



Australian Government

Department of Infrastructure and Regional Development

**THE AUSTRALIAN NATIONAL AUDIT OFFICE
INDEPENDENT REPORT OF
NORFOLK ISLAND'S
FINANCIAL STATEMENTS 2015-16**

ERRATUM. The Australian National Audit Office,
Independent Report of Norfolk Island's Financial
Statements 2015-16.

CORRECTION:

Pg.	Ln.	Now Reads	Change
19	13	\$'000	Delete \$'000



INDEPENDENT AUDITOR'S REPORT

To the Commonwealth Minister for Local Government and Territories

To the Administrator of the Australian Territory of Norfolk Island

I am required by Section 48C of the *Norfolk Island Act 1979* to audit the accompanying annual financial statements of the Administration of Norfolk Island and the Consolidated Group for the year ended 30 June 2016, which comprise:

- Statement by the Administrator of the Australian Territory of Norfolk Island, and the General Manager;
- Statements of Comprehensive Income;
- Statements of Financial Position;
- Statements of Changes in Equity;
- Cash Flow Statements;
- Schedules of Commitments;
- Schedules of Contingencies; and
- Notes to and Forming Part of the Financial Statements, comprising a Summary of Significant Accounting Policies and other explanatory information.

The consolidated group comprises the Administration of Norfolk Island and the Norfolk Island Hospital Enterprise.

Opinion

In my opinion, the financial statements of the Administration of Norfolk Island and the Consolidated Group:

- (a) comply with Australian Accounting Standards and the *Commonwealth Finance Minister's (Norfolk Island) Orders 2011*; and
- (b) present fairly the financial positions of the Administration of Norfolk Island and the Consolidated Group as at 30 June 2016 and their financial performance and cash flows for the year then ended.

Emphasis of Matter

I draw attention to Note 1.3 of the financial statements which states that the Administration of Norfolk Island and the Consolidated Group are not going concerns as they will cease to exist as legal entities on 30 June 2016. The Note identifies the reasons for the selection of Australian Accounting Standards as the basis for accounting. My opinion, set out above, has not been modified in respect of this matter.

Administrator's Responsibility for the Financial Statements

The Administrator is responsible under *Commonwealth Finance Minister's (Norfolk Island) Orders 2011* made under the *Norfolk Island Act 1979* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act. The Administrator is also responsible for such internal control as is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

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

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

Independence

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



Carla Jago

Senior Executive Director

Delegate of the Auditor-General

Canberra

11 May 2017



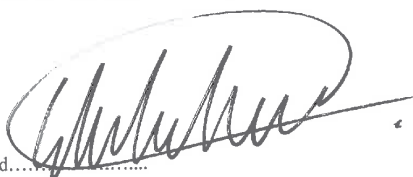
Financial Statements 2015/16

Administration of Norfolk Island

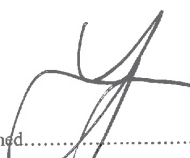
Administration of Norfolk Island

**STATEMENT BY THE ADMINISTRATOR OF THE AUSTRALIAN TERRITORY OF NORFOLK ISLAND
AND THE GENERAL MANAGER**

In our opinion, to the best of our knowledge and belief, having made such inquiries as we considered necessary for the purposes of appropriately informing ourselves, the attached consolidated financial statements for the year ended 30 June 2016 are based on properly maintained financial records and give a true and fair view of the matters required by the *Commonwealth Finance Minister's (Norfolk Island) Orders 2011* (as amended) made under the *Norfolk Island Act 1979* and the Australian Accounting Standards.


Signed.....

Mr Eric Hutchinson
The Administrator
Australian Territory of Norfolk Island


Signed.....

Ms Eva Liselotte Jackson (Lotta)
General Manager
Norfolk Island Regional Council

11 May 2017

11 May 2017

Consolidated Financial Statements
Statement of Comprehensive Income
for the period ended 30 June 2016

	Notes	Consolidated		Administration	
		2016	2015	2016	2015
		\$	\$	\$	\$
EXPENSES					
Employee benefits	3A	12,056,455	11,098,223	8,993,142	7,822,597
Supplier	3B	25,325,053	22,502,863	25,028,952	20,986,724
Grants and Subsidies	3C	55,258	26,589	2,680,291	3,129,783
Depreciation and amortisation	3D	6,731,824	5,714,367	6,482,160	5,314,417
Loss on sale of assets	3E	9,049	3,888	-	2,183
Write-down and impairment of assets	3F	2,298	622,213	1,876	9,397
Other expenses	3G	23,038	24,476	23,038	22,455
Total expenses		44,202,975	39,992,619	43,209,459	37,287,556
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Sale of goods and rendering of services	4A	20,273,090	18,976,134	19,291,308	18,034,339
Taxation revenue	4B	9,618,343	8,695,673	9,618,343	8,695,673
Fees and fines	4C	2,793,721	3,510,923	2,385,876	2,680,144
Interest	4D	220,966	101,643	211,296	94,182
Rental income	4E	65,931	79,868	52,917	67,852
Royalties	4F	900	700	900	700
Other Revenue	4G	59,253	54,525	-	-
Total own-source revenue		33,032,204	31,419,466	31,560,640	29,572,890
Other revenue					
Revenue from the Commonwealth of Australia	4H	10,130,097	6,644,552	10,130,097	6,644,552
Resources received Free of Charge	4I	254,734	243,340	215,000	185,000
Total other revenue		10,384,831	6,887,892	10,345,097	6,829,552
Total income		43,417,035	38,307,358	41,905,737	36,402,442
Net cost of services		(785,939)	(1,685,261)	(1,303,721)	(885,114)
Surplus (deficit) attributable to the Administration of Norfolk Island		(785,939)	(1,685,261)	(1,303,721)	(885,114)
OTHER COMPREHENSIVE INCOME					
Changes in Reserves		-	5,497,173	-	5,759,923
Gains/losses on available for sale financial assets					
Total other comprehensive income (loss)		-	5,497,173	-	5,759,923
Total comprehensive income (loss) attributable to the Administration of Norfolk Island		(785,939)	3,811,912	(1,303,721)	4,874,809

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

Consolidated Financial Statements
Statement of Financial Position
as at 30 June 2016

	Notes	Consolidated		Administration	
		2016	2015	2016	2015
		\$	\$	\$	\$
ASSETS					
Financial Assets					
Cash and cash equivalents	5A	10,679,847	5,912,773	9,405,456	5,227,388
Trade and other receivables	5B	3,592,720	2,799,242	3,519,253	2,615,349
Other investments	5C	216,660	1,263,511	-	1,023,307
Total financial assets		14,489,227	9,975,526	12,924,709	8,866,044
Non-Financial Assets					
Land and buildings	6A	24,768,924	27,785,185	24,768,924	25,956,754
Property, plant and equipment	6B,C	34,403,385	38,810,534	34,403,385	38,197,496
Intangibles	6D,E	11,327	11,460	11,327	11,054
Inventories	6F	3,224,680	4,289,631	3,047,926	4,082,134
Other non-financial assets	6G	199,842	509,730	166,812	405,065
Total non-financial assets		62,608,159	71,406,540	62,398,375	68,652,503
Total assets		77,097,385	81,382,066	75,323,083	77,518,547
LIABILITIES					
Payables					
Suppliers	7A	2,282,112	1,537,933	2,381,982	1,497,114
Other payables	7B	802,585	331,746	-	228,139
Total payables		3,084,698	1,869,679	2,381,982	1,725,253
Interest Bearing Liabilities					
Loans	8A	11,663,253	11,709,527	11,663,253	11,709,527
Deposits	8B	22,660	84,993	22,660	84,993
Total interest bearing liabilities		11,685,913	11,794,520	11,685,913	11,794,520
Provisions					
Employee provisions	9A	43,631	2,561,022	-	1,823,555
Total provisions		43,631	2,561,022	-	1,823,555
Total liabilities		14,814,242	16,225,221	14,067,896	15,343,329
Net assets		62,283,144	65,156,845	61,255,188	62,175,218
EQUITY					
Contribution by Owners		(1,846,372)	-	383,692	-
Reserves		56,010,824	56,347,328	56,010,820	56,010,821
Retained surplus (accumulated deficit)		8,118,693	8,809,517	4,860,676	6,164,397
Total equity		62,283,144	65,156,845	61,255,188	62,175,218

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

Consolidated Financial Statements
Statement of Changes in Equity - Consolidated
for the period ended 30 June 2016

	Retained earnings		Asset revaluation reserve		Contributed Equity		Total equity	
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$
Opening balance								
Balance carried forward from previous period	8,809,517	10,526,773	56,347,328	50,853,428	-	-	65,156,845	61,380,201
Opening balance adjustment	-	(31,995)	-	(3,273)	-	-	-	(35,268)
Adjusted opening balance	8,809,517	10,494,778	56,347,328	50,850,155	-	-	65,156,845	61,344,933
Transactions with owners and subsidiaries:								
Distributions to Commonwealth - restructure					(7,512,761)		(7,512,761)	
Contributions from Commonwealth - restructure					5,425,000		5,425,000	
Contributions from NIGTB	(221,270)		(20,119)		241,389		(0)	
Net transactions with owners and subsidiaries					(1,846,372)		(1,846,372)	
Transfer between equity components	316,385		(316,385)				-	
Comprehensive income								
Other comprehensive income	-	-	-	5,497,173	-	-	-	5,497,173
Surplus (Deficit) for the period	(785,939)	(1,685,261)			-	-	(785,939)	(1,685,261)
Total comprehensive income	(690,824)	(1,685,261)	(336,504)	5,497,173	(1,846,372)	-	(2,873,701)	3,811,912
Closing balance as at 30 June	8,118,693	8,809,517	56,010,824	56,347,328	(1,846,372)	-	62,283,144	65,156,845

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

Statement of Changes in Equity - Administration
for the period ended 30 June 2016

	Retained earnings		Asset revaluation reserve		Contributed Equity		Total equity	
	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$	2016 \$	2015 \$
Opening balance								
Balance carried forward from previous period	6,164,397	7,049,512	56,010,821	50,250,898	-	-	62,175,218	57,300,410
Adjusted opening balance	6,164,397	7,049,512	56,010,821	50,250,898	-	-	62,175,218	57,300,410
Transactions with owners and subsidiaries:								
Distributions to Commonwealth - restructure					(5,282,697)		(5,282,697)	
Contributions from Commonwealth - restructure					5,425,000		5,425,000	
Contributions from NIGTB					241,389		241,389	
Net transactions with owners and subsidiaries					383,692		383,692	
Comprehensive income								
Other comprehensive income	-	-	-	5,759,923	-	-	-	5,759,923
Surplus (Deficit) for the period	(1,303,721)	(885,114)			-	-	(1,303,721)	(885,114)
Total comprehensive income	(1,303,721)	(885,114)	-	5,759,923	-	-	(1,303,721)	4,874,809
Closing balance as at 30 June	4,860,676	6,164,397	56,010,821	56,010,821	383,692	-	61,255,189	62,175,218

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

Notes	Consolidated		Administration	
	2016	2015	2016	2015
	\$	\$	\$	\$
OPERATING ACTIVITIES				
Cash received				
Sales of goods and rendering of services	19,795,543	19,459,926	18,690,321	18,569,137
Receipts from the Commonwealth of Australia	10,130,097	6,644,552	10,130,097	6,644,552
Interest	220,966	101,643	211,296	94,182
GST receipts	6,601,389	6,070,025	6,601,389	6,070,025
Taxation, fines and levy receipts	5,777,596	6,210,701	5,369,751	5,381,943
Donations	59,253	54,525	-	-
Total cash received	42,584,844	38,541,372	41,002,854	36,759,839
Cash used				
Employees and suppliers	37,355,700	37,569,867	34,002,851	33,053,122
Grants and subsidies paid	55,258	26,589	2,680,291	3,129,783
Total cash used	37,410,958	37,596,456	36,683,142	36,182,905
Net cash from (used by) operating activities	5,173,886	944,916	4,319,712	576,934
INVESTING ACTIVITIES				
Cash received				
Proceeds received from investments	1,046,851	986,145	1,023,307	991,976
Total cash received	1,046,851	986,145	1,023,307	991,976
Cash used				
Purchase of land, property, plant and equipment	1,407,389	294,232	1,118,678	212,776
Purchase of financial instruments	-	-	-	-
Total cash used	1,407,389	294,232	1,118,678	212,776
Net cash from (used by) investing activities	(360,538)	691,913	(95,371)	778,400
FINANCING ACTIVITIES				
Cash used				
Repayment of borrowings	46,274	45,348	46,274	45,348
Total cash used	46,274	45,348	46,274	45,348
Net cash from (used by) financing activities	(46,274)	(45,348)	(46,274)	(45,348)
Net increase (decrease) in cash held	4,767,074	1,591,481	4,178,067	1,309,986
Cash and cash equivalents at the beginning of the reporting period	5,912,773	4,321,292	5,227,388	3,917,402
Cash and cash equivalents at the end of the reporting period	10,679,847	5,912,773	9,405,455	5,227,388

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

Consolidated Financial Statements
Schedule of Commitments
as at 30 June 2016

BY TYPE	Consolidated		Administration	
	2016	2015	2016	2015
	\$	\$	\$	\$
Commitments receivable				
Operating lease commitments				
Operating leases ⁴	107,280	107,280	94,634	94,634
Total operating lease commitments	107,280	107,280	94,634	94,634
Other commitments				
General Service Contracts ²	300	180,300	300	180,300
Total other commitments	300	180,300	300	180,300
Total commitments receivable	107,580	287,580	94,934	274,934
Commitments payable				
Capital commitments				
Property, plant and equipment ³	575,339	-	575,339	-
Total capital commitments	575,339	-	575,339	-
Operating lease commitments				
Operating leases ⁵	46,789	67,289	46,789	67,289
Total operating lease commitments	46,789	67,289	46,789	67,289
Other commitments				
General Service Contracts ²	3,872,878	8,507,356	3,830,159	8,312,796
Net GST payable on commitments ¹	-	40,920	-	40,920
Total other commitments	3,872,878	8,548,276	3,830,159	8,353,716
Total commitments payable	4,495,006	8,615,565	4,452,287	8,421,005
Net commitments by type	(4,387,426)	(8,327,985)	(4,357,353)	(8,146,071)

Under the legislative transitional provisions the contractual obligations of the Administration transfer to the NIRC

Note:

1. Commitments were GST inclusive where relevant.
2. Other commitments receivable and payable relate to general service contracts.
3. Property, plant and equipment commitments primarily relate to contracts associated with the airport runway safety area extensions.
4. Operating leases receivable comprise:

Nature of lease	General description of leasing arrangement
Lease for residential housing, airport hanger accommodation and commercial properties.	Lease contracts and payments are subject to an annual review and adjustment.
Lease for telecommunication circuits.	Lease contracts and payments are subject to an annual review and adjustment.

5. Operating leases payable comprise:

Nature of lease	General description of leasing arrangement
Lease for office/museum accommodation	Lease contracts and payments are subject to an annual review and adjustment.

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

Consolidated Financial Statements
Schedule of Contingencies
as at 30 June 2016

	Consolidated		Administration	
	2016	2015	2016	2015
	\$	\$	\$	\$
Contingent liabilities				
Financial Guarantees	-	-	-	-
Total contingent liabilities	-	-	-	-
Net contingent assets (liabilities)	-	-	-	-

Details of each class of contingent liabilities and contingent assets listed above are disclosed in Note 11, along with information on significant remote contingencies and contingencies that cannot be quantified.

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

Consolidated Financial Statements
Notes to and Forming Part of the Financial Statements
for the period ended 30 June 2016

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Note 1: Summary of Significant Accounting Policies

1.1 Objectives of the Administration of Norfolk Island and Territory Authorities (the Group)

The Administration of Norfolk Island (Administration) is governed by the *Norfolk Island Act 1979*. The primary objective of the Administration is to provide services to the public of Norfolk Island.

The financial statements represent all public monies and transactions of the Government of Norfolk Island. The financial statements of the Administration combine the financial statements of the Revenue Fund, Government Business Enterprises and the Trust Fund. The Government Business Enterprises include six entities that have been designed as profit oriented with the remaining eleven entities designated as public benefit entities. The Revenue Fund and Trust Fund are designated as public benefit entities.

For the purposes of AASB 10 *Consolidated Financial Statements*, these consolidated financial statements are prepared to include the Administration and each Territory Authority (refer to Note 1.6).

1.2 Basis of Preparation of the Financial Statements

The financial statements are general purpose financial statements and are required by section 48B of the *Norfolk Island Act 1979*.

The Administration and the Consolidated Group's Financial Statements have been prepared in accordance with:

- a) *Commonwealth Finance Minister's (Norfolk Island) Orders 2011 (as amended)* (CFMOs) for reporting periods ending on or after 1 July 2011; and
- b) Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with 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 the financial position.

The financial statements are presented in Australian dollars and values are rounded to the nearest dollar unless otherwise specified.

Unless an alternative treatment is specifically required by an accounting standard or the CFMOs, assets and liabilities are recognised in the Statement of Financial Position when and only when it is probable that future economic benefits will flow to the Administration or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executor contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the schedule of commitments or the schedule of contingencies.

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

1.3 Going Concern

With effect from 18 June 2015, the Commonwealth amended the self-governance provisions of the *Norfolk Island Act 1979* to dissolve the Norfolk Island Legislative Assembly. From 1 July 2016, the Consolidated Group of the Norfolk Island Administration (referred to as 'the Administration', which comprises the consolidated entities of the Administration of Norfolk Island (ANI) the Norfolk Island Hospital Enterprise (NIHE) and the Norfolk Island Government Tourist Bureau (NIGTB - ceased 14 December 2015)) will cease to exist. The ANI will transition to a new legal entity, the Norfolk Island Regional Council. The NIHE will continue as the Norfolk Island Health and Residential Aged Care Service under control of the Commonwealth.

The Administration is not a going concern because it ceases to exist from 1 July 2016.

The amending legislation provides that from that time:

- the assets and liabilities of the Administration will be transferred to the Regional Council.
- the assets of the NIHE will be transferred to the Commonwealth, with the liabilities transferred to the Regional Council.

The legislation also provides for the extension to Norfolk Island of mainland social security, immigration, and health arrangements, as well as changes to the tax system, and has provisions to allow the Commonwealth to enter into arrangements with the New South Wales Government for the delivery of state level services. To assist with the regularisation of this transition, formal asset transfer arrangements were negotiated between the Commonwealth and the Administration. Details of these transfer arrangements are summarised in Note 22: Restructuring.

Since the business and operations carried on by the Administration will continue in the ordinary course under the Regional Council, the financial statements have been prepared on the basis that the Administration's assets will be realised and liabilities discharged in the normal course of business of its successor bodies; the financial statements have therefore been prepared in accordance with Australian Accounting Standards.

The Administration continues to experience financial difficulty associated with an economic downturn. The Commonwealth of Australia provided financial assistance in 2014/15 and 2015/16, and in previous years, to ensure the Administration had sufficient funds to meet expenditure commitments. From 1 July 2016, this assistance is now in the form of Financial Assistance Local Government grant funding, which currently extends to 30 June 2019. While the Regional Council has forecast a positive cash position as at 30 June 2018, significant financial and operational reform is still required to increase revenue and closely monitor expenditure in order to fund asset replacement and upgrade programs and achieve an accrual based surplus.

State service and Financial Assistance Local Government grant funding agreements were signed on 24 June 2016, which provides \$3.8 million in operational funding initially for the Regional Council for 2016/17. The funding provided by the agreement allowed the Regional Council to prepare the 2016/17 budget on a balanced operating basis, discounting depreciation.

1.4 Significant Accounting Judgements and Estimates

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

- a) the relevant government bond rate has been used to discount non-current liabilities in accordance with the CFMOs;
- b) the liability for long service leave has been estimated using present value techniques in accordance with the Commonwealth shorthand method. This takes into account expected salary growth, attrition and future discounting using the Commonwealth bond rates;
- c) the fair value of land has been taken to be the market value of similar assets as determined by an independent qualified valuer. The fair value of individual land parcels is considered representative on their existing use and the fundamental assumption that they could be sold on a freehold basis;
- d) the fair value for buildings, property, plant and equipment of the Administration has been taken to be the market value of similar assets, having regard to a depreciated replacement cost analysis, as determined by an independent valuer. Where possible the valuer endeavoured to identify comparable assets with a similar age, condition and specification to the assets listed and utilised a direct comparison basis as a primary method, with a depreciated replacement cost approach as a secondary method. Given the specialist nature of many of the assets heavy reliance on a depreciated replacement cost analysis has been necessary;
- e) estimates are made in determining value-in use for impairment purposes taking into account significant changes with an adverse effect on the condition of an asset, physical damage, and the manner in which the asset is expected to be used. Impairment provisions have been recognised for the Administration's stores inventory (\$446,000), healthcare (\$120,000) and absentee land owners (\$50,000) debtors balances;
- f) Workers compensation is underwritten by Accident and Health International Underwriting Pty Ltd. Claims are recognised when reported to the Administration and are assessed for eligibility by the underwriter; and
- g) Healthcare claims must be lodged by 30th September for the year end 30th June. Claims outside this period are not recognised. Estimated claim cost for claims lodged in the three months to the legislative cut off at 30th September 2016 are \$50,000 (2015 : \$150,000).

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

1.5 New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

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

All new accounting standards, revised standards or amending standards that were issued prior to the signing of the statement by the Administrator of the Australia Territory of Norfolk Island and Chief Executive Officer (sign-off date) and are applicable to the current reporting period did not have a material effect and are not expected to have a future material impact on the Administration's financial statements.

Future Australian Accounting Standard Requirements

All new accounting standards, revised standards or amending standards that were issued prior to the sign-off date and are applicable to the future reporting periods are not expected to have a material impact on the Administration.

1.6 Consolidation

AASB 10 *Consolidated Financial Statements* requires a parent entity that is in a group to present consolidated financial statements that consolidate its controlled entities. The parent and controlled entities apply consistent accounting policies and the effects of all transactions and balances between the entities are eliminated in full. The financial statements of the controlled entities are prepared for the same reporting period as the parent entity. In accordance with clause 16(1)(c) of the CFMO's, the Administration is deemed to control each Territory Authority.

These consolidated financial statements incorporates the assets and liabilities of the Administration and each Territory Authority. As at 30 June 2016, the Territory Authorities included the Norfolk Island Hospital Enterprise.

With the introduction of the *Norfolk Island Continued Laws Amendment (2015 Measures No.1) Ordinance 2015*, the Norfolk Island Government Tourist Bureau (NIGTB) was abolished as a separate statutory Territory Authority, effective 14 December 2015. From 15 December 2015, the business and operations of the NIGTB have been carried on by the Administration. For details on the transition, refer to Note 22: Restructuring.

1.7 Revenue

Sale of Goods and Rendering of Services

Revenue from the sale of goods is recognised when:

- a) the risks and rewards of ownership have been transferred to the buyer;
- b) the Administration retains no managerial involvement or effective control over the goods;
- c) the revenue and transaction costs incurred can be reliably measured; and
- d) it is probable that the economic benefits associated with the transaction will flow to the Administration.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- a) the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- b) the probable economic benefits associated with the transaction will flow to the Administration.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at the end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

Interest

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

Taxation Revenue

Taxation revenue is received through the exercise of the authority granted to the Administration. Where possible, taxation revenue is recognised at the time control over the asset passes to the Administration.

<i>Revenue Type</i>	<i>Revenue Recognition Point</i>
Stamp duties	When the liability to the Administration is incurred
Customs and excise duty	When goods become subject to duty
Goods and Service Tax	When the liability to the Administration is incurred
Other indirect taxes	When the debt to the Administration arises

Fees and Fines

Revenues resulting from regulatory fees and levies are, where possible, recognised when the transaction or event giving rise to the revenue occurs.

Royalties

Royalties are recognised on an accrual basis in accordance with the subsections of the relevant royalty agreements.

Grants

Grant funding is recorded as revenue at the time control over the asset passes to the Administration.

Resources Received Free of Charge

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.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition.

Sale of Assets

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

1.8 Revenue from Government

Revenue from Government

Funding received from the Commonwealth of Australia is recognised as revenue when the Administration gains control of the funds.

1.9 Employee Benefits

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

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

Other long-term employee benefits are measured as net total of the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the Administration is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will be applied at the time the leave is taken, to the extent that the leave is likely to be taken during service rather than paid out on termination.

The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Separation and Redundancy

The Administration recognises a provision for separation and redundancy benefit payments when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Superannuation

Permanent employees of the Administration are eligible to contribute to the Norfolk Island Provident Account. The Norfolk Island Provident Account is a defined contribution superannuation scheme. Superannuation contributions are deposited into a term deposit account by the Administration on behalf of members. The Norfolk Island Provident Account does not form part of the Administration and is not recognised in the financial statements.

1.10 Grants and subsidies

When grants and subsidies are discretionary until payment, the expense is recognised when the payment is made. Otherwise the expense is recognised when the specified criteria have been fulfilled and notice has been given to the Administration.

1.11 Leases

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

The discount rate used is the interest rate implicit in the lease. Leased assets are amortised over the period of the lease. Lease payments are allocated between the principal component and the interest expense.

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

1.12 Foreign Currency Transactions

Transactions denominated in a foreign currency are translated at the exchange rate prevailing at the date of the transaction. Foreign currency receivables are translated at the exchange rate prevailing at reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income. The Administration and the Group has not entered into specific forward exchange contracts during the reporting period.

1.13 Borrowing Costs

All borrowing costs are expensed as incurred.

1.14 Cash

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

Demand deposits of a maturity greater than three months are recognised as Other Investments.

1.15 Financial Assets

The Administration classifies its financial assets as loans and receivables.

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

Effective Interest Method

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

Income is recognised on an effective interest rate basis.

Loans and Receivables

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

Impairment of Financial Assets

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

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

1.16 Financial Liabilities

Financial liabilities are classified as other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

Other Financial Liabilities

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

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

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

1.17 Contingent Liabilities and Contingent Assets

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.

1.18 Financial Guarantee Contracts

Financial guarantee contracts are accounted for in accordance with AASB 139 *Financial Instruments: Recognition and Measurement*. They are not treated as a contingent liability, as they are regarded as financial instruments outside the scope of AASB 137 *Provisions, Contingent Liabilities and Contingent Assets*.

1.19 Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition.

1.20 Land, Buildings, Property, Plant and Equipment

Asset Recognition Threshold

Purchases of land, buildings, property, plant and equipment are recognised initially at cost in the Statement of Financial Position, except for purchases costing less than \$1,000 which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located.

Revaluations

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

<i>Asset class</i>	<i>Fair value measurement</i>
Land	Market selling price
Buildings on freehold land	Depreciated replacement cost
Property, plant and equipment	Market selling price or depreciated replacement cost

Following initial recognition at cost, land, buildings, property, plant and equipment were carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations were conducted with sufficient frequency to ensure that the carrying amounts of assets did not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depended upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments were made on a class basis. Any revaluation increment was credited to equity under the heading of asset revaluation reserve except to the extent that it reversed a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets were recognised directly in the surplus/deficit except to the extent that they reversed a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Depreciation

Depreciable buildings, property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the Administration using, in all cases, the straight-line method of depreciation. Land is not depreciated.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

	2016	2015
Buildings on freehold land	10 to 50 years	10 to 50 years
Property, plant and equipment	3 to 50 years	3 to 50 years

Impairment

Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the Administration were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

An item of land, building, property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

1.21 Intangibles

The Administration's intangibles comprise acquired software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses, except where the estimated cost of software is less than the \$1,000 threshold and expensed in the year of acquisition.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the Administration's software are 3 to 10 years (2015: 2 to 10 years).

All software assets were assessed for indications of impairment as at 30 June 2016.

1.22 Inventories

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

Inventories held for distribution are valued at cost, adjusted for any loss of service potential.

Costs incurred in bringing each item of inventory to its present location and condition are assigned as follows:

- a) raw materials and stores – purchase cost on a first-in-first-out basis; and
- b) finished goods and work-in-progress – cost of direct materials and labour plus attributable costs that can be allocated on a reasonable basis.

Inventories acquired at no cost or nominal consideration are initially measured at current replacement cost at the date of acquisition.

Major inventory items are fuel and Liquor Bond stock for sale and maintenance stores.

1.23 Consumable Store

Stocks of consumable stores, which are not held for resale, are expensed in the year of purchase. These stores mainly consist of chemical supplies, electricity supplies, telecommunication supplies, maintenance materials and stationery.

1.24 Taxation

The Administration is exempt from all forms of taxation except the Goods and Service Tax (GST).

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

- a) where the amount of GST incurred is not recoverable from the Norfolk Island GST Office; and
- b) for receivables, payables and commitments.

1.25 Presentation of Financial Statements

The consolidated Statement of Changes in Equity presents all owner changes in equity, whereas all non-owner changes in equity are presented in the consolidated Statement of Comprehensive Income.

1.26 Related Entities Disclosure

Related entity values disclosed in Note 3B - Supplier Expenses, Note 4A - Sale of goods and rendering of services, Note 5B - Trade and other receivables, and Note 7A - Trade creditors and accruals, reflect business transactions between the Administration and the Territory Authorities.

These Transactions are eliminated in the consolidated financial statements.

Note 2: Events After the Reporting Period

From 1 July 2016, the Administration of Norfolk Island (Administration) ceases to exist and a new legal entity, the Norfolk Island Regional Council (NIRC), came into existence. The NIRC has responsibility for the delivery of the Administration's services under the New South Wales *Local Government Act 1993*.

To oversee the operations of the NIRC, an elected Council, comprising of 5 members commenced on 1 July 2016.

The delivery of these services are performed by the NIRC, through a combination of own-sourced fees and charges (including rates) and Commonwealth financial assistance grant and state service 'cost recovery' funding. As at the date of transition, all services within the Administration transitioned to the NIRC, with the exception of Health, Customs and Immigration, Policing, Education, KAVHA, Postal and Gaming, which became the responsibility of the Commonwealth.

Summary of transferring ANI 30 June 2016 balances

The amending legislation provides that from 1 July 2016, the assets and liabilities of the Administration transfer to the NIRC, unless designated by agreement to the Commonwealth.

\$' 000

Transferring to NIRC

ASSETS

Cash and cash equivalents	9,272,554
Trade and other receivables	3,464,692
Non-financial Assets	62,398,375
	<u>75,135,621</u>

LIABILITIES

Suppliers	2,194,519
Loans	11,663,253
Deposits	22,660
	<u>13,880,432</u>
Net Assets	<u>61,255,189</u>

Transfer to Commonwealth

ASSETS

Cash and cash equivalents	132,903
Norfolk Gaming Authority Receivables	54,561

LIABILITIES

Norfolk Gaming Authority - Probity Funds	187,464
Net Assets	<u>-</u>

Note 3: Expenses

	Consolidated		Administration	
	2016	2015	2016	2015
	\$	\$	\$	\$
Note 3A: Employee Benefits				
Wages and salaries	11,352,622	11,098,223	8,289,309	7,822,597
Redundancy	703,833	-	703,833	-
Total employee benefits	12,056,455	11,098,223	8,993,142	7,822,597
Note 3B: Supplier				
Goods and services				
Goods	9,538,711	9,941,004	8,773,906	9,195,246
Services	12,338,181	9,093,458	11,840,064	7,533,393
Total goods and services	21,876,893	19,034,462	20,613,971	16,728,639
Goods and services are made up of:				
Provision of goods – related entities	-	-	-	-
Provision of goods – external entities	9,538,711	9,941,004	8,773,906	9,195,246
Rendering of services – related entities	-	-	59,597	50,342
Rendering of services – external entities	12,338,181	9,093,458	11,780,467	7,483,051
Total goods and services	21,876,893	19,034,462	20,613,971	16,728,639
Other supplier expenses				
Welfare expenses	2,464,135	2,149,568	3,180,912	2,763,839
Healthcare costs	736,433	1,120,760	1,008,324	1,296,173
Workers compensation expenses	247,592	198,073	225,745	198,073
Total other supplier expenses	3,448,160	3,468,401	4,414,981	4,258,085
Total supplier expenses	25,325,053	22,502,863	25,028,952	20,986,724
Note 3C: Grants and Subsidies				
Grants and subsidies	55,258	26,589	2,680,291	3,129,783
Total grants and subsidies	55,258	26,589	2,680,291	3,129,783
Note 3D: Depreciation and Amortisation				
Depreciation:				
Property, plant and equipment	5,240,634	4,240,442	5,092,848	4,129,807
Buildings	1,486,675	1,470,762	1,385,085	1,181,667
Total depreciation	6,727,309	5,711,204	6,477,933	5,311,474
Amortisation:				
Intangibles - computer software	4,515	3,163	4,227	2,943
Total amortisation	4,515	3,163	4,227	2,943
Total depreciation and amortisation	6,731,824	5,714,367	6,482,160	5,314,417
Note 3E: Loss on Sale of Assets				
Property, plant and equipment:				
Carrying value of assets sold	9,049	3,888	-	2,183
Total losses from asset sales	9,049	3,888	-	2,183
Note 3F: Write-Down and Impairment of Assets				
Bad debts	2,298	10,271	1,876	9,397
Impairment of Assets	-	611,942	-	-
Total write-down and impairment of assets	2,298	622,213	1,876	9,397
Note 3G: Other Expenses				
Ex-gratia payments	23,038	24,476	23,038	22,455
Total other expenses	23,038	24,476	23,038	22,455

Note 4: Income

	Consolidated		Administration	
	2016	2015	2016	2015
	\$	\$	\$	\$
OWN-SOURCE INCOME				
<u>Note 4A: Sale of Goods and Rendering of Services</u>				
Provision of goods - related entities	-	-	-	-
Provision of goods - external entities	10,072,028	9,406,272	9,352,158	8,686,828
Total sale of goods	10,072,028	9,406,272	9,352,158	8,686,828
Rendering of services - related entities	-	-	233,520	260,932
Rendering of services - external entities	10,201,062	9,569,862	9,705,630	9,086,579
Total rendering of services	10,201,062	9,569,862	9,939,150	9,347,511
Total sale of goods and rendering of services	20,273,090	18,976,134	19,291,308	18,034,339
<u>Note 4B: Taxation Revenue</u>				
Goods and services tax	6,851,389	6,395,025	6,851,389	6,395,025
Customs duty	873,193	935,643	873,193	935,643
Other taxation revenue	1,893,761	1,365,005	1,893,761	1,365,005
Total taxation revenue	9,618,343	8,695,673	9,618,343	8,695,673
<u>Note 4C: Fees and Fines</u>				
Fees	2,771,914	3,496,163	2,364,069	2,665,384
Fines and penalties	21,807	14,760	21,807	14,760
Total fees and fines	2,793,721	3,510,923	2,385,876	2,680,144
<u>Note 4D: Interest</u>				
Bank and term deposits	220,966	101,643	211,296	94,182
Total interest	220,966	101,643	211,296	94,182
<u>Note 4E: Rental Income</u>				
Housing properties	65,931	79,868	52,917	67,852
Total rental income	65,931	79,868	52,917	67,852
<u>Note 4F: Royalties</u>				
Other	900	700	900	700
Total royalties	900	700	900	700
<u>Note 4G: Other Revenue</u>				
Donations	59,253	14,525	-	-
Write back from Doubtful Debt provision	-	40,000	-	-
Total revenue	59,253	54,525	-	-
<u>Other Revenue</u>				
<u>Note 4H: Revenue from Government</u>				
Revenue received from the Commonwealth of Australia	10,130,097	6,644,552	10,130,097	6,644,552
Total revenue from Government	10,130,097	6,644,552	10,130,097	6,644,552
<u>Note 4I: Resources Received Free of Charge</u>				
Audit Fees	254,734	243,340	215,000	185,000
Total Resources Received free of Charge	254,734	243,340	215,000	185,000

Note 5: Financial Assets

	Consolidated		Administration	
	2016	2015	2016	2015
	\$	\$	\$	\$
Note 5A: Cash and Cash Equivalents				
Cash on hand or on deposit	10,679,847	5,912,773	9,405,456	5,227,388
Total cash and cash equivalents	10,679,847	5,912,773	9,405,456	5,227,388
Note 5B: Trade and Other Receivables				
Goods and Services:				
Goods and services - related entities	-	-	24,826	22,774
Goods and services - external entities	3,923,219	3,004,122	3,664,926	2,637,455
Total receivables for goods and services	3,923,219	3,004,122	3,689,752	2,660,229
Other receivables:				
Interest	5,902	11,329	5,902	11,329
Total other receivables (gross)	5,902	11,329	5,902	11,329
Total trade and other receivables (gross)	3,929,121	3,015,451	3,695,654	2,671,558
Less impairment allowance account:				
Goods and services	(336,401)	(216,209)	(176,401)	(56,209)
Total impairment allowance account	(336,401)	(216,209)	(176,401)	(56,209)
Total trade and other receivables (net)	3,592,720	2,799,242	3,519,253	2,615,349
Receivables are expected to be recovered in:				
No more than 12 months	3,592,720	2,799,242	3,519,253	2,615,349
More than 12 months	-	-	-	-
Total trade and other receivables (net)	3,592,720	2,799,242	3,519,253	2,615,349
Receivables are aged as follows:				
Not overdue	2,843,047	2,167,609	2,843,047	2,073,384
Overdue by:				
0 to 30 days	672,064	399,677	573,336	312,181
31 to 60 days	68,315	77,630	57,701	71,116
More than 61 days	370,521	370,535	221,570	214,877
Total receivables (gross)	3,953,947	3,015,451	3,695,654	2,671,558
The impairment allowance account is aged as follows:				
Not overdue	-	-	-	-
Overdue by:				
0 to 30 days	(436)	2,173	-	-
31 to 60 days	(10,614)	(6,514)	-	-
More than 61 days	(325,351)	(211,868)	(176,401)	(56,209)
Total impairment allowance account	(336,401)	(216,209)	(176,401)	(56,209)

The Administration does not have a system to record receivables which are past due > 91 days.

Reconciliation of the Impairment Allowance Account:

Movements in relation to 2016

	Consolidated Goods and services \$	Administration Goods and services \$
Opening balance	(216,209)	(56,209)
Amounts written off	-	-
Amounts recovered and reversed	49,808	49,808
Increase/decrease recognised in net surplus	(200,000)	(200,000)
Closing balance	(366,401)	(206,401)

Movements in relation to 2015

	Consolidated Goods and services \$	Administration Goods and services \$
Opening balance	(255,361)	(55,361)
Amounts written off	-	-
Amounts recovered and reversed	40,000	-
Increase/decrease recognised in net surplus	(848)	(848)
Closing balance	(216,209)	(56,209)

	Consolidated		Administration	
	2016	2015	2016	2015
	\$	\$	\$	\$
Note 5C: Other Investments				
Term deposits	216,660	1,263,511	-	1,023,307
Total other investments	216,660	1,263,511	-	1,023,307
Total other investments are expected to be recovered in:				
No more than 12 months	216,660	1,263,511	-	1,023,307
More than 12 months	-	-	-	-
Total other investments	216,660	1,263,511	-	1,023,307

Note 6: Non-Financial Assets

	Consolidated		Administration	
	2016	2015	2016	2015
	\$	\$	\$	\$
Note 6A: Land and Buildings				
Land:				
Fair Value	11,204,702	6,798,702	11,204,702	6,423,702
Total land	11,204,702	6,798,702	11,204,702	6,423,702
Buildings on freehold land:				
Work in Progress	58,747		58,747	
Fair value	14,527,487	20,986,483	14,527,487	19,533,052
Accumulated depreciation	(1,022,012)	-	(1,022,012)	-
Total buildings on freehold land	13,564,222	20,986,483	13,564,222	19,533,052
Total land and buildings	24,768,924	27,785,185	24,768,924	25,956,754

No indicators of impairment were found for land and buildings.

No land or buildings were expected to be sold or disposed of within the next 12 months

Revaluation of land and buildings

All revaluations were conducted in accordance with the revaluation policy stated in Note 1.20. Property, plant and equipment was revalued as at 30 June 2015 by an independent valuer. The valuer was Preston, Rowe, Paterson NSW Pty Ltd.

	Consolidated		Administration	
	2016	2015	2016	2015
	\$	\$	\$	\$
Note 6B: Property, Plant and Equipment				
Property, plant and equipment:				
Work in Progress	262,152	21,489	262,152	-
Fair value	39,196,058	38,789,045	39,196,058	38,197,496
Accumulated depreciation	(5,054,825)	-	(5,054,825)	-
Total property, plant and equipment	34,403,385	38,810,534	34,403,385	38,197,496

No indicators of impairment were found for property, plant and equipment.

Revaluation of property, plant and equipment

All revaluations were conducted in accordance with the revaluation policy stated in Note 1.20. Property, plant and equipment was revalued as at 30 June 2015 by an independent valuer. The valuer was Preston, Rowe, Paterson NSW Pty Ltd.

Note 6C: Reconciliation of the Opening and Closing Balances of Land and Buildings, Plant and Equipment 2016 - Consolidated

	Land	Buildings	Total land & buildings	Property, plant & equipment	Total
	\$	\$	\$	\$	\$
As at 1 July 2015					
Gross book value	6,798,702	20,986,483	27,785,185	38,810,533	66,595,718
Accumulated depreciation and impairment	-	-	-	-	-
Net book value 1 July 2015	6,798,702	20,986,483	27,785,185	38,810,533	66,595,718
Additions:					
By purchase or donation	-	-	-	1,096,550	1,096,550
Transfer to Commonwealth	5,361,000	-	5,361,000	64,000	5,425,000
Work in progress	-	58,747	58,747	266,988	325,735
Depreciation expense	-	(1,486,678)	(1,486,678)	(5,240,634)	(6,727,312)
Disposals	-	-	-	(30,738)	(30,738)
Transfers to Commonwealth	(955,000)	(5,994,330)	(6,949,330)	(563,314)	(7,512,644)
Net book value as at 30 June 2016	11,204,702	13,564,222	24,768,924	34,403,385	59,172,309
Net book value as at 30 June 2016 represented by:					
Gross book value	11,204,702	14,586,234	25,790,936	39,458,210	59,172,309
Accumulated depreciation and impairment	-	(1,022,012)	(1,022,012)	(5,054,825)	(6,076,837)
Net book value as at 30 June 2016	11,204,702	13,564,222	24,768,924	34,403,385	59,172,309

Note 6C (Cont'd): Reconciliation of the Opening and Closing Balances of Land and Buildings, Plant and Equipment 2015 - Consolidated

	Land	Buildings	Total land & buildings	Property, plant & equipment	Total
	\$	\$	\$	\$	\$
As at 1 July 2014					
Gross book value	7,058,703	24,571,009	31,629,712	47,623,312	79,253,024
Accumulated depreciation and impairment	-	(2,944,643)	(2,944,643)	(9,113,038)	(12,057,681)
Opening Balance Adjustment	-	-	-	(52,147)	(52,147)
Net book value 1 July 2014	7,058,703	21,626,366	28,685,069	38,458,127	67,143,196
Additions:					
By purchase or donation	-	22,963	22,963	240,360	263,323
Work in progress	-	-	-	21,489	21,489
Depreciation expense	-	(1,470,762)	(1,470,762)	(4,240,443)	(5,711,205)
Revaluation Impairment	-	(611,942)	(611,942)	-	(611,942)
Disposals	-	-	-	(4,739)	(4,739)
Revaluation adjustment recognised in Reserve	(260,001)	1,419,858	1,159,857	4,335,740	5,495,597
Net book value as at 30 June 2015	6,798,702	20,986,483	27,785,185	38,810,534	66,595,719
Net book value as at 30 June 2015 represented by:					
Gross book value	6,798,702	20,986,483	27,785,185	38,810,534	66,595,719
Accumulated depreciation and impairment	-	-	-	-	-
Net book value as at 30 June 2015	6,798,702	20,986,483	27,785,185	38,810,534	66,595,719

Note 6C: Reconciliation of the Opening and Closing Balances of Land and Buildings, Plant and Equipment 2016 - Administration

	Land \$	Buildings \$	Total land & buildings \$	Property, plant & equipment \$	Total \$
As at 1 July 2015					
Gross book value	6,423,702	19,533,052	25,956,754	38,197,496	64,154,250
Accumulated depreciation and impairment	-	-	-	-	-
Net book value 1 July 2015	6,423,702	19,533,052	25,956,754	38,197,496	64,154,250
Additions:					
By purchase	-	-	-	1,032,793	1,032,793
Transfers from Commonwealth	5,361,000	-	5,361,000	64,000	5,425,000
Work in progress	-	58,747	58,747	262,152	320,899
Depreciation expense	-	(1,385,088)	(1,385,088)	(5,092,848)	(6,477,936)
Disposals	-	-	-	-	-
Transfers to Commonwealth	(580,000)	(4,642,489)	(5,222,489)	(60,208)	(5,282,697)
Net book value as at 30 June 2016	11,204,702	13,564,222	24,768,924	34,403,385	59,172,309
Net book value as at 30 June 2016 represented by:					
Gross book value	11,204,702	14,586,234	25,790,936	39,458,210	65,249,146
Accumulated depreciation and impairment	-	(1,022,012)	(1,022,012)	(5,054,825)	(6,076,837)
Net book value as at 30 June 2016	11,204,702	13,564,222	24,768,924	34,403,385	59,172,309

Note 6C (Cont'd): Reconciliation of the Opening and Closing Balances of Land and Buildings, Plant and Equipment 2015 - Administration

	Land \$	Buildings \$	Total land & buildings \$	Property, plant & equipment \$	Total \$
As at 1 July 2014					
Gross book value	6,683,703	21,334,533	28,018,236	46,673,877	74,692,113
Accumulated depreciation and impairment	-	(2,367,654)	(2,367,654)	(8,817,489)	(11,185,143)
Net book value 1 July 2014	6,683,703	18,966,879	25,650,582	37,856,388	63,506,970
Additions:					
By purchase or donation	-	22,963	22,963	180,926	203,889
Work in progress	-	-	-	-	-
Depreciation expense	-	(1,181,667)	(1,181,667)	(4,129,808)	(5,311,475)
Disposals	-	-	-	(2,693)	(2,693)
Revaluation adjustment to Reserve	(260,001)	1,724,877	1,464,876	4,292,683	5,757,560
Net book value as at 30 June 2015	6,423,702	19,533,052	25,956,754	38,197,496	64,154,251
Net book value as at 30 June 2015 represented by:					
Gross book value	6,423,702	19,533,052	25,956,754	38,197,496	64,154,250
Accumulated depreciation and impairment	-	-	-	-	-
Net book value as at 30 June 2015	6,423,702	19,533,052	25,956,754	38,197,496	64,154,250

	Consolidated		Administration	
	2016	2015	2016	2015
Note 6D: Intangibles				
Computer software:	\$	\$	\$	\$
Purchased	15,554	11,460	15,554	11,054
Accumulated amortisation	(4,227)	-	(4,227)	-
Total computer software	11,327	11,460	11,327	11,054
Total intangibles	11,327	11,460	11,327	11,054

No indicators of impairment were found for intangible assets.

No intangibles are expected to be sold or disposed of within the next 12 months.

Note 6E: Reconciliation of the Opening and Closing Balances of Intangibles 2016 - Consolidated

	Computer software purchased \$
As at 1 July 2015	
Gross book value	11,459
Accumulated amortisation and impairment	-
Net book value as at 1 July 2015	11,459
Work in Progress	4,500
Amortisation	(4,515)
Transfer to Commonwealth	(117)
Net book value as at 30 June 2016	11,327
Net book value as at 30 June 2016 represented by:	
Gross book value	15,554
Accumulated amortisation and impairment	(4,227)
Net book value as at 30 June 2016	11,327

Note 6E (Cont'd): Reconciliation of the Opening and Closing Balances of Intangibles 2015 - Consolidated

	Computer software purchased \$
As at 1 July 2014	
Gross book value	17,007
Accumulated amortisation and impairment	(3,960)
Net book value as at 1 July 2014	13,047
Additions by purchase or internally developed	-
Amortisation	(3,163)
Revaluation adjustment to Reserve	1,576
Net book value as at 30 June 2015	11,460
Net book value as at 30 June 2015 represented by:	
Gross book value	11,460
Accumulated amortisation and impairment	-
Net book value as at 30 June 2015	11,460

Note 6E: Reconciliation of the Opening and Closing Balances of Intangibles 2016 - Administration

	Computer software purchased
	\$
As at 1 July 2015	
Gross book value	11,054
Accumulated amortisation and impairment	-
Net book value as at 1 July 2015	11,054
Work in Progress	4,500
Amortisation	(4,227)
Net book value as at 30 June 2016	11,327
Net book value as at 30 June 2016 represented by:	
Gross book value	15,554
Accumulated amortisation and impairment	(4,227)
Net book value as at 30 June 2016	11,327

Note 6E (Cont'd): Reconciliation of the Opening and Closing Balances of Intangibles 2015 - Administration

	Computer software purchased
	\$
As at 1 July 2014	
Gross book value	14,713
Accumulated amortisation and impairment	(3,080)
Net book value as at 1 July 2014	11,633
Additions by purchase or internally developed	-
Amortisation	(2,943)
Revaluation adjustment to Reserve	2,364
Net book value as at 30 June 2015	11,054
Net book value as at 30 June 2015 represented by:	
Gross book value	11,054
Accumulated amortisation and impairment	-
Net book value as at 30 June 2015 represented by:	11,054

	Consolidated		Administration	
	2016	2015	2016	2015
	\$	\$	\$	\$
Note 6F: Inventories				
Inventories held for sale:				
Finished goods	701,642	678,683	570,173	539,229
Provision for Obsolescence	(18,000)	(18,000)	(18,000)	(18,000)
Total inventories held for sale	683,642	660,683	552,173	521,229
Inventories held for distribution	2,987,038	3,845,756	2,941,753	3,777,713
Provision for Obsolescence	(446,000)	(216,808)	(446,000)	(216,808)
Total inventories held for sale	2,541,038	3,628,948	2,495,753	3,560,905
Total inventories	3,224,680	4,289,631	3,047,926	4,082,134
Represented by:				
Cost of inventories sold recognised as an expense during the reporting period	2,205,413	2,063,761	1,822,740	1,652,515
Inventories internally consumed recognised as an expense during the reporting period	8,502,472	9,356,538	8,374,716	9,228,782
Inventories written off during the period	-	-	-	-
	10,707,885	11,420,299	10,197,456	10,881,297

No items of inventory were recognised at fair value less cost to sell.

All inventories are expected to be sold or distributed in the next 12 months.

Note 6G: Other Non-Financial Assets

Prepayments	199,842	270,671	166,812	166,006
Royalties receivable	(0)	239,059	(0)	239,059
Total other non-financial assets	199,842	509,730	166,812	405,065
Total other non-financial assets - are expected to be recovered in:				
No more than 12 months	199,842	509,730	166,812	405,065
More than 12 months	-	-	-	-
Total other non-financial assets	199,842	509,730	166,812	405,065

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

Note 6H: Fair Value Measurements

The following tables provide an analysis of assets and liabilities that are measured at fair value. The different levels of the fair value hierarchy are defined below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

Note 6I: Fair Value Measurements

Fair value measurements at the end of the reporting period by hierarchy for assets and liabilities in 2016 - Consolidated

	<u>Fair value measurements at the end of the reporting period using</u>		
	<u>Fair Value</u>	<u>Level 1 inputs</u>	<u>Level 2 inputs</u>
	\$'000	\$'000	\$'000
Non-financial assets			
Land	11,204,702	-	11,204,702
Buildings	13,564,222	-	-
Property, plant and equipment	34,403,385	-	-
Total non-financial assets	59,172,309	-	11,204,702
			47,967,607
	59,172,309	-	11,204,702
			47,967,607

Total fair value measurements of assets in the statement of financial position

The highest and best use of all non-financial assets are the same as their current use.

There are no assets not measured at fair value in the statement of financial position

Fair value measurements at the end of the reporting period by hierarchy for assets and liabilities in 2015 - Consolidated

	<u>Fair value measurements at the end of the reporting period using</u>		
	<u>Fair Value</u>	<u>Level 1 inputs</u>	<u>Level 2 inputs</u>
	\$'000	\$'000	\$'000
Non-financial assets			
Land	6,798,702	-	6,798,702
Buildings	20,986,483	-	-
Property, plant and equipment	38,810,534	-	-
Total non-financial assets	66,595,719	-	6,798,702
			59,797,017
	66,595,719	-	6,798,702
			59,797,017

Total fair value measurements of assets in the statement of financial position

The highest and best use of all non-financial assets are the same as their current use.

There are no assets not measured at fair value in the statement of financial position

Note 6J: Valuation Technique and Inputs for Level 2 and Level 3 Fair Value Measurements

Level 2 and 3 fair value measurements - valuation technique and the inputs used for assets in 2016

	Category (Level 2 or 3)	Fair value \$'000 2016	Fair value \$'000 2015	Valuation technique(s)	Inputs used 2	Range 3
Non-financial assets						
Land	Level 2	11,204,702	6,798,702	Market approach	Market evidence and analysis	N/A
Buildings	Level 3	13,564,222	20,986,483	Cost approach	Replacement cost new/consumed economic benefits/ obsolescence	N/A
Property, plant and equipment	Level 3	34,403,385	38,810,534	Cost approach	Replacement cost new/consumed economic benefits/ obsolescence	N/A

1. There were no changes in valuation technique from the previous reporting period

2. Significant Level 3 inputs utilised by the entity are derived and evaluated as follows:

Assets that do not transact with enough frequency or transparency to develop objective opinions of value from observable market evidence have been measured utilising the cost (Depreciated Replacement Cost or DRC) approach. Under the DRC approach the estimated cost to replace the asset is calculated and then adjusted to take into account its consumed economic benefit / asset obsolescence (accumulated Depreciation). Consumed economic benefit / asset obsolescence has been determined based on professional judgement regarding physical, economic and external obsolescence factors relevant to the asset under consideration.

3. ANI has chosen to early adopt AASB 2015-7 Amendments to Australian Accounting Standards – Fair Value Disclosures of Not-for-Profit Public Sector Entities at 30 June 2016. The future economic benefits of ANI's non-financial assets are not primarily dependent their ability to generate cash flows. The entity has not disclosed qualitative information about the significant unobservable inputs or a narrative description of the sensitivities of the fair value measurements to changes in the unobservable inputs.

Note 7: Payables

	Consolidated		Administration	
	2016	2015	2016	2015
	\$	\$	\$	\$
Note 7A: Suppliers				
Trade creditors and accruals	2,282,112	1,537,933	2,381,982	1,497,114
Total suppliers payables	2,282,112	1,537,933	2,381,982	1,497,114
Suppliers payables expected to be settled within 12 months:				
Related entities	-	-	197,023	140,611
External entities	2,282,112	1,537,933	2,184,959	1,356,503
Total	2,282,112	1,537,933	2,381,982	1,497,114

Settlement is usually made within 30 days.

Note 7B: Other Payables

Accrued salaries and wages	2,585	331,746	-	228,139
Unearned revenue	800,000			
Total other payables	802,585	331,746	-	228,139

All other payables are expected to be settled within 12 months.

Unearned revenue relates to Commonwealth funding for the new NIHRACS entity.

Note 8: Interest Bearing Liabilities

	Consolidated		Administration	
	2016	2015	2016	2015
	\$	\$	\$	\$
Note 8A: Loans				
Loan from the Commonwealth of Australia	11,663,253	11,709,527	11,663,253	11,709,527
Total loans	11,663,253	11,709,527	11,663,253	11,709,527

The loan from the Commonwealth of Australia includes the Airport Runway Loan of \$11,400,000 (2015: \$11,400,000) and Cascade Cliff Loan of \$263,253 (2015: \$309,527).

The *Airport Runways Loan Act 2003* was assented to on 25 November 2003. This Act binds the Commonwealth of Australia and the Administration of Norfolk Island. The purpose of the Airport Runways loan was to provide funding for the resurfacing of the Norfolk Island runways. The Act allowed the Administration of Norfolk Island to borrow from the Commonwealth of Australia a total sum not exceeding \$12,000,000. By formal agreement, bi-annual loan repayment instalments of \$600,000 to the Commonwealth of Australia commenced on 1 June 2009. The loan is interest free. The loan agreement was varied by deferring the loan repayments due in the six financial years up to and including the 2015/16 financial year and removes the obligation for the Administration of Norfolk Island to make payments into the Runways Trust Fund.

The *Cascade Loan Act 1998* was assented to on 16 June 1998. This Act binds the Commonwealth of Australia and the Administration of Norfolk Island. The purpose of the Cascade Cliff loan was to provide funding of the stabilisation of the land described as lot 28 section 10, Sheet 33 Norfolk Island to ensure public safety. The Act allowed the Administration of Norfolk Island to borrow from the Commonwealth of Australia a total sum not exceeding \$3,250,000. By formal agreement, bi-annual loan repayment instalments to the Commonwealth of Australia will be sourced from the receipt of rock royalties.

Under the amending legislation, loan liabilities will transfer to the NIRC. The ANI's responsibilities have been extinguished as at 1 July 2016 and the timing of these payments by the NIRC will reflect the status of the current agreements with the Commonwealth. For further details on the transfer, refer to Note 2.

	Consolidated		Administration	
	2016	2015	2016	2015
	\$	\$	\$	\$
Note 8B: Deposits				
Customer payments on account	22,660	84,993	22,660	84,993
Total deposits	22,660	84,993	22,660	84,993
Deposits relating to:				
Customer bonds - Norfolk Telecom	22,660	13,026	22,660	13,026
Specific purpose suspense accounts	-	71,967	-	71,967
Total deposits	22,660	84,993	22,660	84,993

Note 9: Provisions

	Consolidated		Administration	
	2016	2015	2016	2015
	\$	\$	\$	\$
Note 9A: Employee Provisions				
Annual leave	-	879,127	-	638,025
Long service leave	43,631	1,399,086	-	993,803
Other	-	282,809	-	191,727
Total employee provisions	43,631	2,561,022	-	1,823,555
Employee provisions are expected to be settled in:				
No more than 12 months	43,631	1,581,967	-	1,127,893
More than 12 months	-	979,055	-	695,662
Total employee provisions	43,631	2,561,022	-	1,823,555

With the transition to the Regional Council, a decision was made by the ANI executive to honour all annual leave, long-service leave and remaining contractual entitlements. The long service leave liability balance that remains relates to the NIHE permanent staff who have less than 10 years service.

Note 10: Cash Flow Reconciliation

	Consolidated		Administration	
	2016	2015	2016	2015
	\$	\$	\$	\$
Reconciliation of cash and cash equivalents as per Statement of Financial Performance to Cash Flow Statement				
Cash and cash equivalents as per:				
Cash flow statement	10,679,847	5,912,773	9,405,455	5,227,388
Statement of Financial Performance	10,679,847	5,912,773	9,405,456	5,227,388
Difference	(0)	-	-	-
Reconciliation of net cost of services to net cash from operating activities:				
Net cost of services	(785,939)	(1,685,261)	(1,303,721)	(885,114)
Adjustments for non-cash items				
Depreciation / amortisation	6,731,824	5,714,367	6,482,160	5,314,418
(Gains)/loss from sale of property, plant and equipment	9,049	3,888	-	2,183
Write-down and impairment of assets	2,298	622,213	1,876	9,397
Changes in assets / liabilities				
(Increase) / decrease in trade and other receivables	(793,478)	401,662	(903,904)	466,946
(Increase) / decrease in inventories	1,064,951	51,646	1,034,208	48,822
(Increase) / decrease in other non-financial assets	309,888	81,042	238,253	104,915
Increase / (decrease) in employee provisions	(2,517,391)	98,219	(1,823,555)	28,829
Increase / (decrease) in supplier payables	744,179	(4,389,854)	884,868	(4,571,160)
Increase / (decrease) in other payables	470,839	(21,896)	(228,138)	(11,190)
Increase / (decrease) in deposits	(62,333)	68,890	(62,333)	68,888
Net cash from (used by) operating activities	5,173,887	944,916	4,319,714	576,934

Note 11: Contingent Assets and Liabilities

Quantifiable Contingencies

The Administration and the Group had no quantifiable contingencies as at 30 June 2016 (2015: Nil).

Unquantifiable Contingencies

The Administration and the Group are currently involved in a legal disputes for which the extent of the claim is unquantifiable as at 30 June 2016 (2015: Nil).

Note 12: Related Party Transactions

Note 12: Transactions with Related Parties

Key management personnel (including members of the Norfolk Island Legislative Assembly) were involved in the following arm length transactions:

	Consolidated		Administration	
	2016	2015	2016	2015
	\$	\$	\$	\$
Purchases of goods and services	42,063	53,964	42,063	52,964
Amounts outstanding at balance date	-	-	-	-
	42,063	53,964	42,063	52,964

Key management personnel and members of the Norfolk Island Legislative Assembly had no other transactions with the Administration or the Group, apart from payment of taxes, levies and/or charges as part of a normal customer relationship. Members of the Norfolk Island Legislative Assembly were only considered as related parties up to 17 June 2015.

Note 13: Senior Management Personnel Remuneration

	Consolidated		Administration	
	2016	2015	2016	2015
	\$	\$	\$	\$
Short-term employee benefits				
Salary	701,071	356,950	530,961	195,552
Allowances	26,241	9,210	26,241	9,210
Gratuity	24,053	27,792	17,996	17,982
Other	7,240	16,361	7,240	7,240
Total short-term employee benefits	<u>758,605</u>	<u>410,313</u>	<u>582,438</u>	<u>229,984</u>
Post-employment benefits				
Superannuation	-	-	-	-
Total post-employment benefits	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Other long-term employee benefits				
Annual leave	47,349	28,944	39,169	15,869
Long-service leave	-	-	-	-
Total other long-term employee benefits	<u>47,349</u>	<u>28,944</u>	<u>39,169</u>	<u>15,869</u>
Termination benefits				
Voluntary redundancy payments	-	-	-	-
Total termination benefits	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total senior executive remuneration expenses	<u>805,953</u>	<u>439,257</u>	<u>621,606</u>	<u>245,853</u>

The total number of senior management personnel that are included in the Consolidated column is 7 (2015:4).

Note 14: Remuneration of Auditors

	Consolidated		Administration	
	2016	2015	2016	2015
	\$	\$	\$	\$
Fair value of the services provided				
Financial statement audit services	250,000	230,000	215,000	185,000
Total	250,000	230,000	215,000	185,000

The 2015/16 financial statement audit services were provided to the Group by the Australian National Audit Office and the audit fees were paid by the Department of Infrastructure and Regional Development.

No other services were provided by the Australian National Audit Office.

Note 15: Financial Instruments

	Consolidated		Administration	
	2016	2015	2016	2015
	\$	\$	\$	\$
Note 15A: Categories of Financial Instruments				
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	10,679,847	5,912,773	9,405,456	5,227,388
Trade and other receivables	3,929,121	3,015,451	3,695,654	2,671,558
Other investments	216,660	1,263,511	-	1,023,307
Total	14,825,627	10,191,735	13,101,110	8,922,253
Carrying amount of financial assets	14,825,627	10,191,735	13,101,110	8,922,253
Financial Liabilities				
At amortised cost:				
Trade creditors	2,282,112	1,537,933	2,381,982	1,497,114
Loans	11,663,253	11,709,527	11,663,253	11,709,527
Deposits	22,660	84,993	22,660	84,993
Total	13,968,026	13,332,453	14,067,896	13,291,634
Carrying amount of financial liabilities	13,968,026	13,332,453	14,067,896	13,291,634
Note 15B: Net Income and Expense from Financial Assets				
Loans and receivables				
Interest revenue	220,966	101,643	211,296	94,182
Net gain from loans and receivables	220,966	101,643	211,296	94,182
Net gain from financial assets	220,966	101,643	211,296	94,182

There was no income from financial assets not at fair value through profit or loss in the year ending 2016 (2015: Nil).

Note 15C: Net Income and Expense from Financial Liabilities

Financial liabilities - at amortised cost				
Interest expense	-	16,693	-	16,693
Net loss from financial liabilities - at amortised cost	-	16,693	-	16,693
Net loss from financial liabilities	-	16,693	-	16,693

There was no interest expense from financial assets not at fair value through profit or loss in the year ending 2016 (2015: Nil).

Note 15D: Fair Value of Financial Instruments

Fair Value of Financial Instruments - Consolidated

	Carrying amount 2016	Fair value 2016	Carrying amount 2015	Fair value 2015
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	10,679,847	10,679,847	5,912,773	5,912,773
Trade and other receivables	3,929,121	3,929,121	3,015,451	3,015,451
Other investments	216,660	216,660	1,263,511	1,263,511
Total	14,825,627	14,825,627	10,191,735	10,191,735
Financial Liabilities				
Trade creditors	2,282,112	2,282,112	1,537,933	1,537,933
Loans	11,663,253	11,663,253	11,709,527	11,709,527
Deposits	22,660	22,660	84,993	84,993
Total	13,968,026	13,968,026	13,332,453	13,332,453

The determination of fair values for financial assets and financial liabilities is the carrying value.

Fair Value of Financial Instruments - Administration

	Carrying amount 2016	Fair value 2016	Carrying amount 2015	Fair value 2015
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	9,405,456	9,405,456	5,227,388	5,227,388
Trade and other receivables	3,695,654	3,695,654	2,671,558	2,671,558
Other investments	-	-	1,023,307	1,023,307
Total	13,101,109	13,101,109	8,922,253	8,922,253
Financial Liabilities				
Trade creditors	2,381,982	2,381,982	1,497,114	1,497,114
Loans	11,663,253	11,663,253	11,709,527	11,709,527
Deposits	22,660	22,660	84,993	84,993
Total	14,067,896	14,067,896	13,291,634	13,291,634

The determination of fair values for financial assets and financial liabilities is the carrying value.

Note 15E: Credit Risk

The Administration was exposed to minimal credit risk as loans and receivables were cash and trade receivables. The maximum exposure to credit risk was the risk that arises from potential default of a debtor. This amount was equal to the total amount of trade receivables (2016: \$3,519,253 and 2015: \$2,615,349).

The Administration has assessed the risk of the default on payment and has allocated \$176,401 in 2016 (2015: \$56,209) to an impairment allowance account. The Administration manages its credit risk by undertaking various debt recovery techniques.

The Administration and the Group held no collateral to mitigate against credit risk.

Credit risk of financial instruments not past due or individually determined as impaired - Consolidated

	Not past due nor impaired 2016 \$	Not past due nor impaired 2015 \$	Past due or impaired 2016 \$	Past due or impaired 2015 \$
Cash and cash equivalents	10,679,847	5,912,773	-	-
Trade and other receivables	2,843,047	2,167,609	1,110,900	847,842
Other investments	216,660	1,263,511	-	-
Total	13,739,553	9,343,893	1,110,900	847,842

Credit risk of financial instruments not past due or individually determined as impaired - Administration

	Not past due nor impaired 2016 \$	Not past due nor impaired 2015 \$	Past due or impaired 2016 \$	Past due or impaired 2015 \$
Cash and cash equivalents	9,405,456	5,227,388	-	-
Trade and other receivables	2,843,047	2,073,384	852,607	598,174
Other investments	-	1,023,307	-	-
Total	12,248,502	8,324,079	852,607	598,174

Ageing of financial assets that were past due but not impaired for 2016 - Consolidated

	0 to 30 days \$	31 to 60 days \$	60+ days \$	Total \$
Trade and other receivables	671,628	57,701	45,170	774,499
Total	671,628	57,701	45,170	774,499

Ageing of financial assets that were past due but not impaired for 2015 - Consolidated

	0 to 30 days \$	31 to 60 days \$	60+ days \$	Total \$
Trade and other receivables	401,850	71,116	158,667	631,633
Total	401,850	71,116	158,667	631,633

Ageing of financial assets that were past due but not impaired for 2016 - Administration

	0 to 30 days \$	31 to 60 days \$	60+ days \$	Total \$
Trade and other receivables	573,336	57,701	45,169	676,206
Total	573,336	57,701	45,169	676,206

Ageing of financial assets that were past due but not impaired for 2015 - Administration

	0 to 30 days \$	31 to 60 days \$	60+ days \$	Total \$
Trade and other receivables	312,181	71,116	158,668	541,964
Total	312,181	71,116	158,668	541,964

Note 15F: Liquidity Risk

The Administration and the Group's financial liabilities are supplier payables. The exposure to liquidity risk is based on the notion that the Administration and the Group will encounter difficulty in meeting its obligations associated with financial liabilities. The Administration is facing financial issues resulting from the economic down turn. The Government of Norfolk Island is currently reviewing its strategies for longer term sustainability in conjunction with the Commonwealth of Australia. The Administration and the Group manages budgets and forecasts to ensure it has adequate funds to meet commitments as they fall due. In addition, the Administration and the Group have policies in place to ensure timely payments are made when due.

Maturities for non-derivative financial liabilities for 2016 - Consolidated

	On demand \$	within 1 year \$	1 to 2 years \$	2 to 5 years \$	>5 years \$	Total \$
Trade creditors	-	2,282,112	-	-	-	2,282,112
Loans	-	1,300,000	1,200,000	3,700,000	5,463,253	11,663,253
Deposits	22,660	-	-	-	-	22,660
Total	22,660	3,582,112	1,200,000	3,700,000	5,463,253	13,968,026

Maturities for non-derivative financial liabilities for 2015 - Consolidated

	On demand \$	within 1 year \$	1 to 2 years \$	2 to 5 years \$	>5 years \$	Total \$
Trade creditors	-	1,537,933	-	-	-	1,537,933
Loans	-	1,245,000	1,200,000	3,650,000	5,614,527	11,709,527
Deposits	84,993	-	-	-	-	84,993
Total	84,993	2,782,933	1,200,000	3,650,000	5,614,527	13,332,453

The Group had no derivative financial liabilities in either 2016 or 2015.

Maturities for non-derivative financial liabilities for 2016 - Administration

	On demand	within 1 year	1 to 2 years	2 to 5 years	>5 years	Total
	\$	\$	\$	\$	\$	\$
Trade creditors	-	2,381,982	-	-	-	2,381,982
Loans	-	1,300,000	1,200,000	3,700,000	5,463,253	11,663,253
Deposits	22,660	-	-	-	-	22,660
Total	22,660	3,681,982	1,200,000	3,700,000	5,463,253	14,067,896

Maturities for non-derivative financial liabilities for 2015 - Administration

	On demand	within 1 year	1 to 2 years	2 to 5 years	>5 years	Total
	\$	\$	\$	\$	\$	\$
Trade creditors	-	1,497,114	-	-	-	1,497,114
Loans	-	1,245,000	1,200,000	3,650,000	5,614,527	11,709,527
Deposits	84,993	-	-	-	-	84,993
Total	84,993	2,742,114	1,200,000	3,650,000	5,614,527	13,291,634

The Administration had no derivative financial liabilities in either 2016 or 2015.

Note 16: Financial Assets and Liabilities Reconciliation

	Notes	Consolidated		Administration	
		2016	2015	2016	2015
		\$	\$	\$	\$
<u>Financial assets</u>					
Total financial assets as per Statement of Financial Position		14,489,227	9,975,526	12,924,709	8,866,044
Add: non-financial instrument components					
Impairment allowance for goods and services	5B	(336,401)	(216,209)	(176,401)	(56,209)
Total financial instrument components		(336,401)	(216,209)	(176,401)	(56,209)
Total financial assets as per financial instruments note		14,825,627	10,191,735	13,101,110	8,922,253
<u>Financial liabilities</u>					
Total financial liabilities as per Statement of Financial Position		14,814,242	16,225,221	14,067,896	15,343,329
Less: non-financial instrument components:					
Employee provisions	9A	43,631	2,561,022	-	1,823,555
Other payables	7B	802,585	331,746	-	228,139
Total non-financial instrument components		846,216	2,892,767	-	2,051,694
Total financial liabilities as per financial instruments note		13,968,026	13,332,453	14,067,897	13,291,635

Note 17: Investments

	Consolidated		Administration	
	2016	2015	2016	2015
	\$	\$	\$	\$
Balance brought forward from previous period	1,263,511	2,249,656	1,023,307	2,014,483
Investments made	110,826	-	-	-
Investment income	8,495	5,031	-	-
Investments realised	(1,166,172)	(991,176)	(1,023,307)	(991,176)
Total balance carried to the next period	216,660	1,263,511	-	1,023,307

Investments are recognised in the Statement of Financial Position and are disclosed within Note 5c

Note 18: Appropriations

Annual Appropriations (Norfolk Island Act 1979, section 48A)

	2016	2015
	\$	\$
Balance as at 1 July	1,124,000	30,000
New appropriation (from cash flow)	39,878,854	36,729,839
Cash payments	(36,683,142)	(36,182,905)
Difference	4,319,712	576,934
<i>Appropriation Act 2015-16</i>	41,373,733	38,175,479
Cash payments	(36,683,142)	(36,182,905)
Appropriation under spend	4,690,591	1,992,574
Closing balance as represented by:		
Amounts transferred	-	1,124,000
Amounts lapsed	4,690,591	868,574
Total closing balance	4,690,591	1,992,574

The Norfolk Island Appropriation Ordinance 2015-16 replaced the power exercised by the Norfolk Island Legislative Assembly that ceased to exist from 1 July 2015. The Ordinance No. 2, 2016 sets upper limits on expenditure that could only be varied by issuing a new Ordinance. During the reporting period, individual cost centres were exceeded but that the aggregate spend was below the total allowable within the Ordinance.

The above table is prepared on a cash basis.

Note 19: Ex-Gratia Payments

	Consolidated		Administration	
	2016	2015	2016	2015
	\$	\$	\$	\$
Ex-Gratia Payments				
21 ex-gratia payments were provided for during the reporting period (2015: 44).	23,038	24,476	23,038	22,455

Ex-gratia payments relate to services provided free of charge to approved third parties, generally associated with tourism activities.

Note 20: Assets Held in Trust

Monetary assets

The Administration holds monetary assets under formal trust arrangements. These monies were not available for other purposes of the Administration and were not recognised in the financial statements.

Total Assets Held in Trust	2016	2015
	\$	\$
Total amount held at the beginning of the reporting period	791,190	1,106,021
Receipts	51,049.28	55,457
Payments	(60,421)	(314,863)
Transfer to Revenue Fund	-	(55,425)
Total amount held at the end of the reporting period	781,818	791,190

Australian Government Assistance Air Services

In 2011 the Commonwealth provided specific purpose funds to enable the Administration to terminate its contract with Nauru Air Corporation for island air services. The unspent portion of these funds have been held in trust with the Commonwealth as co signatory to the trust account.

	2016	2015
	\$	\$
Total amount held at the beginning of the reporting period	501,359	498,448
Receipts	2,405	2,911
Payments	-	-
Total amount held at the end of the reporting period	503,764	501,359

Iven "Toon" Buffett Environment Fund

This Fund was established as a head of the Trust Fund on 2 February 2006. The Trust will receive monies equivalent to the revenue received by the Commonwealth of Australia together with any other funds as set out in the Memorandum of Understanding made on 28 November 2005 between the Commonwealth of Australia and the Government of Norfolk Island establishing an environmental trust fund in honour of the late Iven F (Toon) Buffett. The Trust monies will be utilised to continue the good work of the late Minister in enhancing the significant cultural heritage and physical attributes of Norfolk Island.

	2016	2015
	\$	\$
Total amount held at the beginning of the reporting period	96,482	96,482
Receipts	-	-
Payments	(2,000)	-
Total amount held at the end of the reporting period	94,482	96,482

Legal Aid Fund

This fund was established under section 24 of the *Legal Aid Act 1995*. The purpose of the Fund is to provide legal aid assistance to the community of Norfolk Island.

	2016	2015
	\$	\$
Total amount held at the beginning of the reporting period	100,681	86,217
Receipts	10,723	16,773
Payments	(16,772)	(2,309)
Total amount held at the end of the reporting period	94,632	100,681

Refurbish Kingston Pier

This account was established in 2005. The Commonwealth of Australia approved a grant sufficient to refurbish the Kingston Pier. The project in the main was completed in March 2007.

	2016	2015
	\$	\$
Total amount held at the beginning of the reporting period	54,655	54,655
Receipts	-	-
Payments	-	-
Total amount held at the end of the reporting period	54,655	54,655

Natural Resource Management - Kingston and Arthurs Vale Historic Area

A Commonwealth Grant for the undergrounding of utilities in the KAVHA area.

	2016	2015
	\$	\$
Total amount held at the beginning of the reporting period	-	241,653
Receipts	-	-
Payments	-	(241,653)
Total amount held at the end of the reporting period	-	-

Other Trust Monies Account

Includes monies lodged with the Administration of Norfolk Island for purposes other than for costs associated with the operations of the Revenue Fund and Government Business Enterprises.

	2016	2015
	\$	\$
Total amount held at the beginning of the reporting period	38,013	128,566
Receipts	37,922	35,773
Payments	(41,649)	(70,901)
Transfer to Revenue Fund	-	(55,425)
Total amount held at the end of the reporting period	34,286	38,013

Note 21: Major Classes of Income, Expenses Assets and Liabilities

	Revenue Account 1	KAVHA 2	Workers Compensation Fund 3	Loan Fund 4	Healthcare Fund 5	Total
Own-source revenue						
Sale of goods and rendering of services	19,206,898	26,869	57,540	-	-	19,291,308
Taxation revenue	9,618,343	-	-	-	-	9,618,343
Fees and fines	857,822	-	267,487	-	1,260,568	2,385,876
Interest	210,503	506	115	21	151	211,296
Rental income	52,917	-	-	-	-	52,917
Royalties	900	-	-	-	-	900
Other	-	-	-	-	-	-
Total own-source revenue	29,947,383	27,375	325,142	21	1,260,719	31,560,640
Other Revenue						
Revenue from the Commonwealth of Australia	9,838,885	291,212	-	-	-	10,130,097
Resources received Free of Charge	195,000	-	-	-	-	195,000
Total other revenue	10,033,885	291,212	-	-	-	10,325,097
EXPENSES						
Employee benefits	8,416,858	541,246	11,957	-	23,081	8,993,142
Supplier	23,319,483	184,794	359,114	-	1,145,561	25,008,952
Grants	2,680,291	-	-	-	-	2,680,291
Depreciation and amortisation	6,482,160	-	-	-	-	6,482,160
Loss on sale of assets	2,183	-	-	-	-	2,183
Write-down and impairment of assets	9,397	-	-	-	-	9,397
Other expenses	22,455	-	-	-	-	22,455
Other	-	-	-	-	-	-
Total expenses	40,932,827	726,040	371,071	-	1,168,642	43,198,580
Financial Assets						
Cash and cash equivalents	8,623,486	93,275	210,251	-	478,444	9,405,456
Trade and other receivables	3,347,228	-	-	-	172,025	3,519,253
Other investments	-	-	-	-	-	-
Total financial assets	11,970,715	93,275	210,251	-	650,469	12,924,710
Non-Financial Assets						
Land and buildings	24,768,924	-	-	-	-	24,768,924
Property, plant and equipment	34,403,385	-	-	-	-	34,403,385
Intangibles	11,327	-	-	-	-	11,327
Inventories	3,047,926	-	-	-	-	3,047,926
Other non-financial assets	166,812	-	-	-	-	166,812
Total non-financial assets	62,398,375	-	-	-	-	62,398,375
Total assets	74,369,089	93,275	210,251	-	650,469	75,323,084
LIABILITIES						
Payables						
Suppliers	2,020,233	5,328	55,951	-	300,469	2,381,982
Other payables	-	-	-	-	-	-
Total payables	2,020,233	5,328	55,951	-	300,469	2,381,982
Interest Bearing Liabilities						
Loans	-	-	-	11,663,253	-	11,663,253
Deposits	22,660	-	-	-	-	22,660
Total interest bearing liabilities	22,660	-	-	11,663,253	-	11,685,913
Provisions						
Employee provisions	-	-	-	-	-	-
Total provisions	-	-	-	-	-	-
Total liabilities	2,042,893	5,328	55,951	11,663,253	300,469	14,067,896

1. Revenue Account

The Revenue Account is the main reporting entity for the Administration of Norfolk Island other than the Funds listed below. The other two legal entities of the Norfolk Island Hospital Enterprise and the Norfolk Island Government Tourist Bureau are not included in the Revenue Account but are included in the Consolidated accounts.

2. KAVHA

The Kingston and Arthurs Vale Historic Area (KAVHA) is a world heritage listed precinct and is jointly administered and funded by the Administration of Norfolk Island and the Australian Government. Currently this account maintains the financial records of the joint activity relating to this historical precinct.

3. Workers Compensation

The provision of workers compensation services to employees and the related workers compensation levy on employers and the associated financial records are held in this account.

4. Loan Fund

This account records and reports loan activities between the Administration of Norfolk Island and the Australian Government.

5. Healthcare Fund

The provision of Healthcare services to island residents and the related healthcare levy on eligible residents are recorded in the Healthcare Fund.

Note 22: Restructure Note - Norfolk Island Tourist Bureau

Background

The *Norfolk Island Continued Laws Amendment (2015 Measures No. 1) Ordinance 2015* came into effect on 15 December 2015 and from this date, the Norfolk Island Government Tourist Bureau (NIGTB) was no longer a separate reporting entity and all of its assets and liabilities were transferred to the Administration of Norfolk Island (ANI).

	14/12/2015
	\$
ASSETS	
Financial Assets	
Cash and cash equivalents	250,452
Trade and other receivables	4,698
Other investments	11,062
Total financial assets	<u>266,212</u>
Non-Financial Assets	
Property, plant and equipment	22,420
Inventories	(6,418)
Pre-payments	(660)
Total non-financial assets	<u>15,342</u>
Total assets	<u><u>281,554</u></u>
LIABILITIES	
Payables	(18,355)
Employee provisions	(21,810)
Total liabilities	<u>(40,165)</u>
Net assets assumed by the ANI	<u><u>241,389</u></u>
Income	
Recognised by the receiving entity	-
Recognised by the losing entity	42,990
Total income	<u>693,791</u>
Expenses	<u>736,780</u>
Recognised by the receiving entity	
Recognised by the losing entity	726,811
Total expenses	<u>600,843</u>
	<u><u>1,327,655</u></u>

Note 22: Restructure Note - Commonwealth Asset Transfers

The Norfolk Island Land Transfer Ordinance (ordinance) came into effect on 11 May 2016, which allowed for the transfer of assets between the Commonwealth and Norfolk Island.

On the 29 June 2016, the Commonwealth Minister for Territories approved the following transfer of assets to and from the Norfolk Island Administration and the Commonwealth under section 4 of the ordinance.

	29/6/2016
	\$
Norfolk Island Hospital Enterprise	
Non-Financial Assets	
Land	(375,000)
Buildings	(1,351,841)
Property, plant and equipment	(503,106)
Intangibles	(117)
Total assets transferred to the Commonwealth	<u>(2,230,064)</u>
Administration of Norfolk Island	
Non-Financial Assets	
Land	(580,000)
Buildings	(4,642,489)
Property, plant and equipment	(60,208)
Total assets transferred to the Commonwealth	<u>(5,282,697)</u>
Non-Financial Assets	
Land	5,361,000
Property, plant and equipment	64,000
Total assets transferred to the Administration	<u>5,425,000</u>
Net assets gained by the Administration	<u>142,303</u>



INDEPENDENT AUDITOR'S REPORT

To the Commonwealth Minister for Local Government and Territories

To the Administrator of the Australian Territory of Norfolk Island

I am required by Section 48C of the *Norfolk Island Act 1979* to audit the accompanying annual financial statements of the Norfolk Island Hospital Enterprise for the year ended 30 June 2016, which comprise:

- Statement by the Administrator of the Australian Territory of Norfolk Island, and the Manager of Norfolk Island Health and Residential Aged Care Service;
- Statement of Comprehensive Income;
- Statement of Financial Position;
- Statement of Changes in Equity;
- Cash Flow Statement;
- Schedule of Commitments;
- Schedule of Contingencies; and
- Notes to and Forming Part of the Financial Statements, comprising a Summary of Significant Accounting Policies and other explanatory information.

Opinion

In my opinion, the financial statements of the Norfolk Island Hospital Enterprise:

- (a) comply with Australian Accounting Standards and the *Commonwealth Finance Minister's (Norfolk Island) Orders 2011*; and
- (b) present fairly the financial position of the Norfolk Island Hospital Enterprise as at 30 June 2016 and its financial performance and cash flows for the year then ended.

Emphasis of Matter

I draw attention to Note 1.3 of the financial statements which states that the Norfolk Island Hospital Enterprise is not a going concern as it will cease as a legal entity on 30 June 2016. The Note identifies the reasons for the selection of Australian Accounting Standards as the basis for accounting. My opinion, set out above, has not been modified in respect of this matter.

Administrator's Responsibility for the Financial Statements

The Administrator is responsible under *Commonwealth Finance Minister's (Norfolk Island) Orders 2011* made under the *Norfolk Island Act 1979* for the preparation and fair presentation of annual financial statements that comply with Australian Accounting Standards and the rules made under that Act. The Administrator is also responsible for such internal control as is necessary to enable the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor's Responsibility


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

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

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

Independence

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

A handwritten signature in dark ink, reading "B. M. Jarrett". The signature is written in a cursive, flowing style. The letters "B. M." are followed by a space and then "Jarrett". There is a small mark below the "r" in "Jarrett".

Brandon Jarrett
Executive Director

Delegate of the Auditor-General
Canberra
24 January 2017



Financial Statements 2015/16



Norfolk Island Hospital Enterprise

Norfolk Island Hospital Enterprise

**STATEMENT BY THE ADMINISTRATOR OF THE AUSTRALIAN TERRITORY OF NORFOLK ISLAND AND
THE MANAGER OF THE NORFOLK ISLAND HEALTH AND RESIDENTIAL AGED CARE SERVICE**

In our opinion, the attached financial statements for the year ended 30 June 2016 are based on properly maintained financial records and give a true and fair view of the matters required by the Commonwealth Finance Minister's (Norfolk Island) Orders 2011 (as amended) made under the *Norfolk Island Act 1979*.


Signed.....

The Hon. Gary Hardgrave
The Administrator
Australian Territory of Norfolk Island

Signed.....

Ms. Jan-Maree Tweedie
Manager
Norfolk Island Health and Residential
Aged Care Service

24 January 2017

24 January 2017

Norfolk Island Hospital Enterprise
Statement of Comprehensive Income
for the period ended 30 June 2016

	Notes	2016 \$	2015 \$
EXPENSES			
Employee benefits	3A	3,063,313	2,982,544
Suppliers	3B	1,577,886	1,577,234
Depreciation and amortisation	3C	249,664	393,182
Loss on disposal of assets	3D	9,049	1,705
Write-down and impairment of assets	3E	422	612,816
Total expenses		4,900,335	5,567,481
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Sale of goods and rendering of services	4A	1,274,899	1,209,359
Fees	4B	1,401,732	1,623,414
Interest	4C	9,670	6,469
Rental income	4D	13,014	12,016
Other revenue	4E	59,253	54,525
Total own-source revenue		2,758,567	2,905,783
Resources received free of charge	4F	39,734	43,340
Total resources received free of charge		39,734	43,340
Net cost of services		(2,102,034)	(2,618,358)
Revenue received from Government	4G	2,576,848	1,787,390
Surplus (Deficit) attributable to the Norfolk Island Hospital Enterprise		474,814	(830,968)
OTHER COMPREHENSIVE INCOME			
Changes in asset revaluation reserves		-	(265,449)
Total other comprehensive income		-	(265,449)
Total comprehensive income (loss) attributable to the Norfolk Island Hospital Enterprise		474,814	(1,096,417)

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

Norfolk Island Hospital Enterprise
Statement of Financial Position
as at 30 June 2016

	Notes	2016 \$	2015 \$
ASSETS			
Financial Assets			
Cash and cash equivalents	2, 5A	1,274,391	520,127
Trade and other receivables	2, 5B	320,142	336,495
Other investments	2, 5C	216,660	219,543
Total financial assets		1,811,193	1,076,165
Non-Financial Assets			
Land and buildings	6A, 19	-	1,828,431
Property, plant and equipment	6B, 6C, 19	-	589,194
Intangibles	6D, 6E, 19	-	405
Inventories	2, 6F	176,754	199,151
Other non-financial assets	2, 6G	33,030	67,928
Total non-financial assets		209,784	2,685,109
Total assets		2,020,977	3,761,274
LIABILITIES			
Payables			
Suppliers	2, 7A	97,153	106,312
Other payables	2, 7B	802,585	101,899
Total payables		899,738	208,211
Provisions			
Employee provisions	2, 8A	43,631	720,205
Total provisions		43,631	720,205
Total liabilities		943,369	928,416
Net assets		1,077,608	2,832,858
EQUITY			
Contribution by owners		(2,230,064)	-
Reserves		-	316,386
Retained surplus (accumulated deficit)		3,307,671	2,516,472
Total equity		1,077,608	2,832,858

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

Norfolk Island Hospital Enterprise
Statement of Changes in Equity
for the period ended 30 June 2016

	Retained earnings		Asset revaluation reserve		Contributed equity		Total equity	
	2016	2015	2016	2015	2016	2015	2016	2015
	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance								
Balance carried forward from previous period	2,516,472	3,347,440	316,386	581,835	-	-	2,832,858	3,929,275
Adjusted opening balance	2,516,472	3,347,440	316,386	581,835	-	-	2,832,858	3,929,275
Restructures								
Distributions to Commonwealth					(2,230,064)	-	(2,230,064)	-
Net transactions with owners					(2,230,064)	-	(2,230,064)	
Comprehensive income								
Surplus (Deficit) for the period	474,814	(830,968)					474,814	(830,968)
Total comprehensive income	474,814	(830,968)	-	-	-	-	474,814	(830,968)
Transfers between equity components	316,385		(316,385)					
Revaluation								
Increase/(decrease) in value of assets			-	(265,449)			-	(265,449)
Total comprehensive income	-	-	-	(265,449)		-	-	(265,449)
Closing balance as at 30 June	3,307,671	2,516,472	-	316,386	(2,230,064)	-	1,077,608	2,832,858

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

Norfolk Island Hospital Enterprise
Cash Flow Statement
for the period ended 30 June 2016

	Notes	2016 \$	2015 \$
OPERATING ACTIVITIES			
Cash received			
Sales of goods and rendering of services		2,660,650	2,848,439
Receipts received from the Administration of Norfolk Island		2,601,848	1,841,636
Unearned Revenue		800,000	-
Donations		59,253	14,525
Interest		9,670	6,469
Total cash received		6,131,421	4,711,069
Cash used			
Employees and suppliers		5,308,870	4,440,058
Total cash used		5,308,870	4,440,058
Net cash from (used by) operating activities	9	822,551	271,010
INVESTING ACTIVITIES			
Cash received			
Proceeds received from investments		8,495	4,831
Total cash received		8,495	4,831
Cash used			
Purchase of land, property, plant and equipment		76,780	78,605
Total cash used		76,780	78,605
Net cash from (used by) investing activities		(68,285)	(73,775)
Net increase (decrease) in cash held			
		754,265	197,235
Cash and cash equivalents at the beginning of the reporting period		520,126	322,891
Cash and cash equivalents at the end of the reporting period	5A	1,274,391	520,126

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

Norfolk Island Hospital Enterprise
Schedule of Commitments
as at 30 June 2016

	2016	2015
	\$	\$
BY TYPE		
Commitments receivable		
Other ²	12,646	12,646
Total commitments receivable	<u>12,646</u>	<u>12,646</u>
Other commitments payable		
Other ³	42,719	172,635
Total other commitments	<u>42,719</u>	<u>172,635</u>
Total commitments payable	<u>42,719</u>	<u>172,635</u>
Net commitments by type	<u>30,074</u>	<u>159,989</u>
BY MATURITY		
Commitments receivable		
Other commitments receivable		
One year or less	12,646	12,646
From one to five years	-	-
Over five years	-	-
Total other commitments receivable	<u>12,646</u>	<u>12,646</u>
Total commitments receivable	<u>12,646</u>	<u>12,646</u>
Other commitments payable		
One year or less	37,769	141,999
From one to five years	4,950	30,636
Over five years	-	-
Total other commitments	<u>42,719</u>	<u>172,635</u>
Total commitments payable	<u>42,719</u>	<u>172,635</u>
Net commitments by maturity	<u>30,074</u>	<u>159,989</u>

Note:

1. Commitments were GST inclusive where relevant.
2. Other commitments receivable relate to Hospital managed residential property leases.
3. Other commitments payable relate to general service contracts.

Under the transitional provisions, NIHE contractual obligations transfer to Norfolk Island Health and Residential Aged Care Service (NIHRACS). The contracts are expected to be met on the same terms.

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

Norfolk Island Hospital Enterprise
Schedule of Contingencies
as at 30 June 2016

The Norfolk Island Hospital Enterprise has no quantifiable contingent assets or liabilities as at 30 June 2016 (2015: Nil).

Norfolk Island Hospital Enterprise has an unquantifiable contingent liability. Refer to Note 10.

Norfolk Island Hospital Enterprise
Notes to and Forming Part of the Financial Statements
for the period ended 30 June 2016

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1.1 Objectives of the Norfolk Island Hospital Enterprise

The Norfolk Island Hospital Enterprise (NIHE) was established under the *Norfolk Island Hospital Act 1985*. The NIHE was a body corporate with perpetual succession. The function of the NIHE was:

- a) to control, administer and manage the hospital;
- b) to ensure the efficient and effective delivery of health services to the Norfolk Island community;
- c) to strive to maintain and improve the health of persons in the Norfolk Island community;
- d) to plan for the long term development of the delivery of health services to the Norfolk Island community.

1.2 Basis of Preparation of the Financial Statements

The financial statements are general purpose financial statements and are required by section 38 of the *Norfolk Island Hospital Act 1985* and section 48B of the *Norfolk Island Act 1979*.

The financial statements have been prepared in accordance with:

- a) Commonwealth Finance Minister's (Norfolk Island) Orders 2011 (as amended) (CFMOs) for reporting periods ending on or after 1 July 2011; and
- b) Australian Accounting Standards and Interpretations issued by the Australian Accounting Standards Board (AASB) that apply for the reporting period.

The financial statements have been prepared on an accrual basis and in accordance with 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 the financial position.

The financial statements are presented in Australian dollars and values are rounded to the nearest dollar unless otherwise specified.

Unless an alternative treatment is specifically required by an accounting standard or the CFMOs, assets and liabilities are recognised in the Statement of Financial Position when and only when it is probable that future economic benefits will flow to the NIHE or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executor contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the schedule of commitments or the schedule of contingencies.

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

1.3 Going Concern

With effect from 18 June 2015, the Commonwealth amended the self-governance provisions of the *Norfolk Island Act 1979* to dissolve the Norfolk Island Legislative Assembly. From 1 July 2016, the Norfolk Island Administration (referred to as 'the Administration'), which comprised the consolidated entities of the Administration of Norfolk Island (ANI) and the Norfolk Island Hospital Enterprise (NIHE) ceased to exist and a new legal entity, the Norfolk Island Regional Council, came into existence.

The Administration is not a going concern because it ceased to exist as an entity from 1 July 2016.

The amending legislation provides that from that time:

- the assets and liabilities of the Administration will be transferred to the Regional Council.
- the assets of the NIHE will be transferred to the Commonwealth, with the liabilities transferred to the Regional Council.

The legislation also provides for the extension to Norfolk Island of mainland social security, immigration, and health arrangements, as well as changes to the tax system, and has provisions to allow the Commonwealth to enter into arrangements with the New South Wales Government for the delivery of state level services. Further details on the legislative transition are disclosed within Note 2: Events After the Reporting Period.

To assist with the regularisation of this transition, formal asset transfer arrangements were negotiated between the Commonwealth and the Administration. Details of these transfer arrangements are summarised in Note 19: Restructuring.

Since the majority of the business and operations carried on by the NIHE will continue in the ordinary course under NIHRACS or the Regional Council, the financial statements have been prepared on the basis that the NIHE's assets will be realised and liabilities discharged in the normal course of business of its successor bodies; the financial statements have therefore been prepared in accordance with Australian Accounting Standards

The NIHE received a significant annual subsidy from the Administration to support its operations. The Administration continues to experience financial difficulty. The Commonwealth of Australia has provided financial assistance in 2014/15 and 2015/16 to support the Administration with sufficient funds to meet expenditure commitments. This assistance currently extends to 30 June 2019 for the Regional Council. While the Regional Council has forecast balanced cash budgets in 2016/17, significant reform is still required to reduce expenditure in order to fund asset replacement and upgrade programs and achieve an accrual based surplus

The Norfolk Island Health Services Heads of Agreement signed between the Commonwealth and the NSW Government provides for future funding certainty for NIHRACS.

1.4 Significant Accounting Judgements and Estimates

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

- a) the relevant government bond rate has been used to discount non-current liabilities in accordance with the CFMOs;
- b) the liability for long service leave has been estimated using present value techniques in accordance with the Commonwealth shorthand method. This takes into account expected salary growth, attrition and future discounting using the Commonwealth bond rates;
- c) the fair value of land has been taken to be the market value of similar assets as determined by an independent qualified valuer. The fair value of individual land parcels is considered representative on their existing use and the fundamental assumption that they could be sold on a freehold basis;
- d) the fair value for buildings, property, plant and equipment of the NIHE has been taken to be the market value of similar assets, having regard to a depreciated replacement cost analysis, as determined by an independent valuer. Where possible the valuer endeavoured to identify comparable assets with a similar age, condition and specification to the assets listed and utilised a direct comparison basis as a primary method, with a depreciated replacement cost approach as a secondary method. Given the specialist nature of many of the assets heavy reliance on a depreciated replacement cost analysis has been necessary; and
- e) estimates are made in determining value-in-use for impairment purposes taking into account significant changes with an adverse effect on the condition of an asset, physical damage, and the manner in which the asset is expected to be used.

These policies largely relate to the relevant balances prior to transfer.

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

1.5 New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

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

All new accounting standards, revised standards or amending standards that were issued prior to the signing of the statement by the Administrator of the Australia Territory of Norfolk Island and General Manager (sign-off date) and are applicable to the current reporting period did not have a material effect and are not expected to have a future material impact on the NIHE's financial statements.

Future Australian Accounting Standard Requirements

All new accounting standards, revised standards or amending standards that were issued prior to the sign-off date and are applicable to the future reporting periods are not expected to have a material impact on the NIHE.

1.6 Revenue

Sale of Goods and Rendering of Services

Revenue from the sale of goods is recognised when:

- a) the risks and rewards of ownership have been transferred to the buyer;
- b) the NIHE retains no managerial involvement or effective control over the goods;
- c) the revenue and transaction costs incurred can be reliably measured; and
- d) it is probable that the economic benefits associated with the transaction will flow to the NIHE.

Revenue from rendering of services is recognised by reference to the stage of completion of contracts at the reporting date. The revenue is recognised when:

- a) the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- b) the probable economic benefits associated with the transaction will flow to the NIHE.

The stage of completion of contracts at the reporting date is determined by reference to the proportion that costs incurred to date bear to the estimated total costs of the transaction.

Receivables for goods and services, which have 30 day terms, are recognised at the nominal amounts due less any impairment allowance account. Collectability of debts is reviewed at end of the reporting period. Allowances are made when collectability of the debt is no longer probable.

Interest

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

Fees

Revenues resulting from fees and levies are, where possible, recognised when the transaction or event giving rise to the revenue occurs.

Revenue from Government

Revenue received from Government is recognised when the NIHE gains control of the funds.

1.7 Resources received free of charge

Resources Received Free of Charge

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.

Contributions of assets at no cost of acquisition or for nominal consideration are recognised as gains at their fair value when the asset qualifies for recognition.

Sale of Assets

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

1.8 Employee Benefits

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

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

Other long-term employee benefits are measured as net total of the present value of the estimated future cash outflows to be made in respect of services provided by employees up to the reporting date.

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees of the NIHE is estimated to be less than the annual entitlement for sick leave.

The leave liabilities are calculated on the basis of employees' remuneration at the estimated salary rates that will apply at the time the leave is taken, to the extent that the leave is likely to be taken during service rather than paid out on termination.

The estimate of the present value of the liability takes into account attrition rates and pay increases through promotion and inflation.

Superannuation

Full-time and permanent part-time employees who have been employed by the NIHE for greater than 12 months are eligible to contribute to an Employee Superannuation Scheme. The Employee Superannuation Scheme are defined contribution schemes.

1.9 Leases

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

Operating lease payments are expensed on a straight-line basis which is representative of the pattern of benefits derived from the leased assets.

1.10 Foreign Currency Transactions

Transactions denominated in a foreign currency are translated at the exchange rate prevailing at the date of the transaction. Foreign currency receivables are translated at the exchange rate prevailing at reporting date. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Statement of Comprehensive Income. The NIHE has not entered into specific forward exchange contracts during the reporting period.

1.11 Borrowing Costs

All borrowing costs are expensed as incurred.

1.12 Cash

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

Demand deposits of a maturity greater than three months are recognised as Other Investments.

1.13 Financial Assets

The NIHE classifies its financial assets in the following categories: 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.

Loans and Receivables

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

Impairment of Financial Assets

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

Financial assets carried at amortised cost - if there is objective evidence that an impairment loss has been incurred for loans and receivables, 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.

1.14 Financial Liabilities

Financial liabilities are classified as other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

Other Financial Liabilities

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

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

1.15 Contingent Liabilities and Contingent Assets

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.

1.16 Acquisition of Assets

Assets are recorded at cost on acquisition except as stated below. The cost of acquisition includes the fair value of assets transferred in exchange and liabilities undertaken. Financial assets are initially measured at their fair value plus transaction costs where appropriate.

Assets acquired at no cost, or for nominal consideration, are initially recognised as assets and income at their fair value at the date of acquisition.

1.17 Land, Buildings, Property, Plant and Equipment

Asset Recognition Threshold

Purchases of land, building, property, plant and equipment are recognised initially at cost in the balance sheet, except for purchases costing less than \$300 which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

The initial cost of an asset includes an estimate of the cost of dismantling and removing the item and restoring the site on which it is located.

Revaluations

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

<i>Asset class</i>	<i>Fair value measurement</i>
Land	Market selling price
Buildings on freehold land	Market selling price / depreciated replacement cost
Property, plant and equipment	Market selling price / depreciated replacement cost

Following initial recognition at cost, land, buildings, property, plant and equipment were carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations were conducted with sufficient frequency to ensure that the carrying amounts of assets did not differ materially from the assets' fair values as at the reporting date. The regularity of independent valuations depended upon the volatility of movements in market values for the relevant assets.

Revaluation adjustments were made on a class basis. Any revaluation increment was credited to equity under the heading of asset revaluation reserve except to the extent that it reversed a previous revaluation decrement of the same asset class that was previously recognised in the surplus/deficit. Revaluation decrements for a class of assets were recognised directly in the surplus/deficit except to the extent that they reversed a previous revaluation increment for that class.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the asset restated to the revalued amount.

Depreciation

Depreciable buildings, property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the NIHE using, in all cases, the straight-line method of depreciation. Land is not depreciated.

Depreciation rates (useful lives), residual values and methods are reviewed at each reporting date and necessary adjustments are recognised in the current, or current and future reporting periods, as appropriate.

Depreciation rates applying to each class of depreciable asset are based on the following useful lives:

<i>Asset class</i>	<i>2016</i>	<i>2015</i>
Buildings on freehold land	10 to 40 years	10 to 40 years
Property, plant and equipment	4 to 30 years	4 to 30 years

Impairment

All assets were assessed for impairment at the time of transfer to the Commonwealth. Where indications of impairment exist, the asset's recoverable amount is estimated and an impairment adjustment made if the asset's recoverable amount is less than its carrying amount.

The recoverable amount of an asset is the higher of its fair value less costs to sell and its value in use. Value in use is the present value of the future cash flows expected to be derived from the asset. Where the future economic benefit of an asset is not primarily dependent on the asset's ability to generate future cash flows, and the asset would be replaced if the NIHE were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

Derecognition

An item of land, building, property, plant and equipment is derecognised upon transfer, disposal or when no further future economic benefits are expected from its use or disposal.

1.18 Intangibles

The NIHE's intangibles comprise acquired software for internal use. These assets are carried at cost less accumulated amortisation and accumulated impairment losses, except where the estimated cost of software is less than the \$300 threshold and expensed in the year of acquisition.

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the NIHE's software are 3 to 10 years (2015: 3 to 10 years).

All software assets were assessed for indications of impairment as at 30 June 2016.

1.19 Inventories

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

Inventories held for distribution are valued at cost, adjusted for any loss of service potential.

Costs incurred in bringing each item of inventory to its present location and condition are assigned as follows:

- a) raw materials and stores – purchase cost on a first-in-first-out basis; and
- b) finished goods and work-in-progress – cost of direct materials and labour plus attributable costs that can be allocated on a reasonable basis.

Inventories acquired at no cost or nominal consideration are initially measured at current replacement cost at the date of acquisition.

1.20 Consumable Store

Stocks of consumable stores, which are not held for resale, are expensed in the year of purchase. These stores mainly consist of medical, laboratory, dental clinic, x-ray and physiotherapy supplies and stationery.

1.21 Taxation

The NIHE is exempt from all forms of taxation except the Goods and Services Tax (GST).

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

- a) where the amount of GST incurred is not recoverable from the Norfolk Island GST Office; and
- b) for receivables, payables and commitments.

1.22 Related Entities Disclosure

Related entity values disclosed in Note 3B - Supplier Expenses, Note 4A - Sale of goods and rendering of services, Note 5B - Trade and other receivables, and Note 7A - Trade creditors and accruals, reflect business transactions between the Administration of Norfolk Island and the NIHE.

Note 2: Events After the Reporting Period

From 1 July 2016, the Australian Government assumed responsibility for delivering health services on Norfolk Island.

From 1 July, health services will be provided through a new entity, the Norfolk Island Health and Residential Aged Care Service (NIHRACS). NIHRACS is a corporate entity established under the *Norfolk Island Health and Residential Aged Care Services Act 1985*.

The delivery of these services will be performed by the New South Wales Government, under a Norfolk Island Health Services Heads of Agreement with the Commonwealth. Under this agreement, the NSW Government will exercise powers and provide oversight to NIHRACS as an affiliated Health Organisation under the NSW *Health Services Act 1997*.

Summary of transferring NIHE 30 June 2016 balances

To assist with the regularisation of this transition, formal asset transfer arrangements were negotiated between the Commonwealth and the Administration for fixed assets. Details of these transfer arrangements are summarised in Note 19: Restructuring.

The amending legislation provides that from 1 July 2016, the assets of NIHE transfer to NIHRACS with the liabilities to the NIRC. Unearned revenue and long service leave balances relate to ongoing operations in NIHRACS.

Transferring to NIHRACS

ASSETS

Cash and cash equivalents	1,274,391
Trade and other receivables	320,142
Other investments	216,660
Inventories	176,754
Other non-financial assets	33,030
	<u>2,020,977</u>

LIABILITIES

Unearned revenue	800,000
Long service leave	43,631
	<u>843,631</u>
Net Assets	<u>1,177,346</u>

Transfer to NIRC

LIABILITIES

Suppliers	97,153
Accrued salaries and wages	2,585
Net Liabilities	<u>99,738</u>

Note 3: Expenses

	2016	2015
	\$	\$
Note 3A: Employee Benefits		
Wages and salaries	3,024,183	2,943,423
Superannuation	39,129	39,121
Total employee benefits	3,063,313	2,982,544
Note 3B: Supplier		
Goods and services		
General hospital	418,314	281,973
Dispensary	448,525	515,946
Laboratory	150,658	193,495
Physiotherapy department	6,741	26,702
Dental	56,088	62,846
Aged care	78,867	23,795
Other	396,847	452,057
Total goods and services	1,556,040	1,556,815
Goods and services are made up of:		
Provision of goods – related entities	-	-
Provision of goods – external entities	764,805	687,071
Rendering of services – related entities	233,520	241,791
Rendering of services – external entities	557,715	627,953
Total goods and services	1,556,040	1,556,815
Other supplier expenses		
Workers compensation expenses	21,847	20,419
Total other supplier expenses	21,847	20,419
Total supplier expenses	1,577,886	1,577,234
Note 3C: Depreciation and Amortisation		
Depreciation:		
Property, plant and equipment	147,786	103,867
Buildings	101,590	289,095
Total depreciation	249,376	392,962
Amortisation:		
Intangibles - computer software	288	220
Total amortisation	288	220
Total depreciation and amortisation	249,664	393,182
Note 3D: Loss on Sale of Assets		
Property, plant and equipment:		
Carrying value of assets sold	9,049	1,705
Total losses from asset sales	9,049	1,705
Note 3E: Write-Down and Impairment of Assets		
Asset write-down and impairments from:		
Bad debts	422	874
Asset revaluation adjustment recognised in operating result	-	611,942
Total write-down and impairment of assets	422	612,816

Note 4: Income

	2016	2015
OWN-SOURCE INCOME	\$	\$

Note 4A: Sale of Goods and Rendering of Services

Provision of goods - related entities	-	-
Provision of goods - external entities	719,870	676,667
Rendering of services - related entities	59,597	50,342
Rendering of services - external entities	495,432	482,350
Total sale of goods and rendering of services	1,274,899	1,209,359

Note 4B: Fees

General hospital fees	365,573	421,861
Laboratory fees	152,250	174,987
X-Ray fees	69,299	76,731
Dental fees	121,478	123,018
Aged care fees	693,131	826,817
Total fees	1,401,732	1,623,414

Fees for Healthcare related services amounting to \$1,010,514 (2015: \$816,651) were received from the Administration of Norfolk Island.

Note 4C: Interest

Deposits	9,670	6,469
Total interest	9,670	6,469

Note 4D: Rental Income

Hospital properties	13,014	12,016
Total rental income	13,014	12,016

Note 4E: Other Revenue

Donations	59,253	14,525
Write back from Doubtful Debt provision	-	40,000
Total other revenue	59,253	54,525

Note 4F: Resources Received Free of Charge

Audit services	35,000	30,000
Insurance and asset revaluation services	4,734	13,340
Total resources received free of charge	39,734	43,340

REVENUE FROM GOVERNMENT

Note 4G: Revenue from Government

Revenue received from the Administration of Norfolk Island	2,576,848	1,787,390
Total revenue from Government	2,576,848	1,787,390

Note 5: Financial Assets

	2016	2015
	\$	\$
Note 5A: Cash and Cash Equivalents		
Cash on hand or on deposit	1,274,391	520,127
Total cash and cash equivalents	1,274,391	520,127
Note 5B: Trade and Other Receivables		
Goods and Services:		
Goods and services - related entities	197,023	114,056
Goods and services - external entities	283,120	357,439
Total receivables for goods and services	480,142	471,495
Appropriation Receivable:		
Appropriation Receivable from the Administration of Norfolk Island	-	25,000
Total appropriation receivable	-	25,000
Less impairment allowance account:		
Goods and services	(160,000)	(160,000)
Total impairment allowance account	(160,000)	(160,000)
Total trade and other receivables (net)	320,142	336,495
Receivables are expected to be recovered in:		
No more than 12 months	320,142	336,495
Total trade and other receivables (net)	320,142	336,495
Receivables are aged as follows:		
Not overdue	181,791	246,827
Overdue by:		
0 to 30 days	138,786	87,496
31 to 60 days	10,614	6,514
More than 60 days	148,951	155,658
Total receivables (gross)	480,142	496,495
The impairment allowance account is aged as follows:		
Overdue by:		
0 to 30 days	(436)	2,172
31 to 60 days	(10,614)	(6,514)
More than 60 days	(148,951)	(155,658)
Total impairment allowance account	(160,000)	(160,000)
Reconciliation of the Impairment Allowance Account:		
Movements in relation to 2016		
	Goods and services	Total
	\$	\$
Opening balance	(160,000)	(160,000)
Amounts written off	-	-
Closing balance	(160,000)	(160,000)
Movements in relation to 2015		
	Goods and services	Total
	\$	\$
Opening balance	(200,000)	(200,000)
Amounts written off	40,000	40,000
Closing balance	(160,000)	(160,000)
	2016	2015
	\$	\$
Note 5C: Other Investments		
Term deposits	216,660	219,543
Total other investments	216,660	219,543

Refer also to Note 16.

All other investments are expected to be recovered within 12 months.

Note 6: Non-Financial Assets

	2016 \$	2015 \$
Note 6A: Land and Buildings		
Land:		
Fair value	-	375,000
Total land	-	375,000
Buildings on freehold land:		
Fair value	-	1,453,431
Accumulated depreciation	-	-
Total buildings on freehold land	-	1,453,431
Total land and buildings	-	1,828,431

For details on assets transferred to the Commonwealth, refer to Note 19.

Note 6B: Property, Plant and Equipment

Property, plant and equipment:		
Work in progress	-	21,489
Fair value	-	567,705
Accumulated depreciation	-	-
Total property, plant and equipment	-	589,194

For details on assets transferred to the Commonwealth, refer to Note 19.

Note 6C: Reconciliation of the Opening and Closing Balances of Land and Buildings, Property, Plant and Equipment 2016

	Land \$	Buildings \$	Total land & buildings \$	Property, plant & equipment \$	Total \$
As at 1 July 2015					
Gross book value	375,000	1,453,431	1,828,431	589,194	2,417,625
Accumulated depreciation and impairment	-	-	-	-	-
Net book value 1 July 2015	375,000	1,453,431	1,828,431	589,194	2,417,625
Additions:					
By purchase or donation	-	-	-	87,601	87,601
Work in progress	-	-	-	4,836	4,836
Depreciation expense	-	(101,590)	(101,590)	(147,786)	(249,376)
Revaluation Impairment	-	-	-	-	-
Disposals	-	(0)	(0)	(30,738)	(30,738)
Transfer to Commonwealth	(375,000)	(1,351,841)	(1,726,841)	(503,106)	(2,229,947)
Net book value 30 June 2016	-	(0)	(0)	0	0
Net book value as of 30 June 2016					
Gross book value	-	-	-	-	-
Accumulated depreciation and impairment	-	-	-	-	-
Net book value 30 June 2016	-	-	-	-	-

Note 6C (Cont'd): Reconciliation of the Opening and Closing Balances of Land and Buildings, Property, Plant and Equipment 2015

	Land \$	Buildings \$	Total land & buildings \$	Property, plant & equipment \$	Total \$
As at 1 July 2014					
Gross book value	375,000	3,236,476	3,611,476	862,869	4,474,345
Accumulated depreciation and impairment	-	(576,989)	(576,989)	(276,532)	(853,521)
Net book value 1 July 2014	375,000	2,659,487	3,034,487	586,337	3,620,824
Additions:					
By purchase or donation	-	-	-	46,923	46,923
Work in progress	-	-	-	21,489	21,489
Depreciation expense	-	(289,095)	(289,095)	(103,867)	(392,962)
Revaluation Impairment	-	(611,942)	(611,942)	-	(611,942)
Disposals	-	-	-	(2,046)	(2,046)
Revaluation adjustment	-	(305,019)	(305,019)	40,358	(264,661)
Net book value 30 June 2015	375,000	1,453,431	1,828,431	589,194	2,417,625
Net book value as of 30 June 2015					
Gross book value	375,000	1,453,431	1,828,431	589,194	2,417,625
Accumulated depreciation and impairment	-	-	-	-	-
Net book value 30 June 2015	375,000	1,453,431	1,828,431	589,194	2,417,625

Note 6: Non-Financial Assets

	2016	2015
	\$	\$
Note 6D: Intangibles		
Computer software:		
Purchased	117	405
Accumulated amortisation	-	-
Transfer to the Commonwealth	(117)	-
Total computer software	-	405
Total intangibles	-	405

For details on assets transferred to the Commonwealth, refer to Note 19.

Note 6E: Reconciliation of the Opening and Closing Balances of Intangibles 2016

	Computer software purchased
	\$
As at 1 July 2015	
Gross book value	405
Accumulated amortisation and impairment	-
Net book value 1 July 2015	405
Additions by purchase or internally developed	-
Amortisation	(288)
Transfer to the Commonwealth	(117)
Net book value 30 June 2016	0
Net book value as of 30 June 2016 represented by:	
Gross book value	117
Accumulated amortisation and impairment	-
Transfer to the Commonwealth	(117)
Net book value 30 June 2016	-

Note 6E (Cont'd): Reconciliation of the Opening and Closing Balances of Intangibles 2015

	Computer software purchased
	\$
As at 1 July 2014	
Gross book value	2,294
Accumulated amortisation and impairment	(880)
Net book value 1 July 2014	1,414
Additions by purchase or internally developed	-
Amortisation	(220)
Impairment adjustment	(788)
Net book value 30 June 2015	405
Net book value as of 30 June 2015 represented by:	
Gross book value	405
Accumulated amortisation and impairment	-
Net book value 30 June 2015	405

	2016	2015
	\$	\$

Note 6F: Inventories

Inventories held for sale:		
Finished goods	131,469	131,108
Total inventories held for sale	131,469	131,108
Inventories held for distribution	45,285	68,043
Total inventories	176,754	199,151

During 2016, \$405,125 of inventory held for sale was sold and recognised as a supplier expense (2015: \$382,673).

During 2015, \$147,690 of inventory held for distribution was used and recognised as a supplier expense (2015: \$127,756).

No items of inventory were recognised at fair value less cost to sell.

All inventories are expected to be sold or distributed in the next 12 months and transfer to NIHRACS (refer to Note 2).

Note 6G: Other Non-Financial Assets

Prepayments	33,030	67,928
Total other non-financial assets	33,030	67,928

All other financial assets are expected to be recovered in the next 12 months and transfer to NIHRACS (refer to Note 2).

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

Note 7: Payables

	2016	2015
	\$	\$
Note 7A: Suppliers		
Trade creditors and accruals	97,153	106,312
Total suppliers payables	<u>97,153</u>	<u>106,312</u>
Suppliers payables expected to be settled within 12 months:		
Related entities	24,826	21,503
External entities	72,328	84,809
Total	<u>97,153</u>	<u>106,312</u>

Settlement is usually made within 30 days. Refer to Note 2 regarding the transfer of supplier payables.

Note 7B: Other Payables

Accrued salaries and wages	2,585	101,899
Unearned revenue	800,000	-
Total other payables	<u>802,585</u>	<u>101,899</u>

All other payables are expected to be settled within 12 months.

Unearned revenue relates to Commonwealth funding for the new NIHRACS entity. For details, refer to Note 2.

Note 8: Provisions

	2016	2015
	\$	\$
Note 8A: Employee Provisions		
Annual leave	-	233,263
Long service leave	43,631	399,360
Other	-	87,582
Total employee provisions	43,631	720,205
Employee provisions are expected to be settled in:		
No more than 12 months	-	442,735
More than 12 months	43,631	277,470
Total employee provisions	43,631	720,205

With the transition to NIHRACS, a decision was made by the NIHE executive to honour all annual leave, long-service leave and remaining contractual entitlements. The long service leave liability balance that remains relates to NIHE permanent staff who have less than 10 years service. These staff did not have their accrued long service leave entitlements paid out and instead this service will be honoured by NIHRACS.

Note 9: Cash Flow Reconciliation

	2016	2015
	\$	\$
Reconciliation of cash and cash equivalents as per Statement of Financial Position to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash flow statement	1,274,392	520,126
Statement of financial position	1,274,391	520,127
Difference	<u>-</u>	<u>-</u>
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	(2,102,034)	(2,618,358)
Add revenue from Government	2,576,848	1,787,390
Adjustments for non-cash items		
Depreciation / amortisation	249,664	393,182
(Gains)/loss from sale of property, plant and equipment	9,049	1,705
Write down and impairment of assets	422	612,816
Changes in assets / liabilities		
(Increase) / decrease in trade and other receivables	16,353	37,785
(Increase) / decrease in inventories	22,397	2,601
(Increase) / decrease in other non-financial assets	34,898	(12,136)
Increase / (decrease) in employee provisions	(676,574)	77,966
Increase / (decrease) in supplier payables	(9,159)	473
Increase / (decrease) in other payables	700,686	(12,414)
Net cash from (used by) operating activities	<u>822,551</u>	<u>271,010</u>

Note 10: Contingent Assets and Liabilities

Quantifiable Contingencies

The Norfolk Island Hospital Enterprise had no quantifiable contingencies as at 30 June 2016 (2015: Nil).

Unquantifiable Contingencies

The Norfolk Island Hospital Enterprise is currently involved in a legal dispute for which the extent of the claim is unquantifiable as at 30 June 2016 (2015: Nil)

Significant Remote Contingencies

The Norfolk Island Hospital Enterprise had no significant remote contingencies as at 30 June 2016 (2015: Nil).

Note 11: Related Party Transactions

Note 11A: Advisory Board Members for the Reporting Period

The Board Members of the Norfolk Island Hospital Enterprise during the reporting period were:

	Appointed	Resigned
Ms. Candice Snell	20-Aug-2012	10-Mar-16
Mr. Shane McCoy	20-Aug-2012	10-Mar-16
Mr. Brett Sanderson	28-Mar-14	10-Mar-16
Mr. Gerri Marr	16-Apr-14	10-Mar-16
Mrs. Rhonda Griffiths	16-Feb-15	10-Mar-16

The Advisory Board was discontinued in March 2016 due to there being no quorum of appointed members. Not filling these vacancies represents non-compliance with section 10 of the *Norfolk Island Hospital Act 1985*.

Note 11B: Transactions with Advisory Board Members

The Norfolk Island Hospital Enterprise had no related party transactions for the reporting period (2015: Nil).

Note 12: Senior Management Personnel Remuneration

	2016	2015
	\$	\$
Short-term employee benefits		
Salary	131,546	89,174
Gratuity	4,431	5,864
Other	-	3,157
Total short-term employee benefits	135,976	98,195
Post-employment benefits		
Superannuation	-	-
Total post-employment benefits	-	-
Other long-term employee benefits		
Annual leave	5,214	6,920
Total other long-term employee benefits	5,214	6,920
Total senior executive remuneration expenses	141,189	105,115

The total number of senior management personnel that are included in the above is two (2015: 1).

Note 13: Remuneration of Auditors

	2016	2015
	\$	\$
Fair value of the services provided		
Financial statement audit services	<u>35,000</u>	<u>30,000</u>
Total	<u>35,000</u>	<u>30,000</u>

The 2015/16 financial statement audit services were provided to the Norfolk Island Hospital Enterprise by the Australian National Audit Office and the audit fees were paid by the Department of Infrastructure and Regional Development.

No other services were provided by the Australian National Audit Office.

Note 14: Financial Instruments

	2016	2015
	\$	\$
Note 14A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables:		
Cash and cash equivalents	1,274,391	520,127
Trade and other receivables	480,142	471,495
Other investments	216,660	219,543
Total	1,971,193	1,211,165
Carrying amount of financial assets	1,971,193	1,211,165
Financial Liabilities		
At amortised cost:		
Trade creditors	97,153	106,312
Total	97,153	106,312
Carrying amount of financial liabilities	97,153	106,312
Note 14B: Net Income and Expense from Financial Assets		
Loans and receivables		
Interest revenue	9,670	6,469
Net gain from loans and receivables	9,670	6,469
Net gain from financial assets	9,670	6,469

There was no interest income from financial assets not at fair value through profit or loss in the year ending 2016 (2015: Nil).

Note 14C: Fair Value of Financial Instruments

The determination of fair values for financial assets and financial liabilities is the carrying value. —

Note 14: Financial Instruments

Note 14D: Credit Risk

The Norfolk Island Hospital Enterprise was exposed to minimal credit risk as loans and receivables were cash and trade receivables. The maximum exposure to credit risk was the risk that arises from potential default of a debtor. This amount was equal to the total amount of trade receivables (2016: \$480,142 and 2015: \$471,495).

The Norfolk Island Hospital Enterprise has assessed the risk of the default on payment and had allocated \$160,000 in 2016 (2015: \$160,000) to an impairment allowance account. The Hospital Enterprise manages its credit risk by undertaking various debt recovery techniques.

The Hospital Enterprise held no collateral to mitigate against credit risk.

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

	Not past due nor impaired	Not past due nor impaired	Past due or impaired	Past due or impaired
	2016	2015	2016	2015
	\$	\$	\$	\$
Cash and cash equivalents	1,274,391	520,127	-	-
Other investments	216,660	219,543	-	-
Trade and other receivables	181,791	221,827	298,351	249,668
Total	1,672,841	961,497	298,351	249,668

Ageing of financial assets that were past due but not impaired for 2016

	0 to 30 days	31 to 60 days	60+ days	Total
	\$	\$	\$	\$
Trade and other receivables	138,350	-	-	138,350
Total	138,350	-	-	138,350

Ageing of financial assets that were past due but not impaired for 2015

	0 to 30 days	31 to 60 days	60+ days	Total
	\$	\$	\$	\$
Trade and other receivables	89,668	-	-	89,668
Total	89,668	-	-	89,668

Note 14E: Liquidity Risk

The Norfolk Island Hospital Enterprise's financial liabilities are supplier payables. The exposure to liquidity risk was based on the notion that the Norfolk Island Hospital Enterprise will encounter difficulty in meeting its obligations associated with financial liabilities. The Norfolk Island Hospital Enterprise received a significant subsidy from the Administration of Norfolk Island. The Norfolk Island Hospital Enterprise manages its budget to ensure it has adequate funds to meet commitments as they fall due. In addition, the Norfolk Island Hospital Enterprise has policies in place to ensure timely payments were made when due and has no past experience of default.

Maturities for non-derivative financial liabilities 2016

	On demand	within 1 year	1 to 2 years	2 to 5 years	>5 years	Total
	\$	\$	\$	\$	\$	\$
Trade creditors	-	97,153	-	-	-	97,153
Total	-	97,153	-	-	-	97,153

Maturities for non-derivative financial liabilities 2015

	On demand	within 1 year	1 to 2 years	2 to 5 years	>5 years	Total
	\$	\$	\$	\$	\$	\$
Trade creditors	-	106,312	-	-	-	106,312
Total	-	106,312	-	-	-	106,312

The Norfolk Island Hospital Enterprise had no derivative financial liabilities in either 2016 or 2015.

Note 15: Financial Assets and Liabilities Reconciliation

	Notes	2016	2015
		\$	\$
Financial assets			
Total financial assets as per balance sheet		1,811,193	1,076,165
Add: non-financial instrument components			
Impairment allowance for goods and services	5B	(160,000)	(160,000)
Appropriations receivable	5B	-	25,000
Total non-financial instrument components		(160,000)	(135,000)
Total financial assets as per financial instruments note		1,971,193	1,211,165
Total financial liabilities as per Balance Sheet		943,369	928,416
Less: non-financial instrument components:			
Employee provisions	8A	43,631	720,205
Other payables	7B	802,585	101,899
Total non-financial instrument components		846,216	822,104
Total financial liabilities as per financial instruments note		97,153	106,312

Note 16: Investments

Note 16: Investments made under the *Norfolk Island Hospital Act 1985*, section 32

2016	Balance brought forward from previous period \$	Investments made \$	Investment income \$	Transactional charges \$	Investments realised \$	Total balance carried to the next period \$
Norfolk Island Hospital Employees Entitlements Account ¹	81,385	-	4,194	-	(85,579)	-
Donations Account ²	35,490	-	1,136	-	(36,626)	-
Donations Account ²	-	110,826	189	-	-	111,015
Edna Noonan Account ³	39,783	-	1,313	-	-	41,096
Pearl May Account ⁴	24,613	-	666	-	-	25,279
Emilie Channer Account ⁵	38,272	-	998	-	-	39,270
Total	219,543	110,826	8,495	-	(122,205)	216,660

2015	Balance brought forward from previous period \$	Investments made \$	Investment income \$	Transactional charges \$	Investments realised \$	Total balance carried to the next period \$
Norfolk Island Hospital Employees Entitlements Account ¹	79,638	-	1,747	-	-	81,385
Donations Account ²	35,138	-	352	-	-	35,490
Edna Noonan Account ³	39,024	-	759	-	-	39,783
Pearl May Account ⁴	23,827	-	786	-	-	24,613
Emilie Channer Account ⁵	37,085	-	1,187	-	-	38,272
Total	214,711	-	4,832	-	-	219,543

Notes:

1. Funds held in the Norfolk Island Hospital Employees Entitlements Account were monies specifically assigned to pay for expenses associated with employee entitlements. These funds have been paid out and the account was closed as at 30 June 2016. Refer also to Note 8A: Employee Provisions.
2. Funds held in the Donations Account are monies donated or received for specific reasons or earmarked for the benefit of a certain department, other than the day to day running costs of the Norfolk Island Hospital Enterprise. The balance represents the reinvestment of existing term deposits plus investment of cash donations received during the period.
3. Funds held in the Edna Noonan Account have been bequeathed to pay for costs associated with the care of the elderly and cannot be used for any other purpose.
4. Funds held in the Pearl May Account have been bequeathed to pay for costs associated with the care of the elderly and cannot be used for any other purpose.
5. Funds held in the Emilie Channer District Nursing Service Account are monies to pay for costs associated with the District Nursing Service and cannot be used for any other purpose.

Note 17: Ex-Gratia Payments

	2016	2015
	\$	\$
Ex-Gratia Payments		
Ex-gratia payments were provided for during the reporting period.	<u>-</u>	<u>2,021</u>

Note 18: Assets Held in Trust

Monetary assets

The Norfolk Island Hospital Enterprise holds superannuation funds on behalf of members of the Norfolk Island Hospital Employee Superannuation Scheme under formal trust arrangements. These monies were not available for other purposes of the Norfolk Island Hospital Enterprise and were not recognised in the financial statements.

Non-monetary assets

The Norfolk Island Hospital Enterprise had no non-monetary assets held in trust in both the current and prior reporting period. Norfolk Island Hospital Enterprise Staff Superannuation funds were transferred to individual staff nominated Superannuation Funds during 2014 / 2015.

	2016	2015
	\$	\$
Norfolk Island Hospital Employee Superannuation Scheme		
Total amount held at the beginning of the reporting period	-	835,324
Receipts	-	40,600
Payments	-	(875,924)
Total amount held at the end of the reporting period	-	-

Note 19: Restructure

The *Norfolk Island Land Transfer Ordinance 2016* (ordinance) came into effect on 11 May 2016, which allowed for the transfer of assets between the Commonwealth and Norfolk Island.

On the 28 June 2016, the Commonwealth Minister for Territories, Local Government and Major Projects approved the following transfer of assets from the Norfolk Island Hospital Enterprise to the Commonwealth under section 4 of the ordinance.

The result of this transfer was that the NIHE had no fixed assets as at 30 June 2016. All key fair value measurement and accounting policy information has been disclosed within Note 1.17 and Note 6C.

	28/6/2016
	\$
ASSETS	
Non-Financial Assets	
Land	375,000
Buildings	1,351,841
Property, plant and equipment	503,106
Intangibles	117
Total assets transferred to the Commonwealth	2,230,064