NORTHERN GULF RESOURCE MANAGEMENT GROUP LTD
ABN 94 106 450 355

CONSOLIDATED FINANCIAL REPORT
FOR THE YEAR ENDED 30 JUNE 2014

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NORTHERN GULF RESOURCE MANAGEMENT GROUP LTD
ABN 94 106 450 355
DIRECTORS' REPORT
FOR THE YEAR ENDED 30 JUNE 2014

The directors present their report together with the financial statements of the Group comprising of Northern Gulf Resource Management Group Limited (the Company) and its subsidiary for the year ended 30 June 2014.

Directors

The directors of the company at any time during or since the end of the year are :

Name	Special responsibilities
John Bethel	Director
John Wason	Director
Sarah Hoyal	Director
Anna Burley (Resigned April 2014)	Director
Ian Tincknell (Resigned Nov 2013)	Director
Janet Busch	Director
David Schubert (Resigned Sept 2013)	Director
Penny Johnson (Appointed Nov 2013)	Director
Joe Lockyer (Appointed Nov 2013)	Director

Directors' Meetings

There were 11 Directors meetings held during the year. Directors are able to attend meetings either in person or by way of conference telephone call. The number of meetings attended by each director was as follows:

Name	Number of Meetings While a Director	Number of Meetings Attended
John Bethel	11	11
John Wason	11	9
Sarah Hoyal	11	10
Anna Burley	9	8
Ian Tincknell	4	2
Janet Busch	11	8
David Schubert	3	1
Penny Johnson	7	7
Joe Lockyer	6	5

Principal activities

The principal activity of Northern Gulf Resource Management Group Limited during the financial year is to plan and advise on issues and best practice for natural resources in the Northern Gulf Region. No significant change in the nature of these activities occurred during the year.

Results of operations

The operating net loss of the Group for the year was $532,023 (2013: net loss $22,134).

Distributions

The constitution of the Group prohibits any distribution of profits to members.

State of Affairs

In the opinion of the Directors, there were no significant events impacting upon the state of affairs of the Group that occurred during the financial period.

Events subsequent to balance date

There has not arisen in the interval between the end of the financial year and the date of this report, any item, transaction or event of a material nature, likely, in the opinion of the directors, to significantly affect the operations of the Group, the results of those operations, or the state of affairs of the Group, in future financial years.

Likely Developments

It is the current intention of the directors to continue to support the current operations of the Group. Further information on likely developments in the operations of the Group and the expected results of operations have not been included in this report as the directors believe it would be likely to result in unreasonable prejudice to the Group.

Indemnification and insurance of officers and auditors

During or since the end of the financial year the Group has given an indemnity or entered into an agreement to indemnify, or paid or agreed to pay insurance premiums as follows:

The Group has paid premiums to insure each of the directors against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of director of the Group, other than conduct involving a wilful breach of duty in relation to the Group.

Proceedings on behalf of the Group

No person has applied for leave of Court under Section 237 of the Corporations Act 2001 to bring proceedings on behalf of the Group or intervene in any proceedings to which the Group is a party for the purpose of taking responsibility on behalf of the Group for all or any part of those proceedings.

Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under Section 307C of the Corporations Act and forms part of the Director's Report.

Signed in accordance with a resolution of the directors of Northern Gulf Resource Management Group Limited.

Director   Director

Dated this 23RD day of OCTOBER 2014

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $	2013 $
Revenue	4	4,727,203	5,111,957
Employee benefits expense		(1,082,198)	(1,318,401)
Depreciation and amortisation expense		(97,049)	(88,489)
Consultancy fees		(331,026)	(227,728)
Project contract and management fees		(2,390,620)	(2,104,568)
Rent expense		(43,445)	(48,301)
Supplies and operating expenses		(296,465)	(484,019)
Motor vehicle expenses		(82,717)	(143,255)
Donation and sponsorship		(4,441)	(4,600)
Travelling expenses		(75,078)	(184,832)
Telephone, fax and internet expenses		(70,994)	(32,076)
Meeting expenses		(94,162)	(165,800)
Project training and conference expenses		(99,918)	(118,293)
Other expenses		(591,113)	(213,729)
Loss before income tax expense		(532,023)	(22,134)
Income tax	3(l)	-	-
Net loss after income tax		(532,023)	(22,134)
Other comprehensive income for the year		-	-
Total comprehensive income		(532,023)	(22,134)

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2014

	Note	2014 $	2013 $
ASSETS			
Current Assets			
Cash and cash equivalents	6	1,411,880	1,146,623
Trade and other receivables	7	91,369	245,143
Total Current Assets		1,503,249	1,391,766
Non-Current Assets			
Property, Plant and Equipment	8	411,707	458,353
Investments	9	95,000	95,000
Total Non-Current Assets		506,707	553,353
TOTAL ASSETS		2,009,956	1,945,119
LIABILITIES			
Current Liabilities			
Trade payables	10	616,826	126,445
Financial liabilities	11	60,852	19,325
Employee benefits	12	101,256	112,605
Other current liabilities	13	509,218	449,634
Total Current Liabilities		1,288,152	708,009
Non-Current Liabilities			
Employee benefits	12	-	-
Financial liabilities	11	116,169	99,453
Total Non-Current Liabilities		116,169	99,453
TOTAL LIABILITIES		1,404,321	807,462
Net Assets		605,635	1,137,657
EQUITY			
Retained surplus		605,635	1,137,657
TOTAL EQUITY		605,635	1,137,657

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
AS AT 30 JUNE 2014

	Retained Earnings $
Balance at 1 July 2012	1,159,791
Comprehensive income	
Net loss for the year	(22,134)
Other comprehensive income	-
Balance at 30 June 2013	**1,137,657**
Balance at 1 July 2013	1,137,657
Comprehensive income	
Net loss for the year	(532,023)
Other comprehensive income	-
Balance at 30 June 2014	**605,635**

The accompanying notes are an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2014

	Note	2014 $	2013 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from government grants and customers		5,385,953	4,685,105
Payments to suppliers and employees		(5,088,507)	(5,487,075)
Interest received		28,261	53,081
Net cash provided by (used in) operating activities	16	**325,707**	**(748,889)**
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(51,189)	(88,298)
Proceeds from sale of property, plant and equipment		43,488	14,192
Net cash used in investing activities		**(7,701)**	**(74,106)**
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of borrowings		(52,749)	(55,556)
Net cash used in financing activities		**(52,749)**	**(55,556)**
Net increase (decrease) in cash and cash equivalents		265,257	(878,551)
Cash and cash equivalents at 1 July		1,146,623	2,025,174
Cash and cash equivalents at 30 June	6	**1,411,880**	**1,146,623**

The accompanying notes are an integral part of these financial statements.

1. GENERAL INFORMATION

Northern Gulf Resource Management Group Ltd (the Group) is a Group domiciled in Australia. The address of the Group is Savanna House, Saint George Street, Georgetown, Qld 4871. The consolidated financial statements of the Group as at and for the year ended 30 June 2014 comprise the Group and its subsidiary together referred to as the Group. The Group's primary function is to plan and advise on issues and best practice for natural resources in the Northern Gulf Region.

2. BASIS OF PREPARATION

(a) Statement of compliance

The consolidated financial reports are general purpose financial reports which have been prepared in accordance with Australian Accounting Standards (AASBs) (including Australian Interpretations) adopted by the Australian Accounting Standards Board (AASB). Because the Group is a not-for-profit entity and AASBs include requirements for not-for-profit entities which are inconsistent with International Financial Reporting Standards (IFRSs), the financial report of the Group does not comply with IFRSs and interpretations adopted by the International Accounting Standards Board.

The financial statements were approved by the Board of Directors on the date shown on the directors' declaration.

(b) Basis of measurement

The consolidated financial report has been prepared on the historical cost basis except for the following material items in the statement of consolidated financial position :

- financial instruments at fair value through fair value through profit and loss are measured at fair value
- available-for-sale financial assets are measured at fair value

(c) Significant accounting judgements, estimates and assumptions

The preparation of the consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts in the financial statements. Management continually evaluates its judgements and estimates in relation to assets, liabilities, contingent liabilities, revenue and expenses. Management bases its judgements and estimates on historical experience and on other various factors it believes to be reasonable under the circumstances, the result of which form the basis of the carrying values of assets and liabilities that are not readily apparent from other sources.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group.

(a) Basis of consolidation

Business combinations are accounted for using the acquisition method as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Costs relating to the acquisition, other than those associated with the issued of debt or equity securities, that the Group incurs in connection with the business combination are expensed as incurred. Transaction costs, other than those associated with the issue of debt or equity securities, that the Group has incurred in connection with the business combinations were capitalised as part of the cost of acquisition.

Subsidiaries are entities controlled by the Group. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases. Accounting policies of subsidiaries have been changed when necessary to align them with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interest to have a deficit balance.

Intra-group balance and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand with an original maturity 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.

(c) Financial instruments

(i) Non-derivative financial assets

Financial instruments are initially measured at cost on trade date, which includes transactions costs, when the related contractual rights or obligations exist.

Financial assets are recognised and derecognised on trade date when purchase or sale of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned, and are initially measured at fair value.

The Group has the following non-derivative financial assets:

Loans and receivables

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

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

(ii) Non-derivative financial liabilities

The Group has the following non-derivative financial liabilities: trade and other payables.

Such financial liabilities are initially measured at fair value, net of transaction costs. Subsequent to initial recognition, these financial liabilities are subsequently measured at amortised cost using the effective interest method, with interest expense recognised on an effective yield basis.

(d) Impairment

(i) Financial assets

At each reporting date, the Group assess whether there is objective evidence that a financial instrument has been impairment. For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

The carrying amount of financial assets including uncollective trade receivables is reduced by the impairment loss through the use of an allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the allowance account are recognised in profit and loss.

(ii) Non-financial assets

At each reporting date, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss. Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of cash-generating unit to which the asset belongs.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Impairment (continued)

If the recoverable amount of an asset or cash-generating unit is estimated to be less than its carrying amount, the carrying amount of the asset is reduced to its recoverable amount. An impairment loss is recognised immediately in statement of comprehensive income.

(e) Property, plant and equipment

(i) Recognition and measurement
Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses

Cost includes expenditures that are directly attributable to the acquisition of the asset. The cost of self-constructed assets includes the cost of materials and direct labour, any other costs directly attributable to bringing the asset to a working condition for its intended use, the costs of dismantling and removing the items and restoring the site on which they are located, and capitalised borrowing costs. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The Group capitalises borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset. Previously the Group immediately recognised all borrowing costs as an expense.

(ii) Depreciation

The depreciation amount of all property, plant and equipment, excluding freehold land, is depreciated on a straight line basis over their useful lives commencing from the time the asset is held ready for use:

The depreciation rates used for each class of depreciation assets are:

Class of Fixed Asset	*Depreciation Rate*
Mapping Equipment	15 - 30%
Motor Vehicles	20 - 30%
Office Equipment	20 - 50%
Furniture & Fittings	20 - 30%

(f) Leased assets

Leases of fixed assets, where substantially all the risks and benefits incidental to the ownership of the asset, but not the legal ownership, are transferred to the Group are classified as finance leases. Finance leases are capitalised, recording an asset and liability equal to the present value of the minimum lease payments, including any guaranteed residual value. Leased assets are depreciated on a straight line basis over their estimated useful lives where it is likely that the Group will obtain ownership of the asset, or over the term of the lease. Lease payments are allocated between the reduction of the

(g) Employee benefits

Short-term employee provisions

Provision is made for the Group's liability to employee benefits occurring to employees in respect of wages and salaries, annual leave and long service leave, when it is probable that settlement will be required and they are capable of being measured reliably. Employee benefits that are expected to be settled within one year have been measured at the amounts expected to be paid when the liability is settled, plus related on-costs.

(ii) Long-term employee provisions

The Group's net obligation is respect of long-term service benefits is the amount of future benefit that employees have earned in return for their service in the current and prior periods. The obligation is calculated using the projected unit credit method and is discounted to its present value and the fair value of any related assets is deducted. The discount rate is the yield at the balance date on government bonds that have maturity dates approximating to the terms of the Group's obligations.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Employee benefits (continued)

(iii) Defined contribution superannuation funds

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts. Obligations for contributions to defined contribution plans are recognised as a personnel expense in statement of comprehensive income in the periods during which services are rendered by employees. Contributions to a defined contribution plan that are due more than 12 months after the end of the period in which the employees render the service are discounted to their present value.

(h) Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the statement of financial position date. The increase in the provision due to the passage of time is recognised as interest expense.

(i) Revenue

(a) Goods sold
Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be estimated reliably.

(b) Rendering of services

Revenue is recognised when the contract outcome can be measured reliably, control of the right to be compensated to the service determined, and the stage of completion can be measured reliably.

(c) Government funding

Grants received on the condition that specified services are delivered, or conditions are fulfilled, are considered reciprocal. Such grants are initially recognised as a liability and revenue is recognised as services are performed or conditions fulfilled. Revenue from non-reciprocal grants is recognised when the company obtains control of the funds.

(d) Interest

Interest revenue is recognised on a time proportionate basis that takes into account the effective yield on the financial

(j) Leases

Operating leases

Leases where the lessor retains substantially all the risks and benefits of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating leases are added to the carrying amount of the leased asset and recognised over the lease term on the same basis as the lease income.

Operating lease payments are recognised as an expense in statement of comprehensive income on a straight-line basis over the lease term.

(k) Goods and services tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or part of the expense.

3. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES (continued)

k) Goods and services tax (continued)

Revenues, expenses and assets are recognised net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO). In these circumstances, the GST is recognised as part of the cost of acquisition of the asset or part of the expense.

Receivables and payables are stated with the amount of GST included. The net amount of GST recoverable from, or payable to, the ATO is included as a current asset or liability in the statement of financial position.

(l) Income Tax

The company has been given exemption from Income Tax under Division 50 of the Income Tax Act 1997.

(m) New standards and interpretations not yet adopted

The following standards, amendments to standards and interpretations have been identified as those which may impact the company in the period of initial application.

> AASB 9 *Financial Instruments*

> AASB 2013-7 Amendments to Australian Accounting arising from AASB 9

Both these standards are mandatory for accounting periods beginning on or after 1 January 2014, with early adoption permissible. The company has not evaluated the potential effect of these standards. Given the nature of the company's operations, these standards are not expected to have a significant impact on the company's financial statements.

> AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2013-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements

Both these standards are mandatory for accounting periods beginning on or after 1 July 2014, with early adoption permissible. As a not-for-profit entity, the company will be eligible to apply the Tier 2 reporting requirements that are provided in these standards. If the company should decide to do so, this will reduce some disclosure in the notes to the financial statements but will not affect the statements of financial position or comprehensive income.

	2014 $	2013 $
4 - REVENUE		
Grant funding-Caring For Our Country	2,166,660	2,161,000
Competitive funding-Caring For Our Country	396,364	826,936
Other funding	1,768,309	615,582
Other income	424,324	499,719
Interest received	28,261	53,081
Donations	2,629	163,921
Membership	240	70
Unexpended funds brought forward	429,634	1,221,282
Unexpended funds carried forward	(489,218)	(429,634)
	4,727,203	5,111,957

NOTE 5 - PROFIT FROM ORDINARY ACTIVITIES

Profit from ordinary activities before income tax expenses has been determined after accounting for:-

	2014 $	2013 $
Depreciation	97,049	88,489
Bad debts	-	-
Remuneration to the auditor- Audit or review	22,509	22,050

NOTE 6 - CASH AND CASH EQUIVALENTS

	2014 $	2013 $
Bendigo CM Trading	583,222	325,143
Bendigo CM Corporate	358,477	351,878
Bendigo CM Public Fund	223,428	220,672
Farm Ready Account	-	10
Credit card term deposit	60,000	68,897
Bendigo term deposits	186,728	180,023
Petty Cash	25	-
	1,411,880	1,146,623

NOTE 7 - TRADE AND OTHER RECEIVABLES

	2014 $	2013 $
Trade debtors	103,715	238,875
Provision for doubtful debts	(17,361)	-
	86,354	238,875
Other receivables	5,015	6,268
	91,369	245,143

NOTE 8 - PROPERTY, PLANT & EQUIPMENT

	2014 $	2013 $
Plant and Equipment	54,597	95,380
Less accumulated depreciation	(31,217)	(47,192)
	23,380	48,188
Mapping equipment	95,592	112,759
Less accumulated depreciation	(70,910)	(79,100)
	24,682	33,659
Motor vehicles	525,869	490,365
Less accumulated depreciation	(171,857)	(169,102)
	354,012	321,263
Computer equipment	23,617	101,028
Less accumulated depreciation	(15,274)	(49,910)
	8,343	51,118

NOTE 8 - PROPERTY, PLANT & EQUIPMENT (Continued)

	2014 $	2013 $
Office equipment	7,240	17,781
Less accumulated depreciation	(5,951)	(13,656)
	1,289	4,125
Total property, plant and equipment	**411,707**	**458,353**

Movements in Carrying Amounts

Movement in the carrying amounts for each class of property, plant and equipment between the beginning and the end of the current financial year:

	Plant and equipment $	Mapping equipment $	Motor vehicles $	Computer equipment $	Office equipment $	Total
Balance at 1 July 2013	48,188	33,659	321,263	51,118	4,125	458,353
Additions	-	-	152,934	-	-	152,934
Disposals	(12,585)	(1,849)	(50,119)	(36,185)	(1,793)	(102,531)
Transfers	-	-	-	-	-	-
Depreciation expense	(12,223)	(7,128)	(70,065)	(6,590)	(1,043)	(97,049)
Balance at 30 June 2014	23,380	24,682	354,013	8,343	1,289	411,707

NOTE 9 - INVESTMENTS

	2014 $	2013 $
Trust Nature FNQ	90,000	90,000
Ravenshoe Gulf Country Community Enterprises Limited	5,000	5,000
	95,000	**95,000**

NOTE 10 - TRADE PAYABLES

	2014 $	2013 $
Trade creditors	585,697	103,072
Credit Cards	13,433	20,323
Other payables	17,696	513
GST payable	-	2,537
	616,826	**126,445**

NOTE 11 - FINANCIAL LIABILITIES

	2014 $	2013 $
Current		
Hire purchase liability	72,597	25,489
Less Unexpired term charges	(11,745)	(6,164)
	60,852	**19,325**
Non-Current		
Hire purchase liability	129,473	105,877
Less Unexpired term charges	(13,303)	(6,424)
	116,169	**99,453**

NOTE 12 - EMPLOYEE BENEFITS

	2014 $	2013 $
Current		
Provision for annual leave	57,684	64,083
Provision for long service leave	29,955	37,121
Other employee benefits	13,617	11,401
	101,256	112,605
Non-current		
Provision for long service leave	-	-
Number of employees at balance date	17	17

Defined contribution superannuation funds

The Group makes contributions to defined contribution superannuation funds. The amount recognised as an expense was $92,632 for the year ended 30 June 2014 (2013: $104,793).

NOTE 13 - OTHER LIABILITIES

	2014 $	2013 $
Accrued charges	20,000	20,000
Unexpended government grants	489,218	429,634
	509,218	449,634

NOTE 14 - EVENTS SUBSEQUENT TO REPORTING DATE

There are no events subsequent to reporting date that need to be advised.

NOTE 15 - FINANCIAL INSTRUMENTS

(a) Financial risk management

(i) Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk.

(ii) Credit risk

Credit risk is the risk of financial loss to the Group if a counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers.

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. The demographics of the Group customer base, including the default risk of the industry in which customers operate, has less

Approximately 90 percent (2013: 86 percent) of the Group's revenue is attributable to grant funds. Approximately 10 percent (2013: 14 percent) of the Group's other revenue relates to rendering services and other income.

The Group does not require collateral in respect of trade and other receivables.

The Group has established an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for Groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

NOTE 15 - FINANCIAL INSTRUMENTS (Continued)

(iii) Liquidity risk

Liquidity risk is the risk that the Group will not be able to meet their financial obligations as they fall due. The Group's approach to managing liquidity is to ensure, as far as possible, that they will always have sufficient liquidity to meet their liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

iv) Market risk

Market risk is the risk that changes in market prices, such as interest rates will affect the Group's income. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest on deposits makes up approximately .6% (2013: 1%) of the Group's revenue. The Group's policy is to ensure monies are held with a major bank at the best available interest rate.

b) Credit risk

(i) Exposure to credit risk

The carrying amount of the Group's financial assets represents the maximum credit exposure. The Group's maximum exposure to credit risk at the reporting date was:

	2014 $	2013 $
Cash and cash equivalents	1,411,880	1,146,623
Trade and other receivables	91,369	245,143
	1,503,249	1,391,766

The Group has no exposure to credit risk outside Australia.

The maximum exposure to credit risk for trade receivables at the reporting date by type of customer was:

Trade customers	91,369	245,143

(ii) Impairment losses

None of the Group's receivables are considered impaired (2013:nil).

(c) Liquidity risk

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

2014	Carrying amount $	Contractual cash flow $	6 months or less $	6-12 months $	1-2 years $
Trade and other payables	1,227,300	1,227,300	708,127	489,218	29,955
Loans and borrowings	177,021	177,021	30,426	30,426	116,169
	1,404,321	1,404,321	738,553	519,644	146,124

2013	Carrying amount $	Contractual cash flow $	6 months or less $	6-12 months $	1-2 years $
Trade and other payables	688,684	688,684	221,929	429,634	37,121
Loans and borrowings	118,779	118,779	9,663	9,663	99,453
	807,463	807,463	231,592	439,297	136,574

NOTE 15 - FINANCIAL INSTRUMENTS (Continued)

d) Currency risk

The Group is not exposed to foreign currency risk on sales, purchases and borrowings.

(e) Interest rate risk

At the reporting date the Group has fixed and variable interest-bearing financial instruments. The carrying amount at balance date has been set out below:

	2014 $	2013 $
Variable rate instruments		
Financial assets	1,411,880	1,146,623

f) Fair values

The fair values of trade and other receivables, cash and cash equivalents, trade and other payables and loans and borrowings approximate their carrying amounts shown in the statement of financial position.

NOTE 16 - CASH FLOW INFORMATION

Reconciliation of Cash Flow from Operations with

Net loss for the year	(532,023)	(22,134)
Depreciation	97,049	88,547
Profit/(loss) on disposals	59,044	15,958
Interest expense	9,247	6,110
(Increase) / Decrease in trade and other receivables	153,774	(8,846)
Increase / (Decrease) in trade and other payables	549,965	(840,097)
Increase / (Decrease) in provisions	(11,349)	11,573
	325,707	(748,889)

NOTE 17 - SEGMENT REPORTING

The Group is domiciled in Australia and operates predominantly in North Queensland.
All business operations are carried at Group's site location in North Queensland.

18 - RELATED PARTIES

(a) Directors' compensation

No directors' fees paid during the year (2013: Nil).

(b) Transactions with directors-related entities

No related party transactions between directors and the company during the period other than directors fees.

(c) Key management personnel compensation

The names and positions of those having authority for planning, directing and controlling the company's activities, directly or indirectly (other than directors), are:

Names

Timothy Hoogwerf - Operations Manager (Resigned 1/4/2014)
Richard Musgrove - Operations Manager (Commenced 19/5/2014)

The compensation paid to the key management personnel noted above is as follows:

	2014 $	2013 $
Short-term employee benefits	79,154	97,175
Post-employment benefits	6,600	8,745
	85,754	105,920

18 - RELATED PARTIES (continued)

	2014 $	2013 $

(d) Non-key management personnel disclosures

(i) Identity of related parties
The Group has a related party relationship with its subsidiary (see 19).

(ii) Other related party transactions

Advances are made by the Company to its wholly owned subsidiary Grassroots Pty Limited for operating purposes. The amounts outstanding between the Company and its controlled entity have no fixed date of repayment and are non-interest bearing. During the financial year ended 30 June 2014, repayments from the subsidiary totalled $98,137 (2013: payments to subsidiary $76,595).

	Transactions value year ended 30 June		Balance outstanding as at 30 June	
	2014 $	2013 $	2014 $	2013 $
Gulf Horizons Foundation Limited -				
-administrative services expense	542,000	630,136	34,036	-
-project management fees	-	85,382	-	-
	542,000	715,518	-	-

All outstanding balances with associates are priced on an arm's length basis and are to be settled in cash within six months of the reporting date. None of the balances is secured.

19 - INVESTMENTS

	Parent Entity	
Investment in controlled entities - at cost	100	100

20- CONSOLIDATED ENTITIES

	Country of Incorporation	Ownership interest	
Parent entity			
Northern Gulf Resource Management Group Ltd			
Group entities			
Grassroots Innovations Pty Ltd	Australia	100%	100%

21 - OPERATING LEASES

Non-cancellable operating lease rental are payable as follows :

Less than one year	30,874	25,145
Between one and five years	92,622	7,435
	123,496	32,580

The Group leases a number of buildings under operating leases. The leases typically run for a period of four years, with the option to renew the lease after that date. None of the leases include contingent rentals.

22 - AUDITORS'REMUNERATION

Audit services
Auditors of the Group - Jessups

Audit and preparation of the financial reports	22,509	22,050

NOTE 23 - PARENT ENTITY DISCLOSURES

As at, and throughout, the financial year ending 30 June 2014 the parent entity of the Group was Northern Gulf Resource Management Ltd.

	2014 $	2013 $
Result of Group entities		
Net surplus/(loss) for the period	(532,023)	(22,134)
Other comprehensive income	-	-
Total comprehensive income	(532,023)	(22,134)
Result of parent entity		
Net surplus/(loss) for the period	585,362	3,650
Other comprehensive income	-	-
Total comprehensive income	585,362	3,650
Financial position of parent entity at year end		
Current assets	2,173,879	2,129,646
Total assets	2,557,842	2,546,787
Current liabilities	1,282,764	703,068
Total liabilities	1,398,933	802,521
Total equity of the parent entity comprising of:		
Retained surplus	1,158,909	1,744,266
Total equity	1,158,909	1,744,266

Directors' declaration

In the opinion of the directors of Northern Gulf Resource Management Group Ltd ("the Company")

(a) the consolidated financial statements and notes that are contained on pages 3 to 18 are in accordance with the Corporations Act 2001, including :

(i) giving a true and fair view of the Group's financial position as at 30 June 2014 and of its performance for the financial year ended on that date; and

(ii) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001;

(b) there are reasonable grounds to believe that the Company will be able to pay it's debts when they become due and payable.

Dated at GEORGETOWN this 23RD day of OCTOBER 2014

Signed in accordance with a resolution of directors:

AUDITOR'S INDEPENDENCE DECLARATION

UNDER SECTION 307C OF THE CORPORATIONS ACT 2001 TO THE DIRECTORS OF NORTHERN GULF RESOURCE MANAGEMENT GROUP LTD

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2014 there have been:

(i) no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and

(ii) no contraventions of any applicable code of professional conduct in relation to the audit.

Jessups

Ian Jessup
Partner

Dated this day of 2014

488 Mulgrave Road, Earlville QLD 4870

INDEPENDENT AUDIT REPORT TO THE MEMBERS OF NORTHERN GULF RESOURCE MANAGEMENT GROUP LTD

Report on the Financial Report

I have audited the accompanying financial report of Northern Gulf Resource Management (Northern Gulf Management Resource Group) comprising Northern Gulf Resource Management Group Ltd and its entity, which comprises the consolidated statement of financial position as at 30 June 2014, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year ended on that date, a summary of significant accounting policies and other explanatory notes and the directors' declaration.

Directors' Responsibility for the Financial Report

The directors of the Northern Gulf Resource Management Group Ltd are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards (including Australian Accounting Interpretations) and Corporations Act 2001. This responsibility includes designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

My responsibility is to express an opinion on the financial report based on our audit. I conducted our audit in accordance with Australian Auditing Standards. These Auditing Standards require that I comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial report.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Independence

In conducting my audit, I have complied with the independence requirements of the Corporations Act 2001. I confirm that the independence declaration required by the Corporations Act 1997, provided to the directors of Northern Gulf Resource Management Group Ltd on 30 June 2014, would be in the same terms if provided to the directors as at the date of this auditor's report.

Auditor's Opinion

In my opinion the financial report of Northern Gulf Resource Management Group is in accordance with the Corporations Act 2001, including:

a) giving a true and fair view of the Northern Gulf Resource Management Group's financial position as at 30 June 2014 and of its performance for the year ended on that date; and

b) complying with Australian Accounting Standards (including the Australian Accounting Interpretations) and the Corporations Regulations 2001.

Jessups

Ian Jessup

488 Mulgrave Road, Earlville QLD 4870

Dated this day of 2014

DISCLAIMER

The additional financial information presented on pages 23 to 24 is in accordance with the books and records of Northern Gulf Resource Management Group Ltd which have been subjected to the auditing procedures applied in our statutory audit of the company for the year ended 30 June 2014. It will be appreciated that our statutory audit did not cover all details of the additional financial information. Accordingly, we do not express an opinion on such financial information and no warranty of accuracy or reliability is given.

In accordance with our firm policy, we advise that neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any person in respect of the additional financial information, including any errors or omissions therein, arising through negligence or otherwise however caused.

JESSUPS

Ian Jessup
Partner

Date

CONSOLIDATED INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	2014	2013
	$	$
INCOME		
Grant funding-CFOC	2,166,660	2,161,000
Competitive funding-CFOC	396,364	826,936
Other funding	1,768,309	615,582
Other income	424,324	499,719
Interest received	28,261	53,081
Donations	2,629	163,921
Memberships	240	70
Unexpended funds brought forward	429,634	1,221,282
Unexpended funds carried forward	(489,218)	(429,634)
Total Income	4,727,203	5,111,957
EXPENDITURE		
Advertising	4,813	6,532
Auditors remuneration	22,509	22,050
Bank charges	2,550	1,965
Consultancy fees	331,026	227,728
Computer equipments <$1,000	3,240	1,096
Computer software	3,031	9,563
Computer maintenance	5,028	4,020
Depreciation and amortisation	97,049	88,489
Bad/doubtful debts	24,517	-
Electricity	4,581	915
Equipment and other expenses	-	433
Insurance	-	455
Internet	10,531	6,895
Loss on disposal of fixed asset	68,090	15,958
Licensing fees	6,041	1,100
Meeting costs	94,162	165,800
Memberships	33,430	56,005
Motor vehicle expenses	82,717	143,255
Office equipment	62,066	21,177
Office furniture	3,449	890
Office maintenance	15,301	3,272
Postage	962	11,443
Printing and stationery	24,790	24,009
Project Administration	134,303	87,344
Projects contract fees	2,233,317	1,846,876
Project management fees	23,000	146,698
Project training and conferences	2,092	59,215
Promotions and marketing	14,345	3,077
Project costs - other	7,137	4,533

THIS ADDITIONAL INFORMATION DOES NOT FORM PART OF THE STATUTORY FINANCIAL REPORT.

CONSOLIDATED INCOME AND EXPENDITURE STATEMENT FOR THE YEAR ENDED 30 JUNE 2014

	2014 $	2013 $
NGRMG funded project	93,224	57,333
Rent	43,445	48,301
Resources	884	2,534
Salaries and wages	989,567	1,190,294
Sponsorship	4,441	4,600
Staff costs	31,092	13,292
Supplies or operating costs	322,545	502,909
Superannuation contributions	92,632	104,793
Telephone, Fax and satellite phone	27,638	4,098
Telephone- mobile	17,332	19,567
Travelling expenses	75,078	184,832
Wages - contract	215,358	25,900
Website maintenance	15,492	1,516
Work place health and safety	16,425	13,329
Total Expenses	**5,259,226**	**5,134,091**
Net profit/(loss) before income tax expense	**(532,023)**	**(22,134)**

APPENDIX A

Matters arising
2014 audit

1 Annual leave accrual

Observation

It was noted during the audit that there were a number of employees that have a large amount of annual leave outstanding, in excess of the annual five week allowance.

Recommendation

Employees are to be encouraged to take earned vacation time in order to improve operations through cross training while enabling employees to overcome or avoid stress and fatigue.

Management response

2 Fixed Asset Register

Observation

It was noted during the audit that the fixed asset register had not been updated completely during the year.

We assisted the company's accounts personnel in relation with the reconciliation of the fixed assets register against the balance per general ledger per asset category. All adjusting entries in relation with the reconciliation of assets register have been liaised with accounts personnel.

Recommendation

To help increase efficiency in the completion of the audit at year end, the company should regularly reconcile the capital purchases per the MYOB general ledger to the capital additions recorded in the asset register. To assist in this process, the company should record a new asset in the asset register every time a capital purchase has been recorded in MYOB.

Management response

3 Asset register

It was noted that no physical inventory count of plant and equipment has been conducted for some time.

Recommendation

We recommend that the company takes steps to have a physical inventory of assets undertaken as a check that the asset register is up to date and that individual assets can be accounted for. This should ensure that the register accurately reflects assets currently held by the company. The process should also help to safeguard organisation assets by ensuring the right assets are insured.

Management response

4 Leased motor vehicles liability

Observation

It was noted that the leased motor vehicles liability register/schedule had not been finalised for each outstanding leased motor vehicle liability during the time of our audit visit.

We assisted the company's accounts personnel in relation with the reconciliation of the leased motor vehicles liability. All adjusting entries in relation with the reconciliation of leased motor vehicles liability register have been liaised with accounts personnel.

Recommendation

The company should regularly reconcile (monthly basis) the hire purchases payments per the MYOB general ledger to the hire purchase leased assets recorded in the hire purchases liability register. In addition, the company should record a new hire purchase asset in the register every time a capital hire purchase has been recorded in MYOB.

Payment/amortisation schedule for the new the new acquitted leased asset should also be set up in order to monitor the leased payments regularly and adjust the records accordingly.

Management response