Norfolk Island Regional Council

SPECIAL PURPOSE FINANCIAL STATEMENTS

for the year ended 30 June 2026

NORFOLK ISLAND Regional Council

Norfolk Island Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2026

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Norfolk Island Regional Council

Special Purpose Financial Statements

for the year ended 30 June 2026

Statement by Administrators and Management made pursuant to the Local Government Code of Accounting Practice and Financial Reporting

The attached special purpose financial statements have been prepared in accordance with:

- 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 operating result and financial position for each of Council's declared business activities for the year,
- accord with Council's accounting and other records; and
- present overhead reallocation charges to the water and sewerage businesses as fair and reasonable.

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 of Electricity

for the year ended 30 June 2026

	2026 Category 1 Actual $	2025 Category 1 Actual $
Income from continuing operations		
User charges	**3,737,629**	3,925,562
Other income	**35,629**	59,306
Total income from continuing operations	**3,773,258**	3,984,868
Expenses from continuing operations		
Employee benefits and on-costs	**990,511**	910,366
Materials and services	**3,980,344**	4,011,075
Total expenses from continuing operations excluding depreciation, amortisation and impairment of non-financial assets	**4,970,855**	4,921,441
Operating result from continuing operations excluding depreciation, amortisation and impairment of non-financial assets before capital amounts	**(1,197,597)**	(936,573)
Depreciation, amortisation and impairment of non-financial assets	**1,264,762**	1,437,654
Surplus (deficit) from continuing operations before capital amounts	**(2,462,359)**	(2,374,227)
Grants and contributions provided for capital purposes	**242,526**	5,995
Surplus (deficit) from continuing operations after capital amounts	**(2,219,833)**	(2,368,232)
Subsidy from Council	**2,219,833**	2,368,232

Norfolk Island Regional Council

Income Statement of Telecommunications

for the year ended 30 June 2026

	2026 Category 1 Actual $	2025 Category 1 Actual $
Income from continuing operations		
User charges	**4,297,964**	2,034,968
Grants and contributions provided for operating purposes	**2,419,331**	1,237,500
Total income from continuing operations	**6,717,295**	3,272,468
Expenses from continuing operations		
Employee benefits and on-costs	**520,094**	511,717
Materials and services	**4,464,872**	4,283,872
Other expenses	**2,064,281**	–
Total expenses from continuing operations excluding depreciation, amortisation and impairment of non-financial assets	**7,049,247**	4,795,589
Operating result from continuing operations excluding depreciation, amortisation and impairment of non-financial assets before capital amounts	**(331,952)**	(1,523,121)
Depreciation, amortisation and impairment of non-financial assets	**917,180**	830,241
Surplus (deficit) from continuing operations before capital amounts	**(1,249,132)**	(2,353,362)
Grants and contributions provided for capital purposes	**–**	791,941
Surplus (deficit) from continuing operations after capital amounts	**(1,249,132)**	(1,561,421)
Subsidy from Council	**1,249,132**	1,561,421

Norfolk Island Regional Council

Income Statement of Waste

for the year ended 30 June 2026

	2026 Category 1 Actual $	2025 Category 1 Actual $
Income from continuing operations		
Annual charges	**1,111,247**	1,128,668
User charges	**575,072**	584,788
Grants and contributions provided for operating purposes	**190,000**	990,000
Other income	**110**	100
Total income from continuing operations	**1,876,429**	2,703,556
Expenses from continuing operations		
Employee benefits and on-costs	**2,014,785**	519,813
Materials and services	**2,679,652**	3,006,145
Total expenses from continuing operations excluding depreciation, amortisation and impairment of non-financial assets	**4,694,437**	3,525,958
Operating result from continuing operations excluding depreciation, amortisation and impairment of non-financial assets before capital amounts	**(2,818,008)**	(822,402)
Depreciation, amortisation and impairment of non-financial assets	**238,083**	284,465
Surplus (deficit) from continuing operations before capital amounts	**(3,056,091)**	(1,106,867)
Surplus (deficit) from continuing operations after capital amounts	**(3,056,091)**	(1,106,867)
Subsidy from Council	**3,056,091**	1,106,867

Norfolk Island Regional Council

Income Statement of Airport Operations and ARFFS

for the year ended 30 June 2026

	2026 Category 1 Actual $	2025 Category 1 Actual $
Income from continuing operations		
User charges	**9,404,707**	9,314,839
Other income	**40,831**	34,980
Total income from continuing operations	**9,445,538**	9,349,819
Expenses from continuing operations		
Employee benefits and on-costs	**2,301,519**	1,471,104
Materials and services	**1,674,102**	1,102,725
Total expenses from continuing operations excluding depreciation, amortisation and impairment of non-financial assets	**3,975,621**	2,573,829
Operating result from continuing operations excluding depreciation, amortisation and impairment of non-financial assets before capital amounts	**5,469,917**	6,775,990
Depreciation, amortisation and impairment of non-financial assets	**2,967,738**	2,873,942
Surplus (deficit) from continuing operations before capital amounts	**2,502,179**	3,902,048
Surplus (deficit) from continuing operations after capital amounts	**2,502,179**	3,902,048
Subsidy from Council	**–**	–

Norfolk Island Regional Council

Statement of Financial Position of Electricity

as at 30 June 2026

	2026 Category 1 Actual $	2025 Category 1 Actual $
ASSETS		
Current assets		
Receivables	**972,426**	929,142
Inventories	**415,201**	415,295
Total current assets	**1,387,627**	1,344,437
Non-current assets		
Infrastructure, property, plant and equipment	**24,859,487**	23,325,974
Total non-current assets	**24,859,487**	23,325,974
Total assets	**26,247,114**	24,670,411
LIABILITIES		
Current liabilities		
Employee benefit provisions	**249,899**	266,900
Other [1]	**2,570,831**	–
Total current liabilities	**2,820,730**	266,900
Total liabilities	**2,820,730**	266,900
Net assets	**23,426,384**	24,403,511
EQUITY		
Current year earnings	**(2,219,833)**	(2,368,232)
Accumulated surplus	**21,976,580**	24,344,812
IPPE revaluation surplus	**3,669,637**	2,426,931
Total equity	**23,426,384**	24,403,511

(1) Accumulated subsidy from Council

Norfolk Island Regional Council

Statement of Financial Position of Telecommunications

as at 30 June 2026

	2026 Category 1 Actual $	2025 Category 1 Actual $
ASSETS		
Current assets		
Receivables	**830,715**	472,505
Other [1]	**90,780**	–
Total current assets	**921,495**	472,505
Non-current assets		
Infrastructure, property, plant and equipment	**10,662,687**	11,795,196
Total non-current assets	**10,662,687**	11,795,196
Total assets	**11,584,182**	12,267,701
LIABILITIES		
Current liabilities		
Employee benefit provisions	**176,282**	143,866
Total current liabilities	**176,282**	143,866
Total liabilities	**176,282**	143,866
Net assets	**11,407,900**	12,123,835
EQUITY		
Current year earnings	**(1,249,132)**	(1,561,421)
Accumulated surplus	**10,540,464**	12,101,885
IPPE revaluation surplus	**2,116,568**	1,583,371
Total equity	**11,407,900**	12,123,835

(1) Accumulated contribution to Council

Norfolk Island Regional Council

Statement of Financial Position of Waste

as at 30 June 2026

	2026 Category 1 Actual $	2025 Category 1 Actual $
ASSETS		
Current assets		
Receivables	**154,163**	210,605
Total current assets	**154,163**	210,605
Non-current assets		
Infrastructure, property, plant and equipment	**3,906,656**	3,602,615
Total non-current assets	**3,906,656**	3,602,615
Total assets	**4,060,819**	3,813,220
LIABILITIES		
Current liabilities		
Employee benefit provisions	**31,294**	22,418
Provision for asbestos stockpile decontamination	**11,262**	–
Other [1]	**2,930,978**	–
Total current liabilities	**2,973,534**	22,418
Non-current liabilities		
Provision for waste removal	**9,397,719**	9,397,719
Total non-current liabilities	**9,397,719**	9,397,719
Total liabilities	**12,371,253**	9,420,137
Net assets	**(8,310,434)**	(5,606,917)
EQUITY		
Current year earnings	**(3,056,091)**	(1,106,867)
Accumulated surplus	**(7,154,308)**	(6,047,441)
IPPE revaluation surplus	**1,899,965**	1,547,391
Total equity	**(8,310,434)**	(5,606,917)

(1) Accumulated subsidy from Council

Norfolk Island Regional Council

Statement of Financial Position of Airport Operations and ARFFS

as at 30 June 2026

	2026 Category 1 Actual $	2025 Category 1 Actual $
ASSETS		
Current assets		
Receivables	**901,579**	1,196,258
Inventories	**74,620**	81,341
Other [1]	**5,302,886**	–
Total current assets	**6,279,085**	1,277,599
Non-current assets		
Infrastructure, property, plant and equipment	**131,673,569**	127,271,277
Total non-current assets	**131,673,569**	127,271,277
Total assets	**137,952,654**	128,548,876
LIABILITIES		
Current liabilities		
Employee benefit provisions	**373,386**	267,103
Total current liabilities	**373,386**	267,103
Total liabilities	**373,386**	267,103
Net assets	**137,579,268**	128,281,773
EQUITY		
Current Year Earnings	**2,502,179**	3,902,048
Accumulated Surplus	**80,807,552**	76,905,504
IPPE revaluation surplus	**54,269,537**	47,474,221
Total equity	**137,579,268**	128,281,773

(1) Accumulated contribution to Council

Note – 1. Material accounting policy information

These financial statements are SPFS prepared for use by Council and the Department of Infrastructure, Transport, Regional Development, Communications, Sport and the Arts. For the purposes of these statements, the Council is a non-reporting not-for-profit entity.

The figures presented in these special purpose financial statements have been prepared in accordance with the recognition and measurement criteria of relevant Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board (AASB) and Australian Accounting Interpretations.

The disclosures in these special purpose financial statements have been prepared in accordance with the *Local Government Act 1993 (NSW) (NI)* (Act), the *Local Government (General) Regulation 2005 (NSW) (NI)* (Regulation) and the Local Government Code of Accounting Practice and Financial Reporting.

The statements are prepared on an accruals basis. They are based on historic costs and do not take into account changing money values or, except where specifically stated, fair value of non-current assets.

The Statement of Financial Position includes notional assets/liabilities receivable from/payable to Council's general fund. These balances reflect a notional intra-entity funding arrangement with the declared business activities.

Declared business activities

Council has declared that the following are to be considered as business activities:

Category 1 – business activities with gross operating turnover more than $2 million

a. 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.

b. Telecommunications

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.

c. 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.

c. Airport Operations and ARFFS

Council operates and manages the Norfolk Island International Airport and Aviation Rescue and Fire Fighting Service (ARFFS). 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.

Category 2 – business activities with gross operating turnover less than $2 million

Council does not operate any Category 2 business activities.

Monetary amounts

Amounts shown in the financial statements are in Australian dollars.

Local government rates and charges

A calculation of the equivalent rates and charges for all Category 1 businesses has been applied to all assets owned, or exclusively used by the business activity.

continued on next page ...

Note – 1. Material accounting policy information (continued)

(i) Subsidies

Government policy requires that subsidies provided to customers, and the funding of those subsidies, must be explicitly disclosed. Subsidies occur where Council provides services on a less than cost recovery basis. This option is exercised on a range of services in order for Council to meet its community service obligations. The overall effect of subsidies is contained within the Income Statements of business activities.

Forsyths

www.forsyths.com.au

ARMIDALE
121 Rusden Street
PO Box 114
Armidale NSW 2350
Phone 02 6773 8400
Fax 02 6772 9957
armidale@forsyths.com.au

INDEPENDENT AUDITOR'S REPORT

Report on the special purpose financial statements

Norfolk Island Regional Council

To the Administrators of Norfolk Island Regional Council

Qualified Opinion

We have audited the accompanying special purpose financial statements of Norfolk Island Regional Council's (the Council) Declared Business Activities, which comprise the Statement of Administrators and Management, the Income Statement of each Declared Business Activity for the year ended 30 June 2026, the Statement of Financial Position of each Declared Business Activity as at 30 June 2026 and the Material accounting policy information note.

The Declared Business Activities of the Council are:

- Electricity
- Telecommunications
- Waste
- Airport operations and ARFFS.

In our opinion, except for the possible effects of the matters described in the 'Basis for Qualified Opinion' section of our report, the financial statements present fairly, in all material respects, the financial position of the Council's declared Business Activities as at 30 June 2026, and their financial performance for the year then ended in accordance with the Australian Accounting Standards described in the Material accounting policy information note and the Local Government Code of Accounting Practice and Financial Reporting 2025-26 (LG Code).

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

Basis for Qualified Opinion

Limitation of scope relating to opening balances

The Special Purpose Financial Statements for the year ended 30 June 2026 represent the first year of preparation of financial statements for the Declared Business Activities. Accordingly, certain opening balances as at 1 July 2025, including retained earnings, asset revaluation reserves and other equity-related balances, were derived using allocation methodologies and assumptions based on available information from the Council's historical accounting records. In addition, separate cash balances and interfund accounts were not historically maintained for the Declared Business Activities and certain opening balances had to be reconstructed from available records and management assumptions.

Consequently, we were unable to obtain sufficient appropriate audit evidence regarding the completeness and accuracy of the opening net assets and equity balances attributable to the Declared Business Activities at 1 July 2025.

Accordingly, our opinion is qualified in respect of the possible effects of this matter on the opening net assets and equity balances of the Declared Business Activities.

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 – Basis of Accounting

Without modifying our opinion, we draw attention to the Material accounting policy information note to the financial statements which describes the basis of accounting. The financial statements have been prepared for use by Council and the Department of Infrastructure, Transport, Regional Development, Communications, Sport and the Arts on the basis that the Council is non-reporting not-for profit entity in accordance with the reporting obligations under the LG Code. As a result, the financial statements may not be suitable for another purpose.

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. At the date of this Independent Auditor's Report, the other information we have received comprise the general purpose financial statements and Special Schedules (the Schedules).

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 general purpose financial statements and the Special Schedule 'Permissible Income for general rates'.

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 and for determining that the accounting policies, described in the Material accounting

policy information note to the financial statements, are appropriate to meet the requirements of LG Code. The Administrators' responsibility also includes 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
- 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