



## 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 Norfolk Island Hospital Enterprise for the year ended 30 June 2012, which comprise: a statement by the Chief Minister (Minister for Finance) and the Hospital Director of the Norfolk Island Hospital Enterprise a Statement of Comprehensive Income; Balance Sheet; Statement of Changes in Equity; Cash Flow Statement; and Schedules of Commitments and Contingencies; and Notes to and Forming Part of the Financial Statements, including a Summary of Significant Accounting Policies..

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

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

### **Auditor's Responsibility**

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

As disclosed in Note 1.3 to the financial statements, the Norfolk Island Hospital Enterprise receives a significant annual subsidy from the Administration of Norfolk Island to support its operations. The Administration of Norfolk Island is currently facing financial difficulty due to losses incurred in previous years from the continuing economic downturn, a decline in tourism and losses incurred from the Airline operation, and has forecast negative cash flows to continue in the future.

These forecasts indicate that the Administration of Norfolk Island may not be able to meet all its financial obligations beyond June 2013.

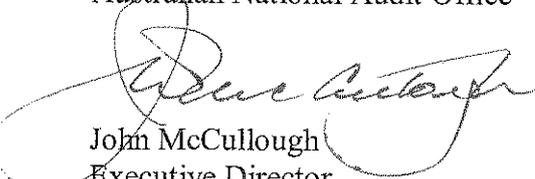
Note 1.3 also discloses that the Commonwealth of Australia's funding commitments to the Administration of Norfolk Island end at 30 June 2013. At the date of this report, no further financial assistance to the Administration of Norfolk Island has been negotiated. Further, Note 1.3 states that in the event 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 Norfolk Island Hospital Enterprise may not be able to continue its operations as a going concern and therefore may not be able to realise its assets and extinguish its liabilities in the ordinary course of operations and at the amounts stated in the financial statements. These conditions indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Norfolk Island Hospital Enterprise 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 in the preparation of the financial statements of the Norfolk Island Hospital Enterprise 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 Norfolk Island Hospital Enterprise for the year ended 30 June 2012.

Australian National Audit Office



John McCullough  
Executive Director  
Delegate of the Auditor-General

Canberra  
12 March 2013



# Financial Statements 2011/12

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Norfolk Island Hospital Enterprise

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**Norfolk Island Hospital Enterprise**

**STATEMENT BY THE CHIEF MINISTER (MINISTER FOR FINANCE) AND THE HOSPITAL DIRECTOR**

In our opinion, the attached 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 *Norfolk Island Hospital Act 1985* and the Commonwealth Finance Minister's (Norfolk Island) Orders 2011 made under the *Norfolk Island Act 1979*.

Signed.....

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

12 March 2013

Signed.....

  
Ms. Julie Morrison  
Hospital Director  
Norfolk Island Hospital Enterprise

12 March 2013

**Statement of Comprehensive Income for the Norfolk Island Hospital Enterprise**  
*for the period ended 30 June 2012*

	Notes	2012 \$	2011 \$
<b>EXPENSES</b>			
Employee benefits	3A	2,950,328	2,999,680
Suppliers	3B	1,623,840	1,616,168
Depreciation and amortisation	3C	463,763	428,055
Loss on sale of assets	3D	598	1,348
Write-down and impairment of assets	3E	93,019	32,089
<b>Total expenses</b>		<u>5,131,549</u>	<u>5,077,340</u>
<b>LESS:</b>			
<b>OWN-SOURCE INCOME</b>			
<b>Own-source revenue</b>			
Sale of goods and rendering of services	4A	1,491,259	1,535,602
Fees	4B	1,398,670	1,300,233
Interest	4C	5,894	11,490
Rental income	4D	13,644	15,921
Other revenue	4E	26,918	309,670
<b>Total own-source revenue</b>		<u>2,936,385</u>	<u>3,172,917</u>
<b>Gains</b>			
Other gains	4F	24,500	-
<b>Total gains</b>		<u>24,500</u>	<u>-</u>
<b>Net cost of services</b>		<u>(2,170,664)</u>	<u>(1,904,423)</u>
Revenue received from Government	4G	2,038,643	1,460,293
<b>Surplus (Deficit) attributable to the Norfolk Island Hospital Enterprise</b>		<u>(132,021)</u>	<u>(444,130)</u>
<b>OTHER COMPREHENSIVE INCOME</b>			
Changes in asset revaluation reserves		34,907	178,069
<b>Total other comprehensive income</b>		<u>34,907</u>	<u>178,069</u>
<b>Total comprehensive income (loss) attributable to the Norfolk Island Hospital Enterprise</b>		<u>(97,114)</u>	<u>(266,061)</u>

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

**Balance Sheet for the Norfolk Island Hospital Enterprise**  
*as at 30 June 2012*

	Notes	2012 \$	2011 \$
<b>ASSETS</b>			
<b>Financial Assets</b>			
Cash and cash equivalents	5A	270,114	55,341
Trade and other receivables	5B	306,102	286,651
Other investments	5C	188,109	107,742
<b>Total financial assets</b>		<u>764,325</u>	<u>449,734</u>
<b>Non-Financial Assets</b>			
Land and buildings	6A	3,555,413	3,938,008
Property, plant and equipment	6B,C	656,784	714,071
Intangibles	6D,E	2,294	3,413
Inventories	6F	277,739	268,617
Other non-financial assets	6G	31,476	21,522
<b>Total non-financial assets</b>		<u>4,523,706</u>	<u>4,945,631</u>
<b>Total assets</b>		<u>5,288,031</u>	<u>5,395,365</u>
<b>LIABILITIES</b>			
<b>Payables</b>			
Suppliers	7A	87,311	128,483
Other payables	7B	69,807	97,257
<b>Total payables</b>		<u>157,118</u>	<u>225,740</u>
<b>Provisions</b>			
Employee provisions	8A	630,210	571,809
<b>Total provisions</b>		<u>630,210</u>	<u>571,809</u>
<b>Total liabilities</b>		<u>787,328</u>	<u>797,549</u>
<b>Net assets</b>		<u>4,500,702</u>	<u>4,597,816</u>
<b>EQUITY</b>			
Reserves		581,834	546,927
Retained surplus (accumulated deficit)		3,918,868	4,050,889
<b>Total equity</b>		<u>4,500,702</u>	<u>4,597,816</u>

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

**Statement of Changes in Equity for the Norfolk Island Hospital Enterprise**  
*for the period ended 30 June 2012*

	Retained earnings		Asset revaluation reserve		Total equity	
	2012	2011	2012	2011	2012	2011
	\$	\$	\$	\$	\$	\$
<b>Opening balance</b>						
Balance carried forward from previous period	4,050,889	4,542,246	546,927	-	4,597,816	4,542,246
Adjustment for changes in accounting policies	-	(47,227)	-	368,858	-	321,631
<b>Adjusted opening balance</b>	<b>4,050,889</b>	<b>4,495,019</b>	<b>546,927</b>	<b>368,858</b>	<b>4,597,816</b>	<b>4,863,877</b>
<b>Comprehensive income</b>						
Other comprehensive income	-	-	34,907	178,069	34,907	178,069
Surplus (Deficit) for the period	(132,021)	(444,130)			(132,021)	(444,130)
<b>Total comprehensive income</b>	<b>(132,021)</b>	<b>(444,130)</b>	<b>34,907</b>	<b>178,069</b>	<b>(97,114)</b>	<b>(266,061)</b>
<b>Closing balance as at 30 June</b>	<b>3,918,868</b>	<b>4,050,889</b>	<b>581,834</b>	<b>546,927</b>	<b>4,500,702</b>	<b>4,597,816</b>

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

**Cash Flow Statement for the Norfolk Island Hospital Enterprise**  
*for the period ended 30 June 2012*

	Notes	2012 \$	2011 \$
<b>OPERATING ACTIVITIES</b>			
<b>Cash received</b>			
Sales of goods and rendering of services		2,905,274	3,032,605
Receipts received from the Administration of Norfolk Island		2,038,643	1,460,293
Donations		4,654	-
Interest		10	5
<b>Total cash received</b>		<u>4,948,581</u>	<u>4,492,903</u>
<b>Cash used</b>			
Employees and suppliers		4,566,496	4,451,966
<b>Total cash used</b>		<u>4,566,496</u>	<u>4,451,966</u>
<b>Net cash from (used by) operating activities</b>	9	<u>382,085</u>	<u>40,937</u>
<b>INVESTING ACTIVITIES</b>			
<b>Cash received</b>			
Proceeds received from investments		5,367	105,096
<b>Total cash received</b>		<u>5,367</u>	<u>105,096</u>
<b>Cash used</b>			
Purchase of land, property, plant and equipment		97,679	136,445
Purchase of financial instruments		75,000	-
<b>Total cash used</b>		<u>172,679</u>	<u>136,445</u>
<b>Net cash from (used by) investing activities</b>		<u>(167,312)</u>	<u>(31,349)</u>
<b>Net increase (decrease) in cash held</b>			
		<u>214,773</u>	<u>9,588</u>
Cash and cash equivalents at the beginning of the reporting period		55,341	45,753
<b>Cash and cash equivalents at the end of the reporting period</b>	5A	<u>270,114</u>	<u>55,341</u>

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

Schedule of Commitments for the Norfolk Island Hospital Enterprise  
as at 30 June 2012

	2012	2011
	\$	\$
<b>BY TYPE</b>		
<b>Commitments payable</b>		
<b>Capital commitments</b>		
Property, plant and equipment	45,850	-
<b>Total capital commitments</b>	<u>45,850</u>	<u>-</u>
<b>Other commitments</b>		
Other	106,454	63,284
<b>Total other commitments</b>	<u>106,454</u>	<u>63,284</u>
<b>Total commitments payable</b>	<u>152,304</u>	<u>63,284</u>
<b>Net commitments by type</b>	<u>152,304</u>	<u>63,284</u>
<b>BY MATURITY</b>		
<b>Commitments payable</b>		
<b>Capital commitments</b>		
One year or less	45,850	-
From one to five years	-	-
Over five years	-	-
<b>Total capital commitments</b>	<u>45,850</u>	<u>-</u>
<b>Other Commitments</b>		
One year or less	73,064	63,284
From one to five years	33,390	-
Over five years	-	-
<b>Total other commitments</b>	<u>106,454</u>	<u>63,284</u>
<b>Total commitments payable</b>	<u>152,304</u>	<u>63,284</u>
<b>Net commitments by maturity</b>	<u>152,304</u>	<u>63,284</u>

Note:

1. Commitments were GST inclusive where relevant.
2. The property, plant and equipment commitment is for the purchase of an ultrasound machine.
3. Other commitments payable relate to general service contracts.

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

**Schedule of Contingencies for the Norfolk Island Hospital Enterprise**  
*as at 30 June 2012*

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The Norfolk Island Hospital Enterprise has no contingent assets or liabilities as at 30 June 2012 (2011: Nil).

Refer to Note 10.

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## Note 1: Summary of Significant Accounting Policies

### 1.1 Objectives of the Norfolk Island Hospital Enterprise

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

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

### 1.2 Basis of Preparation of the Financial Statements

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

The financial statements have been prepared in accordance with:

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

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

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

Unless an alternative treatment is specifically required by an accounting standard or the CFMOs, assets and liabilities are recognised in the balance sheet when and only when it is probable that future economic benefits will flow to the NIHE or a future sacrifice of economic benefits will be required and the amounts of the assets or liabilities can be reliably measured. However, assets and liabilities arising under 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 financial statements have been prepared on a going concern basis which contemplates the realisation of assets and settlement of liabilities in the ordinary course of business.

The NIHE receives a significant annual subsidy from the Administration of Norfolk Island to support its operations. The Administration of Norfolk Island is currently facing financial difficulty due to losses incurred in previous years from continuing economic downturn, a decline in tourism and losses incurred from the Airline operation. Additional funding has been provided by the Commonwealth of Australia in 2010-11, 2011-12 and 2012-13 to ensure the Administration of Norfolk Island has been able to meet its expenditure commitments. The Administration of Norfolk Island has forecast negative cash flows to continue in the future. The Commonwealth of Australia's funding commitments to the Administration of Norfolk Island ends at 30 June 2013 and as at the date of signing these financial statements, no further financial assistance to the Administration of Norfolk Island has been negotiated. Given the significance of the Administration of Norfolk Island's annual subsidy to NIHE, these conditions give rise to a material uncertainty that may cast significant doubt upon the NIHE's ability to continue as a going concern.

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

### 1.4 Significant Accounting Judgements and Estimates

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

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

## 1.5 New Australian Accounting Standards

### Adoption of New Australian Accounting Standard Requirements

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

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 NIHE.

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

### Future Australian Accounting Standard Requirements

The following new standards, 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 NIHE 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 the AASB 9
AASB 2011-8	Amendments to Australian Accounting Standards arising from AASB 13
AASB 2011-10	Amendments to Australian Accounting Standards arising from the AASB 119
AASB 2012-5	Amendments to Australian Accounting Standards arising from Annual

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 NIHE.

## 1.6 Revenue

### Sale of Goods and Rendering of Services

Revenue from the sale of goods is recognised when:

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

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

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

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

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

### Interest

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

### Fees

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

## 1.7 Gains

### Revenue from Government

Revenue received from the Administration of Norfolk Island is recognised as Revenue from Government when the NIHE gains control of the funds.

### Resources Received Free of Charge

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

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

### Sale of Assets

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

## 1.8 Employee Benefits

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

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

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

### Leave

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

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

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

### Separation and Redundancy

The NIHE recognises a provision for 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

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

## **1.9 Leases**

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

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

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

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

## **1.10 Foreign Currency Transactions**

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

## **1.11 Borrowing Costs**

All borrowing costs are expensed as incurred.

## **1.12 Cash**

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

## **1.13 Financial Assets**

The NIHE classifies its financial assets in the following categories:

- a) 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.

### **1.14 Financial Liabilities**

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

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

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

#### Other Financial Liabilities

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

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

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

### **1.15 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*.

### **1.16 Acquisition of Assets**

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

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

### **1.17 Land, Buildings, Property, Plant and Equipment**

#### Asset Recognition Threshold

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

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

#### Revaluations

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

Revaluation adjustments 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 are determined as shown below:

<u>Asset class</u>	<u>Fair value measurement</u>
Land	Market selling price
Buildings on freehold land	Market selling price 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 NIHE using, in all cases, the straight-line method of depreciation. Land is not depreciated.

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

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

<i>Asset class</i>	<i>2012</i>	<i>2011</i>
Buildings on freehold land	25 to 50 years	25 to 50 years
Property, plant and equipment	3 to 10 years	3 to 10 years

### Impairment

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 NIHE 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.

## **1.18 Intangibles**

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

Software is amortised on a straight-line basis over its anticipated useful life. The useful lives of the NIHE's software are 2 to 10 years (2011: 2 to 10 years).

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

## **1.19 Inventories**

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

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

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

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

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

## **1.20 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.

## **1.21 Taxation**

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

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

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

## **1.22 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.

## **1.23 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 of Norfolk Island and the NIHE.

## **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.

On 22 February 2013, the NIHE signed a memorandum of understanding with South East Sydney Local Health District and the Sydney Children's Hospital Network to work together collaboratively in assisting the NIHE improve access to medical services and treatments on the Australian mainland for the residents of Norfolk Island.

**Note 3: Expenses**

	2012	2011
	\$	\$
<b>Note 3A: Employee Benefits</b>		
Wages and salaries	2,911,932	2,963,540
Superannuation	<u>38,397</u>	<u>36,140</u>
<b>Total employee benefits</b>	<u><b>2,950,328</b></u>	<u><b>2,999,680</b></u>
<b>Note 3B: Supplier</b>		
<b>Goods and services</b>		
General hospital	575,394	456,189
Dispensary	516,432	482,873
Laboratory	165,581	164,465
Physiotherapy department	44,377	48,224
Dental	67,389	78,296
Aged care	61,744	90,541
Other	<u>172,431</u>	<u>279,609</u>
<b>Total goods and services</b>	<u><b>1,603,348</b></u>	<u><b>1,600,197</b></u>
<b>Goods and services are made up of:</b>		
Provision of goods – related entities	-	-
Provision of goods – external entities	761,087	725,675
Rendering of services – related entities	38,317	37,552
Rendering of services – external entities	<u>803,944</u>	<u>836,970</u>
<b>Total goods and services</b>	<u><b>1,603,348</b></u>	<u><b>1,600,197</b></u>
<b>Other supplier expenses</b>		
Workers compensation expenses	<u>20,492</u>	<u>15,971</u>
<b>Total other supplier expenses</b>	<u><b>20,492</b></u>	<u><b>15,971</b></u>
<b>Total supplier expenses</b>	<u><b>1,623,840</b></u>	<u><b>1,616,168</b></u>
<b>Note 3C: Depreciation and Amortisation</b>		
<b>Depreciation:</b>		
Property, plant and equipment	173,769	164,905
Buildings	<u>287,618</u>	<u>260,803</u>
<b>Total depreciation</b>	<u><b>461,387</b></u>	<u><b>425,708</b></u>
<b>Amortisation:</b>		
Intangibles - computer software	<u>2,376</u>	<u>2,347</u>
<b>Total amortisation</b>	<u><b>2,376</b></u>	<u><b>2,347</b></u>
<b>Total depreciation and amortisation</b>	<u><b>463,763</b></u>	<u><b>428,055</b></u>
<b>Note 3D: Loss on Sale of Assets</b>		
<b>Property, plant and equipment:</b>		
Carrying value of assets sold	<u>598</u>	<u>1,348</u>
<b>Total losses from asset sales</b>	<u><b>598</b></u>	<u><b>1,348</b></u>
<b>Note 3E: Write-Down and Impairment of Assets</b>		
<b>Asset write-down and impairments from:</b>		
Bad debts	1,299	14,839
Asset revaluation adjustment recognised in operating result	<u>91,720</u>	<u>17,250</u>
<b>Total write-down and impairment of assets</b>	<u><b>93,019</b></u>	<u><b>32,089</b></u>

**Note 4: Income**

	2012	2011
	\$	\$
<b>OWN-SOURCE REVENUE</b>		
<b><u>Note 4A: Sale of Goods and Rendering of Services</u></b>		
Provision of goods - related entities	-	-
Provision of goods - external entities	715,257	661,533
Rendering of services - related entities	144,980	113,841
Rendering of services - external entities	631,022	760,227
<b>Total sale of goods and rendering of services</b>	<b>1,491,259</b>	<b>1,535,602</b>
<b><u>Note 4B: Fees</u></b>		
General hospital fees	517,504	465,014
Laboratory fees	200,359	183,343
X-Ray fees	70,334	74,986
Dental fees	135,981	141,410
Aged care fees	474,492	435,480
<b>Total fees</b>	<b>1,398,670</b>	<b>1,300,233</b>
<b><u>Note 4C: Interest</u></b>		
Deposits	5,894	11,490
<b>Total interest</b>	<b>5,894</b>	<b>11,490</b>
<b><u>Note 4D: Rental Income</u></b>		
Hospital properties	13,644	15,921
<b>Total rental income</b>	<b>13,644</b>	<b>15,921</b>
<b><u>Note 4E: Other Revenue</u></b>		
Donations	26,918	309,670
<b>Total other revenue</b>	<b>26,918</b>	<b>309,670</b>
<b>GAINS</b>		
<b><u>Note 4F: Other Gains</u></b>		
Resources received free of charge	24,500	-
<b>Total other gains</b>	<b>24,500</b>	<b>-</b>
<b>REVENUE FROM GOVERNMENT</b>		
<b><u>Note 4G: Revenue from Government</u></b>		
Revenue received from the Administration of Norfolk Island	2,038,643	1,460,293
<b>Total revenue from Government</b>	<b>2,038,643</b>	<b>1,460,293</b>

## Note 5: Financial Assets

	2012	2011
	\$	\$
<b>Note 5A: Cash and Cash Equivalents</b>		
Cash on hand or on deposit	<u>270,114</u>	<u>55,341</u>
<b>Total cash and cash equivalents</b>	<u>270,114</u>	<u>55,341</u>
<b>Note 5B: Trade and Other Receivables</b>		
<b>Goods and Services:</b>		
Goods and services - external entities	<u>637,653</u>	<u>618,202</u>
<b>Total receivables for goods and services</b>	<u>637,653</u>	<u>618,202</u>
<b>Less impairment allowance account:</b>		
Goods and services	<u>(331,551)</u>	<u>(331,551)</u>
<b>Total impairment allowance account</b>	<u>(331,551)</u>	<u>(331,551)</u>
<b>Total trade and other receivables (net)</b>	<u>306,102</u>	<u>286,651</u>
<b>Receivables are expected to be recovered in:</b>		
No more than 12 months	306,102	286,651
More than 12 months	<u>-</u>	<u>-</u>
<b>Total trade and other receivables (net)</b>	<u>306,102</u>	<u>286,651</u>
<b>Receivables are aged as follows:</b>		
Not overdue	178,868	174,255
Overdue by:		
0 to 30 days	165,436	120,879
31 to 60 days	26,315	30,059
More than 60 days	<u>267,034</u>	<u>293,009</u>
<b>Total receivables (gross)</b>	<u>637,653</u>	<u>618,202</u>
<b>The impairment allowance account is aged as follows:</b>		
Overdue by:		
0 to 30 days	(38,202)	(8,483)
31 to 60 days	(26,315)	(30,059)
More than 60 days	<u>(267,034)</u>	<u>(293,009)</u>
<b>Total impairment allowance account</b>	<u>(331,551)</u>	<u>(331,551)</u>
<b>Reconciliation of the Impairment Allowance Account:</b>		
<b>Movements in relation to 2012</b>		
	Goods and	Total
	services	Total
	\$	\$
Opening balance	(331,551)	(331,551)
Amounts written off	-	-
<b>Closing balance</b>	<u>(331,551)</u>	<u>(331,551)</u>
<b>Movements in relation to 2011</b>		
	Goods and	Total
	services	Total
	\$	\$
Opening balance	(331,551)	(331,551)
Amounts written off	-	-
<b>Closing balance</b>	<u>(331,551)</u>	<u>(331,551)</u>
	2012	2011
	\$	\$
<b>Note 5C: Other Investments</b>		
Term Deposits	<u>188,109</u>	<u>107,742</u>
<b>Total other investments</b>	<u>188,109</u>	<u>107,742</u>

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

**Note 6: Non-Financial Assets**

	2012 \$	2011 \$
<b>Note 6A: Land and Buildings</b>		
<b>Land:</b>		
Fair value	375,000	470,000
<b>Total land</b>	<b>375,000</b>	<b>470,000</b>
<b>Buildings on freehold land:</b>		
Fair value	3,180,413	3,468,008
Accumulated depreciation	-	-
<b>Total buildings on freehold land</b>	<b>3,180,413</b>	<b>3,468,008</b>
<b>Total land and buildings</b>	<b>3,555,413</b>	<b>3,938,008</b>

No indicators of impairment were found for land and buildings.

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

**Revaluation of land and buildings**

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

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

<b>Property, plant and equipment:</b>		
Work in progress	70,282	16,964
Fair value	586,502	697,107
Accumulated depreciation	-	-
<b>Total property, plant and equipment</b>	<b>656,784</b>	<b>714,071</b>

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

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

**Revaluation of property, plant and equipment**

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

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

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

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

	Land \$	Buildings \$	Total land & buildings \$	Property, plant & equipment \$	Total \$
As at 1 July 2010					
Gross book value (at cost value)	77,250	4,122,725	4,199,975	1,928,820	6,128,795
Accumulated depreciation and impairment	-	(716,424)	(716,424)	(1,272,751)	(1,989,175)
Adjustment for changes in accounting policies	(17,250)	183,703	166,453	183,777	350,230
Net book value 1 July 2010	60,000	3,590,004	3,650,004	839,846	4,489,850
Additions:					
By purchase or donation	406,720	17,506	424,226	19,750	443,976
Work in progress	-	-	-	(19,916)	(19,916)
Depreciation expense	-	(260,803)	(260,803)	(164,905)	(425,708)
Disposals	-	-	-	(14,507)	(14,507)
Revaluation adjustment recognised in other comprehensive income	3,280	121,301	124,581	53,803	178,384
Revaluation adjustment recognised in operating result	-	-	-	-	-
Net book value 30 June 2011	470,000	3,468,008	3,938,008	714,071	4,652,079
Net book value as of 30 June 2011 represented by:					
Gross book value (at fair value)	470,000	3,468,008	3,938,008	714,071	4,652,079
Accumulated depreciation and impairment	-	-	-	-	-
Net book value 30 June 2011	470,000	3,468,008	3,938,008	714,071	4,652,079

	2012 \$	2011 \$
<b>Note 6D: Intangibles</b>		
<b>Computer software:</b>		
Purchased	2,294	3,413
Accumulated amortisation	-	-
<b>Total computer software</b>	<u>2,294</u>	<u>3,413</u>
<b>Total intangibles</b>	<u>2,294</u>	<u>3,413</u>

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**

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

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

	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 operating result	(315)
Net book value 30 June 2011	3,413

Net book value as of 30 June 2011 represented by:

Gross book value (at fair value)	3,413
Accumulated amortisation and impairment	-
Net book value 30 June 2011	3,413

2012	2011
\$	\$

**Note 6F: Inventories**

**Inventories held for sale:**

Finished goods	188,711	197,949
<b>Total inventories held for sale</b>	<b>188,711</b>	<b>197,949</b>
Inventories held for distribution	89,029	70,668
<b>Total inventories</b>	<b>277,739</b>	<b>268,617</b>

During 2012, \$408,349 of inventory held for sale was recognised as an expense (2011: \$385,743).

During 2012, \$186,323 of inventory held for distribution was recognised as an expense (2011: \$187,531).

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

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

**Note 6G: Other Non-Financial Assets**

Prepayments	31,476	21,522
<b>Total other non-financial assets</b>	<b>31,476</b>	<b>21,522</b>

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

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

**Note 7: Payables**

	2012	2011
	\$	\$
<b>Note 7A: Suppliers</b>		
Trade creditors and accruals	<u>87,311</u>	<u>128,483</u>
<b>Total suppliers payables</b>	<u>87,311</u>	<u>128,483</u>

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

Related entities	-	-
External entities	<u>87,311</u>	<u>128,483</u>
<b>Total</b>	<u>87,311</u>	<u>128,483</u>

Settlement is usually made within 30 days.

**Note 7B: Other Payables**

Accrued salaries and wages	<u>69,807</u>	<u>97,257</u>
<b>Total other payables</b>	<u>69,807</u>	<u>97,257</u>

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

**Note 8: Provisions**

	2012	2011
	\$	\$
<b>Note 8A: Employee Provisions</b>		
Annual leave	194,580	159,884
Long service leave	381,603	347,075
Other	54,027	64,850
<b>Total employee provisions</b>	<b>630,210</b>	<b>571,809</b>
<b>Employee provisions are expected to be settled in:</b>		
No more than 12 months	576,810	530,490
More than 12 months	53,400	41,320
<b>Total employee provisions</b>	<b>630,210</b>	<b>571,809</b>

**Note 9: Cash Flow Reconciliation**

	2012	2011
	\$	\$
<b>Reconciliation of cash and cash equivalents as per Balance Sheet to Cash Flow Statement</b>		
<b>Cash and cash equivalents as per:</b>		
Cash flow statement	270,114	55,341
Balance sheet	<u>270,114</u>	<u>55,341</u>
<b>Difference</b>	<u>-</u>	<u>-</u>
<b>Reconciliation of net cost of services to net cash from operating activities:</b>		
Net cost of services	(2,170,664)	(1,904,423)
Add revenue from Government	2,038,643	1,460,293
<b>Adjustments for non-cash items</b>		
Depreciation / amortisation	463,763	428,055
Donated property, plant and equipment capitalised	(7,431)	(289,892)
Loss on sale of assets	598	1,348
Resources received free of charge	(24,500)	-
Write-down and impairment of assets	93,019	32,089
<b>Changes in assets / liabilities</b>		
(Increase) / decrease in trade and other receivables	(19,451)	190,880
(Increase) / decrease in inventories	(9,122)	43,144
Increase / (decrease) in employee provisions	58,401	4,157
Increase / (decrease) in supplier payables	<u>(41,172)</u>	<u>75,286</u>
<b>Net cash from (used by) operating activities</b>	<u>382,085</u>	<u>40,937</u>

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

### **Quantifiable Contingencies**

The Norfolk Island Hospital Enterprise had no quantifiable contingencies as at 30 June 2012 (2011: Nil).

### **Unquantifiable Contingencies**

The Norfolk Island Hospital Enterprise had no unquantifiable contingencies as at 30 June 2012 (2011: Nil).

### **Significant Remote Contingencies**

The Norfolk Island Hospital Enterprise had no significant remote contingencies as at 30 June 2012 (2011: Nil).

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

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

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

Mrs. Valarie Martinez

Ms. Candice Snell

Mr. Shane McCoy

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

The Norfolk Island Hospital Enterprise had no related party transactions for the reporting period (2011: Nil).

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

There were no Senior Executives of the Norfolk Island Hospital Enterprise who had remuneration expenses for the reporting period in excess of \$150,000 (2011: Nil).

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

Average annual reportable remuneration <sup>1</sup>	2012			
	Senior Executives No.	Reportable salary <sup>2</sup> \$	Gratuity paid <sup>3</sup> \$	Total \$
Total remuneration (including part-time arrangements):				
\$0 to \$150,000	1	62,554	6,157	68,711
<b>Total</b>	<b>1</b>			

Average annual reportable remuneration <sup>1</sup>	2011			
	Senior Executives No.	Reportable salary <sup>2</sup> \$	Gratuity paid <sup>3</sup> \$	Total \$
Total remuneration (including part-time arrangements):				
\$0 to \$150,000	1	65,484	6,545	72,029
<b>Total</b>	<b>1</b>			

**Notes:**

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

**Note 12C: Other Highly Paid Staff**

The Norfolk Island Hospital Enterprise had no other highly paid staff for the reporting period (2011: Nil).

**Note 13: Remuneration of Auditors**

	2012	2011
	\$	\$
<b>Fair value of the services provided</b>		
Financial statement audit services	<u>24,500</u>	<u>6,500</u>
<b>Total</b>	<u>24,500</u>	<u>6,500</u>

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

The 2011/12 financial statement audit services were provided to the Norfolk Island Hospital Enterprise by the Australian National Audit Office and the audit fees were paid by the Department of Regional Australia, Local Government, Arts and Sport.

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

**Note 14: Financial Instruments**

	2012	2011
	\$	\$

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

Cash and cash equivalents	270,114	55,341
Trade and other receivables	637,653	618,202
Other investments	188,109	107,742
<b>Total</b>	<b>1,095,876</b>	<b>781,285</b>
<b>Carrying amount of financial assets</b>	<b>1,095,876</b>	<b>781,285</b>

**Financial Liabilities****At amortised cost:**

Trade creditors	87,311	128,483
<b>Total</b>	<b>87,311</b>	<b>128,483</b>
<b>Carrying amount of financial liabilities</b>	<b>87,311</b>	<b>128,483</b>

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

Interest revenue	5,894	11,490
<b>Net gain from loans and receivables</b>	<b>5,894</b>	<b>11,490</b>
<b>Net gain from financial assets</b>	<b>5,894</b>	<b>11,490</b>

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

**Note 14C: Net Income and Expense from Financial Liabilities****Financial liabilities - at amortised cost**

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

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

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

	Carrying amount	Fair value	Carrying amount	Fair value
	2012	2012	2011	2011
	\$	\$	\$	\$
<b>Financial Assets</b>				
Cash and cash equivalents	270,114	270,114	55,341	55,341
Trade and other receivables	637,653	637,653	618,202	618,202
Other investments	188,109	188,109	107,742	107,742
<b>Total</b>	<b>1,095,876</b>	<b>1,095,876</b>	<b>781,285</b>	<b>781,285</b>
<b>Financial Liabilities</b>				
Trade creditors	87,311	87,311	128,483	128,483
<b>Total</b>	<b>87,311</b>	<b>87,311</b>	<b>128,483</b>	<b>128,483</b>

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

**Note 14E: Credit Risk**

The Norfolk Island Hospital Enterprise was exposed to minimal credit risk as loans and receivables were cash and trade receivables. The maximum exposure to credit risk was the risk that arises from potential default of a debtor. This amount was equal to the total amount of trade receivables (2012: \$637,653 and 2011: \$618,202).

The Norfolk Island Hospital Enterprise has assessed the risk of the default on payment and had allocated \$331,551 in 2012 (2011: \$331,551) to an impairment allowance account. The Hospital Enterprise manages its credit risk by undertaking various debt recovery techniques.

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

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

	Not past due nor impaired	Not past due nor impaired	Past due or impaired	Past due or impaired
	2012	2011	2012	2011
	\$	\$	\$	\$
Cash and cash equivalents	270,114	55,341	-	-
Other investments	188,109	107,742	-	-
Trade and other receivables	178,868	174,255	458,785	443,947
<b>Total</b>	<b>637,091</b>	<b>337,338</b>	<b>458,785</b>	<b>443,947</b>

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

	0 to 30 days \$	31 to 60 days \$	60+ days \$	Total \$
Trade and other receivables	203,638	-	-	203,638
<b>Total</b>	<b>203,638</b>	<b>-</b>	<b>-</b>	<b>203,638</b>

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

	0 to 30 days \$	31 to 60 days \$	60+ days \$	Total \$
Trade and other receivables	129,362	-	-	-
<b>Total</b>	<b>129,362</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Note 14F: Liquidity Risk**

The Norfolk Island Hospital Enterprise's financial liabilities are supplier payables. The exposure to liquidity risk was based on the notion that the Norfolk Island Hospital Enterprise will encounter difficulty in meeting its obligations associated with financial liabilities. The Norfolk Island Hospital Enterprise receives a significant subsidy from the Administration of Norfolk Island. The Administration of Norfolk Island is facing financial issues resulting from the economic down turn. The Government of Norfolk Island is currently reviewing its strategies for longer term sustainability in conjunction with the Commonwealth of Australia. The Norfolk Island Hospital Enterprise manages its budget to ensure it has adequate funds to meet commitments as they fall due. In addition, the Norfolk Island Hospital Enterprise has policies in place to ensure timely payments were made when due and has no past experience of default.

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

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

**Maturities for non-derivative financial liabilities 2011**

	On demand \$	within 1 year \$	1 to 2 years \$	2 to 5 years \$	>5 years \$	Total \$
Trade creditors	-	128,483	-	-	-	128,483
<b>Total</b>	<b>-</b>	<b>128,483</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>128,483</b>

The Norfolk Island Hospital Enterprise had no derivative financial liabilities in either 2012 or 2011.

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

	Notes	2012	2011
		\$	\$
<b>Financial assets</b>			
<b>Total financial assets as per balance sheet</b>		<b>764,325</b>	<b>449,734</b>
<b>Add: non-financial instrument components</b>			
Impairment allowance for goods and services	5B	<u>331,551</u>	<u>331,551</u>
<b>Total non-financial instrument components</b>		<b>331,551</b>	<b>331,551</b>
<b>Total financial assets as per financial instruments note</b>		<b>1,095,876</b>	<b>781,285</b>
<b>Total financial liabilities as per Balance Sheet</b>		<b>787,328</b>	<b>797,549</b>
<b>Less: non-financial instrument components:</b>			
Employee provisions	8A	<u>630,210</u>	<u>571,809</u>
Other payables	7B	<u>69,807</u>	<u>97,257</u>
<b>Total non-financial instrument components</b>		<b>700,017</b>	<b>669,066</b>
<b>Total financial liabilities as per financial instruments note</b>		<b>87,311</b>	<b>128,483</b>

**Note 16: Investments**

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

2012	Balance brought forward from previous period \$	Investments made \$	Investment income \$	Transactional charges \$	Investments realised \$	Total balance carried to the next period \$
Norfolk Island Hospital Employees Entitlements Account	-	75,000	-	-	-	75,000
Donations Account <sup>1</sup>	52,454	-	2,998	-	-	55,452
Edna Noonan Account <sup>2</sup>	34,595	-	1,160	-	-	35,755
Pearl May Account <sup>3</sup>	20,693	-	1,209	-	-	21,902
<b>Total</b>	<b>107,742</b>	<b>75,000</b>	<b>5,367</b>	<b>-</b>	<b>-</b>	<b>188,109</b>

2011	Balance brought forward from previous period \$	Investments made \$	Investment income \$	Transactional charges \$	Investments realised \$	Total balance carried to the next period \$
Donations Account <sup>1</sup>	49,491	-	2,963	-	-	52,454
Edna Noonan Account <sup>2</sup>	32,331	-	2,264	-	-	34,595
Pearl May Account <sup>3</sup>	19,585	-	1,108	-	-	20,693
<b>Total</b>	<b>101,407</b>	<b>-</b>	<b>6,335</b>	<b>-</b>	<b>-</b>	<b>107,742</b>

1. Funds held in the Donations Account monies are donated or received for specific reasons or earmarked for the benefit of a certain department, other than the day to day running costs of the Norfolk Island Hospital Enterprise.

2. Funds held in the Edna Noonan Account have been bequeathed to pay for costs associated with the care of the elderly and cannot be used for any other purpose.

3. Funds held in the Pearl May Account have been bequeathed to pay for costs associated with the care of the elderly and cannot be used for any other purpose.

**Note 17: Ex-Gratia Payments**

	2012	2011
	\$	\$
<b>Ex-Gratia Payments</b>		
No ex-gratia payments were provided for during the reporting period (2011: nil).	<u>-</u>	<u>-</u>

## Note 18: Assets Held in Trust

### Monetary assets

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

### Non-monetary assets

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

	2012	2011
	\$	\$
<b>Norfolk Island Hospital Employee Superannuation Scheme</b>		
Total amount held at the beginning of the reporting period	711,929	662,160
Receipts	139,688	134,395
Payments	<u>(30,053)</u>	<u>(84,626)</u>
<b>Total amount held at the end of the reporting period</b>	<u><b>821,564</b></u>	<u><b>711,929</b></u>