



INDEPENDENT AUDITOR'S REPORT

To:

**The Minister for Finance of the Government of Norfolk Island;
The Commonwealth Minister for Regional Australia, Regional Development and
Local Government; and
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 entity for the year ended 30 June 2012, which comprise: a statement by the Chief Minister (Minister for Finance) and Chief Executive Officer; Statements of Comprehensive Income; Balance Sheets; Statements of Changes in Equity; Cash Flow Statements; Schedules of Commitments and Contingencies; and Notes to and Forming Part of the Financial Statements, including a Summary of Significant Accounting Policies. The consolidated entity comprises the Administration of Norfolk Island, the Norfolk Island Hospital Enterprise and the Norfolk Island Government Tourist Bureau.

Minister for Finance's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on the financial statements based on conducting the audit in accordance with Australian National Audit Office Auditing Standards, which incorporate the Australian Auditing Standards. Because of the 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

The Administration of Norfolk Island has prepared cash flow forecasts that indicate significant net cash outflows from operations of approximately \$4.4 million, \$4.7 million and \$5.0 million for the 2013-14, 2014-15 and 2015-16 financial years respectively. These forecasts indicate that the Administration of Norfolk Island may not be able to meet all its financial obligations beyond June 2013.

Note 1.3 discloses that the ANI is currently experiencing financial difficulty due to losses incurred in previous years from continuing economic downturn, a decline in tourism and losses incurred from the Airline operation. Financial assistance, subject to conditions, to enable the Administration of Norfolk Island to meet its expenditure commitments has been received from the Commonwealth of Australia in each of the years 2010-11 and 2011-12 and for 2012-13.

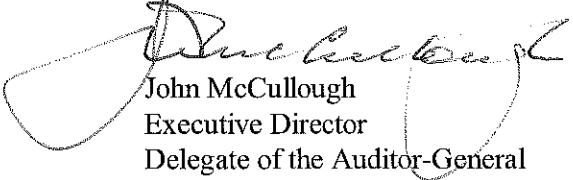
Note 1.3 also discloses that the Commonwealth of Australia's funding commitments end at 30 June 2013. At the date of this report, no further financial assistance has been negotiated. Further, Note 1.3 states that in the event that the Administration of Norfolk Island does not obtain additional funding from the Commonwealth of Australia and/or reduce expenditure in line with available revenue, the Administration of Norfolk Island 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. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Administration of Norfolk Island to continue as a going concern.

I therefore have not been provided with sufficient audit evidence upon which to form an opinion on whether the application of the going concern assumption remains appropriate.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis of Disclaimer of Opinion paragraph, 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 financial statements.

Australian National Audit Office



John McCullough
Executive Director
Delegate of the Auditor-General

Canberra
15 March 2013



Financial Statements 2011/12

Administration of Norfolk Island

Administration of Norfolk Island

STATEMENT BY THE CHIEF MINISTER (MINISTER FOR FINANCE) AND THE CHIEF EXECUTIVE OFFICER

In our opinion, the attached consolidated financial statements for the year ended 30 June 2012 are based on properly maintained financial records and give a true and fair view of the matters required by the *Public Moneys Act 1979*, the *Public Moneys Amendments Act 2004* and the Commonwealth Finance Minister's (Norfolk Island) Orders 2011 made under the *Norfolk Island Act 1979*.

Signed.....

The Hon. David E. Buffett AM MLA
Chief Minister
Minister for Finance
Government of Norfolk Island

Signed.....

Mr. Graeme Faulkner
Chief Executive Officer
Administration of Norfolk Island

12 March 2013

12 March 2013

Consolidated Financial Statements
Statement of Comprehensive Income
for the period ended 30 June 2012

		Consolidated		Administration	
		2012	2011	2012	2011
	Notes	\$	\$	\$	\$
EXPENSES					
Employee benefits	3A	11,855,209	12,211,716	8,620,702	8,898,769
Supplier	3B	47,413,232	44,698,227	44,784,931	41,973,585
Grants	3C	14,000	33,000	3,692,343	3,070,688
Depreciation and amortisation	3D	6,161,171	5,967,163	5,687,980	5,530,564
Loss on sale of assets	3E	598	18,448	-	17,100
Write-down and impairment of assets	3F	93,019	47,976	-	15,887
Other expenses	3G	188,773	216,654	188,773	216,654
Total expenses		65,726,002	63,193,184	62,974,729	59,723,247
LESS:					
OWN-SOURCE INCOME					
Own-source revenue					
Sale of goods and rendering of services	4A	34,211,981	39,062,660	32,859,997	37,656,331
Taxation revenue	4B	10,029,412	10,140,499	10,029,412	10,140,499
Fees and fines	4C	3,664,617	3,519,442	2,246,550	2,201,316
Interest	4D	176,113	201,014	170,219	189,524
Rental income	4E	116,523	113,524	102,879	97,603
Royalties	4F	750	807	750	807
Other revenue	4G	26,918	309,670	-	-
Total own-source revenue		48,226,316	53,347,616	45,409,807	50,286,080
Gains					
Revenue from the Commonwealth of Australia	4H	14,277,986	6,160,004	14,277,986	6,160,004
Other gains	4I	239,700	-	198,000	-
Total gains		14,517,686	6,160,004	14,475,986	6,160,004
Total income		62,744,002	59,507,620	59,885,794	56,446,084
Net cost of services		(2,982,000)	(3,685,564)	(3,088,935)	(3,277,163)
Surplus (Deficit) attributable to the Government of Norfolk Island		(2,982,000)	(3,685,564)	(3,088,935)	(3,277,163)
OTHER COMPREHENSIVE INCOME					
Changes in asset revaluation reserves		(1,825,969)	(1,876,542)	(1,861,167)	(2,055,320)
Total other comprehensive income (loss)		(1,825,969)	(1,876,542)	(1,861,167)	(2,055,320)
Total comprehensive income (loss) attributable to the Government of Norfolk Island		(4,807,969)	(5,562,106)	(4,950,103)	(5,332,482)

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

Consolidated Financial Statements
Balance Sheet
as at 30 June 2012

	Notes	Consolidated 2012 \$	2011 \$	Administration 2012 \$	2011 \$
ASSETS					
Financial Assets					
Cash and cash equivalents	5A	4,519,647	5,366,869	4,247,634	5,309,628
Trade and other receivables	5B	3,719,771	3,251,117	3,410,668	2,960,934
Other investments	5C	188,109	107,742	-	-
Total financial assets		8,427,528	8,725,728	7,658,302	8,270,562
Non-Financial Assets					
Land and buildings	6A	31,567,349	34,789,852	28,011,936	30,851,844
Property, plant and equipment	6B,C	46,633,228	50,953,389	45,952,063	50,208,947
Intangibles	6D,E	2,294	3,413	-	-
Inventories	6F	4,024,905	2,975,414	3,728,693	2,695,373
Other non-financial assets	6G	419,984	548,343	388,508	526,821
Total non-financial assets		82,647,760	89,270,411	78,081,200	84,282,985
Total assets		91,075,287	97,996,139	85,739,502	92,553,547
LIABILITIES					
Payables					
Suppliers	7A	5,142,970	7,025,081	5,362,463	6,951,437
Other payables	7B	284,774	735,715	206,186	631,753
Total payables		5,427,744	7,760,796	5,568,649	7,583,190
Interest Bearing Liabilities					
Loans	8A	11,795,683	11,888,832	11,795,683	11,888,832
Deposits	8B	19,875	20,595	19,875	20,595
Total interest bearing liabilities		11,815,558	11,909,427	11,815,558	11,909,427
Provisions					
Employee provisions	9A	2,827,743	2,513,703	2,157,458	1,912,990
Total provisions		2,827,743	2,513,703	2,157,458	1,912,990
Total liabilities		20,071,045	22,183,926	19,541,665	21,405,607
Net assets		71,004,242	75,812,213	66,197,837	71,147,940
EQUITY					
Reserves		50,801,282	52,627,251	50,198,748	52,059,916
Retained surplus (accumulated deficit)		20,202,960	23,184,960	15,999,089	19,088,024
Total equity		71,004,242	75,812,213	66,197,837	71,147,940

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 2012

	Retained earnings		Asset revaluation reserve		Total equity	
	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$
Opening balance						
Balance carried forward from previous period	23,184,960	27,270,038	52,627,251	6,763	75,812,211	27,276,801
Adjustment for changes in accounting policies	-	(399,514)	-	54,497,030	-	54,097,516
Adjusted opening balance	23,184,960	26,870,524	52,627,251	54,503,793	75,812,211	81,374,317
Comprehensive income						
Other comprehensive income	-	-	(1,825,969)	(1,876,542)	(1,825,969)	(1,876,542)
Surplus (Deficit) for the period	(2,982,000)	(3,685,564)	-	-	(2,982,000)	(3,685,564)
Total comprehensive income	(2,982,000)	(3,685,564)	(1,825,969)	(1,876,542)	(4,807,969)	(5,562,106)
Closing balance as at 30 June	20,202,960	23,184,960	50,801,282	52,627,251	71,004,243	75,812,211

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

Statement of Changes in Equity - Administration
for the period ended 30 June 2012

	Retained earnings		Asset revaluation reserve		Total equity	
	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$
Opening balance						
Balance carried forward from previous period	19,088,024	22,719,069	52,059,916	-	71,147,940	22,719,069
Adjustment for changes in accounting policies	-	(353,882)	-	54,115,235	-	53,761,353
Adjusted opening balance	19,088,024	22,365,187	52,059,916	54,115,235	71,147,940	76,480,422
Comprehensive income						
Other comprehensive income	-	-	(1,861,167)	(2,055,320)	(1,861,167)	(2,055,320)
Surplus (Deficit) for the period	(3,088,935)	(3,277,163)	-	-	(3,088,935)	(3,277,163)
Total comprehensive income	(3,088,935)	(3,277,163)	(1,861,167)	(2,055,320)	(4,950,103)	(5,332,482)
Closing balance as at 30 June	15,999,089	19,088,024	50,198,748	52,059,916	66,197,837	71,147,940

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

Consolidated Financial Statements
Cash Flow Statement
for the period ended 30 June 2012

		Consolidated		Administration	
		2012	2011	2012	2011
Notes		\$	\$	\$	\$
OPERATING ACTIVITIES					
Cash received					
Sales of goods and rendering of services		33,396,125	43,570,597	30,636,278	40,502,043
Receipts from the Commonwealth of Australia		14,277,986	4,892,055	14,277,986	4,892,055
Interest		155,775	215,573	155,765	215,568
GST receipts		7,586,174	7,535,291	7,586,174	7,535,291
Taxation, fines and levy receipts		2,049,690	2,591,502	2,049,690	2,591,502
Donations		4,654	-	-	-
Total cash received		57,470,405	58,805,018	54,705,894	55,736,459
Cash used					
Employees and suppliers		56,664,291	56,422,987	50,609,949	50,354,194
Grants and subsidies paid		14,000	33,000	3,692,343	3,050,687
Other		1,172,200	1,403,036	1,172,200	1,403,036
Total cash used		57,850,491	57,859,023	55,474,492	54,807,917
Net cash from (used by) operating activities	10	(380,086)	945,995	(768,598)	928,542
INVESTING ACTIVITIES					
Cash received					
Proceeds from sales of property, plant and equipment		-	2,563	-	2,563
Proceeds received from investments		5,367	105,096	-	-
Total cash received		5,367	107,659	-	2,563
Cash used					
Purchase of land, property, plant and equipment		397,502	632,068	293,396	492,287
Purchase of financial instruments		75,000	-	-	-
Total cash used		472,502	632,068	293,396	492,287
Net cash from (used by) investing activities		(467,135)	(524,409)	(293,396)	(489,724)
FINANCING ACTIVITIES					
Cash used					
Repayment of borrowings		-	17,250	-	17,250
Total cash used		-	17,250	-	17,250
Net cash from (used by) financing activities		-	(17,250)	-	(17,250)
Net increase (decrease) in cash held		(847,221)	404,336	(1,061,994)	421,568
Cash and cash equivalents at the beginning of the reporting period		5,366,869	4,962,533	5,309,628	4,888,060
Cash and cash equivalents at the end of the reporting period	5A	4,519,647	5,366,869	4,247,634	5,309,628

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

Consolidated Financial Statements
Schedule of Commitments
as at 30 June 2012

	Consolidated		Administration	
	2012	2011	2012	2011
	\$	\$	\$	\$
BY TYPE				
Commitments receivable				
Other ³	305,288	50,406	305,288	50,406
Net GST recoverable on commitments ¹	36,660	6,325	36,660	6,325
Total commitments receivable	341,948	56,731	341,948	56,731
Commitments payable				
Capital commitments				
Property, plant and equipment ⁴	45,850	162,697	-	162,697
Total capital commitments	45,850	162,697	-	162,697
Operating lease commitments				
Operating leases ⁵	17,383	5,040	17,383	5,040
Total capital commitments	17,383	5,040	17,383	5,040
Other commitments				
Other ²	1,079,011	393,949	972,557	196,615
Net GST payable on commitments ¹	102,872	18,269	102,872	18,269
Total other commitments	1,181,883	412,217	1,075,429	214,883
Total commitments payable	1,245,116	579,954	1,092,812	382,620
Net commitments by type	(903,168)	(523,224)	(750,864)	(325,890)
BY MATURITY				
Commitments receivable				
Other commitments receivable				
One year or less	134,631	39,931	134,631	39,931
From one to five years	200,717	9,600	200,717	9,600
Over five years	6,600	7,200	6,600	7,200
Total other commitments receivable	341,948	56,731	341,948	56,731
Total commitments receivable	341,948	56,731	341,948	56,731
Commitments payable				
Capital commitments				
One year or less	45,850	162,697	-	162,697
From one to five years	-	-	-	-
Over five years	-	-	-	-
Total capital commitments	45,850	162,697	-	162,697
Operating lease commitments				
One year or less	17,383	5,040	17,383	5,040
From one to five years	-	-	-	-
Over five years	-	-	-	-
Total operating lease commitments	17,383	5,040	17,383	5,040
Other Commitments				
One year or less	849,011	358,677	775,946	161,343
From one to five years	332,873	53,541	299,482	53,541
Over five years	-	-	-	-
Total other commitments	1,181,883	412,217	1,075,429	214,883
Total commitments payable	1,245,116	579,954	1,092,812	382,620
Net commitments by maturity	(903,168)	(523,224)	(750,864)	(325,890)

Note:

1. Commitments were GST inclusive where relevant.
2. Other commitments payable relate to general service contracts.
3. Other commitments receivable relate to general service contracts and property leases.
4. Property, plant and equipment commitments are for the purchase of property, plant and equipment.
5. Operating leases 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 2012

	Consolidated		Administration	
	2012	2011	2012	2011
	\$	\$	\$	\$
Contingent liabilities				
Financial Guarantees	128,000	128,000	128,000	128,000
Total contingent liabilities	128,000	128,000	128,000	128,000
Net contingent assets (liabilities)	128,000	128,000	128,000	128,000

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

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

Consolidated Financial Statements
Notes to and Forming Part of the Financial Statements
for the period ended 30 June 2012

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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 Group's Consolidated Financial Statements have been prepared in accordance with:

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

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

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

Unless an alternative treatment is specifically required by an accounting standard or the CFMOs, assets and liabilities are recognised in the Balance Sheet when and only when it is probable that future economic benefits will flow to the Administration or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under executory 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 Group's Consolidated 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 due to losses incurred in previous years from continuing economic downturn, a decline in tourism and losses incurred from the Airline operation. In the 2010/11, 2011/12 and 2012/13 financial years, the Commonwealth of Australia has provided financial assistance to ensure the Administration has sufficient funds to meet expenditure commitments. Each of the annual funding injections have been subjected to conditions. To date all conditions have been met by the Norfolk Island Government, except for the balance of the 2012/13 financial year, which is yet to conclude.

The Administration has forecast significant negative net cash flows from operations to total \$4.4 million in 2013/14, \$4.7 million in 2014/15 and \$5.0 million in 2015/16. The Commonwealth of Australia's current funding commitments ends at 30 June 2013, and at the date of signing these financial statements, no further financial assistance has been negotiated. These conditions give rise to a material uncertainty that may cast significant doubt upon the Administration's ability to continue as a going concern.

In the event that the Administration does not obtain additional funding from the Commonwealth of Australia and/or reduce expenditure in line with available revenue, the Administration may not be able to continue its operations as a going concern and therefore may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial statements.

Nevertheless, there is no intention by the management of the Administration, or the Government of Norfolk Island, to cease the operations of the Administration or the Group, or liquidate any assets. The rationale for this position is the fact that the Government of Norfolk Island and the Honourable Simon Crean, MP, Minister for Regional Australia, Regional Development and Local Government have together committed to a long term sustainability strategy for Norfolk Island, "The Roadmap", which was signed on 2 March 2011.

1.4 Significant Accounting Judgements and Estimates

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

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

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

1.5 New Australian Accounting Standards

Adoption of New Australian Accounting Standard Requirements

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

There were no new standards, revised standards, interpretations or amending standards issued prior to the sign-off date that were applicable to the current reporting period and had a financial impact on the Administration.

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

Future Australian Accounting Standard Requirements

The following new standards, revised standards, interpretations and amending standards 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 9	Financial Instruments
AASB 13	Fair Value measurement
AASB 119	Employee Benefits
AASB 2010-7	Amendments to Australian Accounting Standards arising from
AASB 2011-8	Amendments to Australian Accounting Standards arising from
AASB 2011-10	Amendments to Australian Accounting Standards arising from the
AASB 2012-5	Amendments to Australian Accounting Standards arising from

No other new standards, revised standards, interpretations, or amending standards that were issued prior to the sign-off date and are applicable to the future reporting period are not expected to have a future financial impact on the Administration.

1.6 Consolidation

AASB 127 *Consolidated and Separate Financial Statements* requires a parent entity that is in a group to present consolidated financial statements that consolidate its controlled entities. The parent and controlled entities apply consistent accounting policies and the effects of all transactions and balances between the entities are eliminated in full. The financial statements of the controlled entities are prepared for the same reporting period as the parent entity. In accordance with clause 16(1)(c) of the CFMO's, the Administration is deemed to control each Territory Authority.

These consolidated financial statements incorporate the assets and liabilities of the Administration and each Territory Authority.

As at 30 June 2012, the Territory Authorities included the Norfolk Island Hospital Enterprise and the Norfolk Island Government Tourist Bureau.

1.7 Revenue

Sale of Goods and Rendering of Services

Revenue from the sale of goods is recognised when:

- the risks and rewards of ownership have been transferred to the buyer;
- the entity 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 entity.

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 entity.

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.

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

Fees and Fines

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

Royalties

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

Grants

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

1.8 Gains

Revenue from Government

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

Resources Received Free of Charge

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

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

Sale of Assets

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

1.9 Employee Benefits

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

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

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

Leave

The liability for employee benefits includes provision for annual leave and long service leave. No provision has been made for sick leave as all sick leave is non-vesting and the average sick leave taken in future years by employees 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 Administration recognises a provision for termination when it has developed a detailed formal plan for the terminations and has informed those employees affected that it will carry out the terminations.

Superannuation

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

1.10 Grants and subsidies

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

1.11 Leases

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

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

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

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

1.12 Foreign Currency Transactions

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

1.13 Borrowing Costs

All borrowing costs are expensed as incurred.

1.14 Cash

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

1.15 Financial Assets

The Administration classifies its financial assets in the following categories:

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

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

Effective Interest Method

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

Income is recognised on an effective interest rate basis.

Available-for-Sale Financial Assets

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

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

Loans and Receivables

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

Impairment of Financial Assets

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

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

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

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

1.16 Financial Liabilities

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

Financial Liabilities at Fair Value Through Profit or Loss

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

Other Financial Liabilities

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

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

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

1.17 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*.

1.18 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.

1.19 Land, Buildings, Property, Plant and Equipment

Asset Recognition Threshold

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

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

Revaluations

Following initial recognition at cost, property, plant and equipment are carried at fair value less 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 are 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 are 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.

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

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

Depreciation

Depreciable 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:

	2012	2011
Buildings on freehold land	10 to 50 years	10 to 50 years
Property, plant and equipment	3 to 10 years	3 to 10 years

Impairment

All assets were assessed for impairment at 30 June 2012. 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 property, plant and equipment is derecognised upon disposal or when no further future economic benefits are expected from its use or disposal.

1.20 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 2 to 10 years (2011: 2 to 10 years).

All software assets were assessed for indications of impairment as at 30 June 2012.

1.21 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.

1.22 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.

1.23 Taxation

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

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

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

1.24 Deferred lease incentive

Fees relating to linked transactions involving the legal form of a lease are recognised as revenue only when there are no significant obligations to perform, or refrain from performing, significant activities, management determines there are no significant limitations on use of the underlying asset and the possibility of reimbursement is considered remote. Where these criteria are not met, fees are brought to account as revenue or expenditure over the period of respective lease or on a basis which is representative of the pattern of benefits derived from the leasing transactions, with the unamortised balance being held as a deferred lease benefit.

1.25 Contingent Liabilities and Contingent Assets

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

1.26 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.

1.27 Related Entities Disclosure

Related entity values disclosed in Note 4.1 - Sale of goods and rendering of services; Note 7 - Trade and other receivables; and Note 9 - Trade creditors and accruals, reflect business transactions between the Administration and the Territory Authorities.

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 21 December 2012 with the Administration of Norfolk Island to provide financial assistance for essential services. The total amount of assistance provided was \$4.5 million to be paid in instalments over the 2012-13 financial year, conditional on specific milestones being met each month by the Government of Norfolk Island.

Note 3: Expenses

	Consolidated		Administration	
	2012	2011	2012	2011
	\$	\$	\$	\$
Note 3A: Employee Benefits				
Wages and salaries	11,816,812	12,175,576	8,620,702	8,898,769
Superannuation	38,397	36,140	-	-
Total employee benefits	11,855,209	12,211,716	8,620,702	8,898,769
Note 3B: Supplier				
Goods and services				
Goods	14,678,456	15,722,945	13,787,317	14,918,400
Services	29,124,139	25,238,231	27,410,979	23,336,796
Total goods and services	43,802,595	40,961,176	41,198,296	38,255,196
Goods and services are made up of:				
Provision of goods – related entities	-	-	-	-
Provision of goods – external entities	14,678,456	15,722,945	13,787,317	14,918,400
Rendering of services – related entities	-	-	144,980	113,841
Rendering of services – external entities	29,124,139	25,238,231	27,265,999	23,222,955
Total goods and services	43,802,595	40,961,176	41,198,296	38,255,196
Other supplier expenses				
Welfare expenses	2,111,780	1,926,039	2,111,780	1,926,039
Healthcare costs	1,009,906	1,408,120	1,009,906	1,408,120
Workers compensation expenses	488,951	402,892	464,949	384,229
Total other supplier expenses	3,610,637	3,737,051	3,586,635	3,718,388
Total supplier expenses	47,413,232	44,698,227	44,784,931	41,973,585
Note 3C: Grants and subsidies				
Grants and subsidies	14,000	33,000	3,692,343	3,070,688
Total grants and subsidies	14,000	33,000	3,692,343	3,070,688
Note 3D: Depreciation and Amortisation				
Depreciation:				
Property, plant and equipment	4,687,616	4,560,124	4,504,419	4,386,675
Buildings	1,471,179	1,404,692	1,183,561	1,143,889
Total depreciation	6,158,795	5,964,816	5,687,980	5,530,564
Amortisation:				
Intangibles - computer software	2,376	2,347	-	-
Total amortisation	2,376	2,347	-	-
Total depreciation and amortisation	6,161,171	5,967,163	5,687,980	5,530,564
Note 3E: Loss on Sale of Assets				
Property, plant and equipment:				
Carrying value of assets sold	598	18,448	-	17,100
Total losses from asset sales	598	18,448	-	17,100
Note 3F: Write-Down and Impairment of Assets				
Bad debts	1,299	30,726	-	15,887
Asset revaluation adjustment recognised in operating result	91,720	17,250	-	-
Total write-down and impairment of assets	93,019	47,976	-	15,887
Note 3G: Other Expenses				
Ex-gratia payments	108,138	80,621	108,138	80,621
Customs duty drawback	80,634	136,033	80,634	136,033
Total other expenses	188,773	216,654	188,773	216,654

Note 4: Income

	Consolidated		Administration	
	2012	2011	2012	2011
	\$'000	\$'000	\$'000	\$'000
OWN-SOURCE REVENUE				
<u>Note 4A: Sale of Goods and Rendering of Services</u>				
Provision of goods - related entities	-	-	-	-
Provision of goods - external entities	11,347,759	11,473,404	10,585,668	10,769,781
Total sale of goods	11,347,759	11,473,404	10,585,668	10,769,781
Rendering of services - related entities	-	-	71,426	81,245
Rendering of services - external entities	22,864,223	27,589,256	22,202,903	26,805,305
Total rendering of services	22,864,223	27,589,256	22,274,329	26,886,550
Total sale of goods and rendering of services	34,211,982	39,062,659	32,859,997	37,656,331
<u>Note 4B: Taxation Revenue</u>				
Goods and services tax	7,621,436	7,583,515	7,621,436	7,583,515
Customs duty	1,153,850	978,988	1,153,850	978,988
Other taxation revenue	1,254,125	1,577,996	1,254,125	1,577,996
Total taxation revenue	10,029,412	10,140,499	10,029,412	10,140,499
<u>Note 4C: Fees and Fines</u>				
Fees	3,638,903	3,484,924	2,220,835	2,166,798
Fines and penalties	25,714	34,518	25,714	34,518
Total fees and fines	3,664,617	3,519,442	2,246,550	2,201,316
<u>Note 4D: Interest</u>				
Bank and term deposits	176,113	201,014	170,219	189,524
Total interest	176,113	201,014	170,219	189,524
<u>Note 4E: Rental Income</u>				
Housing properties	116,523	113,524	102,879	97,603
Total rental income	116,523	113,524	102,879	97,603
<u>Note 4F: Royalties</u>				
Other	750	807	750	807
Total royalties	750	807	750	807
<u>Note 4G: Other Revenue</u>				
Donations	26,918	309,670	-	-
Total revenue	26,918	309,670	-	-
GAINS				
<u>Note 4H: Revenue from Government</u>				
Revenue received from the Commonwealth of Australia	14,277,986	6,160,004	14,277,986	6,160,004
Total revenue from Government	14,277,986	6,160,004	14,277,986	6,160,004
<u>Note 4I: Other Gains</u>				
Resources received free of charge	239,700	-	198,000	-
Total other gains	239,700	-	198,000	-

To assist the Administration overcome severe financial constraints, the Commonwealth of Australia extended financial assistance to Norfolk Island through an agreement executed on 22 September 2011. The funding totalled \$13,566,715 (2011: \$5,629,000), of which \$7,000,000 was assigned to terminate services under the Airline Charter Agreement. The agreement included several conditions and deliverables to be met by the Government of Norfolk Island before the funds were transferred. As at 30 June 2012 all conditions and deliverables were met and the full amount of the agreement had been transferred to the Administration.

Note 5: Financial Assets

	Consolidated		Administration	
	2012	2011	2012	2011
	\$	\$	\$	\$
Note 5A: Cash and Cash Equivalents				
Cash on hand or on deposit	4,519,647	5,366,869	4,247,634	5,309,628
Total cash and cash equivalents	4,519,647	5,366,869	4,247,634	5,309,628
Note 5B: Trade and Other Receivables				
Goods and Services:				
Goods and services - related entities	-	-	-	-
Goods and services - external entities	4,279,135	3,703,931	3,630,224	3,074,642
Total receivables for goods and services	4,279,135	3,703,931	3,630,224	3,074,642
Other receivables:				
Interest	12,082	19,852	12,082	19,852
Total other receivables (gross)	12,082	19,852	12,082	19,852
Total trade and other receivables (gross)	4,291,217	3,723,783	3,642,306	3,094,494
Less impairment allowance account:				
Goods and services	(571,446)	(472,666)	(231,637)	(133,560)
Total impairment allowance account	(571,446)	(472,666)	(231,637)	(133,560)
Total trade and other receivables (net)	3,719,771	3,251,117	3,410,669	2,960,934
Receivables are expected to be recovered in:				
No more than 12 months	3,719,771	3,251,117	3,410,669	2,960,934
More than 12 months	-	-	-	-
Total trade and other receivables (net)	3,719,771	3,251,117	3,410,669	2,960,934
Receivables are aged as follows:				
Not overdue	2,616,690	2,636,571	2,435,821	2,462,316
Overdue by:				
0 to 30 days	585,652	427,052	419,216	303,343
31 to 60 days	107,160	105,900	80,845	75,841
More than 61 days	981,716	554,261	706,424	252,994
Total receivables (gross)	4,291,217	3,723,783	3,642,306	3,094,494
The impairment allowance account is aged as follows:				
Not overdue	-	(6,628)	-	(6,628)
Overdue by:				
0 to 30 days	(38,202)	(8,483)	-	-
31 to 60 days	(26,315)	(36,067)	-	(6,008)
More than 61 days	(506,929)	(413,933)	(231,637)	(120,924)
Total impairment allowance account	(571,446)	(465,111)	(231,637)	(133,560)

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 2012

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

Movements in relation to 2011

	Consolidated	NIA
	Goods and services	Goods and services
	\$	\$
Opening balance	(468,906)	(129,800)
Amounts written off	9,417	9,417
Amounts recovered and reversed	-	-
Increase/decrease recognised in net surplus	(13,177)	(13,177)
Closing balance	(472,666)	(133,560)

Note 5C: Other Investments

Term deposits

Total other investments**Total other investments are expected to be recovered in:**

No more than 12 months

More than 12 months

Total other investments

Consolidated		Administration	
2012	2011	2012	2011
\$	\$	\$	\$
188,109	107,742	-	-
188,109	107,742	-	-
188,109	107,742	-	-
-	-	-	-
188,109	107,742	-	-

Note 6: Non-Financial Assets

	Consolidated 2012	2011	Administration 2012	2011
	\$	\$	\$	\$
Note 6A: Land and Buildings				
Land:				
Fair Value	7,059,203	8,817,503	6,684,203	8,347,503
Total land	7,059,203	8,817,503	6,684,203	8,347,503
Buildings on freehold land:				
Fair value	24,508,146	25,972,349	21,327,733	22,504,341
Accumulated depreciation	-	-	-	-
Total buildings on freehold land	24,508,146	25,972,349	21,327,733	22,504,341
Total land and buildings	31,567,349	34,789,852	28,011,936	30,851,844

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 2012	2011	Administration 2012	2011
	\$	\$	\$	\$
Note 6B: Property, Plant and Equipment				
Property, plant and equipment:				
Work in Progress	296,806	242,115	226,524	225,151
Fair value	46,336,422	50,711,274	45,725,539	49,983,796
Accumulated depreciation	-	-	-	-
Total property, plant and equipment	46,633,228	50,953,389	45,952,063	50,208,947

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 2012 - Consolidated

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

Note 6C (Cont'd): Reconciliation of the Opening and Closing Balances of Land and Buildings, Plant and Equipment 2011- Consolidated

	Land \$	Buildings \$	Total land & buildings \$	Property, plant & equipment \$	Total \$
As at 1 July 2010					
Gross book value (at cost value)	2,415,350	19,145,058	21,560,408	59,352,125	80,912,533
Accumulated depreciation and impairment	-	(6,717,750)	(6,717,750)	(35,948,378)	(42,666,128)
Adjustment for changes in accounting policies	7,947,628	14,146,204	22,093,832	32,383,192	54,477,024
Net book value as at 1 July 2010	10,362,978	26,573,512	36,936,490	55,786,939	92,723,429
Additions:					
By purchase	406,720	92,850	499,570	293,629	793,199
Work in progress	-	-	-	108,035	108,035
Depreciation expense	-	(1,404,692)	(1,404,692)	(4,560,124)	(5,964,816)
Disposals	-	-	-	(40,379)	(40,379)
Revaluation adjustment recognised in other comprehensive income	(1,952,195)	710,679	(1,241,516)	(634,711)	(1,876,227)
Revaluation adjustment recognised in operating result	-	-	-	-	-
Net book value as at 30 June 2011	8,817,503	25,972,349	34,789,852	50,953,389	85,743,241
Net book value as at 30 June 2011 represented by:					
Gross book value (at fair value)	8,817,503	25,972,349	34,789,852	50,953,389	85,743,241
Accumulated depreciation and impairment	-	-	-	-	-
Net book value as at 30 June 2011	8,817,503	25,972,349	34,789,852	50,953,389	85,743,241

Note 6C: Reconciliation of the Opening and Closing Balances of Land and Buildings, Plant and Equipment 2012 - Administration

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

Note 6C (Cont'd): Reconciliation of the Opening and Closing Balances of Land and Buildings, Plant and Equipment 2011- Administration

	Land \$	Buildings \$	Total land & buildings \$	Property, plant & equipment \$	Total \$
As at 1 July 2010					
Gross book value (at cost value)	2,338,100	15,022,333	17,360,433	57,313,812	74,674,245
Accumulated depreciation and impairment	-	(6,001,326)	(6,001,326)	(34,588,067)	(40,589,393)
Adjustment for changes in accounting policies	7,964,878	13,962,501	21,927,379	32,186,478	54,113,857
Net book value as at 1 July 2010	10,302,978	22,983,508	33,286,486	54,912,223	88,198,709
Additions:					
By purchase	-	75,344	75,344	270,543	345,887
Work in progress	-	-	-	127,951	127,951
Depreciation expense	-	(1,143,889)	(1,143,889)	(4,386,675)	(5,530,564)
Disposals	-	-	-	(25,872)	(25,872)
Revaluation adjustment recognised in other comprehensive income	(1,955,475)	589,378	(1,366,097)	(689,223)	(2,055,320)
Net book value as at 30 June 2011	8,347,503	22,504,341	30,851,844	50,208,947	81,060,791
Net book value as at 30 June 2011 represented by:					
Gross book value (at fair value)	8,347,503	22,504,341	30,851,844	50,208,947	81,060,791
Accumulated depreciation and impairment	-	-	-	-	-
Net book value as at 30 June 2011	8,347,503	22,504,341	30,851,844	50,208,947	81,060,791

	Consolidated		Administration	
	2012	2011	2012	2011
Note 6D: Intangibles				
Computer software:	\$	\$	\$	\$
Purchased	2,294	3,413	-	-
Accumulated amortisation	-	-	-	-
Total computer software	2,294	3,413	-	-
Total intangibles	2,294	3,413	-	-

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 2012 - Consolidated

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

Note 6E (Cont'd): Reconciliation of the Opening and Closing Balances of Intangibles 2011 - Consolidated

	Computer software purchased
	\$
As at 1 July 2010	
Gross book value (at cost value)	12,186
Accumulated amortisation and impairment	(8,084)
Adjustment for changes in accounting policies	1,378
Net book value 1 July 2010 (at fair value)	5,480
Additions:	
By purchase	595
Amortisation	(2,347)
Revaluation adjustment recognised in other comprehensive income	(315)
Net book value as at 30 June 2011	3,413
Net book value as at 30 June 2011 represented by:	
Gross book value (at fair value)	3,413
Accumulated amortisation and impairment	-
Net book value as at 30 June 2011	3,413

	Consolidated		Administration	
	2012	2011	2012	2011
	\$	\$	\$	\$
Note 6F: Inventories				
Inventories held for sale:				
Finished goods	700,862	2,317,830	493,679	2,108,457
Total inventories held for sale	700,862	2,317,830	493,679	2,108,457
Inventories held for distribution	3,235,015	657,584	3,235,015	586,916
Total inventories	3,935,876	2,975,414	3,728,693	2,695,373
Represented by:				
Inventories held for sale recognised as an expense	2,852,720	2,916,619	2,395,109	2,492,851
Inventories held for distribution recognised as an expense	7,924,814	7,823,772	7,738,491	7,636,241
	10,777,534	10,740,391	10,133,600	10,129,092

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

	2012	2011	2012	2011
	\$	\$	\$	\$
Prepayments	87,884	136,971	56,408	115,449
Royalties receivable	332,099	411,372	332,099	411,372
Total other non-financial assets	419,984	548,343	388,508	526,821
Total other non-financial assets - are expected to be recovered in:				
No more than 12 months	419,984	548,343	388,508	526,821
More than 12 months	-	-	-	-
Total other non-financial assets	419,984	548,343	388,508	526,821

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

Note 7: Payables

	Consolidated		Administration	
	2012	2011	2012	2011
	\$	\$	\$	\$
Note 7A: Suppliers				
Trade creditors and accruals	<u>5,142,970</u>	<u>7,025,081</u>	<u>5,362,463</u>	<u>6,951,437</u>
Total suppliers payables	<u>5,142,970</u>	<u>7,025,081</u>	<u>5,362,463</u>	<u>6,951,437</u>

Suppliers payables expected to be settled within 12 months:

Related entities	-	-	344,258	119,044
External entities	<u>5,142,970</u>	<u>7,025,081</u>	<u>5,018,205</u>	<u>6,832,393</u>
Total	<u>5,142,970</u>	<u>7,025,081</u>	<u>5,362,463</u>	<u>6,951,437</u>

Settlement is usually made within 30 days.

Note 7B: Other Payables

Accrued salaries and wages	<u>284,774</u>	<u>277,382</u>	<u>206,186</u>	<u>173,420</u>
Deferred lease incentive	-	458,333	-	458,333
Total other payables	<u>284,774</u>	<u>735,715</u>	<u>206,186</u>	<u>631,753</u>

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

Note 8: Interest Bearing Liabilities

	Consolidated		Administration	
	2012	2011	2012	2011
	\$	\$	\$	\$
Note 8A: Loans				
Loan from the Commonwealth of Australia	11,795,683	11,888,832	11,795,683	11,888,832
Total loans	11,795,683	11,888,832	11,795,683	11,888,832
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	5,795,683	5,888,832	5,795,683	5,888,832
Total loans	11,795,683	11,888,832	11,795,683	11,888,832

The loan from the Commonwealth of Australia includes the Airport Runway Loan of \$11,400,000 (2011: \$11,400,000) and Cascade Loan \$395,683 (2011: \$488,832).

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 1 June 2009. The loan is interest free. Subsequent to 30 June 2009, the Commonwealth of Australia has agreed to provide short term financial relief to the Administration of Norfolk Island by varying the Airport Runway Loan agreement. The loan agreement was varied by deferring the loan repayments due in the 2009/10, 2010/11 and 2011/12 financial years and removing 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	
	2012	2011	2012	2011
	\$	\$	\$	\$
Note 8B: Deposits				
Trust accounts	19,875	20,595	19,875	20,595
Total deposits	19,875	20,595	19,875	20,595
Deposits relating to:				
Customer bonds - Norfolk Telecom	19,875	20,595	19,875	20,595
Total deposits	19,875	20,595	19,875	20,595
Deposits are expected to be settled in:				
No more than 12 months	19,875	20,595	19,875	20,595
More than 12 months	-	-	-	-
Total deposits	19,875	20,595	19,875	20,595

Note 9: Provisions

	Consolidated		Administration	
	2012	2011	2012	2011
	\$	\$	\$	\$
Note 9A: Employee Provisions				
Annual leave	838,745	600,065	634,528	431,578
Long service leave	1,735,349	1,653,400	1,329,142	1,286,024
Other	253,648	260,238	193,788	195,388
Total employee provisions	2,827,743	2,513,703	2,157,458	1,912,990
Employee provisions are expected to be settled in:				
No more than 12 months	2,511,209	2,151,704	1,904,277	1,600,268
More than 12 months	316,534	361,999	253,181	312,722
Total employee provisions	2,827,743	2,513,703	2,157,458	1,912,990

Note 10: Cash Flow Reconciliation

	Consolidated		Administration	
	2012	2011	2012	2011
	\$	\$	\$	\$
Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement				
Cash and cash equivalents as per:				
Cash flow statement	4,519,647	5,366,869	4,247,634	5,309,628
Balance sheet	4,519,647	5,366,869	4,247,634	5,309,628
Difference	-	-	-	-
Reconciliation of net cost of services to net cash from operating activities:				
Net cost of services	(2,982,000)	(3,685,564)	(3,088,935)	(3,277,163)
Adjustments for non-cash items				
Depreciation / amortisation	6,161,171	5,967,163	5,687,980	5,530,564
Donated property, plant and equipment capitalised	(10,731)	(289,892)	-	-
(Gains)/loss from sale of property, plant and equipment	598	18,448	-	17,100
Resources received free of charge	(239,700)	-	(198,000)	-
Write-down and impairment of assets	96,299	45,012	-	15,887
Changes in assets / liabilities				
(Increase) / decrease in trade and other receivables	(468,655)	957,083	(449,734)	708,813
(Increase) / decrease in inventories	(1,049,491)	1,771,586	(1,033,321)	1,724,557
(Increase) / decrease in other non-financial assets	128,359	344,977	138,313	344,977
Increase / (decrease) in employee provisions	314,040	458,569	244,468	397,022
Increase / (decrease) in supplier payables	(1,785,168)	(4,063,551)	(1,549,933)	(3,936,017)
Increase / (decrease) in other payables	(450,941)	(557,435)	(425,567)	(576,798)
Increase / (decrease) in loans	(93,149)	(17,250)	(93,149)	(17,250)
Increase / (decrease) in deposits	(720)	(3,150)	(720)	(3,150)
Net cash from (used by) operating activities	(380,086)	945,995	(768,598)	928,542

Note 11: Contingent Assets and Liabilities

Quantifiable Contingencies

	Consolidated		Administration	
	2012	2011	2012	2011
	\$	\$	\$	\$
Contingent liabilities				
Financial guarantee	128,000	128,000	128,000	128,000
Total contingent liabilities	128,000	128,000	128,000	128,000
Net contingent assets/(liability)	128,000	128,000	128,000	128,000

The Administration has provided two financial guarantees relating to airline landing charges at Sydney International Airport.

Unquantifiable Contingencies

At 30 June 2012, the Administration was involved in a number of legal and criminal proceedings. The Administration has denied liability and is defending the claims. It is not possible to estimate the amounts of any eventual payments that may be required in relation to these proceedings.

Significant Remote Contingencies

The Administration and the Group had no significant remote contingencies as at 30 June 2012.

Note 12: Related Party Transactions

Note 12A: 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	
	2012	2011	2012	2011
	\$	\$	\$	\$
Purchases of goods and services	1,862	2,042	1,862	2,042
Amounts outstanding at balance date	-	-	-	-
	1,862	2,042	1,862	2,042

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 \$150,000 (2011: Nil).

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

Average annual reportable remuneration ¹	2012			
	Senior Executives No.	Reportable salary ² \$	Gratuity paid ³ \$	Total \$
Total remuneration (including part-time arrangements):	5	35,402	7,026	42,428
\$0 to \$150,000	5			
Total	5			

Average annual reportable remuneration ¹	2011			
	Senior Executives No.	Reportable salary ² \$	Gratuity paid ³ \$	Total \$
Total remuneration (including part-time arrangements):	4	62,056	3,879	65,936
\$0 to \$150,000	4			
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.

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

Average annual reportable remuneration ¹	2012			
	Senior Executives No.	Reportable salary ² \$	Gratuity paid ³ \$	Total \$
Total remuneration (including part-time arrangements):	2	25,776	4,486	30,262
\$0 to \$150,000	2			
Total	2			

Average annual reportable remuneration ¹	2011			
	Senior Executives No.	Reportable salary ² \$	Gratuity paid ³ \$	Total \$
Total remuneration (including part-time arrangements):	2	49,106	4,486	53,592
\$0 to \$150,000	2			
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 (2011: Nil).

Note 14: Remuneration of Auditors

	Consolidated		Administration	
	2012	2011	2012	2011
	\$	\$	\$	\$
Fair value of the services provided				
Financial statement audit services	239,700	74,340	198,000	59,840
Total	239,700	74,340	198,000	59,840

The 2010/11 financial statement audit services were provided to the Group by CST Nexia Audit.

The 2011/12 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 Regional Australia, Local Government, Arts and Sport.

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

Note 15: Financial Instruments

	Consolidated 2012	2011	Administration 2012	2011
	\$	\$	\$	\$

Note 15A: Categories of Financial Instruments

Financial Assets

Loans and receivables:

Cash and cash equivalents	4,519,647	5,366,869	4,247,634	5,309,628
Trade and other receivables	4,291,217	3,723,783	3,642,306	3,094,494
Other investments	188,109	107,742	-	-
Total	8,998,973	9,198,394	7,889,940	8,404,122

Carrying amount of financial assets

	8,998,973	9,198,394	7,889,940	8,404,122
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Financial Liabilities

At amortised cost:

Trade creditors	5,142,970	7,025,081	5,362,463	6,951,437
Loans	11,795,683	11,888,832	11,795,683	11,888,832
Deposits	19,875	20,595	19,875	20,595
Total	16,958,528	18,934,508	17,178,021	18,860,864

Carrying amount of financial liabilities

	16,958,528	18,934,508	17,178,021	18,860,864
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Note 15B: Net Income and Expense from Financial Assets

Loans and receivables

Interest revenue	176,113	201,014	170,219	189,524
Net gain from loans and receivables	176,113	201,014	170,219	189,524
Net gain from financial assets	176,113	201,014	170,219	189,524

There was no income from financial assets not at fair value through profit or loss in the year ending 2012 (2011: Nil).

Note 15C: Net Income and Expense from Financial Liabilities

Financial liabilities - at amortised cost

Interest expense	106,199	141,012	106,199	141,012
Net loss from financial liabilities - at amortised cost	106,199	141,012	106,199	141,012
Net loss from financial liabilities	106,199	141,012	106,199	141,012

There was no interest expense from financial assets not at fair value through profit or loss in the year ending 2012 (2011: Nil).

Note 15D: Fair Value of Financial Instruments

Fair Value of Financial Instruments - Consolidated

	Carrying amount 2012	Fair value 2012	Carrying amount 2011	Fair value 2011
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	4,519,647	4,519,647	5,366,869	5,366,869
Trade and other receivables	4,291,217	4,291,217	3,723,783	3,723,783
Other investments	188,109	188,109	107,742	107,742
Total	8,998,973	8,998,973	9,198,394	9,198,394
Financial Liabilities				
Trade creditors	5,142,970	5,142,970	7,025,081	7,025,081
Loans	11,795,683	11,795,683	11,888,832	11,888,832
Deposits	19,875	19,875	20,595	20,595
Total	16,958,528	16,958,528	18,934,508	18,934,508

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

Fair Value of Financial Instruments - Administration

	Carrying amount 2012	Fair value 2012	Carrying amount 2011	Fair value 2011
	\$	\$	\$	\$
Financial Assets				
Cash and cash equivalents	4,247,634	4,247,634	5,309,628	5,309,628
Trade and other receivables	3,642,306	3,642,306	3,094,494	3,094,494
Other investments	-	-	-	-
Total	7,889,940	7,889,940	8,404,122	8,404,122
Financial Liabilities				
Trade creditors	5,362,463	5,362,463	6,951,437	6,951,437
Loans	11,795,683	11,795,683	11,888,832	11,888,832
Deposits	19,875	19,875	20,595	20,595
Total	17,178,021	17,178,021	18,860,864	18,860,864

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

Note 15E: Credit Risk

The Administration was exposed to minimal credit risk as loans and receivables were cash and trade receivables. The maximum exposure to credit risk was the risk that arises from potential default of a debtor. This amount was equal to the total amount of trade receivables (2012: \$3,642,306 and 2011: \$3,094,494).

The Administration has assessed the risk of the default on payment and had allocated \$231,637 in 2012 (2011: \$133,560) 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
	2012	2011	2012	2011
	\$	\$	\$	\$
Cash and cash equivalents	4,519,647	5,366,869	-	-
Trade and other receivables	2,616,690	2,636,571	1,674,527	1,087,212
Other investments	188,109	107,742	-	-
Total	7,324,447	8,111,182	1,674,527	1,087,212

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
	2012	2011	2012	2011
	\$	\$	\$	\$
Cash and cash equivalents	4,247,634	5,309,628	-	-
Trade and other receivables	2,435,821	2,462,316	1,206,485	632,178
Other investments	-	-	-	-
Total	6,683,455	7,771,944	1,206,485	632,178

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

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

Ageing of financial assets that were past due but not impaired for 2011 - Consolidated

	0 to 30 days	31 to 60 days	60+ days	Total
	\$	\$	\$	\$
Trade and other receivables	418,569	69,833	140,328	628,729
Total	418,569	69,833	140,328	628,729

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

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

Ageing of financial assets that were past due but not impaired for 2011 - Administration

	0 to 30 days	31 to 60 days	60+ days	Total
	\$	\$	\$	\$
Trade and other receivables	303,343	69,833	132,070	505,246
Total	303,343	69,833	132,070	505,246

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 2012 - Consolidated

	On demand	within 1 year	1 to 2 years	2 to 5 years	>5 years	Total
	\$	\$	\$	\$	\$	\$
Trade creditors	-	5,142,970	-	-	-	5,142,970
Loans	-	1,200,000	1,200,000	3,600,000	5,795,683	11,795,683
Deposits	19,875	-	-	-	-	19,875
Total	19,875	6,342,970	1,200,000	3,600,000	5,795,683	16,958,528

Maturities for non-derivative financial liabilities for 2011 - Consolidated

	On demand	within 1 year	1 to 2 years	2 to 5 years	>5 years	Total
	\$	\$	\$	\$	\$	\$
Trade creditors	-	7,025,081	-	-	-	7,025,081
Loans	-	1,200,000	1,200,000	3,600,000	5,888,832	11,888,832
Deposits	20,595	-	-	-	-	20,595
Total	20,595	8,225,081	1,200,000	3,600,000	5,888,832	18,934,508

The Group had no derivative financial liabilities in either 2012 or 2011.

Maturities for non-derivative financial liabilities for 2012 - Administration

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

Maturities for non-derivative financial liabilities for 2011 - Administration

	On demand	within 1 year	1 to 2 years	2 to 5 years	>5 years	Total
	\$	\$	\$	\$	\$	\$
Trade creditors		6,951,437	-	-	-	6,951,437
Loans	-	1,200,000	1,200,000	3,600,000	5,888,832	11,888,832
Deposits	20,595	-	-	-	-	20,595
Total	20,595	8,151,437	1,200,000	3,600,000	5,888,832	18,860,864

The Administration had no derivative financial liabilities in either 2012 or 2011.

Note 16: Financial Assets and Liabilities Reconciliation

	Notes	Consolidated		Administration	
		2012	2011	2012	2011
		\$	\$	\$	\$
Financial assets					
Total financial assets as per Balance Sheet		8,427,528	8,725,728	7,658,302	8,270,562
Add: non-financial instrument components					
Impairment allowance for goods and services	5B	571,446	472,666	231,637	133,560
Total financial instrument components		571,446	472,666	231,637	133,560
Total financial assets as per financial instruments note		8,998,973	9,198,394	7,889,940	8,404,122
Financial liabilities					
Total financial liabilities as per Balance Sheet		20,071,045	22,183,926	19,541,665	21,405,607
Less: non-financial instrument components:					
Employee provisions	9A	2,827,743	2,513,703	2,157,458	1,912,990
Other payables	7B	284,774	735,715	206,186	631,753
Total non-financial instrument components		3,112,517	3,249,418	2,363,644	2,544,743
Total financial liabilities as per financial instruments note		16,958,528	18,934,508	17,178,021	18,860,864

Note 17: Investments

	Consolidated		Administration	
	2012	2011	2012	2011
	\$	\$	\$	\$
Balance brought forward from previous period	107,742	101,407	-	-
Investments made	75,000	-	-	-
Investment income	5,367	6,335	-	-
Transactional charges	-	-	-	-
Investments realised	-	-	-	-
Total balance carried to the next period	188,109	107,742	-	-

Note 18: Appropriations

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

	2012
	\$
Balance as at 1 July 2011	153,310
New appropriation (from cash flow)	54,705,894
Cash payments	(55,474,492)
Difference	(615,288)
<i>Appropriation Act 2011-12</i>	<i>56,709,110</i>
Cash payments	(55,474,492)
Appropriation under spend	1,234,618
Closing balance as represented by:	
Amounts transferred	131,650
Amounts lapsed	1,102,968
Total closing balance	1,234,618

The Legislative Assembly of Norfolk Island appropriates money under the *Appropriation Act 2011-12* to specific cost centres and also to specific line items. The Appropriation Act sets upper limits on expenditure that can only be varied by approvals from the Minister for Finance. Notwithstanding, in the 2011-12 year, eight of 43 performance budget cost centres were over spent by amounts ranging from \$1,000 to \$295,000 and one in excess of \$750,000. For those amounts allocated to specific line items, 60 of 178 allocations were over spent, with 29 of these less than \$1,000, 28 from \$1,001 to \$50,000 and three being over \$150,000. However, as reported in the Note above, the total amount appropriated for the year was underspent.

The above table is prepared on a cash basis.

Comparison figures are not presented as there was no legal requirement for the Administration of Norfolk Island to prepare an Annual Appropriation note in previous years.

Note 19: Ex-Gratia Payments

	Consolidated		Administration	
	2012	2011	2012	2011
	\$	\$	\$	\$
Ex-Gratia Payments				
119 ex-gratia payments were provided for during the reporting period (2011: 237).	188,773	216,694	188,773	216,694

Ex-gratia payments relates mainly to the Duty Drawback Scheme and the Photovoltaic Refund Scheme.

The Duty Drawback Scheme was introduced as part of the Norfolk Island Goods and Service Tax regime introduced on 2 April 2007, and enabled a registered person to claim a refund for the GST paid on stock on hand at 12:00am 1 April 2007 upon which duty has previously been paid. The Duty Drawback Scheme concluded on 30 June 2012.

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

Note 20: Assets Held in Trust

Monetary assets

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

Non-monetary assets

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

Norfolk Air Prepaid Ticket Sales

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

	2012	2011
	\$	\$
Total amount held at the beginning of the reporting period	1,471,331	-
Receipts	-	1,548,700
Payments	(1,471,331)	(77,369)
Total amount held at the end of the reporting period	-	1,471,331

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.

	2012	2011
	\$	\$
Total amount held at the beginning of the reporting period	134,374	225,176
Receipts	57,929	4,396
Payments	(23,164)	(95,198)
Total amount held at the end of the reporting period	169,139	134,374

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.

	2012	2011
	\$	\$
Total amount held at the beginning of the reporting period	74,427	74,812
Receipts	12,473	8,877
Payments	-	(9,262)
Total amount held at the end of the reporting period	86,900	74,427

National Heritage Trust

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

	2012	2011
	\$	\$
Total amount held at the beginning of the reporting period	-	30,877
Receipts	-	-
Payments	-	(30,877)
Total amount held at the end of the reporting period	-	-

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.

2012	2011
\$	\$

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.

	2012	2011
	\$	\$
Total amount held at the beginning of the reporting period	666	-
Receipts	158,313	97,666
Payments	(146,547)	(97,000)
Total amount held at the end of the reporting period	12,432	666

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.

	2012	2011
	\$	\$
Total amount held at the beginning of the reporting period	24,158	24,158
Receipts	-	-
Payments	-	-
Total amount held at the end of the reporting period	24,158	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.

	2012	2011
	\$	\$
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

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.

	2012	2011
	\$	\$
Total amount held at the beginning of the reporting period	-	7,467
Receipts	54	164,579
Payments	-	(172,046)
Total amount held at the end of the reporting period	54	-

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.

	2012	2011
	\$	\$
Total amount held at the beginning of the reporting period	143,194	209,037
Receipts	2,079,686	324,526
Payments	(1,736,840)	(390,369)
Total amount held at the end of the reporting period	486,041	143,194