Norfolk Island Regional Council

GENERAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2026

NORFOLK ISLAND Regional Council

Norfolk Island Regional Council

General Purpose Financial Statements

for the year ended 30 June 2026

Contents Page

Understanding Council's Financial Statements 3

Statement by the Administrators and Management 4

Primary Financial Statements:

Income Statement 5
Statement of Comprehensive Income 6
Statement of Financial Position 7
Statement of Changes in Equity 8
Statement of Cash Flows 9

Notes to the Financial Statements 10

Independent Auditor's Reports:

On the Financial Statements (Sect 417 [2]) 61
On the Financial Statements (Sect 417 [3]) 64

Overview

Norfolk Island Regional Council is constituted under the *Local Government Act 1993 (NSW) (NI)* and has its principal place of business at:

39 Taylors Road, Burnt Pine
NORFOLK ISLAND NSW 2899

Council's guiding principles are detailed in Chapter 3 of the LGA and includes:

- principles applying to the exercise of functions generally by council,
- principles to be applied when making decisions,
- principles of community participation,
- principles of sound financial management, and
- principles for strategic planning relating to the development of an integrated planning and reporting framework.

A description of the nature of Council's operations and its principal activities are provided in Note B1-2.

Through the use of the internet, we have ensured that our reporting is timely, complete and available at minimum cost. All press releases, financial statements and other information are publicly available on our website: www.nirc.gov.au

Norfolk Island Regional Council

General Purpose Financial Statements

for the year ended 30 June 2026

Understanding Council's Financial Statements

Introduction

Each year, Norfolk Island Regional Council is required to present a set of audited financial statements to their council and community.

What you will find in the Statements

The financial statements set out the financial performance, financial position and cash flows of Council for the financial year ended 30 June 2026.

The format of the financial statements is standard across all NSW Councils and complies with both the accounting and reporting requirements of Australian Accounting Standards and requirements as set down by the NSW Office of Local Government.

About the Administrators/Management Statement

The financial statements must be certified by senior staff as ‘presenting fairly’ the Council’s financial results for the year and are required to be adopted by the Administrators – ensuring both responsibility for and ownership of the financial statements.

About the Primary Financial Statements

The financial statements incorporate five "primary" financial statements:

1. The Income Statement
Summarises Council's financial performance for the year, listing all income and expenses. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

2. The Statement of Comprehensive Income
Primarily records changes in the fair value of Council's Infrastructure, property, plant and equipment.

3. The Statement of Financial Position
A 30 June snapshot of Council's financial position indicating its assets, liabilities and “net wealth”.

4. The Statement of Changes in Equity
The overall change for the year (in dollars) of Council's "net wealth".

5. The Statement of Cash Flows
Indicates where Council's cash came from and where it was spent. This statement also displays Council's original adopted budget to provide a comparison between what was projected and what actually occurred.

About the Notes to the Financial Statements

The Notes to the Financial Statements provide greater detail and additional information on the five primary financial statements.

About the Auditor's Reports

Council’s financial statements are required to be audited. The auditor provides two audit reports:

1. an opinion on whether the financial statements present fairly the Council’s financial performance and position, and
2. their observations on the conduct of the audit, including commentary on the Council’s financial performance and financial position.

Who uses the Financial Statements?

The financial statements are publicly available documents and must be presented at a Council meeting between seven days and five weeks after the date of the audit report. The public can make submissions to Council up to seven days subsequent to the public presentation of the financial statements.

Council is required to forward an audited set of financial statements to the Department of Infrastructure, Transport, Regional Development, Communications, Sport and the Arts by 31 October each year.

Norfolk Island Regional Council

General Purpose Financial Statements

for the year ended 30 June 2026

Statement by the Administrator and Management made pursuant to Section 413(2)(c) of the Local Government Act 1993 (NSW) (NI) (as amended)

The attached General Purpose Financial Statements have been prepared in accordance with:

- the *Local Government Act 1993 (NSW) (NI)* (as amended) and the regulations made thereunder
- the Australian Accounting Standards issued by the Australian Accounting Standards Board
- the *Local Government Code of Accounting Practice and Financial Reporting.*

To the best of our knowledge and belief, these statements:

- present fairly the Council's operating result and financial position for the year
- accord with Council's accounting and other records.

We are not aware of any matter that would render these statements false or misleading in any way.

Signed in accordance with a resolution of Council made on 26 August 2026.

Scott Mason
Council Lead Administrator
26 August 2026

Gary Mottau
Finance Administrator
26 August 2026

Nicholas Mostardo
General Manager (Acting)
26 August 2026

Nicholas Mostardo
Responsible Accounting Officer
26 August 2026

Norfolk Island Regional Council

Income Statement

for the year ended 30 June 2026

Original unaudited budget 2026 $		Notes	Actual 2026 $	Actual 2025 $
	Income from continuing operations			
3,788,496	Rates and annual charges	B2-1	**3,604,114**	3,524,956
16,293,495	User charges and fees	B2-2	**21,964,604**	19,274,034
–	Other revenues	B2-3	**4,235,454**	4,240,514
10,499,860	Grants and contributions provided for operating purposes	B2-4	**12,399,447**	12,955,462
1,132,687	Grants and contributions provided for capital purposes	B2-4	**1,614,476**	2,247,134
1,300,000	Interest and investment income	B2-5	**823,780**	882,442
6,686,742	Other income	B2-6	**503,439**	725,344
–	Net gain from the disposal of assets	B4-1	**24,342**	–
39,701,280	**Total income from continuing operations**		**45,169,656**	43,849,886
	Expenses from continuing operations			
12,532,885	Employee benefits and on-costs	B3-1	**15,265,830**	12,389,576
15,762,009	Materials and services	B3-2	**22,431,056**	27,666,036
5,841,277	Other expenses	B3-4	**2,121,344**	16,953
–	Net loss from the disposal of assets	B4-1	**–**	26,207
34,136,171	**Total expenses from continuing operations excluding depreciation, amortisation and impairment of non-financial assets**		**39,818,230**	40,098,772
5,565,109	**Operating result from continuing operations excluding depreciation, amortisation and impairment of non-financial assets**		**5,351,426**	3,751,114
8,528,014	Depreciation, amortisation and impairment of non-financial assets	B3-3	**8,566,006**	8,590,421
(2,962,905)	**Operating result from continuing operations**		**(3,214,580)**	(4,839,307)
(2,962,905)	Net operating result for the year attributable to Council		**(3,214,580)**	(4,839,307)
(2,962,905)	Net operating result attributable to Council		**(3,214,580)**	(4,839,307)
(4,095,592)	**Net operating result for the year before grants and contributions provided for capital purposes**		**(4,829,056)**	(7,086,441)

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

Norfolk Island Regional Council

Statement of Comprehensive Income

for the year ended 30 June 2026

	Notes	Actual 2026 $	Actual 2025 $
Net operating result for the year – from Income Statement		**(3,214,580)**	(4,839,307)
Other comprehensive income:			
Amounts which will not be reclassified subsequent to operating result			
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	**14,493,422**	–
Total items which will not be reclassified subsequent to operating result		**14,493,422**	–
Total other comprehensive income for the year		**14,493,422**	–
Total comprehensive income for the year attributable to Council		**11,278,842**	(4,839,307)

The above Statement of Comprehensive Income should be read in conjunction with the accompanying notes.

Norfolk Island Regional Council

Statement of Financial Position

as at 30 June 2026

	Notes	Actual 2026 $	Restated Actual 2025 [1] $	Restated Actual 1 July 2024 [1] $
ASSETS				
Current assets				
Cash and cash equivalents	C1-1	**5,287,118**	18,594,694	24,569,065
Investments	C1-2	**12,990,142**	–	–
Receivables	C1-4	**6,643,032**	8,122,152	3,959,904
Inventories	C1-5	**4,572,215**	2,641,869	3,890,700
Contract assets and contract cost assets	C1-6	**–**	243,474	436,925
Other		**121,446**	–	–
Total current assets		**29,613,953**	29,602,189	32,856,594
Non-current assets				
Infrastructure, property, plant and equipment (IPPE)	C1-7	**257,074,945**	245,747,975	250,422,056
Total non-current assets		**257,074,945**	245,747,975	250,422,056
Total assets		**286,688,898**	275,350,164	283,278,650
LIABILITIES				
Current liabilities				
Payables	C3-1	**5,197,926**	4,451,179	5,517,119
Contract liabilities	C3-2	**833,472**	2,963,504	5,092,635
Borrowings	C3-3,F4-1	**1,253,489**	7,159	–
Employee benefit provisions	C3-4	**2,610,844**	2,425,259	2,326,526
Provisions	C3-5	**11,262**	–	–
Total current liabilities		**9,906,993**	9,847,101	12,936,280
Non-current liabilities				
Provisions	C3-5,F4-1	**9,397,719**	9,397,719	9,397,719
Total non-current liabilities		**9,397,719**	9,397,719	9,397,719
Total liabilities		**19,304,712**	19,244,820	22,333,999
Net assets		**267,384,186**	256,105,344	260,944,651
EQUITY				
Accumulated surplus	F4-1	**174,465,558**	177,680,138	182,519,445
IPPE revaluation surplus	C4-1	**92,918,628**	78,425,206	78,425,206
Council equity interest		**267,384,186**	256,105,344	260,944,651
Total equity		**267,384,186**	256,105,344	260,944,651

(1) Refer to Note F4-1

The above Statement of Financial Position should be read in conjunction with the accompanying notes.

Norfolk Island Regional Council

Statement of Changes in Equity

for the year ended 30 June 2026

	Notes	2026 Accumulated surplus $	2026 IPPE revaluation surplus $	2026 Total equity $	2025 Accumulated surplus Restated $	2025 IPPE revaluation surplus Restated $	2025 Total equity Restated $
Opening balance at 1 July		**187,077,857**	**78,425,206**	**265,503,063**	191,917,164	78,425,206	270,342,370
Correction of prior period errors	F4-1	**(9,397,719)**	**–**	**(9,397,719)**	(9,397,719)	–	(9,397,719)
Restated opening balance		**177,680,138**	**78,425,206**	**256,105,344**	182,519,445	78,425,206	260,944,651
Net operating result for the year		**(3,214,580)**	**–**	**(3,214,580)**	(4,839,307)	–	(4,839,307)
Other comprehensive income							
Gain (loss) on revaluation of infrastructure, property, plant and equipment	C1-7	**–**	**14,493,422**	**14,493,422**	–	–	–
Other comprehensive income		**–**	**14,493,422**	**14,493,422**	–	–	–
Total comprehensive income		**(3,214,580)**	**14,493,422**	**11,278,842**	(4,839,307)	–	(4,839,307)
Closing balance at 30 June [1]		**174,465,558**	**92,918,628**	**267,384,186**	177,680,138	78,425,206	256,105,344

(1) As restated (2025).

The above Statement of Changes in Equity should be read in conjunction with the accompanying notes.

Norfolk Island Regional Council

Statement of Cash Flows

for the year ended 30 June 2026

Original unaudited budget 2026 $		Notes	Actual 2026 $	Actual 2025 $
	Cash flows from operating activities			
	Receipts:			
3,788,496	Rates and annual charges		**3,450,592**	3,323,140
16,293,495	User charges and fees		**23,504,165**	16,269,892
1,300,000	Interest received		**676,697**	804,934
10,499,860	Grants and contributions		**12,127,365**	13,266,916
–	Bonds, deposits and retentions received		**143,929**	–
6,686,743	Other		**3,052,053**	4,159,317
	Payments:			
(12,532,885)	Payments to employees		**(14,834,024)**	(12,465,796)
(15,762,009)	Payments for materials and services		**(23,005,659)**	(26,313,780)
–	Bonds, deposits and retentions refunded		**–**	(528,493)
(5,841,277)	Other		**(55,063)**	(547,954)
4,432,423	**Net cash flows from operating activities**	F1-1	**5,060,055**	(2,031,824)
	Cash flows from investing activities			
	Receipts:			
–	Proceeds from sale of IPPE		**28,735**	70,922
1,132,687	Grants, subsidies, contributions and donations		**–**	–
	Payments:			
–	Purchase of investments		**(3,497,487)**	–
–	Acquisition of term deposits		**(9,500,000)**	–
(9,518,400)	Payments for IPPE		**(5,403,947)**	(4,013,469)
(8,385,713)	**Net cash flows used in investing activities**		**(18,372,699)**	(3,942,547)
	Cash flows from financing activities			
	Receipts:			
–	Proceeds from borrowings		**5,068**	–
(3,953,290)	**Net change in cash and cash equivalents**		**(13,307,576)**	(5,974,371)
19,576,982	Cash and cash equivalents at beginning of year		**18,594,694**	24,569,065
15,623,692	Cash and cash equivalents at end of year	C1-1	**5,287,118**	18,594,694
–	plus: Investments on hand at end of year	C1-2	**12,990,142**	–
15,623,692	Total cash, cash equivalents and investments		**18,277,260**	18,594,694

The above Statement of Cash Flows should be read in conjunction with the accompanying notes.

Norfolk Island Regional Council

Contents for the notes to the Financial Statements for the year ended 30 June 2026

A About Council and these financial statements 12
A1-1 Basis of preparation 12

B Financial Performance 14

B1 Functions or activities 14
B1-1 Functions or activities – income, expenses and assets 14
B1-2 Components of functions or activities 15

B2 Sources of income 16
B2-1 Rates and annual charges 16
B2-2 User charges and fees 17
B2-3 Other revenues 18
B2-4 Grants and contributions 19
B2-5 Interest and investment income 20
B2-6 Other income 20

B3 Costs of providing services 21
B3-1 Employee benefits and on-costs 21
B3-2 Materials and services 21
B3-3 Depreciation, amortisation and impairment of non-financial assets 22
B3-4 Other expenses 23

B4 Gains or losses 23
B4-1 Gain or loss from the disposal, replacement and de-recognition of assets 23

B5 Performance against budget 24
B5-1 Material budget variations 24

C Financial position 26

C1 Assets we manage 26
C1-1 Cash and cash equivalents 26
C1-2 Financial investments 26
C1-3 Restricted and allocated cash, cash equivalents and investments 28
C1-4 Receivables 30
C1-5 Inventories 32
C1-6 Contract assets and Contract cost assets 32
C1-7 Infrastructure, property, plant and equipment 33

C2 Leasing activities 37
C2-1 Council as a lessor 37

C3 Liabilities of Council 38
C3-1 Payables 38
C3-2 Contract Liabilities 39
C3-3 Borrowings 40
C3-4 Employee benefit provisions 41
C3-5 Provisions 42

C4 Reserves 43
C4-1 Nature and purpose of reserves 43

D Risks and accounting uncertainties 44

Norfolk Island Regional Council

Contents for the notes to the Financial Statements for the year ended 30 June 2026

D1-1 Risks relating to financial instruments held 44
D2-1 Fair value measurement 47
D3-1 Contingencies 50

E People and relationships **51**

E1 Related party disclosures **51**
E1-1 Key management personnel (KMP) 51

E2 Other relationships **54**
E2-1 Audit fees 54

F Other matters **55**
F1-1 Statement of Cash Flows information 55
F2-1 Commitments 56
F3-1 Events occurring after the reporting date 57

F4 Changes from prior year statements **58**
F4-1 Correction of errors 58

G Additional Council disclosures (unaudited)
G1-1 Council information and contact details 60

A About Council and these financial statements

A1-1 Basis of preparation

These financial statements were authorised for issue by Council on 26 August 2026. Council has the power to amend and reissue these financial statements in cases where critical information is received from public submissions or where the Department of Infrastructure, Transport, Regional Development, Communications, Sport and the Arts directs Council to amend the financial statements.

The material accounting policies adopted in the preparation of these financial statements are set out below.

These policies have been consistently applied to all the years presented, unless otherwise stated.

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards and Australian Accounting Interpretations, the *Local Government Act 1993 (NSW) (NI)* and Regulations, and the Local Government Code of Accounting Practice and Financial Reporting.

Council is a not for-profit entity.

The financial statements are presented in Australian dollars.

Appointment of Administrator

In accordance with the *Local Government Act 1993* (NSW)(NI) (the Act), all civic offices were declared vacant on 6 December 2021 and Mr Michael Colreavy was appointed as Administrator of the Norfolk Island Regional Council (NIRC) for three years. Mr Colreavy's appointment ended 4 December 2024 and new Administrators were appointed for a period ending 31 December 2025. The Lead administrator is Mr Scott Mason and the Financial Administrator is Mr Gary Mottau. On 29 October 2025, the terms of Mr Mason and Mr Mottau were extented to 31 December 2026.

The Lead Administrator has the functions of Mayor and Councillor, while the Financial Administrator has the functions of Councillor but not those of Mayor. These functions include those conferred or imposed on the NIRC by, or under the Act, as well as the functions conferred or imposed on the NIRC by or under other Act or law, including laws continued in force by Section 16 or 16A of the Norfolk *Island Act 1979*.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of infrastructure, property, plant and equipment and investment property.

Significant accounting estimates and judgements

The preparation of financial statements requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Council's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that may have a financial impact on the Council and that are believed to be reasonable under the circumstances.

Critical accounting estimates and assumptions

Council makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year include:

i. fair values of infrastructure, property, plant and equipment – refer Note C1-7
ii. employee benefit provisions – refer Note C3-4.

continued on next page ...

A1-1 Basis of preparation (continued)

Significant judgements in applying the Council's accounting policies

i. Impairment of receivables – refer Note C1-4.
ii. Determination of whether performance obligations are sufficiently specific and whether the contract is within the scope of AASB 15 *Revenue from Contracts with Customers* and / or AASB 1058 *Income of Not-for-Profit Entities* – refer to Notes B2-2 – B2-4.

Monies and other assets received by Council

The Consolidated Fund

In accordance with the provisions of Section 409(1) of the *Local Government Act 1993 (NSW)(NI)*, all money and property received by Council is held in the Council's Consolidated Fund unless it is required to be held in the Council's Trust Fund.

The Consolidated Fund has been included in the financial statements of the Council.

The Trust Fund

In accordance with the provisions of Section 411 of the *Local Government Act 1993 (NSW) (NI)* (as amended), a separate and distinct Trust Fund is maintained to account for all money and property received by the council in trust which must be applied only for the purposes of, or in accordance with, the trusts relating to those monies. Trust monies and property subject to Council's control have been included in these reports.

Goods and Services Tax (GST)

The Norfolk Island GST ceased on 1 July 2016 and the Australian GST does not apply to Norfolk Island.

New accounting standards and interpretations issued but not yet effective

Certain new accounting standards and interpretations have been published that are not mandatory for the 30 June 2026 reporting period. Council has not applied any pronouncements before its operative date in the annual reporting period beginning 1 July 2025.

As at the date of authorisation of these financial statements Council does not consider that any of these new (and still to be applied) standards and interpretations are likely to have a material impact on the Council's future financial statements, financial position, financial performance or cash flows.

New accounting standards adopted during the year

There were no new standards relevant to Council that became mandatorily effective for the year ended 30 June 2026.

B Financial Performance

B1 Functions or activities

B1-1 Functions or activities – income, expenses and assets

Income, expenses and assets have been directly attributed to the following functions or activities. Details of those functions or activities are provided in Note B1-2.

	Income		Expenses		Operating result		Grants and contributions		Carrying amount of assets	
	2026	2025	**2026**	2025	**2026**	2025	**2026**	2025	**2026**	2025
	$	$	**$**	$	**$**	$	**$**	$	**$**	$
Functions or activities										
Airport	**9,445,538**	9,349,819	**6,943,359**	5,447,771	**2,502,179**	3,902,048	**–**	–	**137,952,654**	128,548,876
Commonwealth Service Delivery	**6,412,677**	6,324,509	**5,854,750**	4,948,513	**557,927**	1,375,996	**1,835,606**	3,747,481	**4,432,735**	1,503,808
Community Services	**311,950**	194,934	**2,461,775**	3,706,684	**(2,149,825)**	(3,511,750)	**–**	–	**24,167,531**	21,733,339
Electricity	**4,015,784**	3,738,823	**6,235,617**	6,107,055	**(2,219,833)**	(2,368,232)	**242,526**	5,995	**26,247,114**	24,670,411
Governance, Administration and Revenue	**14,595,658**	16,211,957	**8,538,501**	13,584,439	**6,057,157**	2,627,518	**8,867,629**	8,420,525	**27,024,552**	14,829,354
Infrastructure	**1,030,839**	649,814	**3,738,414**	4,322,434	**(2,707,575)**	(3,672,620)	**458,831**	9,154	**45,653,473**	62,621,016
Sewerage services	**551,889**	539,996	**490,745**	485,300	**61,144**	54,696	**–**	–	**5,258,996**	5,165,852
Telecom	**6,717,295**	3,883,115	**7,966,427**	5,444,536	**(1,249,132)**	(1,561,421)	**2,419,331**	2,029,441	**11,584,182**	12,267,701
Tourism	**211,597**	253,363	**1,222,128**	832,038	**(1,010,531)**	(578,675)	**–**	–	**306,842**	196,587
Waste	**1,876,429**	2,703,556	**4,932,520**	3,810,423	**(3,056,091)**	(1,106,867)	**190,000**	990,000	**4,060,819**	3,813,220
Total functions and activities	**45,169,656**	43,849,886	**48,384,236**	48,689,193	**(3,214,580)**	(4,839,307)	**14,013,923**	15,202,596	**286,688,898**	275,350,164

B1-2 Components of functions or activities

Details relating to the Council's functions or activities as reported in B1-1 are as follows:

Airport

Council operates and manages the Norfolk Island International Airport. Income is derived from Landing fees, Passenger service charges and other user charges. Costs include Runway and Airside maintenance, terminal operations, security screening and emergency services.

Commonwealth Service Delivery

A total of 19 services (and several capital projects) are delivered on behalf of the Commonwealth under the Service Delivery agreement which is in force until 30 June 2026.

Community Services

This fuction includes all other general services provided to the community such as broadcasting, parks and recreation, facilities, customer care, housing, library, and building and development.

Electricity

Council is responsible for generating, distributing, and managing electricity across the Island, a task made more complex by its isolation and reliance on diesel fuel. Revenue is earned from electricity consumers under dynamic tariffs. Costs include diesel generation fuel, network & infrastructure maintenance, staff and safety and compliance.

Governance, Administration and Revenue

Includes costs relating to elected members, general administrative and ICT costs to operate Council, liquor bond, risk management and general regional Council costs.

Infrastructure

Includes all costs related to the maintenance and operation of Council's roads, and plant functions, including depot and stores administration.

Waste water (sewerage) services

Council operates both a centralized Water Assurance Scheme (WAS) and On-site Wastewater Management Systems (OWMS). About 20% of residences are connected to the WAS. The remaining properties use Onsite Wastewater Management Systems like septic tanks. The costs to operate and maintain the Water Assurance Scheme (WAS), include Sewerage Treatment Plant operations, pump station maintenance and effluent discharge management.

Telecom

Council operates Norfolk Telecom, a fully integrated telecommunications business that provides essential services to the Island community. It's structured into three main service areas: Telecom, Internet, and Mobile, all delivered under the *Norfolk Island Telecommunications Act 1992*. Revenue is earned from subscribers to Fixed Line services, Internet and Mobile network. Costs are principally satellite backhaul, network maintenance, staffing and contractor costs.

Tourism

All costs for the promotion and management of tourism and marketing for the Island.

Waste

Council operates a distinctive and evolving waste management system tailored to the Island's remote location and environmental sensitivities. Due to groundwater reliance and limited space, landfilling is not viable. There's also no kerbside collection - residents are responsible for delivering sorted waste to the Waste Management Centre. Costs include facility management and operations for freight, wages, waste handling and equipment maintenance. The Island's waste function manages a legacy waste stockpile of varying waste streams.

B2 Sources of income

B2-1 Rates and annual charges

	2026 Actual $	2025 Actual $
Ordinary rates		
Residential	**885,339**	752,412
Farmland	**97,006**	134,335
Business	**971,192**	977,186
Less: pensioner rebates (mandatory)	**(16,199)**	(16,687)
Less: pensioner rebates (Council policy)	**(19,799)**	(20,395)
Rates levied to ratepayers	**1,917,539**	1,826,851
Pensioner rate subsidies received	**22,950**	22,950
Total ordinary rates	**1,940,489**	1,849,801
Annual charges (pursuant to s496, 496A, 496B, 501 & 611)		
Sewerage services	**552,378**	546,487
Waste levy	**1,111,247**	1,128,668
Annual charges levied	**1,663,625**	1,675,155
Total annual charges	**1,663,625**	1,675,155
Total rates and annual charges	**3,604,114**	3,524,956

Council has used 2022 year valuations provided by the Valuer General in calculating its rates.

Material accounting policy information

Rates and annual charges are recognised as revenue when the Council obtains control over the assets comprising these receipts.

Pensioner rebates relate to reductions in rates and certain annual charges for eligible pensioners' place of residence in the local government council area that are not subsidised by the Commonwealth Government.

Pensioner rate subsidies are received from the Commonwealth Government to provide a contribution towards the pensioner rebates.

B2-2 User charges and fees

	2026 Actual $	2025 Actual $
Specific user charges (per s502 - specific 'actual use' charges)		
Other	**4,946**	11,957
Waste Management Levy	**575,072**	584,903
Total specific user charges	**580,018**	596,860
Other user charges and fees		
(i) Fees and charges – statutory and regulatory functions (per s608)		
Animal Registration	**4,223**	3,706
Court Fees	**8,221**	7,451
Planning and building regulation	**55,080**	41,361
Private works	**178,527**	–
Registration fees	**1,117,254**	1,146,990
Regulatory fees	**156**	238
Roads Levy	**391,954**	450,366
Town planning	**1,813,175**	1,280,170
Other (Workers Compensation Levy)	**120**	1,681
Other	**10,063**	8,551
Total fees and charges – statutory/regulatory	**3,578,773**	2,940,514
(ii) Fees and charges – other (incl. general user charges (per s608))		
Advertising Revenue	**57,495**	50,538
Aerodrome	**9,404,328**	9,314,839
Donations Received	**3,753**	5,854
Electricity Charges	**3,486,860**	3,735,308
Gaming Revenue	**111,756**	145,086
Hall Hire	**5,771**	8,872
License Fees	**71,504**	45,962
Lighterage Charges	**487,421**	510,226
Quarry revenues	**53,601**	70,371
Refunds	**(27,229)**	(54,801)
Telecom Sales	**4,123,888**	1,853,688
Tourism	**3,480**	31,160
Other	**23,185**	19,557
Total fees and charges – other	**17,805,813**	15,736,660
Total other user charges and fees	**21,384,586**	18,677,174
Total user charges and fees	**21,964,604**	19,274,034

Material accounting policy information

Revenue arising from user charges and fees is recognised when or as the performance obligation is completed and the customer receives the benefit of the goods / services being provided.

The performance obligation relates to the specific services which are provided to the customers and generally the payment terms are within 30 days of the provision of the service or in some cases such as caravan parks, the customer is required to pay on arrival or a deposit in advance. There is no material obligation for Council in relation to refunds or returns.

Licences granted by Council are all either short-term or low value and all revenue from licences is recognised at the time that the licence is granted rather than over the term of the licence.

B2-3 Other revenues

	2026 Actual $	2025 Actual $
Sales – general	**27,642**	5,717
Other	**311,406**	310,378
Tourism Sales	**204,197**	220,299
Liquor Bond Sales	**3,364,294**	3,347,669
Tanalith Services	**6,915**	6,757
KAHVA recovery of operating expenses	**321,000**	349,694
Total other revenue	**4,235,454**	4,240,514

Material accounting policy information for other revenue

Where the revenue is earned for the provision of specified goods / services under an enforceable contract, revenue is recognised when or as the obligations are satisfied.

Statutory fees and fines are recognised as revenue when the service has been provided, the payment is received or when the penalty has been applied, whichever occurs first.

Other revenue is recorded when the payment is due, the value of the payment is notified, or the payment is received, whichever occurs first.

B2-4 Grants and contributions

	Operating 2026 Actual $	Operating 2025 Actual $	Capital 2026 Actual $	Capital 2025 Actual $
General purpose grants and non-developer contributions (untied)				
General purpose (untied)				
Financial assistance	**5,662,738**	5,662,738	**–**	–
Amount recognised as income during current year	**5,662,738**	5,662,738	**–**	–
Special purpose grants and non-developer contributions (tied)				
Service Delivery Agreement (Commonwealth)	**3,606,878**	4,334,834	**460,252**	1,097,738
Transport (other roads and bridges funding)	**710,500**	710,500	**4,040**	–
Transport (roads to recovery)	**–**	–	**454,791**	–
Telecommunication services	**2,419,331**	1,237,500	**–**	791,941
Rates and waste charges support	**–**	1,000,000	**–**	–
Priority projects	**–**	–	**695,393**	357,455
Other Grants	**–**	9,890	**–**	–
Total special purpose grants and non-developer contributions – cash	**6,736,709**	7,292,724	**1,614,476**	2,247,134
Total special purpose grants and non-developer contributions (tied)	**6,736,709**	7,292,724	**1,614,476**	2,247,134
Total grants and non-developer contributions	**12,399,447**	12,955,462	**1,614,476**	2,247,134
Comprising:				
– Commonwealth funding	**8,792,569**	8,620,628	**1,154,224**	1,149,396
– Service Delivery Agreement (Commonwealth)	**3,606,878**	4,334,834	**460,252**	1,097,738
	12,399,447	12,955,462	**1,614,476**	2,247,134

Material accounting policy information

Grants and contributions – enforceable agreement with sufficiently specific performance obligations

Grant and contribution revenue from an agreement which is enforceable and contains sufficiently specific performance obligations is recognised as or when control of each performance obligations is transferred.

Performance obligations may be satisfied either at a point in time or over time and this is reflected in the revenue recognition pattern. Point in time recognition occurs when the beneficiary obtains control of the goods / services at a single time (e.g. completion of the project when a report / outcome is provided), whereas over time recognition is where the control of the services is ongoing throughout the project (e.g. provision of community health services through the year).

Where control is transferred over time, generally the input methods being either costs or time incurred are deemed to be the most appropriate methods to reflect the transfer of benefit.

Capital grants

Capital grants received by Council under an enforceable contract for the acquisition or construction of infrastructure, property, plant and equipment to identified specifications which will be under Council's control on completion are recognised as revenue as and when the obligation to construct or purchase is completed.

For construction projects, this is generally as the construction progresses in accordance with costs incurred since this is deemed to be the most appropriate measure of the completeness of the construction project.

For acquisitions of assets, the revenue is recognised when the asset is acquired and controlled by the Council.

B2-5 Interest and investment income

	2026 Actual $	2025 Actual $
Interest on financial assets measured at amortised cost		
– Overdue rates and annual charges (incl. special purpose rates)	**118,201**	101,579
– Cash and investments	**712,924**	780,863
Amortisation of premiums and discounts		
– Financial assets at amortised cost	**(7,345)**	–
Total interest and investment income	**823,780**	882,442

Material accounting policy information

Interest income is recognised using the effective interest rate at the date that interest is earned.

B2-6 Other income

	Notes	2026 Actual $	2025 Actual $
Reversal of impairment losses on receivables			
Other		**94,995**	333,650
Total reversal of impairment losses on receivables	C1-4	**94,995**	333,650
Rental income			
Other lease income			
Other		**408,444**	391,694
Total other lease income		**408,444**	391,694
Total rental income	C2-1	**408,444**	391,694
Total other income		**503,439**	725,344

B3 Costs of providing services

B3-1 Employee benefits and on-costs

	2026 Actual $	2025 Actual $
Salaries and wages	**11,882,993**	9,534,955
Employee leave entitlements (ELE)	**1,887,351**	1,642,956
Superannuation	**1,416,255**	1,145,859
Workers' compensation insurance	**65,268**	58,522
Other	**13,963**	7,284
Total employee costs	**15,265,830**	12,389,576
Total employee costs expensed	**15,265,830**	12,389,576

B3-2 Materials and services

	Notes	2026 Actual $	2025 Actual $
Raw materials and consumables		**5,025,022**	5,668,404
General Contract and Project Costs		**6,563,482**	9,427,672
– Telecom and Satellite Bandwidth		**3,725,501**	4,113,242
– Legal		**38,852**	52,238
Audit Fees	E2-1	**143,300**	122,100
Advertising		**87,662**	53,330
Bank charges		**92,353**	86,998
Cleaning		**10,470**	55,777
Cost of sales		**1,711,976**	1,935,548
Computer software upgrades		**821,497**	1,164,690
Insurance		**861,735**	850,855
Postage		**26,133**	20,647
Printing and stationery		**43,031**	50,269
Subscriptions and publications		**72,361**	72,808
Tourism expenses (excluding employee costs)		**308,947**	235,531
Other expenses		**1,286,850**	1,320,086
Travel expenses		**190,124**	219,450
Training costs (other than salaries and wages)		**59,595**	125,194
Membership Fees		**33,512**	44,581
Library Resources		**5,217**	2,626
Freight costs		**1,079,228**	1,701,340
– Legal expenses: other		**244,208**	342,650
Total materials and services		**22,431,056**	27,666,036
Total materials and services		**22,431,056**	27,666,036

B3-3 Depreciation, amortisation and impairment of non-financial assets

	Notes	2026 $	2025 $
Depreciation and amortisation			
Plant and equipment		**1,060,689**	1,090,361
Office equipment		**84,802**	24,379
Infrastructure:	C1-7		
– Buildings – specialised		**1,057,776**	1,038,209
– Sewerage infrastructure		**181,022**	227,348
– Other infrastructure		**505,323**	563,570
– Roads and bridges		**1,092,106**	1,062,907
– Telecommunications		**917,180**	830,241
– Electricity		**1,202,748**	1,382,256
– Airport runway		**2,464,360**	2,371,150
Total depreciation and amortisation costs		**8,566,006**	8,590,421
Total depreciation, amortisation and impairment of non-financial assets		**8,566,006**	8,590,421

Material accounting policy information

Depreciation and amortisation
Depreciation and amortisation are calculated using the straight line method to allocate their cost, net of their residual values, over their estimated useful lives. Useful lives are included in Note C1-7 for IPPE assets.

Impairment of non-financial assets
Council assets held at fair value that are not held primarily for their ability to generate net cash flow, and that are deemed to be specialised, are not tested for impairment since these assets are assessed on an annual basis to ensure that the carrying amount is not materially different from fair value and therefore an impairment loss would be captured during this assessment.

Other non-financial assets that do not meet the criteria above are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows that are largely independent of the cash inflows from other assets or groups of assets (cash-generating units).

Impairment losses for revalued assets are firstly offset against the amount in the revaluation surplus for the class of asset, with only the excess to be recognised in the Income Statement.

B3-4 Other expenses

	Notes	2026 Actual $	2025 Actual $
Impairment of receivables			
Other		**2,066,281**	–
Total impairment of receivables	C1-4	**2,066,281**	–
Donations, contributions and assistance to other organisations (Section 356)		**55,063**	16,953
Total other expenses		**2,121,344**	16,953

B4 Gains or losses

B4-1 Gain or loss from the disposal, replacement and de-recognition of assets

	Notes	2026 Actual $	2025 Actual $
Gain (or loss) on disposal of plant and equipment	C1-7		
Proceeds from disposal – plant and equipment		**28,735**	70,922
Less: carrying amount of plant and equipment assets sold/written off		**(4,393)**	(97,129)
Gain (or loss) on disposal		**24,342**	(26,207)
Net gain (or loss) from disposal of assets		**24,342**	(26,207)

B5 Performance against budget

B5-1 Material budget variations

Council's original budget was adopted by the Council on 25 June 2025 and is not required to be audited. The original projections on which the budget was based have been affected by a number of factors. These include state and federal government decisions, including new grant programs, changing economic activity, environmental factors, and by decisions made by Council.

While these General Purpose Financial Statements include the original budget adopted by Council, the Act requires Council to review its financial budget on a quarterly basis, so it is able to manage the variation between actuals and budget that invariably occur during the year.

Material variations of more than 10% between original budget and actual results or where the variance is considered material by nature are explained below.

Variation Key: F = Favourable budget variation, **U** = Unfavourable budget variation.

User charges and fees / Other revenues / Other income - The budgetary reporting basis adopted by Council for the year ended 30 June 2026 differs from the financial reporting basis. As a result, for evaluation of variations, these categories should be consolidated. There is a 16% favourable variation in the revenue categories, driven by Telecom billings, land title fees and motor vehicle registration fees.

Operating grants and contributions - The favourable variance is mainly attributable to a supplemental grant for telecommunication services provided by the Commonwealth.

Capital grants and contributions - The favourable variance is attributable to a lesser amount of carry-forward grant tied capital projects than anticipated during the original preparation of the 2025-2026 annual budget.

Interest and investment revenue - The unfavourable variance is mainly attributable to delayed implementation of Council's investment policy that was adopted on 17 April 2025 as part of Resolution 2025/62. Council's investable cash was not placed into higher yielding securities until October 2025, which impacted the overall interest earnings for the year.

Employee benefits and on-costs - The unfavourable variance reflects increased staffing costs associated with voluntary and involuntary changes in operational requirements.

Materials and services / Other expenses - The budgetary reporting basis adopted by Council for the year ended 30 June 2026 differs from the financial reporting basis. As a result, for evaluation of variations, these categories should be consolidated.

Cash flows from operating activities - The favourable variation is due to Council generating greater amounts of cash from operations than originally anticipated.

Cash flows from investing activities - The unfavourable variation is due to Council moving a portion of its liquid cash reserves into investments. This outcome was not recognised in the original 2025-2026 annual budget.

$	2026 Budget	2026 Actual	2026 -------- Variance --------		
Revenues					
Rates and annual charges	3,788,496	3,604,114	(184,382)	(5)%	U
User charges and fees	16,293,495	21,964,604	5,671,109	35%	F
Other revenues	–	4,235,454	4,235,454	∞	F
Operating grants and contributions	10,499,860	12,399,447	1,899,587	18%	F
Capital grants and contributions	1,132,687	1,614,476	481,789	43%	F
Interest and investment revenue	1,300,000	823,780	(476,220)	(37)%	U
Net gains from disposal of assets	–	24,342	24,342	∞	F
Other income	6,686,742	503,439	(6,183,303)	(92)%	U
Expenses					
Employee benefits and on-costs	12,532,885	15,265,830	(2,732,945)	(22)%	U
Materials and services	15,762,009	22,431,056	(6,669,047)	(42)%	U

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B5-1 Material budget variations (continued)

$	2026 Budget	2026 Actual	2026 -------- Variance --------		
Depreciation, amortisation and impairment of non-financial assets	8,528,014	8,566,006	(37,992)	0%	U
Other expenses	5,841,277	2,121,344	3,719,933	64%	F
Net losses from disposal of assets	–	–	–	∞	F
Statement of cash flows					
Cash flows from operating activities	4,432,423	5,060,055	627,632	14%	F
Cash flows from investing activities	(8,385,713)	(18,372,699)	(9,986,986)	119%	U

C Financial position

C1 Assets we manage

C1-1 Cash and cash equivalents

	2026 Actual $	2025 Actual $
Cash assets		
Cash on hand and at bank	**4,287,118**	18,594,694
Cash equivalent assets		
– Short-term deposits	**1,000,000**	–
Total cash and cash equivalents	**5,287,118**	18,594,694
Reconciliation of cash and cash equivalents		
Total cash and cash equivalents per Statement of Financial Position	**5,287,118**	18,594,694
Balance as per the Statement of Cash Flows	**5,287,118**	18,594,694

Material accounting policy information
For Statement of Cash Flow presentation purposes, cash and cash equivalents include: cash on hand; deposits held at call with financial institutions; other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

C1-2 Financial investments

	2026 Current Actual $	2025 Current Actual $
Financial assets at fair value through the profit and loss		
Government and semi-government bonds	**3,490,142**	–
Total	**3,490,142**	–
Financial assets at amortised cost		
Term Deposits	**9,500,000**	–
Total	**9,500,000**	–
Total financial investments	**12,990,142**	–
Total cash assets, cash equivalents and investments	**18,277,260**	18,594,694

Material accounting policy information

Financial instruments are recognised initially on the date that the Council becomes party to the contractual provisions of the instrument.

On initial recognition, all financial instruments are measured at fair value plus transaction costs (except for instruments measured at fair value through profit or loss where transaction costs are expensed as incurred).

Financial assets
All recognised financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

Classification
On initial recognition, Council classifies its financial assets into the following categories – those measured at:

- amortised cost
- fair value through profit and loss (FVTPL)
- fair value through other comprehensive income – equity instrument (FVOCI-equity)

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C1-2 Financial investments (continued)

Financial assets are not reclassified subsequent to their initial recognition. As at 30 June 2026 and 30 June 2025, Council did not hold any financial assets measured at fair value through profit or loss (FVTPL) or fair value through other comprehensive income (FVOCI).

Amortised cost
Council's financial assets measured at amortised cost comprise trade and other receivables, term deposits and cash and cash equivalents in the Statement of Financial Position. Term deposits with an initial term of more than 3 months are classified as investments rather than cash and cash equivalents.

Subsequent to initial recognition, these assets are carried at amortised cost using the effective interest rate method less provision for impairment.

Interest income, impairment and gains or loss on de-recognition are recognised in profit or loss.

Financial assets through profit or loss
All financial assets not classified as measured at amortised cost or fair value through other comprehensive income as described above are measured at fair value through profit or loss.

Net gains or losses, including any interest or dividend income, are recognised in profit or loss.

C1-3 Restricted and allocated cash, cash equivalents and investments

	2026 Actual $	2025 Actual $
(a) Externally restricted cash, cash equivalents and investments		
Total cash, cash equivalents and investments	**18,277,260**	18,594,694
Less: Externally restricted cash, cash equivalents and investments	**(4,171,187)**	(6,462,453)
Cash, cash equivalents and investments not subject to external restrictions	**14,106,073**	12,132,241

	Notes	2026 Actual $	2025 Actual $
External restrictions			
External restrictions – included in liabilities			
External restrictions included in cash, cash equivalents and investments above comprise:			
Specific purpose unexpended grants – general fund	C3-2	**749,223**	2,963,504
Lighterage Vessels	C3-2	**84,249**	–
Norfolk Island language trust		**10,542**	14,674
Bookeasy ticket sales		**678,042**	504,408
Curator of deceased estates		**815,537**	840,236
Iven 'Toon' Buffet Environment Fund		**70,414**	75,414
Historic Shipwrecks		**52,503**	52,503
Other deposits		**4,160**	–
Legal Aid Trust Fund		**183,228**	183,211
Protecting National Historic Sites		**2,500**	2,500
Telecom bonds		**24,098**	24,150
External restrictions – included in liabilities		**2,674,496**	4,660,600
External restrictions – other			
External restrictions included in cash, cash equivalents and investments above comprise:			
Specific purpose unexpended grants (recognised as revenue) – general fund		**1,295,585**	1,801,853
Lighterage Vessels		**201,106**	–
External restrictions – other		**1,496,691**	1,801,853
Total external restrictions		**4,171,187**	6,462,453

Cash, cash equivalents and investments subject to external restrictions are those which are only available for specific use by Council due to a restriction placed by legislation or third-party contractual agreement.

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C1-3 Restricted and allocated cash, cash equivalents and investments (continued)

	2026 Actual $	2025 Actual $
(b) Internal allocations		
Cash, cash equivalents and investments not subject to external restrictions	**14,106,073**	12,132,241
Less: Internally restricted cash, cash equivalents and investments	**(12,040,822)**	(7,611,469)
Unrestricted and unallocated cash, cash equivalents and investments	**2,065,251**	4,520,772

Internal allocations

At 30 June, Council has internally allocated funds to the following:

Financial Assistance Grant Prepaid	**2,831,369**	–
Infrastructure replacement	**3,939,708**	–
Employee leave entitlement	**2,043,562**	2,425,259
Carry over works	**1,600,065**	2,186,210
Cash flow management	**1,626,118**	3,000,000
Total internal allocations	**12,040,822**	7,611,469

Cash, cash equivalents and investments not subject to external restrictions may be internally allocated by resolution or policy of the elected Council.

	2026 Actual $	2025 Actual $
(c) Unrestricted and unallocated		
Unrestricted and unallocated cash, cash equivalents and investments	**2,065,251**	4,520,772

C1-4 Receivables

	2026 Current Actual $	2025 Current Actual $
Rates and annual charges	**1,246,310**	1,092,788
Interest and extra charges	**222,355**	156,990
User charges and fees	**4,093,529**	5,744,875
Contributions to works	**2,405**	–
– Interest on investments	**140,322**	51,259
– Other income accruals	**10,811**	280,479
Net GST receivable	**48,064**	47,803
Electricity debtors	**946,284**	907,453
Telecom debtors	**456,402**	472,505
Total	**7,166,482**	8,754,152
Less: provision for impairment		
User charges and fees	**(523,450)**	(632,000)
Total provision for impairment – receivables	**(523,450)**	(632,000)
Total net receivables	**6,643,032**	8,122,152

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C1-4 Receivables (continued)

	2026 Actual $	2025 Actual $
Movement in provision for impairment of receivables		
Balance at the beginning of the year	**632,000**	965,650
– previous impairment losses reversed	**(108,550)**	(333,650)
Balance at the end of the year	**523,450**	632,000

Material accounting policy information

Receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Receivables are generally due for settlement within 30 days.

Impairment
Impairment of financial assets measured at amortised cost is recognised on an expected credit loss (ECL) basis.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition, and when estimating ECL, the Council considers reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis based on Council's historical experience and informed credit assessment, and including forward-looking information.

When considering the ECL for rates debtors, Council takes into account that unpaid rates represent a charge against the rateable property that will be recovered when the property is next sold. For non-rates debtors, Council uses the presumption that an asset which is more than 30 days past due has seen a significant increase in credit risk.

The Council uses the presentation that a financial asset is in default when:
- the other party is unlikely to pay its credit obligations to the Council in full, without recourse by the Council to actions such as realising security (if any is held) or
- the financial assets (for non-rates debtors) are more than 90 days past due.

Credit losses are measured as the present value of the difference between the cash flows due to the entity in accordance with the contract, and the cash flows expected to be received. This is applied using a probability weighted approach.

On initial recognition of the asset, an estimate of the expected credit losses for the next 12 months is recognised. Where the asset has experienced significant increase in credit risk then the lifetime losses are estimated and recognised.

Council uses the simplified approach for trade receivables where the expected lifetime credit losses are recognised on day 1.

There has been no change in the estimation techniques or significant assumptions made during the current reporting period.

The Council writes off a trade receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the receivables are over 7 years past due, whichever occurs first.

Where the Council renegotiates the terms of receivables due from certain customers, the new expected cash flows are discounted at the original effective interest rate and any resulting difference to the carrying value is recognised in profit or loss.

Rates and annual charges outstanding are secured against the property.

C1-5 Inventories

	2026 Current Actual $	2025 Current Actual $
Inventories at cost		
Stores and materials	**2,414,101**	1,777,838
Bulk Fuel	**1,241,262**	–
Trading stock	**916,852**	864,031
Total inventories at cost	**4,572,215**	2,641,869
Total inventories	**4,572,215**	2,641,869

Material accounting policy information

Raw materials and stores, work in progress and finished goods
Raw materials and stores, fuel, work in progress and finished goods are stated at the lower of cost and net realisable value. Costs are assigned to individual items of inventory on the basis of weighted average costs. Costs of purchased inventory are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

C1-6 Contract assets and Contract cost assets

	2026 Current Actual $	2025 Current Actual $
Contract assets	**–**	243,474
Total contract assets and contract cost assets	**–**	243,474

Contract assets

Work relating to infrastructure grants	**–**	243,474
Total contract assets	**–**	243,474

Material accounting policy information

Contract assets
Contract assets represent Councils right to payment in exchange for goods or services the Council has transferred to a customer when that right is conditional on something other than the passage of time.

Contract assets arise when the amounts billed to customers are based on the achievement of various milestones established in the contract and therefore the amounts recognised as revenue in a given period do not necessarily coincide with the amounts billed to or certified by the customer. Once an invoice or payment claim is raised or the relevant milestone is reached, Council recognises a receivable.

Impairment of contract assets is assessed using the simplified expected credit loss model where lifetime credit losses are recognised on initial recognition.

C1-7 Infrastructure, property, plant and equipment

By aggregated asset class	At 1 July 2025 Gross carrying amount	At 1 July 2025 Accumulated depreciation and impairment	At 1 July 2025 Net carrying amount	Asset movements during the reporting period Additions renewals [1]	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Revaluation increments to equity (ARR)	At 30 June 2026 Gross carrying amount	At 30 June 2026 Accumulated depreciation and impairment	At 30 June 2026 Net carrying amount
	$	$	$	$	$	$	$	$	$	$	$	$
Capital work in progress	3,298,269	–	3,298,269	**1,417,528**	**2,086,570**	**–**	**–**	**(2,231,017)**	**–**	**4,571,350**	**–**	**4,571,350**
Plant and equipment	17,453,533	(6,720,822)	10,732,711	**–**	**860,284**	**(4,393)**	**(1,060,689)**	**1,617,844**	**–**	**19,864,982**	**(7,719,225)**	**12,145,757**
Office equipment	911,533	(359,207)	552,326	**45,431**	**531,114**	**–**	**(84,802)**	**351,460**	**–**	**1,839,538**	**(444,009)**	**1,395,529**
Land:												
– Operational land	16,301,350	–	16,301,350	**–**	**–**	**–**	**–**	**–**	**–**	**16,301,350**	**–**	**16,301,350**
Infrastructure:												
– Buildings – specialised	49,493,495	(27,500,881)	21,992,614	**7,902**	**46,904**	**–**	**(1,057,776)**	**–**	**3,286,879**	**57,318,780**	**(33,042,257)**	**24,276,523**
– Airport runway	131,284,905	(13,535,754)	117,749,151	**–**	**–**	**–**	**(2,464,360)**	**–**	**6,340,663**	**138,505,574**	**(16,880,120)**	**121,625,454**
– Sewerage network	13,171,210	(8,005,358)	5,165,852	**–**	**–**	**–**	**(181,022)**	**–**	**274,166**	**13,895,626**	**(8,636,630)**	**5,258,996**
– Other infrastructure	16,533,711	(10,019,073)	6,514,638	**–**	**70,112**	**–**	**(505,323)**	**19,791**	**330,527**	**17,532,968**	**(11,103,223)**	**6,429,745**
– Roads and bridges	47,017,919	(16,282,319)	30,735,600	**18,039**	**–**	**–**	**(1,092,106)**	**–**	**2,578,985**	**51,126,518**	**(18,886,000)**	**32,240,518**
– Telecommunications	23,518,007	(12,906,336)	10,611,671	**–**	**–**	**–**	**(917,180)**	**–**	**533,197**	**24,811,498**	**(14,583,810)**	**10,227,688**
– Electricity	45,928,400	(23,834,607)	22,093,793	**319,630**	**433**	**–**	**(1,202,748)**	**241,922**	**1,149,005**	**49,016,447**	**(26,414,412)**	**22,602,035**
Total infrastructure, property, plant and equipment	364,912,332	(119,164,357)	245,747,975	**1,808,530**	**3,595,417**	**(4,393)**	**(8,566,006)**	**–**	**14,493,422**	**394,784,631**	**(137,709,686)**	**257,074,945**

(1) Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

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C1-7 Infrastructure, property, plant and equipment (continued)

	At 1 July 2024			Asset movements during the reporting period							At 30 June 2025		
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount	Additions renewals [1]	Additions new assets	Carrying value of disposals	Depreciation expense	WIP transfers	Reclass	Expensed in P/L	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
By aggregated asset class	$	$	$	$	$	$	$	$	$	$	$	$	$
Capital work in progress	12,191,275	–	12,191,275	502,664	1,929,600	–	–	(10,563,440)	–	(761,830)	3,298,269	–	3,298,269
Plant and equipment	17,933,566	(6,181,503)	11,752,063	–	68,350	(97,128)	(1,090,361)	85,320	14,465	–	17,453,533	(6,720,822)	10,732,711
Office equipment	404,963	(334,829)	70,134	–	50,916	–	(24,379)	455,654	–	–	911,533	(359,207)	552,326
Land:													
– Operational land	16,301,350	–	16,301,350	–	–	–	–	–	–	–	16,301,350	–	16,301,350
Infrastructure:													
– Buildings – specialised	46,732,087	(25,978,799)	20,753,288	–	103,942	–	(1,038,209)	717,755	1,455,838	–	49,493,495	(27,500,881)	21,992,614
– Airport runway	165,084,965	(22,237,839)	142,847,126	–	–	–	(2,371,150)	–	(22,726,826)	–	131,284,905	(13,535,754)	117,749,151
– Sewerage network	13,171,210	(7,778,010)	5,393,200	–	–	–	(227,348)	–	–	–	13,171,210	(8,005,358)	5,165,852
– Roads and bridges	–	–	–	1,363,105	–	–	(1,062,907)	1,667,077	28,768,327	–	47,017,919	(16,282,319)	30,735,600
– Telecommunications	–	–	–	–	499,970	–	(830,241)	1,662,319	9,279,623	–	23,518,007	(12,906,336)	10,611,671
– Electricity	–	–	–	–	256,748	–	(1,382,256)	5,784,169	17,435,132	–	45,928,400	(23,834,607)	22,093,793
– Other infrastructure	78,083,230	(42,893,176)	35,190,054	–	–	–	(563,570)	191,146	(28,302,993)	–	16,533,711	(10,019,073)	6,514,638
Total infrastructure, property, plant and equipment	361,012,446	(110,590,390)	250,422,056	1,865,769	2,909,526	(97,128)	(8,590,421)	–	–	(761,830)	364,912,332	(119,164,357)	245,747,975

(1) Renewals are defined as the replacement of existing assets (as opposed to the acquisition of new assets).

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C1-7 Infrastructure, property, plant and equipment (continued)

Material accounting policy information

IPPE is measured initially at cost. Cost includes the fair value of the consideration given to acquire the asset (net of discounts and rebates) and any directly attributable cost of bringing the asset to working condition for its intended use (inclusive of import duties and taxes).

Infrastructure, property, plant and equipment are held at fair value. Independent comprehensive valuations are performed at least every five years, however the carrying amount of assets is assessed by Council at each reporting date to confirm that it is not materially different from current fair value.

Increases in the carrying amounts arising on revaluation are credited to the revaluation reserve. To the extent that the increase reverses a decrease previously recognising profit or loss relating to that asset class, the increase is first recognised as profit or loss. Decreases that reverse previous increases of assets in the same class are first charged against revaluation reserves directly in equity to the extent of the remaining reserve attributable to the class; all other decreases are charged to the Income Statement.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to Council and the cost of the item can be measured reliably. All other repairs and maintenance are charged to the Income Statement during the financial period in which they are incurred.

When infrastructure, property, plant and equipment are acquired by Council for nil or nominal consideration, the assets are initially recognised at their fair value at acquisition date.

Land is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives as follows:

Plant and equipment	Years	**Other equipment**	Years
Office equipment	5 to 10	Playground equipment	5 to 15
Office furniture	10 to 20	Benches, seats etc.	10 to 20
Computer equipment	4		
Vehicles	5 to 8	**Buildings**	
Heavy plant/road making equipment	5 to 8	Buildings: masonry	50 to 100
Other plant and equipment	5 to 15	Buildings: other	20 to 40
Water and sewer assets		**Stormwater assets**	
Dams and reservoirs	80 to 100	Drains	80 to 100
Bores	20 to 40	Culverts	50 to 80
Reticulation pipes: PVC	70 to 80	Flood control structures	80 to 100
Reticulation pipes: other	25 to 75		
Pumps and telemetry	15 to 20		
Transportation assets		**Other infrastructure assets**	
Sealed roads: surface	20	Bulk earthworks	20
Sealed roads: formation	Indefinite	Swimming pools	50
Unsealed roads	20	Unsealed roads	20
Bridge: concrete	100	Other open space/recreational assets	20
Bridge: other	50	Other infrastructure	20
Road pavements	50		
Kerb, gutter and footpaths	40		

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting date.

Land under roads

Land under roads is land under roadways and road reserves including land under footpaths, nature strips and median strips.

Council has elected not to recognise land under roads acquired before 1 July 2008. Land under roads acquired after 1 July 2008 is recognised in accordance with the IPPE accounting policy.

Crown reserves

Crown reserves under Council's care and control are recognised as assets of the Council other than the reserves in Kingston and Arthur's Vale Historic Area (KAVHA). While ownership of the reserves remains with the Crown, Council retains operational control of the reserves and is responsible for their maintenance and use in accordance with the specific purposes to which the reserves are dedicated.

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C1-7 Infrastructure, property, plant and equipment (continued)

Improvements on Crown reserves are also recorded as assets, while maintenance costs incurred by Council and revenues relating to the reserves are recognised within Council's Income Statement.

Rural Fire Service assets
Council recognises all fire service assets under the Fire Control Act 2000 (NI); inlcuding land, buildings, plant and equipment.

C2 Leasing activities

C2-1 Council as a lessor

Operating leases

Council leases out a number of properties and /or plant and equipment to community groups; these leases have been classified as operating leases for financial reporting purposes and the assets are included in the Statement of Financial Position as:

– property, plant and equipment – where the rental is incidental, or the asset is held to meet Councils service delivery objective (refer note C1-7).

	2026 Actual $	2025 Actual $
(i) Assets held as property, plant and equipment		
Lease income (excluding variable lease payments not dependent on an index or rate)	**408,444**	391,694
Total income relating to operating leases for Council assets	**408,444**	391,694
(iii) Maturity analysis of undiscounted lease payments to be received after reporting date for all operating leases:		
Maturity analysis of future lease income receivable showing the undiscounted lease payments to be received after reporting date for operating leases:		
< 1 year	**302,623**	290,793
1–2 years	**302,473**	289,193
2–3 years	**302,353**	289,043
3–4 years	**257,735**	244,075
4–5 years	**254,545**	243,955
> 5 years	**254,545**	240,765
Total undiscounted lease payments to be received	**1,674,274**	1,597,824

Material accounting policy information

When Council is a lessor, the lease is classified as either an operating or finance lease at inception date, based on whether substantially all of the risks and rewards incidental to ownership of the asset have been transferred to the lessee. If the risks and rewards have been transferred then the lease is classified as a finance lease, otherwise it is an operating lease.

When Council has a sub-lease over an asset and is the intermediate lessor then the head lease and sub-lease are accounted for separately. The classification of the sub-lease is based on the right-of-use asset which arises from the head lease rather than the useful life of the underlying asset.

If the lease contains lease and non-lease components, the non-lease components are accounted for in accordance with AASB 15 *Revenue from Contracts with Customers*.

The lease income is recognised on a straight-line basis over the lease term for an operating lease and as finance income using amortised cost basis for finance leases.

C3 Liabilities of Council

C3-1 Payables

	2026 Current Actual $	2025 Current Actual $
Goods and services – operating expenditure	**2,293,532**	2,179,051
Accrued expenses:		
– Salaries and wages	**633,020**	386,799
– Other expenditure accruals	**310,922**	58,412
Advances	**69,006**	72,241
Security bonds, deposits and retentions	**1,841,024**	1,697,095
Other	**50,422**	57,581
Total payables	**5,197,926**	4,451,179

Current payables not anticipated to be settled within the next twelve months

Nil

Material accounting policy information

Council measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

Payables

Payables represent liabilities for goods and services provided to Council prior to the end of financial year that are unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

C3-2 Contract Liabilities

	Notes	2026 Current Actual $	2025 Current Actual $
Grants and contributions received in advance:			
Unexpended capital grants (to construct Council controlled assets)	(i)	**833,472**	2,963,504
Total grants received in advance		**833,472**	2,963,504
Total contract liabilities		**833,472**	2,963,504

Notes

(i) Council has received funding to construct infrastructure assets. The funds received are under an enforceable contract which require Council to construct an identified asset which will be under Council's control on completion. The revenue is recognised as Council constructs the asset and the contract liability reflects the funding received which cannot yet be recognised as revenue. The revenue is expected to be recognised in the next 12 months.

Material accounting policy information

Contract liabilities are recorded when consideration is received from a customer / fund provider prior to Council transferring a good or service to the customer, Council presents the funds which exceed revenue recognised as a contract liability.

C3-3 Borrowings

	2026 Current Actual $	2025 Current Restated Actual $
Bulk Fuel	**1,241,262**	–
Credit Card Facility	**12,227**	7,159
Total borrowings	**1,253,489**	7,159

Financing arrangements

	2026 Actual $	2025 Actual $
Total facilities		
Total financing facilities available to Council at the reporting date are:		
Bulk Fuel [1]	**1,241,262**	–
Credit cards/purchase cards	**50,000**	50,000
Total financing arrangements	**1,291,262**	50,000
Drawn facilities		
Financing facilities drawn down at the reporting date are:		
– Bulk Fuel [1]	**1,241,262**	–
– Credit cards/purchase cards	**12,227**	7,159
Total drawn financing arrangements	**1,253,489**	7,159
Undrawn facilities		
Undrawn financing facilities available to Council at the reporting date are:		
– Credit cards/purchase cards	**37,773**	42,841
Total undrawn financing arrangements	**37,773**	42,841

(1) Vendor financing facility extended to Council for the purchase of fuel for Council needs. Amount represents the principal balance of the facility as at the close of the financial year, which corresponds to fuel in inventory. The cost of money associated with this financing facility is 6% of the price per litre of fuel delivered to Council, recognised as an expense at each fuel delivery.

Material accounting policy information

Council measures all financial liabilities initially at fair value less transaction costs, subsequently financial liabilities are measured at amortised cost using the effective interest rate method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down.

Borrowings are removed from the Statement of Financial Position when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in other income or borrowing costs.

C3-4 Employee benefit provisions

	2026 Current Actual $	2025 Current Actual $
Annual leave and TOIL	**1,528,922**	1,386,356
Long service leave	**1,081,922**	1,038,903
Total employee benefit provisions	**2,610,844**	2,425,259

Current employee benefit provisions not anticipated to be settled within the next twelve months

	2026 Actual $	2025 Actual $
The following employee benefit provisions, even though classified as current, are not expected to be settled in the next 12 months. The following provisions, even though classified as current, are not expected to be settled in the next 12 months.		
Provisions – employees benefits	**988,703**	953,684
	988,703	953,684

Material accounting policy information

Short-term obligations

Liabilities for wages and salaries (including non-monetary benefits and annual leave expected to be wholly settled within 12 months after the end of the period in which the employees render the related service) are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liability for annual leave leave is recognised in the provision for employee benefits. All other short-term employee benefit obligations are presented as payables.

Other long-term employee benefit obligations

The liability for long-service leave and annual leave that is not expected to be wholly settled within 12 months after the end of the period in which the employees render the related service is recognised in the provision for employee benefits and measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. Consideration is given to expected future wage and salary levels, experience of employee departures, and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the Statement of Financial Position if the Council does not have an unconditional right to defer settlement for at least 12 months after the reporting date, regardless of when the actual settlement is expected to occur.

C3-5 Provisions

	Notes	2026 Current Actual $	2026 Non-Current Actual $	2025 Current Restated Actual $	2025 Non-Current Restated Actual $
Other provisions					
Waste export	F4-1	**–**	**9,397,719**	–	9,397,719
Asbestos stockpile decontamination		**11,262**	**–**	–	–
Sub-total – other provisions		**11,262**	**9,397,719**	–	9,397,719
Total provisions		**11,262**	**9,397,719**	–	9,397,719

Current provisions not anticipated to be settled within the next twelve months

The following provisions, even though classified as current, are not expected to be settled in the next 12 months.

NIL

Material accounting policy information

Provisions are recognised when Council has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Waste export

The waste stockpile provision represents the best estimate of the expenditure required to settle the present obligation at the reporting date. This includes estimates and assumption to process transport, export, treat, recycle and dispose of legacy waste stockpiled on Norfolk Island as a result of historical waste management practices. The provision is based on a survey-driven assessment and is reassessed at each reporting date to reflect updated quantities, contractor pricing and available export pathways.

The provision was last assessed by NEXUS Regional Waste Solutions, an external expert in waste management as at 30 June 2026.

Council notes that in the *Statement by the Administrators and Management* at 30 June 2025, it was stated that there was insufficient infomration to include a provision as at the balance date. However, that *Statement by the Administrators and Management* included an estimated expenditure of between $19.6M and $22.8M to satisfy the present obligation at the end of the reporting period to remove waste from Norfolk Island. This estimate was based on the information available at the time and did not reflect a detailed assessment of the underlying waste streams which took place at 30 June 2026. Management and the administrators consider that the 30 June 2026 detailed assessment of the provision, valued at $9,397,719 is now sufficiently rigorous to recognise in the financial statements.

Material uncertainties relating to estimates and assumptions

Material uncertainty exists in determining the waste stockpile provision relating to following key estimates and assumptions used.

Input cost

A material uncertainty exists in estimating the cost to prepare, treat, load and export waste as this can only be confirmed once the waste treatment and export of legacy waste commences. As a result, Council has relied upon the subject matter knowledge of the external expert in assessing potential cost. Due to the uncertainty involved in this estimate a contingency factor of 20% to 30% has been applied to all cost estimates.

Waste quantity

Waste quantities have been estimated using default volumetric conversion factors relating to different waste categories in line with industry benchmarks. There is material uncertainty relating to tonnages calculated using the default volumetric conversion factors since limited evidence is available from actual export of waste to validate the factors used. As a result, the volumetric conversion factors may be subject to change once the export of legacy waste commences and tonnage data is for different waste categories becomes known.

Timing of export of waste

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C3-5 Provisions (continued)

There is material uncertainty relating to timing of the waste export as although Council has an obligation to manage the waste there is no guidance or constraints regarding the actual timeframe for doing this. As such the timing of waste export is considered to be subject to current budgetary constraints. These constraints include a temporary suspension of legacy waste exports for at least the 2026-27 financial year. As a result, Council has not adjusted the provision to reflect the present value of future costs given a lack of confidence regarding the precise future timing of export. In calculating the provision as at 30 June 2026 an assumption has been made that the impact of a present value calculation would likely be offset by increase in cost.

Despite of the material uncertainties outlined above, Council considers the provision is based upon the best available information as at 30 June 2026.

Unquantified waste streams
Council also wishes to draw attention to several unquantified waste streams that are listed as contingent liabilities in Note D3-1. It is estimated that when these specific waste streams are quantified and eligible for export, Council will assess and recognise a provision.

C4 Reserves

C4-1 Nature and purpose of reserves

IPPE Revaluation Surplus
The infrastructure, property, plant and equipment (IPPE) revaluation surplus is used to record increments and decrements in the revaluation of infrastructure, property, plant and equipment.

D Risks and accounting uncertainties

D1-1 Risks relating to financial instruments held

Council's overall risk management program focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the financial performance of Council.

Council's objective is to maximise its return on cash and investments while maintaining an adequate level of liquidity and preserving capital. The finance team manage the cash and investments portfolio with the assistance of independent advisers. Council has an investment policy which complies with s 625 of the Act and the Ministerial Investment Order. The policy is regularly reviewed by Council and a monthly investment report is provided to Council setting out the make-up and performance of the portfolio as required by local government regulations.

Council does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk. Financial risk management is carried out by the finance team under policies approved by the Councillors.

The fair value of receivables, investments and financial liabilities approximates the carrying amount. The risks associated with the financial instruments held are:

• interest rate risk – the risk that movements in interest rates could affect returns

• liquidity risk – the risk that Council will not be able to pay its debts as and when they fall due

• credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to Council.

Council manages these risks by diversifying its portfolio and only purchasing investments with high credit ratings or capital guarantees.

(a) Market risk – interest rate risk

	2026	2025
	$	$
The impact on the result for the year and equity of a reasonably possible movement in the price of investments held and interest rates is shown below. The reasonably possible movements were determined based on historical movements and economic conditions in place at the reporting date.		
Impact of a 1% movement in interest rates		
– Equity / Income Statement	**42,871**	185,951

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D1-1 Risks relating to financial instruments held (continued)

(b) Credit risk

Council's major receivables comprise (i) rates and annual charges and (ii) user charges and fees.

Council manages the credit risk associated with these receivables by monitoring outstanding debt and employing stringent debt recovery procedures. Council also encourages ratepayers to pay their rates by the due date through incentives.

The credit risk for liquid funds and other short-term financial assets is considered negligible, since the counterparties are reputable banks with high quality external credit ratings.

There are no significant concentrations of credit risk, whether through exposure to individual customers, specific industry sectors and/or regions.

The level of outstanding receivables is reported to Council monthly and benchmarks are set and monitored for acceptable collection performance.

Council makes suitable provision for doubtful receivables as required and carries out credit checks on most non-rate debtors.

There are no material receivables that have been subjected to a re-negotiation of repayment terms.

Credit risk profile

Receivables – rates and annual charges

Credit risk on rates and annual charges is minimised by the ability of Council to recover these debts as a secured charge over the land; that is, the land can be sold to recover the debt. Council is also able to charge interest on overdue rates and annual charges at higher than market rates which further encourages payment.

	Not yet overdue	overdue rates and annual charges		Total
		< 5 years	≥ 5 years	
	$	$	$	$
2026				
Gross carrying amount	**–**	**988,614**	**257,696**	**1,246,310**
2025				
Gross carrying amount	1,092,788	–	–	1,092,788

Receivables - non-rates and annual charges and contract assets

Council applies the simplified approach for non-rates and annual charges debtors and contract assets to provide for expected credit losses, which permits the use of the lifetime expected loss provision at inception. To measure the expected credit losses, non-rates and annual charges debtors and contract assets have been grouped based on shared credit risk characteristics and the days past due.

The loss allowance provision is determined as follows. The expected credit losses incorporate forward-looking information.

	Not yet overdue	Overdue debts				Total
		0 - 30 days	31 - 60 days	61 - 90 days	> 91 days	
	$	$	$	$	$	$
2026						
Gross carrying amount	**4,778,172**	**442,000**	**107,000**	**56,000**	**537,000**	**5,920,172**
Expected loss rate (%)	**1.24%**	**10.00%**	**15.00%**	**50.00%**	**70.00%**	**8.84%**
ECL provision	**59,249**	**44,200**	**16,050**	**28,000**	**375,900**	**523,399**
2025						
Gross carrying amount	6,735,838	357,000	60,000	71,000	681,000	7,904,838
Expected loss rate (%)	1.12%	9.97%	15.00%	49.67%	70.00%	8.00%
ECL provision	75,441	35,593	9,000	35,266	476,700	632,000

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D1-1 Risks relating to financial instruments held (continued)

(c) Liquidity risk

Payables are subject to liquidity risk; that is, the risk that insufficient funds may be on hand to meet payment obligations as and when they fall due.

Council manages this risk by monitoring its cash flow requirements and liquidity levels, and by maintaining an adequate cash buffer. Payment terms can be extended, and overdraft facilities drawn upon in extenuating circumstances.

The timing of cash flows presented in the table below to settle financial liabilities reflects the earliest contractual settlement dates. The timing of expected outflows is not expected to be materially different from contracted cashflows.

The amounts disclosed in the table are the undiscounted contracted cash flows for liabilities and therefore the balances in the table may not equal the balances in the Statement of Financial Position due to the effect of discounting.

	Weighted average interest rate	Subject to no maturity	payable in: ≤ 1 Year	1 - 5 Years	> 5 Years	Total cash outflows	Actual carrying values
	%	$	$	$	$	$	$
2026							
Payables	**0.00%**	**1,841,024**	**3,356,902**	**–**	**–**	**5,197,926**	**5,197,926**
Borrowings	**6.12%**	**–**	**1,327,965**	**–**	**–**	**1,327,965**	**1,253,489**
Total financial liabilities		**1,841,024**	**4,684,867**	**–**	**–**	**6,525,891**	**6,451,415**
2025							
Payables	0.00%	1,697,095	2,754,084	–	–	4,451,179	4,451,179
Borrowings	0.00%	–	7,159	–	–	7,159	7,159
Total financial liabilities		1,697,095	2,761,243	–	–	4,458,338	4,458,338

D2-1 Fair value measurement

The Council measures the following asset and liability classes at fair value on a recurring basis:

– Infrastructure, property, plant and equipment

The fair value of assets and liabilities must be estimated in accordance with various accounting standards for either recognition and measurement requirements or for disclosure purposes.

AASB 13 Fair Value Measurement requires all assets and liabilities measured at fair value to be assigned to a 'level' in the fair value hierarchy as follows:

Level 1: Unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date.

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

Level 3: Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

Indices applied and date of last revaluation
The indices applied were the Australian Bureau of Statistics (ABS) Producer Price Indexes for Non-residential Building Construction (Buildings), Heavy and Civil Engineering Construction (Airport Runway, Sewerage Network, Other Infrastructure, Telecommunications and Electricity), and Road and Bridge Construction (Roads and Bridges).

Buildings was last comprehensively revalued at 30 June 2023; the remaining six classes were last comprehensively revalued at 30 June 2024. As no interim indexation was applied in the intervening year(s), the indexation factor applied to each class reflects the cumulative index movement from its respective last revaluation date to 30 June 2026.

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D2-1 Fair value measurement (continued)

		Fair value measurement hierarchy							
		Date of latest valuation		Level 2 Significant observable inputs		Level 3 Significant unobservable inputs		Total	
		2026	2025	**2026**	2025	**2026**	2025	**2026**	2025
	Notes			**$**	$	**$**	$	**$**	$
Recurring fair value measurements									
Infrastructure, property, plant and equipment	C1-7								
– Operational land		30/06/2023	30/06/2023	**16,301,350**	16,301,350	**–**	–	**16,301,350**	16,301,350
– Buildings – specialised		30/06/2023	30/06/2023	**–**	–	**24,276,523**	21,992,614	**24,276,523**	21,992,614
– Airport runway		30/06/2024	30/06/2024	**–**	–	**121,625,454**	117,749,151	**121,625,454**	117,749,151
– Sewerage network		30/06/2024	30/06/2024	**–**	–	**5,258,996**	5,165,852	**5,258,996**	5,165,852
– Other infrastructure		30/06/2024	30/06/2024	**–**	–	**6,429,745**	6,514,638	**6,429,745**	6,514,638
– Plant, Equipment & Other		30/06/2020	30/06/2020	**–**	–	**12,145,757**	10,732,711	**12,145,757**	10,732,711
– Roads and bridges		30/06/2024	30/06/2024	**–**	–	**32,240,518**	30,735,600	**32,240,518**	30,735,600
– Telecommunications		30/06/2024	30/06/2024	**–**	–	**10,227,688**	10,611,671	**10,227,688**	10,611,671
– Electricity		30/06/2024	30/06/2024	**–**	–	**22,602,035**	22,093,793	**22,602,035**	22,093,793
Total infrastructure, property, plant and equipment				**16,301,350**	16,301,350	**234,806,716**	225,596,030	**251,108,066**	241,897,380

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D2-1 Fair value measurement (continued)

Transfers between level 1 and level 2 fair value hierarchies

During the year, there were no transfers between level 1 and level 2 fair value hierarchies for recurring fair value measurments.

Valuation techniques

Where Council is unable to derive fair valuations using quoted market prices of identical assets (ie. level 1 inputs) Council instead utilises a spread of both observable inputs (level 2 inputs) and unobservable inputs (level 3 inputs).

The fair valuation techniques Council has employed while utilising level 2 and level 3 inputs are as follows:

Infrastructure, property, plant and equipment (IPPE)

All infrastructure assets (except buildings) were comprehensively valued by an independent valuation firm PPE Valuations in 2024.

The latest independent valuation of buildings was performed by PPE Valuations in 2023. During the 2025-2026 year, Council performed an indexation of the Buildings, Airport Runway, Sewerage Network, Other Infrastructure, Roads and Bridges, Telecommunications and Electricity asset classes, applying published price indices in accordance with clause 7.11.2 of Council's Non-Current Asset Accounting Policy. As no interim indexation was applied in the 2024-2025 financial year, the indexation factor applied in the current year reflects the cumulative movement in the relevant indices since each class' last revaluation date.

All non-land assets were valued using a Cost Approach. Under this methodology the gross replacement cost is assessed on the basis that it reflects a modern equivalent asset with similar service potential. Gross current values have been derived from reference to relevant market data for recent projects (taking into account Norfolk Island's location) and construction guides.

Operational land has been valued using market approach having regard to the "highest and best use", after identifying elements that would be taken into account by setting an exit price. These elements include: land description and dimensions, planning and other constraints on development and the potential for alternative use. Operational land has been valued by PPE Valuations in 2023 using level 2 observable inputs.

The assets Fair Value is calculated as the gross current value less accumulated depreciation to reflect the consumed or expired service potential of the asset. In determining the level of accumulated depreciation a useful life has been provided to each asset. Major assets have been disaggregated into significant components which exhibit varying useful lives. Allowance has been made for the typical asset life cycle and renewal treatment on an overall asset or component level, noting that Residual Values have not been applied in this assessment. The condition, represented by a Remaining Service Potential Score, has been assessed taking into account physical characteristics, as well as factors such as functionality, capability, utilisation and obsolescence.

Inputs are derived utilising a number of observable and unobservable sources. These include:

- Published construction cost guides (Gross Replacement Cost)
- Available market data for current construction projects (Gross Replacement Cost)
- Discussions with builders, suppliers and/or construction companies working within the locality (Gross Replacement Cost)
- Database of costs (Gross Replacement Cost)
- Construction data from the entity for new projects (Gross Replacement Cost)
- Gathering data relating to potential future trends in the area that may affect the usage, capacity, functionality or obsolesce of an asset or asset category (Remaining Service Potential Score)
- Consideration of historic data about the age of the asset (Remaining Service Potential Score)
- Chronological age analysis or maintenance record analysis (Remaining Service Potential Score)
- Any other relevant information gathered or observations made for a particular asset on inspection (Remaining Service Potential Score)
- Physical Condition Grade (Remaining Service Potential Score)
- The Entity’s Asset Management Policy (GRC, RPS Score and Residual)
- Observations of consumption patterns of similar assets/categories (GRC, RPS Score and Residual).

Highest and best use

All of Council’s non-financial assets are considered as being utilised for their highest and best use.

D3-1 Contingencies

The following assets and liabilities do not qualify for recognition in the Statement of Financial Position, but their knowledge and disclosure is considered relevant to the users of Council's financial report.

LIABILITIES NOT RECOGNISED

1. Guarantees

(i) Statewide Limited

Council is a member of Statewide Mutual, a mutual pool scheme providing liability insurance to local government.

Membership includes the potential to share in either the net assets or liabilities of the fund depending on its past performance. Council's share of the net assets or liabilities reflects Council's contributions to the pool and the result of insurance claims within each of the fund years.

The future realisation and finalisation of claims incurred but not reported to 30 June this year may result in future liabilities or benefits as a result of past events that Council will be required to fund or share in respectively.

(ii) Other guarantees

Council has provided no other guarantees other than those listed above.

2. Other liabilities

(i) Third party claims

The Council is involved from time to time in various claims incidental to the ordinary course of business including claims for damages relating to its services.

Council believes that it is appropriately covered for all claims through its insurance coverage and does not expect any material liabilities to eventuate.

(ii) Potential land acquisitions due to planning restrictions imposed by Council

Council has not classified any privately owned land parcels as local open space or bushland for potential land acquisition.

(iii) Waste removal
Council holds additional legacy waste for which a reliable estimate of the removal, treatment or disposal cost cannot presently be made, and for which no provision has therefore been recognised. This includes lithium batteries and whole tyres, for which no confirmed transport, shredding or export pathway is currently available; oversized vehicles and machinery, which require a dedicated handling and export methodology yet to be developed; and waste oil-impacted soil, the extent of which has not yet been delineated or sampled. Council will recognise a provision for these items once a reliable estimate can be made.

ASSETS NOT RECOGNISED

(i) Land under roads
Land under roads is not included in Councils assets, as permitted under AASB 1051, Councils can elected not to bring to account land under roads that it owned or controlled up to and including 30/6/08, although the newly formed Council commenced on 1/7/2016 the offical transfer of roads from the Commonwealth to Council is yet to be finalised.

(ii) Infringement notices/fines

Fines and penalty income, the result of Council issuing infringement notices is followed up and collected by Council. Infringement notices issued by the Norfolk Island Police Force under *Traffic Act 2010 (NI)* are also followed up and collected by Council.

Council's revenue recognition policy for such income is to account for it as revenue on receipt. Accordingly, at year end, there is a potential asset due to Council representing issued but unpaid infringement notices.

Due to the limited information available on the status, value and duration of outstanding notices, Council is unable to determine the value of outstanding income.

E People and relationships

E1 Related party disclosures

E1-1 Key management personnel (KMP)

Key management personnel (KMP) of the council are those persons having the authority and responsibility for planning, directing and controlling the activities of the council, directly or indirectly.

Short-term benefits are employee benefits, other than termination benefits, that are expected to be settled within 12 months. Short term benefits include payments to staff and to Norfolk Island Regional Council Administrators.

Post employment benefits are provided to employees after their employment has ended. Termination benefits are the amounts paid to staff for the termination of their employment. Termination benefits result from either a decision to terminate the employment or an employee's decision to accept an entity's offer of termination.

The aggregate amount of KMP compensation included in the Income Statement is:

	2026	2025
	$	$
Compensation:		
Short-term benefits	**958,182**	1,290,021
Post-employment benefits	**108,507**	142,794
Other long-term benefits	**–**	–
Termination benefits	**52,890**	521,515
Total	**1,119,579**	1,954,330

Detailed KMP compensation amounts (FY 2026):

Administrators
Scott Mason, Lead Administrator
Gary Mottau, Financial Administrator

Short-term benefits	182,420
Post-employment benefits	18,219
Other long-term benefits	-
Termination benefits	-
Total	**200,639**

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E1-1 Key management personnel (KMP) (continued)

General Managers	Acting General Manager^	Acting General Manager#	Acting Deputy General Manager*
Short-term benefits	33,289	254,125	87,042
Post-employment benefits	3,091	29,505	9,593
Other long-term benefits	-	-	-
Termination benefits	22,323	-	-
Total	**58,703**	**283,630**	**96,635**

^1 July 2025 - 31 July 2025
#1 August 2025 - 30 June 2026
*2 March 2026 - 30 June 2026

Senior Staff
Manager Corporate Services 1 July 2025 to 5 March 2026
Manager Planning and Environment 1 July 2025 to 12 December 2025
Manager Infrastructure Services 1 July 2025 to 31 July 2025
Manager Customer Care
Manager Environment 9 March 2026 to 30 June 2026

Short-term benefits	401,306
Post-employment benefits	48,099
Other long-term benefits	-
Termination benefits	30,568
Total	**479,973**

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E1-1 Key management personnel (KMP) (continued)

Other transactions with KMP and their related parties

Council has determined that transactions at arm's length between KMP and Council as part of KMP using Council services (e.g. access to library or Council facilities) will not be disclosed. [1]

Nature of the transaction	Transactions during the year $	Terms and conditions
2026		
Salaries & wages for close family members of KMP	**107,537**	Normal employment terms & conditions
Contractor expenses for close family members of KMP	**–**	Normal trade terms & conditions
2025		
Salaries & wages for close family members of KMP	103,032	Normal employment terms & conditions
Contractor expenses for close family members of KMP	30	Normal trade terms & conditions

(1) During the financial year ended 30 June 2026, staff were offered a discount for personal consumption purchases at the Liquor Bond by virtue of their employment with Norfolk Island Regional Council. The aggregate amount of these discounts over the financial year totals $828.93. These discounts were not offered during the financial year ended 30 June 2025, so there is no comparative amount to disclose. As at 23 September 2026, this practice has been discontinued.

E2 Other relationships

E2-1 Audit fees

	2026 Actual $	2025 Actual $
During the year, the following fees were incurred for services provided by the auditor of Council, related practices and non-related audit firms		
(i) Audit and other assurance services		
Audit and review of financial statements	**143,300**	122,100
Remuneration for audit and other assurance services	**143,300**	122,100
Total audit fees	**143,300**	122,100

F Other matters

F1-1 Statement of Cash Flows information

Reconciliation of net operating result to cash provided from operating activities

	2026 Actual $	2025 Actual $
Net operating result from Income Statement	**(3,214,580)**	(4,839,307)
Add / (less) non-cash items:		
Depreciation and amortisation	**8,566,006**	8,590,421
(Gain) / loss on disposal of assets	**(24,342)**	26,207
Amortisation of premiums, discounts and prior period fair valuations		
– Financial assets at amortised cost / held to maturity (2025)	**7,345**	–
Movements in operating assets and liabilities and other cash items:		
(Increase) / decrease of receivables	**1,587,670**	(3,828,598)
Increase / (decrease) in provision for impairment of receivables	**(108,550)**	(333,650)
(Increase) / decrease of inventories	**(689,084)**	1,248,831
(Increase) / decrease of other current assets	**(121,446)**	–
(Increase) / decrease of contract asset	**243,474**	193,451
Increase / (decrease) in payables	**114,481**	103,425
Increase / (decrease) in other accrued expenses payable	**498,731**	(116,541)
Increase / (decrease) in other liabilities	**133,535**	(1,045,665)
Increase / (decrease) in contract liabilities	**(2,130,032)**	(2,129,131)
Increase / (decrease) in employee benefit provision	**185,585**	98,733
Increase / (decrease) in other provisions	**11,262**	–
Net cash flows from operating activities	**5,060,055**	(2,031,824)

F2-1 Commitments

Capital commitments (exclusive of GST)

	2026 Actual $	2025 Actual $
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
Property, plant and equipment		
Plant and equipment	**981,676**	2,664,282
Buildings - specialised	**414,044**	669,883
Roads and bridges	**1,373,011**	1,716,172
Sewerage network	**7,650**	82,955
Electricity	**28,916**	162,149
Total commitments	**2,805,297**	5,295,441
These expenditures are payable as follows:		
Within the next year	**2,805,297**	5,295,441
Total payable	**2,805,297**	5,295,441
Sources for funding of capital commitments:		
Future grants and contributions	**1,137,635**	3,361,906
Internally restricted reserves	**1,667,662**	1,933,535
Total sources of funding	**2,805,297**	5,295,441

F3-1 Events occurring after the reporting date

Legacy waste liability
Subsequent to 30 June 2026, Council obtained updated pricing indicating that the cost of managing the legacy waste liability is expected to increase to approximately $10,335,957 for the 2026-27 financial year, an increase of approximately $926,976 (9.85%) on the amount recognised at 30 June 2026. This increase reflects forecast movements in CPI, contractor rates, freight and disposal charges for the year ahead, and does not indicate a change in the quantity or nature of the underlying waste. No adjustment has been made to the amount recognised at 30 June 2026 as a result of this event.

As at 31 August 2026, Council assesses the changes in the value of the legacy waste liability on a monthly basis.

Contractual arrangements for the supply and delivery of bulk fuel
On 29 January 2025, Council adopted Resolution 2025/09, awarding a tender for the supply of bulk fuel to Toll Remote Logistics Pty Ltd (Toll) and delegating the authority to the Acting General Manager to finalise the contract with Toll. The contract was executed on 30 April 2025 and specifies that in accordance with clause 5.3(a), Council is to be the payer of invoices arising from the agreement.

From April 2025 to the reporting date, the invoices for the supply of fuel have been received and paid by Burnt Pine Fuel (BPF), nominated as Council's agent in the Toll supply contract. These invoices include:

April 2025 - $207,433.26
May 2025 - $263,387.26
June 2025 - $270,173.58
July 2025 - $253,973.52
August 2025 - $272,941.48
September 2025 - $202,558.88
October 2025 - $176,984.26
November 2025 - $124,156.07
December 2025 - $102,444,.04
January 2026 - $142,859.54
February 2026 - $150,603.09
March 2026 - $157,105.52
April 2026 - $196,000.92
May 2026 - $172,295.10
June 2026 - $204,265.53

The amount of each invoices includes 1) the landed price of fuel, 2) a 6% per litre "cost of money" charge describe below and 3) a $0.40 per litre management/delivery charge.

As per the Toll supply contract, Council retains title to all fuel supplied under the contract. Under these circumstances, where a third party has paid for an asset that Council to which the Council holds title, Council notes that a liability to that third-party has occurred.

Management has evaluated the nature of this liability. Notably, there is a 6% per litre "cost of money" charge applied to each litre of fuel delivered by BPF to Council. This represents that cost for BPF to finance the funding of the bulk fuel deliveries when it pays Toll. This cost is passed on to Council. Management has evaluated this arrangement, and determined its nature as a borrowing, specifically a financing facility. This financing facility has been recognised in these statements in Note C3-3: Borrowings with a corresponding entry to inventory as an asset at 30 June 2026. Council did not hold title to any of the fuel inventory as at 30 June 2025.

Council has not formally approved any borrowing agreement in accordance with Part 12 of the *Local Government Act 1993* (NSW)(NI). On 29 July 2026, after the reporting period, Council adopted Resolution 2026/117, asserting that the financing facility does not exist.

Further, Council asserted its concern that BPF, rather than Council, has paid Toll for the fuel in contravention of clause 5.3(a) of the Toll supply contract.

Council's actions on this matter took place after the reporting date, but impact the reporting financial year and the current financial year. Notwithstanding the absence of a borrowing agreement, BPF paid for an asset to which Council holds title, so a borrowing has been recognised as an adjusting event. This borrowing will continue to be recognised into the subsequent financial year until Council satisfies the liability.

F4 Changes from prior year statements

F4-1 Correction of errors

Council is jointly and severally liable for the obligation to remove waste from Norfolk Island. As there were many uncertainties surrounding the amount to be recognised, the liability was unable to be reliably estimated at 30 June 2025. Council has since obtained expertise in measuring the cost to remove the waste, and the liability can now be reliably measured as at 30 June 2026. In the absence of more reliable information for earlier periods, and given no material change in the underlying waste quantities or removal costs between 30 June 2025 and 30 June 2026, this assessment has also been applied in measuring the liability at 30 June 2025 and at 1 July 2024. The liability existed at 30 June 2024 and therefore these balances have been restated.

Council has restated the credit card liability as a borrowing, which was previously included in payables from financial year 2024-2025 onwards.

Changes to the opening Statement of Financial Position at 1 July 2024

Statement of Financial Position

	Original Balance 1 July, 2024 $	Impact Increase/ (decrease) $	Restated Balance 1 July, 2024 $
Provision for Waste Removal	–	9,397,719	9,397,719
Total non-current liabilities	–	9,397,719	9,397,719
Total liabilities	**12,936,280**	**9,397,719**	**22,333,999**
Net assets	270,342,370	(9,397,719)	260,944,651
Accumulated surplus	191,917,164	(9,397,719)	182,519,445
Total equity	**270,342,370**	**(9,397,719)**	**260,944,651**

Adjustments to the comparative figures for the year ended 30 June 2025

Statement of Financial Position

	Original Balance 30 June, 2025 $	Impact Increase/ (decrease) $	Restated Balance 30 June, 2025 $
Payables	4,458,338	(7,159)	4,451,179
Borrowings	–	7,159	7,159
Provision for Waste Removal	–	–	–
Total current liabilities	9,847,101	–	9,847,101
Provision for Waste Removal	–	9,397,719	9,397,719
Total non-current liabilities	–	9,397,719	9,397,719
Total liabilities	**9,847,101**	**9,397,719**	**19,244,820**
Net assets	265,503,063	(9,397,719)	256,105,344
Accumulated surplus	187,077,857	(9,397,719)	177,680,138
Total equity	**265,503,063**	**(9,397,719)**	**256,105,344**

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F4-1 Correction of errors (continued)

End of the audited financial statements

G1-1 Council information and contact details

Principal place of business:
39 Taylors Road
Norfolk Island 2899

Contact details

Mailing Address:
PO Box 95
Norfolk Island NSW 2899

Telephone: +6723 22244
Local Free Call: 0100

Opening hours:
9:00am - 4:00pm
Monday to Friday

Internet: www.norfolkisland.gov.nf
Email: customercare@nirc.gov.nf

Officers

General Manager (Acting)
Nicholas Mostardo

Elected members

Lead Administrator
Scott Mason

Finance Administrator
Gary Mottau

Auditors
Forsyths
121 Rusden Street
PO Box 114
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armidale@forsyths.com.au

Other information

ABN: 60103855713

Forsyths

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INDEPENDENT AUDITOR'S REPORT

Report on the general purpose financial statements

Norfolk Island Regional Council

To the Administrators of Norfolk Island Regional Council

Opinion

We have audited the accompanying financial statements of Norfolk Island Regional Council (the Council), which comprise the Statement by Administrators and Management, the Income Statement and Statement of Comprehensive Income for the year ended 30 June 2026, the Statement of Financial Position as at 30 June 2026, the Statement of Changes in Equity and Statement of Cash Flows for the year then ended and notes comprising a summary of significant accounting policies and other explanatory information.

In our opinion:

- the Council's accounting records have been kept in accordance with the requirements of the *Local Government Act 1993 (NSW) (NI)*, Chapter 13, Part 3, Division 2 (the Division)
- the financial statements:
  - have been prepared, in all material respects, in accordance with the requirements of this Division
  - are, in all material respects, consistent with the Council's accounting records
  - present fairly, in all material respects, the financial position of the Council as at 30 June 2026, and of its financial performance and its cash flows for the year then ended in accordance with Australian Accounting Standards
- all information relevant to the conduct of the audit has been obtained
- no material deficiencies in the accounting records or financial statements have come to light during the audit.

Our opinion should be read in conjunction with the rest of this report.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under the standards are described in the 'Auditor's Responsibilities for the Audit of the Financial Statements' section of our report.

We are independent of the Council in accordance with the requirements of the:

- Australian Auditing Standards
- Accounting Professional and Ethical Standards Board's APES 110 'Code of Ethics for Professional Accountants (including Independence Standards)' (APES 110).

We have fulfilled our other ethical responsibilities in accordance with APES 110.

We believe the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter - Material uncertainties relating to the estimates and assumptions used in the provision

We draw attention to Note C3-5 'Provisions' of the financial statements, which describes the material uncertainties associated with the measurement of Council's waste stockpile provision recognised at $9.4 million as at 30 June 2026. The provision is subject to significant estimation uncertainty relating to the costs of preparing, treating, loading and exporting legacy waste, the estimated quantities of waste based on volumetric conversion factors, and the timing of future waste exports. As further described in Note C3-5, these estimates and assumptions may be subject to change when the treatment and export of legacy waste commences and further information becomes available.

Our opinion is not modified in respect of this matter.

Other Information

The Council's annual report for the year ended 30 June 2026 includes other information in addition to the financial statements and our Independent Auditor's Report thereon. The Administrators are responsible for the other information. The annual report is expected to be made available to us after the date of this auditor's report.

Our opinion on the financial statements does not cover the other information. Accordingly, we do not express any form of assurance conclusion on the other information. However, we have separately expressed an opinion on the special purpose financial statements and the special schedule.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude there is a material misstatement of the other information, we must report that fact.

We have nothing to report in this regard.

The Administrators' Responsibilities for the Financial Statements

The Administrators are responsible for the preparation and fair presentation of the financial statements in accordance with Australian Accounting Standards and the *Local Government Act 1993 (NSW) (NI)*, and for such internal control as the Administrators determine is necessary to enable the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Administrators are responsible for assessing the Council's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to:

- obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error
- issue an Independent Auditor's Report including our opinion.

Reasonable assurance is a high level of assurance, but does not guarantee an audit conducted in accordance with Australian Auditing Standards will always detect material misstatements. Misstatements can arise from fraud or error. Misstatements are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions users take based on the financial statements.

A description of our responsibilities for the audit of the financial statements is located at the Auditing and Assurance Standards Board website at: https://www.auasb.gov.au/auditors_responsibilities/ar4.pdf The description forms part of our auditor's report.

The scope of our audit does not include, nor provide assurance:

- that the Council carried out its activities effectively, efficiently and economically
- on the Original Budget information included in the Income Statement, Statement of Cash Flows, and Note B5-1 Material budget variations, and Note G1-1 Council information and contact details
- about the security and controls over the electronic publication of the audited financial statements on any website where they may be presented
- about any other information which may have been hyperlinked to/from the financial statements.

Forsyths



Jacob Sauer
Principal

19 October 2026
Armidale NSW

Forsyths

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Messrs Scott Mason and Gary Mottau
Administrators
Norfolk Island Regional Council
PO BOX 95
NORFOLK ISLAND 2899

19 October 2026

Dear Scott and Gary

Report on the Conduct of the Audit
for the year ended 30 June 2026
Norfolk Island Regional Council

We have audited the general purpose financial statements (GPFS) of the Norfolk Island Regional Council (the Council) for the year ended 30 June 2026 as required by section 415 of the *Local Government Act 1993 (NSW)(NI)* (the Act).

Our audit was conducted in accordance with the agreed terms of our engagement letter, in accordance with mandatory Australian Auditing Standards, the Act and *Local Government (General) Regulations 2005*.

We expressed an unmodified opinion on the Council's General Purpose Financial Statements.

This Report on the Conduct of the Audit (the Report) for the Council for the year ended 30 June 2026 is issued in accordance with section 417(3) of the Act. This Report should be read in conjunction with our audit opinion on the financial statements issued under section 417(2) of the Act.

ABN 24 935 296 225
Liability limited by a scheme approved under the Professional Standards Legislation.

Financial performance overview

INCOME STATEMENT

Operating result

	2026 $000	2025 $000	Variance %
Rates and annual charges revenue	3,604	3,525	2.2
Grants and contributions revenue	14,014	15,203	7.8
Operating result from continuing operations	(3,215)	(4,839)	33.6
Net operating result before capital grants and contributions	(4,829)	(7,086)	31.9

Rates and annual charges revenue ($3.6 million) increased by $79,000 (2.2 per cent) in 2025–26 in line with the expected budgeted increase.

Grants and contributions revenue ($14 million) decreased by $1.2 million, mainly as a result of:

- $1.4 million net decrease in funding relating to the Service Delivery Agreement (SDA) grants.
- $1 million decrease in funding for rates and waste charges support.

Offset by:

- $455,000 increase in funding from Roads to Recovery Program
- $390,000 net increase in funding relating to telecommunications
- $338,000 net increase in funding under the Priority Projects program.

The Council's operating result from continuing operations (deficit of $3.2 million including depreciation and amortisation expense of $8.6 million) was a $1.6 million improvement to the 2024-25 result. This is mainly attributed to:

- the decrease of $5.2 million in material and services expenditure mainly relating to general contractors, telecom and freight costs
- an increase of $2.7 million in user charges and fees mainly due to additional revenue recognised for telecom sales

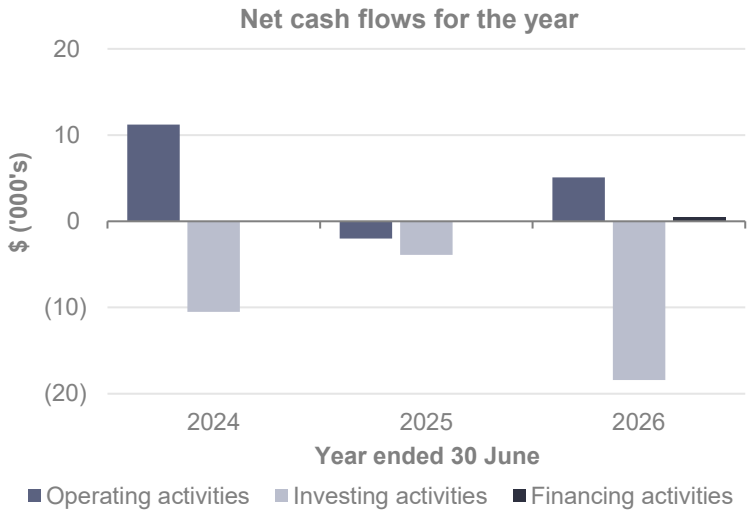
offset by:

- an increase of $2.9 million in employee benefits and oncosts mainly due to increase in internal workforce
- an increase of $2.1 million in other expenses due to write off telecom revenue
- decrease of $1.2 million in grants and contributions as detailed above.

STATEMENT OF CASH FLOWS

Cash from operating activities increased by $7.1 million, notably due to increase in receipts from user charges and fees.

Cash outflows from investing activities increased by $14.5 million due to acquisition of term deposits and investments.



FINANCIAL POSITION

Cash and investments

Cash and investments	2026	2025	Commentary
	$000	$000	
Total cash, cash equivalents and investments	**18,277**	**18,595**	Major external restrictions include specific purpose unexpended grants and curator for deceased estates.
Restricted and allocated cash, cash equivalents and investments:			Externally restricted cash, cash equivalents and investments decreased $2.2 million mainly due to less carried forward grant funding at year end.
• External restrictions	4,171	6,462	Internal restrictions increased $4.4 million mainly due to approved restrictions for prepaid financial assistance grant and infrastructure replacements.
• Internal allocations	12,041	7,611	

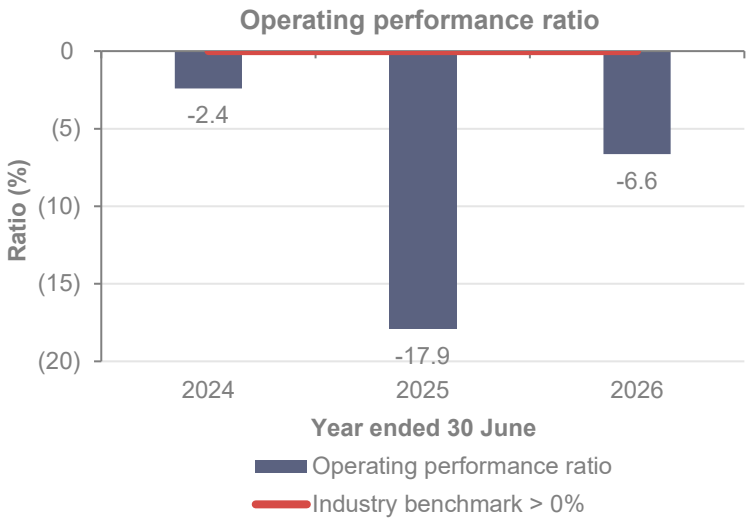
PERFORMANCE MEASURES

The following section provides an overview of the Council's performance against relevant performance measures and performance benchmarks set by the NSW Office of Local Government (OLG) within the Department of Planning and Environment.

Operating performance ratio

The 'operating performance ratio' measures how well Council contained operating expenditure within operating revenue (excluding capital grants and contributions, fair value adjustments, and reversal of revaluation decrements). The industry benchmark set by OLG is greater than zero per cent.

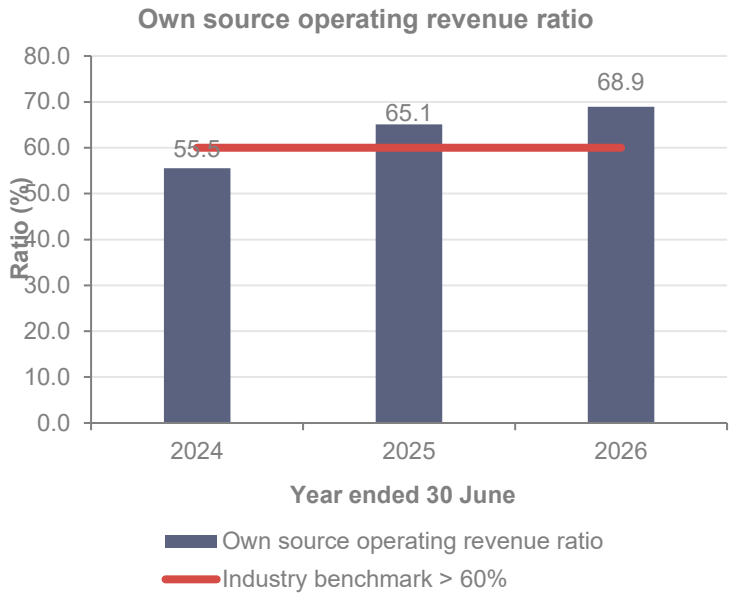
The Council did not meet the benchmark for the reporting period.



Own source operating revenue ratio

The 'own source operating revenue ratio' measures council's fiscal flexibility and the degree to which it relies on external funding sources such as operating grants and contributions. The industry benchmark set by OLG is greater than 60 per cent.

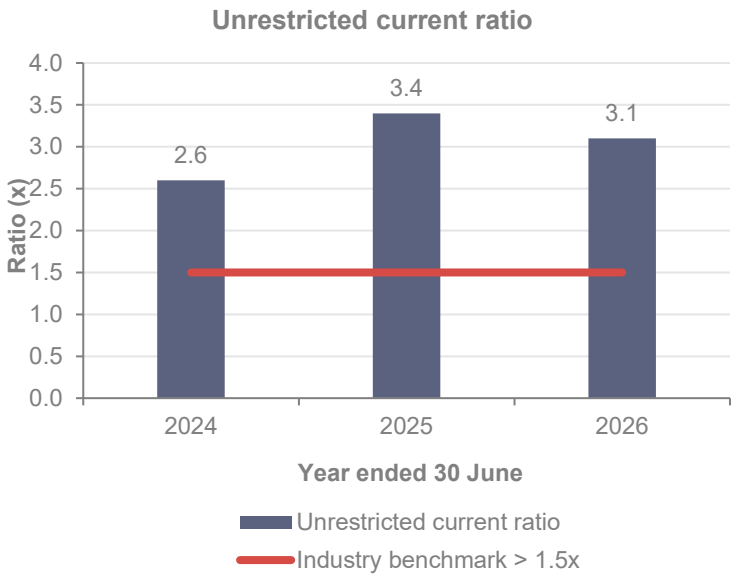
The Council met the industry benchmark for the current reporting period.



Unrestricted current ratio

The 'unrestricted current ratio' is specific to local government and represents Council's ability to meet its short-term obligations as they fall due. The industry benchmark set by OLG is greater than 1.5 times.

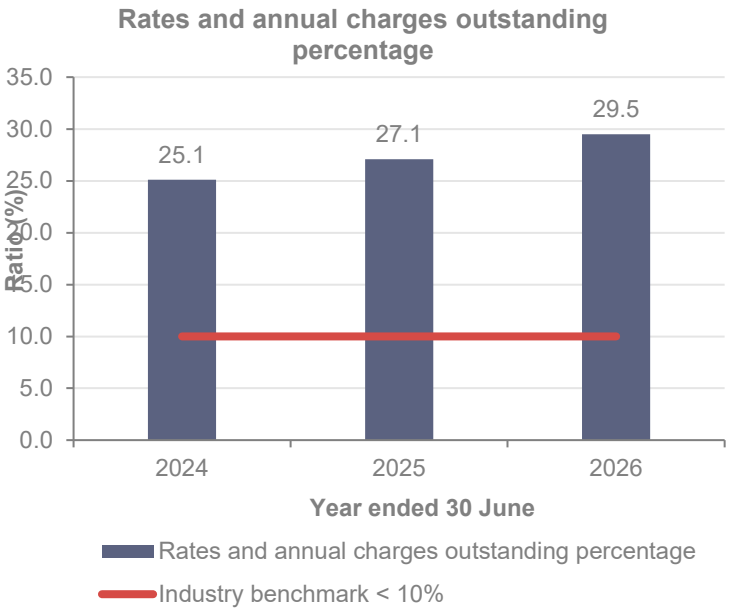
The Council exceeded the OLG industry benchmark for each of the three reporting periods analysed.



Rates and annual charges outstanding percentage

The 'rates and annual charges outstanding percentage' assesses the impact of uncollected rates and annual charges on council's liquidity and the adequacy of debt recovery efforts. The industry benchmark set by OLG is less than 10 per cent for regional and rural councils.

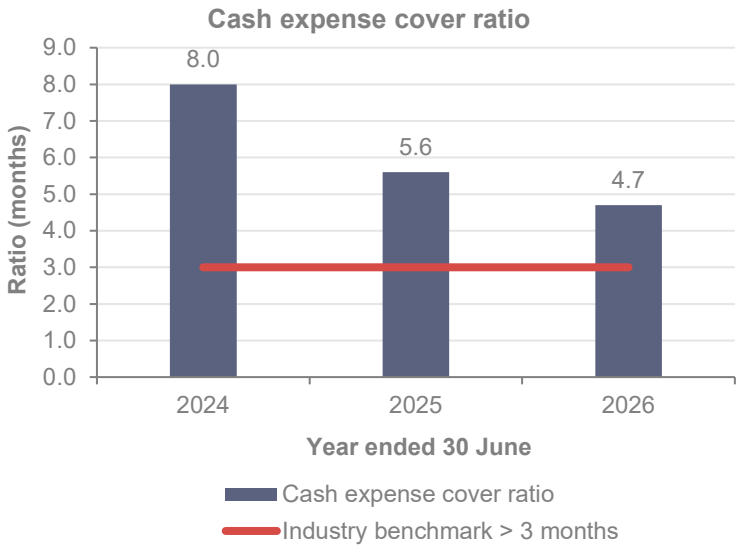
The Council has not met the industry benchmark in any of the three reporting periods analysed.



Cash expense cover ratio

This liquidity ratio indicates the number of months the council can continue paying for its immediate expenses without additional cash inflow. The industry benchmark set by OLG is greater than three months.

The Council exceeded the OLG benchmark for the reporting period.



Other matters

Legislative compliance

My audit procedures identified and reported non-compliance with the tendering requirements under the *Local Government Act (LG Act) 1993* (NSW) (NI).

The Council's:

- accounting records were maintained in a manner and form to allow the GPFS to be prepared and effectively audited
- staff provided all accounting records and information relevant to the audit.



Jacob Sauer
Audit Principal, Forsyths