,965	207,285
Investments realised	729,500	537,340
Other receipts	17,683	17,592
Total increases	925,148	762,217
Available for payments	944,708	776,350
Decreases		
Payments made	(134,874)	(158,790)
PGPA Act section 58 investments	(785,500)	(598,000)
Total decreases	(920,374)	(756,790)
Total balance carried to the next period	24,334	19,560
Balance represented by:		
Cash held in entity bank account	24,334	19,560
Total balance carried to the next period	24,334	19,560

¹Appropriation: *Public Governance, Performance and Accountability Act 2013*, section 80.

Establishing instrument: *Aboriginal Land Rights (Northern Territory) Act 1976*, sections 62, 63, 64 and 65.

Purpose: For the receipt and disbursement of the equivalent of mining royalty monies derived from mining operations on Aboriginal land in the Northern Territory.

ABORIGINALS BENEFIT ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2017

4. Managing Uncertainties

This section analyses how the Aboriginals Benefit Account manages financial risks within its operating environment.

4.1. Quantifiable Contingent Assets and Liabilities

PM&C, on behalf of ABA, is not aware of any material quantifiable or unquantifiable contingent assets or liabilities as at the signing date that would require disclosure in the financial statements.

The Australian Government settled the payment of a grant to the Machado Joseph Disease (MJD) Foundation in the amount of \$10.000 million during 2016-17. This payment was reported as a contingent liability as at 30 June 2016.

Accounting Policy

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

4.2. Financial Instruments

	2017	2016
	\$'000	\$'000
Note 4.2A: Categories of financial instruments		
Financial assets		
Held-to-maturity investments:		
Term deposits	607,500	551,500
Total held-to-maturity investments	607,500	551,500
Loans and receivables		
Cash and cash equivalents	24,334	19,560
Interest receivable	8,340	6,947
Other receivables (net)	327	75
Total loans and receivables	33,001	26,582
Total financial assets	640,501	578,082
Financial liabilities		
Financial liabilities measured at amortised cost:		
Supplier payables	464	1,050
Grants payables – non-profit organisations	6,427	494
Other payables	160	-
Total financial liabilities measured at amortised cost	7,051	1,544

Settlement is usually made according to the terms and conditions of each grant. This is usually within 30 days of performance or eligibility.

Total financial liabilities	7,051	1,544
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ABORIGINALS BENEFIT ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2017

Accounting Policy

Financial Assets

The ABA classifies its financial assets in the following categories:

- (a) Held-to-maturity investments.
- (b) Loans and receivables.

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

Investments

Investment activities are conducted in accordance with the requirements of section 58 of the PGPA Act. Investments are typically low risk and take the form of term deposits. The duration of the term deposits are usually for a term of three to 12 months.

The investment objective of PM&C as administrators for ABA is to ensure that ABA complies with legislative obligations under the PGPA Act and the ALRA; and that ABA maintains and preserves its capital base.

The investment portfolio and bank accounts are managed to ensure sufficient funds are available for payments as required.

Investment practices are also governed by the investment policy of PM&C, which requires the management of the portfolio to respond to positive investment opportunities in the market so as to achieve the best possible returns for the account within the legislative framework.

The asset allocation of the portfolio as at 30 June 2017 is 100% (2016: 100%) with Australian banks.

Effective Interest Method

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

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

Held-to-Maturity Investments

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

Loans and Receivables

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

Impairment of Financial Assets

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

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

Financial Liabilities

Other Financial Liabilities (at amortised cost)

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

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

ABORIGINALS BENEFIT ACCOUNT
NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS
for the period ended 30 June 2017

	2017	2016
	\$'000	\$'000
Note 4.2B: Net gains or losses on financial assets		
Held-to-maturity investments		
Interest revenue	<u>16,662</u>	<u>16,092</u>
Net gain on held-to-maturity investments	<u>16,662</u>	<u>16,092</u>
Loans and receivables		
Interest revenue	<u>244</u>	<u>302</u>
Impairment	<u>(62)</u>	<u>(211)</u>
Net gain on loans and receivables	<u>182</u>	<u>91</u>
Net gain on financial assets	<u>16,844</u>	<u>16,183</u>

The above net gain is from financial assets not recognised at fair value through profit and loss.