



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 2018:

- (a) comply with:
- a. Australian Accounting Standards – Reduced Disclosure Requirements; and
 - b. the *Public Governance, Performance and Accountability (Financial Reporting) Rule 2015*, except for the specified requirements for which the Finance Minister has granted a written exemption; and
- (b) present fairly the financial position of the Aboriginals Benefit Account as at 30 June 2018, 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 2018 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* (the Code), to the extent that they

are not in conflict with the *Auditor-General Act 1997*. I have also fulfilled my other responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

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. Under section 64B(4) of the *Aboriginal Land Rights (Northern Territory) Act 1976*, sections 42 and 43 (other than subsection 43(4)) of the *Public Governance, Performance and Accountability Act 2013* (which deal with annual financial statements for Commonwealth entities and audits of those statements), and rules made for the purposes of those sections, apply in relation to the Aboriginals Benefit Account as if the Account were a Commonwealth entity and the Secretary were the accountable authority of that Commonwealth entity.

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



Kristian Gage
Executive Director

Delegate of the Auditor-General
Canberra

3 September 2018

ABORIGINALS BENEFIT ACCOUNT

Financial Statements

for the period ended 30 June 2018

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 2018 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 2018 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

3 September 2018



Charlotte Tressler
Chief Financial Officer

3 September 2018

ABORIGINALS BENEFIT ACCOUNT
STATEMENT OF COMPREHENSIVE INCOME

for the period ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
NET COST OF SERVICES			
Expenses			
Payments to advisory committee members		102	124
Suppliers - services rendered		40	60
Grants	1.1A	20,240	33,742
Payments for township leases	1.1B	5,899	6,210
Payments to Land Councils for administrative purposes	1.1C	51,920	48,671
Distribution to Land Councils	1.1D	101,544	52,994
Other expenses	1.1E	3,876	3,006
Total expenses		183,621	144,807
Own-Source Income			
Own-source revenue			
Interest	1.2A	19,496	16,906
Lease rental income	1.2B	1,847	2,280
Resources received free of charge	1.2C	3,298	2,944
Return of grant funding		621	73
Total own-source revenue		25,262	22,203
Gains			
Gain on realisation of investment	1.2D	-	-
Other gains		3	-
Total gains		3	-
Total own-source income		25,265	22,203
Net cost of services		158,356	122,604
Revenue from Government	1.2E	338,474	176,651
Surplus		180,118	54,047
Total comprehensive income		180,118	54,047

ABORIGINALS BENEFIT ACCOUNT STATEMENT OF FINANCIAL POSITION

as at 30 June 2018

	Notes	2018 \$'000	2017 \$'000
ASSETS			
Financial Assets			
Cash and cash equivalents	3.1	11,212	24,334
Trade and other receivables	2.1	10,440	8,993
Investments - term deposits		793,746	607,500
Total financial assets		815,398	640,827
Non-Financial Assets			
Other non-financial assets	2.2	3,102	2,670
Total non-financial assets		3,102	2,670
Total assets		818,500	643,497
LIABILITIES			
Payables			
Office of township leasing administrative liabilities		1,095	464
Grants - non-profit organisations		295	6,427
Other payables	2.3	2,909	2,523
Total payables		4,299	9,414
Total liabilities		4,299	9,414
Net assets		814,201	634,083
EQUITY			
Retained surplus		814,201	634,083
Total equity		814,201	634,083

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 2018

	Notes	2018 \$'000	2017 \$'000
TOTAL EQUITY - RETAINED EARNINGS			
Opening balance			
Balance carried forward from previous period		634,083	580,036
Adjusted opening balance		634,083	580,036
Comprehensive income			
Surplus for the period		180,118	54,047
Total comprehensive income		180,118	54,047
Closing balance as at 30 June		814,201	634,083

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

ABORIGINALS BENEFIT ACCOUNT

CASH FLOW STATEMENT

for the period ended 30 June 2018

	Notes	2018 \$'000	2017 \$'000
OPERATING ACTIVITIES			
Cash received			
Appropriations		337,701	177,965
Net GST received		2,647	2,743
Lease rental receipts		2,222	2,170
Total cash received		342,570	182,878
Cash used			
Committee members		102	124
Suppliers		40	384
Grants		28,908	30,564
Payments for township leases		4,947	4,282
Payments to Land Councils for administrative purposes		51,920	48,874
Distributions to Land Councils		101,430	53,389
Total cash used		187,347	137,617
Net cash from operating activities		155,223	45,261
INVESTING ACTIVITIES			
Cash received			
Proceeds from realisation of investments		691,500	729,500
Interest on investments		17,901	15,513
Total cash received		709,401	745,013
Cash used			
Investments		877,746	785,500
Total cash used		877,746	785,500
Net cash used by investing activities		(168,345)	(40,487)
Net increase / (decrease) in cash held		(13,122)	4,774
Cash and cash equivalents at the beginning of the reporting period		24,334	19,560
Cash and cash equivalents at the end of the reporting period	3.1	11,212	24,334

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 2018

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

for the period ended 30 June 2018

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 2017 to 30 June 2018. 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% (2017: 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 2018

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 2017-18 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 2017-18 was \$187.35 million. Three payments totalling \$0.594 million made in 2017-18 from the ABA under section 64(3) of the ALRA contravened section 83 of the Constitution due to difficulties precisely estimating mining 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, \$0.129 million has been recovered through reduction of subsequent payments and the remaining \$0.465 million will be offset against future payments. Overpayments from previous years of \$0.680 million were partially recovered during the year with the remaining \$0.041 million to be offset against future payments.

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 2018

1. Financial Performance

This section analyses the financial performance of the Aboriginals Benefit Account for the year ended 30 June 2018.

1.1. Expenses

	2018 \$'000	2017 \$'000
Note 1.1A: Grants		
Public sector		
State and Territory Governments	-	225
Private sector		
Non-profit organisations	19,720	29,113
Stores Infrastructure Project	127	3,823
Mining Withholding Tax	393	581
Total grants	20,240	33,742

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 1.1B: Payments for township leases

Office of township leasing administrative expenses	2,787	3,305
Community entity administrative expenses	328	-
Amortisation of township introductory payments	1,387	2,128
Township revenue returned	1,397	777
Total payments for township leases	5,899	6,210

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.

Community Entity Township Leasing

Under section 3AAA of the ALRA the Minister is able to approve any organisation as a Commonwealth entity to hold a township lease. Government policy allows for a community entity representative of traditional owners and community members to be approved to hold and administer a section 19A township lease. Community entities may be provided with funding from the ABA at the direction of the Minister for the purpose of acquiring and administering a township lease under section 64(4A) of the ALRA.

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

for the period ended 30 June 2018

	2018	2017
	\$'000	\$'000
Note 1.1C: Payments to land councils for administrative purposes		
Subsection 64(1) payments:		
Northern Land Council	23,793	21,636
Mining Withholding Tax	991	865
Sub-total Northern Land Council	24,784	22,501
Central Land Council	18,376	18,027
Mining Withholding Tax	766	721
Sub-total Central Land Council	19,142	18,748
Tiwi Land Council	3,469	3,215
Mining Withholding Tax	145	129
Sub-total Tiwi Land Council	3,614	3,344
Anindilyakwa Land Council	4,205	3,921
Mining Withholding Tax	175	157
Sub-total Anindilyakwa Land Council	4,380	4,078
Total payments associated with land councils administration	51,920	48,671

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.

Note 1.1D: Distribution to land councils

Subsection 64(3) payments:

Northern Land Council	17,329	14,674
Mining Withholding Tax	722	611
Sub-total Northern Land Council	18,051	15,285
Central Land Council	15,037	21,822
Mining Withholding Tax	627	909
Sub-total Central Land Council	15,664	22,731
Anindilyakwa Land Council	65,116	14,379
Mining Withholding Tax	2,713	599
Sub-total Anindilyakwa Land Council	67,829	14,978
Total land councils distributions	101,544	52,994

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.

ABORIGINALS BENEFIT ACCOUNT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2018

	2018	2017
	\$'000	\$'000
Note 1.1E: Other expenses		
Salaries and operating expenses ¹	3,298	2,944
Impairment of financial assets	578	62
Total other expenses	<u>3,876</u>	<u>3,006</u>

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	19,284	16,662
Interest bearing bank account	212	244
Total interest	<u>19,496</u>	<u>16,906</u>

Accounting Policy

Interest revenue is recognised using the effective interest method.

Note 1.2B: Lease rental income

Revenue lease receipt - Wurrumiyanga	797	944
Revenue lease receipt - Groote	723	894
Revenue lease receipt - Milikapiti	255	278
Revenue lease receipt - Wurankuwu	16	15
Revenue lease receipt - Pirlangimpi	56	-
Other	-	149
Total lease rental income	<u>1,847</u>	<u>2,280</u>

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 1.1B Payments for township leases).

Note 1.2C: Resources received free of charge

Salaries	3,234	2,880
Remuneration of auditors - financial statements audit	64	64
Total resources received free of charge	<u>3,298</u>	<u>2,944</u>

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.

ABORIGINALS BENEFIT ACCOUNT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2018

GAINS	2018	2017
	\$'000	\$'000

Note 1.2D: Gain on realisation of investment

Investments		
Proceeds from sale	691,500	729,500
Carrying value of assets sold	(691,500)	(729,500)
Total gain from sale of assets	-	-

REVENUE FROM GOVERNMENT

Note 1.2E: Revenue from Government

Appropriations		
Special appropriations	338,474	176,651
Total revenue from Government	338,474	176,651

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 2018

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

	2018	2017
	\$'000	\$'000
Note 2.1: Trade and other receivables		
Other receivables		
Interest	9,935	8,340
GST receivable from the ATO	209	326
Other	1,220	619
Total other receivables	11,364	9,285
Less impairment allowance		
Other receivables	(924)	(292)
Total impairment allowance	(924)	(292)
Total trade and other receivables (net)	10,440	8,993

2.2. Non-Financial Assets

Note 2.2: Other non-financial assets		
Prepayments – subsection 64(3)	528	709
Prepayments – subsection 64(4A)	2,574	1,961
Total other non-financial assets	3,102	2,670

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

2.3. Payables

Note 2.3: Other payables		
Royalty equivalent overpayment	1,760	2,363
Township leasing payable	1,094	160
Other	55	-
Total other payables	2,909	2,523

ABORIGINALS BENEFIT ACCOUNT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2018

3. Funding

This section identifies the Aboriginals Benefit Account funding structure.

3.1. Special Accounts

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

	Aboriginals Benefit Account ¹	
	2018 \$'000	2017 \$'000
Balance brought forward from previous period	24,334	19,560
Increases		
Appropriation credited to special account	337,701	177,965
Investments realised	691,500	729,500
Other receipts	20,123	17,683
Total increases	1,049,324	925,148
Available for payments	1,073,658	944,708
Decreases		
Payments made	(184,700)	(134,874)
PGPA Act section 58 investments	(877,746)	(785,500)
Total decreases	(1,062,446)	(920,374)
Total balance carried to the next period	11,212	24,334
Balance represented by:		
Cash held in entity bank account	11,212	24,334
Total balance carried to the next period	11,212	24,334

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 2018

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.

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

	2018	2017
	\$'000	\$'000
Note 4.2A: Categories of financial instruments		
Financial assets		
Held-to-maturity investments:		
Term deposits	793,746	607,500
Total held-to-maturity investments	793,746	607,500
Loans and receivables		
Cash and cash equivalents	11,212	24,334
Interest receivable	9,935	8,340
Other receivables (net)	296	327
Total loans and receivables	21,443	33,001
Total financial assets	815,189	640,501
Financial liabilities		
Financial liabilities measured at amortised cost:		
Office of township leasing administrative liabilities	1,095	464
Grants payables – non-profit organisations	295	6,427
Other payables	1,094	160
Total financial liabilities measured at amortised cost	2,484	7,051
Total financial liabilities	2,484	7,051

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

Settlement of supplier and other payables is usually made within 30 days.

ABORIGINALS BENEFIT ACCOUNT

NOTES TO AND FORMING PART OF THE FINANCIAL STATEMENTS

for the period ended 30 June 2018

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 2018 is 100% (2017: 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 2018

	2018	2017
	\$'000	\$'000
Note 4.2B: Net gains or losses on financial assets		
Held-to-maturity investments		
Interest revenue	<u>19,284</u>	16,662
Net gain on held-to-maturity investments	<u>19,284</u>	<u>16,662</u>
Loans and receivables		
Interest revenue	212	244
Other gain	3	-
Impairment	<u>(578)</u>	<u>(62)</u>
Net gain/(loss) on loans and receivables	<u>(363)</u>	<u>182</u>
Net gain/(loss) on financial assets	<u>18,921</u>	<u>16,844</u>

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

Accounting Policy

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