



# Financial Statements 2012/13

---

Administration of Norfolk Island

---



## INDEPENDENT AUDITOR'S REPORT

### To:

**The Minister for Finance of the Government of Norfolk Island;  
The Commonwealth Assistant Minister for Infrastructure and Regional Development;  
The Administrator of the Territory of Norfolk Island.**

I am required by section 48C of the *Norfolk Island Act 1979* to audit the accompanying financial statements of the Administration of Norfolk Island and the Consolidated Group for the year ended 30 June 2013, which comprise: a statement by the Minister for Finance of the Government of Norfolk Island and the Chief Executive Officer of the Administration of Norfolk Island; Statements of Comprehensive Income; Balance Sheets; Cash Flow Statements; Statements of Changes in Equity; and Schedules of Commitments and Contingencies; and Notes to and Forming Part of the Financial Statements, including a Summary of Significant Accounting Policies. The Consolidated Group comprises the Administration of Norfolk Island, the Norfolk Island Hospital Enterprise and the Norfolk Island Government Tourist Bureau.

### Minister for Finance's Responsibility for the Financial Statements

The Minister for Finance of the Government of Norfolk Island is responsible for the preparation of the financial statements that give a true and fair view in accordance with the *Commonwealth Finance Minister's (Norfolk Island) Orders 2011* made under the *Norfolk Island Act 1979*, including the Australian Accounting Standards, and for such internal control as is necessary to enable the preparation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. Because of the matter described in the Basis for Disclaimer of Opinion paragraph, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### Independence

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

#### **Basis for Disclaimer of Opinion**

Note 1.3 of the Notes to and forming part of the financial statements states that the financial statements of the Administration of Norfolk Island (the Administration) and the Consolidated Group have been prepared on a going concern basis which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business.

Note 1.3 also discloses that the Administration is currently experiencing financial difficulty, associated with a continuing economic downturn and a decline in tourism, and continues to incur losses. Financial assistance, subject to conditions, has been received from the Commonwealth of Australia in each of the years 2010–11, 2011–12, and 2012–13 to enable the Administration to meet the expenditure commitments that have fallen due. Further, Note 1.3 discloses that the Commonwealth's funding commitments end at 30 June 2014. At the date of my report, no further financial assistance has been negotiated.

The Administration has prepared cash flow forecasts that estimate that the Administration will not hold sufficient cash and cash equivalents as at 30 June 2014 to cover net cash outflows from operations in the 2014–15, 2015–16 and 2016–17 financial years of approximately \$7.4 million, \$7.4 million and \$7.8 million respectively. In addition, these forecasts do not provide for any repayments of the outstanding balance of \$11.4 million of a loan from the Commonwealth. The Commonwealth has agreed to the deferral of repayments totalling \$4.8 million which were due in the four financial years to 30 June 2014. Further repayments of \$1.2 million will become due under the loan agreement in each of the financial years 2014–15, 2015–16 and 2016–17.


Note 1.3 states that the forecast significant negative net cash flows and the end of the Commonwealth's current funding commitment to 30 June 2014 give rise to a material uncertainty that may cast significant doubt upon the Administration's ability to continue as a going concern. Note 1.3 also states that in the event that the Administration does not obtain additional funding from the Commonwealth and/or reduce expenditure in line with available revenue, the Administration may not be able to continue its operations as a going concern and therefore may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial statements. Note 1.3 states that, nevertheless, that there is no intention by the management of the Administration or the Government of Norfolk Island to cease the operations of the Administration or the Consolidated Group, or to liquidate any assets.

However, I have not been provided with sufficient appropriate audit evidence by the Administration of how the Administration and the Consolidated Group's funding requirements will be met to enable the Administration and the Consolidated Group to continue to operate in 2014-15 and later years. Consequently, I am unable to conclude whether the going concern assumption is appropriate and hence remove significant doubt of the Administration's and the Consolidated Group's ability to continue as going concerns.

**Disclaimer of Opinion**

Because of the significance of the going concern matter described in the Basis for Disclaimer of Opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide the basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements of the Administration of Norfolk Island or the Consolidated Group.

Australian National Audit Office



John McCullough  
Executive Director  
Delegate of the Auditor-General

Canberra  
10 December 2013

**Administration of Norfolk Island**

**STATEMENT BY THE MINISTER FOR FINANCE AND THE CHIEF EXECUTIVE OFFICER**

In our opinion, the attached consolidated financial statements for the year ended 30 June 2012 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 made under the *Norfolk Island Act 1979* and the Australian Accounting Standards.

Signed.....

The Hon. Timothy J. Sheridan  
Minster for Finance  
Government of Norfolk Island

10 December 2013

Signed.....

Mr. Jonathan Gibbons  
Chief Executive Officer  
Administration of Norfolk Island

10 December 2013

**Consolidated Financial Statements**  
**Statement of Comprehensive Income**  
for the period ended 30 June 2013

	Notes	Consolidated		Administration	
		2013	2012	2013	2012
		\$	\$	\$	\$
<b>EXPENSES</b>					
Employee benefits	3A	11,311,107	11,855,209	7,989,642	8,620,702
Supplier	3B	23,760,932	45,762,394	21,469,491	43,158,095
Grants	3C	51,500	14,000	3,368,045	3,692,343
Depreciation and amortisation	3D	6,210,027	6,161,171	5,742,386	5,687,980
Loss on sale of assets	3E	147,109	598	140,333	-
Write-down and impairment of assets	3F	19,535	93,019	11,260	-
Other expenses	3G	23,855	188,773	23,855	188,773
<b>Total expenses</b>		<b>41,524,065</b>	<b>64,075,164</b>	<b>38,745,012</b>	<b>61,347,893</b>
<b>LESS:</b>					
<b>OWN-SOURCE INCOME</b>					
<b>Own-source revenue</b>					
Sale of goods and rendering of services	4A	19,782,982	33,449,021	18,903,628	32,097,037
Taxation revenue	4B	8,652,404	9,255,907	8,652,404	9,255,907
Fees and fines	4C	3,382,519	3,550,243	2,062,377	2,156,178
Interest	4D	87,087	176,113	75,541	170,219
Rental income	4E	88,713	116,523	76,786	102,879
Royalties	4F	350	750	350	750
Other revenue	4G	27,317	26,918	-	-
<b>Total own-source revenue</b>		<b>32,021,372</b>	<b>46,575,476</b>	<b>29,771,086</b>	<b>43,782,970</b>
<b>Gains</b>					
Revenue from the Commonwealth of Australia	4H	3,281,896	14,277,986	3,181,896	14,277,986
Other gains	4I	172,000	239,700	133,000	198,000
<b>Total gains</b>		<b>3,453,896</b>	<b>14,517,686</b>	<b>3,314,896</b>	<b>14,475,986</b>
<b>Total income</b>		<b>35,475,268</b>	<b>61,093,162</b>	<b>33,085,982</b>	<b>58,258,956</b>
<b>Net cost of services</b>		<b>(6,048,797)</b>	<b>(2,982,001)</b>	<b>(5,659,030)</b>	<b>(3,088,937)</b>
<b>Surplus (Deficit) attributable to the Government of Norfolk Island</b>		<b>(6,048,797)</b>	<b>(2,982,001)</b>	<b>(5,659,030)</b>	<b>(3,088,937)</b>
<b>OTHER COMPREHENSIVE INCOME</b>					
Changes in asset revaluation reserves		-	(1,825,969)	-	(1,861,167)
<b>Total other comprehensive income (loss)</b>		<b>-</b>	<b>(1,825,969)</b>	<b>-</b>	<b>(1,861,167)</b>
<b>Total comprehensive income (loss) attributable to the Government of Norfolk Island</b>		<b>(6,048,797)</b>	<b>(4,807,970)</b>	<b>(5,659,030)</b>	<b>(4,950,104)</b>

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

**Consolidated Financial Statements**  
**Balance Sheet**  
*as at 30 June 2013*

	Notes	Consolidated		Administration	
		2013	2012	2013	2012
		\$	\$	\$	\$
<b>ASSETS</b>					
<b>Financial Assets</b>					
Cash and cash equivalents	5A	4,778,215	4,519,647	4,413,490	4,247,634
Trade and other receivables	5B	3,270,076	3,719,771	3,151,930	3,410,668
Other investments	5C	238,221	188,109	-	-
<b>Total financial assets</b>		<b>8,286,512</b>	<b>8,427,528</b>	<b>7,565,420</b>	<b>7,658,302</b>
<b>Non-Financial Assets</b>					
Land and buildings	6A	30,148,820	31,567,349	26,827,609	28,011,936
Property, plant and equipment	6B,C	42,252,266	46,633,228	41,574,459	45,952,063
Intangibles	6D,E	16,430	2,294	14,576	-
Inventories	6F	3,624,820	4,024,905	3,370,293	3,728,693
Other non-financial assets	6G	463,267	419,984	434,773	388,508
<b>Total non-financial assets</b>		<b>76,505,603</b>	<b>82,647,760</b>	<b>72,221,710</b>	<b>78,081,200</b>
<b>Total assets</b>		<b>84,792,115</b>	<b>91,075,287</b>	<b>79,787,130</b>	<b>85,739,502</b>
<b>LIABILITIES</b>					
<b>Payables</b>					
Suppliers	7A	5,302,096	5,142,971	5,506,983	5,362,463
Other payables	7B	336,354	284,774	184,990	206,186
<b>Total payables</b>		<b>5,638,450</b>	<b>5,427,745</b>	<b>5,691,973</b>	<b>5,568,649</b>
<b>Interest Bearing Liabilities</b>					
Loans	8A	11,770,689	11,795,683	11,770,689	11,795,683
Deposits	8B	14,580	19,875	14,580	19,875
<b>Total interest bearing liabilities</b>		<b>11,785,269</b>	<b>11,815,558</b>	<b>11,785,269</b>	<b>11,815,558</b>
<b>Provisions</b>					
Employee provisions	9A	2,412,954	2,827,743	1,771,080	2,157,458
<b>Total provisions</b>		<b>2,412,954</b>	<b>2,827,743</b>	<b>1,771,080</b>	<b>2,157,458</b>
<b>Total liabilities</b>		<b>19,836,673</b>	<b>20,071,046</b>	<b>19,248,322</b>	<b>19,541,665</b>
<b>Net assets</b>		<b>64,955,441</b>	<b>71,004,242</b>	<b>60,538,808</b>	<b>66,197,837</b>
<b>EQUITY</b>					
Reserves		50,801,279	50,801,282	50,198,749	50,198,749
Retained surplus (accumulated deficit)		14,154,163	20,202,960	10,340,059	15,999,088
<b>Total equity</b>		<b>64,955,441</b>	<b>71,004,242</b>	<b>60,538,808</b>	<b>66,197,837</b>

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 2013*

	Retained earnings		Asset revaluation reserve		Total equity	
	2013	2012	2013	2012	2013	2012
	\$	\$	\$	\$	\$	\$
<b>Opening balance</b>						
Balance carried forward from previous period	20,202,960	23,184,960	50,801,282	52,627,251	71,004,242	75,812,211
Rounding adjustment	-	-	(3)	-	(3)	-
<b>Adjusted opening balance</b>	<b>20,202,960</b>	<b>23,184,960</b>	<b>50,801,279</b>	<b>52,627,251</b>	<b>71,004,239</b>	<b>75,812,211</b>
<b>Comprehensive income</b>						
Other comprehensive income	-	-	-	(1,825,969)	-	(1,825,969)
Surplus (Deficit) for the period	(6,048,797)	(2,982,000)	-	(1,825,969)	(6,048,797)	(2,982,000)
<b>Total comprehensive income</b>	<b>(6,048,797)</b>	<b>(2,982,000)</b>	<b>-</b>	<b>(1,825,969)</b>	<b>(6,048,797)</b>	<b>(4,807,969)</b>
<b>Closing balance as at 30 June</b>	<b>14,154,163</b>	<b>20,202,960</b>	<b>50,801,279</b>	<b>50,801,282</b>	<b>64,955,442</b>	<b>71,004,242</b>

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

**Statement of Changes in Equity - Administration**  
*for the period ended 30 June 2013*

	Retained earnings		Asset revaluation reserve		Total equity	
	2013	2012	2013	2012	2013	2012
	\$	\$	\$	\$	\$	\$
<b>Opening balance</b>						
Balance carried forward from previous period	15,999,089	19,088,024	50,198,749	52,059,916	66,197,838	71,147,940
<b>Adjusted opening balance</b>	<b>15,999,089</b>	<b>19,088,024</b>	<b>50,198,749</b>	<b>52,059,916</b>	<b>66,197,838</b>	<b>71,147,940</b>
<b>Comprehensive income</b>						
Other comprehensive income	-	-	-	(1,861,167)	-	(1,861,167)
Surplus (Deficit) for the period	(5,659,030)	(3,088,935)	-	(1,861,167)	(5,659,030)	(3,088,935)
<b>Total comprehensive income</b>	<b>(5,659,030)</b>	<b>(3,088,935)</b>	<b>-</b>	<b>(1,861,167)</b>	<b>(5,659,030)</b>	<b>(4,950,102)</b>
<b>Closing balance as at 30 June</b>	<b>10,340,059</b>	<b>15,999,089</b>	<b>50,198,749</b>	<b>50,198,749</b>	<b>60,538,808</b>	<b>66,197,838</b>

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



**Consolidated Financial Statements**  
**Cash Flow Statement**  
for the period ended 30 June 2013

Notes	Consolidated		Administration	
	2013	2012	2013	2012
	\$	\$	\$	\$
<b>OPERATING ACTIVITIES</b>				
<b>Cash received</b>				
Sales of goods and rendering of services	23,556,089	33,396,125	21,327,820	30,636,278
Receipts from the Commonwealth of Australia	3,281,896	14,277,986	3,181,896	14,277,986
Interest	49,667	155,775	47,233	155,765
GST receipts	6,812,521	7,586,174	6,812,521	7,586,174
Taxation, fines and levy receipts	2,415,662	2,049,690	2,415,662	2,049,690
Donations	27,317	4,654	-	-
<b>Total cash received</b>	<b>36,143,151</b>	<b>57,470,405</b>	<b>33,785,131</b>	<b>54,705,894</b>
<b>Cash used</b>				
Employees and suppliers	35,341,134	56,664,291	30,022,640	50,609,949
Grants and subsidies paid	51,500	14,000	3,343,972	3,692,343
Other	-	1,172,200	-	1,172,200
<b>Total cash used</b>	<b>35,392,634</b>	<b>57,850,491</b>	<b>33,366,612</b>	<b>55,474,492</b>
<b>Net cash from (used by) operating activities</b>	<b>750,517</b>	<b>(380,086)</b>	<b>418,519</b>	<b>(768,598)</b>
<b>INVESTING ACTIVITIES</b>				
<b>Cash received</b>				
Proceeds from sales of property, plant and equipment	1,212	-	1,212	-
Proceeds received from investments	29,756	5,367	20,644	-
<b>Total cash received</b>	<b>30,968</b>	<b>5,367</b>	<b>21,856</b>	<b>-</b>
<b>Cash used</b>				
Purchase of land, property, plant and equipment	456,923	397,502	249,524	293,396
Purchase of financial instruments	41,000	75,000	-	-
<b>Total cash used</b>	<b>497,923</b>	<b>472,502</b>	<b>249,524</b>	<b>293,396</b>
<b>Net cash from (used by) investing activities</b>	<b>(466,956)</b>	<b>(467,135)</b>	<b>(227,669)</b>	<b>(293,396)</b>
<b>FINANCING ACTIVITIES</b>				
<b>Cash used</b>				
Repayment of borrowings	24,994	-	24,994	-
<b>Total cash used</b>	<b>24,994</b>	<b>-</b>	<b>24,994</b>	<b>-</b>
<b>Net cash from (used by) financing activities</b>	<b>(24,994)</b>	<b>-</b>	<b>(24,994)</b>	<b>-</b>
<b>Net increase (decrease) in cash held</b>	<b>258,567</b>	<b>(847,221)</b>	<b>165,856</b>	<b>(1,061,994)</b>
Cash and cash equivalents at the beginning of the reporting period	4,519,648	5,366,869	4,247,634	5,309,628
<b>Cash and cash equivalents at the end of the reporting period</b>	<b>4,778,215</b>	<b>4,519,648</b>	<b>4,413,490</b>	<b>4,247,634</b>

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

Consolidated Financial Statements  
Schedule of Commitments  
as at 30 June 2013

BY TYPE	Consolidated		Administration	
	2013	2012	2013	2012
	\$	\$	\$	\$
<b>Commitments receivable</b>				
<b>Operating lease commitments</b>				
Operating leases <sup>4</sup>	153,452	-	144,050	-
<b>Total operating lease commitments</b>	153,452	-	144,050	-
<b>Other commitments</b>				
Other <sup>2</sup>	813,117	305,288	813,117	305,288
Net GST recoverable on commitments <sup>1</sup>	102,893	36,660	102,893	36,660
<b>Total other commitments</b>	916,010	341,948	916,010	341,948
<b>Total commitments receivable</b>	<b>1,069,462</b>	<b>341,948</b>	<b>1,060,060</b>	<b>341,948</b>
<b>Commitments payable</b>				
<b>Capital commitments</b>				
Property, plant and equipment <sup>3</sup>	63,168	45,850	63,168	-
<b>Total capital commitments</b>	63,168	45,850	63,168	-
<b>Operating lease commitments</b>				
Operating leases <sup>5</sup>	46,818	17,383	46,818	17,383
<b>Total operating lease commitments</b>	46,818	17,383	46,818	17,383
<b>Other commitments</b>				
Other <sup>2</sup>	11,365,282	1,079,011	11,284,287	972,557
Net GST payable on commitments <sup>1</sup>	15,434	102,872	15,434	102,872
<b>Total other commitments</b>	11,380,716	1,181,882	11,299,721	1,075,428
<b>Total commitments payable</b>	<b>11,490,702</b>	<b>1,245,115</b>	<b>11,409,707</b>	<b>1,092,811</b>
<b>Net commitments by type</b>	<b>(10,421,240)</b>	<b>(903,167)</b>	<b>(10,349,647)</b>	<b>(750,863)</b>
<b>BY MATURITY</b>				
<b>Commitments receivable</b>				
<b>Operating lease commitments receivable</b>				
One year or less	137,996	-	128,594	-
From one to five years	10,752	-	10,752	-
Over five years	4,704	-	4,704	-
<b>Total other commitments receivable</b>	153,452	-	144,050	-
<b>Other commitments receivable</b>				
One year or less	821,093	134,631	821,093	134,631
From one to five years	94,917	200,717	94,917	200,717
Over five years	-	6,600	-	6,600
<b>Total other commitments receivable</b>	916,010	341,948	916,010	341,948
<b>Total commitments receivable</b>	<b>1,069,462</b>	<b>341,948</b>	<b>1,060,060</b>	<b>341,948</b>
<b>Commitments payable</b>				
<b>Capital commitments</b>				
One year or less	63,168	45,850	63,168	-
From one to five years	-	-	-	-
Over five years	-	-	-	-
<b>Total capital commitments</b>	63,168	45,850	63,168	-
<b>Operating lease commitments</b>				
One year or less	46,818	17,383	46,818	17,383
From one to five years	-	-	-	-
Over five years	-	-	-	-
<b>Total operating lease commitments</b>	46,818	17,383	46,818	17,383
<b>Other Commitments</b>				
One year or less	11,294,852	849,010	11,235,357	775,946
From one to five years	85,864	332,872	64,364	299,482
Over five years	-	-	-	-
<b>Total other commitments</b>	11,380,716	1,181,882	11,299,721	1,075,428
<b>Total commitments payable</b>	<b>11,490,702</b>	<b>1,245,115</b>	<b>11,409,707</b>	<b>1,092,811</b>
<b>Net commitments by maturity</b>	<b>(10,421,240)</b>	<b>(903,167)</b>	<b>(10,349,647)</b>	<b>(750,863)</b>

Note:

- Commitments were GST inclusive where relevant.
- Other commitments receivable and payable relate to general service contracts.
- Property, plant and equipment commitments primarily relate to contracts associated with the airport runway safety area extensions.
- 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 2013*

---

	<b>Consolidated</b>		<b>Administration</b>	
	<b>2013</b>	2012	<b>2013</b>	2012
	<b>\$</b>	\$	<b>\$</b>	\$
<b>Contingent liabilities</b>				
Financial Guarantees	-	128,000	-	128,000
<b>Total contingent liabilities</b>	-	128,000	-	128,000
<b>Net contingent assets (liabilities)</b>	-	128,000	-	128,000

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 2013*

---

**Table of Contents**

Audit Report  
Statement by Officers  
Statement of Comprehensive Income  
Balance Sheet  
Statement of Changes in Equity  
Cash Flow Statement  
Schedule of Commitments  
Schedule of Contingencies  
Table of Contents - Notes  
Note 1: Summary of Significant Accounting Policies  
Note 2: Events After the Reporting Period  
Note 3: Expenses  
Note 4: Income  
Note 5: Financial Assets  
Note 6: Non-Financial Assets  
Note 7: Payables  
Note 8: Interest Bearing Liabilities  
Note 9: Provisions  
Note 10: Cash Flow Reconciliation  
Note 11: Contingent Assets and Liabilities  
Note 12: Related Party Transactions  
Note 13: Senior Executive Remuneration  
Note 14: Remuneration of Auditors  
Note 15: Financial Instruments  
Note 16: Financial Assets and Liabilities Reconciliation  
Note 17: Investments  
Note 18: Appropriations  
Note 19: Ex-Gratia Payments  
Note 20: Assets Held in Trust

## 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 127 *Consolidated and Separate 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 Group's Consolidated Financial Statements have been prepared in accordance with:

- a) Commonwealth Finance Minister's (Norfolk Island) Orders 2011 (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 balance sheet 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

The Administration and the Consolidated Group's Financial Statements have been prepared on a going concern basis which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business. The Administration is currently experiencing financial difficulty associated with a continuing economic downturn and a decline in tourism, and continues to incur losses. Since the 2010/11 financial year, the Commonwealth of Australia has provided financial assistance to ensure the Administration has sufficient funds to meet expenditure commitments that have fallen due. Each of the annual funding injections have been subjected to conditions.

The Administration has forecast significant negative net cash flows from operations to total \$7.4 million in 2014/15, \$7.4 million in 2015/16 and \$7.8 million in 2016/17. The Commonwealth of Australia's current funding commitments ends at 30 June 2014, and at the date of signing these financial statements, no further financial assistance has been negotiated. These conditions give rise to a material uncertainty that may cast significant doubt upon the Administration's ability to continue as a going concern.

In the event that the Administration does not obtain additional funding from the Commonwealth of Australia and/or reduce expenditure in line with available revenue, the Administration may not be able to continue its operations as a going concern and therefore may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial statements. Nevertheless, there is no intention by the management of the Administration, or the Government of Norfolk Island, to cease the operations of the Administration or the Consolidated Group, or liquidate any assets.

### 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 significant impact on the amounts recorded in the financial statements:

- a) the fair value of land, buildings, property, plant and equipment has been taken to be the market value of similar properties as determined by an independent valuer. In some instances, the Administration's buildings are purpose-built and may in fact realise more or less in the market;
- b) the relevant government bond rate has been used to discount non-current liabilities in accordance with the CFMOs;
- c) 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;
- d) 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;
- e) 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;
- f) 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.

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.

Other new standards, revised standards, interpretations or amending standards that were issued prior to the sign-off date and are applicable to the current reporting period did not have a financial impact, and are not expected to have a future financial impact on the Administration.

### Future Australian Accounting Standard Requirements

The following new standards and interpretations were issued by the Australian Accounting Standards Board prior to the sign-off date, which are may have financial impact on the Administration for future reporting periods:

AASB 9	Financial Instruments - September 2012 (Compilation)
AASB 13	Fair Value Measurement - December 2012 (Principal)
AASB 119	Employee Benefits - September 2011 (Principal)
AASB 132	Financial Instruments: Presentation - October 2010 (Compilation)
AASB 137	Provisions, Contingent Liabilities and Contingent Assets - October 2010 (Compilation)
AASB 139	Financial Instruments: Recognition and Measurement - October 2010 (Compilation)
AASB 1055	Budgetary Reporting - March 2013 (Principal)
AASB 2013-3	Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets

Other new standards or revised standards that were issued prior to the sign-off date and are applicable to the future reporting period are not expected to have a future financial impact on the Administration.

## 1.6 Consolidation

AASB 127 *Consolidated and Separate 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 2013, the Territory Authorities included the Norfolk Island Hospital Enterprise and the Norfolk Island Government Tourist Bureau.

## 1.7 Revenue

### Sale of Goods and Rendering of Services

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer;
- the Administration retains no managerial involvement or effective control over the goods;
- the revenue and transaction costs incurred can be reliably measured; and
- 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:

- the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- 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.

<u>Revenue Type</u>	<u>Revenue Recognition Point</u>
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.

## 1.8 Gains

### Revenue from Government

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

### 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.

## 1.9 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.

Where an asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property or, if lower, the present value of minimum lease payments at the inception of the contract and a liability is recognised at the same time and for the same amount.

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.

### **1.15 Financial Assets**

The Administration classifies its financial assets in the following categories:

- a) available-for-sale financial assets; and
- b) loans and receivables.

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

#### 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.

#### Available-for-Sale Financial Assets

Available-for-sale financial assets are non-derivatives that are either designed in this category or not classified in any of the other categories.

Available-for-sale financial assets are recorded at fair value. Gains and losses arising from changes in fair value are recognised directly in the reserves (equity) with the exception of impairment losses. Interest is calculated using the effective interest method and foreign exchange gains and losses on monetary assets are recognised directly in profit or loss. When the asset is disposed of or is determined to be impaired, part (or all) of the cumulative gain or loss previously recognised in the reserve is included in the operating result for the period.

#### 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.

Available for sale financial assets - if there is objective evidence that an impairment loss on an available-for-sale financial asset has been incurred, the amount of the difference between its cost, less principal repayments and amortisation, and its current fair value, less any impairment loss previously recognised in expenses, is transferred from equity to the Statement of Comprehensive Income.

Financial assets carried at cost - if there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

### **1.16 Financial Liabilities**

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

#### Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss. The net gain or loss recognised in profit or loss incorporated any interest paid on the financial liability.

#### Other Financial Liabilities

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

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

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

### **1.17 Contingent Liabilities and Contingent Assets**

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

### **1.18 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 balance sheet, except for purchases costing less than \$1,000 which are expensed in the year of acquisition (other than where they form part of a group of similar items which are significant in total).

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:

<u>Asset class</u>	<u>Fair value measurement</u>
Land	Market selling price
Buildings on freehold land	Market selling price or 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:

	<u>2013</u>	<u>2012</u>
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

All assets were assessed for impairment at 30 June 2013. 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 (2012: 2 to 10 years).

All software assets were assessed for indications of impairment as at 30 June 2013.

### 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:

- raw materials and stores – purchase cost on a first-in-first-out basis; and
- 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.

### **1.23 Consumable Store**

Stocks of consumable stores, which are not held for resale, are expensed in the year of purchase. These stores mainly consist of fuel, 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 and assets 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**

Administration presents the consolidated Statement of Changes in Equity 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.

### **1.27 Prior Period Errors**

During the preparation of the Consolidated Financial Statements it was identified that journals to eliminate inter-entity transactions within the Administration were erroneously omitted in the prior period. This resulted in adjustments to the comparative year for the Administration and the Consolidated Group's statement of Comprehensive Income. The inter-entity transactions that required elimination from the prior period include the following:

Customs duty: Customs duty was paid by the Liquor Bond to the Customs Office for the importation of Alcohol. This resulted in the taxation revenue line item and the supplier expense line item in the 2011-12 Statement of Comprehensive Income both being overstated by \$308,350. The effect on taxation revenue and supplier expense line items has now been removed from both the Administration and Consolidated Group's Statement of Comprehensive Income.

GST payments: Each sub entity of the Administration collects and remits GST to the GST collections office as part of the ordinary course of business. As the GST collections office is part of the Administration the impact of these transactions should be removed. This resulted in the taxation revenue line item and the supplier expense line item in the 2011-12 Statement of Comprehensive Income both being overstated by \$465,154. The effect on taxation revenue and supplier expense line items has now been removed from both the Administration and Consolidated Group's Statement of Comprehensive Income.

Fees and charges: Each sub entity of the Administration pays for electricity consumption charges, telecommunications charges and workers compensation fees to Norfolk Energy, Norfolk Telecom and the Workers Compensation Fund within the Administration. The respective 2011-12 fees and charges were \$604,300, \$158,660, and \$90,372. These fees and charges have now been removed from the Statement of Comprehensive Income for both the Administration and Consolidated Group.

The effect of the above prior period errors has not changed the 2011-12 total comprehensive loss attributable to the Government of Norfolk Island.

## **Note 2: Events After the Reporting Period**

To assist the Administration of Norfolk Island overcome its severe financial difficulties, the Commonwealth of Australia signed a funding agreement on 14 June 2013 with the Administration of Norfolk Island to provide financial assistance for essential services. The total amount of assistance provided was \$4.4 million to be paid in instalments over the 2013-14 financial year, conditional on specific milestones being met each quarter by the Administration of Norfolk Island. Refer to Note 1.3.

On 31 October 2013, the Public Sector Remuneration Tribunal for Norfolk Island issued a determination under section 8(1)(a) and (b) of the *Public Sector Remuneration Tribunal Act 1992* (NI) that a general adjustment be made to the wages payable to public sector employees of the Administration on Norfolk Island up to and including "Executive Officers Level 1" of an amount equal to 7.0% of the base salary wage for each salary classification level covered by the determination. The wage adjustment is in respect of the period from the beginning of the first pay period which commenced on or after 1 July 2013 to 30 June 2015.

## Note 3: Expenses

	Consolidated		Administration	
	2013 \$	2012 \$	2013 \$	2012 \$
<b>Note 3A: Employee Benefits</b>				
Wages and salaries	11,311,107	11,855,209	7,989,642	8,620,702
<b>Total employee benefits</b>	<b>11,311,107</b>	<b>11,855,209</b>	<b>7,989,642</b>	<b>8,620,702</b>
<b>Note 3B: Supplier</b>				
<b>Goods and services</b>				
Goods	11,172,416	14,678,456	10,401,224	13,787,317
Services	8,667,867	27,587,675	6,898,894	25,874,515
<b>Total goods and services</b>	<b>19,840,283</b>	<b>42,266,131</b>	<b>17,300,118</b>	<b>39,661,832</b>
<b>Goods and services are made up of:</b>				
Provision of goods – related entities	-	-	-	-
Provision of goods – external entities	11,172,416	14,678,456	10,401,224	13,787,317
Rendering of services – related entities	-	-	-	-
Rendering of services – external entities	8,667,867	27,732,656	6,898,894	25,874,515
<b>Total goods and services</b>	<b>19,840,283</b>	<b>42,411,112</b>	<b>17,300,118</b>	<b>39,661,832</b>
<b>Other supplier expenses</b>				
Welfare expenses	2,420,413	2,111,780	2,420,413	2,111,780
Healthcare costs	1,268,464	864,925	1,517,188	1,009,906
Workers compensation expenses	231,772	374,577	231,772	374,577
<b>Total other supplier expenses</b>	<b>3,920,648</b>	<b>3,351,282</b>	<b>4,169,372</b>	<b>3,496,263</b>
<b>Total supplier expenses</b>	<b>23,760,932</b>	<b>45,762,394</b>	<b>21,469,491</b>	<b>43,158,095</b>
<b>Note 3C: Grants and subsidies</b>				
Grants and subsidies	51,500	14,000	3,368,045	3,692,343
<b>Total grants and subsidies</b>	<b>51,500</b>	<b>14,000</b>	<b>3,368,045</b>	<b>3,692,343</b>
<b>Note 3D: Depreciation and Amortisation</b>				
<b>Depreciation:</b>				
Property, plant and equipment	4,737,778	4,687,616	4,558,422	4,504,419
Buildings	1,471,672	1,471,179	1,183,827	1,183,561
<b>Total depreciation</b>	<b>6,209,450</b>	<b>6,158,795</b>	<b>5,742,249</b>	<b>5,687,980</b>
<b>Amortisation:</b>				
Intangibles - computer software	577	2,376	137	-
<b>Total amortisation</b>	<b>577</b>	<b>2,376</b>	<b>137</b>	<b>-</b>
<b>Total depreciation and amortisation</b>	<b>6,210,027</b>	<b>6,161,171</b>	<b>5,742,386</b>	<b>5,687,980</b>
<b>Note 3E: Loss on Sale of Assets</b>				
<b>Property, plant and equipment:</b>				
Carrying value of assets sold	147,109	598	140,333	-
<b>Total losses from asset sales</b>	<b>147,109</b>	<b>598</b>	<b>140,333</b>	<b>-</b>
<b>Note 3F: Write-Down and Impairment of Assets</b>				
Bad debts	19,535	1,299	11,260	-
Asset revaluation adjustment recognised in operating result	-	91,720	-	-
<b>Total write-down and impairment of assets</b>	<b>19,535</b>	<b>93,019</b>	<b>11,260</b>	<b>-</b>
<b>Note 3G: Other Expenses</b>				
Ex-gratia payments	23,855	108,138	23,855	108,138
Customs duty drawback	-	80,634	-	80,634
<b>Total other expenses</b>	<b>23,855</b>	<b>188,773</b>	<b>23,855</b>	<b>188,773</b>

## Note 4: Income

	Consolidated		Administration	
	2013	2012	2013	2012
	\$	\$	\$	\$
<b>OWN-SOURCE REVENUE</b>				
<b><u>Note 4A: Sale of Goods and Rendering of Services</u></b>				
Provision of goods - related entities	-	-	-	-
Provision of goods - external entities	10,789,862	11,347,759	10,082,994	10,585,668
<b>Total sale of goods</b>	<b>10,789,862</b>	<b>11,347,759</b>	<b>10,082,994</b>	<b>10,585,668</b>
Rendering of services - related entities	-	-	292,924	71,426
Rendering of services - external entities	8,993,120	22,101,262	8,527,710	21,439,943
<b>Total rendering of services</b>	<b>8,993,120</b>	<b>22,101,262</b>	<b>8,820,634</b>	<b>21,511,369</b>
<b>Total sale of goods and rendering of services</b>	<b>19,782,982</b>	<b>33,449,021</b>	<b>18,903,628</b>	<b>32,097,037</b>
<b><u>Note 4B: Taxation Revenue</u></b>				
Goods and services tax	6,575,910	7,156,282	6,575,910	7,156,282
Customs duty	986,896	845,500	986,896	845,500
Other taxation revenue	1,089,598	1,254,125	1,089,598	1,254,125
<b>Total taxation revenue</b>	<b>8,652,404</b>	<b>9,255,907</b>	<b>8,652,404</b>	<b>9,255,907</b>
<b><u>Note 4C: Fees and Fines</u></b>				
Fees	3,358,688	3,524,529	2,038,546	2,130,463
Fines and penalties	23,831	25,714	23,831	25,714
<b>Total fees and fines</b>	<b>3,382,519</b>	<b>3,550,243</b>	<b>2,062,377</b>	<b>2,156,178</b>
<b><u>Note 4D: Interest</u></b>				
Bank and term deposits	87,087	176,113	75,541	170,219
<b>Total interest</b>	<b>87,087</b>	<b>176,113</b>	<b>75,541</b>	<b>170,219</b>
<b><u>Note 4E: Rental Income</u></b>				
Housing properties	88,713	116,523	76,786	102,879
<b>Total rental income</b>	<b>88,713</b>	<b>116,523</b>	<b>76,786</b>	<b>102,879</b>
<b><u>Note 4F: Royalties</u></b>				
Other	350	750	350	750
<b>Total royalties</b>	<b>350</b>	<b>750</b>	<b>350</b>	<b>750</b>
<b><u>Note 4G: Other Revenue</u></b>				
Donations	27,317	26,918	-	-
<b>Total revenue</b>	<b>27,317</b>	<b>26,918</b>	<b>-</b>	<b>-</b>
<b>GAINS</b>				
<b><u>Note 4H: Revenue from Government</u></b>				
Revenue received from the Commonwealth of Australia	3,281,896	14,277,986	3,181,896	14,277,986
<b>Total revenue from Government</b>	<b>3,281,896</b>	<b>14,277,986</b>	<b>3,181,896</b>	<b>14,277,986</b>
<b><u>Note 4I: Other Gains</u></b>				
Resources received free of charge	172,000	239,700	133,000	198,000
<b>Total other gains</b>	<b>172,000</b>	<b>239,700</b>	<b>133,000</b>	<b>198,000</b>

## Note 5: Financial Assets

	Consolidated		Administration	
	2013	2012	2013	2012
	\$	\$	\$	\$
<b>Note 5A: Cash and Cash Equivalents</b>				
Cash on hand or on deposit	4,778,215	4,519,647	4,413,490	4,247,634
<b>Total cash and cash equivalents</b>	<b>4,778,215</b>	<b>4,519,647</b>	<b>4,413,490</b>	<b>4,247,634</b>
<b>Note 5B: Trade and Other Receivables</b>				
<b>Goods and Services:</b>				
Goods and services - related entities	-	-	22,355	-
Goods and services - external entities	3,741,164	4,279,135	3,269,112	3,630,224
<b>Total receivables for goods and services</b>	<b>3,741,164</b>	<b>4,279,135</b>	<b>3,291,467</b>	<b>3,630,224</b>
<b>Other receivables:</b>				
Interest	7,665	12,082	7,665	12,082
<b>Total other receivables (gross)</b>	<b>7,665</b>	<b>12,082</b>	<b>7,665</b>	<b>12,082</b>
<b>Total trade and other receivables (gross)</b>	<b>3,748,829</b>	<b>4,291,217</b>	<b>3,299,132</b>	<b>3,642,306</b>
<b>Less impairment allowance account:</b>				
Goods and services	(478,753)	(571,446)	(147,202)	(231,637)
<b>Total impairment allowance account</b>	<b>(478,753)</b>	<b>(571,446)</b>	<b>(147,202)</b>	<b>(231,637)</b>
<b>Total trade and other receivables (net)</b>	<b>3,270,076</b>	<b>3,719,771</b>	<b>3,151,930</b>	<b>3,410,668</b>
<b>Receivables are expected to be recovered in:</b>				
No more than 12 months	3,270,076	3,719,771	3,151,930	3,410,668
More than 12 months	-	-	-	-
<b>Total trade and other receivables (net)</b>	<b>3,270,076</b>	<b>3,719,771</b>	<b>3,151,930</b>	<b>3,410,668</b>
<b>Receivables are aged as follows:</b>				
Not overdue	400,670	2,616,690	388,283	2,435,821
Overdue by:				
0 to 30 days	1,904,470	585,652	1,724,077	419,216
31 to 60 days	457,736	107,160	435,710	80,845
More than 61 days	985,953	981,716	751,062	706,424
<b>Total receivables (gross)</b>	<b>3,748,829</b>	<b>4,291,217</b>	<b>3,299,132</b>	<b>3,642,306</b>
<b>The impairment allowance account is aged as follows:</b>				
Not overdue	-	-	-	-
Overdue by:				
0 to 30 days	(76,505)	(38,202)	(1,872)	-
31 to 60 days	(22,144)	(26,315)	(118)	-
More than 61 days	(380,104)	(506,929)	(145,212)	(231,637)
<b>Total impairment allowance account</b>	<b>(478,753)</b>	<b>(571,446)</b>	<b>(147,202)</b>	<b>(231,637)</b>

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 2013

	Consolidated	Administration
	Goods and services	Goods and services
	\$	\$
<b>Opening balance</b>	<b>(571,446)</b>	<b>(231,637)</b>
Amounts written off	10,996	2,738
Amounts recovered and reversed	81,697	81,697
Increase/decrease recognised in net surplus	-	-
<b>Closing balance</b>	<b>(478,753)</b>	<b>(147,202)</b>

#### Movements in relation to 2012

	Consolidated	Administration
	Goods and services	Goods and services
	\$	\$
Opening balance	(465,111)	(133,560)
Amounts written off	-	-
Amounts recovered and reversed	-	-
Increase/decrease recognised in net surplus	(106,335)	(98,077)
<b>Closing balance</b>	<b>(571,446)</b>	<b>(231,637)</b>

	Consolidated		Administration	
	2013	2012	2013	2012
	\$	\$	\$	\$
<b>Note 5C: Other Investments</b>				
Term deposits	238,221	188,109	-	-
<b>Total other investments</b>	<b>238,221</b>	<b>188,109</b>	<b>-</b>	<b>-</b>
<b>Total other investments are expected to be recovered in:</b>				
No more than 12 months	238,221	188,109	-	-
More than 12 months	-	-	-	-
<b>Total other investments</b>	<b>238,221</b>	<b>188,109</b>	<b>-</b>	<b>-</b>

## Note 6: Non-Financial Assets

	Consolidated		Administration	
	2013	2012	2013	2012
	\$	\$	\$	\$
<b>Note 6A: Land and Buildings</b>				
<b>Land:</b>				
Fair Value	7,058,703	7,059,203	6,683,703	6,684,203
<b>Total land</b>	<b>7,058,703</b>	<b>7,059,203</b>	<b>6,683,703</b>	<b>6,684,203</b>
<b>Buildings on freehold land:</b>				
Fair value	24,561,789	24,508,146	21,327,733	21,327,733
Accumulated depreciation	(1,471,672)	-	(1,183,827)	-
<b>Total buildings on freehold land</b>	<b>23,090,117</b>	<b>24,508,146</b>	<b>20,143,906</b>	<b>21,327,733</b>
<b>Total land and buildings</b>	<b>30,148,820</b>	<b>31,567,349</b>	<b>26,827,609</b>	<b>28,011,936</b>

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 1.18. Land and buildings were revalued as at 30 June 2012, 1 July 2011 and 1 July 2010 by an independent valuer. The valuer was Preston, Rowe, Paterson NSW Pty Ltd. The next revaluation will be completed for the year ending 30 June 2015.

	Consolidated		Administration	
	2013	2012	2013	2012
	\$	\$	\$	\$
<b>Note 6B: Property, Plant and Equipment</b>				
<b>Property, plant and equipment:</b>				
Work in Progress	225,040	296,806	222,620	226,524
Fair value	46,765,004	46,336,422	45,910,261	45,725,539
Accumulated depreciation	(4,737,778)	-	(4,558,422)	-
<b>Total property, plant and equipment</b>	<b>42,252,266</b>	<b>46,633,228</b>	<b>41,574,459</b>	<b>45,952,063</b>

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

No property, plant or equipment is expected to be sold or disposed of within the next 12 months.

### Revaluation of property, plant and equipment

All revaluations were conducted in accordance with the revaluation policy stated in Note 1.17. Property, plant and equipment were revalued as at 30 June 2012, 1 July 2011, and 1 July 2010 by an independent valuer. The valuer was Preston, Rowe, Paterson NSW Pty Ltd. The next revaluation will be completed for the year ending 30 June 2015.

### Note 6C: Reconciliation of the Opening and Closing Balances of Land and Buildings, Plant and Equipment 2013 - Consolidated

	Land	Buildings	Total land & buildings	Property, plant & equipment	Total
	\$	\$	\$	\$	\$
<b>As at 1 July 2012</b>					
Gross book value	7,059,203	24,508,146	31,567,349	46,633,228	78,200,577
Accumulated depreciation and impairment	-	-	-	-	-
<b>Net book value 1 July 2012</b>	<b>7,059,203</b>	<b>24,508,146</b>	<b>31,567,349</b>	<b>46,633,228</b>	<b>78,200,577</b>
<b>Additions:</b>					
By purchase or donation	-	53,643	53,643	413,673	467,316
Work in progress	-	-	-	129,365	129,365
Depreciation expense	-	(1,471,672)	(1,471,672)	(4,737,778)	(6,209,450)
Disposals	(500)	-	(500)	(186,221)	(186,721)
<b>Net book value as at 30 June 2013</b>	<b>7,058,703</b>	<b>23,090,117</b>	<b>30,148,820</b>	<b>42,252,266</b>	<b>72,401,086</b>
<b>Net book value as at 30 June 2013 represented by:</b>					
Gross book value	7,058,703	24,561,789	31,620,492	46,990,044	78,610,536
Accumulated depreciation and impairment	-	(1,471,672)	(1,471,672)	(4,737,778)	(6,209,450)
<b>Net book value as at 30 June 2013</b>	<b>7,058,703</b>	<b>23,090,117</b>	<b>30,148,820</b>	<b>42,252,266</b>	<b>72,401,086</b>



Note 6C (Cont'd): Reconciliation of the Opening and Closing Balances of Land and Buildings, Plant and Equipment 2012 - Consolidated

	Land \$	Buildings \$	Total land & buildings \$	Property, plant & equipment \$	Total \$
As at 1 July 2011					
Gross book value	8,817,503	25,972,349	34,789,852	50,953,389	85,743,241
Accumulated depreciation and impairment	-	-	-	-	-
<b>Net book value as at 1 July 2011</b>	<b>8,817,503</b>	<b>25,972,349</b>	<b>34,789,852</b>	<b>50,953,389</b>	<b>85,743,241</b>
Additions:					
By purchase	-	14,802	14,802	39,752	54,554
Work in progress	-	-	-	54,691	54,691
Depreciation expense	-	(1,471,179)	(1,471,179)	(4,687,616)	(6,158,795)
Disposals	-	-	-	-	-
Revaluation adjustment recognised in other comprehensive income	(1,758,300)	(7,826)	(1,766,126)	273,012	(1,493,114)
<b>Net book value as at 30 June 2012</b>	<b>7,059,203</b>	<b>24,508,146</b>	<b>31,567,349</b>	<b>46,633,228</b>	<b>78,200,577</b>
Net book value as at 30 June 2012 represented by:					
Gross book value	7,059,203	24,508,146	31,567,349	46,633,228	78,200,577
Accumulated depreciation and impairment	-	-	-	-	-
<b>Net book value as at 30 June 2012 represented by:</b>	<b>7,059,203</b>	<b>24,508,146</b>	<b>31,567,349</b>	<b>46,633,228</b>	<b>78,200,577</b>

Note 6C: Reconciliation of the Opening and Closing Balances of Land and Buildings, Plant and Equipment 2013 - Administration

	Land \$	Buildings \$	Total land & buildings \$	Property, plant & equipment \$	Total \$
As at 1 July 2012					
Gross book value	6,684,203	21,327,733	28,011,936	45,952,063	73,963,999
Accumulated depreciation and impairment	-	-	-	-	-
<b>Net book value 1 July 2012</b>	<b>6,684,203</b>	<b>21,327,733</b>	<b>28,011,936</b>	<b>45,952,063</b>	<b>73,963,999</b>
Additions:					
By purchase or donation	-	-	-	233,279	233,279
Work in progress	-	-	-	126,945	126,945
Depreciation expense	-	(1,183,827)	(1,183,827)	(4,558,422)	(5,742,249)
Disposals	(500)	-	(500)	(179,405)	(179,905)
<b>Net book value as at 30 June 2013</b>	<b>6,683,703</b>	<b>20,143,906</b>	<b>26,827,609</b>	<b>41,574,459</b>	<b>68,402,068</b>
Net book value as at 30 June 2013 represented by:					
Gross book value	6,683,703	21,327,733	28,011,436	46,132,881	74,144,317
Accumulated depreciation and impairment	-	(1,183,827)	(1,183,827)	(4,558,422)	(5,742,249)
<b>Net book value as at 30 June 2013</b>	<b>6,683,703</b>	<b>20,143,906</b>	<b>26,827,609</b>	<b>41,574,459</b>	<b>68,402,068</b>

Note 6C (Cont'd): Reconciliation of the Opening and Closing Balances of Land and Buildings, Plant and Equipment 2012 - Administration

	Land \$	Buildings \$	Total land & buildings \$	Property, plant & equipment \$	Total \$
As at 1 July 2011					
Gross book value	8,347,503	22,504,341	30,851,844	50,208,947	81,060,791
Accumulated depreciation and impairment	-	-	-	-	-
<b>Net book value as at 1 July 2011</b>	<b>8,347,503</b>	<b>22,504,341</b>	<b>30,851,844</b>	<b>50,208,947</b>	<b>81,060,791</b>
Additions:					
By purchase	-	14,802	14,802	436,180	450,982
Work in progress	-	-	-	1,373	1,373
Depreciation expense	-	(1,183,561)	(1,183,561)	(4,504,419)	(5,687,980)
Disposals	-	-	-	-	-
Revaluation adjustment recognised in other comprehensive income	(1,663,300)	(7,849)	(1,671,149)	(190,018)	(1,861,167)
<b>Net book value as at 30 June 2012</b>	<b>6,684,203</b>	<b>21,327,733</b>	<b>28,011,936</b>	<b>45,952,063</b>	<b>73,963,999</b>
Net book value as at 30 June 2012					
Gross book value	6,684,203	21,327,733	28,011,936	45,952,063	73,963,999
Accumulated depreciation and impairment	-	-	-	-	-
<b>Net book value as at 30 June 2012</b>	<b>6,684,203</b>	<b>21,327,733</b>	<b>28,011,936</b>	<b>45,952,063</b>	<b>73,963,999</b>

Note 6D: Intangibles	Consolidated		Administration	
	2013	2012	2013	2012
<b>Computer software:</b>	\$	\$	\$	\$
Purchased	17,007	2,294	14,713	-
Accumulated amortisation	(577)	-	(137)	-
<b>Total computer software</b>	<b>16,430</b>	<b>2,294</b>	<b>14,576</b>	<b>-</b>
<b>Total intangibles</b>	<b>16,430</b>	<b>2,294</b>	<b>14,576</b>	<b>-</b>

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 2013 - Consolidated**

	Computer software purchased \$
<b>As at 1 July 2012</b>	
Gross book value	2,294
Accumulated amortisation and impairment	-
<b>Net book value as at 1 July 2012</b>	<b>2,294</b>
Additions by purchase or internally developed	14,713
Amortisation	(577)
<b>Net book value as at 30 June 2013</b>	<b>16,430</b>
<b>Net book value as at 30 June 2013 represented by:</b>	
Gross book value	17,007
Accumulated amortisation and impairment	(577)
<b>Net book value as at 30 June 2013</b>	<b>16,430</b>

**Note 6E (Cont'd): Reconciliation of the Opening and Closing Balances of Intangibles 2012 - Consolidated**

	Computer software purchased \$
<b>As at 1 July 2011</b>	
Gross book value	3,413
Accumulated amortisation and impairment	-
<b>Net book value 1 July 2011</b>	<b>3,413</b>
Additions:	
By purchase	822
Amortisation	(2,376)
Revaluation adjustment recognised in other comprehensive income	435
<b>Net book value as at 30 June 2012</b>	<b>2,294</b>
<b>Net book value as at 30 June 2012 represented by:</b>	
Gross book value	2,294
Accumulated amortisation and impairment	-
<b>Net book value as at 30 June 2012 represented by:</b>	<b>2,294</b>

**Note 6E: Reconciliation of the Opening and Closing Balances of Intangibles 2013 - Administration**

	Computer software purchased \$
<b>As at 1 July 2012</b>	
Gross book value	-
Accumulated amortisation and impairment	-
<b>Net book value as at 1 July 2012</b>	<b>-</b>
Additions by purchase or internally developed	14,713
Amortisation	(137)
<b>Net book value as at 30 June 2013</b>	<b>14,576</b>
<b>Net book value as at 30 June 2013 represented by:</b>	
Gross book value	14,713
Accumulated amortisation and impairment	(137)
<b>Net book value as at 30 June 2013</b>	<b>14,576</b>

**Note 6E (Cont'd): Reconciliation of the Opening and Closing Balances of Intangibles 2012 - Administration**

	Computer software purchased \$
<b>As at 1 July 2011</b>	
Gross book value	-
Accumulated amortisation and impairment	-
<b>Net book value 1 July 2011</b>	<b>-</b>
Additions:	
By purchase	-
Amortisation	-
Revaluation adjustment recognised in other comprehensive income	-
<b>Net book value as at 30 June 2012</b>	<b>-</b>
<b>Net book value as at 30 June 2012 represented by:</b>	
Gross book value	-
Accumulated amortisation and impairment	-
<b>Net book value as at 30 June 2012 represented by:</b>	<b>-</b>

	Consolidated		Administration	
	2013	2012	2013	2012
	\$	\$	\$	\$
<b>Note 6E: Inventories</b>				
<b>Inventories held for sale:</b>				
Finished goods	814,043	700,862	647,691	493,679
<b>Total inventories held for sale</b>	<b>814,043</b>	<b>700,862</b>	<b>647,691</b>	<b>493,679</b>
Inventories held for distribution	2,810,777	3,324,043	2,722,602	3,235,015
<b>Total inventories</b>	<b>3,624,820</b>	<b>4,024,905</b>	<b>3,370,293</b>	<b>3,728,693</b>
<b>Represented by:</b>				
Inventories held for sale recognised as an expense	2,525,570	2,852,720	2,127,121	2,395,109
Inventories held for distribution recognised as an expense	7,513,900	7,924,814	7,327,271	7,738,491
	<b>10,039,470</b>	<b>10,777,534</b>	<b>9,454,392</b>	<b>10,133,600</b>

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	121,418	87,884	92,924	56,408
Royalties receivable	341,849	332,099	341,849	332,099
<b>Total other non-financial assets</b>	<b>463,267</b>	<b>419,984</b>	<b>434,773</b>	<b>388,508</b>
<b>Total other non-financial assets - are expected to be recovered in:</b>				
No more than 12 months	463,267	419,984	434,773	388,508
More than 12 months	-	-	-	-
<b>Total other non-financial assets</b>	<b>463,267</b>	<b>419,984</b>	<b>434,773</b>	<b>388,508</b>

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

**Note 7: Payables**

	Consolidated		Administration	
	2013	2012	2013	2012
	\$	\$	\$	\$
<b>Note 7A: Suppliers</b>				
Trade creditors and accruals	<b>5,302,096</b>	5,142,971	<b>5,506,983</b>	5,362,463
<b>Total suppliers payables</b>	<b>5,302,096</b>	5,142,971	<b>5,506,983</b>	5,362,463
<b>Suppliers payables expected to be settled within 12 months:</b>				
Related entities	-	-	<b>291,642</b>	344,258
External entities	<b>5,302,096</b>	5,142,971	<b>5,215,341</b>	5,018,205
<b>Total</b>	<b>5,302,096</b>	5,142,971	<b>5,506,983</b>	5,362,463

Settlement is usually made within 30 days.

**Note 7B: Other Payables**

Accrued salaries and wages	<b>336,354</b>	284,774	<b>184,990</b>	206,186
<b>Total other payables</b>	<b>336,354</b>	284,774	<b>184,990</b>	206,186

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

## Note 8: Interest Bearing Liabilities

	Consolidated		Administration	
	2013 \$	2012 \$	2013 \$	2012 \$
<b>Note 8A: Loans</b>				
Loan from the Commonwealth of Australia	11,770,689	11,795,683	11,770,689	11,795,683
<b>Total loans</b>	<b>11,770,689</b>	<b>11,795,683</b>	<b>11,770,689</b>	<b>11,795,683</b>
<b>Payable:</b>				
Within one year	1,200,000	1,200,000	1,200,000	1,200,000
In one to five years	4,800,000	4,800,000	4,800,000	4,800,000
In more than five years	5,770,689	5,795,683	5,770,689	5,795,683
<b>Total loans</b>	<b>11,770,689</b>	<b>11,795,683</b>	<b>11,770,689</b>	<b>11,795,683</b>

The loan from the Commonwealth of Australia includes the Airport Runway Loan of \$11,400,000 (2012: \$11,400,000) and Cascade Cliff Loan of \$370,689 (2012: \$395,683).

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 is to provide funding for the resurfacing of the Norfolk Island runways. The Act authorises that the Administration of Norfolk Island may 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 2009/10, 2010/11, 2011/12 and 2012/13 financial years 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 is 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 authorises that the Administration of Norfolk Island may 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.

Due to there being no market interest rate for large borrowings on Norfolk Island, the carrying amounts of loans approximate their fair value.

	Consolidated		Administration	
	2013 \$	2012 \$	2013 \$	2012 \$
<b>Note 8B: Deposits</b>				
Trust accounts	14,580	19,875	14,580	19,875
<b>Total deposits</b>	<b>14,580</b>	<b>19,875</b>	<b>14,580</b>	<b>19,875</b>
<b>Deposits relating to:</b>				
Customer bonds - Norfolk Telecom	14,580	19,875	14,580	19,875
<b>Total deposits</b>	<b>14,580</b>	<b>19,875</b>	<b>14,580</b>	<b>19,875</b>
<b>Deposits are expected to be settled in:</b>				
No more than 12 months	14,580	19,875	14,580	19,875
More than 12 months	-	-	-	-
<b>Total deposits</b>	<b>14,580</b>	<b>19,875</b>	<b>14,580</b>	<b>19,875</b>

**Note 9: Provisions**

	<b>Consolidated</b>		<b>Administration</b>	
	<b>2013</b>	2012	<b>2013</b>	2012
	\$	\$	\$	\$
<b>Note 9A: Employee Provisions</b>				
Annual leave	<b>958,173</b>	838,745	<b>745,797</b>	634,528
Long service leave	<b>1,208,401</b>	1,735,349	<b>850,289</b>	1,329,142
Other	<b>246,380</b>	253,648	<b>174,994</b>	193,788
<b>Total employee provisions</b>	<b>2,412,954</b>	2,827,743	<b>1,771,080</b>	2,157,458
<b>Employee provisions are expected to be settled in:</b>				
No more than 12 months	<b>2,233,384</b>	2,511,209	<b>1,640,777</b>	1,904,277
More than 12 months	<b>179,570</b>	316,534	<b>130,303</b>	253,181
<b>Total employee provisions</b>	<b>2,412,954</b>	2,827,743	<b>1,771,080</b>	2,157,458

## Note 10: Cash Flow Reconciliation

	Consolidated		Administration	
	2013	2012	2013	2012
	\$	\$	\$	\$
<b>Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement</b>				
<b>Cash and cash equivalents as per:</b>				
Cash flow statement	4,778,215	4,519,647	4,413,490	4,247,634
Balance sheet	4,778,215	4,519,647	4,413,490	4,247,634
<b>Difference</b>	-	-	-	-
<b>Reconciliation of net cost of services to net cash from operating activities:</b>				
Net cost of services	(6,048,797)	(2,982,000)	(5,659,030)	(3,088,935)
<b>Adjustments for non-cash items</b>				
Depreciation / amortisation	6,210,027	6,161,171	5,742,386	5,687,980
Donated property, plant and equipment capitalised	(18,317)	(10,731)	-	-
(Gains)/loss from sale of property, plant and equipment	147,109	598	140,333	-
Resources received free of charge	(172,000)	(239,700)	(133,000)	(198,000)
Write-down and impairment of assets	19,535	96,299	11,260	-
<b>Changes in assets / liabilities</b>				
(Increase) / decrease in trade and other receivables	449,696	(468,655)	258,739	(449,734)
(Increase) / decrease in inventories	400,085	(1,049,491)	358,400	(1,033,321)
(Increase) / decrease in other non-financial assets	(43,283)	128,359	(46,265)	138,313
Increase / (decrease) in employee provisions	(414,789)	314,040	(386,378)	244,468
Increase / (decrease) in supplier payables	199,962	(1,785,168)	183,560	(1,549,933)
Increase / (decrease) in other payables	51,580	(450,941)	(21,196)	(425,567)
Increase / (decrease) in loans	(24,994)	(93,149)	(24,994)	(93,149)
Increase / (decrease) in deposits	(5,295)	(720)	(5,295)	(720)
<b>Net cash from (used by) operating activities</b>	<b>750,519</b>	<b>(380,085)</b>	<b>418,518</b>	<b>(768,598)</b>

**Note 11: Contingent Assets and Liabilities****Quantifiable Contingencies**

	Consolidated		Administration	
	2013	2012	2013	2012
	\$	\$	\$	\$
<b>Contingent liabilities</b>				
Financial guarantee	-	128,000	-	128,000
<b>Total contingent liabilities</b>	-	128,000	-	128,000
<b>Net contingent assets/(liability)</b>	-	128,000	-	128,000

**Unquantifiable Contingencies**

At 30 June 2013, the Administration was involved in a number of legal and criminal proceedings. The Administration has denied liability and is defending the claims. It is not possible to estimate the amounts of any eventual payments that may be required in relation to these proceedings.

**Significant Remote Contingencies**

The Administration and the Group had no significant remote contingencies as at 30 June 2013.



## 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	
	2013	2012	2013	2012
	\$	\$	\$	\$
Purchases of goods and services	44,925	1,862	44,125	1,862
Amounts outstanding at balance date	-	-	-	-
	<u>44,925</u>	<u>1,862</u>	<u>44,125</u>	<u>1,862</u>

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.

## Note 13: Senior Executive Remuneration

### Note 13A: Senior Executive Remuneration Expenses for the Reporting Period

There were no Senior Executives of the Administration or the Group who had remuneration expenses for the reporting period in excess of \$180,000 (2012: Nil).

### Note 13B: Average Annual Reportable Remuneration Paid to Substantive Senior Executives During the Reporting Period - Consolidated

Average annual reportable remuneration <sup>1</sup>	2013			
	Senior Executives <sup>4</sup> No.	Reportable salary <sup>2</sup> \$	Gratuity paid <sup>3</sup> \$	Total \$
<b>Total remuneration (including part-time arrangements):</b>				
\$0 to \$180,000	4	87,966	10,044	98,010
<b>Total</b>	<b>4</b>			

Average annual reportable remuneration <sup>1</sup>	2012			
	Senior Executives No.	Reportable salary <sup>2</sup> \$	Gratuity paid <sup>3</sup> \$	Total \$
<b>Total remuneration (including part-time arrangements):</b>				
\$0 to \$180,000	5	43,654	7,026	50,679
<b>Total</b>	<b>5</b>			

#### Notes:

1. This table reports substantial senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.
2. 'Reportable salary' includes gross payments (less any bonuses paid, which are separated out and disclosed in the 'gratuity paid' column).
3. 'Gratuity paid' represents average actual gratuity paid during the reporting period in that reportable remuneration band. The 'gratuity paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the Administration or the Group during the financial year.
4. The current Director of the Norfolk Island Hospital Enterprise is a seconded employee of the South East Sydney Local Health District and is not considered to be an employee of the Norfolk Island Hospital Enterprise. Therefore, the current Director's remuneration is not included in the consolidated figures above.

### Note 13B (Cont'd): Average Annual Reportable Remuneration Paid to Substantive Senior Executives During the Reporting Period - Administration

Average annual reportable remuneration <sup>1</sup>	2013			
	Senior Executives No.	Reportable salary <sup>2</sup> \$	Gratuity paid <sup>3</sup> \$	Total \$
<b>Total remuneration (including part-time arrangements):</b>				
\$0 to \$180,000	2	107,631	12,530	120,161
<b>Total</b>	<b>2</b>			

Average annual reportable remuneration <sup>1</sup>	2012			
	Senior Executives No.	Reportable salary <sup>2</sup> \$	Gratuity paid <sup>3</sup> \$	Total \$
<b>Total remuneration (including part-time arrangements):</b>				
\$0 to \$180,000	2	46,405	4,486	50,891
<b>Total</b>	<b>2</b>			

#### Notes:

1. This table reports substantial senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.
2. 'Reportable salary' includes gross payments (less any bonuses paid, which are separated out and disclosed in the 'gratuity paid' column).
3. 'Gratuity paid' represents average actual gratuity paid during the reporting period in that reportable remuneration band. The 'gratuity paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the Administration during the financial year.

### Note 13C: Other Highly Paid Staff

The Administration or the Group had no other highly paid staff for the reporting period (2012: Nil).

**Note 14: Remuneration of Auditors**

	Consolidated		Administration	
	2013	2012	2013	2012
	\$	\$	\$	\$
<b>Fair value of the services provided</b>				
Financial statement audit services	<u>172,000</u>	<u>239,700</u>	<u>133,000</u>	<u>198,000</u>
<b>Total</b>	<u>172,000</u>	<u>239,700</u>	<u>133,000</u>	<u>198,000</u>

The 2012/13 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	
	2013	2012	2013	2012
	\$	\$	\$	\$
<b>Note 15A: Categories of Financial Instruments</b>				
<b>Financial Assets</b>				
<b>Loans and receivables:</b>				
Cash and cash equivalents	4,778,215	4,519,647	4,413,490	4,247,634
Trade and other receivables	3,748,829	4,291,217	3,299,132	3,642,306
Other investments	238,221	188,109	-	-
<b>Total</b>	<b>8,765,265</b>	<b>8,998,973</b>	<b>7,712,622</b>	<b>7,889,940</b>
<b>Carrying amount of financial assets</b>	<b>8,765,265</b>	<b>8,998,973</b>	<b>7,712,622</b>	<b>7,889,940</b>
<b>Financial Liabilities</b>				
<b>At amortised cost:</b>				
Trade creditors	5,302,096	5,142,971	5,506,983	5,362,463
Loans	11,770,689	11,795,683	11,770,689	11,795,683
Deposits	14,580	19,875	14,580	19,875
<b>Total</b>	<b>17,087,364</b>	<b>16,958,529</b>	<b>17,292,251</b>	<b>17,178,021</b>
<b>Carrying amount of financial liabilities</b>	<b>17,087,364</b>	<b>16,958,529</b>	<b>17,292,251</b>	<b>17,178,021</b>

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

<b>Loans and receivables</b>				
Interest revenue	87,087	176,113	75,541	170,219
<b>Net gain from loans and receivables</b>	<b>87,087</b>	<b>176,113</b>	<b>75,541</b>	<b>170,219</b>
<b>Net gain from financial assets</b>	<b>87,087</b>	<b>176,113</b>	<b>75,541</b>	<b>170,219</b>

There was no income from financial assets not at fair value through profit or loss in the year ending 2013 (2012: Nil).

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

<b>Financial liabilities - at amortised cost</b>				
Interest expense	29,653	106,199	29,653	106,199
<b>Net loss from financial liabilities - at amortised cost</b>	<b>29,653</b>	<b>106,199</b>	<b>29,653</b>	<b>106,199</b>
<b>Net loss from financial liabilities</b>	<b>29,653</b>	<b>106,199</b>	<b>29,653</b>	<b>106,199</b>

There was no interest expense from financial assets not at fair value through profit or loss in the year ending 2013 (2012: Nil).

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

#### Fair Value of Financial Instruments - Consolidated

	Carrying amount	Fair value	Carrying amount	Fair value
	2013	2013	2012	2012
	\$	\$	\$	\$
<b>Financial Assets</b>				
Cash and cash equivalents	4,778,215	4,778,215	4,519,647	4,519,647
Trade and other receivables	3,748,829	3,748,829	4,291,217	4,291,217
Other investments	238,221	238,221	188,109	188,109
<b>Total</b>	<b>8,765,265</b>	<b>8,765,265</b>	<b>8,998,973</b>	<b>8,998,973</b>
<b>Financial Liabilities</b>				
Trade creditors	5,302,096	5,302,096	5,142,971	5,142,971
Loans	11,770,689	11,770,689	11,795,683	11,795,683
Deposits	14,580	14,580	19,875	19,875
<b>Total</b>	<b>17,087,364</b>	<b>17,087,364</b>	<b>16,958,529</b>	<b>16,958,529</b>

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

#### Fair Value of Financial Instruments - Administration

	Carrying amount	Fair value	Carrying amount	Fair value
	2013	2013	2012	2012
	\$	\$	\$	\$
<b>Financial Assets</b>				
Cash and cash equivalents	4,413,490	4,413,490	4,247,634	4,247,634
Trade and other receivables	3,299,132	3,299,132	3,642,306	3,642,306
Other investments	-	-	-	-
<b>Total</b>	<b>7,712,622</b>	<b>7,712,622</b>	<b>7,889,940</b>	<b>7,889,940</b>
<b>Financial Liabilities</b>				
Trade creditors	5,506,983	5,506,983	5,362,463	5,362,463
Loans	11,770,689	11,770,689	11,795,683	11,795,683
Deposits	14,580	14,580	19,875	19,875
<b>Total</b>	<b>17,292,251</b>	<b>17,292,251</b>	<b>17,178,021</b>	<b>17,178,021</b>

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 (2013: \$3,299,132 and 2012: \$3,642,306).

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	Not past due nor impaired	Past due or impaired	Past due or impaired
	2013	2012	2013	2012
	\$	\$	\$	\$
Cash and cash equivalents	4,778,215	4,519,647	-	-
Trade and other receivables	400,670	2,616,690	3,348,159	1,674,527
Other investments	238,221	188,109	-	-
<b>Total</b>	<b>5,417,106</b>	<b>7,324,447</b>	<b>3,348,159</b>	<b>1,674,527</b>

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

	Not past due nor impaired	Not past due nor impaired	Past due or impaired	Past due or impaired
	2013	2012	2013	2012
	\$	\$	\$	\$
Cash and cash equivalents	4,413,490	4,247,634	-	-
Trade and other receivables	388,283	2,435,821	2,910,849	1,206,485
Other investments	-	-	-	-
<b>Total</b>	<b>4,801,773</b>	<b>6,683,455</b>	<b>2,910,849</b>	<b>1,206,485</b>

**Ageing of financial assets that were past due but not impaired for 2013 - Consolidated**

	0 to 30 days	31 to 60 days	60+ days	Total
	\$	\$	\$	\$
Trade and other receivables	1,827,965	435,592	605,849	2,869,406
<b>Total</b>	<b>1,827,965</b>	<b>435,592</b>	<b>605,849</b>	<b>2,869,406</b>

**Ageing of financial assets that were past due but not impaired for 2012 - Consolidated**

	0 to 30 days	31 to 60 days	60+ days	Total
	\$	\$	\$	\$
Trade and other receivables	547,450	80,845	474,787	1,103,081
<b>Total</b>	<b>547,450</b>	<b>80,845</b>	<b>474,787</b>	<b>1,103,081</b>

**Ageing of financial assets that were past due but not impaired for 2013 - Administration**

	0 to 30 days	31 to 60 days	60+ days	Total
	\$	\$	\$	\$
Trade and other receivables	1,722,205	435,592	605,850	2,763,647
<b>Total</b>	<b>1,722,205</b>	<b>435,592</b>	<b>605,850</b>	<b>2,763,647</b>

**Ageing of financial assets that were past due but not impaired for 2012 - Administration**

	0 to 30 days	31 to 60 days	60+ days	Total
	\$	\$	\$	\$
Trade and other receivables	419,216	80,845	474,787	974,848
<b>Total</b>	<b>419,216</b>	<b>80,845</b>	<b>474,787</b>	<b>974,848</b>

**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 2013 - Consolidated**

	On demand	within 1 year	1 to 2 years	2 to 5 years	>5 years	Total
	\$	\$	\$	\$	\$	\$
Trade creditors	-	5,302,096	-	-	-	5,302,096
Loans	-	1,200,000	1,200,000	3,600,000	5,770,689	11,770,689
Deposits	14,580	-	-	-	-	14,580
<b>Total</b>	<b>14,580</b>	<b>6,502,096</b>	<b>1,200,000</b>	<b>3,600,000</b>	<b>5,770,689</b>	<b>17,087,365</b>

**Maturities for non-derivative financial liabilities for 2012 - Consolidated**

	On demand	within 1 year	1 to 2 years	2 to 5 years	>5 years	Total
	\$	\$	\$	\$	\$	\$
Trade creditors	-	5,142,971	-	-	-	5,142,971
Loans	-	1,200,000	1,200,000	3,600,000	5,795,683	11,795,683
Deposits	19,875	-	-	-	-	19,875
<b>Total</b>	<b>19,875</b>	<b>6,342,971</b>	<b>1,200,000</b>	<b>3,600,000</b>	<b>5,795,683</b>	<b>16,958,529</b>

The Group had no derivative financial liabilities in either 2013 or 2012.

**Maturities for non-derivative financial liabilities for 2013 - Administration**

	On demand	within 1 year	1 to 2 years	2 to 5 years	>5 years	Total
	\$	\$	\$	\$	\$	\$
Trade creditors	-	5,506,983	-	-	-	5,506,983
Loans	-	1,200,000	1,200,000	3,600,000	5,770,689	11,770,689
Deposits	14,580	-	-	-	-	14,580
<b>Total</b>	<b>14,580</b>	<b>6,706,983</b>	<b>1,200,000</b>	<b>3,600,000</b>	<b>5,770,689</b>	<b>17,292,252</b>

**Maturities for non-derivative financial liabilities for 2012 - Administration**

	On demand	within 1 year	1 to 2 years	2 to 5 years	>5 years	Total
	\$	\$	\$	\$	\$	\$
Trade creditors	-	5,362,463	-	-	-	5,362,463
Loans	-	1,200,000	1,200,000	3,600,000	5,795,683	11,795,683
Deposits	19,875	-	-	-	-	19,875
<b>Total</b>	<b>19,875</b>	<b>6,562,463</b>	<b>1,200,000</b>	<b>3,600,000</b>	<b>5,795,683</b>	<b>17,178,021</b>

The Administration had no derivative financial liabilities in either 2013 or 2012.

**Note 16: Financial Assets and Liabilities Reconciliation**

	Notes	Consolidated		Administration	
		2013 # \$	2012 \$	2013 \$	2012 \$
<b>Financial assets</b>					
<b>Total financial assets as per Balance Sheet</b>		<b>8,286,512</b>	8,427,528	<b>7,565,420</b>	7,658,302
<b>Add: non-financial instrument components</b>					
Impairment allowance for goods and services	5B	(478,753)	(571,446)	(147,202)	(231,637)
Appropriations receivable	7B				
Statutory receivables	7B				
Other receivables	7B				
<b>Total financial instrument components</b>		<b>(478,753)</b>	(571,446)	<b>(147,202)</b>	(231,637)
<b>Total financial assets as per financial instruments note</b>		<b>8,765,265</b>	8,998,973	<b>7,712,622</b>	7,889,940
<b>Financial liabilities</b>					
<b>Total financial liabilities as per Balance Sheet</b>		<b>19,836,673</b>	20,071,046	<b>19,248,322</b>	19,541,665
<b>Less: non-financial instrument components:</b>					
Employee provisions	9A	2,412,954	2,827,743	1,771,080	2,157,458
Other payables	7B	336,354	284,774	184,990	206,186
<b>Total non-financial instrument components</b>		<b>2,749,308</b>	3,112,517	<b>1,956,070</b>	2,363,644
<b>Total financial liabilities as per financial instruments note</b>		<b>17,087,364</b>	16,958,529	<b>17,292,251</b>	17,178,021

**Note 17: Investments**

	Consolidated		Administration	
	2013	2012	2013	2012
	\$	\$	\$	\$
<b>Balance brought forward from previous period</b>	<b>188,109</b>	107,742	-	-
Investments made	<b>41,000</b>	75,000	-	-
Investment income	<b>9,112</b>	5,367	-	-
Transactional charges	-	-	-	-
Investments realised	-	-	-	-
<b>Total balance carried to the next period</b>	<b>238,221</b>	188,109	-	-



**Note 18: Appropriations****Annual Appropriations (Norfolk Island Act 1979, section 48A)**

	2013	2012
	\$	\$
<b>Balance as at 1 July</b>	<b>131,650</b>	153,310
New appropriation (from cash flow)	<b>33,785,131</b>	54,705,894
Cash payments	<b>(33,366,612)</b>	(55,474,492)
<b>Difference</b>	<b>550,169</b>	(615,288)
<i>Appropriation Act 2012-13</i>	<b>33,901,350</b>	56,709,110
Cash payments	<b>(33,366,612)</b>	(55,474,492)
<b>Appropriation under spend</b>	<b>534,738</b>	1,234,618
<b>Closing balance as represented by:</b>		
Amounts transferred	-	131,650
Amounts lapsed	<b>534,738</b>	1,102,968
<b>Total closing balance</b>	<b>534,738</b>	1,234,618

The Legislative Assembly of Norfolk Island appropriates money under the Appropriation Act 2012-13 to specific cost centres and also to specific line items. The Appropriation Act sets upper limits on expenditure that can only be varied by approvals from the Minister for Finance. Notwithstanding, in the 2012-13 year, four of 48 performance budget cost centres were over spent by amounts up to \$6,000. For those amounts allocated to specific line items, 40 of 178 allocations were over spent, with 27 of these less than \$1,000, 10 from \$1,001 to \$26,000 and three being between \$100,000 and \$200,000. However, as reported in the Note above, the total amount appropriated for the year was under spent.

The above table is prepared on a cash basis.

**Note 19: Ex-Gratia Payments**

	<b>Consolidated</b>		<b>Administration</b>	
	<b>2013</b>	2012	<b>2013</b>	2012
	\$	\$	\$	\$
<b>Ex-Gratia Payments</b>				
64 ex-gratia payments were provided for during the reporting period (2012: 119).	<b>23,855</b>	188,773	<b>23,855</b>	188,773

Ex-gratia payments relate mainly to payments associated with the Norfolk Island Photovoltaic Refund Scheme and honorarium payments made to local magistrates and Public Service Board members.

Under the Norfolk Island Photovoltaic Refund Scheme, the Government of Norfolk Island agreed to refund the GST and/or duty paid on the equipment and installations costs of photovoltaic systems installed on Norfolk Island, obtained through the subsidy scheme from the Commonwealth of Australia. The Norfolk Island Photovoltaic Refund Scheme concluded on 30 June 2012.

## 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.

### Non-monetary assets

The Administration had no non-monetary assets held in trust in both the current and prior reporting period.

### Norfolk Air Prepaid Ticket Sales

This amount represents Norfolk Air tickets sold for travel past balance date.

	2013	2012
	\$	\$
Total amount held at the beginning of the reporting period	-	1,471,331
Receipts	-	-
Payments	-	(1,471,331)
<b>Total amount held at the end of the reporting period</b>	<b>-</b>	<b>-</b>

### 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.

	2013	2012
	\$	\$
Total amount held at the beginning of the reporting period	169,139	134,374
Receipts	30,426	57,929
Payments	(100,661)	(23,164)
<b>Total amount held at the end of the reporting period</b>	<b>98,904</b>	<b>169,139</b>

### 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.

	2013	2012
	\$	\$
Total amount held at the beginning of the reporting period	86,900	74,427
Receipts	20,957	12,473
Payments	(19,117)	-
<b>Total amount held at the end of the reporting period</b>	<b>88,740</b>	<b>86,900</b>

### National Heritage Trust

Grants totaling \$998,300, have been provided by the Commonwealth of Australia through the Natural Heritage Trust. No funding was provided in 2011-12 financial year.

	2013	2012
	\$	\$
Total amount held at the beginning of the reporting period	-	-
Receipts	-	-
Payments	-	-
<b>Total amount held at the end of the reporting period</b>	<b>-</b>	<b>-</b>

### 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.

	2013	2012
	\$	\$
Total amount held at the beginning of the reporting period	54,655	54,655
Receipts	-	-
Payments	-	-
<b>Total amount held at the end of the reporting period</b>	<b>54,655</b>	<b>54,655</b>

#### Commonwealth of Australia Grant - Caring for our Country

A grant provided by the Commonwealth of Australia to assist in the eradication of the Argentine Ants on Norfolk Island.

	2013	2012
	\$	\$
Total amount held at the beginning of the reporting period	13,098	666
Receipts	83,000	158,313
Payments	(96,098)	(145,881)
<b>Total amount held at the end of the reporting period</b>	<b>0</b>	<b>13,098</b>

#### Norfolk Island Climate Vulnerability Assessment

This account was established in 1996 from a grant of \$55,000 provided by the Commonwealth of Australia. The purpose of the grant is to assist in the study of climatic conditions around Norfolk Island.

	2013	2012
	\$	\$
Total amount held at the beginning of the reporting period	24,158	24,158
Receipts	-	-
Payments	-	-
<b>Total amount held at the end of the reporting period</b>	<b>24,158</b>	<b>24,158</b>

#### Asset Management Plan

This account was established in 2005 from a grant of \$150,000 provided by the Commonwealth of Australia to assist in the review of the Administration's assets and provide a plan for the future management of the assets.

	2013	2012
	\$	\$
Total amount held at the beginning of the reporting period	289	289
Receipts	-	-
Payments	-	-
<b>Total amount held at the end of the reporting period</b>	<b>289</b>	<b>289</b>

#### Stamp Suspense Account

Funds held in trust, are considered not to be part of the Norfolk Island Postal Services. The receipts represent monies deposited with the Administration of Norfolk Island by philatelic customers for future stamps orders from the Norfolk Island Philatelic Bureau. The expenditure represents these orders being filled and the proceeds are reflected in the stamp sales amount generated by the Philatelic Bureau.

	2013	2012
	\$	\$
Total amount held at the beginning of the reporting period	54	-
Receipts	200,660	54
Payments	(131,917)	-
<b>Total amount held at the end of the reporting period</b>	<b>68,797</b>	<b>54</b>

#### 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.

	2013	2012
	\$	\$
Total amount held at the beginning of the reporting period	244,333	143,194
Receipts	433,477	1,837,979
Payments	(507,209)	(1,736,840)
<b>Total amount held at the end of the reporting period</b>	<b>170,601</b>	<b>244,333</b>



# Financial Statements 2012/13



Norfolk Island Hospital Enterprise



## INDEPENDENT AUDITOR'S REPORT

### To:

**The Minister for Finance of the Government of Norfolk Island;  
The Commonwealth Assistant Minister for Infrastructure and Regional Development;  
The Administrator of the Territory of Norfolk Island.**

I am required by section 48C of the *Norfolk Island Act 1979* to audit the accompanying financial statements of the Norfolk Island Hospital Enterprise for the year ended 30 June 2013, which comprise: a statement by the Minister for Finance and the Hospital Director of the Norfolk Island Hospital Enterprise; a Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; and Schedules of Commitments and Contingencies; and Notes to and Forming Part of the Financial Statements, including a Summary of Significant Accounting Policies.

### Minister for Finance's Responsibility for the Financial Statements

The Minister for Finance of the Government of Norfolk Island is responsible for the preparation of the financial statements of the Norfolk Island Hospital Enterprise that give a true and fair view in accordance with the *Commonwealth Finance Minister's (Norfolk Island) Orders 2011* made under the *Norfolk Island Act 1979*, including the Australian Accounting Standards, and for such internal control as is necessary to enable the preparation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. Because of the matter described in the Basis for Disclaimer of Opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### Independence

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

### Basis for Disclaimer of Opinion

Note 1.3 of the Notes to and forming part of the financial statements states that the financial statements of the Norfolk Island Hospital Enterprise have been prepared on a going concern basis which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business.

Note 1.3 also discloses that the Norfolk Island Hospital Enterprise receives a significant annual subsidy from the Administration of Norfolk Island (the Administration) to support its operations. The Administration is currently experiencing financial difficulty, associated with a continuing economic downturn and a decline in tourism, and continues to incur losses. The Administration has forecast negative cash flows to continue in the future and the Commonwealth of Australia's current funding commitments ends at 30 June 2014. At the date of my report, no further financial assistance has been negotiated. Note 1.3 states that, given the significance of the Administration's annual subsidy to the Norfolk Island Hospital Enterprise, these conditions give rise to a material uncertainty that may cast significant doubt on the ability of the Norfolk Island Hospital Enterprise to continue as a going concern.

Further, Note 1.3 states that in the event that the Administration does not obtain additional funding from the Commonwealth of Australia and/or reduce expenditure in line with available revenue, the Norfolk Island Hospital Enterprise may not be able to continue its operations as a going concern and therefore may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial statements. Note 1.3 states that the Norfolk Island Hospital Enterprise is essential to the provision of medical services and hospital care to the residents of Norfolk Island and, as such, there is no intention by the management of the Norfolk Island Hospital Enterprise, or the Government of Norfolk Island, to cease the operations of the hospital or liquidate any assets.

However, I have not been provided with sufficient appropriate audit evidence by the Administration of how the Administration's funding requirements will be met to enable the Administration to continue to operate in 2014-15 and later years. Consequently, I am unable to conclude whether the going concern assumption is appropriate and hence remove significant doubt of the Norfolk Island Hospital Enterprise's ability to continue as a going concern.

#### **Disclaimer of Opinion**

Because of the significance of the going concern matter described in the Basis for Disclaimer of Opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide the basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements of the Norfolk Island Hospital Enterprise for the year ended 30 June 2013.

Australian National Audit Office



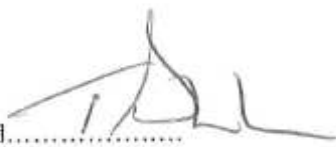
John McCullough  
Executive Director  
Delegate of the Auditor-General

Canberra  
10 December 2013

Norfolk Island Hospital Enterprise

STATEMENT BY THE MINISTER FOR FINANCE AND THE HOSPITAL DIRECTOR

In our opinion, the attached financial statements for the year ended 30 June 2013 are based on properly maintained financial records and give a true and fair view of the matters required by the *Norfolk Island Hospital Act 1985* and the Commonwealth Finance Minister's (Norfolk Island) Orders 2011 made under the *Norfolk Island Act 1979*.

Signed.....

The Hon. Timothy J. Sheridan  
Minster for Finance  
Government of Norfolk Island

10 December 2013

Signed.....

Ms. Julie Morrison  
Hospital Director  
Norfolk Island Hospital Enterprise

10 December 2013



**Statement of Comprehensive Income for the Norfolk Island Hospital Enterprise**  
*for the period ended 30 June 2013*

	Notes	2013 \$	2012 \$
<b>EXPENSES</b>			
Employee benefits	3A	2,988,183	2,950,328
Suppliers	3B	1,540,619	1,623,840
Depreciation and amortisation	3C	455,843	463,763
Loss on disposal of assets	3D	3,417	598
Write-down and impairment of assets	3E	17	93,019
<b>Total expenses</b>		<b>4,988,080</b>	<b>5,131,549</b>
<b>LESS:</b>			
<b>OWN-SOURCE INCOME</b>			
<b>Own-source revenue</b>			
Sale of goods and rendering of services	4A	1,377,638	1,491,259
Fees	4B	1,328,334	1,398,670
Interest	4C	10,504	5,894
Rental income	4D	11,927	13,644
Other revenue	4E	27,317	26,918
<b>Total own-source revenue</b>		<b>2,755,720</b>	<b>2,936,385</b>
<b>Gains</b>			
Other gains	4F	26,000	24,500
<b>Total gains</b>		<b>26,000</b>	<b>24,500</b>
<b>Net cost of services</b>		<b>(2,206,360)</b>	<b>(2,170,664)</b>
Revenue received from Government	4G	1,928,200	2,038,643
<b>Surplus (Deficit) attributable to the Norfolk Island Hospital Enterprise</b>		<b>(278,160)</b>	<b>(132,021)</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Changes in asset revaluation reserves		-	34,907
<b>Total other comprehensive income</b>		<b>-</b>	<b>34,907</b>
<b>Total comprehensive income (loss) attributable to the Norfolk Island Hospital Enterprise</b>		<b>(278,160)</b>	<b>(97,114)</b>

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

**Balance Sheet for the Norfolk Island Hospital Enterprise**  
*as at 30 June 2013*

	Notes	2013 \$	2012 \$
<b>ASSETS</b>			
<b>Financial Assets</b>			
Cash and cash equivalents	5A	240,438	270,114
Trade and other receivables	5B	362,773	306,102
Other investments	5C	238,221	188,109
<b>Total financial assets</b>		<b>841,432</b>	<b>764,325</b>
<b>Non-Financial Assets</b>			
Land and buildings	6A	3,321,209	3,555,413
Property, plant and equipment	6B,C	662,477	656,784
Intangibles	6D,E	1,854	2,294
Inventories	6F	230,189	277,739
Other non-financial assets	6G	28,494	31,476
<b>Total non-financial assets</b>		<b>4,244,223</b>	<b>4,523,706</b>
<b>Total assets</b>		<b>5,085,656</b>	<b>5,288,031</b>
<b>LIABILITIES</b>			
<b>Payables</b>			
Suppliers	7A	99,337	87,311
Other payables	7B	151,364	69,807
<b>Total payables</b>		<b>250,701</b>	<b>157,118</b>
<b>Provisions</b>			
Employee provisions	8A	612,412	630,210
<b>Total provisions</b>		<b>612,412</b>	<b>630,210</b>
<b>Total liabilities</b>		<b>863,113</b>	<b>787,328</b>
<b>Net assets</b>		<b>4,222,542</b>	<b>4,500,704</b>
<b>EQUITY</b>			
Reserves		581,834	581,834
Retained surplus (accumulated deficit)		3,640,708	3,918,868
<b>Total equity</b>		<b>4,222,542</b>	<b>4,500,702</b>

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

**Statement of Changes in Equity for the Norfolk Island Hospital Enterprise**  
*for the period ended 30 June 2013*

	Retained earnings		Asset revaluation reserve		Total equity	
	2013	2012	2013	2012	2013	2012
	\$	\$	\$	\$	\$	\$
<b>Opening balance</b>						
Balance carried forward from previous period	<b>3,918,868</b>	4,050,889	<b>581,834</b>	546,927	<b>4,500,702</b>	4,597,816
Adjustment for changes in accounting policies	-	-	-	-	-	-
<b>Adjusted opening balance</b>	<b>3,918,868</b>	4,050,889	<b>581,834</b>	546,927	<b>4,500,702</b>	4,597,816
<b>Comprehensive income</b>						
Other comprehensive income	-	-		34,907	-	34,907
Surplus (Deficit) for the period	<b>(278,160)</b>	(132,021)			<b>(278,160)</b>	(132,021)
<b>Total comprehensive income</b>	<b>(278,160)</b>	(132,021)	-	34,907	<b>(278,160)</b>	(97,114)
<b>Closing balance as at 30 June</b>	<b>3,640,708</b>	3,918,868	<b>581,834</b>	581,834	<b>4,222,542</b>	4,500,702

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

**Cash Flow Statement for the Norfolk Island Hospital Enterprise**  
*for the period ended 30 June 2013*

	Notes	2013 \$	2012 \$
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Sales of goods and rendering of services		2,717,899	2,905,274
Receipts received from the Administration of Norfolk Island		1,779,704	2,038,643
Receipts received from the Commonwealth of Australia		100,000	-
Donations		27,317	4,654
Interest		1,392	10
<b>Total cash received</b>		<u>4,626,312</u>	<u>4,948,581</u>
<b>Cash used</b>			
Employees and suppliers		4,422,848	4,566,496
<b>Total cash used</b>		<u>4,422,848</u>	<u>4,566,496</u>
<b>Net cash from (used by) operating activities</b>	9	<u>203,464</u>	<u>382,085</u>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds received from investments		9,112	5,367
<b>Total cash received</b>		<u>9,112</u>	<u>5,367</u>
<b>Cash used</b>			
Purchase of land, property, plant and equipment		201,252	97,679
Purchase of financial instruments		41,000	75,000
<b>Total cash used</b>		<u>242,252</u>	<u>172,679</u>
<b>Net cash from (used by) investing activities</b>		<u>(233,140)</u>	<u>(167,312)</u>
<b>Net increase (decrease) in cash held</b>			
		<u>(29,676)</u>	<u>214,773</u>
Cash and cash equivalents at the beginning of the reporting period		<u>270,114</u>	<u>55,341</u>
<b>Cash and cash equivalents at the end of the reporting period</b>	5A	<u>240,438</u>	<u>270,114</u>

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

**Schedule of Commitments for the Norfolk Island Hospital Enterprise**  
*as at 30 June 2013*

	2013	2012
	\$	\$
<b>BY TYPE</b>		
<b>Commitments receivable</b>		
Other <sup>2</sup>	9,402	-
<b>Total commitments receivable</b>	<u>9,402</u>	<u>-</u>
<b>Commitments payable</b>		
<b>Capital commitments</b>		
Property, plant and equipment	-	45,850
<b>Total capital commitments</b>	<u>-</u>	<u>45,850</u>
<b>Other commitments</b>		
Other <sup>3</sup>	67,479	106,454
<b>Total other commitments</b>	<u>67,479</u>	<u>106,454</u>
<b>Total commitments payable</b>	<u>67,479</u>	<u>106,454</u>
<b>Net commitments by type</b>	<u>58,077</u>	<u>106,454</u>
<b>BY MATURITY</b>		
<b>Commitments receivable</b>		
<b>Other commitments receivable</b>		
One year or less	9,402	-
From one to five years	-	-
Over five years	-	-
<b>Total other commitments receivable</b>	<u>9,402</u>	<u>-</u>
<b>Total commitments receivable</b>	<u>9,402</u>	<u>-</u>
<b>Commitments payable</b>		
<b>Capital commitments</b>		
One year or less	-	45,850
From one to five years	-	-
Over five years	-	-
<b>Total capital commitments</b>	<u>-</u>	<u>45,850</u>
<b>Other Commitments</b>		
One year or less	45,979	73,064
From one to five years	21,500	33,390
Over five years	-	-
<b>Total other commitments</b>	<u>67,479</u>	<u>106,454</u>
<b>Total commitments payable</b>	<u>67,479</u>	<u>152,304</u>
<b>Net commitments by maturity</b>	<u>58,077</u>	<u>152,304</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.

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

**Schedule of Contingencies for the Norfolk Island Hospital Enterprise**  
*as at 30 June 2013*

---

The Norfolk Island Hospital Enterprise has no contingent assets or liabilities as at 30 June 2013 (2012: Nil).

Refer to Note 10.

**Notes to and Forming Part of the Financial Statements for the Norfolk Island Hospital Enterprise**  
*for the period ended 30 June 2013*

---

**Table of Contents**

Audit Report  
Statement by Officers  
Statement of Comprehensive Income  
Balance Sheet  
Statement of Changes in Equity  
Cash Flow Statement  
Schedule of Commitments  
Schedule of Contingencies  
Table of Contents - Notes  
Note 1: Summary of Significant Accounting Policies  
Note 2: Events After the Reporting Period  
Note 3: Expenses  
Note 4: Income  
Note 5: Financial Assets  
Note 6: Non-Financial Assets  
Note 7: Payables  
Note 8: Provisions  
Note 9: Cash Flow Reconciliation  
Note 10: Contingent Assets and Liabilities  
Note 11: Related Party Transactions  
Note 12: Senior Executive Remuneration  
Note 13: Remuneration of Auditors  
Note 14: Financial Instruments  
Note 15: Financial Assets and Liabilities Reconciliation  
Note 16: Investments  
Note 17: Ex-Gratia Payments  
Note 18: Assets Held in Trust

## Note 1: Summary of Significant Accounting Policies

### 1.1 Objectives of the Norfolk Island Hospital Enterprise

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

- 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*.

The financial statements have been prepared in accordance with:

- a) Commonwealth Finance Minister's (Norfolk Island) Orders 2011 (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 balance sheet 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

The NIHE's financial statements have been prepared on a going concern basis which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business.

The NIHE receives a significant annual subsidy from the Administration of Norfolk Island (the Administration) to support its operations. The Administration is currently experiencing financial difficulty, associated with a continuing economic downturn and a decline in tourism, and continues to incur losses. The Commonwealth of Australia has provided financial assistance to ensure the Administration has sufficient funds to meet expenditure commitments that have fallen due. The Administration of Norfolk Island has forecast negative cash flows to continue in the future. The Commonwealth of Australia's funding commitments to the Administration ends at 30 June 2014 and as at the date of signing these financial statements, no further financial assistance to the Administration has been negotiated. Given the significance of the Administration's annual subsidy to NIHE, these conditions give rise to a material uncertainty that may cast significant doubt upon the NIHE's ability to continue as a going concern.

In the event that the Administration does not obtain additional funding from the Commonwealth of Australia and/or reduce expenditure in line with available revenue, the NIHE may not be able to continue its operations as a going concern and therefore may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial statements. The NIHE is essential to the provision of medical services and hospital care to the residents of Norfolk Island and, as such, there is no intention by the management of the NIHE, or the Government of Norfolk Island to cease the operations of the hospital or liquidate any assets.

### 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 fair value of land, buildings, property, plant and equipment has been taken to be the market value of similar properties as determined by an independent valuer. In some instances, the NIHE's buildings are purpose-built and may in fact realise more or less in the market;
- b) the relevant government bond rate has been used to discount non-current liabilities in accordance with the CFMOs;
- c) 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;
- d) 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;
- e) 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;
- f) 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.

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.

Other new standards, revised standards, interpretations, or amending standards that were issued prior to the sign-off date and are applicable to the current reporting period did not have a financial impact, and are not expected to have a future financial impact on the NIHE.



#### Future Australian Accounting Standard Requirements

The following new standards and interpretations were issued by the Australian Accounting Standards Board prior to the sign-off date, which are applicable to the NIHE for future reporting periods:

AASB 9	Financial Instruments - September 2012 (Compilation)
AASB 13	Fair Value Measurement - December 2012 (Principal)
AASB 119	Employee Benefits - September 2011 (Principal)
AASB 132	Financial Instruments: Presentation - October 2010 (Compilation)
AASB 137	Provisions, Contingent Liabilities and Contingent Assets - October 2010 (Compilation)
AASB 139	Financial Instruments: Recognition and Measurement - October 2010 (Compilation)
AASB 1055	Budgetary Reporting - March 2013 (Principal)
AASB 2013-3	Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets

Other new standards or revised standards that were issued prior to the sign-off date and are applicable to the future reporting period are not expected to have a future financial impact on the NIHE.

### **1.6 Revenue**

#### Sale of Goods and Rendering of Services

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer;
- the NIHE retains no managerial involvement or effective control over the goods;
- the revenue and transaction costs incurred can be reliably measured; and
- 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:

- the amount of revenue, stage of completion and transaction costs incurred can be reliably measured; and
- 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.

### **1.7 Gains**

#### Revenue from Government

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

#### 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.

#### Separation and Redundancy

The NIHE 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

Full-time and permanent part-time employees who have been employed by the NIHE for greater than 12 months are eligible to contribute to the Norfolk Island Employee Superannuation Scheme. The Norfolk Island Employee Superannuation Scheme is a defined contribution scheme. Superannuation contributions are deposited into a term deposit account by the NIHE on behalf of members. The Norfolk Island Employee Superannuation Scheme does not form part of the NIHE and is not recognised in the financial statements.

## 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.

Where an asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property or, if lower, the present value of minimum lease payments at the inception of the contract and a liability is recognised at the same time and for the same amount.

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.

## 1.10 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.

## 1.13 Financial Assets

The NIHE classifies its financial assets in the following categories:

- a) 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.

Available for sale financial assets - if there is objective evidence that an impairment loss on an available-for-sale financial asset has been incurred, the amount of the difference between its cost, less principal repayments and amortisation, and its current fair value, less any impairment loss previously recognised in expenses, is transferred from equity to the Statement of Comprehensive Income.

Financial assets carried at cost - if there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

## 1.14 Financial Liabilities

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

### Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liability.

#### Other Financial Liabilities

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

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

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

#### **1.15 Contingent Liabilities and Contingent Assets**

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

#### **1.16 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*.

#### **1.17 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.

#### **1.18 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:

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

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:

<u>Asset class</u>	<u>2013</u>	<u>2012</u>
Buildings on freehold land	10 to 40 years	25 to 50 years
Property, plant and equipment	4 to 30 years	3 to 10 years

##### Impairment

All assets were assessed for impairment at 30 June 2013. 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 disposal or when no further future economic benefits are expected from its use or disposal.

#### **1.19 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 (2012: 2 to 10 years).

All software assets were assessed for indications of impairment as at 30 June 2013.

#### **1.20 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.

#### **1.21 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.

#### **1.22 Taxation**

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

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

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

#### **1.23 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

On 19 September 2013, the Public Sector Remuneration Tribunal for Norfolk Island issued a determination under section 8(1)(a) and (b) and 10(1) of the *Public Sector Remuneration Tribunal Act 1992* (NI) that:

- the current base remuneration rate for the Domestic Staff of the Norfolk Island Hospital Enterprise be increased by 11% effective from 1 July 2012;
- a further increase of 3% apply from 1 July 2013; and
- the remuneration increase shall not apply or be payable in respect of overtime hours worked during the period 1 July 2012 to 30 June 2013.

On 19 September 2013, the Public Sector Remuneration Tribunal for Norfolk Island issued a determination under section 8(1)(a) and (b) and 10(1) of the *Public Sector Remuneration Tribunal Act 1992* (NI) that:

- the current base remuneration rate for Non-Contracted Administrative staff of the Norfolk Island Hospital Enterprise be increased by 11.70% effective from 1 July 2012;
- a further base remuneration increase of 3% apply from 1 July 2013; and
- the base remuneration rate of Non-Contracted Administrative staff employed by the Norfolk Island Hospital Enterprise shall be maintained in comparison with any percentage wage increase granted to the applicable rate in the New South Wales Health Department.

**Note 3: Expenses**

	2013	2012
	\$	\$
<b><u>Note 3A: Employee Benefits</u></b>		
Wages and salaries	2,948,270	2,911,932
Superannuation	39,913	38,397
<b>Total employee benefits</b>	<b>2,988,183</b>	<b>2,950,328</b>
<b><u>Note 3B: Supplier</u></b>		
<b>Goods and services</b>		
General hospital	491,483	575,394
Dispensary	509,867	516,432
Laboratory	171,154	165,581
Physiotherapy department	30,579	44,377
Dental	76,161	67,389
Aged care	71,009	61,744
Other	168,439	172,431
<b>Total goods and services</b>	<b>1,518,693</b>	<b>1,603,348</b>
<b>Goods and services are made up of:</b>		
Provision of goods – related entities	-	-
Provision of goods – external entities	716,247	761,087
Rendering of services – related entities	231,869	38,317
Rendering of services – external entities	570,576	803,944
<b>Total goods and services</b>	<b>1,518,693</b>	<b>1,603,348</b>
<b>Other supplier expenses</b>		
Workers compensation expenses	21,927	20,492
<b>Total other supplier expenses</b>	<b>21,927</b>	<b>20,492</b>
<b>Total supplier expenses</b>	<b>1,540,619</b>	<b>1,623,840</b>
<b><u>Note 3C: Depreciation and Amortisation</u></b>		
<b>Depreciation:</b>		
Property, plant and equipment	167,617	173,769
Buildings	287,845	287,618
<b>Total depreciation</b>	<b>455,462</b>	<b>461,387</b>
<b>Amortisation:</b>		
Intangibles - computer software	381	2,376
<b>Total amortisation</b>	<b>381</b>	<b>2,376</b>
<b>Total depreciation and amortisation</b>	<b>455,843</b>	<b>463,763</b>
<b><u>Note 3D: Loss on Sale of Assets</u></b>		
<b>Property, plant and equipment:</b>		
Carrying value of assets sold	3,417	598
<b>Total losses from asset sales</b>	<b>3,417</b>	<b>598</b>
<b><u>Note 3E: Write-Down and Impairment of Assets</u></b>		
<b>Asset write-down and impairments from:</b>		
Bad debts	17	1,299
Asset revaluation adjustment recognised in operating result	-	91,720
<b>Total write-down and impairment of assets</b>	<b>17</b>	<b>93,019</b>

## Note 4: Income

	2013	2012
<b>OWN-SOURCE REVENUE</b>	\$	\$
<b><u>Note 4A: Sale of Goods and Rendering of Services</u></b>		
Provision of goods - related entities	-	-
Provision of goods - external entities	666,494	715,257
Rendering of services - related entities	248,724	144,980
Rendering of services - external entities	462,421	631,022
<b>Total sale of goods and rendering of services</b>	<b>1,377,638</b>	<b>1,491,259</b>
<b><u>Note 4B: Fees</u></b>		
General hospital fees	398,298	517,504
Laboratory fees	187,001	200,359
X-Ray fees	74,314	70,334
Dental fees	161,993	135,981
Aged care fees	506,727	474,492
<b>Total fees</b>	<b>1,328,334</b>	<b>1,398,670</b>
<b><u>Note 4C: Interest</u></b>		
Deposits	10,504	5,894
<b>Total interest</b>	<b>10,504</b>	<b>5,894</b>
<b><u>Note 4D: Rental Income</u></b>		
Hospital properties	11,927	13,644
<b>Total rental income</b>	<b>11,927</b>	<b>13,644</b>
<b><u>Note 4E: Other Revenue</u></b>		
Donations	27,317	26,918
<b>Total other revenue</b>	<b>27,317</b>	<b>26,918</b>
<b>GAINS</b>		
<b><u>Note 4F: Other Gains</u></b>		
Resources received free of charge	26,000	24,500
<b>Total other gains</b>	<b>26,000</b>	<b>24,500</b>
<b>REVENUE FROM GOVERNMENT</b>		
<b><u>Note 4G: Revenue from Government</u></b>		
Revenue received from the Administration of Norfolk Island	1,828,200	2,038,643
Revenue received from the Commonwealth of Australia	100,000	-
<b>Total revenue from Government</b>	<b>1,928,200</b>	<b>2,038,643</b>

## Note 5: Financial Assets

	2013	2012
	\$	\$
<b>Note 5A: Cash and Cash Equivalents</b>		
Cash on hand or on deposit	240,438	270,114
<b>Total cash and cash equivalents</b>	<b>240,438</b>	<b>270,114</b>
<b>Note 5B: Trade and Other Receivables</b>		
<b>Goods and Services:</b>		
Goods and services - related entities	174,951	-
Goods and services - external entities	470,877	637,653
<b>Total receivables for goods and services</b>	<b>645,828</b>	<b>637,653</b>
<b>Appropriation Receivable:</b>		
Appropriation Receivable from the Administration of Norfolk Island	48,496	-
<b>Total appropriation receivable</b>	<b>48,496</b>	-
<b>Less impairment allowance account:</b>		
Goods and services	(331,551)	(331,551)
<b>Total impairment allowance account</b>	<b>(331,551)</b>	<b>(331,551)</b>
<b>Total trade and other receivables (net)</b>	<b>362,773</b>	<b>306,102</b>
<b>Receivables are expected to be recovered in:</b>		
No more than 12 months	362,773	306,102
More than 12 months	-	-
<b>Total trade and other receivables (net)</b>	<b>362,773</b>	<b>306,102</b>
<b>Receivables are aged as follows:</b>		
Not overdue	257,013	178,868
Overdue by:		
0 to 30 days	180,393	165,436
31 to 60 days	22,026	26,315
More than 60 days	234,891	267,034
<b>Total receivables (gross)</b>	<b>694,324</b>	<b>637,653</b>
<b>The impairment allowance account is aged as follows:</b>		
Overdue by:		
0 to 30 days	(74,633)	(38,202)
31 to 60 days	(22,026)	(26,315)
More than 60 days	(234,891)	(267,034)
<b>Total impairment allowance account</b>	<b>(331,551)</b>	<b>(331,551)</b>
The NIHE does not have a system to record receivables which are past due > 91 days.		
<b>Reconciliation of the Impairment Allowance Account:</b>		
<b>Movements in relation to 2013</b>		
	Goods and services	Total
	\$	\$
<b>Opening balance</b>	<b>(331,551)</b>	<b>(331,551)</b>
Amounts written off	-	-
<b>Closing balance</b>	<b>(331,551)</b>	<b>(331,551)</b>
<b>Movements in relation to 2012</b>		
	Goods and services	Total
	\$	\$
Opening balance	(331,551)	(331,551)
Amounts written off	-	-
Closing balance	(331,551)	(331,551)
	2013	2012
	\$	\$
<b>Note 5C: Other Investments</b>		
Term Deposits	238,221	188,109
<b>Total other investments</b>	<b>238,221</b>	<b>188,109</b>

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



## Note 6: Non-Financial Assets

	2013 \$	2012 \$
<b>Note 6A: Land and Buildings</b>		
<b>Land:</b>		
Fair value	375,000	375,000
<b>Total land</b>	<b>375,000</b>	<b>375,000</b>
<b>Buildings on freehold land:</b>		
Fair value	3,234,056	3,180,413
Accumulated depreciation	(287,845)	-
<b>Total buildings on freehold land</b>	<b>2,946,210</b>	<b>3,180,413</b>
<b>Total land and buildings</b>	<b>3,321,210</b>	<b>3,555,413</b>

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 1.17. Land and buildings were revalued as at 30 June 2012, 1 July 2011 and 1 July 2010 by an independent valuer. The valuer was Preston, Rowe, Paterson NSW Pty Ltd. The next revaluation will be completed for the year ending 30 June 2015.

### Note 6B: Property, Plant and Equipment

#### Property, plant and equipment:

Work in progress	2,420	70,282
Fair value	827,575	586,502
Accumulated depreciation	(167,518)	-
<b>Total property, plant and equipment</b>	<b>662,477</b>	<b>656,784</b>

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

No property, plant or equipment is expected to be sold or disposed of within the next 12 months.

### Revaluation of property, plant and equipment

All revaluations were conducted in accordance with the revaluation policy stated in Note 1.17. Property, plant and equipment were revalued as at 30 June 2012, 1 July 2011, and 1 July 2010 by an independent valuer. The valuer was Preston, Rowe, Paterson NSW Pty Ltd. The next revaluation will be completed for the year ending 30 June 2015.

### Note 6C: Reconciliation of the Opening and Closing Balances of Land and Buildings, Property, Plant and Equipment 2013

	Land \$	Buildings \$	Total land & buildings \$	Property, plant & equipment \$	Total \$
<b>As at 1 July 2012</b>					
Gross book value	375,000	3,180,413	3,555,413	656,784	4,212,197
Accumulated depreciation and impairment	-	-	-	-	-
<b>Net book value 1 July 2012</b>	<b>375,000</b>	<b>3,180,413</b>	<b>3,555,413</b>	<b>656,784</b>	<b>4,212,197</b>
Additions:					
By purchase or donation	-	53,643	53,643	174,247	227,889
Work in progress	-	-	-	2,420	2,420
Depreciation expense	-	(287,845)	(287,845)	(167,518)	(455,363)
Disposals	-	-	-	(3,456)	(3,456)
<b>Net book value 30 June 2013</b>	<b>375,000</b>	<b>2,946,210</b>	<b>3,321,210</b>	<b>662,477</b>	<b>3,983,687</b>
<b>Net book value as of 30 June 2013</b>					
Gross book value	375,000	3,234,056	3,321,210	829,995	4,439,050
Accumulated depreciation and impairment	-	(287,845)	(287,845)	(167,518)	(455,363)
<b>Net book value 30 June 2013</b>	<b>375,000</b>	<b>2,946,210</b>	<b>3,033,365</b>	<b>662,477</b>	<b>3,983,687</b>

Note 6C (Cont'd): Reconciliation of the Opening and Closing Balances of Land and Buildings, Property, Plant and Equipment 2012

	Land	Buildings	Total land & buildings	Property, plant & equipment	Total
	\$	\$	\$	\$	\$
As at 1 July 2011					
Gross book value	470,000	3,468,008	3,938,008	714,071	4,652,079
Accumulated depreciation and impairment	-	-	-	-	-
Net book value 1 July 2011	470,000	3,468,008	3,938,008	714,071	4,652,079
Additions:					
By purchase or donation	-	-	-	33,325	33,325
Work in progress	-	-	-	53,318	53,318
Depreciation expense	-	(287,618)	(287,618)	(173,769)	(461,387)
Disposals	-	-	-	(7,890)	(7,890)
Revaluation adjustment recognised in other comprehensive income	(3,280)	23	(3,257)	37,729	34,472
Revaluation adjustment recognised in operating result	(91,720)	-	(91,720)	-	(91,720)
Net book value 30 June 2012	375,000	3,180,413	3,555,413	656,784	4,212,197
Net book value as of 30 June 2012					
Gross book value	375,000	3,180,413	3,555,413	656,784	4,212,197
Accumulated depreciation and impairment	-	-	-	-	-
Net book value 30 June 2012	375,000	3,180,413	3,555,413	656,784	4,212,197

2013                      2012  
\$                              \$

**Note 6D: Intangibles**

**Computer software:**

Purchased	2,294	2,294
Accumulated amortisation	(440)	-
<b>Total computer software</b>	<b>1,854</b>	<b>2,294</b>
<b>Total intangibles</b>	<b>1,854</b>	<b>2,294</b>

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 2013**

	Computer software purchased
	\$
As at 1 July 2012	
Gross book value	2,294
Accumulated amortisation and impairment	-
<b>Net book value 1 July 2012</b>	<b>2,294</b>
Additions by purchase or internally developed	-
Amortisation	(440)
<b>Net book value 30 June 2013</b>	<b>1,854</b>
Net book value as of 30 June 2013 represented by:	
Gross book value	2,294
Accumulated amortisation and impairment	(440)
<b>Net book value 30 June 2013</b>	<b>1,854</b>

Note 6E (Cont'd): Reconciliation of the Opening and Closing Balances of Intangibles 2012

	Computer software purchased
	\$
As at 1 July 2011	
Gross book value	3,413
Accumulated amortisation and impairment	-
Net book value 1 July 2011	3,413
Additions:	
By purchase	822
Amortisation	(2,376)
Revaluation adjustment recognised in other comprehensive income	435
Net book value 30 June 2012	2,294
Net book value as of 30 June 2012 represented by:	
Gross book value	2,294
Accumulated amortisation and impairment	-
Net book value 30 June 2012	2,294

2013                      2012  
\$                              \$

**Note 6F: Inventories**

**Inventories held for sale:**

Finished goods	142,014	188,711
<b>Total inventories held for sale</b>	<b>142,014</b>	<b>188,711</b>
Inventories held for distribution	88,175	89,029
<b>Total inventories</b>	<b>230,189</b>	<b>277,739</b>

During 2013, \$368,672 of inventory held for sale was recognised as an expense (2012: \$408,349).

During 2013, \$186,629 of inventory held for distribution was recognised as an expense (2012: \$186,323).

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	28,494	31,476
<b>Total other non-financial assets</b>	<b>28,494</b>	<b>31,476</b>

All other financial assets are expected to be recovered in the next 12 months.

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

## Note 7: Payables

	2013	2012
	\$	\$
<b>Note 7A: Suppliers</b>		
Trade creditors and accruals	99,337	87,311
<b>Total suppliers payables</b>	<u>99,337</u>	<u>87,311</u>

### Suppliers payables expected to be settled within 12 months:

Related entities	20,394	-
External entities	78,943	87,311
<b>Total</b>	<u>99,337</u>	<u>87,311</u>

Settlement is usually made within 30 days.

### Note 7B: Other Payables

Accrued salaries and wages	151,364	69,807
<b>Total other payables</b>	<u>151,364</u>	<u>69,807</u>

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

## Note 8: Provisions

	2013	2012
	\$	\$
<b>Note 8A: Employee Provisions</b>		
Annual leave	200,700	194,580
Long service leave	346,160	381,603
Other	65,553	54,027
<b>Total employee provisions</b>	<b>612,412</b>	<b>630,210</b>
<b>Employee provisions are expected to be settled in:</b>		
No more than 12 months	575,098	576,810
More than 12 months	37,315	53,400
<b>Total employee provisions</b>	<b>612,412</b>	<b>630,210</b>

## Note 9: Cash Flow Reconciliation

	2013	2012
	\$	\$
<b>Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement</b>		
<b>Cash and cash equivalents as per:</b>		
Cash flow statement	240,438	270,114
Balance sheet	240,438	270,114
<b>Difference</b>	<u>-</u>	<u>-</u>
<b>Reconciliation of net cost of services to net cash from operating activities:</b>		
Net cost of services	(2,206,360)	(2,170,664)
Add revenue from Government	1,928,200	2,038,643
<b>Adjustments for non-cash items</b>		
Depreciation / amortisation	455,843	463,763
Donated property, plant and equipment capitalised	(18,317)	(7,431)
(Gains)/loss from sale of property, plant and equipment	3,417	598
Resources received free of charge	(26,000)	(24,500)
Write-down and impairment of assets	17	93,019
<b>Changes in assets / liabilities</b>		
(Increase) / decrease in trade and other receivables	(56,671)	(19,451)
(Increase) / decrease in inventories	47,550	(9,122)
Increase / (decrease) in employee provisions	(17,798)	58,401
Increase / (decrease) in supplier payables	12,026	(41,172)
Increase / (decrease) in other payables	81,556	-
<b>Net cash from (used by) operating activities</b>	<u>203,464</u>	<u>382,086</u>

## **Note 10: Contingent Assets and Liabilities**

### **Quantifiable Contingencies**

The Norfolk Island Hospital Enterprise had no quantifiable contingencies as at 30 June 2013 (2012: Nil).

### **Unquantifiable Contingencies**

The Norfolk Island Hospital Enterprise had no unquantifiable contingencies as at 30 June 2013 (2012: Nil).

### **Significant Remote Contingencies**

The Norfolk Island Hospital Enterprise had no significant remote contingencies as at 30 June 2013 (2012: Nil).

## **Note 11: Related Party Transactions**

### **Note 11A: Board Members for the Reporting Period**

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

	<b>Appointed</b>	<b>Resigned</b>
Mrs. Valerie Martinez	20-Aug-2012	Current
Ms. Candice Snell	20-Aug-2012	Current
Mr. Shane McCoy	20-Aug-2012	Current
Mr. Terry Clout	23-Jan-2013	Current
Ms. Robyn Fleming	23-Jan-2013	Current

### **Note 11B: Transactions with Related Parties**

The Norfolk Island Hospital Enterprise had no related party transactions for the reporting period (2012: Nil).



## Note 12: Senior Executive Remuneration

### Note 12A: Senior Executive Remuneration Expenses for the Reporting Period

There were no Senior Executives of the Norfolk Island Hospital Enterprise who had remuneration expenses for the reporting period in excess of \$180,000 (2012: Nil).

### Note 12B: Average Annual Reportable Remuneration Paid to Substantive Senior Executives During the Reporting Period

Average annual reportable remuneration <sup>1</sup>	2013			
	Senior Executives <sup>4</sup> No.	Reportable salary <sup>2</sup> \$	Gratuity paid <sup>3</sup> \$	Total \$
<b>Total remuneration (including part-time arrangements):</b>				
\$0 to \$180,000	1	55,521	5,116	60,637
<b>Total</b>	<b>1</b>			

Average annual reportable remuneration <sup>1</sup>	2012			
	Senior Executives No.	Reportable salary <sup>2</sup> \$	Gratuity paid <sup>3</sup> \$	Total \$
<b>Total remuneration (including part-time arrangements):</b>				
\$0 to \$180,000	1	62,554	6,157	68,711
<b>Total</b>	<b>1</b>			

#### Notes:

1. This table reports substantial senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.
2. 'Reportable salary' includes gross payments (less any bonuses paid, which are separated out and disclosed in the 'gratuity paid' column).
3. 'Gratuity paid' represents average actual gratuity paid during the reporting period in that reportable remuneration band. The 'gratuity paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the NIHE during the financial year.
4. The current Director of the Norfolk Island Hospital Enterprise is a seconded employee of the South East Sydney Local Health District and is not considered to be an employee of the Norfolk Island Hospital Enterprise. Therefore, the current Director's remuneration is not included in the figures above.

### Note 12C: Other Highly Paid Staff

The Norfolk Island Hospital Enterprise had no other highly paid staff for the reporting period (2012: Nil).

## Note 13: Remuneration of Auditors

	2013	2012
	\$	\$
<b>Fair value of the services provided</b>		
Financial statement audit services	<u>26,000</u>	<u>24,500</u>
<b>Total</b>	<u>26,000</u>	<u>24,500</u>

The 2012/13 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

	2013	2012
	\$	\$

### Note 14A: Categories of Financial Instruments

#### Financial Assets

##### Loans and receivables:

Cash and cash equivalents	240,438	270,114
Trade and other receivables	645,828	637,653
Other investments	238,221	188,109
<b>Total</b>	<b>1,124,487</b>	<b>1,095,876</b>
<b>Carrying amount of financial assets</b>	<b>1,124,487</b>	<b>1,095,876</b>

#### Financial Liabilities

##### At amortised cost:

Trade creditors	99,337	87,311
<b>Total</b>	<b>99,337</b>	<b>87,311</b>
<b>Carrying amount of financial liabilities</b>	<b>99,337</b>	<b>87,311</b>

### Note 14B: Net Income and Expense from Financial Assets

#### Loans and receivables

Interest revenue	10,504	5,894
<b>Net gain from loans and receivables</b>	<b>10,504</b>	<b>5,894</b>
<b>Net gain from financial assets</b>	<b>10,504</b>	<b>5,894</b>

There was no interest income from financial assets not at fair value through profit or loss in the year ending 2013 (2012: Nil).

### Note 14C: Net Income and Expense from Financial Liabilities

#### Financial liabilities - at amortised cost

Interest expense	-	-
<b>Net loss from financial liabilities - at amortised cost</b>	<b>-</b>	<b>-</b>
<b>Net loss from financial liabilities</b>	<b>-</b>	<b>-</b>

There was no interest expense from financial assets not at fair value through profit or loss in the year ending 2013 (2012: Nil).

### Note 14D: Fair Value of Financial Instruments

	Carrying amount	Fair value	Carrying amount	Fair value
	2013	2013	2012	2012
	\$	\$	\$	\$
<b>Financial Assets</b>				
Cash and cash equivalents	240,438	240,438	270,114	270,114
Trade and other receivables	645,828	645,828	637,653	637,653
Other investments	238,221	238,221	188,109	188,109
<b>Total</b>	<b>1,124,487</b>	<b>1,124,487</b>	<b>1,095,876</b>	<b>1,095,876</b>
<b>Financial Liabilities</b>				
Trade creditors	99,337	99,337	87,311	87,311
<b>Total</b>	<b>99,337</b>	<b>99,337</b>	<b>87,311</b>	<b>87,311</b>

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

### Note 14E: 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 (2013: \$645,838 and 2012: \$637,653).

The Norfolk Island Hospital Enterprise has assessed the risk of the default on payment and had allocated \$331,551 in 2013 (2012: \$331,551) 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
	2013	2012	2013	2012
	\$	\$	\$	\$
Cash and cash equivalents	240,438	270,114	-	-
Other investments	238,221	188,109	-	-
Trade and other receivables	208,517	178,868	437,311	458,785
<b>Total</b>	<b>687,176</b>	<b>637,091</b>	<b>437,311</b>	<b>458,785</b>

**Ageing of financial assets that were past due but not impaired for 2013**

	0 to 30 days \$	31 to 60 days \$	60+ days \$	Total \$
Trade and other receivables	105,760	-	-	105,760
<b>Total</b>	<b>105,760</b>	<b>-</b>	<b>-</b>	<b>105,760</b>

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

	0 to 30 days \$	31 to 60 days \$	60+ days \$	Total \$
Trade and other receivables	127,234	-	-	127,234
<b>Total</b>	<b>127,234</b>	<b>-</b>	<b>-</b>	<b>127,234</b>

**Note 14F: 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 receives a significant subsidy from the Administration of Norfolk Island. The Administration of Norfolk Island 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 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 2013**

	On demand \$	within 1 year \$	1 to 2 years \$	2 to 5 years \$	>5 years \$	Total \$
Trade creditors	-	99,337	-	-	-	99,337
<b>Total</b>	<b>-</b>	<b>99,337</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>99,337</b>

**Maturities for non-derivative financial liabilities 2012**

	On demand \$	within 1 year \$	1 to 2 years \$	2 to 5 years \$	>5 years \$	Total \$
Trade creditors	-	87,311	-	-	-	87,311
<b>Total</b>	<b>-</b>	<b>87,311</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>87,311</b>

The Norfolk Island Hospital Enterprise had no derivative financial liabilities in either 2013 or 2012.

**Note 15: Financial Assets and Liabilities Reconciliation**

	Notes	2013 \$	2012 \$
<b>Financial assets</b>			
<b>Total financial assets as per balance sheet</b>		<b>841,432</b>	764,325
<b>Add: non-financial instrument components</b>			
Impairment allowance for goods and services	5B	(331,551)	(331,551)
Appropriations receivable	5B	<u>48,496</u>	<u>-</u>
<b>Total non-financial instrument components</b>		<b><u>(283,055)</u></b>	<b><u>(331,551)</u></b>
<b>Total financial assets as per financial instruments note</b>		<b><u>1,124,487</u></b>	<b><u>1,095,876</u></b>
<b>Total financial liabilities as per Balance Sheet</b>		<b>863,113</b>	787,328
<b>Less: non-financial instrument components:</b>			
Employee provisions	8A	612,412	630,210
Other payables	7B	<u>151,364</u>	<u>69,807</u>
<b>Total non-financial instrument components</b>		<b><u>763,776</u></b>	<b><u>700,017</u></b>
<b>Total financial liabilities as per financial instruments note</b>		<b><u>99,337</u></b>	<b><u>87,311</u></b>

## Note 16: Investments

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

2013	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 <sup>1</sup>	75,000	-	3,073	-	-	78,073
Donations Account <sup>2</sup>	55,452	6,000	2,578	-	-	64,030
Edna Noonan Account <sup>3</sup>	35,755	-	1,735	-	-	37,490
Pearl May Account <sup>4</sup>	21,902	-	1,081	-	-	22,983
Emilie Channer Account <sup>5</sup>	-	35,000	646	-	-	35,646
<b>Total</b>	<b>188,109</b>	<b>41,000</b>	<b>9,112</b>	-	-	<b>238,221</b>

2012	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 <sup>1</sup>	-	75,000	-	-	-	75,000
Donations Account <sup>2</sup>	52,454	-	2,998	-	-	55,452
Edna Noonan Account <sup>3</sup>	34,595	-	1,160	-	-	35,755
Pearl May Account <sup>4</sup>	20,693	-	1,209	-	-	21,902
Emilie Channer Account <sup>5</sup>	-	-	-	-	-	-
<b>Total</b>	<b>107,742</b>	<b>75,000</b>	<b>5,367</b>	-	-	<b>188,109</b>

**Notes:**

- Funds held in the Norfolk Island Hospital Employees Entitlements Account are monies specifically assigned to pay for expenses associated with employee entitlements.
- 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.
- 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.
- 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.
- 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**

	2013	2012
<b>Ex-Gratia Payments</b>	\$	\$
No ex-gratia payments were provided for during the reporting period (2012: nil).	<u>-</u>	<u>-</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.

	2013	2012
	\$	\$
<b>Norfolk Island Hospital Employee Superannuation Scheme</b>		
Total amount held at the beginning of the reporting period	<b>821,564</b>	711,929
Receipts	<b>115,988</b>	139,688
Payments	<b>(111,578)</b>	(30,053)
<b>Total amount held at the end of the reporting period</b>	<b><u>825,974</u></b>	<u>821,564</u>





# Financial Statements 2012/13

---

Norfolk Island Government Tourist  
Bureau

---



## INDEPENDENT AUDITOR'S REPORT

To:

**The Minister for Finance of the Government of Norfolk Island;  
The Commonwealth Assistant Minister for Infrastructure and Regional Development;  
The Administrator of the Territory of Norfolk Island.**

I am required by section 48C of the *Norfolk Island Act 1979* to audit the accompanying financial statements of the Norfolk Island Government Tourist Bureau for the year ended 30 June 2013, which comprise: a statement by the Minister for Finance and the General Manager of the Norfolk Island Government Tourist Bureau; a Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; and Schedules of Commitments and Contingencies; and Notes to and Forming Part of the Financial Statements, including a Summary of Significant Accounting Policies.

### **Minister for Finance's Responsibility for the Financial Statements**

The Minister for Finance of the Government of Norfolk Island is responsible for the preparation of the financial statements that give a true and fair view in accordance with the *Commonwealth Finance Minister's (Norfolk Island) Orders 2011* made under the *Norfolk Island Act 1979*, including the Australian Accounting Standards, and for such internal control as is necessary to enable the preparation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. Because of the matter described in the Basis for Disclaimer of Opinion paragraphs, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

### **Independence**

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

### **Basis for Disclaimer of Opinion**

Note 1.3 of the Notes to and forming part of the financial statements states that the financial statements of the Norfolk Island Government Tourist Bureau have been prepared on a going concern basis which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business.

Note 1.3 also discloses that the Norfolk Island Government Tourist Bureau receives a significant annual grant from the Administration of Norfolk Island (the Administration) to support its operations. The Note also discloses that the Administration is currently experiencing financial difficulty, associated with a continuing economic downturn and a decline in tourism, and continues to incur losses. The Administration has forecast negative cash flows to continue in the future and the Commonwealth of Australia's current funding commitments ends at 30 June 2014. At the date of my report, no further financial assistance has been negotiated. Note 1.3 states that these conditions give rise to a material uncertainty that may cast doubt on the ability of the Norfolk Island Government Tourist Bureau to continue as a going concern.

Further, Note 1.3 states that in the event that the Administration does not obtain additional funding from the Commonwealth of Australia and/or reduce expenditure in line with available revenue, the Norfolk Island Government Tourist Bureau may not be able to continue its operations as a going concern and therefore may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial statements. Note 1.3 states that, nevertheless, that there is no intention by the management of the Norfolk Island Government Tourist Bureau, or the Norfolk Island Government, to cease the operations of the Norfolk Island Government Tourist Bureau, or to liquidate any assets.

However, I have not been provided with sufficient appropriate audit evidence by the Administration of how the Administration's funding requirements will be met to enable the Administration to continue to operate in 2014-15 and later years. Consequently, I am unable to conclude whether the going concern assumption is appropriate and hence remove significant doubt of the Norfolk Island Government Tourist Bureau's ability to continue as a going concern.

#### **Disclaimer of Opinion**

Because of the significance of the going concern matter described in the Basis for Disclaimer of Opinion paragraphs, I have not been able to obtain sufficient appropriate audit evidence to provide the basis for an audit opinion. Accordingly, I do not express an opinion on the financial statements of the Norfolk Island Government Tourist Bureau for the year ended 30 June 2013.

Australian National Audit Office



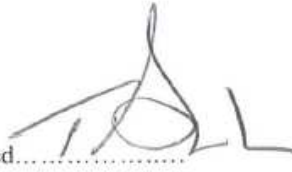
John McCullough  
Executive Director  
Delegate of the Auditor-General

Canberra  
10 December 2013

**Norfolk Island Government Tourist Bureau**


**STATEMENT BY THE MINISTER FOR FINANCE AND THE GENERAL MANAGER**

In our opinion, the attached financial statements for the year ended 30 June 2013 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 made under the *Norfolk Island Act 1979*.

Signed.....

The Hon. Timothy Sheridan  
Minster for Finance  
Government of Norfolk Island

10 December 2013

Signed.....

Mr. Glen Buffett  
General Manager  
Norfolk Island Government Tourist Bureau

10 December 2013

**Statement of Comprehensive Income for the Norfolk Island Government Tourist Bureau**  
*for the period ended 30 June 2013*

	Notes	2013 \$	2012 \$
<b>EXPENSES</b>			
Employee benefits	3A	338,026	279,436
Supplier	3B	1,108,990	1,220,867
Depreciation	3C	11,838	9,428
Loss on disposal of assets	3D	3,360	-
Write-down and impairment of assets	3E	8,258	-
<b>Total expenses</b>		<b>1,470,472</b>	<b>1,509,731</b>
<b>LESS:</b>			
<b>OWN-SOURCE INCOME</b>			
<b>Own-source revenue</b>			
Sale of goods and rendering of services	4A	43,363	77,132
Fees	4B	17,396	19,398
Interest	4C	1,042	-
<b>Total own-source revenue</b>		<b>61,801</b>	<b>96,530</b>
<b>Gains</b>			
Other gains	4D	13,000	17,200
<b>Total gains</b>		<b>13,000</b>	<b>17,200</b>
<b>Net cost of services</b>		<b>(1,395,671)</b>	<b>(1,396,001)</b>
Revenue from Government	4E	1,489,000	1,639,700
<b>Surplus (Deficit) attributable to the Norfolk Island Government Tourist Bureau</b>		<b>93,329</b>	<b>243,699</b>
<b>OTHER COMPREHENSIVE INCOME</b>			
Changes in asset revaluation reserves		-	(2,989)
<b>Total other comprehensive income</b>		<b>-</b>	<b>(2,989)</b>
<b>Total comprehensive income (loss) attributable to the Norfolk Island Government Tourist Bureau</b>		<b>93,329</b>	<b>240,710</b>

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

**Balance Sheet for the Norfolk Island Government Tourist Bureau**  
*as at 30 June 2013*

	Notes	2013 \$	2012 \$
<b>ASSETS</b>			
<b>Financial Assets</b>			
Cash and cash equivalents	5A	124,287	1,900
Trade and other receivables	5B	69,370	216,021
<b>Total financial assets</b>		<b>193,656</b>	<b>217,921</b>
<b>Non-Financial Assets</b>			
Property, plant and equipment	6A,B	15,330	24,381
Inventories	6C	24,338	18,473
<b>Total non-financial assets</b>		<b>39,668</b>	<b>42,854</b>
<b>Total assets</b>		<b>233,324</b>	<b>260,775</b>
<b>LIABILITIES</b>			
<b>Payables</b>			
Suppliers	7A	9,773	34,786
Other payables	7B	-	8,781
<b>Total payables</b>		<b>9,773</b>	<b>43,567</b>
<b>Provisions</b>			
Employee provisions	8A	29,461	35,332
<b>Total provisions</b>		<b>29,461</b>	<b>35,332</b>
<b>Total liabilities</b>		<b>39,234</b>	<b>78,898</b>
<b>Net assets</b>		<b>194,090</b>	<b>181,876</b>
<b>EQUITY</b>			
Reserves		17,420	17,420
Retained surplus (accumulated deficit)		176,670	164,456
<b>Total equity</b>		<b>194,090</b>	<b>181,876</b>

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

**Statement of Changes in Equity for the Norfolk Island Government Tourist Bureau**  
*for the period ended 30 June 2013*

	Retained earnings		Asset revaluation reserve		Total equity	
	2013	2012	2013	2012	2013	2012
	\$	\$	\$	\$	\$	\$
<b>Opening balance</b>						
Balance carried forward from previous period	<b>164,456</b>	17,287	<b>17,420</b>	20,409	<b>181,876</b>	37,696
<b>Adjusted opening balance</b>	<b>164,456</b>	17,287	<b>17,420</b>	20,409	<b>181,876</b>	37,696
<b>Comprehensive income</b>						
Other comprehensive income	-	-	-	(2,989)	-	(2,989)
Surplus (Deficit) for the period	<b>93,329</b>	243,699			<b>93,329</b>	243,699
Transfers to Administration of Norfolk Island	<b>(81,115)</b>	(96,530)			<b>(81,115)</b>	(96,530)
<b>Total comprehensive income</b>	<b>12,214</b>	147,169	-	(2,989)	<b>12,214</b>	144,180
<b>Closing balance as at 30 June</b>	<b>176,670</b>	164,456	<b>17,420</b>	17,420	<b>194,090</b>	181,876

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

**Cash Flow Statement for the Norfolk Island Government Tourist Bureau**  
*for the period ended 30 June 2013*

	Notes	2013 \$	2012 \$
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Receipts from the Administration of Norfolk Island		1,628,206	1,494,273
Sales of goods and rendering of services		61,801	96,530
Interest		1,042	-
<b>Total cash received</b>		<u>1,691,049</u>	<u>1,590,803</u>
<b>Cash used</b>			
Suppliers		1,143,373	1,203,668
Employees		338,026	284,178
Receipts returned to the Administration of Norfolk Island		81,115	96,530
<b>Total cash used</b>		<u>1,562,515</u>	<u>1,584,376</u>
<b>Net cash from (used by) operating activities</b>	9	<u>128,534</u>	<u>6,427</u>
<b>INVESTING ACTIVITIES</b>			
<b>Cash used</b>			
Purchase of property, plant and equipment		6,147	6,427
<b>Total cash used</b>		<u>6,147</u>	<u>6,427</u>
<b>Net cash from (used by) investing activities</b>		<u>(6,147)</u>	<u>(6,427)</u>
<b>Net increase (decrease) in cash held</b>			
		<u>122,387</u>	<u>-</u>
Cash and cash equivalents at the beginning of the reporting period		<u>1,900</u>	<u>1,900</u>
<b>Cash and cash equivalents at the end of the reporting period</b>	5A	<u>124,287</u>	<u>1,900</u>

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



**Schedule of Commitments for the Norfolk Island Government Tourist Bureau**  
*as at 30 June 2013*

---

	2013	2012
	\$	\$
<b>BY TYPE</b>		
<b>Commitments payable</b>		
Other	<u>13,516</u>	-
<b>Total commitments payable</b>	<u>13,516</u>	-
<b>Net commitments by type</b>	<u>13,516</u>	-
<b>BY MATURITY</b>		
<b>Commitments payable</b>		
One year or less	13,516	-
From one to five years	-	-
Over five years	-	-
<b>Total commitments payable</b>	<u>13,516</u>	-
<b>Net commitments by maturity</b>	<u>13,516</u>	-

Note:

1. Commitments were GST inclusive where relevant.

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

**Schedule of Contingencies for the Norfolk Island Government Tourist Bureau**  
*as at 30 June 2013*

---

The Norfolk Island Government Tourist Bureau has no contingent assets or liabilities as at 30 June 2013 (2012: Nil).

Refer to Note 10.

**Notes to and Forming Part of the Financial Statements for the Norfolk Island Government Tourist Bureau**  
*for the period ended 30 June 2013*

---

**Table of Contents**

Audit Report  
Statement by Officers  
Statement of Comprehensive Income  
Balance Sheet  
Statement of Changes in Equity  
Cash Flow Statement  
Schedule of Commitments  
Schedule of Contingencies  
Table of Contents - Notes  
Note 1: Summary of Significant Accounting Policies  
Note 2: Events After the Reporting Period  
Note 3: Expenses  
Note 4: Income  
Note 5: Financial Assets  
Note 6: Non-Financial Assets  
Note 7: Payables  
Note 8: Provisions  
Note 9: Cash Flow Reconciliation  
Note 10: Contingent Assets and Liabilities  
Note 11: Related Party Transactions  
Note 12: Senior Executive Remuneration  
Note 13: Remuneration of Auditors  
Note 14: Financial Instruments  
Note 15: Financial Assets and Liabilities Reconciliation  
Note 16: Ex-Gratia Payments  
Note 17: Assets Held in Trust

## Note 1: Summary of Significant Accounting Policies

### 1.1 Objectives of the Norfolk Island Government Tourist Bureau

The Norfolk Island Government Tourist Bureau (NIGTB) is regulated by the *Norfolk Island Government Tourist Bureau Act 1980*. The NIGTB is a body corporate with perpetual succession.

The NIGTB's vision is to: position Norfolk Island as a preferred holiday destination in the Pacific region for high yield visitors by providing high quality visitor experiences which will:

- protect and promote the unique, natural, social and cultural environment;
- more substantially contribute to the economy of the community;
- ensure industry profitability and the capacity to invest in quality improvement and professional development;
- exceed visitor expectations and enhance the Island's appeal; and
- encourage wide community support and involvement.

### 1.2 Basis of Preparation of the Financial Statements

The financial statements are general purpose financial statements and are required by section 19 of the *Norfolk Island Government Tourist Bureau Act 1980*.

The financial statements have been prepared in accordance with:

- a) Commonwealth Finance Minister's (Norfolk Island) Orders 2011 (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 balance sheet when and only when it is probable that future economic benefits will flow to the NIGTB 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

The financial statements have been prepared on a going concern basis which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business.

The NIGTB receives a significant annual grant from the Administration of Norfolk Island (the Administration) to support its operations. The Administration is currently experiencing financial difficulty, associated with a continuing economic downturn and a decline in tourism, and continues to incur losses. Additional funding has been provided by the Commonwealth of Australia to ensure the Administration of Norfolk Island has been able to meet expenditure commitments. The Administration has forecast negative cash flows to continue in the future and the Commonwealth of Australia's current funding commitments ends at 30 June 2014. At the date of signing these financial statements, no further financial assistance has been negotiated. These conditions give rise to a material uncertainty that may cast doubt upon the NIGTB's ability to continue as a going concern.

In the event that the Administration does not obtain additional funding from the Commonwealth of Australia and/or reduce expenditure in line with available revenue, the NIGTB may not be able to continue its operations as a going concern and therefore may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial statements. Nevertheless, there is no intention by the management of the NIGTB, or the Government of Norfolk Island, to cease the operations of the NIGTB or liquidate any assets.

### 1.4 Significant Accounting Judgements and Estimates

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

- a) the fair value of property, plant and equipment has been taken to be the market value of similar properties as determined by an independent valuer.
- b) the relevant government bond rate has been used to discount non-current liabilities in accordance with the CFMOs;
- c) 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;
- d) the fair value for property, plant and equipment of the NIGTB 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.

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.

Other new standards, revised standards, interpretations or amending standards that were issued prior to the sign-off date and are applicable to the current reporting period did not have a financial impact, and are not expected to have a future financial impact on the NIGTB.

### Future Australian Accounting Standard Requirements

The following new standards and interpretations were issued by the Australian Accounting Standards Board prior to the sign-off date, which are applicable to the NIGTB for future reporting periods:

AASB 9	Financial Instruments - September 2012 (Compilation)
AASB 13	Fair Value Measurement - December 2012 (Principal)
AASB 119	Employee Benefits - September 2011 (Principal)
AASB 132	Financial Instruments: Presentation - October 2010 (Compilation)
AASB 137	Provisions, Contingent Liabilities and Contingent Assets - October 2010 (Compilation)
AASB 139	Financial Instruments: Recognition and Measurement - October 2010 (Compilation)
AASB 1055	Budgetary Reporting - March 2013 (Principal)
AASB 2013-3	Amendments to AASB 136 - Recoverable Amount Disclosures for Non-Financial Assets

Other new standards or revised standards that were issued prior to the sign-off date and are applicable to the future reporting period are not expected to have a future financial impact on the NIGTB.

## 1.6 Revenue

### Sale of Goods and Rendering of Services

Revenue from the sale of goods is recognised when:

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

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:

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

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*.

### Fees

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

## 1.7 Gains

### Revenue from Government

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

### 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 NIGTB 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.

### Separation and Redundancy

The NIGTB 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.

## **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.

Where an asset is acquired by means of a finance lease, the asset is capitalised at either the fair value of the lease property or, if lower, the present value of minimum lease payments at the inception of the contract and a liability is recognised at the same time and for the same amount.

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.

## **1.10 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 NIGTB 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.

## **1.13 Financial Assets**

The NIGTB classifies its financial assets in the following categories:

- a) 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.

Available for sale financial assets - if there is objective evidence that an impairment loss on an available-for-sale financial asset has been incurred, the amount of the difference between its cost, less principal repayments and amortisation, and its current fair value, less any impairment loss previously recognised in expenses, is transferred from equity to the Statement of Comprehensive Income.

Financial assets carried at cost - if there is objective evidence that an impairment loss has been incurred, the amount of the impairment loss is the difference between the carrying amount of the asset and the present value of the estimated future cash flows discounted at the current market rate for similar assets.

### **1.14 Financial Liabilities**

Financial liabilities are classified as either financial liabilities 'at fair value through profit or loss' or other financial liabilities. Financial liabilities are recognised and derecognised upon 'trade date'.

#### Financial Liabilities at Fair Value Through Profit or Loss

Financial liabilities at fair value through profit or loss are initially measured at fair value. Subsequent fair value adjustments are recognised in profit or loss. The net gain or loss recognised in profit or loss incorporated any interest paid on the financial liability.

#### Other Financial Liabilities

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

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

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

### **1.15 Contingent Liabilities and Contingent Assets**

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

### **1.16 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*.

### **1.17 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.

### **1.18 Property, Plant and Equipment**

#### Asset Recognition Threshold

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

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>
Property, plant and equipment	Market selling price

Following initial recognition at cost, property, plant and equipment are carried at fair value less subsequent accumulated depreciation and accumulated impairment losses. Valuations are conducted with sufficient frequency to ensure that the carrying amounts of assets do 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 property, plant and equipment assets are written-off to their estimated residual values over their estimated useful lives to the NIGTB using, in all cases, the straight-line method of depreciation.

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

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

<i>Asset class</i>	<i>2013</i>	<i>2012</i>
Property, plant & equipment	3 to 10 years	3 to 10 years

### Impairment

All assets were assessed for impairment at 30 June 2013. 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 NIGTB were deprived of the asset, its value in use is taken to be its depreciated replacement cost.

### Derecognition

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

## **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:

- raw materials and stores – purchase cost on a first-in-first-out basis; and
- 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 Taxation**

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

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

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

## **1.21 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 NIGTB.



**Note 2: Events After the Reporting Period**

There was no subsequent event that had the potential to significantly affect the ongoing structure and financial activities of the Norfolk Island Government Tourist Bureau.

**Note 3: Expenses**

	2013	2012
	\$	\$
<b>Note 3A: Employee Benefits</b>		
Wages and salaries	338,026	279,436
<b>Total employee benefits</b>	<b>338,026</b>	<b>279,436</b>
<b>Note 3B: Supplier</b>		
<b>Goods and services</b>		
Advertising, marketing and promotions	1,003,393	1,050,253
Accounting and auditing	19,612	37,200
Business travel	9,543	19,961
Information technology	483	13,597
Other goods and services	72,299	96,345
<b>Total goods and services</b>	<b>1,105,330</b>	<b>1,217,357</b>
<b>Goods and services are made up of:</b>		
Provision of goods – related entities	-	-
Provision of goods – external entities	54,945	130,052
Rendering of services – related entities	61,055	33,109
Rendering of services – external entities	989,330	1,054,196
<b>Total goods and services</b>	<b>1,105,330</b>	<b>1,217,357</b>
<b>Other supplier expenses</b>		
Workers compensation expenses	3,661	3,510
<b>Total other supplier expenses</b>	<b>3,661</b>	<b>3,510</b>
<b>Total supplier expenses</b>	<b>1,108,990</b>	<b>1,220,867</b>
<b>Note 3C: Depreciation</b>		
<b>Depreciation:</b>		
Property, plant and equipment	11,838	9,428
<b>Total depreciation</b>	<b>11,838</b>	<b>9,428</b>
<b>Note 3D: Loss on Sale of Assets</b>		
<b>Property, plant and equipment:</b>		
Carrying value of assets sold	3,360	-
<b>Total losses from asset sales</b>	<b>3,360</b>	<b>-</b>
<b>Note 3E: Write-Down and Impairment of Assets</b>		
<b>Asset write-down and impairments from:</b>		
Bad debts	8,258	-
<b>Total write-down and impairment of assets</b>	<b>8,258</b>	<b>-</b>

## Note 4: Income

	2013	2012
<b>OWN-SOURCE REVENUE</b>	<b>\$</b>	<b>\$</b>
<b><u>Note 4A: Sale of Goods and Rendering of Services</u></b>		
Provision of goods - related entities	-	-
Provision of goods - external entities	40,374	46,834
Rendering of services - related entities	-	-
Rendering of services - external entities	2,989	30,298
<b>Total sale of goods and rendering of services</b>	<b>43,363</b>	<b>77,132</b>
<b><u>Note 4B: Fees</u></b>		
Fees and commissions	17,396	19,398
<b>Total fees</b>	<b>17,396</b>	<b>19,398</b>
<b><u>Note 4C: Interest</u></b>		
Bank and term deposits	1,042	-
<b>Total interest</b>	<b>1,042</b>	<b>-</b>
<b>GAINS</b>		
<b><u>Note 4D: Other Gains</u></b>		
Resources received free of charge	13,000	17,200
<b>Total other gains</b>	<b>13,000</b>	<b>17,200</b>
<b>REVENUE FROM GOVERNMENT</b>		
<b><u>Note 4E: Revenue from Government</u></b>		
Revenue received from the Administration of Norfolk Island	1,489,000	1,639,700
<b>Total revenue from Government</b>	<b>1,489,000</b>	<b>1,639,700</b>

## Note 5: Financial Assets

	2013	2012
	\$	\$
<b>Note 5A: Cash and Cash Equivalents</b>		
Cash on hand or on deposit	124,287	1,900
<b>Total cash and cash equivalents</b>	<b>124,287</b>	<b>1,900</b>
<b>Note 5B: Trade and Other Receivables</b>		
<b>Goods and services:</b>		
Goods and services - related entities	1,175	6,160
Goods and services - external entities	540	11,258
<b>Total receivables for goods and services</b>	<b>1,715</b>	<b>17,418</b>
<b>Appropriation receivable:</b>		
Appropriation receivable from the Administration of Norfolk Island	67,655	206,861
<b>Total appropriation receivable</b>	<b>67,655</b>	<b>206,861</b>
<b>Less impairment allowance account:</b>		
Goods and services	-	(8,258)
<b>Total impairment allowance account</b>	<b>-</b>	<b>(8,258)</b>
<b>Total trade and other receivables (net)</b>	<b>69,370</b>	<b>216,021</b>
<b>Receivables are expected to be recovered in:</b>		
No more than 12 months	69,370	216,021
More than 12 months	-	-
<b>Total trade and other receivables (net)</b>	<b>69,370</b>	<b>216,021</b>
<b>Receivables are aged as follows:</b>		
Not overdue	68,830	208,902
Overdue by:		
0 to 30 days	-	1,000
31 to 60 days	-	-
More than 60 days	540	14,376
<b>Total receivables (gross)</b>	<b>69,370</b>	<b>224,279</b>
<b>The impairment allowance account is aged as follows:</b>		
Overdue by:		
0 to 30 days	-	-
31 to 60 days	-	-
More than 60 days	-	(8,258)
<b>Total impairment allowance account</b>	<b>-</b>	<b>(8,258)</b>

### Reconciliation of the Impairment Allowance Account:

#### Movements in relation to 2013

	Goods and services	Total
	\$	\$
<b>Opening balance</b>	<b>(8,258)</b>	<b>(8,258)</b>
Amounts written off	8,258	8,258
<b>Closing balance</b>	<b>-</b>	<b>-</b>

#### Movements in relation to 2012

	Goods and services	Total
	\$	\$
Opening balance	(8,258)	(8,258)
Amounts written off	-	-
Closing balance	(8,258)	(8,258)

**Note 6: Non-Financial Assets**

	2013	2012
	\$	\$
<b>Note 6A: Property, Plant and Equipment</b>		
<b>Property, plant and equipment:</b>		
Fair value	27,168	24,381
Accumulated depreciation	<u>(11,838)</u>	<u>-</u>
<b>Total property, plant and equipment</b>	<b><u>15,330</u></b>	<b><u>24,381</u></b>

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

No property, plant or equipment is expected to be sold or disposed of within the next 12 months.

**Revaluations of non-financial assets**

All revaluations were conducted in accordance with the revaluation policy stated in Note 1.17. Property, plant and equipment were revalued as at 30 June 2012, 1 July 2011 and 1 July 2010 by an independent valuer. The valuer was Preston, Rowe, Paterson NSW Pty Ltd. The next revaluation is expected to be completed for the year ending 30 June 2015.

**Note 6B: Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment 2013**

	Property, plant & equipment \$
<b>As at 1 July 2012</b>	
Gross book value (at fair value)	24,381
Accumulated depreciation and impairment	-
<b>Net book value 30 June 2012 (at fair value)</b>	<b>24,381</b>
Additions:	
By purchase	6,147
Disposal	(3,360)
Depreciation expense	(11,838)
<b>Net book value 30 June 2013</b>	<b>15,330</b>
<b>Net book value as of 30 June 2013</b>	
Gross book value (at fair value)	27,168
Accumulated depreciation and impairment	(11,838)
<b>Net book value 30 June 2013</b>	<b>15,330</b>

Note 6B (Cont'd): Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment 2012

	Property, plant & equipment \$
As at 1 July 2011	
Gross book value (at cost value)	30,371
Accumulated depreciation and impairment	-
Net book value 1 July 2011	30,371
Additions:	
By purchase	6,427
Depreciation expense	(9,428)
Revaluation adjustment recognised in other comprehensive income	(2,989)
Net book value 30 June 2012	24,381
Net book value as of 30 June 2012	
Gross book value (at fair value)	24,381
Accumulated depreciation and impairment	-
Net book value 30 June 2012	24,381

**2013**

2012

\$

\$

**Note 6C: Inventories**

**Inventories held for sale:**

Finished goods	<b>24,338</b>	18,473
<b>Total inventories</b>	<b>24,338</b>	18,473

During 2013, \$29,777 of inventory held for sale was recognised as an expense (2012: \$49,262).

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

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

## Note 7: Payables

	2013	2012
	\$	\$
<b>Note 7A: Suppliers</b>		
Trade creditors and accruals	<u>9,773</u>	<u>34,786</u>
<b>Total suppliers payables</b>	<u>9,773</u>	<u>34,786</u>

### Suppliers payables expected to be settled within 12 months:

Related entities	1,961	2,022
External entities	<u>7,812</u>	<u>32,764</u>
<b>Total suppliers payables</b>	<u>9,773</u>	<u>34,786</u>

Settlement is usually made within 30 days.

### Note 7B: Other Payables

Accrued salaries and wages	<u>-</u>	<u>8,781</u>
<b>Total other payables</b>	<u>-</u>	<u>8,781</u>

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

## Note 8: Provisions

	2013	2012
	\$	\$
<b><u>Note 8A: Employee Provisions</u></b>		
Annual leave	11,676	9,637
Long service leave	11,952	19,861
Other	5,833	5,833
<b>Total employee provisions</b>	<b>29,461</b>	<b>35,332</b>
<b>Employee provisions are expected to be settled in:</b>		
No more than 12 months	17,509	25,379
More than 12 months	11,952	9,953
<b>Total employee provisions</b>	<b>29,461</b>	<b>35,332</b>



## Note 9: Cash Flow Reconciliation

	2013	2012
	\$	\$
<b>Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement</b>		
<b>Cash and cash equivalents as per:</b>		
Cash flow statement	124,287	1,900
Balance sheet	124,287	1,900
<b>Difference</b>	<u>-</u>	<u>-</u>
<b>Reconciliation of net cost of services to net cash from operating activities:</b>		
Net cost of services	(1,395,671)	(1,400,744)
Add revenue from Government	1,489,000	1,639,700
Receipts returned to the Administration of Norfolk Island	(81,115)	(96,530)
<b>Adjustments for non-cash items</b>		
Depreciation / amortisation	11,838	9,428
Resources received free of charge	(13,000)	(17,200)
Write-down and impairment of assets	8,258	-
(Gains)/loss from sale of property, plant and equipment	3,360	-
<b>Changes in assets / liabilities</b>		
(Increase) / decrease in net receivables	151,393	(108,508)
(Increase) / decrease in inventories	(5,865)	(7,048)
Increase / (decrease) in employee provisions	(5,871)	11,171
Increase / (decrease) in supplier payables	(25,012)	(25,918)
Increase / (decrease) in other payables	(8,781)	2,076
<b>Net cash from (used by) operating activities</b>	<u>128,534</u>	<u>6,427</u>

## **Note 10: Contingent Assets and Liabilities**

### **Quantifiable Contingencies**

The Norfolk Island Government Tourist Bureau had no quantifiable contingencies as at 30 June 2013 (2012: Nil).

### **Unquantifiable Contingencies**

The Norfolk Island Government Tourist Bureau had no unquantifiable contingencies as at 30 June 2013 (2012: Nil).

### **Significant Remote Contingencies**

The Norfolk Island Government Tourist Bureau had no significant remote contingencies as at 30 June 2013 (2012: Nil).

## Note 11: Related Party Transactions

### Note 11A: Board Members for the Reporting Period

The Board Members of the Norfolk Island Government Tourist Bureau during the reporting period were:

	<b>Appointed</b>	<b>Resigned</b>
Mr. Michael Perkins (Chairman)	9-Sep-2011	Current
Mrs. Sandy Petitt	8-May-2013	Current
Mr. Rael Donde	11-Apr-2013	Current
Ms. Louise Tavener	9-Sep-2011	Current
Ms. Megan Honor Adams	1-Feb-2012	Current
Mr. Morgan Evans	9-Sep-2011	11-Apr-2013
Mr. David Bell	9-Sep-2011	11-Apr-2013
Mr. Alastair Unicomb	11-Apr-2012	11-Jul-2012

### Note 11B: Transactions with Related Parties

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

	<b>2013</b>	2012
	\$	\$
<b>Related Party Transactions:</b>		
Purchases of goods and services	<b>800</b>	-
Amounts outstanding at balance date	-	-
	<b>800</b>	-

Key management personnel and members of the Norfolk Island Legislative Assembly had no other transactions with the Norfolk Island Government Tourist Bureau, apart from payment of charges as part of a normal customer relationship.

## Note 12: Senior Executive Remuneration

### Note 12A: Senior Executive Remuneration Expenses for the Reporting Period

There were no Senior Executives of the Norfolk Island Government Tourist Bureau who had remuneration expenses for the reporting period in excess of \$180,000 (2012: Nil).

### Note 12B: Average Annual Reportable Remuneration Paid to Substantive Senior Executives During the Reporting Period

Average annual reportable remuneration <sup>1</sup>	2013			
	Senior Executives No.	Reportable salary <sup>2</sup> \$	Gratuity paid <sup>3</sup> \$	Total \$
Total remuneration (including part-time arrangements):				
\$0 to \$180,000	1	81,082	10,000	91,082
<b>Total</b>	<b>1</b>			

Average annual reportable remuneration <sup>1</sup>	2012			
	Senior Executives No.	Reportable salary <sup>2</sup> \$	Gratuity paid <sup>3</sup> \$	Total \$
Total remuneration (including part-time arrangements):				
\$0 to \$180,000	2	31,453	10,000	41,453
<b>Total</b>	<b>2</b>			

#### Notes:

1. This table reports substantial senior executives who received remuneration during the reporting period. Each row is an averaged figure based on headcount for individuals in the band.
2. 'Reportable salary' includes gross payments (less any bonuses paid, which are separated out and disclosed in the 'gratuity paid' column).
3. 'Gratuity paid' represents average actual gratuity paid during the reporting period in that reportable remuneration band. The 'gratuity paid' within a particular band may vary between financial years due to various factors such as individuals commencing with or leaving the NIGTB during the financial year.

### Note 12C: Other Highly Paid Staff

The Norfolk Island Government Tourist Bureau had no other highly paid staff for the reporting period (2012: Nil).

## Note 13: Remuneration of Auditors

	2013	2012
	\$	\$
<b>Fair value of the services provided:</b>		
Financial statement audit services	<u>13,000</u>	<u>17,200</u>
<b>Total</b>	<u>13,000</u>	<u>17,200</u>

The 2012/13 financial statement audit services were provided to the Norfolk Island Government Tourist Bureau by the Australian National Audit Office and the audit fees were paid by the Department of Infrastructure and Regional Development.

No other audit services were provided by the Australian National Audit Office during the reporting period.

## Note 14: Financial Instruments

	2013	2012
	\$	\$
<b>Note 14A: Categories of Financial Instruments</b>		
<b>Financial Assets</b>		
<b>Loans and receivables:</b>		
Cash and cash equivalents	124,287	1,900
Trade and other receivables	1,715	17,418
<b>Total</b>	<b>126,001</b>	<b>19,318</b>
<b>Carrying amount of financial assets</b>	<b>126,001</b>	<b>19,318</b>
<b>Financial Liabilities</b>		
<b>At amortised cost:</b>		
Trade creditors	9,773	34,786
<b>Total</b>	<b>9,773</b>	<b>34,786</b>
<b>Carrying amount of financial liabilities</b>	<b>9,773</b>	<b>34,786</b>

### Note 14B: Net Income and Expense from Financial Assets

<b>Loans and receivables</b>		
Interest revenue	1,042	-
<b>Net gain from loans and receivables</b>	<b>1,042</b>	<b>-</b>
<b>Net gain from financial assets</b>	<b>1,042</b>	<b>-</b>

There was no interest income from financial assets not at fair value through profit or loss in the year ending 2013 (2012: Nil).

### Note 14C: Net Income and Expense from Financial Liabilities

<b>Financial liabilities - at amortised cost</b>		
Interest expense	-	-
<b>Net loss from financial liabilities - at amortised cost</b>	<b>-</b>	<b>-</b>
<b>Net loss from financial liabilities</b>	<b>-</b>	<b>-</b>

There was no interest expense from financial assets not at fair value through profit or loss in the year ending 2013 (2012: Nil).

### Note 14D: Fair Value of Financial Instruments

	Carrying amount	Fair value	Carrying amount	Fair value
	2013	2013	2012	2012
	\$	\$	\$	\$
<b>Financial Assets</b>				
Cash and cash equivalents	124,287	124,287	1,900	1,900
Trade and other receivables	1,715	1,715	17,418	17,418
<b>Total</b>	<b>126,001</b>	<b>126,001</b>	<b>19,318</b>	<b>19,318</b>
<b>Financial Liabilities</b>				
Trade creditors	9,773	9,773	34,786	34,786
<b>Total</b>	<b>9,773</b>	<b>9,773</b>	<b>34,786</b>	<b>34,786</b>

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

### Note 14E: Credit Risk

The Norfolk Island Government Tourist Bureau 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 (2013: \$1,715 and 2012: \$17,418).

The Norfolk Island Government Tourist Bureau has assessed the risk of the default on payment and has allocated a nil amount to an impairment allowance account in 2013 (2012: \$8,258). The Norfolk Island Government Tourist Bureau managed its credit risk by undertaking various debt recovery techniques.

The Norfolk Island Government Tourist Bureau 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
	2013	2012	2013	2012
	\$	\$	\$	\$
Cash and cash equivalents	124,287	1,900	-	-
Trade and other receivables	68,830	208,902	540	15,376
<b>Total</b>	<b>193,116</b>	<b>210,802</b>	<b>540</b>	<b>15,376</b>

**Ageing of financial assets that were past due but not impaired for 2013**

	0 to 30 days	31 to 60 days	60+ days	Total
	\$	\$	\$	\$
Trade and other receivables	-	-	540	540
<b>Total</b>	-	-	540	540

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

	0 to 30 days	31 to 60 days	60+ days	Total
	\$	\$	\$	\$
Trade and other receivables	1,000	-	14,376	15,376
<b>Total</b>	1,000	-	14,376	15,376

**Note 14F: Liquidity Risk**

The Norfolk Island Government Tourist Bureau's financial liabilities are supplier payables. The exposure to liquidity risk was based on the notion that the Norfolk Island Government Tourist Bureau will encounter difficulty in meeting its obligations associated with financial liabilities. The Norfolk Island Government Tourist Bureau receives a significant grant from the Administration of Norfolk Island. The Administration of Norfolk Island 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 Norfolk Island Government Tourist Bureau manages its budget to ensure it has adequate funds to meet commitments as they fall due. In addition, the Norfolk Island Government Tourist Bureau 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 2013**

	On demand	Within 1 year	1 to 2 years	2 to 5 years	>5 years	Total
	\$	\$	\$	\$	\$	\$
Trade creditors	-	9,773	-	-	-	9,773
<b>Total</b>	-	9,773	-	-	-	9,773

**Maturities for non-derivative financial liabilities 2012**

	On demand	Within 1 year	1 to 2 years	2 to 5 years	>5 years	Total
	\$	\$	\$	\$	\$	\$
Trade creditors	-	34,786	-	-	-	34,786
<b>Total</b>	-	34,786	-	-	-	34,786

The Norfolk Island Government Tourist Bureau had no derivative financial liabilities in either 2013 or 2012.

## Note 15: Financial Assets and Liabilities Reconciliation

	Notes	2013	2012
		\$	\$
<b><u>Financial assets</u></b>			
<b>Total financial assets as per balance sheet</b>		<b>193,656</b>	217,921
<b>Add: non-financial instrument components</b>			
Impairment allowance for goods and services	5B	-	(8,258)
Appropriation receivable	5B	<u>67,655</u>	<u>206,861</u>
<b>Total non-financial instrument components</b>		<b><u>67,655</u></b>	<b><u>198,604</u></b>
<b>Total financial assets as per financial instruments note</b>		<b><u>126,001</u></b>	<b><u>19,318</u></b>
<b>Total financial liabilities as per Balance Sheet</b>		<b>39,234</b>	78,898
<b>Less: non-financial instrument components:</b>			
Employee provisions	8A	<b>29,461</b>	35,332
Other payables	7B	<u>-</u>	<u>8,781</u>
<b>Total non-financial instrument components</b>		<b><u>29,461</u></b>	<b><u>44,113</u></b>
<b>Total financial liabilities as per financial instruments note</b>		<b><u>9,773</u></b>	<b><u>34,786</u></b>



**Note 16: Ex-Gratia Payments**

	2013	2012
<b>Ex-Gratia Payments</b>	\$	\$
No ex-gratia payments were provided for during the reporting period (2012: nil).	<u>-</u>	<u>-</u>

## Note 17: Assets Held in Trust

### Monetary assets

The Norfolk Island Government Tourist Bureau collects tour and accommodation bookings on behalf of various tour operators. The funds were not available for other purposes of the Norfolk Island Government Tourist Bureau and were not recognised in the financial statements.

### Non-monetary assets

The Norfolk Island Government Tourist Bureau had no non-monetary assets held in trust in both the current and prior reporting period.

	<b>2013</b>	2012
	\$	\$
<b>Norfolk Island Government Tourist Bureau Trust Account</b>		
Total amount held at the beginning of the reporting period	<b>2,268</b>	2,596
Receipts	<b>294,209</b>	232,891
Payments	<b>(263,551)</b>	(233,219)
<b>Total amount held at the end of the reporting period</b>	<b><u>32,926</u></b>	<u>2,268</u>