



Financial Statements 2013/14

Administration of Norfolk Island



INDEPENDENT AUDITOR'S REPORT

**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.**

Report on the Financial Statements

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 2014, which comprise: a Statement by the Minister for Finance Government of Norfolk Island and the Chief Executive Officer Administration of Norfolk Island; Statements of Comprehensive Income; Statements of Financial Position; Cash Flow Statements; Statements of Changes in Equity; Schedules of Commitments; Schedules of Contingencies; and Notes to and Forming Part of the Financial Statements, comprising a Summary of Significant Accounting Policies and other explanatory information. The Consolidated Group comprises the Administration of Norfolk Island, 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. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. Because of the matters 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 Administration of Norfolk Island (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.

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. There are a number of economic factors that indicate the Administration is not able to meet the cost of providing ongoing essential services on Norfolk Island without ongoing delivery of funds from the Commonwealth of Australia (the Commonwealth). Since the 2010–11 financial year, the Commonwealth has provided financial assistance to ensure the Administration has sufficient funds to meet expenditure commitments that have fallen due. Financial assistance is determined on an annual basis and is based on the Administration meeting agreed milestones. In 2014–15 funding of up to \$7.5 million has been allocated for financial assistance to Norfolk Island. There is no ongoing commitment from the Commonwealth to underwrite the Administration's future predicted losses nor is there any intention by the Commonwealth at this time to enter into a multiyear funding agreement with the Administration.

Note 1.3 states that the Administration has forecast negative net cash flows from operations, before the Commonwealth funding, to a total of \$7.5 million in 2014–15, \$6.4 million in 2015–16, \$5.5 million in 2016–17 and \$5.5 million in 2017–18. The Commonwealth's current funding commitment ends at 30 June 2015, and at the date of signing these financial statements, no further financial assistance has been negotiated. In addition, the cash flow forecasts do not include repayments of an outstanding 10 year loan amount of \$11.4 million made by the Commonwealth in 2005. For each year up to and including 2014–15, the Commonwealth has agreed to defer the annual loan repayment of \$1.2 million.

These conditions give rise to material uncertainties 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 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, 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.

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 2015–16 and later years. My responsibility as auditor includes an assessment of whether the Administration and the Consolidated Group are able to continue as a going concern for the period of approximately 12 months from the date of this auditor's report. Notwithstanding that Commonwealth funding has been provided annually in past years, given that future funding has been agreed only to 30 June 2015 and the uncertainties beyond that date disclosed in Note 1.3, I am unable to conclude whether the going concern assumption is appropriate.

Disclaimer of Opinion

Because of the significance of the going concern matters 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 for the year ended 30 June 2014.

Australian National Audit Office

A handwritten signature in cursive script, reading "Puspa Dash".

Puspa Dash
Executive Director

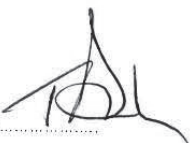
Delegate of the Auditor-General

Canberra
14 November 2014

Administration of Norfolk Island

STATEMENT BY THE MINISTER FOR FINANCE GOVERNMENT OF NORFOLK ISLAND AND THE CHIEF EXECUTIVE OFFICER
ADMINISTRATION OF NORFOLK ISLAND

In our opinion, the attached consolidated financial statements for the year ended 30 June 2014 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
Minister for Finance
Government of Norfolk Island

14th November 2014


Signed.....

Mr. Jonathan Gibbons
Chief Executive Officer
Administration of Norfolk Island

14th November 2014

Consolidated Financial Statements
Statement of Comprehensive Income
for the period ended 30 June 2014

	Notes	Consolidated		Administration	
		2014	2013	2014	2013
		\$	\$	\$	\$
EXPENSES					
Employee benefits	3A	11,329,924	11,311,107	7,971,473	7,989,642
Supplier	3B	21,265,120	20,633,407	19,835,222	19,169,652
Grants	3C	-	51,500	3,180,200	3,368,045
Depreciation and amortisation	3D	5,938,530	6,210,027	5,522,767	5,742,386
Loss on sale of assets	3E	19,278	147,109	3,106	140,333
Write-down and impairment of assets	3F	17,906	19,535	2,599	11,260
Other expenses	3G	7,662	23,855	7,662	23,855
Total expenses		38,578,420	38,396,540	36,523,029	36,445,172
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Sale of goods and rendering of services	4A	18,219,065	17,483,143	17,283,602	16,603,789
Taxation revenue	4B	8,480,349	8,652,404	8,480,349	8,652,404
Fees and fines	4C	3,123,689	2,554,832	2,543,127	2,062,377
Interest	4D	119,231	87,087	108,147	75,541
Rental income	4E	68,615	88,713	56,519	76,786
Royalties	4F	650	350	650	350
Other revenue	4G	140,342	27,317	-	-
Total own-source revenue		30,151,942	28,893,846	28,472,394	27,471,246
Gains					
Revenue from the Commonwealth of Australia	4H	4,600,088	3,281,896	4,600,088	3,181,896
Other gains	4I	199,000	172,000	160,000	133,000
Total gains		4,799,088	3,453,896	4,760,088	3,314,896
Total income		34,951,030	32,347,741	33,232,483	30,786,142
Net cost of services		(3,627,390)	(6,048,799)	(3,290,547)	(5,659,030)
Surplus (Deficit) attributable to the Government of Norfolk Island		(3,627,390)	(6,048,799)	(3,290,547)	(5,659,030)
OTHER COMPREHENSIVE INCOME					
Changes in asset revaluation reserves		52,149	-	52,149	-
Gains/losses on available for sale financial assets		-	-	-	-
Total other comprehensive income (loss)		52,149	-	52,149	-
Total comprehensive income (loss) attributable to the Government of Norfolk Island		(3,575,241)	(6,048,799)	(3,238,398)	(5,659,030)

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

Consolidated Financial Statements
Statement of Financial Position
as at 30 June 2014

	Notes	Consolidated		Administration	
		2014	2013	2014	2013
		\$	\$	\$	\$
ASSETS					
Financial Assets					
Cash and cash equivalents	5A	4,137,034	4,492,920	3,733,144	4,128,195
Trade and other receivables	5B	3,184,023	3,270,076	3,082,295	3,151,930
Other investments	5C	2,433,915	523,516	2,198,742	285,295
Total financial assets		9,754,972	8,286,512	9,014,181	7,565,420
Non-Financial Assets					
Land and buildings	6A	28,685,069	30,148,820	25,650,582	26,827,609
Property, plant and equipment	6B.C	38,510,274	42,252,266	37,856,388	41,574,459
Intangibles	6D.E	13,047	16,430	11,633	14,576
Inventories	6F	4,341,277	3,624,820	4,130,956	3,370,293
Other non-financial assets	6G	590,773	463,267	509,981	434,773
Total non-financial assets		72,140,440	76,505,603	68,159,540	72,221,710
Total assets		81,895,411	84,792,115	77,173,721	79,787,130
LIABILITIES					
Payables					
Suppliers	7A	5,927,787	5,302,096	6,068,276	5,506,983
Other payables	7B	353,641	336,354	239,328	184,990
Total payables		6,281,428	5,638,450	6,307,604	5,691,973
Interest Bearing Liabilities					
Loans	8A	11,754,875	11,770,689	11,754,875	11,770,689
Deposits	8B	16,105	14,580	16,105	14,580
Total interest bearing liabilities		11,770,980	11,785,269	11,770,980	11,785,269
Provisions					
Employee provisions	9A	2,462,803	2,412,954	1,794,726	1,771,080
Total provisions		2,462,803	2,412,954	1,794,726	1,771,080
Total liabilities		20,515,211	19,836,673	19,873,310	19,248,322
Net assets		61,380,200	64,955,441	57,300,411	60,538,808
EQUITY					
Reserves		50,853,428	50,801,279	50,250,898	50,198,749
Retained surplus (accumulated deficit)		10,526,773	14,154,163	7,049,513	10,340,059
Total equity		61,380,200	64,955,441	57,300,411	60,538,808

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 2014

	Retained earnings		Asset revaluation reserve		Total equity	
	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$
Opening balance						
Balance carried forward from previous period	14,154,163	20,202,960	50,801,279	50,801,282	64,955,442	71,004,242
Rounding adjustment	-	-	-	(3)	(1)	(4)
Adjusted opening balance	14,154,163	20,202,960	50,801,279	50,801,279	64,955,441	71,004,238
Comprehensive income						
Other comprehensive income	-	-	52,149	-	52,149	-
Surplus (Deficit) for the period	(3,627,390)	(6,048,797)			(3,627,390)	(6,048,797)
Total comprehensive income	(3,627,390)	(6,048,797)	52,149	-	(3,575,241)	(6,048,797)
Closing balance as at 30 June	10,526,773	14,154,163	50,853,428	50,801,279	61,380,200	64,955,441

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

Statement of Changes in Equity - Administration
for the period ended 30 June 2014

	Retained earnings		Asset revaluation reserve		Total equity	
	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$
Opening balance						
Balance carried forward from previous period	10,340,059	15,999,089	50,198,749	50,198,749	60,538,808	66,197,838
Adjusted opening balance	10,340,059	15,999,089	50,198,749	50,198,749	60,538,808	66,197,838
Comprehensive income						
Other comprehensive income	-	-	52,149	-	52,149	-
Surplus (Deficit) for the period	(3,290,547)	(5,659,030)			(3,290,547)	(5,659,030)
Total comprehensive income	(3,290,547)	(5,659,030)	52,149	-	(3,238,398)	(5,659,030)
Closing balance as at 30 June	7,049,513	10,340,059	50,250,898	50,198,749	57,300,411	60,538,808

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

Consolidated Financial Statements
Cash Flow Statement
for the period ended 30 June 2014

	Notes	Consolidated		Administration	
		2014	2013	2014	2013
		\$	\$	\$	\$
OPERATING ACTIVITIES					
Cash received					
Sales of goods and rendering of services		22,421,142	23,556,089	19,667,210	21,327,820
Receipts from the Commonwealth of Australia		4,600,088	3,281,896	4,600,088	3,181,896
Interest		77,929	49,667	72,653	47,233
GST receipts		6,969,303	6,812,521	6,969,303	6,812,521
Taxation, fines and levy receipts		3,934,082	2,415,662	3,934,082	2,415,661
Donations		8,792	27,317	-	-
Total cash received		38,011,336	36,143,151	35,243,336	33,785,130
Cash used					
Employees and suppliers		35,900,547	35,341,134	30,087,421	30,022,640
Grants and subsidies paid		-	51,500	3,180,200	3,343,972
Other		-	-	-	-
Total cash used		35,900,547	35,392,634	33,267,621	33,366,612
Net cash from (used by) operating activities	10	2,110,789	750,517	1,975,715	418,518
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment		-	1,212	-	1,212
Proceeds received from investments		52,667	29,756	15,972	20,644
Total cash received		52,667	30,968	15,972	21,856
Cash used					
Purchase of land, property, plant and equipment		332,880	456,923	457,478	249,524
Purchase of financial instruments		22,028	41,000	-	-
Total cash used		354,908	497,923	457,478	249,524
Net cash from (used by) investing activities		(302,241)	(466,956)	(441,506)	(227,669)
FINANCING ACTIVITIES					
Cash used					
Repayment of borrowings		15,814	24,994	15,814	24,994
Total cash used		15,814	24,994	15,814	24,994
Net cash from (used by) financing activities		(15,814)	(24,994)	(15,814)	(24,994)
Net increase (decrease) in cash held		1,792,734	258,567	1,518,395	165,856
Cash and cash equivalents at the beginning of the reporting period		4,778,215	4,519,648	4,413,490	4,247,634
Cash and cash equivalents at the end of the reporting period	5A, 5C	6,570,949	4,778,215	5,931,886	4,413,490

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

Consolidated Financial Statements
Schedule of Commitments
as at 30 June 2014

BY TYPE	Consolidated		Administration	
	2014	2013	2014	2013
	\$	\$	\$	\$
Commitments receivable				
Operating lease commitments				
Operating leases ⁴	109,110	153,452	96,464	144,050
Total operating lease commitments	109,110	153,452	96,464	144,050
Other commitments				
Other ²	1,045,000	813,117	1,045,000	813,117
GST recoverable on commitments ¹	-	102,893	-	102,893
Total other commitments	1,045,000	916,010	1,045,000	916,010
Total commitments receivable	1,154,110	1,069,462	1,141,464	1,060,060
Commitments payable				
Capital commitments				
Property, plant and equipment ³	139,316	63,168	139,316	63,168
Total capital commitments	139,316	63,168	139,316	63,168
Operating lease commitments				
Operating leases ⁵	65,038	46,818	65,038	46,818
Total operating lease commitments	65,038	46,818	65,038	46,818
Other commitments				
Other ²	7,071,132	11,365,282	6,965,406	11,284,287
GST payable on commitments ¹	212,505	15,434	212,505	15,434
Total other commitments	7,283,637	11,380,716	7,177,911	11,299,721
Total commitments payable	7,487,991	11,490,702	7,382,265	11,409,707
Net commitments by type	(6,333,881)	(10,421,240)	(6,240,801)	(10,349,647)
BY MATURITY				
Commitments receivable				
Operating lease commitments receivable				
One year or less	99,725	137,996	87,079	128,594
From one to five years	9,385	10,752	9,385	10,752
Over five years	-	4,704	-	4,704
Total other commitments receivable	109,110	153,452	96,464	144,050
Other commitments receivable				
One year or less	1,045,000	821,093	1,045,000	821,093
From one to five years	-	94,917	-	94,917
Over five years	-	-	-	-
Total other commitments receivable	1,045,000	916,010	1,045,000	916,010
Total commitments receivable	1,154,110	1,069,462	1,141,464	1,060,060
Commitments payable				
Capital commitments				
One year or less	37,500	63,168	37,500	63,168
From one to five years	101,816	-	101,816	-
Over five years	-	-	-	-
Total capital commitments	139,316	63,168	139,316	63,168
Operating lease commitments				
One year or less	65,038	46,818	65,038	46,818
From one to five years	-	-	-	-
Over five years	-	-	-	-
Total operating lease commitments	65,038	46,818	65,038	46,818
Other Commitments				
One year or less	5,867,791	11,294,852	5,792,615	11,235,357
From one to five years	837,207	85,864	806,657	64,364
Over five years	578,639	-	578,639	-
Total other commitments	7,283,637	11,380,716	7,177,911	11,299,721
Total commitments payable	7,487,991	11,490,702	7,382,265	11,409,707
Net commitments by maturity	(6,333,881)	(10,421,240)	(6,240,801)	(10,349,647)

Note:

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

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

5. Operating leases payable comprise:

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

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

Consolidated Financial Statements
Schedule of Contingencies
as at 30 June 2014

	Consolidated		Administration	
	2014	2013	2014	2013
	\$	\$	\$	\$
Contingent liabilities				
Financial Guarantees	-	-	-	-
Total contingent liabilities	-	-	-	-
Net contingent assets (liabilities)	-	-	-	-

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

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

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Note 1: Summary of Significant Accounting Policies

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

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

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

For the purposes of AASB 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 Consolidated Group's 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 statement of financial position when and only when it is probable that future economic benefits will flow to the Administration or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executor contracts are not recognised unless required by an accounting standard. Liabilities and assets that are unrecognised are reported in the schedule of commitments or the schedule of contingencies.

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

1.3 Going Concern

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. There are a number of economic factors that indicate the Administration is not able to meet the cost of providing ongoing essential services on Norfolk Island without ongoing financial support from the Commonwealth of Australia (the Commonwealth).

Since the 2010–11 financial year, the Commonwealth has provided financial assistance to ensure the Administration has sufficient funds to meet expenditure commitments that have fallen due. Financial assistance is determined on an annual basis and is based on the Administration meeting agreed milestones. In 2014–15 funding of up to \$7.5 million has been allocated for financial assistance to Norfolk Island. There is no ongoing commitment from the Commonwealth to underwrite the Administration's future predicted losses nor is there any intention by the Commonwealth at this time to enter into a multiyear funding agreement with the Administration.

The Administration has forecast negative net cash flows from operations, before Commonwealth funding, to a total of \$7.5 million in 2014–15, \$6.4 million in 2015–16, \$5.5 million in 2016–17 and \$5.5 million in 2017–18. The Commonwealth's current funding commitment ends at 30 June 2015, and at the date of signing these financial statements, no further financial assistance has been negotiated. In addition, these cash flow forecasts do not include repayments of an outstanding loan amount of \$11.4 million made by the Commonwealth in 2005. For each year up to and including 2014–15, the Commonwealth has agreed to defer the annual loan repayment of \$1.2 million. These conditions give rise to material uncertainties 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 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 impact on the amounts recorded in the financial statements:

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

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.

The following new standards/revised standards and interpretations issued prior to the sign-off date that were applicable in the current reporting period:

AASB 9	Financial Instruments - September 2012 (Compilation)
AASB 13	Fair Value Measurement - December 2012 (Principal)
AASB 119	Employee Benefits - September 2011 (Principal)

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 Administration for future reporting periods:

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 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 2014, 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:

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

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

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

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

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

Interest

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

Taxation Revenue

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

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

Fees and Fines

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

Royalties

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

Grants

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

1.8 Gains

Revenue from Government

Funding received from the Commonwealth 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.

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-derivates 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.

1.16 Financial Liabilities

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

Other Financial Liabilities

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

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

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

1.17 Contingent Liabilities and Contingent Assets

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

1.18 Financial Guarantee Contracts

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

1.19 Acquisition of Assets

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

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

1.20 Land, Buildings, Property, Plant and Equipment

Asset Recognition Threshold

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

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

Revaluations

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

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

	2014	2013
Buildings on freehold land	10 to 50 years	10 to 50 years
Property, plant and equipment	3 to 50 years	3 to 50 years

Impairment

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

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

Derecognition

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

1.21 Intangibles

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

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the Administration's software are 3 to 10 years (2013: 2 to 10 years).

All software assets were assessed for indications of impairment as at 30 June 2014.

1.22 Inventories

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

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

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

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

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

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

1.23 Consumable Store

Stocks of consumable stores, which are not held for resale, are expensed in the year of purchase. These stores mainly consist of 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, assets and liabilities are recognised net of GST except:

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

1.25 Presentation of Financial Statements

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 and the Consolidated Group 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:

Powerhouse Fuel: Adjustment required to eliminate fuel purchases from the ANI power station. This resulted in the goods and service revenue line item and the supplier expense line item in the 2012-13 Statement of Comprehensive Income both being overstated by \$2,299,238. The effect on goods and service revenue and supplier expense line items has now been removed from both the Administration and Consolidated Group's Statement of Comprehensive Income.

Healthcare: Adjustment required to eliminate the portion of the NIHE revenue balance that relates to ANI Healthcare. This resulted in the fees revenue line item and the supplier expense line item in the 2012-13 Statement of Comprehensive Income both being overstated by \$827,687. The effect on fees revenue and supplier expense line items has now been removed from the Consolidated Group's Statement of Comprehensive Income.

The effect of the above prior period errors has not changed the 2012-13 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 October 2014 with the Administration of Norfolk Island to provide financial assistance for essential services. The total amount of assistance available is \$7.5 million to be paid in instalments over the 2014-15 financial year, conditional on specific milestones being met each quarter by the Administration of Norfolk Island. Refer to Note 1.3.

Note 3: Expenses

	Consolidated		Administration	
	2014	2013	2014	2013
	\$	\$	\$	\$
Note 3A: Employee Benefits				
Wages and salaries	11,329,924	11,311,107	7,971,473	7,989,642
Total employee benefits	11,329,924	11,311,107	7,971,473	7,989,642
Note 3B: Supplier				
Goods and services				
Goods	9,145,879	8,872,578	8,484,745	8,101,386
Services	8,600,312	8,667,867	7,025,117	6,898,894
Total goods and services	17,746,190	17,540,445	15,509,861	15,000,280
Goods and services are made up of:				
Provision of goods – related entities		-	-	-
Provision of goods – external entities	9,145,879	8,872,578	8,484,745	8,101,386
Rendering of services – related entities	-	-	47,088	-
Rendering of services – external entities	8,600,312	8,667,867	6,978,029	6,898,894
Total goods and services	17,746,190	17,540,445	15,509,861	15,000,280
Other supplier expenses				
Welfare expenses	1,780,692	1,820,413	2,414,725	2,420,413
Healthcare costs	1,461,971	1,040,777	1,634,369	1,517,188
Workers compensation expenses	276,267	231,771	276,267	231,771
Total other supplier expenses	3,518,930	3,092,961	4,325,361	4,169,372
Total supplier expenses	21,265,120	20,633,407	19,835,222	19,169,652
Note 3C: Grants and subsidies				
Grants and subsidies	-	51,500	3,180,200	3,368,045
Total grants and subsidies	-	51,500	3,180,200	3,368,045
Note 3D: Depreciation and Amortisation				
Depreciation:				
Property, plant and equipment	4,462,133	4,737,778	4,335,997	4,558,422
Buildings	1,473,014	1,471,672	1,183,827	1,183,827
Total depreciation	5,935,147	6,209,450	5,519,824	5,742,249
Amortisation:				
Intangibles - computer software	3,383	577	2,943	137
Total amortisation	3,383	577	2,943	137
Total depreciation and amortisation	5,938,530	6,210,027	5,522,767	5,742,386
Note 3E: Loss on Sale of Assets				
Property, plant and equipment:				
Carrying value of assets sold	19,278	147,109	3,106	140,333
Total losses from asset sales	19,278	147,109	3,106	140,333
Note 3F: Write-Down and Impairment of Assets				
Bad debts	17,906	19,535	2,599	11,260
Total write-down and impairment of assets	17,906	19,535	2,599	11,260
Note 3G: Other Expenses				
Ex-gratia payments	7,662	23,855	7,662	23,855
Total other expenses	7,662	23,855	7,662	23,855

Note 4: Income

	Consolidated		Administration	
	2014	2013	2014	2013
	\$	\$	\$	\$
OWN-SOURCE REVENUE				
<u>Note 4A: Sale of Goods and Rendering of Services</u>				
Provision of goods - related entities	-	-	39,021	-
Provision of goods - external entities	8,753,154	8,490,024	8,089,619	7,783,156
Total sale of goods	8,753,154	8,490,024	8,128,640	7,783,156
Rendering of services - related entities	-	-	228,733	292,924
Rendering of services - external entities	9,465,911	8,993,120	8,926,229	8,527,710
Total rendering of services	9,465,911	8,993,120	9,154,962	8,820,634
Total sale of goods and rendering of services	18,219,065	17,483,143	17,283,602	16,603,790
<u>Note 4B: Taxation Revenue</u>				
Goods and services tax	6,035,538	6,575,910	6,035,538	6,575,910
Customs duty	1,074,697	986,896	1,074,697	986,896
Other taxation revenue	1,370,114	1,089,598	1,370,114	1,089,598
Total taxation revenue	8,480,349	8,652,404	8,480,349	8,652,404
<u>Note 4C: Fees and Fines</u>				
Fees	3,093,796	2,531,001	2,513,234	2,038,546
Fines and penalties	29,893	23,831	29,893	23,831
Total fees and fines	3,123,689	2,554,832	2,543,127	2,062,377
<u>Note 4D: Interest</u>				
Bank and term deposits	119,231	87,087	108,147	75,541
Total interest	119,231	87,087	108,147	75,541
<u>Note 4E: Rental Income</u>				
Housing properties	68,615	88,713	56,519	76,786
Total rental income	68,615	88,713	56,519	76,786
<u>Note 4F: Royalties</u>				
Other	650	350	650	350
Total royalties	650	350	650	350
<u>Note 4G: Other Revenue</u>				
Donations	8,792	27,317	-	-
Write back from Doubtful Debt provision	131,550	-	-	-
Total revenue	140,342	27,317	-	-
GAINS				
<u>Note 4H: Revenue from Government</u>				
Revenue received from the Commonwealth of Australia	4,600,088	3,281,896	4,600,088	3,181,896
Total revenue from Government	4,600,088	3,281,896	4,600,088	3,181,896
<u>Note 4I: Other Gains</u>				
Resources received free of charge	199,000	172,000	160,000	133,000
Total other gains	199,000	172,000	160,000	133,000

Note 5: Financial Assets

	Consolidated		Administration	
	2014	2013	2014	2013
	\$	\$	\$	\$
Note 5A: Cash and Cash Equivalents				
Cash on hand or on deposit	4,137,034	4,492,920	3,733,144	4,128,195
Total cash and cash equivalents	4,137,034	4,492,920	3,733,144	4,128,195
Note 5B: Trade and Other Receivables				
Goods and Services:				
Goods and services - related entities	-	-	38,334	22,355
Goods and services - external entities	3,419,937	3,741,164	3,079,876	3,269,112
Total receivables for goods and services	3,419,937	3,741,164	3,118,210	3,291,467
Other receivables:				
Interest	19,447	7,665	19,447	7,665
Total other receivables (gross)	19,447	7,665	19,447	7,665
Total trade and other receivables (gross)	3,439,384	3,748,829	3,137,656	3,299,132
Less impairment allowance account:				
Goods and services	(255,361)	(478,753)	(55,361)	(147,202)
Total impairment allowance account	(255,361)	(478,753)	(55,361)	(147,202)
Total trade and other receivables (net)	3,184,023	3,270,076	3,082,295	3,151,930
Receivables are expected to be recovered in:				
No more than 12 months	3,184,023	3,270,076	3,082,295	3,151,930
More than 12 months	-	-	-	-
Total trade and other receivables (net)	3,184,023	3,270,076	3,082,295	3,151,930
Receivables are aged as follows:				
Not overdue	1,058,803	400,670	819,631	388,283
Overdue by:				
0 to 30 days	1,752,289	1,904,470	1,612,297	1,724,077
31 to 60 days	499,919	457,736	486,812	435,710
More than 61 days	401,340	985,953	218,917	751,062
Total receivables (gross)	3,712,350	3,748,829	3,137,657	3,299,132
The impairment allowance account is aged as follows:				
Not overdue	-	-	-	-
Overdue by:				
0 to 30 days	(4,470)	(76,505)	-	(1,872)
31 to 60 days	(13,107)	(22,144)	-	(118)
More than 61 days	(237,784)	(380,104)	(55,361)	(145,212)
Total impairment allowance account	(255,361)	(478,753)	(55,361)	(147,202)

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 2014

	Consolidated	Administration
	Goods and services	Goods and services
	\$	\$
Opening balance	(478,753)	(147,202)
Amounts written off	144,784	13,233
Amounts recovered and reversed	78,608	78,608
Increase/decrease recognised in net surplus	-	-
Closing balance	(255,361)	(55,361)

Movements in relation to 2013

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

Note 5: Financial Assets

	Consolidated		Administration	
	2014	2013	2014	2013
	\$	\$	\$	\$
<u>Note 5C: Other Investments</u>				
Term deposits	2,433,915	523,516	2,198,742	285,295
Total other investments	2,433,915	523,516	2,198,742	285,295
Total other investments are expected to be recovered in:				
No more than 12 months	2,433,915	523,516	2,198,742	285,295
More than 12 months	-	-	-	-
Total other investments	2,433,915	523,516	2,198,742	285,295

Note 6: Non-Financial Assets

	Consolidated		Administration	
	2014	2013	2014	2013
	\$	\$	\$	\$
Note 6A: Land and Buildings				
Land:				
Fair Value	7,058,703	7,058,703	6,683,703	6,683,703
Total land	7,058,703	7,058,703	6,683,703	6,683,703
Buildings on freehold land:				
Fair value	24,571,009	24,561,789	21,334,533	21,327,733
Accumulated depreciation	(2,944,643)	(1,471,672)	(2,367,654)	(1,183,827)
Total buildings on freehold land	21,626,366	23,090,117	18,966,879	20,143,906
Total land and buildings	28,685,069	30,148,820	25,650,582	26,827,609

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	
	2014	2013	2014	2013
	\$	\$	\$	\$
Note 6B: Property, Plant and Equipment				
Property, plant and equipment:				
Work in Progress	288,254	225,040	284,403	222,620
Fair value	47,335,058	46,765,004	46,389,474	45,910,261
Accumulated depreciation	(9,113,038)	(4,737,778)	(8,817,489)	(4,558,422)
Total property, plant and equipment	38,510,274	42,252,266	37,856,388	41,574,459

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 2014 - Consolidated

	Land	Buildings	Total land & buildings	Property, plant & equipment	Total
	\$	\$	\$	\$	\$
As at 1 July 2013					
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)
Net book value 1 July 2013	7,058,703	23,090,117	30,148,820	42,252,266	72,401,086
Additions:					
By purchase or donation	-	9,220	9,220	414,068	423,288
Work in progress	-	-	-	288,254	288,254
Depreciation expense	-	(1,472,971)	(1,472,971)	(4,375,260)	(5,848,231)
Disposals	-	-	-	(69,054)	(69,054)
Net book value as at 30 June 2014	7,058,703	21,626,366	28,685,069	38,510,274	67,195,343
Net book value as at 30 June 2014 represented by:					
Gross book value	7,058,703	24,571,009	31,629,712	47,623,312	79,253,024
Accumulated depreciation and impairment	-	(2,944,643)	(2,944,643)	(9,113,038)	(12,057,681)
Net book value as at 30 June 2014	7,058,703	21,626,366	28,685,069	38,510,274	67,195,343

Note 6: Non-Financial Assets**Note 6C (Cont'd): 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 \$
As at 1 July 2012					
Gross book value	7,059,203	24,508,146	31,567,349	46,633,228	78,200,577
Accumulated depreciation and impairment	-	-	-	-	-
Net book value as at 1 July 2012	7,059,203	24,508,146	31,567,349	46,633,228	78,200,577
Additions:					
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)	(473,778)	(1,945,450)
Disposals	(500)	-	(500)	(186,221)	(186,721)
Net book value as at 30 June 2013	7,058,703	23,090,117	30,148,820	46,516,267	76,665,087
Net book value as at 30 June 2013 represented by:					
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)
Net book value as at 30 June 2013 represented by:	7,058,703	23,090,117	30,148,820	42,252,266	72,401,086

Note 6C: Reconciliation of the Opening and Closing Balances of Land and Buildings, Plant and Equipment 2014 - Administration

	Land \$	Buildings \$	Total land & buildings \$	Property, plant & equipment \$	Total \$
As at 1 July 2013					
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)
Net book value 1 July 2013	6,683,703	20,143,906	26,827,609	41,574,459	68,402,068
Additions:					
By purchase or donation	-	6,800	6,800	297,069	303,869
Work in progress	-	-	-	284,403	284,403
Depreciation expense	-	(1,183,827)	(1,183,827)	(4,259,067)	(5,442,894)
Disposals	-	-	-	(40,476)	(40,476)
Net book value as at 30 June 2014	6,683,703	18,966,879	25,650,582	37,856,388	63,506,969
Net book value as at 30 June 2014 represented by:					
Gross book value	6,683,703	21,334,533	28,018,236	46,673,877	74,692,113
Accumulated depreciation and impairment	-	(2,367,654)	(2,367,654)	(8,817,489)	(11,185,143)
Net book value as at 30 June 2014	6,683,703	18,966,879	25,650,582	37,856,388	63,506,969

Note 6C (Cont'd): 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	-	-	-	-	-
Net book value as at 1 July 2012	6,684,203	21,327,733	28,011,936	45,952,063	73,963,999
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)
Net book value as at 30 June 2013	6,683,703	20,143,906	26,827,609	41,574,460	68,402,069
Net book value as at 30 June 2013					
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)
Net book value as at 30 June 2013	6,683,703	20,143,906	26,827,609	41,574,459	68,402,068

Note 6D: Intangibles

	Consolidated		Administration	
	2014	2013	2014	2013
	\$	\$	\$	\$
Computer software:				
Purchased	17,007	17,007	14,713	14,713
Accumulated amortisation	(3,960)	(577)	(3,080)	(137)
Total computer software	13,047	16,430	11,633	14,576
Total intangibles	13,047	16,430	11,633	14,576

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 6: Non-Financial Assets**Note 6E: Reconciliation of the Opening and Closing Balances of Intangibles 2014 - Consolidated**

	Computer software purchased \$
As at 1 July 2013	
Gross book value	17,007
Accumulated amortisation and impairment	(577)
Net book value as at 1 July 2013	16,430
Additions by purchase or internally developed	-
Amortisation	-
Net book value as at 30 June 2014	16,430
Net book value as at 30 June 2013 represented by:	
Gross book value	17,007
Accumulated amortisation and impairment	(3,960)
Net book value as at 30 June 2014	13,047

Note 6E (Cont'd): Reconciliation of the Opening and Closing Balances of Intangibles 2013 - Consolidated

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

Note 6E: Reconciliation of the Opening and Closing Balances of Intangibles 2014 - Administration

	Computer software purchased \$
As at 1 July 2013	
Gross book value	14,713
Accumulated amortisation and impairment	(137)
Net book value as at 1 July 2013	14,576
Additions by purchase or internally developed	-
Amortisation	(2,943)
Net book value as at 30 June 2014	11,633
Net book value as at 30 June 2014 represented by:	
Gross book value	14,713
Accumulated amortisation and impairment	(3,080)
Net book value as at 30 June 2014	11,633

Note 6E (Cont'd): Reconciliation of the Opening and Closing Balances of Intangibles 2013 - Administration

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

Note 6: Non-Financial Assets

	Consolidated		Administration	
	2014	2013	2014	2013
	\$	\$	\$	\$
Note 6F: Inventories				
Inventories held for sale:				
Finished goods	668,103	832,043	523,012	665,691
Provision for Obsolescence	(18,000)	(18,000)	(18,000)	(18,000)
Total inventories held for sale	650,103	814,043	505,012	647,691
Inventories held for distribution	3,955,799	3,119,369	3,890,569	3,031,194
Provision for Obsolescence	(264,625)	(308,592)	(264,625)	(308,592)
Total inventories held for sale	3,691,174	2,810,777	3,625,944	2,722,602
Total inventories	4,341,277	3,624,820	4,130,956	3,370,293

Represented by:

Cost of inventories sold recognised as an expense during the reporting period

2,021,292	2,525,570	1,659,386	2,127,121
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Inventories internally consumed recognised as an expense during the reporting period

8,901,227	7,513,900	8,764,335	7,327,271
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Inventories written off during the period

42,809		42,809	
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10,965,327	10,039,470	10,466,529	9,454,392
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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	253,808	121,418	173,016	92,924
Royalties receivable	336,965	341,849	336,965	341,849
Total other non-financial assets	590,773	463,267	509,981	434,773

Total other non-financial assets - are expected to be recovered in:

No more than 12 months	590,773	463,267	509,981	434,773
More than 12 months	-	-	-	-
Total other non-financial assets	590,773	463,267	509,981	434,773

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

Note 6: Non-Financial Assets

Note 6H: Fair Value Measurements

The following tables provide an analysis of assets and liabilities that are measured at fair value.

The different levels of the fair value hierarchy are defined below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Note 6I: Fair Value Measurements

Fair value measurements at the end of the reporting period by hierarchy for assets and liabilities in 2014 - Administration

	Fair value measurements at the end of the reporting period using			
	Fair Value	Level 1 inputs	Level 2 inputs	Level 3 inputs
	\$'000	\$'000	\$'000	\$'000
Non-financial assets				
Land	6,683,703	-	6,683,703	-
Buildings	18,966,879	-	-	18,966,879
Property, plant and equipment	37,856,388	-	37,856,388	-
Total non-financial assets	<u>63,506,969</u>	<u>-</u>	<u>44,540,091</u>	<u>18,966,879</u>
	63,506,969	-	44,540,091	18,966,879

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

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

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

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

Level 2 and 3 fair value measurements - valuation technique and the inputs used for assets in 2014

	Category (Level 2 or 3)	Fair value \$'000	Valuation technique(s)1	Inputs used 2	Range 3
Non-financial assets					
Land	Level 2	6,683,703	Market Approach and Cost Approach	Estimated replacement Expected useful life	N/A
Buildings	Level 3	18,966,879	Depreciated replacement cost	Estimated replacement Expected useful life	N/A
Property, plant and equipment	Level 2	37,856,388	Market Approach and Cost Approach	Estimated replacement Expected useful life	N/A

1. No change in valuation technique occurred during the period.

2. Significant unobservable inputs only.

3. Range and weighted average rates for unobservable inputs are not available. Where applicable, this information will be obtained from future valuations.

Note 7: Payables

	Consolidated		Administration	
	2014	2013	2014	2013
	\$	\$	\$	\$
Note 7A: Suppliers				
Trade creditors and accruals	5,927,787	5,302,096	6,068,276	5,506,983
Total suppliers payables	5,927,787	5,302,096	6,068,276	5,506,983
Suppliers payables expected to be settled within 12 months:				
Related entities	-	-	218,715	291,642
External entities	5,927,787	5,302,096	5,849,560	5,215,341
Total	5,927,787	5,302,096	6,068,276	5,506,983

Settlement is usually made within 30 days.

Note 7B: Other Payables

Accrued salaries and wages	353,641	336,354	239,328	184,990
Total other payables	353,641	336,354	239,328	184,990

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

Note 8: Interest Bearing Liabilities

	Consolidated		Administration	
	2014	2013	2014	2013
	\$	\$	\$	\$
Note 8A: Loans				
Loan from the Commonwealth of Australia	11,754,875	11,770,689	11,754,875	11,770,689
Total loans	11,754,875	11,770,689	11,754,875	11,770,689
Payable:				
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	5,754,875	5,770,689	5,754,875	5,770,689
Total loans	11,754,875	11,770,689	11,754,875	11,770,689

The loan from the Commonwealth of Australia includes the Airport Runway Loan of \$11,400,000 (2013: \$11,400,000) and Cascade Cliff Loan of \$354,875 (2013: \$370,689).

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, 2012/13, 2013/14 and 2014/15 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	
	2014	2013	2014	2013
	\$	\$	\$	\$
Note 8B: Deposits				
Trust accounts	16,105	14,580	16,105	14,580
Total deposits	16,105	14,580	16,105	14,580
Deposits relating to:				
Customer bonds - Norfolk Telecom	16,105	14,580	16,105	14,580
Total deposits	16,105	14,580	16,105	14,580
Deposits are expected to be settled in:				
No more than 12 months	16,105	14,580	16,105	14,580
More than 12 months	-	-	-	-
Total deposits	16,105	14,580	16,105	14,580

Note 9: Provisions

	Consolidated		Administration	
	2014	2013	2014	2013
	\$	\$	\$	\$
Note 9A: Employee Provisions				
Annual leave	805,166	958,173	600,597	745,797
Long service leave	1,407,860	1,208,401	1,004,722	850,289
Other	249,777	246,380	189,407	174,994
Total employee provisions	2,462,803	2,412,954	1,794,726	1,771,080
Employee provisions are expected to be settled in:				
No more than 12 months	1,481,792	1,768,485	1,091,421	1,175,877
More than 12 months	981,011	644,469	703,306	595,203
Total employee provisions	2,462,803	2,412,954	1,794,726	1,771,080

Note 10: Cash Flow Reconciliation

	Consolidated		Administration	
	2014	2013	2014	2013
	\$	\$	\$	\$
Reconciliation of cash and cash equivalents as per Statement of Financial Position to Cash Flow Statement				
Cash and cash equivalents as per:				
Cash flow statement	6,570,949	4,778,215	5,931,886	4,413,490
Statement of Financial Position	6,570,949	4,778,215	5,931,886	4,413,490
Difference	-	-	-	-
Reconciliation of net cost of services to net cash from operating activities:				
Net cost of services	(3,627,390)	(6,048,797)	(3,290,547)	(5,659,030)
Adjustments for non-cash items				
Depreciation / amortisation	5,938,530	6,210,027	5,522,766	5,742,386
Donated property, plant and equipment capitalised	-	(18,317)	-	-
(Gains)/loss from sale of property, plant and equipment	19,278	147,109	3,106	140,333
Resources received free of charge	(199,000)	(172,000)	(160,000)	(133,000)
Write-down and impairment of assets	17,906	19,533	2,599	11,260
Changes in assets / liabilities				
(Increase) / decrease in trade and other receivables	86,053	449,696	69,634	258,739
(Increase) / decrease in inventories	(716,457)	400,085	(760,663)	358,400
(Increase) / decrease in other non-financial assets	(127,506)	(43,283)	(75,208)	(46,265)
Increase / (decrease) in employee provisions	49,849	(414,789)	23,646	(386,378)
Increase / (decrease) in supplier payables	666,528	199,962	600,333	183,560
Increase / (decrease) in other payables	17,287	51,580	54,338	(21,196)
Increase / (decrease) in loans	(15,814)	(24,994)	(15,814)	(24,994)
Increase / (decrease) in deposits	1,525	(5,295)	1,525	(5,295)
Net cash from (used by) operating activities	2,110,789	750,517	1,975,715	418,518

Note 11: Contingent Assets and Liabilities

Quantifiable Contingencies

The Administration had no quantifiable contingencies as at 30 June 2014 (2013: Nil).

Unquantifiable Contingencies

The Administration had no unquantifiable contingencies as at 30 June 2014 (2013: Nil).

Significant Remote Contingencies

The Administration and the Group had no significant remote contingencies as at 30 June 2014.(2013: Nil)

Note 12: Related Party Transactions

Note 12: Transactions with Related Parties

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

	Consolidated		Administration	
	2014	2013	2014	2013
	\$	\$	\$	\$
Purchases of goods and services	40,886	44,925	39,516	44,125
Amounts outstanding at balance date	-	-	-	-
	40,886	44,925	39,516	44,125

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 \$195,000 (2013: Nil).

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

Average annual reportable remuneration ¹	2014			
	Senior Executives ⁴ No.	Reportable salary ² \$	Gratuity paid ³ \$	Total \$
Total remuneration (including part-time arrangements):				
\$0 to \$195,000	4	69,954	2,500	72,454
Total	4			

Average annual reportable remuneration ¹	2013			
	Senior Executives No.	Reportable salary ² \$	Gratuity paid ³ \$	Total \$
Total remuneration (including part-time arrangements):				
\$0 to \$195,000	4	87,966	10,044	98,010
Total	4			

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 NIA 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 ¹	2014			
	Senior Executives No.	Reportable salary ² \$	Gratuity paid ³ \$	Total \$
Total remuneration (including part-time arrangements):				
\$0 to \$195,000	2	87,169	-	87,169
Total	2			

Average annual reportable remuneration ¹	2013			
	Senior Executives No.	Reportable salary ² \$	Gratuity paid ³ \$	Total \$
Total remuneration (including part-time arrangements):				
\$0 to \$195,000	2	107,631	12,530	120,161
Total	2			

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 NIA 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 (2013: Nil).

Note 14: Remuneration of Auditors

	Consolidated		Administration	
	2014	2013	2014	2013
	\$	\$	\$	\$
Fair value of the services provided				
Financial statement audit services	199,000	172,000	160,000	133,000
Total	199,000	172,000	160,000	133,000

The 2013/14 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	
	2014	2013	2014	2013
	\$	\$	\$	\$
Note 15A: Categories of Financial Instruments				
Financial Assets				
Loans and receivables:				
Cash and cash equivalents	4,137,034	4,492,920	3,733,144	4,128,195
Trade and other receivables	3,184,023	3,270,076	3,082,295	3,151,930
Other investments	2,433,915	523,516	2,198,742	285,295
Total	9,754,972	8,286,512	9,014,181	7,565,420
Carrying amount of financial assets	9,754,972	8,286,512	9,014,181	7,565,420
Financial Liabilities				
At amortised cost:				
Trade creditors	5,927,787	5,302,096	6,068,276	5,506,983
Loans	11,754,875	11,770,689	11,754,875	11,770,689
Deposits	16,105	14,580	16,105	14,580
Total	17,698,767	17,087,364	17,839,255	17,292,251
Carrying amount of financial liabilities	17,698,767	17,087,364	17,839,255	17,292,251

Note 15B: Net Income and Expense from Financial Assets

Loans and receivables				
Interest revenue	119,231	87,087	108,147	75,541
Net gain from loans and receivables	119,231	87,087	108,147	75,541
Net gain from financial assets	119,231	87,087	108,147	75,541

There was no income from financial assets not at fair value through profit or loss in the year ending 2014 (2013: Nil).

Note 15C: Net Income and Expense from Financial Liabilities

Financial liabilities - at amortised cost				
Interest expense	32,863	29,653	32,863	29,653
Net loss from financial liabilities - at amortised cost	32,863	29,653	32,863	29,653
Net loss from financial liabilities	32,863	29,653	32,863	29,653

There was no interest expense from financial assets not at fair value through profit or loss in the year ending 2014 (2013: Nil).

Note 15D: Fair Value of Financial Instruments

Fair Value of Financial Instruments - Consolidated

	Carrying amount 2014	Fair value 2014	Carrying amount 2013	Fair value 2013
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	4,137,034	4,137,034	4,492,920	4,492,920
Trade and other receivables	3,184,023	3,184,023	3,270,076	3,270,076
Other investments	2,433,915	2,433,915	523,516	523,516
Total	9,754,972	9,754,972	8,286,512	8,286,512
Financial Liabilities				
Trade creditors	5,927,787	5,927,787	5,302,096	5,302,096
Loans	11,754,875	11,754,875	11,770,689	11,770,689
Deposits	16,105	16,105	14,580	14,580
Total	17,698,767	17,698,767	17,087,364	17,087,364

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

Fair Value of Financial Instruments - Administration

	Carrying amount 2014	Fair value 2014	Carrying amount 2013	Fair value 2013
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	3,733,144	3,733,144	4,128,195	4,128,195
Trade and other receivables	3,082,295	3,082,295	3,151,930	3,151,930
Other investments	2,198,742	2,198,742	285,295	285,295
Total	9,014,181	9,014,181	7,565,420	7,565,420
Financial Liabilities				
Trade creditors	6,068,276	6,068,276	5,506,983	5,506,983
Loans	11,754,875	11,754,875	11,770,689	11,770,689
Deposits	16,105	16,105	14,580	14,580
Total	17,839,255	17,839,255	17,292,251	17,292,251

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

Note 15: Financial Instruments

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 (2014: \$3,000,402 and 2013: \$3,299,132).

The Administration has assessed the risk of the default on payment and has allocated \$55,361 in 2014 (2013: \$147,202) to an impairment allowance account. The Administration manages its credit risk by undertaking various debt recovery techniques.

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

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

	Not past due nor impaired	Not past due nor impaired	Past due or impaired	Past due or impaired
	2014	2013	2014	2013
	\$	\$	\$	\$
Cash and cash equivalents	4,137,034	4,492,920	-	-
Trade and other receivables	1,058,803	400,670	2,653,547	3,348,159
Other investments	2,433,915	523,516	-	-
Total	7,629,752	5,417,107	2,653,547	3,348,159

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
	2014	2013	2014	2013
	\$	\$	\$	\$
Cash and cash equivalents	3,733,144	4,128,195	-	-
Trade and other receivables	819,631	388,283	2,318,025	2,910,849
Other investments	2,198,742	285,295	-	-
Total	6,751,518	4,801,773	2,318,025	2,910,849

Ageing of financial assets that were past due but not impaired for 2014 - Consolidated

	0 to 30 days	31 to 60 days	60+ days	Total
	\$	\$	\$	\$
Trade and other receivables	1,747,819	486,812	163,556	2,398,186
Total	1,747,819	486,812	163,556	2,398,186

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
Total	1,827,965	435,592	605,849	2,869,406

Ageing of financial assets that were past due but not impaired for 2014 - Administration

	0 to 30 days	31 to 60 days	60+ days	Total
	\$	\$	\$	\$
Trade and other receivables	1,612,297	486,812	163,556	2,262,664
Total	1,612,297	486,812	163,556	2,262,664

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
Total	1,722,205	435,592	605,850	2,763,647

Note 15: Financial Instruments

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 2014 - Consolidated

	On demand	within 1 year	1 to 2 years	2 to 5 years	>5 years	Total
	\$	\$	\$	\$	\$	\$
Trade creditors	-	5,927,787	-	-	-	5,927,787
Loans	-	1,200,000	1,200,000	3,600,000	5,754,875	11,754,875
Deposits	16,105	-	-	-	-	16,105
Total	16,105	7,127,787	1,200,000	3,600,000	5,754,875	17,698,767

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
Total	14,580	6,502,096	1,200,000	3,600,000	5,770,689	17,087,365

The Group had no derivative financial liabilities in either 2014 or 2013.

Maturities for non-derivative financial liabilities for 2014 - Administration

	On demand	within 1 year	1 to 2 years	2 to 5 years	>5 years	Total
	\$	\$	\$	\$	\$	\$
Trade creditors	-	6,068,276	-	-	-	6,068,276
Loans	-	1,200,000	1,200,000	3,600,000	5,754,875	11,754,875
Deposits	16,105	-	-	-	-	16,105
Total	16,105	7,268,276	1,200,000	3,600,000	5,754,875	17,839,256

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
Total	14,580	6,706,983	1,200,000	3,600,000	5,770,689	17,292,252

The Administration had no derivative financial liabilities in either 2014 or 2013.

Note 16: Financial Assets and Liabilities Reconciliation

	Notes	Consolidated		Administration	
		2014	2013	2014	2013
		\$	\$	\$	\$
Financial assets					
Total financial assets as per Balance Sheet		10,010,333	8,765,265	9,069,542	7,712,622
Add: non-financial instrument components					
Impairment allowance for goods and services	5B	(255,361)	(478,753)	(55,361)	(147,202)
Total financial instrument components		(255,361)	(478,753)	(55,361)	(147,202)
Total financial assets as per financial instruments note		9,754,972	8,286,512	9,014,181	7,565,420
Financial liabilities					
Total financial liabilities as per Balance Sheet		20,515,211	19,836,673	19,873,310	19,248,322
Less: non-financial instrument components:					
Employee provisions	9A	2,462,803	2,412,954	1,794,726	1,771,080
Other payables	7B	353,641	336,354	239,328	184,990
Total non-financial instrument components		2,816,445	2,749,308	2,034,055	1,956,070
Total financial liabilities as per financial instruments note		17,698,767	17,087,364	17,839,255	17,292,251

Note 17: Investments

	Consolidated		Administration	
	2014	2013	2014	2013
	\$	\$	\$	\$
Balance brought forward from previous period	238,221	188,109	285,295	-
Investments made	21,566	41,000	1,913,447	285,295
Investment income	6,272	9,112	-	-
Transactional charges	-	-	-	-
Investments realised	(30,885)	-	-	-
Total balance carried to the next period	235,174	238,221	2,198,742	285,295

Note 18: Appropriations

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

	2014	2013
	\$	\$
Balance as at 1 July	-	131,650
New appropriation (from cash flow)	35,243,336	33,785,131
Cash payments	(33,267,621)	(33,366,612)
Difference	1,975,715	550,169
<i>Appropriation Act 2013-14</i>	35,243,350	33,901,350
Cash payments	(33,267,621)	(33,366,612)
Appropriation under spend	1,975,729	534,738
Closing balance as represented by:		
Amounts transferred	30,000	-
Amounts lapsed	1,945,729	534,738
Total closing balance	1,975,729	534,738

The Legislative Assembly of Norfolk Island appropriates money under the *Appropriation Act 2013-14* 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. During the reporting period no cost centre or specific budget lines actual expenditure exceeded the appropriated allowance.

The above table is prepared on a cash basis.

Note 19: Ex-Gratia Payments

	Consolidated		Administration	
	2014	2013	2014	2013
	\$	\$	\$	\$
Ex-Gratia Payments				
38 ex-gratia payments were provided for during the reporting period (2013: 64).	8,000	23,855	8,000	23,855

Ex-gratia payments relate to payments associated with honorarium payments made to local magistrates and Public Service Board members.

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.

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.

	2014	2013
	\$	\$
Total amount held at the beginning of the reporting period	98,904	169,139
Receipts	-	30,426
Payments	(2,422)	(100,661)
Total amount held at the end of the reporting period	96,482	98,904

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.

	2014	2013
	\$	\$
Total amount held at the beginning of the reporting period	88,740	86,900
Receipts	2,309	20,957
Payments	(4,832)	(19,117)
Total amount held at the end of the reporting period	86,217	88,740

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.

	2014	2013
	\$	\$
Total amount held at the beginning of the reporting period	54,655	54,655
Receipts	-	-
Payments	-	-
Total amount held at the end of the reporting period	54,655	54,655

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.

	2014	2013
	\$	\$
Total amount held at the beginning of the reporting period	-	13,098
Receipts	65,333	83,000
Payments	(65,333)	(96,098)
Total amount held at the end of the reporting period	-	-

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.

	2014	2013
	\$	\$
Total amount held at the beginning of the reporting period	24,158	24,158
Receipts	24,158	-
Payments	(48,316)	-
Total amount held at the end of the reporting period	-	24,158

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.

	2014	2013
	\$	\$
Total amount held at the beginning of the reporting period	289	289
Receipts	-	-
Payments	-	-
Total amount held at the end of the reporting period	289	289

Note 20: Assets Held in Trust**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.

	2014	2013
	\$	\$
Total amount held at the beginning of the reporting period	68,797	54
Receipts	136,022	200,660
Payments	(197,293)	(131,917)
Total amount held at the end of the reporting period	7,526	68,797

Natural Resource Management - Kingston and Arthurs Vale Historic Area

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

	2014	2013
	\$	\$
Total amount held at the beginning of the reporting period	-	-
Receipts	241,653	-
Payments	-	-
Total amount held at the end of the reporting period	241,653	-

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.

	2014	2013
	\$	\$
Total amount held at the beginning of the reporting period	170,601	244,333
Receipts	120,279	433,477
Payments	(162,314)	(507,209)
Total amount held at the end of the reporting period	128,567	170,601



Financial Statements 2013/14



Norfolk Island Hospital Enterprise



INDEPENDENT AUDITOR'S REPORT

**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.**

Report on the Financial Statements

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 2014, which comprise: a Statement by the Minister for Finance, Government of Norfolk Island and the Hospital Director, Norfolk Island Hospital Enterprise; a Statement of Comprehensive Income; Statement of Financial Position; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments, Schedule of Contingencies; and Notes to and Forming Part of the Financial Statements, comprising a Summary of Significant Accounting Policies and other explanatory information.

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. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. 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 Commonwealth of Australia has provided financial assistance to ensure the Administration has sufficient funds to meet expenditure commitments that have fallen due. The Administration has forecast negative cash flows from operations to continue in the future. The Commonwealth of Australia's current funding commitments ends at 30 June 2015. At the date of signing these financial statements, no further financial assistance to the Administration 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 material uncertainties that may cast significant doubt on the ability of the Norfolk Island Hospital Enterprise to continue as a going concern.

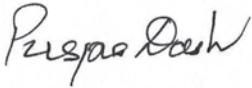
Further, Note 1.3 states that in the event that the Administration does not obtain additional funding from the Commonwealth of Australia and/or reduce expenditure in line with available revenue, the Norfolk Island Hospital Enterprise may not be able to continue its operations as a going concern and therefore 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. However, 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.

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 2015–16 and later years. My responsibility as auditor includes an assessment of whether the Administration and hence, the Norfolk Island Hospital Enterprise are able to continue as a going concern for the period of approximately twelve months from the date of this auditor's report. Notwithstanding that Commonwealth funding has been provided annually in past years, given that future funding has been agreed only to 30 June 2015 and the uncertainties beyond that date disclosed in Note 1.3, I am unable to conclude whether the going concern assumption is appropriate.

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 2014.

Australian National Audit Office

A handwritten signature in black ink, appearing to read 'Puspa Dash', written in a cursive style.

Puspa Dash
Executive Director

Delegate of the Auditor-General

Canberra
14 November 2014

Norfolk Island Hospital Enterprise

STATEMENT BY THE MINISTER FOR FINANCE, GOVERNMENT OF NORFOLK ISLAND AND THE
HOSPITAL DIRECTOR, NORFOLK ISLAND HOSPITAL ENTERPRISE

In our opinion, the attached financial statements for the year ended 30 June 2014 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

14 November 2014

Signed.....


Mr. David McCowan
Hospital Director
Norfolk Island Hospital Enterprise

14 November 2014

Statement of Comprehensive Income for the Norfolk Island Hospital Enterprise
for the period ended 30 June 2014

	Notes	2014 \$	2013 \$
EXPENSES			
Employee benefits	3A	3,045,648	2,988,183
Suppliers	3B	1,481,710	1,540,619
Depreciation and amortisation	3C	408,583	455,843
Loss on disposal of assets	3D	15,364	3,417
Write-down and impairment of assets	3E	15,307	17
Total expenses		4,966,612	4,988,080
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Sale of goods and rendering of services	4A	1,202,268	1,377,638
Fees	4B	1,362,069	1,328,334
Interest	4C	9,922	10,504
Rental income	4D	12,096	11,927
Other revenue	4E	140,343	27,317
Total own-source revenue		2,726,698	2,755,720
Gains			
Other gains	4F	46,644	26,000
Total gains		46,644	26,000
Net cost of services		(2,193,270)	(2,206,360)
Revenue received from Government	4G	1,900,000	1,928,200
Surplus (Deficit) attributable to the Norfolk Island Hospital Enterprise		(293,270)	(278,160)
OTHER COMPREHENSIVE INCOME			
Changes in asset revaluation reserves		-	-
Total other comprehensive income		-	-
Total comprehensive income (loss) attributable to the Norfolk Island Hospital Enterprise		(293,270)	(278,160)

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

Statement of Financial Position for the Norfolk Island Hospital Enterprise
as at 30 June 2014

	Notes	2014 \$	2013 \$
ASSETS			
Financial Assets			
Cash and cash equivalents	5A	322,891	240,438
Trade and other receivables	5B	374,280	362,773
Other investments	5C	214,711	238,221
Total financial assets		911,882	841,432
Non-Financial Assets			
Land and buildings	6A	3,034,487	3,321,209
Property, plant and equipment	6B,C	586,337	662,477
Intangibles	6D,E	1,414	1,854
Inventories	6F	201,752	230,189
Other non-financial assets	6G	55,792	28,494
Total non-financial assets		3,879,782	4,244,223
Total assets		4,791,664	5,085,655
LIABILITIES			
Payables			
Suppliers	7A	105,839	99,337
Other payables	7B	114,313	151,364
Total payables		220,152	250,701
Provisions			
Employee provisions	8A	642,239	612,412
Total provisions		642,239	612,412
Total liabilities		862,391	863,113
Net assets		3,929,273	4,222,543
EQUITY			
Reserves		581,834	581,834
Retained surplus (accumulated deficit)		3,347,439	3,640,708
Total equity		3,929,273	4,222,542

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 2014

	Retained earnings		Asset revaluation reserve		Total equity	
	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$
Opening balance						
Balance carried forward from previous period	3,640,708	3,918,868	581,834	581,834	4,222,542	4,500,702
Adjustment for changes in accounting policies	-	-	-	-	-	-
Adjusted opening balance	3,640,708	3,918,868	581,834	581,834	4,222,542	4,500,702
Comprehensive income						
Other comprehensive income	-	-	-	-	-	-
Surplus (Deficit) for the period	(293,270)	(278,160)	-	-	(293,270)	(278,160)
Total comprehensive income	(293,270)	(278,160)	-	-	(293,270)	(278,160)
Closing balance as at 30 June	3,347,439	3,640,708	581,834	581,834	3,929,273	4,222,542

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 2014

	Notes	2014 \$	2013 \$
OPERATING ACTIVITIES			
Cash received			
Sales of goods and rendering of services		2,680,971	2,717,899
Receipts received from the Administration of Norfolk Island		1,869,250	1,779,704
Receipts received from the Commonwealth of Australia		-	100,000
Donations		8,792	27,317
Interest		4,113	1,392
Total cash received		4,563,126	4,626,312
Cash used			
Employees and suppliers		4,468,570	4,422,848
Total cash used		4,468,570	4,422,848
Net cash from (used by) operating activities	9	94,556	203,464
INVESTING ACTIVITIES			
Cash received			
Proceeds received from investments		36,695	9,112
Total cash received		36,695	9,112
Cash used			
Purchase of land, property, plant and equipment		47,232	201,252
Purchase of financial instruments		1,566	41,000
Total cash used		48,798	242,252
Net cash from (used by) investing activities		(12,103)	(233,140)
Net increase (decrease) in cash held			
		82,453	(29,676)
Cash and cash equivalents at the beginning of the reporting period		240,438	270,114
Cash and cash equivalents at the end of the reporting period	5A	322,891	240,438

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 2014

	2014	2013
BY TYPE	\$	\$
Commitments receivable		
Other ²	12,646	9,402
Total commitments receivable	<u>12,646</u>	<u>9,402</u>
Other commitments		
Other ³	105,726	67,479
Total other commitments	<u>105,726</u>	<u>67,479</u>
Total commitments payable	<u>105,726</u>	<u>67,479</u>
Net commitments by type	<u>93,080</u>	<u>58,077</u>
BY MATURITY		
Commitments receivable		
Other commitments receivable		
One year or less	12,646	9,402
From one to five years	-	-
Over five years	-	-
Total other commitments receivable	<u>12,646</u>	<u>9,402</u>
Total commitments receivable	<u>12,646</u>	<u>9,402</u>
Other Commitments		
One year or less	75,176	45,979
From one to five years	30,550	21,500
Over five years	-	-
Total other commitments	<u>105,726</u>	<u>67,479</u>
Total commitments payable	<u>105,726</u>	<u>67,479</u>
Net commitments by maturity	<u>93,080</u>	<u>58,077</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 2014

The Norfolk Island Hospital Enterprise has no quantifiable contingent assets or liabilities as at 30 June 2014 (2013: 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 2014

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

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

1.3 Going Concern

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 (the Commonwealth) has provided financial assistance to ensure the Administration has sufficient funds to meet expenditure commitments that have fallen due. The Administration has forecast negative net cash flows from operations to continue in the future. The Commonwealth's funding commitments to the Administration currently ends at 30 June 2015 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 the NIHE, these conditions give rise to material uncertainties 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 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. However, 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 impact on the amounts recorded in the financial statements:

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

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)

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

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.

Revenue from Government

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

1.7 Gains

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.

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, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

1.14 Financial Liabilities

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

Other Financial Liabilities

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

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

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

1.15 Contingent Liabilities and Contingent Assets

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

1.16 Acquisition of Assets

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

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

1.17 Land, Buildings, Property, Plant and Equipment

Asset Recognition Threshold

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

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

Revaluations

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

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

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

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

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

Depreciation

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

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

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

<i>Asset class</i>	<i>2014</i>	<i>2013</i>
Buildings on freehold land	25 to 50 years	25 to 50 years
Property, plant and equipment	3 to 10 years	3 to 10 years

Impairment

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

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

1.18 Intangibles

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

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the NIHE's software are 3 to 10 years (2013: 2 to 10 years).

All software assets were assessed for indications of impairment as at 30 June 2014.

1.19 Inventories

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

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

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

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

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

1.20 Consumable Store

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

1.21 Taxation

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

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

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

1.22 Related Entities Disclosure

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

Note 2: Events After the Reporting Period

There were no subsequent events that had the potential to significantly affect the ongoing structure and financial activities of the Norfolk Island Hospital Enterprise.

Note 3: Expenses

	2014	2013
	\$	\$
Note 3A: Employee Benefits		
Wages and salaries	3,007,170	2,948,270
Superannuation	38,478	39,913
Total employee benefits	3,045,648	2,988,183

Note 3B: Supplier

Goods and services

General hospital	398,351	491,483
Dispensary	473,678	509,867
Laboratory	183,251	171,154
Physiotherapy department	30,706	30,579
Dental	66,416	76,161
Aged care	67,160	71,009
Other	240,529	168,439
Total goods and services	1,460,091	1,518,692

Goods and services are made up of:

Provision of goods – related entities	-	-
Provision of goods – external entities	624,188	716,247
Rendering of services – related entities	234,220	231,869
Rendering of services – external entities	601,683	570,576
Total goods and services	1,460,091	1,518,692

Other supplier expenses

Workers compensation expenses	21,619	21,927
Total other supplier expenses	21,619	21,927
Total supplier expenses	1,481,710	1,540,619

Note 3C: Depreciation and Amortisation

Depreciation:

Property, plant and equipment	118,956	167,617
Buildings	289,187	287,845
Total depreciation	408,143	455,462

Amortisation:

Intangibles - computer software	440	381
Total amortisation	440	381
Total depreciation and amortisation	408,583	455,843

Note 3D: Loss on Sale of Assets

Property, plant and equipment:

Carrying value of assets sold	15,364	3,417
Total losses from asset sales	15,364	3,417

Note 3E: Write-Down and Impairment of Assets

Asset write-down and impairments from:

Bad debts	15,307	17
Total write-down and impairment of assets	15,307	17

Note 4: Income

	2014	2013
	\$	\$

OWN-SOURCE REVENUE

Note 4A: Sale of Goods and Rendering of Services

Provision of goods - related entities	-	-
Provision of goods - external entities	616,526	666,494
Rendering of services - related entities	47,088	248,724
Rendering of services - external entities	538,654	462,421
Total sale of goods and rendering of services	1,202,268	1,377,639

Note 4B: Fees

General hospital fees	522,465	398,298
Laboratory fees	182,010	187,001
X-Ray fees	85,242	74,314
Dental fees	124,040	161,993
Aged care fees	448,312	506,727
Total fees	1,362,069	1,328,333

Fees for Healthcare related services amounting to \$806,431 (2013 \$827,687) were received from the Administration of Norfolk Island.

Note 4C: Interest

Deposits	9,922	10,504
Total interest	9,922	10,504

Note 4D: Rental Income

Hospital properties	12,096	11,927
Total rental income	12,096	11,927

Note 4E: Other Revenue

Donations	8,792	27,317
Write back from Doubtful Debt provision	131,551	-
Total other revenue	140,343	27,317

GAINS

Note 4F: Other Gains

Resources received free of charge	46,644	26,000
Total other gains	46,644	26,000

REVENUE FROM GOVERNMENT

Note 4G: Revenue from Government

Revenue received from the Administration of Norfolk Island	1,900,000	1,828,200
Revenue received from the Commonwealth	-	100,000
Total revenue from Government	1,900,000	1,928,200

Note 5: Financial Assets

	2014	2013
	\$	\$

Note 5A: Cash and Cash Equivalents

Cash on hand or on deposit	322,891	240,438
Total cash and cash equivalents	322,891	240,438

Note 5B: Trade and Other Receivables

Goods and Services:

Goods and services - related entities	149,461	174,951
Goods and services - external entities	345,573	470,877
Total receivables for goods and services	495,034	645,828

Appropriation Receivable:

Appropriation Receivable from the Administration of Norfolk Island	79,246	48,496
Total appropriation receivable	79,246	48,496

Less impairment allowance account:

Goods and services	(200,000)	(331,551)
Total impairment allowance account	(200,000)	(331,551)
Total trade and other receivables (net)	374,280	362,773

Receivables are expected to be recovered in:

No more than 12 months	374,280	362,773
More than 12 months	-	-
Total trade and other receivables (net)	374,280	362,773

Receivables are aged as follows:

Not overdue	238,759	257,013
Overdue by:		
0 to 30 days	139,992	180,393
31 to 60 days	13,107	22,026
More than 60 days	182,423	234,891
Total receivables (gross)	574,281	694,323

The impairment allowance account is aged as follows:

Overdue by:		
0 to 30 days	(4,470)	(74,633)
31 to 60 days	(13,107)	(22,026)
More than 60 days	(182,423)	(234,891)
Total impairment allowance account	(200,000)	(331,551)

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

Reconciliation of the Impairment Allowance Account:

Movements in relation to 2014

	Goods and services	Total
	\$	\$
Opening balance	(331,551)	(331,551)
Amounts written off	131,551	131,551
Closing balance	(200,000)	(200,000)

Movements in relation to 2013

	Goods and services	Total
	\$	\$
Opening balance	(331,551)	(331,551)
Amounts written off	-	-
Closing balance	(331,551)	(331,551)

	2014	2013
	\$	\$

Note 5C: Other Investments

Term Deposits	214,711	238,221
Total other investments	214,711	238,221

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

Note 6: Non-Financial Assets

	2014 \$	2013 \$
Note 6A: Land and Buildings		
Land:		
Fair value	375,000	375,000
Total land	375,000	375,000
Buildings on freehold land:		
Fair value	3,236,476	3,234,056
Accumulated depreciation	(576,989)	(287,845)
Total buildings on freehold land	2,659,487	2,946,211
Total land and buildings	3,034,487	3,321,211

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	341	2,420
Fair value	862,528	827,575
Accumulated depreciation	(276,532)	(167,518)
Total property, plant and equipment	586,337	662,477

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 2014

	Land \$	Buildings \$	Total land & buildings \$	Property, plant & equipment \$	Total \$
As at 1 July 2013					
Gross book value	375,000	3,234,056	3,609,056	829,995	4,439,051
Accumulated depreciation and impairment	-	(287,845)	(287,845)	(167,518)	(455,363)
Net book value 1 July 2013	375,000	2,946,211	3,321,211	662,477	3,983,688
Additions:					
By purchase or donation	-	2,463	2,463	60,302	62,765
Work in progress	-	-	-	341	341
Depreciation expense	-	(289,187)	(289,187)	(118,950)	(408,137)
Disposals	-	-	-	(17,833)	(17,833)
Net book value 30 June 2014	375,000	2,659,487	3,034,487	586,337	3,620,824
Net book value as of 30 June 2014					
Gross book value	375,000	3,236,476	3,611,519	862,869	4,484,324
Accumulated depreciation and impairment	-	(576,989)	(576,989)	(276,532)	(853,521)
Net book value 30 June 2014	375,000	2,659,487	3,034,530	586,337	3,630,803

Note 6C (Cont'd): 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 \$
As at 1 July 2012					
Gross book value	375,000	3,180,413	3,555,413	656,784	4,212,197
Accumulated depreciation and impairment	-	-	-	-	-
Net book value 1 July 2012	375,000	3,180,413	3,555,413	656,784	4,212,197
Additions:					
By purchase or donation	-	53,643	53,643	174,247	227,890
Work in progress	-	-	-	2,420	2,420
Depreciation expense	-	(287,845)	(287,845)	(167,518)	(455,363)
Disposals	-	-	-	(3,456)	(3,456)
Net book value 30 June 2013	375,000	2,946,211	3,321,211	662,477	3,983,688
Net book value as of 30 June 2013					
Gross book value	375,000	3,234,056	3,609,056	829,995	4,439,051
Accumulated depreciation and impairment	-	(287,845)	(287,845)	(167,518)	(455,363)
Net book value 30 June 2013	375,000	2,946,211	3,321,211	662,477	3,983,688

Note 6: Non-Financial Assets

	2014	2013
	\$	\$
Note 6D: Intangibles		
Computer software:		
Purchased	2,294	2,294
Accumulated amortisation	(880)	(440)
Total computer software	1,414	1,854
Total intangibles	1,414	1,854

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 2014

	Computer software purchased
	\$
As at 1 July 2013	
Gross book value	2,294
Accumulated amortisation and impairment	(440)
Net book value 1 July 2013	1,854
Additions by purchase or internally developed	-
Amortisation	(440)
Net book value 30 June 2014	1,414
Net book value as of 30 June 2014 represented by:	
Gross book value	2,294
Accumulated amortisation and impairment	(880)
Net book value 30 June 2014	1,414

Note 6E (Cont'd): 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	-
Net book value 1 July 2012	2,294
Additions by purchase or internally developed	-
Amortisation	(440)
Net book value 30 June 2013	1,854
Net book value as of 30 June 2013 represented by:	
Gross book value	2,294
Accumulated amortisation and impairment	(440)
Net book value 30 June 2013	1,854

Note 6: Non-Financial Assets

	2014	2013
	\$	\$
Note 6F: Inventories		
Inventories held for sale:		
Finished goods	136,522	142,014
Total inventories held for sale	136,522	142,014
Inventories held for distribution	65,230	88,175
Total inventories	201,752	230,189

During 2014, \$333,086 of inventory held for sale was recognised as an expense (2013: \$368,672).

During 2014, \$136,892 of inventory held for distribution was recognised as an expense (2013: \$186,629).

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	55,792	28,494
Total other non-financial assets	55,792	28,494

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 6H: Fair Value Measurements

The following tables provide an analysis of assets and liabilities that are measured at fair value.

The different levels of the fair value hierarchy are defined below.

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

Note 6I: Fair Value Measurements

Fair value measurements at the end of the reporting period by hierarchy for assets and liabilities in 2014 - Consolidated

	Fair value measurements at the end of the reporting period using			
	Fair Value	Level 1 inputs	Level 2 inputs	Level 3 inputs
	\$'000	\$'000	\$'000	\$'000
Non-financial assets				
Land	375,000	-	375,000	-
Buildings	2,659,487	-	-	2,659,487
Property, plant and equipment	586,337	-	586,337	-
Total non-financial assets	3,620,824	-	961,337	2,659,487
	3,620,824	-	961,337	2,659,487

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

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

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

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

Level 2 and 3 fair value measurements - valuation technique and the inputs used for assets in 2014

	Category (Level 2 or 3)	Fair value \$'000	Valuation technique(s)1	Inputs used 2	Range 3
Non-financial assets					
Land	Level 2	375,000	Market Approach and Cost Approach	Estimated replacement Expected useful life	N/A
Buildings	Level 3	2,659,487	Depreciated replacement cost	Estimated replacement Expected useful life	N/A
Property, plant and equipment	Level 2	586,337	Market Approach and Cost Approach	Estimated replacement Expected useful life	N/A

1. No change in valuation technique occurred during the period.

2. Significant unobservable inputs only.

3. Range and weighted average rates for unobservable inputs are not available. Where applicable, this information will be obtained from future valuations.

Note 7: Payables

	2014	2013
	\$	\$
Note 7A: Suppliers		
Trade creditors and accruals	105,839	99,337
Total suppliers payables	<u>105,839</u>	<u>99,337</u>
Suppliers payables expected to be settled within 12 months:		
Related entities	37,852	20,394
External entities	67,987	78,943
Total	<u>105,839</u>	<u>99,337</u>

Settlement is usually made within 30 days.

Note 7B: Other Payables

Accrued salaries and wages	114,313	151,364
Total other payables	<u>114,313</u>	<u>151,364</u>

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

Note 8: Provisions

	2014	2013
	\$	\$
Note 8A: Employee Provisions		
Annual leave	193,573	200,700
Long service leave	392,087	346,160
Other	56,579	65,553
Total employee provisions	642,239	612,412
Employee provisions are expected to be settled in:		
No more than 12 months	367,744	370,553
More than 12 months	274,495	241,859
Total employee provisions	642,239	612,412

Note 9: Cash Flow Reconciliation

	2014	2013
	\$	\$
Reconciliation of cash and cash equivalents as per Statement of Financial Position to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash flow statement	322,891	240,438
Statement of financial position	322,891	240,438
Difference	-	-
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	(2,193,270)	(2,206,360)
Add revenue from Government	1,900,000	1,928,200
Adjustments for non-cash items		
Depreciation / amortisation	408,583	455,843
Donated property, plant and equipment capitalised	(5,686)	(18,317)
(Gains)/loss from sale of property, plant and equipment	15,364	3,417
Resources received free of charge	(46,644)	(26,000)
Write down and impairment of assets	-	17
Changes in assets / liabilities		
(Increase) / decrease in trade and other receivables	(11,507)	(56,671)
(Increase) / decrease in inventories	28,437	47,550
Increase / (decrease) in employee provisions	29,827	(17,798)
Increase / (decrease) in supplier payables	6,502	12,026
Increase / (decrease) in other payables	(37,051)	81,556
Net cash from (used by) operating activities	94,556	203,464

Note 10: Contingent Assets and Liabilities

Quantifiable Contingencies

The Norfolk Island Hospital Enterprise had no quantifiable contingencies as at 30 June 2014 (2013: Nil).

Unquantifiable Contingencies

The Norfolk Island Hospital Enterprise is currently involved in a legal dispute for which the extent of the claim is unquantifiable as at 30 June 2014 (2013: Nil)

Significant Remote Contingencies

The Norfolk Island Hospital Enterprise had no significant remote contingencies as at 30 June 2014 (2013: 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:

	Appointed	Resigned
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	22-Jan-2014
Ms. Robyn Fleming	23-Jan-2013	22-Jan-2014
Mr. Brett Sanderson	28-Mar-2014	Current
Mr. Gerri Marr	16-Apr-2014	Current

Note 11B: Transactions with Related Parties

The Norfolk Island Hospital Enterprise had no related party transactions for the reporting period (2013: 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 \$195,000 (2013: Nil).

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

Average annual reportable remuneration ¹	2014			
	Senior Executives ⁴	Reportable salary ²	Gratuity paid ³	Total
	No.	\$	\$	\$
Total remuneration (including part-time arrangements):				
\$0 to \$195,000	1	22,837	-	22,837
Total	1			

Average annual reportable remuneration ¹	2013			
	Senior Executives	Reportable salary ²	Gratuity paid ³	Total
	No.	\$	\$	\$
Total remuneration (including part-time arrangements):				
\$0 to \$195,000	1	55,521	5,116	60,637
Total	1			

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 previous 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 previous 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 (2013: Nil).

Note 13: Remuneration of Auditors

	2014	2013
	\$	\$
Fair value of the services provided		
Financial statement audit services	<u>26,000</u>	<u>26,000</u>
Total	<u>26,000</u>	<u>26,000</u>

The 2013/14 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

	2014	2013
	\$	\$

Note 14A: Categories of Financial Instruments**Financial Assets****Loans and receivables:**

Cash and cash equivalents	322,891	240,438
Trade and other receivables	495,034	645,828
Other investments	214,711	238,221
Total	1,032,636	1,124,487
Carrying amount of financial assets	1,032,636	1,124,487

Financial Liabilities**At amortised cost:**

Trade creditors	105,839	99,337
Total	105,839	99,337
Carrying amount of financial liabilities	105,839	99,337

Note 14B: Net Income and Expense from Financial Assets**Loans and receivables**

Interest revenue	9,922	10,504
Net gain from loans and receivables	9,922	10,504
Net gain from financial assets	9,922	10,504

There was no interest income from financial assets not at fair value through profit or loss in the year ending 2014 (2013: Nil).

Note 14C: Fair Value of Financial Instruments

	Carrying amount 2014 \$	Fair value 2014 \$	Carrying amount 2013 \$	Fair value 2013 \$
Financial Assets				
Cash and cash equivalents	322,891	322,891	240,438	240,438
Trade and other receivables	495,034	495,034	645,828	645,828
Other investments	214,711	214,711	238,221	238,221
Total	1,032,636	1,032,636	1,124,487	1,124,487
Financial Liabilities				
Trade creditors	105,839	105,839	99,337	99,337
Total	105,839	105,839	99,337	99,337

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

Note 14: Financial Instruments**Note 14D: Credit Risk**

The Norfolk Island Hospital Enterprise was exposed to minimal credit risk as loans and receivables were cash and trade receivables. The maximum exposure to credit risk was the risk that arises from potential default of a debtor. This amount was equal to the total amount of trade receivables (2014: \$495,035 and 2013: \$645,828).

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

The Norfolk Island Hospital Enterprise has assessed the risk of default on payment and had allocated \$200,000 in 2014 (2013: \$331,551) to an impairment allowance account. The Hospital Enterprise manages its credit risk by undertaking various debt recovery techniques.

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
	2014	2013	2014	2013
	\$	\$	\$	\$
Cash and cash equivalents	322,891	240,438	-	-
Other investments	214,711	238,221	-	-
Trade and other receivables	159,513	208,517	335,522	437,311
Total	697,115	687,176	335,522	437,311

Ageing of financial assets that were past due but not impaired for 2014

	0 to 30 days	31 to 60 days	60+ days	Total
	\$	\$	\$	\$
Trade and other receivables	135,522	-	-	135,522
Total	135,522	-	-	135,522

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
Total	105,760	-	-	105,760

Note 14E: Liquidity Risk

The Norfolk Island Hospital Enterprise's financial liabilities are supplier payables. The exposure to liquidity risk was based on the notion that the Norfolk Island Hospital

Maturities for non-derivative financial liabilities 2014

	On demand	within 1 year	1 to 2 years	2 to 5 years	>5 years	Total
	\$	\$	\$	\$	\$	\$
Trade creditors	-	105,839	-	-	-	105,839
Total	-	105,839	-	-	-	105,839

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
Total	-	99,337	-	-	-	99,337

The Norfolk Island Hospital Enterprise had no derivative financial liabilities in either 2014 or 2013.

Note 15: Financial Assets and Liabilities Reconciliation

	Notes	2014	2013
		\$	\$
Financial assets			
Total financial assets as per the statement of financial position		911,882	841,432
Add: non-financial instrument components			
Impairment allowance for goods and services	5B	(200,000)	(331,551)
Appropriations receivable	5B	79,246	48,496
Total non-financial instrument components		(120,754)	(283,055)
Total financial assets as per financial instruments note		1,032,636	1,124,487
Total financial liabilities as per the statement of financial position		862,391	863,113
Less: non-financial instrument components:			
Employee provisions	8A	642,239	612,412
Other payables	7B	114,313	151,364
Total non-financial instrument components		756,552	763,776
Total financial liabilities as per financial instruments note		105,839	99,337

Note 16: Investments

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

2014	Balance brought forward from previous period \$	Investments made \$	Investment income \$	Transactional charges \$	Investments realised \$	Total balance carried to the next period \$
Norfolk Island Hospital Employees Entitlements Account ¹	78,073	1,566	-	-	-	79,638
Donations Account ²	64,030	-	1,993	-	30,885	35,138
Edna Noonan Account ³	37,490	-	1,533	-	-	39,023
Pearl May Account ⁴	22,983	-	844	-	-	23,827
Emilie Channer Account ⁵	35,646	-	1,440	-	-	37,085
Total	238,221	1,566	5,810	-	30,885	214,711

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

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

	2014	2013
	\$	\$
Ex-Gratia Payments		
No ex-gratia payments were provided for during the reporting period (2013: nil).	-	-

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.

	2014	2013
	\$	\$
Norfolk Island Hospital Employee Superannuation Scheme		
Total amount held at the beginning of the reporting period	825,974	821,564
Receipts	129,320	115,988
Payments	(119,970)	(111,578)
Total amount held at the end of the reporting period	835,324	825,974



Financial Statements 2013/14

Norfolk Island Government Tourist
Bureau



INDEPENDENT AUDITOR'S REPORT

**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.**

Report on the Financial Statements

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 2014, which comprise: a Statement by the Minister for Finance Government of Norfolk Island and the General Manager Norfolk Island Government Tourist Bureau; a Statement of Comprehensive Income; Statement of Financial Position; Statement of Changes in Equity; Cash Flow Statement; Schedule of Commitments, Schedule of Contingencies; and Notes to and Forming Part of the Financial Statements, comprising a Summary of Significant Accounting Policies and other explanatory information.

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. These auditing standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatements. 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 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 has forecast negative cash flows from operations to continue in the future. The Commonwealth of Australia's current funding commitments ends at 30 June 2015. At the date of signing these financial statements, no further financial assistance to the Administration has been negotiated. Note 1.3 states that, given the significance of the Administration's annual subsidy to the Norfolk Island Government Tourist Bureau, these conditions give rise to material uncertainties that may cast significant 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. Nevertheless, there is no intention by the management of the Norfolk Island Government Tourist Bureau, or the Government of Norfolk Island, to cease the operations of the Norfolk Island Government Tourist Bureau or liquidate any assets.

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 2015–16 and later years. My responsibility as auditor includes an assessment of whether the Administration and hence, the Norfolk Island Government Tourist Bureau are able to continue as a going concern for the period of approximately twelve months from the date of this auditor's report. Notwithstanding that Commonwealth funding has been provided annually in past years, given that future funding has been agreed only to 30 June 2015 and the uncertainties beyond that date disclosed in Note 1.3, I am unable to conclude whether the going concern assumption is appropriate.

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 2014.

Australian National Audit Office



Puspita Dash
Executive Director


Delegate of the Auditor-General

Canberra
14 November 2014

Norfolk Island Government Tourist Bureau

**STATEMENT BY THE MINISTER FOR FINANCE GOVERNMENT OF NORFOLK ISLAND AND THE GENERAL
MANAGER NORFOLK ISLAND GOVERNMENT TOURIST BUREAU**

In our opinion, the attached financial statements for the year ended 30 June 2014 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

14th November 2014

Signed.....

Mr. Glen Buffen
General Manager
Norfolk Island Government Tourist Bureau

14th November 2014

Statement of Comprehensive Income for the Norfolk Island Government Tourist Bureau
for the period ended 30 June 2014

	Notes	2014 \$	2013 \$
EXPENSES			
Employee benefits	3A	312,803	338,026
Supplier	3B	1,047,245	1,108,990
Depreciation	3C	7,179	11,838
Loss on disposal of assets	3D	809	3,360
Write-down and impairment of assets	3E	-	8,258
Total expenses		1,368,036	1,470,472
LESS:			
OWN-SOURCE INCOME			
Own-source revenue			
Sale of goods and rendering of services	4A	48,038	43,363
Fees	4B	24,923	17,396
Interest	4C	1,163	1,042
Total own-source revenue		74,124	61,801
Gains			
Other gains	4D	13,000	13,000
Total gains		13,000	13,000
Net cost of services		(1,280,912)	(1,395,671)
Revenue from Government	4E	1,280,200	1,489,000
Surplus (Deficit) attributable to the Norfolk Island Government Tourist Bureau		(712)	93,329
OTHER COMPREHENSIVE INCOME			
Changes in asset revaluation reserves		-	-
Total other comprehensive income		-	-
Total comprehensive income (loss) attributable to the Norfolk Island Government Tourist Bureau		(712)	93,329

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

Statement of Financial Position for the Norfolk Island Government Tourist Bureau
as at 30 June 2014

	Notes	2014 \$	2013 \$
ASSETS			
Financial Assets			
Cash and cash equivalents	5A	80,999	124,287
Trade and other receivables	5B	412	69,370
Other investments	5C	20,462	-
Total financial assets		101,873	193,657
Non-Financial Assets			
Property, plant and equipment	6A,B	15,401	15,330
Inventories	6C	8,568	24,338
Pre-payments	6D	25,000	-
Total non-financial assets		48,969	39,668
Total assets		150,842	233,325
LIABILITIES			
Payables			
Suppliers	7A	11,997	9,773
Other payables	7B	-	-
Total payables		11,997	9,773
Provisions			
Employee provisions	8A	25,836	29,462
Total provisions		25,836	29,462
Total liabilities		37,833	39,235
Net assets		113,009	194,090
EQUITY			
Reserves		17,420	17,420
Retained surplus (accumulated deficit)		95,589	176,670
Total equity		113,009	194,090

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 2014

	Retained earnings		Asset revaluation reserve		Total equity	
	2014	2013	2014	2013	2014	2013
	\$	\$	\$	\$	\$	\$
Opening balance						
Balance carried forward from previous period	176,670	164,456	17,420	17,420	194,090	181,876
Opening balance adjustment	-	-	-	-	-	-
Adjusted opening balance	176,670	164,456	17,420	17,420	194,090	181,876
Comprehensive income						
Surplus (Deficit) for the period	(712)	93,329			(712)	93,329
Total comprehensive income	(712)	93,329			(712)	93,329
Transfers to Administration of Norfolk Island	(80,369)	(81,115)			(80,369)	(81,115)
Closing balance as at 30 June	95,589	176,670	17,420	17,420	113,009	194,090

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 2014

	Notes	2014 \$	2013 \$
OPERATING ACTIVITIES			
Cash received			
Receipts from the Administration of Norfolk Island		1,349,570	1,628,206
Sales of goods and rendering of services		72,960	61,801
Interest		1,163	1,042
Total cash received		1,423,693	1,691,049
Cash used			
Suppliers		1,042,729	1,143,373
Employees		315,364	338,026
Receipts returned to the Administration of Norfolk Island		80,369	81,115
Total cash used		1,438,462	1,562,514
Net cash from (used by) operating activities	9	(14,769)	128,535
INVESTING ACTIVITIES			
Cash used			
Purchase of property, plant and equipment		8,058	6,147
Investments		20,462	-
Total cash used		28,520	6,147
Net cash from (used by) investing activities		(28,520)	(6,147)
Net increase (decrease) in cash held			
		(43,289)	122,388
Cash and cash equivalents at the beginning of the reporting period		124,288	1,900
Cash and cash equivalents at the end of the reporting period	5A	80,999	124,288

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 2014

	2014	2013
	\$	\$
BY TYPE		
Commitments payable		
Other	<u>19,500</u>	<u>13,516</u>
Total commitments payable	<u>19,500</u>	<u>13,516</u>
Net commitments by type	<u>19,500</u>	<u>13,516</u>
 BY MATURITY		
Commitments payable		
One year or less	19,500	13,516
From one to five years	-	-
Over five years	<u>-</u>	<u>-</u>
Total commitments payable	<u>19,500</u>	<u>13,516</u>
Net commitments by maturity	<u>19,500</u>	<u>13,516</u>

Note:

1. Commitments were GST inclusive where relevant. Other commitments relate to marketing and advertising obligations

Schedule of Contingencies for the Norfolk Island Government Tourist Bureau
as at 30 June 2014

The Norfolk Island Government Tourist Bureau has no contingent assets or liabilities as at 30 June 2014 (2013: Nil).

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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 statement of financial position 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 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 has forecast negative net cash flows from operations to continue in the future. The Commonwealth of Australia's funding commitments to the Administration currently ends at 30 June 2015 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 the NIGTB, these conditions give rise to material uncertainties that may cast significant 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. 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 impact on the amounts recorded in the financial statements include:

- a) the relevant government bond rate has been used to discount non-current liabilities in accordance with the CFMOs;
- b) the liability for long service leave has been estimated using present value techniques in accordance with the Commonwealth shorthand method. This takes into account expected salary growth, attrition and future discounting using the Commonwealth bond rates;
- c) the fair value 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;
- d) 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.

The following new standards/revised standards and interpretations issued prior to the sign-off date that were applicable in the current reporting period:

AASB 9 Financial Instruments - September 2012 (Compilation)

AASB 13 Fair Value Measurement - December 2012 (Principal)

AASB 119 Employee Benefits - September 2011 (Principal)

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 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:

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

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

Revenue from Government

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

1.7 Gains

Sale of Assets

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

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.

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.

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 the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate. The carrying amount is reduced by way of an allowance account. The loss is recognised in the Statement of Comprehensive Income.

1.14 Financial Liabilities

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

Other Financial Liabilities

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

1.16 Acquisition of Assets

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

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

1.17 Property, Plant and Equipment

Asset Recognition Threshold

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

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

Revaluations

Fair values for each class of asset 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>2014</i>	<i>2013</i>
Property, plant & equipment	3 to 10 years	3 to 10 years

Impairment

All assets were assessed for impairment at 30 June 2014. 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.

AASB 13: Fair Value Measurement

The NIGTB's assets are held for operational purposes and not for deriving a profit. The current use of all assets is considered their highest and best use.

NIGTB's assets are valued on a recurring basis, under an adjusted market selling price valuation methodology and are therefore considered Level 2 class assets under the valuation hierarchy. There have been no movements between the hierarchy asset classes for 2013-14, with further details on the NIGTB's valuation methodology provided for in Note 6.

1.18 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.

1.19 Taxation

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

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

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

1.20 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 were no subsequent events that had the potential to significantly affect the ongoing structure and financial activities of the Norfolk Island Government Tourist Bureau.

Note 3: Expenses

	2014	2013
	\$	\$
Note 3A: Employee Benefits		
Wages and salaries	312,803	338,026
Total employee benefits	312,803	338,026
Note 3B: Supplier		
Goods and services		
Advertising, marketing and promotions	938,533	1,003,393
Accounting and auditing	13,000	19,612
Business travel	13,386	9,543
Information technology	-	483
Other goods and services	79,073	72,299
Total goods and services	1,043,992	1,105,330
Goods and services are made up of:		
Provision of goods – external entities	36,946	54,945
Rendering of services – related entities	33,534	61,055
Rendering of services – external entities	973,512	989,330
Total goods and services	1,043,992	1,105,330
Other supplier expenses		
Workers compensation expenses	3,253	3,661
Total other supplier expenses	3,253	3,661
Total supplier expenses	1,047,245	1,108,991
Note 3C: Depreciation		
Depreciation:		
Property, plant and equipment	7,179	11,838
Total depreciation	7,179	11,838
Note 3D: Loss on Sale of Assets		
Property, plant and equipment:		
Carrying value of assets sold	809	3,360
Total losses from asset sales	809	3,360
Note 3E: Write-Down and Impairment of Assets		
Asset write-down and impairments from:		
Bad debts	-	8,258
Total write-down and impairment of assets	-	8,258

Note 4: Income

	2014	2013
OWN-SOURCE REVENUE	\$	\$

Note 4A: Sale of Goods and Rendering of Services

Provision of goods - related entities	-	-
Provision of goods - external entities	47,009	40,374
Rendering of services - related entities	-	-
Rendering of services - external entities	1,029	2,989
Total sale of goods and rendering of services	48,038	43,363

Note 4B: Fees

Fees and commissions	24,923	17,396
Total fees	24,923	17,396

Note 4C: Interest

Bank and term deposits	1,163	1,042
Total interest	1,163	1,042

GAINS

Note 4D: Other Gains

Resources received free of charge	13,000	13,000
Total other gains	13,000	13,000

REVENUE FROM GOVERNMENT

Note 4E: Revenue from Government

Revenue received from the Administration of Norfolk Island *	1,280,200	1,489,000
Total revenue from Government	1,280,200	1,489,000

* The original 2013-14 Appropriation Bill on 26 June 2013 allocated to NIGTB a budget of \$1,315,120 for the 2013-14 financial year. This was reduced by \$35,000 in Appropriation Bill (No 2) 2013-14 on the 16 April 2014

Note 5: Financial Assets

	2014	2013
	\$	\$

Note 5A: Cash and Cash Equivalents

Cash on hand or on deposit	80,999	124,287
Total cash and cash equivalents	80,999	124,287

Note 5B: Trade and Other Receivables

Goods and services:		
Goods and services - related entities	412	1,175
Goods and services - external entities	-	540
Total receivables for goods and services	412	1,715

Appropriation receivable:

Appropriation receivable from the Administration of Norfolk Island	-	67,655
Total appropriation receivable	-	67,655

Less impairment allowance account:

Goods and services	-	-
Total impairment allowance account	-	-
Total trade and other receivables (net)	412	69,370

Receivables are expected to be recovered in:

No more than 12 months	412	69,370
More than 12 months	-	-
Total trade and other receivables (net)	412	69,370

Receivables are aged as follows:

Not overdue	412	68,830
Overdue by:		
0 to 30 days	-	-
31 to 60 days	-	-
More than 60 days	-	540
Total receivables (gross)	412	69,370

Reconciliation of the Impairment Allowance Account:

Movements in relation to 2014

	Goods and services	Total
	\$	\$
Opening balance	-	-
Amounts written off	-	-
Closing balance	-	-

Movements in relation to 2013

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

	2014	2013
	\$	\$

Note 5C: Other Investments

Term Deposits	20,462	-
Total other investments	20,462	-

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

Note 6: Non-Financial Assets

	2014	2013
	\$	\$
Note 6A: Property, Plant and Equipment		
Property, plant and equipment:		
Fair value	28,581	27,168
Work in progress	3,510	-
Accumulated depreciation	(16,690)	(11,838)
Total property, plant and equipment	15,401	15,330

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 2014

	Property, plant & equipment \$
As at 1 July 2013	
Gross book value (at fair value)	27,168
Accumulated depreciation and impairment	(11,838)
Net book value 30 June 2013 (at fair value)	15,330
Additions:	
By purchase	4,548
Work in progress	3,510
Disposal	(808)
Depreciation expense	(7,179)
Net book value 30 June 2014	15,401
Net book value as of 30 June 2014	
Gross book value (at fair value)	32,091
Accumulated depreciation and impairment	(16,690)
Net book value 30 June 2014	15,401

Note 6B (Cont'd): Reconciliation of the Opening and Closing Balances of Property, Plant and Equipment 2013

	Property, plant & equipment \$
As at 1 July 2012	
Gross book value (at cost value)	24,381
Accumulated depreciation and impairment	-
Net book value 1 July 2012	24,381
Additions:	
By purchase	6,147
Depreciation expense	(3,360)
Revaluation adjustment recognised in other comprehensive income	(11,838)
Net book value 30 June 2013	15,330
Net book value as of 30 June 2013	
Gross book value (at fair value)	27,168
Accumulated depreciation and impairment	(11,838)
Net book value 30 June 2013	15,330

2014	2013
\$	\$

Note 6C: Inventories

Inventories held for sale:

Finished goods	8,568	24,338
Total inventories	8,568	24,338

During 2014, \$28,820 of inventory held for sale was recognised as an expense (2013: \$29,777).

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 6D: Prepayments

	2014	2013
	\$	\$
Prepayment	25,000	0
Total	25,000	-

Note 7: Payables

	2014	2013
	\$	\$
Note 7A: Suppliers		
Trade creditors and accruals	11,997	9,773
Total suppliers payables	<u>11,997</u>	<u>9,773</u>
Suppliers payables expected to be settled within 12 months:		
Related entities	482	1,961
External entities	11,515	7,812
Total suppliers payables	<u>11,997</u>	<u>9,773</u>

Settlement is usually made within 30 days.

Note 7B: Other Payables

Accrued salaries and wages	-	-
Total other payables	<u>-</u>	<u>-</u>

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

Note 8: Provisions

	2014	2013
	\$	\$
<u>Note 8A: Employee Provisions</u>		
Annual leave	10,996	11,676
Long service leave	11,050	11,952
Other	3,790	5,834
Total employee provisions	25,836	29,462
Employee provisions are expected to be settled in:		
No more than 12 months	22,626	17,510
More than 12 months	3,210	11,952
Total employee provisions	25,836	29,462

Note 9: Cash Flow Reconciliation

	2014	2013
	\$	\$
Reconciliation of cash and cash equivalents as per Statement of Financial Position to Cash Flow Statement		
Cash and cash equivalents as per:		
Cash flow statement	80,999	124,287
Statement of Financial Position	80,999	124,287
Difference	0	-
Reconciliation of net cost of services to net cash from operating activities:		
Net cost of services	(1,280,912)	(1,395,671)
Add revenue from Government	1,280,200	1,489,000
Receipts returned to the Administration of Norfolk Island	(80,369)	(81,115)
Adjustments for non-cash items		
Depreciation / amortisation	7,179	11,838
Resources received free of charge	(13,000)	(13,000)
Write-down and impairment of assets	-	8,258
(Gains)/loss from sale of property, plant and equipment	808	3,360
Changes in assets / liabilities		
(Increase) / decrease in net receivables	81,954	151,393
(Increase) / decrease in inventories	15,770	(5,865)
(Increase) / decrease in other financial assets	(25,000)	-
Increase / (decrease) in employee provisions	(3,626)	(5,871)
Increase / (decrease) in supplier payables	2,224	(25,012)
Increase / (decrease) in other payables	-	(8,781)
Net cash from (used by) operating activities	(14,772)	128,534

Note 10: Contingent Assets and Liabilities

Quantifiable Contingencies

The Norfolk Island Government Tourist Bureau had no quantifiable contingencies as at 30 June 2014 (2013: Nil).

Unquantifiable Contingencies

The Norfolk Island Government Tourist Bureau had no unquantifiable contingencies as at 30 June 2014 (2013: Nil).

Significant Remote Contingencies

The Norfolk Island Government Tourist Bureau had no significant remote contingencies as at 30 June 2014 (2013: 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:

	Appointed	Resigned
Mr. Michael Perkins (Chairman)	9-Sep-2011	Current
Mrs. Sandy Petitt	9-May-2013	Current
Mr. Rael Donde	11-Apr-2013	Current
Ms. Louise Tavener	9-Sep-2011	9 Sep-13
Ms. Megan Honor Adams	1-Feb-2012	11-Feb-14
Anita French	5-Oct-2013	Current
Peter Barney	21-Feb-2014	Current
David Porter	11-Apr-13	Current

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:

	2014	2013
	\$	\$
Related Party Transactions:		
Purchases of goods and services	1,370	800
Amounts outstanding at balance date	-	-
	1,370	800

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 (2013: Nil).

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

Average annual reportable remuneration ¹	2014				Total \$
	Senior Executives No.	Reportable salary ² \$	Gratuity paid ³ \$	Super- annuation \$	
Total remuneration (including part-time arrangements): \$0 to \$195,000	1	80,308	10,000	2,333	92,641
Total	1				

Average annual reportable remuneration ¹	2013				Total \$
	Senior Executives No.	Reportable salary ² \$	Gratuity paid ³ \$		
Total remuneration (including part-time arrangements): \$0 to \$195,000	1	81,082	10,000		91,082
Total	1				

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 (2013: Nil).

Note 13: Remuneration of Auditors

	2014	2013
	\$	\$
Fair value of the services provided:		
Financial statement audit services	<u>13,000</u>	<u>13,000</u>
Total	<u>13,000</u>	<u>13,000</u>

The 2014 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

	2014	2013
	\$	\$
Note 14A: Categories of Financial Instruments		
Financial Assets		
Loans and receivables:		
Cash and cash equivalents	80,999	124,287
Trade and other receivables	412	1,715
Other investments	20,462	-
Total	101,873	126,002
Carrying amount of financial assets	101,873	126,002
Financial Liabilities		
At amortised cost:		
Trade creditors	11,997	9,773
Total	11,997	9,773
Carrying amount of financial liabilities	11,997	9,773
Note 14B: Net Income and Expense from Financial Assets		
Loans and receivables		
Interest revenue	1,163	1,042
Net gain from loans and receivables	1,163	1,042
Net gain from financial assets	1,163	1,042

There was no interest income from financial assets not at fair value through profit or loss in the year ending 2014 (2013: Nil).

There was no interest expense from financial assets not at fair value through profit or loss in the year ending 2014 (2013: Nil).

Note 14C: Fair Value of Financial Instruments

	Carrying amount	Fair value	Carrying amount	Fair value
	2014	2014	2013	2013
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	80,999	80,999	124,287	124,287
Trade and other receivables	412	412	1,715	1,715
Other investments	20,462	20,462	-	-
Total	101,873	101,873	126,002	126,002
Financial Liabilities				
Trade creditors	11,997	11,997	9,773	9,773
Total	11,997	11,997	9,773	9,773

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

Note 14D: 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 (2014: \$412 and 2013: \$1,715).

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 2014 (2013: Nil). 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
	2014	2013	2014	2013
	\$	\$	\$	\$
Cash and cash equivalents	80,999	124,287	-	-
Trade and other receivables	412	68,830	-	540
Other investments	20,462	-	-	-
Total	101,873	193,117	-	540

Ageing of financial assets that were past due but not impaired for 2014

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

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
Total	-	-	540	540

Note 14E: 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 2014

	On demand	Within 1 year	1 to 2 years	2 to 5 years	>5 years	Total
	\$	\$	\$	\$	\$	\$
Trade creditors	-	11,997	-	-	-	11,997
Total	-	11,997	-	-	-	11,997

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
Total	-	9,773	-	-	-	9,773

The Norfolk Island Government Tourist Bureau had no derivative financial liabilities in either 2014 or 2013.

Note 15: Financial Assets and Liabilities Reconciliation

	Notes	2014 \$	2013 \$
Financial assets			
Total financial assets as per Statement of Financial Position		101,873	193,657
Add: non-financial instrument components			
Impairment allowance for goods and services	5B	-	-
Appropriation receivable	5B	-	67,655
Total non-financial instrument components		-	67,655
Total financial assets as per financial instruments note		101,873	126,002
Total financial liabilities as per Statement of Financial Position		37,833	39,235
Less: non-financial instrument components:			
Employee provisions	8A	25,836	29,462
Other payables	7B	-	-
Total non-financial instrument components		25,836	29,462
Total financial liabilities as per financial instruments note		11,997	9,773

Note 16: Investments

Note 16: Investments

2014	Balance brought forward from previous period \$	Investments made \$	Investment income \$	Transactional charges \$	Investments realised \$	Total balance carried to the next period \$
Norfolk Island Government Tourist Bureau Credit Card Security	-	20,000	462	-	-	20,462
Term Deposit	-	-	-	-	-	-
Total	-	20,000	462	-	-	20,462

2013	Balance brought forward from previous period \$	Investments made \$	Investment income \$	Transactional charges \$	Investments realised \$	Total balance carried to the next period \$
Norfolk Island Government Tourist Bureau Credit Card Security	-	-	-	-	-	-
Term Deposit	-	-	-	-	-	-
Total	-	-	-	-	-	-

Notes:

1. Funds held in the Norfolk Island Government Tourist Bureau Credit Card Security Term Deposit Account are monies held as security by the Commonwealth Bank of Australia.

Note 17: Ex-Gratia Payments

	2014	2013
	\$	\$
Ex-Gratia Payments		
No ex-gratia payments were provided for during the reporting period (2013: nil).	<u>-</u>	<u>-</u>

Note 18: 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.

	2014	2013
	\$	\$
Norfolk Island Government Tourist Bureau Trust Account		
Total amount held at the beginning of the reporting period	32,926	2,268
Receipts	281,854	294,209
Payments	(275,020)	(263,551)
Total amount held at the end of the reporting period	39,760	32,926