

LORD HOWE ISLAND BOARD

STATEMENT BY BOARD MEMBERS

FOR THE YEAR ENDED 30 JUNE 2020

Pursuant to Section 41C of the *Public Finance and Audit Act 1983*, and in accordance with a resolution of the members of the Lord Howe Island Board, we declare on behalf of the Board that in our opinion:

1. the accompanying financial statements exhibit a true and fair view of the financial position of the Lord Howe Island Board as at 30 June 2020 and its financial performance for the year then ended; and
2. the statements have been prepared in accordance with Australian Accounting Standards (which include Australian Accounting Interpretations), the provisions of the *Public Finance and Audit Act 1983*, and the *Public Finance and Audit Regulation 2015*.

Further, we are not aware of any circumstances that would render any particulars included in the financial statements to be misleading or inaccurate.



Chair:

Name: Anissa Levy

Dated: 19 October 2020

Lord Howe Island



Deputy Chair:

Name: Craig Wilson

LORD HOWE ISLAND BOARD

FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2020

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LORD HOWE ISLAND BOARD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 ACTUAL \$'000	2019 ACTUAL \$'000
REVENUE			
Government contributions	2(a)	4,372	2,690
Sales of goods and services	2(b)	2,751	2,691
Retained taxes, fees and fines	2(c)	2,766	3,481
Investment income	2(d)	346	601
Grants	2(e)	3,666	3,953
Other income	2(f)	123	42
Total revenue		14,024	13,458
EXPENSES			
Employee related expenses	3(a)	6,410	5,917
Operating expenses	3(b)	5,980	7,975
Depreciation	9	2,221	2,107
Amortisation	11	-	29
Finance costs		49	-
Grants and subsidies		126	124
Other expenses	3(c)	958	889
Total expenses		15,744	17,041
Gain (Loss) on disposal of assets	2(g)	20	-
Net result		(1,700)	(3,583)
OTHER COMPREHENSIVE INCOME			
Change in revaluation surplus	9	24,108	-
TOTAL COMPREHENSIVE INCOME		22,408	(3,583)

The accompanying notes form part of these financial statements.

LORD HOWE ISLAND BOARD
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2020

	Note	2020 \$'000	2019 \$'000
ASSETS			
Current Assets			
Cash and cash equivalents	4	4,682	7,067
Receivables	5	1,031	2,340
Contract assets	6	347	-
Other assets	7	25	471
Inventories	8	328	413
Total Current Assets		6,413	10,291
Non-Current Assets			
Infrastructure, property, plant & equipment	9	86,656	58,246
Intangible assets	11	-	-
Total Non-Current Assets		86,656	58,246
TOTAL ASSETS		93,069	68,537
LIABILITIES			
Current Liabilities			
Payables	12	1,829	1,904
Contract liabilities	13	366	146
Provisions	15	1,130	873
Total Current Liabilities		3,325	2,923
Non-Current Liabilities			
Borrowings	14	2,301	-
Provisions	15	60	47
Total Non-Current Liabilities		2,361	47
TOTAL LIABILITIES		5,686	2,970
NET ASSETS		87,383	65,567
EQUITY			
Accumulated funds		7,816	10,108
Revaluation surplus	16	79,567	55,459
TOTAL EQUITY		87,383	65,567

The accompanying notes form part of these financial statements.

LORD HOWE ISLAND BOARD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2020

	Note	Accumulated Funds \$'000	Revaluation Surplus \$'000	Total \$'000
AT 1 JULY 2019		10,108	55,459	65,567
Adjustment for change in accounting policy	1	(592)	-	(592)
AT 1 JULY 2019 - ADJUSTED		9,516	55,459	64,975
Net result		(1,700)	-	(1,700)
Other comprehensive income				
Revaluation of assets	15	-	24,108	24,108
Total comprehensive income		(1,700)	24,108	22,408
AT 30 JUNE 2020		7,816	79,567	87,383

	Note	Accumulated Funds \$'000	Revaluation Surplus \$'000	Total \$'000
AT 1 JULY 2018		13,691	55,459	69,150
Net result		(3,583)	-	(3,583)
Other comprehensive income				
Revaluation of assets		-	-	-
Total comprehensive income		(3,583)	-	(3,583)
AT 30 JUNE 2019		10,108	55,459	65,567

The accompanying notes form part of these financial statements.

LORD HOWE ISLAND BOARD

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 30 JUNE 2020

	Note	2020 \$'000	2019 \$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts			
Receipts from customers		5,708	7,517
Grants received		8,367	5,390
Interest received		366	247
Other receipts		123	37
Payments			
Payments to personnel and suppliers		(13,941)	(14,905)
Payment of interest		(49)	-
Net cash flows from operating activities	16	574	(1,714)
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts			
Proceeds from sale of infrastructure, property, plant and equipment		50	-
Security bonds received		332	-
Payments			
Payments for property, plant and equipment		(5,642)	(1,536)
Net cash flows from investing activities		(5,260)	(1,536)
CASH FLOWS FROM FINANCING ACTIVITIES			
Receipts			
Proceeds from borrowings	12	2,301	-
Net cash flows from financing activities		2,301	-
Net increase/(decrease) in cash and cash equivalents		(2,385)	(3,250)
Opening cash and cash equivalents		7,067	10,317
CLOSING CASH AND CASH EQUIVALENTS	4	4,682	7,067

The accompanying notes form part of these financial statements.

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2020

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

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

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

a) Reporting entity

The Lord Howe Island Board (the Board) is a statutory body established under the provisions of the Lord Howe Island Act 1953 (the Act). The Board's primary function is administering the affairs of Lord Howe Island. The Board members have determined that the Board is a not-for-profit entity for financial reporting purposes.

The Board is a NSW government entity and is controlled by the State of New South Wales, which is the ultimate parent. The Board is a not-for-profit entity (as profit is not its principal objective).

These financial statements for the year ended 30 June 2020 have been authorised for issue by the Lord Howe Island Board on 19 October 2020.

b) Basis of preparation

The entity's financial statements are general purpose financial statements which have been prepared on an accruals basis and in accordance with:

- applicable Australian Accounting Standards (AAS) (which include Australian Accounting Interpretations)
- the requirements of the *Public Finance and Audit Act 1983* (the Act) and *Public Finance and Audit Regulation 2015* and
- Treasurer's Directions issued under the Act.

Infrastructure, property, plant and equipment and certain financial assets and liabilities are measured at fair value. Other financial statement items are prepared in accordance with the historical cost convention except where specified otherwise.

Judgements, key assumptions and estimations management has made are disclosed in the relevant notes to the financial statements.

All amounts are rounded to the nearest one thousand dollars and are expressed in Australian currency, which is the entity's presentation and functional currency.

c) Statement of compliance

The financial statements and notes comply with Australian Accounting Standards (AAS), which include Australian Accounting Interpretations.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

d) Accounting for the Goods and Services Tax

Income, expenses and assets are recognised net of the amount of goods and services tax (GST), except that the:

- amount of GST incurred by the entity as a purchaser that is not recoverable from the Australian Taxation Office (ATO) is recognised as part of an asset's cost of acquisition or as part of an item of expense and
- receivables and payables are stated with the amount of GST included.

Cash flows are included in the Statement of Cash Flows on a gross basis. However, the GST components of cash flows arising from investing and financing activities which are recoverable from, or payable to, the ATO are classified as operating cash flows.

e) Comparative Information

Except when an AAS permits or requires otherwise, comparative information is presented in respect of the previous period for all amounts reported in the financial statements.

f) Changes in accounting policies, including new or revised AAS

i. Effective for the first time in FY2019-20

The entity applied AASB 15 Revenue from Contracts with Customers, AASB 1058 Income of Not-for-Profit Entities, and AASB 16 Leases for the first time. The nature and effect of the changes as a result of adoption of these new accounting standards are described below.

Several other amendments and interpretations apply for the first time in FY2019-20, but do not have an impact on the financial statements of the entity.

ii. Issued but not yet effective

NSW public sector entities are not permitted to early adopt new accounting standards, unless the NSW Treasury determines otherwise.

AASB 15 Revenue from Contracts with Customers

AASB 15 supersedes AASB 111 *Construction Contracts*, AASB 118 *Revenue* and related Interpretations and it applies, with limited exceptions, to all revenue arising from contracts with customers. AASB 15 establishes a five-step model to account for revenue arising from contracts with customers and requires that revenue be recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer.

AASB 15 requires entities to exercise judgement, taking into consideration all of the relevant facts and circumstances when applying each step of the model to contracts with their customers. The standard also specifies the accounting for the incremental costs of obtaining a contract and the costs directly related to fulfilling a contract. In addition, the standard requires relevant disclosures.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

AASB 15 *Revenue from Contracts with Customers* (cont'd)

In accordance with the transition provisions in AASB 15, the entity has adopted AASB 15 retrospectively with the cumulative effect of initially applying the standard recognised at the date of initial application, i.e. 1 July 2019. The entity has used the transitional practical expedient permitted by the standard to reflect the aggregate effect of all of the modifications that occur before 1 July 2018 when:

- identifying the satisfied and unsatisfied performance obligations
- determining the transaction price
- allocating the transaction price to the satisfied and unsatisfied performance obligations.

AASB 1058 *Income of Not-for-Profit Entities*

AASB 1058 replaces most of the existing requirements in AASB 1004 *Contributions*. The scope of AASB 1004 is now limited mainly to contributions by owners (including parliamentary appropriations that satisfy the definition of a contribution by owners), administrative arrangements and liabilities of government departments assumed by other entities.

AASB 1058 applies to income with a donation component, i.e. transactions where the consideration to acquire an asset is significantly less than fair value principally to enable a not-for-profit entity to further its objectives; and volunteer services. AASB 1058 adopts a residual approach, meaning that entities first apply other applicable Australian Accounting Standards (e.g. AASB 1004, AASB 15, AASB 16, AASB 9, AASB 137) to a transaction before recognising income.

Not-for-profit entities need to determine whether a transaction is/contains a donation (accounted for under AASB 1058) or a contract with a customer (accounted for under AASB 15).

AASB 1058 requires recognition of receipt of an asset, after the recognition of any related amounts in accordance with other Australian Accounting Standards, as income:

- when the obligations under the transfer is satisfied, for transfers to enable an entity to acquire or construct a recognisable non-financial asset that will be controlled by the entity.
- immediately, for all other income within the scope of AASB 1058.

In accordance with the transition provisions in AASB 1058, the entity has adopted AASB 1058 retrospectively with the cumulative effect of initially applying the standard at the date of initial application, i.e. 1 July 2019. The entity has adopted the practical expedient in AASB 1058 whereby existing assets acquired for consideration significantly less than fair value principally to enable the entity to further its objectives, are not restated to their fair value.

Impact of adoption

AASB 15 and AASB 1058 were adopted using the modified retrospective approach and as such comparatives have not been restated. The impact on opening retained profits as at 1 July 2019 is illustrated in the table on the next page.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

Impact on Statement of Financial Position

	1 July 2019 Adopting AASB 15 & 1058 \$'000	1 July 2019 without Adoption of AASB 15 & 1058 \$'000	Impact on 1 July 2019 \$'000
Contract assets	25	-	25
Contract liabilities	(617)	--	(617)
Net assets	64,975	65,567	(592)

The impact of the new Accounting Standards compared with the previous Accounting Standards on the current reporting period is as follows:

Impact on Statement of Comprehensive Income

	30 June 2020 Adopting AASB 15 & 1058 \$'000	30 June 2020 without Adoption of AASB 15 & 1058 \$'000	Impact on 30 June 2020 \$'000
Government Grants revenue	3,666	3,326	340
Operating result	(1,700)	(2,040)	340

Impact on Statement of Financial Position

Contract assets	347	-	347
Contract liabilities	(277)	-	(277)
Net assets	87,383	87,313	70

AASB 16 Leases

AASB 16 supersedes AASB 117 *Leases*, Interpretation 4 *Determining whether an Arrangement contains a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise most leases on the balance sheet.

The introduction of AASB 16 has been assessed by the Board as not material to the financial report.

2. REVENUE

The Board recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria, as detailed below, have been met for each of the Board's activities. The Board receives part of its funding under appropriations from the Consolidated Fund / grant funding received from Department Planning, Industry & Environment (DPIE) which receives appropriations from the Consolidated Fund. Appropriations for each financial year are set out in the Appropriation Act for that year. Due to COVID-19, the State Budget and related 2020-21 Appropriation Bill has been delayed and is anticipated to be tabled in Parliament in November/December 2020. However, pursuant to section 4.10 of the GSF Act, the Treasurer has authorised Ministers to spend specified amounts from Consolidated Fund. This authorisation is current from 1 July 2020 until the earlier of 31 December 2020 (or another day prescribed by the regulations) or enactment of the 2020-21 annual Appropriations Act.

(a) Government Contributions

Government Contributions are those funds provided through DPIE and NSW Treasury (Treasury) to enable the Board to meet its statutory obligations within the LHI Act 1953. They are identified separately within the Income Statement. Generally, these funds are transferred from Treasury and include Financial Assistance Grants (FAG) from the Commonwealth Government via the state.

(b) Sale of goods and services

Revenue from the sale of liquor is recognised when the Board transfers the risks and rewards of ownership of the liquor to customers. Electricity meter error was identified and resulted in additional income. Liquor Store sales was affected by the COVID-19 pandemic impact on tourism.

	2020 \$'000	2019 \$'000
Electricity user charges	1,140	896
Liquor Store sales	1,611	1,795
TOTAL SALES OF GOODS AND SERVICES	2,751	2,691

(c) Retained taxes, fees and fines

User charges and fees are recognised as revenue when the respective service has been provided.

	2020 \$'000	2019 \$'000
Electricity fees	25	55
Waste management fees	350	407
Airport user charges	839	1,815
Marine facilities user fees	335	388
Environmental fees (including airport)	580	36
Business fees	260	378
Lease revenue	276	254
Other fees and charges	101	148
TOTAL RETAINED TAXES, FEES AND FINES	2,766	3,481

2. REVENUE (CONT'D)

(d) Investment income

Interest revenue is recognised on an accrual basis using the effective interest rate method. Residential rent income is recognised as it is received and commercial rent is recognised as it is charged on a monthly basis.

	2020 \$'000	2019 \$'000
Interest income - unrestricted	44	167
Interest income - restricted	2	72
Residential rent	154	135
Commercial rent	146	227
TOTAL INVESTMENT INCOME	346	601

(e) Grants

Grants are recognised as revenue when the Board obtains control over the grant amount, which is usually by issue of an invoice in accordance with the grant's terms and conditions.

	2020 \$'000	2019 \$'000
NSW Government	994	2,511
Commonwealth Government	2,664	1,442
Private	8	-
TOTAL CONTRIBUTIONS AND GRANTS	3,666	3,953

	2020 \$'000	2019 \$'000
Restricted Grants	3,657	3,944
Unrestricted Grants	9	9
TOTAL CONTRIBUTIONS AND GRANTS	3,666	3,953

(f) Other income

Minor amounts relating to charges through the administration office are generally included here.

(g) Gain (Loss) on disposal of assets

A gain or loss on sale of an asset is determined when control of the asset has irrevocably passed to the buyer.

	2020 \$'000	2019 \$'000
Proceeds from disposal of infrastructure, property, plant & equipment	50	-
Carrying amount	(30)	-
Gain (Loss)	20	-

3. EXPENSES

The expenses identified are apportioned across categories. The Rodent Eradication Project (REP) had a significant impact on the Board's financial reserves and resources. Wages for the REP are included across all sections within (a) Employee related expenses. However, within the categories of Operating and Other expenses, the costs have been separated because of their unique nature, being specific costs not normally incurred in the operational activities of the Board.

(a) Employee related expenses

	2020 \$'000	2019 \$'000
Salaries and wages, including recreation leave	5,275	4,743
Board member fees	39	39
Extended leave	159	175
Superannuation	458	416
Workers' compensation insurance premium	166	140
Fringe benefits tax	22	19
Payroll tax	194	225
Re-measurement of defined benefit superannuation	12	48
Relocated officer's expenses	69	66
Staff training and conferences	3	17
Other employee costs	13	29
TOTAL EMPLOYEE RELATED EXPENSES	6,410	5,917

[The amount of employee related costs that have been capitalised; infrastructure, property, plant and equipment, and therefore excluded from the above; i.e. \$96k (2019: \$22k).]

(b) Operating expenses

	2020 \$'000	2019 \$'000
Contractors and consultants	2,928	3,977
Fuel	828	857
Materials purchased	516	1,436
Minor assets	28	103
Office supplies	21	19
Liquor Store – cost of sales	1,241	1,305
Communications & Information Technology	196	67
External audit fee	77	57
Insurance	85	80
Travel and accommodation	43	60
Motor vehicle registrations	17	14
TOTAL OPERATING EXPENSES	5,980	7,975

3. EXPENSES (CONT'D)

(c) Other expenses

	2020 \$'000	2019 \$'000
Bad debts	51	5
Bank fees	18	16
Internal audit	-	19
Rodent Eradication Project	732	640
Other expenses	157	209
TOTAL OTHER EXPENSES	958	889

4. CASH AND CASH EQUIVALENTS

	2020 \$'000	2019 \$'000
Cash on hand	1	2
Cash at bank	2,174	1,248
Short term deposits	-	4,000
TCorpIM Cash Fund	2,507	1,817
TOTAL	4,682	7,067

For the purposes of the Statement of Cash Flows, cash and cash equivalents includes cash at bank, cash on hand, short-term deposits with original maturities of three months or less and subject to an insignificant risk of changes in value, and net of outstanding bank overdraft.

Restricted Cash and Cash Equivalents

Cash and cash equivalents at balance date subject to external restrictions are:

Unexpended Special Purpose Grants	2020 \$'000	2019 \$'000
Eradication of rodents from the island	-	6
Eradication of weeds & environmental management	354	282
Acquisition or construction of PPE assets	708	1,277
Other	108	114
TOTAL RESTRICTED CASH AND CASH EQUIVALENTS	1,170	1,679

5. RECEIVABLES

Receivables accounting policies

Recognition and Measurement

Receivables are initially recognised at fair value plus any directly attributable transaction costs. Trade receivables that do not contain a significant financing component are measured at the transaction price.

Trade receivables are generally due for settlement within 30 days.

Impairment under AASB 9 (from 1 July 2018)

The entity recognises an allowance for expected credit losses (ECLs) for all debt financial assets not held at fair value through profit or loss. ECLs are based on the difference between the contractual cash flows and the cash flows that the entity expects to receive, discounted at the original effective interest rate.

For trade receivables, the entity applies a simplified approach in calculating ECLs. The entity recognises a loss allowance based on the ability to recognise all debts and thus enable clear understanding of the collectability of those receivables. The entity has assessed the outstanding debts as collectable in the longer term due to the relationship between the entity and its debtors in achieving payments to clear debts on return to normal economic conditions.

The entity has reviewed receivables based on its historical credit loss experience for trade receivables, adjusted for forward-looking factors specific to the receivable, specifically relating to the COVID-19 pandemic impacts.

The amount of the allowance is the difference between the asset's carrying amount and the present value of estimated future cash flows. The amount of the impairment loss is recognised in the net result for the year.

Any reversals of impairment losses are reversed through the net result for the year, if objectively related to an event occurring after the impairment was recognised. Reversals of impairment losses cannot result in a carrying amount that exceeds what the carrying amount would have been had there not been an impairment loss.

	2020	2019
	\$'000	\$'000
Trade receivables	812	1,030
Allowance for expected credit losses	(55)	(5)
Grant receivables	265	1,256
Interest receivable	-	20
Workers compensation receivable	-	1
GST receivable	9	38
TOTAL	1,031	2,340

6. CONTRACT ASSETS

	2020 \$'000	2019 \$'000
Accrued grant revenue	347	-
TOTAL	347	-

Recognition and measurement

Contract assets are recognised when the Board has transferred goods or services to the customer but where the Board is yet to establish an unconditional right to consideration. Contract assets are treated as financial assets for impairment purposes.

7. OTHER ASSETS

	2020 \$'000	2019 \$'000
Prepayments	25	471
TOTAL	25	471

8. INVENTORIES

Recognition and measurement

Inventories are stated at the lower of cost and net realisable value. Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale. Costs of liquor inventory include inward freight costs, rebates and discounts.

Diesel fuel stocks held for the generation of electric power on the Island are valued at cost, which includes freight inwards charges. Costs are assigned to closing stocks by using the weighted average cost method.

Other inventories are valued at cost, which includes freight inwards charges. Costs are assigned to closing stocks by using the weighted average cost method.

	2020 \$'000	2019 \$'000
HELD FOR DISTRIBUTION		
Diesel fuel – at cost	26	58
Construction materials – at cost	61	145
Total	87	203
HELD FOR RESALE		
Liquor – at cost	241	210
Total	241	210
TOTAL INVENTORIES	328	413

9. INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment accounting policies

Asset classes

The Board has ten classes of Infrastructure, Property, Plant and Equipment (IPPE) assets which are grouped, for disclosure purposes, under four headings. The asset classes and corresponding headings are:

- Land;
- Buildings (comprising public facilities, commercial and residential buildings);
- Plant and Equipment (comprising motor vehicles, office equipment and other plant and equipment);
- Infrastructure Systems (comprising airport assets, electricity assets, marine facilities, roads and other infrastructure assets).

Acquisition and capitalisation

PPE assets are initially recorded at cost for individual PPE items which cost \$5,000 or more.

Cost is the amount of cash or cash equivalents paid, or the fair value of the other consideration given, to acquire the asset at the time of its acquisition or construction. Costs incurred subsequent to initial recording or the most recent valuation are included in the asset's carrying amount or recognised as a separate asset, as appropriate.

Subsequent measurement

Physical non-current assets are valued in accordance with the 'Valuation of Physical Non-Current Assets at Fair Value' Policy and Guidelines Paper (TPP14-01).

Subsequent to initial recording, all PPE items other than Plant and Equipment, are measured at fair value. Asset classes, are periodically valued by independent expert valuers.

The Board assesses at each balance date whether there is objective evidence that an asset is impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

Asset revaluation

Land and Buildings are revalued every three years, while Infrastructure Systems are revalued at least every five years. The last revaluations for each class of PPE assets were:

Valuer	Asset Class	Date of Revaluation
Australis Asset Advisory Group	Infrastructure systems (marine facilities, roadworks, airport and other infrastructure) and public facilities & amenities	30 June 2020
DP Martin Pty Ltd	Infrastructure systems (electricity assets)	31 March 2018
Valustate Pty Ltd	Land and Buildings (commercial & residential)	31 March 2018

9. INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Asset revaluation (cont'd)

The current replacement cost method is used in each valuation of specialised assets. The key inputs to the current replacement cost valuations are mostly unobservable inputs (Level 3), including:

- estimates of current costs to replace the respective asset; and
- an estimate of the extent of physical deterioration or other obsolescence of the asset in its current condition relative to its condition if new.

As a not-for-profit entity, revaluation increments and decrements are offset against one another within a class of PPE, but not otherwise.

Increases in the carrying amounts arising on revaluation are credited to the revaluation surplus. To the extent that the increase reverses an impairment loss previously recognised in net result, the increase is first recognised in the net result in the statement of comprehensive income.

Decreases that reverse previous increases are first charged against revaluation surplus to the extent of the remaining surplus attributable to the respective asset class. Other revaluation decrements are charged to net result in the statement of comprehensive income.

Depreciation

Land is not depreciated. Depreciation of other PPE assets is estimated using the straight-line method to allocate its cost or valuation, net of the applicable residual value, over the estimated useful life.

The range of useful lives of individual depreciable assets within each PPE asset class are:

Asset Class	Sub-Asset Class	Range of Useful Lives
Buildings	Buildings	25 years
Plant and Equipment	Motor vehicles	10 years
	Office equipment	3 to 5 years
	Other plant and equipment	5 to 10 years
Infrastructure Systems	Airport assets	10 to 100 years
	Electricity assets	10 to 80 years
	Marine facilities	10 to 60 years
	Roadworks	12 to 25 years
	Other infrastructure	10 to 60 years

9. INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Total Infrastructure, Property, Plant and Equipment (2020)

	Land \$'000	Buildings \$'000	Plant and Equipment \$'000	Infrastructure Systems \$'000	Capital WIP \$'000	TOTAL \$'000
AT 1 JULY 2019 – FAIR VALUE						
Gross carrying amount	17,400	14,362	4,111	47,120	2,537	85,529
Accumulated depreciation and impairment	-	(6,862)	(2,193)	(18,228)	-	(27,283)
NET CARRYING AMOUNT	17,400	7,500	1,918	28,892	2,537	58,246
AT 30 JUNE 2020 – FAIR VALUE						
Gross carrying amount	17,400	14,661	4,345	71,150	7,934	115,490
Accumulated depreciation and impairment	-	(6,669)	(2,331)	(19,834)	-	(28,834)
NET CARRYING AMOUNT	17,400	7,992	2,014	51,316	7,934	86,656

Reconciliation (2020)

A reconciliation of the net carrying amount of each class of property, plant and equipment at the beginning and end of the current reporting period is set out below:

	Land \$'000	Buildings \$'000	Plant and Equipment \$'000	Infrastructure Systems \$'000	Capital WIP \$'000	TOTAL \$'000
AT 01 JULY 2019	17,400	7,500	1,918	28,892	2,537	58,246
Additions	-	-	-	-	6,554	6,554
Disposals	-	-	(30)	-	-	(30)
Net revaluation increment less revaluation decrements	-	390	-	23,718	-	24,108
Depreciation expense	-	(607)	(276)	(1,338)	-	(2,221)
Transfers / adjustments	-	709	402	44	(1,156)	-
AT 30 JUNE 2020	17,400	7,992	2,014	51,316	7,934	86,656

9. INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Total Infrastructure, Property, Plant and Equipment (2019)

	Land \$'000	Buildings \$'000	Plant and Equipment \$'000	Infrastructure Systems \$'000	Capital WIP \$'000	TOTAL \$'000
AT 1 JULY 2018 – FAIR VALUE						
Gross carrying amount	17,400	13,620	3,633	46,720	2,164	83,537
Accumulated depreciation and impairment	-	(5,748)	(2,101)	(16,902)	-	(24,751)
NET CARRYING AMOUNT	17,400	7,872	1,532	29,818	2,164	58,786
AT 30 JUNE 2019 – FAIR VALUE						
Gross carrying amount	17,400	14,362	4,111	47,120	2,537	85,529
Accumulated depreciation and impairment	-	(6,862)	(2,193)	(18,228)	-	(27,283)
NET CARRYING AMOUNT	17,400	7,500	1,918	28,892	2,537	58,246

Reconciliation (2019)

A reconciliation of the net carrying amount of each class of property, plant and equipment at the beginning and end of the previous reporting period is set out below:

	Land \$'000	Buildings \$'000	Plant and Equipment \$'000	Infrastructure Systems \$'000	Capital WIP \$'000	TOTAL \$'000
AT 01 JULY 2018	17,400	7,872	1,532	29,818	2,164	58,786
Additions	-	-	-	-	1,566	1,566
Disposals	-	-	-	-	-	-
Net revaluation increment less revaluation decrements	-	-	-	-	-	-
Depreciation expense	-	(547)	(234)	(1,326)	-	(2,106)
Transfers / adjustments	-	175	619	399	(1,193)	-
AT 30 JUNE 2019	17,400	7,500	1,918	28,892	2,537	58,246

10. FAIR VALUE MEASUREMENT

(A) FAIR VALUE MEASUREMENT ACCOUNTING POLICY

Assets measured at fair value on a recurring basis in the statement of financial position are:

- Certain asset classes within IPPE, being Land, Buildings and Infrastructure Systems; and
- The investment with TCorpIM Cash Fund.

Fair values of IPPE assets are determined by reference to local cost structures, which are generally significantly higher than in most other parts of Australia, due to high transport costs arising from the remoteness of the island.

Fair value of financial instruments is determined as follows:

- Cash and cash equivalents – estimated to be the carrying value (except for the investment in TCorpIM Cash Fund, for which TCorp has advised fair value at 30 June 2020, based on the Board's share of the market value of the underlying assets of the fund);
- Receivables and payables – estimated to be the carrying amount of receivables less any provision for expected credit losses, and of payables respectively, as a reasonable approximation of fair value due to their short term nature.

These financial instruments arise directly from the Board's operations or are required to finance the Board's operations. The Board does not enter into or trade financial instruments, including derivative financial instruments, for speculative purposes.

There were revaluations of IPPE assets conducted during the year ended 30 June 2020, however the Board's management team has performed a Fair Value assessment of the land and commercial buildings and the current electrical infrastructure and determined there is no material difference between the carrying amounts and fair values. As a result, there was no effect on profit or loss or other comprehensive income for the year for these items, except to the extent of depreciation amounts continuing to be based on the historic valuation amounts derived from such inputs in prior years, which was impracticable to measure.

(B) FAIR VALUE COMPARED TO CARRYING AMOUNT

The Board held the following financial instruments at balance date:

	Carrying value		Fair value	
	2020 \$'000	2019 \$'000	2020 \$'000	2019 \$'000
FINANCIAL ASSETS				
Cash and cash equivalents	4,682	7,067	4,682	7,067
Receivables (excluding statutory receivables)	1,369	2,301	1,369	2,301
FINANCIAL LIABILITIES				
Payables (excluding statutory payables)	918	1,904	918	1,904
Borrowings	2,301	-	2,135	-

10. FAIR VALUE MEASUREMENT (CONT'D)

(C) FAIR VALUE HIERARCHY

The Board uses the following valuation hierarchy for the fair value of its assets:

- Level 1 – derived from quoted prices in active markets for identical assets / liabilities.
- Level 2 – in relation to the TCorpIM Cash Fund, prices are observable, however, no active market exists for the fund as it is only accessible to government agencies.
- Level 3 – derived from valuation techniques that include inputs for the asset / liability not based on observable market data (unobservable inputs).

The fair value hierarchy within which the fair value measurements are categorised, for each respective asset class are:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
NON-FINANCIAL ASSETS				
Land	-	-	17,400	17,400
Buildings	-	-	7,992	7,992
Infrastructure systems	-	-	51,316	51,316
TOTAL	-	-	76,708	79,215

Comparative amounts at 30 June 2019 were:

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
NON-FINANCIAL ASSETS				
Land	-	-	17,400	17,400
Buildings	-	-	7,500	7,500
Infrastructure systems	-	-	28,892	28,892
TOTAL	-	-	53,792	55,609

There were no transfers of amounts between any levels of the fair value hierarchy during the year, nor during the previous year.

(D) VALUATION TECHNIQUES AND SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3)

Land

All land on the island is vested in the Crown. Three categories of land have been recognised, viz:

- Land leased or subject to permissive occupancies (as an operating lease);
- Crown land reserved or dedicated for a public purpose; and
- Lord Howe Island Permanent Park Preserve.

The 'valuation in use' method has been used for leased land, under which the respective lease rentals are an observable (and fixed) input and the capitalisation rate used is an unobservable input.

10. FAIR VALUE MEASUREMENT (CONT'D)

D) VALUATION TECHNIQUES & SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) (CONT'D)

Land (cont'd)

Perpetual leases are able to be transferred among island residents, albeit such transfers are very infrequent. The Crown land reserved or dedicated for public purposes has been measured by reference to the area involved, in square metres (a fixed and observable input) and valued by applying to it an amount per square metre of land. The rate per square metre of Crown land reserved or dedicated for public purposes has been estimated by using, as a guide, historical transfer values for perpetual leases of as near to similar parcels of land as can be identified (a proxy value per square metre for such land).

The permanent park preserve land is subject to significant restrictions – it may not be leased and has virtually no potential for development. The value of this land has been determined by applying to the land area involved (a fixed and observable input), a value per hectare (an unobservable input). The value per hectare has been estimated based on historic sale values for a range of similar unimproved land within mainland New South Wales.

Buildings

The valuation of each building at replacement cost reflects the size and design of the respective building, as well as the materials used (all of which are observable inputs) but also includes unobservable inputs in the form of estimated replacement costs for such materials and the requisite labour and other services required for construction. All public facilities except electricity infrastructure have been revalued this year. Commercial and residential buildings will be revalued in 2020-21.

Infrastructure Systems

Airport assets

Major individual airport assets were re-constructed during the year ended 30 June 2016, including the runway. Airport assets were all revalued with significant increases during this year.

Electricity assets

Electricity assets include electricity generation and electricity distribution. Unobservable inputs requiring professional judgement when assessing fair value included assessment of asset condition, of ongoing load and consideration of the Board's maintenance program. Electrical assets will be revalued in 2020-21 on completion of the solar project.

Marine facilities

The vast majority of the value of these assets is represented by the value of the island's wharf. The fair value of marine facilities is also affected by the estimated total useful life of such assets and by its estimated remaining useful life, the latter of which is assessed by reference to the physical condition of each asset.

Roads

All roads have been classified within three different categories, viz:

- Category 1: sealed primary road;
- Category 2: sealed internal road; and
- Category 3: unsealed road.

10. FAIR VALUE MEASUREMENT (CONT'D)

D) VALUATION TECHNIQUES & SIGNIFICANT UNOBSERVABLE INPUTS (LEVEL 3) (CONT'D)

Roads (cont'd)

The physical composition of each road varies according to its category, and each sealed road comprises both:

- Pavement; and
- Bitumen seal.

The replacement cost of each road has been determined by applying, separately to each of its pavement and bitumen seal components, estimates of current construction costs per square metre (unobservable inputs).

Works in Progress

Works-in-Progress (WIP) is valued at \$7.0m this year due to \$5.8m for the Hybrid Renewable Energy Project (HREP). The project is expected to be completed by the end of the calendar year (2020), with subsequent valuations including electrical assets occurring in 2020-21.

11. INTANGIBLE ASSETS

	2020 \$'000	2019 \$'000
Software - at cost	248	248
Accumulated amortisation	(248)	(248)
TOTAL	-	-

Movements in the carrying amount of software during the year were:

	2020 \$'000	2019 \$'000
Net book amount at 1 July	-	29
Software acquired during the year	-	-
Amortisation during the year	-	(29)
NET BOOK AMOUNT AT 30 JUNE	-	-

Costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised. Software costs capitalised are subsequently amortised on a straight-line basis over a five-year period.

The Board assesses at each balance date whether there is objective evidence that an asset is impaired. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

12. PAYABLES

	2020 \$'000	2019 \$'000
Current		
Trade creditors and accrued expenses	1,347	1,432
Accrued salaries, wages and on-costs	146	468
Security deposits*	336	4
TOTAL	1,829	1,904

*Includes \$318,000 related to the Hybrid Renewable Energy Project (HREP) (2019 - \$nil)

These amounts represent liabilities for goods and services provided to the Board prior to the end of the financial year which are unpaid. Trade payables are recognised initially at fair value, usually based on the transaction cost or face value. Short term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. The Board receives personnel services provided through the NSW Department of Planning, Industry & Environment.

The current obligations included in this Note do not have an unconditional right to defer settlement for at least twelve months after the reporting date, regardless of when the actual settlement is expected to occur.

13. CONTRACT LIABILITIES

	2020 \$'000	2019 \$'000
Funds to construct Board-controlled assets	277	-
Rates in advance	65	11
Other receipts in advance	24	135
TOTAL	366	146

All contract liabilities are expected to be recognised as revenue in the next financial year.

The contract liabilities have arisen on adoption of AASB 15 and AASB 1058. Previously income received in advance was recognised for reciprocal contracts. The increase in contract liabilities is primarily due to grants in the scope of AASB 15 and capital grants received by the Board to acquire or construct assets which will be under the Board's control. Previously, revenue was recognised on receipt of the funds.

Recognition and measurement

Contract liabilities represent the Board's obligation to transfer goods or services to a customer and are recognised when a customer pays consideration, or when the Board recognises a receivable to reflect its unconditional right to consideration (whichever is earlier) before the Board has transferred the goods or services to the customer.

14. BORROWINGS

	2020 \$'000	2019 \$'000
Non-current TCorp borrowings	2,301	-
TOTAL	2,301	-

Refer to note 20 for further information on financial instruments.

Financing arrangements

Unrestricted access was available at the reporting date to the following finance facilities:

	2020 \$'000	2019 \$'000
Total facilities TCorp loan	5,900	-
Used at the reporting date TCorp loan	2,301	-

15. PROVISIONS

	2020 \$'000	2019 \$'000
Current		
Recreation Leave	434	332
Extended Leave	696	541
Non-current		
Extended leave	60	47
TOTAL	1,190	920

Liability amounts equivalent to extended leave and recreation leave which is not expected to be wholly settled within twelve months after the end of the period in which the personnel render the related service are measured as the present value of expected future payments to be made. Consideration is given to expected future wage and salary levels, experience of personnel departures and periods of service.

16. REVALUATION SURPLUS

Revaluation surplus represents the net accumulated revaluation increments and decrements arising from revaluation of certain asset classes among the Board's PPE assets.

	2020 \$'000	2019 \$'000
Land	14,130	14,130
Buildings	8,687	8,204
Infrastructure Systems	56,749	33,125
TOTAL	79,567	55,459

16. REVALUATION SURPLUS (CONT'D)

The movements in Revaluation Surplus during the year was by revaluation. There were no material movements in the fair values of land, electricity infrastructure and commercial buildings, all due for revaluation in 2020-21.

	2020 \$'000	2019 \$'000
Net book amount at 1 July	55,459	55,459
Net increment on revaluation of buildings and public facilities	390	-
Net increment on revaluation of infrastructure assets	23,718	-
NET BOOK AMOUNT AT 30 JUNE	79,567	55,459

17. RECONCILIATION OF NET RESULT TO NET CASH FLOWS - OPERATING ACTIVITIES

	Notes	2020 \$'000	2019 \$,000
NET RESULT FROM THE STATEMENT OF COMPREHENSIVE INCOME		(1,700)	(3,789)
Depreciation	9	2,221	2,106
Amortisation	11	-	29
Net gain / (loss) on sale of property, plant and equipment		20	-
Non-cash component of personnel services expense		-	(50)
Allowance for expected credit losses		50	5
Increase/ Decrease in receivables		627	(775)
Decrease in inventories		85	189
Increase/ Decrease in other current assets		446	(439)
Decrease/ Increase in payables, provisions		(1,048)	905
Increase in contract assets		(347)	105
Increase in contract liabilities		220	-
Net cash flows from operating activities		574	(1,714)

18. COMMITMENTS

	2020 \$'000	2019 \$'000
CAPITAL EXPENDITURE COMMITMENTS		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities are payable as follows:		
Not later than one year	3,894	1,386
TOTAL	3,894	1,386

The amounts shown above are GST inclusive.

Commitments at balance date comprise the Hybrid Renewable Energy Project of \$3.8m due for completion 2020-21.

19. RELATED PARTY DISCLOSURES

The Board relies on ongoing financial support from the New South Wales Government. The Board has no subsidiaries, associates or joint ventures.

(A) KEY MANAGEMENT PERSONNEL

The key management personnel of the Board during the year ended 30 June 2020, were:

- Mr Rob Pallin being a Board member appointed by the NSW Government;
- Mr Craig Wilson, Mrs Therese Turner, Mr Gary Crombie and Mr Matthew Retmock being islander elected members of the Board;
- Mr David Kirk being a Board member appointed by the NSW Government;
- Ms Anissa Levy, being Appointed Chair, appointed by the NSW Government from 15 July 2019;
- Mr Peter Adams, Chief Executive Officer of the Board.

(B) REMUNERATION

The remuneration of key management personnel, whether paid directly or indirectly by the Board was:

	2020 \$'000	2019 \$'000
Short-term benefits	360	322
Post-retirement benefits	4	4
TOTAL	364	326

Short term benefits include fees paid to Board members and personnel services costs (reflecting salaries and wages, paid recreation leave, paid sick leave and non-monetary benefits, such as subsidised housing) in relation to the Chief Executive Officer who is separately employed through the Office of Local Government (OLG). Post-retirement benefits include superannuation contributions, pension payments and other retirement benefits.

19. RELATED PARTY DISCLOSURES

C) RELATIONSHIPS

The Board is the sole provider of certain goods and services to residents of Lord Howe Island (“LHI”), so key management personnel (and close members of their respective families) who are resident on the island have no choice but to transact with the Board for such goods and services, such as electricity supply and waste management services.

All transactions entered into during the year with key management personnel (and close members of their respective families) were entered into in the normal course of business on an ‘arms-length’ basis.

The Board has the following additional relationships with key management personnel and/or close members of their respective families:

Mr Craig Wilson

Mr Wilson resides in premises on land which is the subject of a perpetual lease from the Board to his brother, Mr Campbell Wilson.

The Board is also a supplier to and customer of Wilson’s Hire Service, which is owned by Mr Campbell Wilson but managed for him by Mr Craig Wilson.

Mr Craig Wilson is an arborist trading as Island Tree Care and his business supplies arborist services to the Board from time to time.

Mrs Therese Turner

Perpetual lease of property in Mutton Bird Drive, LHI as lessee from the Board as lessor.

Mr Gary Crombie

Perpetual leases of two properties (one each in Anderson Road and Mutton Bird Drive, LHI) as lessee from the Board as lessor.

Mr Crombie and his wife jointly own and operate The Butcher The Baker business (trading as Thompson’s Store) in Ned’s Beach Road, LHI. The Butcher The Baker is both a customer of, and a supplier to, the Board.

Mr Matthew Retmock

Perpetual lease of property in Lagoon Road, LHI as lessee from the Board as lessor.

Mr Peter Adams

Residential lease of the Government House property as lessee from the Board as lessor (for a below-market rental amount as part of the CEO’s remuneration arrangements, in accordance with a Board policy). The amount involved is included in the short-term benefits amount shown in Note 19(B).

19. RELATED PARTY DISCLOSURES (CONT'D)

D) TRANSACTIONS AND BALANCES

The total amount of grant revenue transactions with other New South Wales government agencies is shown in Note 2(e). The major agencies involved are the New South Wales Treasury, the Department of Planning Industry & Environment, the NSW Environment Trust and TCorp.

20. FINANCIAL RISK MANAGEMENT.

E) OBJECTIVES AND POLICIES

The Board's activities expose it to a variety of financial risks including credit risk, liquidity risk and market risks (price risk and interest rate risk). The Board does not engage in transactions expressed in foreign currencies and is therefore not subject to foreign currency risk.

Risk management policies have been established to identify and analyse the risks faced by the Board, to set risk limits and establish controls to monitor risks. Compliance with policies is reviewed on a periodic basis.

The Board's financial risk management objective is to maximise its return on cash and investments, whilst maintaining an adequate level of liquidity and preserving capital.

F) FINANCIAL INSTRUMENT CATEGORIES

The Board's financial assets, comprise:

- Cash and cash equivalents (predominantly bank term deposits and monies invested in a TCorpIM Cash Fund); and
- Receivables.

TCorp IM Cash Fund invests in Australian cash and fixed interest securities. The unit price of the fund is equal to the total fair value of the net assets of the fund divided by the total number of units on issue for that fund.

The Board's only financial liabilities are payables and a loan from TCorp

The Board's business model in relation to using financial instruments is for investment rather than trading purposes. The Board also does not enter into hedging arrangements.

G) CREDIT RISK

A key risk associated with cash and cash equivalents and receivables is credit risk – the risk that a contracting entity will not complete its obligations under a financial instrument resulting in a financial loss to the Board.

20. FINANCIAL RISK MANAGEMENT. (CONT'D)

G) CREDIT RISK (CONT'D)

These risks are mitigated by:

- the major Australian bank with which the Board's short term deposit is lodged has AA- long term credit ratings from major global credit rating agencies;
- TCorp is a managed investment pool. TCorp appoints and monitors fund managers, and establishes and monitors the application of appropriate investment guidelines; and
- monitoring outstanding debt and employing stringent debt recovery policies in relation to receivables.

The interest rate being earned on the Board's last short term deposit was at a fixed rate of 2.40% per annum (2019 – 2.40%). There was no short-term deposit held at 30 June 2020.

The Board places funds on deposit with one of Australia's 'big four' banks (rated AA-) and/or with TCorp, which is rated "AAA" by Standards and Poor's. These deposits are either "at call" or have short term maturity.

No collateral is held by the Board in relation to its financial assets.

Collectability of receivables is reviewed on an ongoing basis. Procedures established in the Treasurer's Directions are followed to recover outstanding amounts, including letters of demand. Debts which are known to be uncollectible are written off. An allowance for expected credit losses is raised when there is objective evidence that the entity will not be able to collect all amounts due. This evidence includes past experiences, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on receivables. Liquor sales are made on cash or 30-day credit terms.

The Board is not materially exposed to concentrations of credit risk to a single counterparty or counterparty group within its debtors. All are well known and collectible, but are subject to COVID-19 pandemic eventualities.

The profile of the Board's credit risk was:

	Totals \$'000	Past due but not impaired \$'000	Considered impaired \$'000
2020			
Amounts < 3 months overdue	337	333	4
Amounts 3 - 6 months overdue	77	26	51
TOTAL	414	359	55
2019			
Amounts < 3 months overdue	36	34	2
Amounts 3 - 6 months overdue	3	-	3
TOTAL	39	34	5

The ageing analysis excludes statutory receivables and prepayments, as these are not within the scope of AASB 7, and do not include receivables which are neither 'past due' nor impaired.

20. FINANCIAL RISK MANAGEMENT. (CONT'D)

G) 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. The Board manages this risk by monitoring its cash flow requirements and liquidity levels and maintaining an adequate cash buffer.

During the current and prior years, there were no defaults or breaches on any loans payable. No assets have been pledged as collateral. The Board's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

The Board has current stand-by credit arrangements and has a loan facility in place for \$5.9 million pre-approved, as part of the Hybrid Renewable Energy Project (HREP). The Board has accessed \$2.3 million of these funds in 2019-20 and is expected to substantially draw down from the balance in 2020-21. On completion of the project, interest payments against the loan facility will continue to the end of the financial year, with a proposed repayment option of principle and interest for 20 years to be put in place from 1 July 2021.

The liabilities are recognised for amounts due to be paid in the future for goods or services. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in NSW TC11/12. If trade terms are not specified, payment is made no later than the end of the month following the month in which an invoice or statement is received. NSW TC 11/12 allows the Minister to award interest for late payment. No interest for late payment was awarded during the year ended 30 June 2020 (2018: \$nil).

The undiscounted contractual cash flows of the Board's payables are set out below:

	Due within 1 year \$'000	Due between 1 and 5 years \$'000	Due after 5 years \$'000	Total contractual cash flows \$'000	Carrying amount \$'000
30 JUNE 2020					
Payables	918	-	-	918	918
Borrowings	45	135	2,569	2,749	2,301
TOTAL	963	135	2,569	3,667	3,219
30 JUNE 2019					
Payables	1,904	-	-	1,904	1,904
TOTAL	1,904	-	-	1,904	1,904

H) MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. The Board's exposure to market risk is primarily through interest rate risk. The Board has no exposure to foreign currency risk and does not enter into commodity contracts.

20. FINANCIAL RISK MANAGEMENT. (CONT'D)

H) MARKET RISK (CONT'D)

Price risk

A significant risk associated with the investment in TCorpIM Cash Fund is price risk – the risk that the capital value of investments may fluctuate due to changes in market prices, whether these changes are caused by factors specific to individual financial instruments or their issuers or factors affecting similar instruments traded in a market.

Interest rate risk

Interest rate risk is defined as the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

The Board has interest-bearing assets or liabilities comprising investments in a TCorpIM Cash Fund, short term bank term deposits and a TCorp loan. There is no interest rate risk on bank term deposits as the applicable interest rate is fixed for the term of the deposit. TCorp has advised that +/- 1% is the appropriate sensitivity percentage for the TCorpIM Cash Fund. There is no interest risk on borrowings as interest rates are fixed.

Accordingly, the Board's exposure to interest rate risk is:

	Carrying Amount \$'000	-1.0% Profit \$'000	Equity \$'000	+1.0% Profit \$'000	Equity \$'000
30 JUNE 2020					
Financial Assets					
Cash and cash equivalents	4,682	(52)	(52)	52	52
Receivables	1,031	-	-	-	-
Contract assets	347	-	-	-	-
Financial Liabilities					
Payables	918	-	-	-	-
Borrowing	2,301	-	-	-	-
TOTAL INCREASE / (DECREASE)		(52)	(52)	52	52
30 JUNE 2019					
Financial Assets					
Cash and cash equivalents	7,067	(49)	(49)	49	49
Receivables	2,302	-	-	-	-
Financial Liabilities					
Payables	1,904	-	-	-	-
TOTAL INCREASE / (DECREASE)		(49)	(49)	49	49

21. CONTINGENT ASSETS AND LIABILITIES

There are no contingent assets or contingent liabilities at 30 June 2020 (2019: \$nil).

22. EVENTS OCCURRING AFTER BALANCE DATE

The impact of the Coronavirus (COVID-19) pandemic has materially impacted the Board's operations during the 2020 financial year. The material financial impacts on the Board arise from the island being in lockdown since March 2020 meaning that tourism activity has ceased. The key financial impacts on the 2020 financial report are:

- A reduction in airport landing fees of \$396,000
- Reduced liquor sales of \$184,000
- Reduced revenue from a range of Board fees and charges which have been discounted for quarter 4 estimated to be \$153,000.

The pandemic is ongoing and while the financial impact has been identified in relation to the Board directly up to 30 June 2020, it is not practicable to estimate the potential negative impact, after the reporting date. The situation is developing and is dependent on measures imposed by the Australian Government and other countries, such as maintaining social distancing requirements, quarantine, travel restrictions and any economic stimulus that may be provided.

No other matter or circumstance has arisen since 30 June 2020 that has significantly affected, or may significantly affect the Board's operations, the results of those operations, or the Board's state of affairs, in future financial years.

END OF AUDITED FINANCIAL STATEMENTS