LORD HOWE ISLAND BOARD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

Pursuant to Section 41C (1B) and (1C) 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 30th June 2013 and transactions for the year then ended.
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, the Public Finance and Audit Regulation 2010, and the Treasurer's Directions.

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

Mr Barney Nichols	Ms Lisa Makiiti
Deputy Chairperson	Elected Member

Dated: 21 October 2013

LORD HOWE ISLAND BOARD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2013

	Notes	**Actual 2013 $**	Actual 2012 $
Income from continuing operations			
Revenue:			
Liquor store sales		1,605,742	1,525,374
User charges and fees	3(a)	3,203,983	3,036,461
Interest and investment income		419,369	241,242
Grants and subsidies provided for operating purposes	3(b)	2,636,312	8,208,055
Grants and subsidies provided for capital purposes	3(b)	-	105,282
Gain on disposal of assets	5	3,114	-
Other income	16	24,238	-
Total income from continuing operations		7,892,758	13,116,414
Expenses from continuing operations			
Liquor store cost of sales		(1,261,929)	(1,204,224)
Personnel services	4(a)	(3,781,601)	(3,576,090)
Depreciation	4(d) and 12	(3,190,926)	(1,952,007)
Amortisation	13	-	(1,068)
Impairment losses	4(b)	(20,187)	-
Other expenses	4(c)	(2,368,280)	(1,992,113)
Net loss from disposal of assets	5	-	(379)
Total expenses from continuing operations		(10,622,923)	(8,725,881)
Net operating result from discontinued operations: Nursery operations	6	(369,805)	(1,261,332)
Net operating result for the year		(3,099,970)	3,129,201
Other comprehensive income			
Actuarial gain/(loss) in respect of defined benefit superannuation funds	16	460,050	(445,861)
Impairment loss on revalued IPPE assets (Electricity)	12	(300,039)	-
Gain/(loss) on revaluation of infrastructure, property, plant and equipment	12	267,323	5,465,364
Total other comprehensive income for the year		427,334	5,019,503
Total comprehensive income for the year		(2,672,636)	8,148,704

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

LORD HOWE ISLAND BOARD
STATEMENT OF FINANCIAL POSITION
AS AT 30 JUNE 2013

	Note	**Actual 2013 $**	Actual 2012 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	7	8,879,533	9,545,304
Trade and other receivables	8	823,241	938,450
Inventories	9	381,748	428,064
Biological assets	10	-	104,696
Prepayments	11	96,700	7,450
TOTAL CURRENT ASSETS		10,181,222	11,023,964
NON-CURRENT ASSETS			
Biological assets	10	-	-
Infrastructure, property, plant & equipment	12	45,350,345	47,684,243
Intangible assets	13	248,543	202,026
TOTAL NON-CURRENT ASSETS		45,598,888	47,886,269
TOTAL ASSETS		55,780,110	58,910,233
LIABILITIES			
CURRENT LIABILITIES			
Trade and other payables	14	563,938	465,660
Provisions	15	737,908	849,970
Unearned income		19,200	-
TOTAL CURRENT LIABILITIES		1,321,046	1,315,630
NON-CURRENT LIABILITIES			
Provisions	15	21,385	-
Post-retirement benefit obligations	16	331,218	815,506
TOTAL NON-CURRENT LIABILITIES		352,603	815,506
TOTAL LIABILITIES		1,673,649	2,131,136
NET ASSETS		54,106,461	56,779,097
EQUITY			
Accumulated funds		7,592,279	10,232,199
Revaluation surplus	17	46,514,182	46,546,898
TOTAL EQUITY		54,106,461	56,779,097

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

LORD HOWE ISLAND BOARD
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2013

	Notes	Accumulated Funds $	Revaluation Surplus $	Total $
BALANCE AS AT 1 JULY 2012		10,232,199	46,546,898	56,779,097
Surplus / (deficit) for the year		(3,099,970)	-	(3,099,970)
Other comprehensive income				
Actuarial gain/(loss) in respect of defined benefit superannuation funds	16	460,050	-	460,050
Impairment loss on revalued IPPE assets (Electricity)		-	(300,039)	(300,039)
Net increase / (decrease) on revaluation of infrastructure, property, plant and equipment assets	12	-	267,323	267,323
Total comprehensive income for the year		(2,639,920)	(32,716)	(2,672,636)
BALANCE AS AT 30 JUNE 2013		7,592,279	46,514,182	54,106,461
BALANCE AS AT 1 JULY 2011		7,548,859	41,081,534	48,630,393
Surplus / (deficit) for the year		3,129,201	-	3,129,201
Other comprehensive income				
Actuarial gain/(loss) in respect of defined benefit superannuation funds	16	(445,861)	-	(445,861)
Net increase / (decrease) on revaluation of infrastructure, property, plant and equipment assets	12	-	5,465,364	5,465,364
Total comprehensive income for the year		2,683,340	5,465,364	8,148,704
BALANCE AS AT 30 JUNE 2012		10,232,199	46,546,898	56,779,097

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

LORD HOWE ISLAND BOARD
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 30 JUNE 2013

	Notes	**Actual 2013 $**	Actual 2012 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts:			
Receipts from User charges and fees		3,224,733	3,219,095
Receipts from Nursery customers		149,899	276,276
Receipts from Liquor Store customers		1,590,364	1,511,360
Grants and subsidies received		2,636,312	8,166,300
Payments:			
Payments to personnel and suppliers		(7,610,372)	(7,325,212)
Net cash from operating activities	18	(9,064)	5,847,819
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts:			
Proceeds from sale of infrastructure, property, plant and equipment		3,432	-
Interest and investment income		356,143	239,713
Payments:			
Payments for infrastructure, property, plant and equipment		(952,739)	(1,470,534)
Payments for intangible assets		(63,543)	(203,094)
Net cash used in investing activities		(656,707)	(1,433,915)
Net increase/(decrease) in cash and cash equivalents		(665,771)	4,413,904
Cash and cash equivalents at beginning of reporting period		9,545,304	5,131,400
Cash and cash equivalents at end of reporting period	7	8,879,533	9,545,304

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

LORD HOWE ISLAND BOARD

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 30 JUNE 2013

Contents of the notes to the financial statements Page

LORD HOWE ISLAND BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2013

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 Board's primary function is administering the affairs of Lord Howe Island. The Lord Howe Island Board is a NSW Government agency and is a Not-for-Profit entity for the purpose of preparing financial statements.

This financial report for the year ended 30 June 2013 has been authorised for issue by the Lord Howe Island Board on 21 October 2013.

(b) Basis of preparation

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards, other authoritative pronouncements of the Australian Accounting Standards Board and the Public Finance and Audit Act (1983) and Regulation.

Where there are inconsistencies between the above requirements, the Public Finance and Audit Act and Regulations prevail.

New and amended standards adopted by the Board

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 July 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods.

Early adoption of standards

The Board has not elected to apply any pronouncements before their operative date in the annual reporting period beginning 1 July 2012.

Historical cost convention

These financial statements have been prepared under the historical cost convention, as modified by the revaluation of available-for-sale financial assets, financial assets and liabilities at fair value through profit or loss, certain classes of infrastructure, property, plant and equipment and certain biological assets.

Critical accounting estimates

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

(c) Revenue recognition

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 have been met for each of the Board’s activities described below. The Board bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is measured at the fair value of the consideration received or receivable. Revenue is measured on major income categories as follows:

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Revenue recognition (continued)

Sale of goods – retail

The Board operates a liquor store. Revenue from the sale of goods is recognised when the Board sells a product to the customer. Retail sales are usually by credit card or in cash.

Sale of seedlings

Export revenue was recognised once the seedlings were dispatched. However, during the year ended 30 June 2013 the Board decided to discontinue its long-standing business of exporting kentia palm seedlings and its other ancillary nursery activities, so this will not be a future source of revenue for the Board.

Grants and subsidies

Grants and subsidies (including Government grants and subsidies) are recognised as revenues when the Board obtains control over the assets comprising these receipts.

Control over granted assets is normally obtained upon their receipt (or acquittal) or upon earlier notification that a grant has been secured, and is valued at their fair value at the date of transfer.

Revenue is recognised when the Board obtains control of the subsidy or the right to receive the contribution, it is probable that the economic benefits comprising the subsidy will flow to the Board and the amount of the subsidy can be measured reliably.

Where grants or subsidies recognised as revenues during the financial year were obtained on condition that they be expended in a particular manner or used over a particular period and those conditions were undischarged at balance date, the unused grant or subsidy is disclosed in Note 3. The note also discloses the amount of unused grant or subsidy from prior years that was expended on the Board's operations during the current year.

A liability has been recognised in respect of revenue that is reciprocal in nature to the extent that the requisite service has not been provided at balance date but cash has been received.

User charges and fees

User charges and fees are recognised as revenue when the service has been provided or when the payment is received, whichever occurs first.

Sale of infrastructure, property, plant and equipment

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

Interest income

Interest income is recognised using the effective interest method. When a receivable is impaired, the Board reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income.

(d) Leases

Leases of property, plant and equipment where the Board, as lessee, has substantially all the risks and rewards of ownership, are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of finance charges, are included in short-term and long-term payables. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the income statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The infrastructure, property, plant and equipment acquired under finance leases is depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the Board will obtain ownership at the end of the lease term.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

d) Leases (continued)

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Board as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the income statement on a straight-line basis over the period of the lease.

Lease income from operating leases where the Board is a lessor is recognised in income on a straight-line basis over the lease term. Revenue from leased premises where the Board is lessor is recognised in accordance with the respective individual lease arrangements, which usually require two weeks rent in advance.

(e) Acquisition of assets

The cost method of accounting is used to account for the initial recording of all acquisitions of assets controlled by the Board.

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 or, where applicable, the amount attributed to that asset when initially recognised in accordance with other Australian Accounting Standards.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of exchange. The discount rate used is the Board's incremental borrowing rate, being the rate at which a similar borrowing could be obtained from an independent financier under comparable terms and conditions.

(f) Impairment of assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount.

The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that have suffered impairment are reviewed for possible reversal of the impairment at each reporting date.

(g) Cash and cash equivalents

For cash flow statement presentation purposes, cash and cash equivalents includes cash on hand, cash at bank, including short term deposits, and cash held in Hourglass at Call Facility Trusts with NSW Treasury Corporation ("TCorp").

(h) Trade and other receivables

Trade and other receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade and other receivables are generally due for settlement within 30 days. The sale of palm seedlings under contract is on 90 day terms.

Collectability of trade and other receivables is reviewed on an ongoing basis. Debts which are known to be uncollectible are written off by reducing the carrying amount directly. An allowance account (provision for impairment of receivables) is used when there is objective evidence that the Board will not be able to collect all amounts due according to the original terms of the receivables. The amount of the impairment allowance 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. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Trade and other receivables (continued)

The amount of the impairment loss is recognised in the statement of comprehensive income within other expenses. When a receivable for which an impairment allowance had been recognised becomes uncollectible in a subsequent period, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against other expenses in the statement of comprehensive income.

(i) Inventories

Raw materials and stores, work in progress and finished goods are stated at the lower of cost and net realisable value.

Costs of purchased inventory (e.g., liquor) are determined after including inward freight costs and deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Diesel stocks held for the generation and reticulation of 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.

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

The Board assessed that the following plant and seed stock did not constitute biological assets and were, instead, recognised as inventories (until the Board's Nursery operations were discontinued during the year ended 30 June 2013):

Palm plants and stocks of other native species which were propagated at the Nursery for sale to Island businesses, and those stocks which do not meet the required specification for export sale but which may be sold as incidental stock to visiting tourists; and

Native species (including kentia palms), which were propagated for the purpose of reforestation.

(j) Infrastructure, property, plant and equipment ("IPPE")

IPPE is initially recorded at cost. The Board conducts a revaluation of some classes of IPPE at least every five years, and ensures that the carrying amount of each asset in each class of assets does not differ materially from its fair value at reporting date.

IPPE is valued on an 'existing use' basis, where there are no feasible alternative uses in the existing natural, legal, financial and socio-political environment. However, in the limited circumstances where there are feasible alternative uses, IPPE is valued at the 'highest and best' use.

The latest revaluations for each of the classes of IPPE which are shown at valuation are as follows:

Valuer	Asset Classification	Date of Revaluation
HP Consultants Pty Limited	Electricity Network	June 2013
LHIB Infrastructure and Engineering Services	Roadworks	June 2012
LHIB Infrastructure and Engineering Services	Windy Point – stage 1	June 2012
Valustate P/L	Land and Buildings	June 2010
APV Valuers and Asset Management	Marine Facilities	June 2010
APV Valuers and Asset Management	Airport Facilities	June 2010

Increases in the carrying amounts arising on revaluation are credited to the revaluation surplus. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first charged against revaluation surplus directly in equity to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss in the statement of comprehensive income.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Board and the cost of the item can be measured reliably.

All repairs and maintenance costs are charged to the statement of comprehensive income during the financial period in which they are incurred.

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

	2013
Airport	See below
Buildings	25 years
Electricity Supply	See below
Hospital Equipment	5 years
Household Contents	5 years
Marine Facilities	15 years
Moorings	5 to 20 years
Motor Vehicles	10 years
Office Equipment	3 to 5 years
Other Infrastructure	50 – 100 years
Plant & Equipment	5 years
Roadworks – Bitumen Surface	7 years
Roadworks - Pavement	25 years
Television Facility	20 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each balance sheet date. Historically, the residual value of most IPPE assets was estimated to be 40% of the respective cost or valuation amount. During the year ended 30 June 2013 the Board decided that a nil residual value would be a more appropriate estimate for all IPPE assets other than motor vehicles, for which a 25% residual value is now applied. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with carrying amount, and are included in the statement of comprehensive income.

(i) Airport assets

The separate components of the assets comprising the airport are assessed as having economic lives of between 5 and 100 years respectively, in accordance with the equivalent class of non-current assets applicable to each component, as shown below:

Earthworks, site clearance, culvert excavation, top soil and turf	100 years
Concrete culvert headwalls	70-100 years
Compacted earthworks, armoured revetment and anchor blocks	50-100 years
Boundary fencing	50 years
Concrete segment paving	15 years
Bitumen seal, painting, signage and miscellaneous	5-12 years

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Infrastructure, property, plant and equipment (IPPE) (continued)

(ii) Electricity assets

The separate components of the assets comprising the electricity function are assessed as having economic lives of between 10 and 80 years respectively, in accordance with the equivalent class of non-current assets applicable to each component, as shown below:

Diesel generators	15 years
Generator switchgear	30 years
Housings, ducting, pipes	10 years
Diesel tanks	50 years
Battery chargers	10 years
Load control equipment	10-15 years
Powerhouse/Workshop buildings	40 years
Transformer equipment	30 years
Reticulation: Electrical Substations	50 years
Reticulation: Other	40-80 years

(k) Biological assets

The Board discontinued during the year ended 30 June 2013 managing and maintaining a kentia palm nursery primarily for the purpose of propagation and export of native kentia palm seedlings. Prior to its discontinuation, the Board has assessed that part of the activities of the Nursery came within the definition of "*Biological Assets*" in AASB 141 Agriculture.

The following assets were previously recognised as biological assets:

a. Palm plantations established by the Board for the primary purpose of profit generation; and

b. Seeds obtained from the native palm forests and plantations scattered throughout the Island and which are owned by the Board at reporting date; and

c. Seedlings which have been propagated from those seeds for the purpose of export sale.

Biological assets did not include either the plants recognised as inventories or:

d. Palm trees that grow naturally throughout the Island. These include forests growing in the areas of the Island's Permanent Park Preserve (equivalent to National Park status under the World Heritage convention) and other Crown or leasehold lands, which have not been specifically established for the purpose of profit.

Board policy prohibits the export and importation of palm seeds from / to the Island in order to preserve the quality and integrity of the native species.

Palm Plantations:

There is currently no active and liquid market for the palm trees which bear the kentia palm seeds. The Board therefore previously calculated the fair value of its plantations by determining the *net present value* of future cash flows arising from the sale of seedlings derived from the plantations in accordance with paragraph 20 of AASB 141.

Palm Seeds:

There is no current and active liquid market for the sale of seed. Accordingly, kentia palm seeds were previously valued at cost of collection.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Biological assets (continued)

Palm Seedlings:

There has historically been an active and liquid market for seedlings and the fair value of seedlings was, prior to discontinuation of the Nursery operations, determined by reference to the current average selling price less costs to sell in accordance with paragraph 9 of AASB 141.

(l) Investments and other financial assets

Classification

The Board classifies financial assets in the following categories: financial assets at fair value through profit or loss and loans and receivables. The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets held for trading. A financial asset is classified in this category, and shown as a current asset, if acquired principally for the purpose of selling in the short term. Derivatives are classified as held for trading unless designated as hedges.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are included in current assets, except for those with maturities greater than 12 months after the reporting date which are classified as non-current assets.

Financial assets – reclassification

The Board may choose to reclassify a non-derivative trading financial asset out of the held-for-trading category if the financial asset is no longer held for the purpose of selling it in the near term. Financial assets other than loans and receivables are permitted to be reclassified out of the held-for-trading category only in rare circumstances arising from a single event that is unusual and highly unlikely to recur in the near term. In addition, the Board may choose to reclassify financial assets that would meet the definition of loans and receivables out of the held-for-trading or available-for-sale categories if it has the intention and ability to hold these financial assets for the foreseeable future or until maturity at the date of reclassification.

Reclassifications are made at fair value as of the reclassification date. Fair value becomes the new cost or amortised cost as applicable, and no reversals of fair value gains or losses recorded before reclassification date are subsequently made. Effective interest rates for financial assets reclassified to loans and receivables or held-to-maturity categories are determined at the reclassification date. Further increases in estimates of cash flows adjust effective interest rates prospectively.

Recognition and de-recognition

Regular purchases and sales of financial assets are recognised on trade-date - the date on which the Board commits to purchase or sell the asset. Investments are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value and transaction costs are expensed in the statement of comprehensive income. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Board has transferred substantially all the risks and rewards of ownership.

Subsequent measurement

Loans and receivables are carried at amortised cost using the effective interest method. Financial assets at fair value through profit and loss are carried at fair value. Gains or losses arising from changes in the fair value of the 'financial assets at fair value through profit or loss' category are presented in the statement of comprehensive income within income or expenses in the period in which they arise. Dividend income from financial assets at fair value through profit and loss is recognised in the statement of comprehensive income as part of interest and investment income when the Board's right to receive payments is established.

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

(l) Investments and other financial assets (continued)

Impairment

The Board assesses at each balance date whether there is objective evidence that a financial asset or group of financial assets is impaired.

If there is evidence of impairment for any of the Board's financial assets carried at amortised cost, the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows, excluding future credit losses that have not been incurred. The cash flows are discounted at the financial asset's original effective interest rate. The loss is recognised in the statement of comprehensive income.

Investment policy

The Board's investments comprise term deposits with a major bank and a number of units of a T-Corp managed investment pool, with each particular pool having different investment horizons and being comprised of a mix of asset classes appropriate to that investment horizon. TCorp appoints and monitors fund managers, and establishes and monitors the application of appropriate investment guidelines. These investments are designated at fair value through profit and loss.

The cash held with TCorp can be redeemed with twenty-four hours notice. The value of the cash held can decrease as well as increase depending upon market conditions. The value that best represents the maximum credit risk exposure is the fair value of the investment, which represents the Board's share of the market value of the underlying assets of the facility from time to time.

(m) Fair value estimation

The fair value of financial assets and financial liabilities must be estimated for recognition and measurement or for disclosure purposes.

The nominal value less estimated credit adjustments of trade receivables and payables are assumed to approximate their fair values. The fair value of financial liabilities for disclosure purposes is estimated by discounting the future contractual cash flows at the current market interest rate that is available to the Board for similar financial instruments.

(n) Payables

These amounts represent liabilities for goods and services provided to the Board prior to the end of the financial year which are unpaid. Payables are recognised initially at fair value, usually based on the transaction cost or face value. Subsequent measurement is at amortised cost using the effective interest method. Short term payables with no stated interest rate are measured at the original invoice amount where the effect of discounting is immaterial. The amounts are unsecured and are usually paid within 30 days of recognition.

(o) Provisions

Provisions are recognised when the Board has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognised for future operating losses.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(o) Provisions (continued)

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

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to the passage of time is recognised as interest expense.

(p) Personnel services

The Board receives personnel services provided through the Office of Environment and Heritage of New South Wales. The personnel involved provide services which enable the Board to fulfil its functions.

(i) Short-term personnel benefit obligations

Liabilities for wages and salaries, including non-monetary benefits, expected to be settled within twelve months after the end of the period in which the personnel render the related service is recognised as payables and measured at the amounts expected to be paid when the respective liability is settled.

Liabilities for recreation leave of personnel are recognised as a provision and, where expected to be settled within twelve months after the end of the period, are classified as a current liability.

Under the Board's terms and conditions of employment, sick leave is accumulating but non-vesting. The Board is of the opinion that total sick leave paid in any one year will not exceed leave entitlements for that year and therefore no liability exists in respect of sick leave accumulated to balance date.

The amounts of payroll tax, workers' compensation insurance premiums, superannuation contributions and fringe benefits tax which are consequential to personnel providing their services to the Board, are recognised as liabilities and expenses where the personnel benefits to which they relate have been recognised.

(ii) Other long-term personnel benefit obligations

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

The obligations are presented as current liabilities in the balance sheet if the Board does 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.

The Board has chosen the net present value method for measurement of other long term personnel benefits.

(iii) Post-retirement benefit obligations

The Board is not directly responsible for any post-retirement benefits such as pensions, other retirement benefits, post-retirement life insurance or post-retirement medical care. However, all Board personnel are entitled to post-retirement benefits from superannuation funds to which the Board makes contributions.

The Board contributes to a defined contribution superannuation fund for most of its personnel and contributes to up to three defined benefit plans managed by Pillar Administration on behalf of other personnel.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(p) Employee benefits (continued)

A liability or asset in respect of defined benefit superannuation funds is recognised in the balance sheet, and measured as the present value of the defined benefit obligation at the reporting date plus actuarial gains (less actuarial losses) less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost (as advised to the Board by Pillar Administration).

Actuarial gains and losses are recognised immediately in other comprehensive income in the year in which they occur.

(q) Rounding of amounts

Unless otherwise indicated, amounts in the financial statements have been rounded off to the nearest dollar.

(r) Allocation between current and non-current assets and liabilities

In the determination of whether an asset or liability is current or non-current, consideration is given to the time when each asset or liability is expected to be settled. The asset or liability is classified as current if it is expected to be settled within the ensuing 12 months, being the Board's operational cycle. In the case of liabilities where the Board does not have the unconditional right to defer settlement beyond 12 months, such as vested long service leave, the liability is classified as current even if not expected to be settled within the next 12 months. Inventories held for trading are classified as current even if not expected to be realised in the next 12 months.

(s) New accounting standards and interpretations

Certain new accounting standards and interpretations have been published that are not mandatory for 30 June 2013 reporting periods. The Board's assessment of the impact of these new standards and interpretations is set out below:

(i) AASB 9 *Financial Instruments* , AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)* [AASBs 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 120, 121, 127, 128, 131, 132, 136, 137, 139, 1023 & 1038 and Interpretations 2, 5, 10, 12, 19 & 127] and AASB 2012-6 *Amendments to Australian Accounting Standards – Mandatory Effective Date of AASB 9 and Transition Disclosures* [AASB 9, AASB 2010-7] (effective for accounting periods beginning on or after 1 January 2015)

AASB 9 Financial Instruments addresses the classification, measurement and de-recognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2015 but is available for early adoption. When adopted, the standard will affect in particular the Board's accounting for its available-for-sale financial assets, since AASB 9 only permits the recognition of fair value gains and losses in other comprehensive income if they relate to equity investments that are not held for trading. Fair value gains and losses on available-for-sale debt investments, for example, will therefore have to be recognised directly in profit or loss.

There will be no impact on the Board's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Board does not have any such liabilities. The de-recognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed.

The Australian Accounting Standards Board is expected to make an equivalent amendment to AASB9 shortly.

The Board does not intend to adopt the new standard before its operative date, which means that it would be first applied for the year ending 30 June 2016.

(ii) AASB 13 *Fair Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards arising from AASB 13* [AASB 1, 2, 3, 4, 5, 7, 9, 2009-11, 2010-7, 101, 102, 108, 110, 116, 117, 118, 119, 120, 121, 128, 131, 132, 133, 134, 136, 138, 139, 140, 141, 1004, 1023 & 1038 and Interpretations 2, 4, 12, 13, 14, 17, 19, 131 & 132] (effective for accounting period beginning on or after 1 January 2013)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) New accounting standards and interpretations (continued)

AASB 13 was released in September 2011. It explains how to measure fair value and aims to enhance fair value disclosures. The Board has yet to determine which, if any, of its current measurement techniques will have to change as a result of the new guidance. It is therefore not possible to state the impact, if any, of the new rules on any of the amounts recognised in the financial statements. However, application of the new standard will impact the type of information disclosed in the notes to the financial statements. The Board does not intend to adopt the new standard before its operative date, which means that it would be first applied for the year ending 30 June 2014.

(iii) AASB 119 Employee Benefits, AASB 2011-10 Amendments to Australian Accounting Standards arising from AASB 119 (September 2011) [AASB 1, AASB 8, AASB 101, AASB 124, AASB 134, AASB 1049 & AASB 2011-8 and Interpretation 14] and AASB 2011-11 Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements (effective for accounting periods beginning on or after 1 January 2013)

In September 2011, the AASB released a revised standard on accounting for employee benefits. It requires the recognition of all re-measurements of defined benefit liabilities/assets immediately in other comprehensive income (i.e., removal of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset. This replaces the expected return on plan assets that is currently included in profit or loss. The standard also introduces a number of additional disclosures for defined benefit liabilities/assets and could affect the timing of the recognition of termination benefits. The amendments will have to be implemented retrospectively.

The Board recognises defined benefit assets and liabilities as set out in note 1 (p)(iii) so these changes will have an impact on its reported results. The Board is yet to assess the impact of the revised standard. The Board does not intend to adopt the new standard before its operative date, which means that it would be first applied for the year ending 30 June 2014.There are no other standards that are not yet effective and that are expected to have a material impact on the entity in the current or future reporting periods and on foreseeable future transactions.

(t) Insurance

The Board's insurance activities are conducted through the NSW Treasury Managed Fund Scheme of self-insurance for Government agencies. The expense (premium) is determined by the Fund Manager.

(u) Intangible assets

Software

Costs incurred in acquiring software and licenses that will contribute to future period financial benefits through revenue generation and/or cost reduction are capitalised. Costs capitalised include external direct costs of materials and service. Software costs capitalised are subsequently amortised on a straight line basis over the respective license or other defined period the software is expected to be used.

(v) Goods and services tax (GST)

Revenues, expenses and assets are recognised net of the amount of associated GST, unless the GST incurred is not recoverable from the taxation authority. In this case it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. GST components of cash flows arising from investing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flows.

(w) Comparative Information

Comparatives have been reclassified where necessary to enhance comparability in respect of changes in the current year.

2 FUNCTIONS OR ACTIVITIES OF THE BOARD

The Board's income, expenses and assets are attributable to the following functions or activities.
A summary of each of these functions or activities is provided below.

	Income		Expenses		Net operating result		Grants included in income		Total assets held (current and non-current)	
	2013 $	2012 $	**2013 $**	2012 $	**2013 $**	2012 $	**2013 $**	2012 $	**2013 $**	2012 $
Continuing Operations:										
Liquor store operations	**1,605,742**	1,525,534	**1,277,382**	1,222,436	**328,360**	303,098	**-**	-	**318,340**	300,138
General administration	**1,098,645**	854,824	**1,626,776**	1,720,659	**(528,131)**	(865,835)	**439,215**	253,329	**772,732**	717,263
Local authority services	**1,165,969**	1,277,775	**2,773,641**	2,049,670	**(1,607,672)**	(771,895)	**146,738**	522,431	**14,682,088**	15,988,024
Environmental services	**1,829,254**	7,304,500	**2,189,472**	1,618,042	**(360,218)**	5,686,458	**1,196,096**	6,684,291	**368,720**	423,453
Health services	**27,115**	65,176	**222,128**	245,674	**(195,013)**	(180,498)	**8,400**	-	**859,083**	789,604
Electricity supply	**1,451,518**	1,486,519	**1,138,169**	1,194,975	**313,349**	291,544	**845,863**	827,104	**4,480,802**	4,114,970
Airport operation	**690,295**	679,311	**1,473,599**	1,224,432	**(783,304)**	(545,121)	**-**	26,182	**10,717,583**	11,823,400
Unallocated	**24,220**	0	**(78,244)**	(26,921)	**102,464**	26,921	**-**	-	**22,507,756**	23,368,278
Total Continuing Operations	**7,892,758**	13,193,639	**10,622,923**	9,248,967	**(2,730,165)**	3,944,672	**2,636,312**	8,313,337	**54,707,103**	57,525,130
Discontinued Operations:										
Nursery operations	**87,382**	170,214	**457,187**	1,431,546	**(369,805)**	(1,261,332)	**-**	-	**1,073,007**	1,385,103
Total	**7,980,140**	13,363,853	**11,080,110**	10,680,513	**(3,099,970)**	2,683,340	**2,636,312**	8,313,337	**55,780,110**	58,910,233

2. FUNCTIONS OR ACTIVITIES OF THE BOARD (CONTINUED)

(a) Continuing operations

A summary of the continuing functions or activities of the Board follows:

Liquor store operations

The Board manages the Island's only liquor outlet for supply of liquor to the Island's accommodation and business establishments and for retail supply to residents and visitors.

General administration

This includes all costs associated with the general administration of the Board and funding of tourist promotion activities of the Island, with the exception of costs relating to the Electricity, Health and Environmental Service functions.

Local authority services

This includes all costs associated with the provision of general services to the Island community such as maintenance of public facilities (e.g. roads, buildings, wharf, parks & reserves), garbage disposal facilities, wharf and mooring facilities, motor vehicle inspection facilities and radio receiving facilities. This function also includes the care and maintenance of public tourism facilities.

Environmental services

Environmental Services include the protection and maintenance of the Island's natural resources and, in particular, the care and maintenance of the Permanent Park Preserve.

Health services

The Board provides building infrastructure within which the South Eastern Sydney Local Health District (formerly the South Eastern Sydney & Illawarra Area Health Service) of the NSW Ministry of Health provides health services. Costs shown against this program are generally for the maintenance of the buildings and grounds of the Gower Wilson Memorial Hospital and minor administrative support.

Electricity supply

The Board has overall management and financial responsibility for the supply of electricity on Lord Howe Island and receives a Community Service Obligation payment from NSW Treasury to cover part of the shortfall between user charges and the cost of providing electricity. Essential Energy provides technical assistance to the Board.

Airport Operation

The Board owns and has overall management and financial responsibility for the operation of the Lord Howe Island Airport.

(b) Discontinued operations

The Board also, for many years, conducted the following activities which were discontinued during the year ended 30 June 2013:

Nursery operations

The Board operated a Palm Nursery for the collection and propagation of native kentia palms and other endemic species, which were exported to world markets, predominantly in Europe.

3. INCOME FROM CONTINUING OPERATIONS

	2013 $	2012 $
(a) User charges and fees		
Mooring fees	**20,951**	18,340
Environmental levy	**601,817**	566,857
Electricity user charges	**605,655**	618,298
Waste management fees	**315,974**	300,447
Airport user charges	**681,321**	653,129
Wharf user fees	**272,281**	249,289
Housing and other building rentals	**154,310**	113,215
Public accommodation fees	**259,636**	247,200
Lease fees	**131,000**	118,770
Other fees and charges	**161,038**	150,916
Total user charges and fees	**3,203,983**	3,036,461

	Operating		Capital	
	2013 ($)	2012 ($)	**2013 ($)**	2012 ($)
(b) Grants and subsidies				
Funding from NSW State Government grants and subsidies				
Treasury	1,475,000	1,482,000	-	26,182
Rural Fire Service	11,828	14,076	-	18,750
Local Government Grants Commission	172,460	217,484	-	-
Northern Rivers Catchment Management Authority	70,000	60,000	-	-
NSW Environmental Trust	475,193	1,346,551	-	-
Office of Environment and Heritage	26,250	25,300	-	-
Office of Environment and Heritage and two industry bodies	5,000	-	-	60,350
Agriculture Department	4,398	-	-	-
Mid-North Coast Weed Coord. Committee	-	4,329	-	-
Department of Planning and Infrastructure	-	(1,794)	-	-
Total State grants and subsidies	2,240,129	3,147,946	-	105,282

3. INCOME FROM CONTINUING OPERATIONS (CONTINUED)

(b) Grants and subsidies (continued)

	Operating		Capital	
	2013 ($)	2012 ($)	**2013 ($)**	2012 ($)
Funding from Commonwealth Government grants and subsidies				
Dept of Regional Australia, Local Govt, Arts and Sport	-	20,000	-	-
Dept of Environment, Water, Heritage and the Arts – Natural Heritage Trust	-	92,747	-	-
Dept of Environment, Water, Heritage and the Arts and Dept of Agriculture and Fisheries	387,783	4,926,480	-	-
Total Commonwealth grants and subsidies	387,783	5,039,227	-	-
Funding from other grants and subsidies				
ANZ Bank	8,400	-	-	-
Mitsubishi and ABB Australia	-	18,182	-	-
Foundation for National Parks & Wildlife	-	2,700	-	-
Total other grants and subsidies	8,400	20,882	-	-
Total grants and subsidies	2,636,312	8,208,055	-	105,282

(c) Restrictions relating to grants and subsidies

Certain grants and subsidies are obtained by the Board on the condition they be spent in a specified manner. Accordingly, the use of these monies is 'restricted' to the purposes specified by the respective grantor. Further details of these grants are shown in Note 7.

Grants and subsidies received during the year ended 30 June 2013 which were not 'restricted' have been fully spent during the year – this was also the case during the year ended 30 June 2012.

	2013 $	2012 $
Restricted grants and subsidies	977,024	6,562,845
Unrestricted grants and subsidies	1,659,288	1,750,492
Total grants and subsidies	2,636,312	8,313,337

4. EXPENSES FROM CONTINUING OPERATIONS

	2013 $	2012 $
(a) Personnel services expense		
Salaries and wages, including recreation leave	3,161,016	2,952,450
Extended leave entitlements	81,202	95,419
Superannuation	270,287	264,029
Workers' compensation insurance premium	103,860	94,140
Fringe benefits tax	12,396	24,521
Payroll tax	152,840	145,531
Total personnel services expense	3,781,601	3,576,090
Number of FTE personnel	41.4	40.5

(b) Impairment losses

Inventory	3,161	-
Website costs (Note 13)	17,026	-
Total	20,187	-

(c) Other expenses

Other expenses net of personnel expenses, by function, were:

Electricity	948,144	1,072,890
Administration	833,827	1,054,157
Environment General	571,851	719,634
Local Authority General	520,696	640,962
Permanent Park Preserve	431,653	480,030
Environmental Grant Programs	1,164,764	401,816
Waste Management	290,398	330,117
Corporate Governance	468,484	298,164
Community Wellbeing and Health	180,706	200,845
Land Administration and Planning	209,101	180,948
Airport	235,096	140,736
Buildings	76,914	139,630
Visitor Facilities	115,623	127,608
Tourism	98,337	102,484
Roadworks	79,133	85,314
Wharf	36,250	38,489
Other	(111,096)	45,557
Total Other expenses	6,149,881	5,568,203
Less: Personnel expenses	(3,781,601)	(3,576,090)
Total Other Expenses net of personnel expenses	2,368,280	1,992,113

Emoluments to members of the Board for the year ended 30 June 2013 totalled $51,584 (2012 - $38,900).

Fees paid and payable to the Audit Office of NSW for the year ended 30 June 2013 total $54,700 (2012 - $52,185), excluding GST. The Board also meets the cost of travel and accommodation of Audit Office staff. No other benefits were provided to the Audit Office staff.

4. EXPENSES FROM CONTINUING OPERATIONS (continued)

(d) Change in accounting estimate

During the year ended 30 June 2013, the Board changed its estimate of the residual value of its IPPE assets, from mostly 40% to 25% for motor vehicles and from mostly 40% to 0% for all other classes of IPPE assets, except land (as it is not depreciated). This change in accounting estimate has been applied prospectively from 01 July 2012.

The effect of the change in accounting estimate of residual values, as part of the total depreciation expense for the year ended 30 June 2013, is:

	Effect of Change in Estimate $	Depreciation Expense $
Airport	387,518	1,216,940
Buildings	124,200	337,664
Electricity supply	50,555	160,900
Hospital equipment	-	-
Household Contents	-	693
Land	-	-
Marine facilities	94,223	248,419
Mooring facilities	-	2,896
Motor vehicles	(14,127)	24,252
Office equipment	8,293	22,117
Other infrastructure	(7,148)	67,841
Plant and equipment	143,350	232,442
Roadworks	601,342	937,829
Television/radio facilities	(2,231)	8,190
Total	1,385,975	3,260,183
comprising:		
Continuing operations		3,190,926
Discontinued operations		69,257
Total		3,260,183

The effect of the change in accounting estimate in future accounting periods is impracticable to estimate, due to the varying remaining useful lives (of up to 99 years) for each individual asset within each asset class.

5. GAIN OR LOSS FROM DISPOSAL OF ASSETS

	2013 **$**	2012 $
Gain (or loss) on abandonment of Capital WIP		
Proceeds from disposal	-	-
Less: Carrying amount	-	204
Gain (or loss) on disposal	-	(204)
Gain (or loss) on disposal of motor vehicles		
Proceeds from disposal	341	-
Less: Carrying amount of assets sold	-	-
Gain(or loss) on disposal	341	-
Gain (or loss) on disposal of office equipment		
Proceeds on disposal	-	-
Less: Carrying amount of assets sold	-	175
Gain (or loss) on disposal	-	(175)
Gain (or loss) on disposal of plant and equipment		
Proceeds on disposal	2,773	-
Less: Carrying amount of assets sold	-	-
Gain (or loss) on disposal	2,773	-
Net gain (or loss) from disposal of assets	3,114	(379)

6. NET OPERATING RESULT FROM DISCONTINUED OPERATIONS

During the year ended 30 June 2013, the Board discontinued its nursery operations as they had become uneconomic due to continuing adverse structural changes in market circumstances.

	2013 **$**	2012 $
Nursery operations		
Revenue	87,064	170,214
Profit on disposal of IPPE assets	318	-
Cost of sales	(200,013)	(234,728)
Impairment loss: biological assets	(104,696)	(908,343)
Impairment loss: inventory	(73,337)	-
Depreciation	(69,257)	(31,908)
Other expenses	(9,884)	(256,567)
Deficit from discontinued operations	(369,805)	(1,261,332)

Cash flow from discontinued operations:

	2013 **$**	2012 $
Cash flow from operating activities		
Cash receipts from customers	152,634	279,011
Cash payments to suppliers and employees	(298,256)	(518,887)
Government grant received	83,824	-
	(61,798)	(239,876)
Cash flow from investing activities		
Proceeds from sale of plant and equipment	318	-
	318	-
Net cash flow used by discontinued operations	(61,480)	(239,876)

7. CASH AND CASH EQUIVALENTS

	2013 **$**	2012 $
Cash on hand	1,725	1,825
Cash at bank (at call)	667,135	1,379,667
Cash at bank (short term deposit)	8,085,216	-
Cash at TCorp	125,45 7	8,163,812
Total	8,879,533	9,545,304

Most of the cash balance held during the year was, through TCorp, invested in short term bank deposits with one of Australia's 'big four' banks, to maximise interest income.

Cash and cash equivalents includes amounts subject to external restrictions (imposed by the respective grantor) or internal restrictions (established by the Board) as set out below:

	2013 **$**	2012 $
Cash subject to external restrictions	5,961,465	5,751,886
Cash subject to internal restrictions	-	-
Cash not subject to any restrictions	2,918,068	3,793,418
Total cash and cash equivalents	8,879,533	9,545,304

Notes:

(a) There was also $nil (2012: $147,037) receivable at 30 June 2013 in respect of grants which, when received, will be subject to external restrictions.

(b) The specific purposes for which most of the cash subject to external restrictions is held at 30 June 2013 relates to plans for the eradication of rodents from the Island, comprising $5,179,052 (2012: $5,449,889) and $629,977 (2012: $479,706) for eradication of weeds.

8. TRADE AND OTHER RECEIVABLES

	2013 Current $	2012 Current $
Nursery receivables	30,809	93,644
Liquor Store receivables	74,691	59,313
Airport receivables	161,019	83,632
Electricity receivables	210,637	192,552
Waste management fee receivables	94,505	73,190
Public accommodation receivables	70,741	61,800
Other rent receivables	10,897	-
Lease fees receivable	4,572	-
Wharf user fees receivable	19,438	-
Public health receivables	17,550	-
Other local authority receivables	36,896	86,679
Hospital receivables	5,064	775
Environmental services receivables	-	134,241
Interest receivable	64,755	1,529
GST receivable	12,234	-
Other receivables	9,433	151,095
Total	823,241	938,450

Receivables includes $30 (2012: $3,423) owing by Board members and $2,489 (2012: $1,725) owing by Board personnel.

A detailed review of receivables was undertaken as at 30 June 2013 and the Board has not created a provision for impairment for the 2013 financial year (2012: $nil).

9. INVENTORIES

	2013 Current $	2012 Current $
Held for Distribution		
Diesel Fuel - Powerhouse	90,928	63,455
Building materials	35,192	38,046
Uniforms	12,003	20,880
	138,123	122,381
Held for Resale		
Liquor	240,404	227,214
Non biological asset plant & seed stock	-	70,248
Merchandise	3,221	5,060
Tourist literature & videos	-	3,161
	243,625	305,683
Total inventories	381,748	428,064

10. BIOLOGICAL ASSETS

	2013 Current $	2012 Current $
Seeds	-	54,915
Seedlings	-	49,781
Plantations	-	-
Total Biological Assets	**-**	104,696

Movements during the year were:

	2013 $	2012 $
Total opening balances	104,696	1,013,039
Value changes caused by:		
Increase in fair value of biological assets	-	-
Impairment – decrease in fair value of biological assets (Note 6)	(104,696)	(908,343)
Total closing balances	-	104,696

The impairment of value during the year ended 30 June 2013 reflects the discontinuation of nursery operations, including kentia palm exports, by the Board.

The significant impairment of value attributable to the plantations and seedlings during the year ended 30 June 2012 was primarily due to:

(a) significantly reduced demand for kentia palm seedlings from the Board's primary export markets in Europe as a consequence of adverse economic conditions there, which are unlikely to improve significantly, if at all, during the short to medium term;

(b) the lack of significant growth in alternative markets to offset the decline in exports to Europe, as most other export markets also cope with economic difficulties;

(c) substantially lower seedling production volumes as a supply response to the significantly reduced level of export demand, and

(d) a sustained increase in the value of the Australian dollar relative to the Euro and other relevant currencies, which is not expected to be retraced on a sustainable basis within the short to medium term.

There were structural weaknesses in the Board's market position, as the Board was heavily reliant on one major customer, based in the Netherlands.

11. PREPAYMENTS

	2013 $	2012 $
Prepaid rodent eradication costs	73,715	-
Prepaid motor vehicle registration	9,253	-
Prepaid web-site hosting fees	5,507	-
Prepaid computer network service fees	5,855	736
Prepaid rent	428	-
Prepaid LGSA membership fee	1,202	2,289
Prepaid satellite broadband service fees	740	-
Other prepayments	-	4,425
Total prepayments	96,700	7,450

12. INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

By asset class

	At 30 June 2012			Movements during the year						At 30 June 2013		
	Cost/ Fair value	Accum. dep'n and impairment	WDV	Additions	Cost/val'n of disposals/ write-offs	Accum.dep'n of disposals/ write-offs	Dep'n and impairment	Transfers/ Adjustments	Revaluation increments/ (decrements)	Cost/ Fair value	Accum. dep'n and impairment	WDV
Capital WIP	1,176,463	-	1,176,463	959,013	-	-		(1,976,055)	-	**159,421**	**-**	**159,421**
Airport	14,634,936	3,206,326	11,428,610	-	-	-	1,216,940	-	-	**14,634,936**	**4,423266**	**10,211,670**
Buildings	8,602,789	2,436,909	6,165,880	-	-	-	337,664	-	-	**8,602,789**	**2,774,573**	**5,828,216**
Electricity Supply	5,560,355	2,767,310	2,793,045	-	-	-	460,939	1,706,272	103,422	**7,806,805**	**3,665,005**	**4,141,800**
Hospital Equipment	24,452	24,452	-	-	-	-	-	-	-	**24,452**	**24,452**	**-**
Household Contents	50,308	49,615	693	-	3,623	3,623	693	-	-	**46,685**	**46,685**	**-**
Land	11,050,000	-	11,050,000	-	-	-	-	-	-	**11,050,000**	**-**	**11,050,000**
Marine Facilities	3,230,547	846,577	2,383,970	-	-	-	248,419	-	-	**3,230,547**	**1,094,996**	**2,135,551**
Mooring Facilities	69,515	35,296	34,219	-	-	-	2,896	-	-	**69,515**	**38,192**	**31,323**
Motor Vehicles	679,039	460,010	219,029	-	7,354	7,354	24,252	-	-	**671,686**	**476,909**	**194,777**
Office Equipment	159,657	121,428	38,229	-	18,168	18,168	22,117	53,129	-	**194,618**	**125,377**	**69,241**
Other Infrastructure	5,796,167	964,044	4,832,123	-	-	-	67,841	96,419	163,901	**6,056,487**	**1,031,885**	**5,024,602**
Plant & Equipment	2,142,288	1,542,344	599,944	-	31,611	31,611	232,442	149,538	-	**2,254,482**	**1,737,443**	**517,039**
Roadworks	9,441,032	2,516,487	6,924,544	-	-	-	937,829	-	-	**9,441,032**	**3,454,317**	**5,986,715**
Television Facility	161,686	124,193	37,493	-	-	-	8,190	(29,303)	-	**-**	**-**	**-**
Total IPPE Assets	60,262,747	12,578,504	47,684,242	959,013	60,756	60,756	3,560,222	-	267,323	**64,243,455**	**18,893,100**	**45,350,345**

12. INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	At 30 June 2011			Movements during the year						At 30 June 2012		
	Cost/fair value	Accum. dep'n and impairment	WDV	Additions	Cost/val'n of disposals/ write-offs	Accum. dep'n of disposals/ write-offs	Dep'n and impairment	Transfers/ Adjustments	Revaluation increments/ (decrements)	Cost/ fair value	Accum. dep'n and impairment	WDV
Capital WIP	127,896	-	127,896	1,111,964	204	-	-	(63,193)	-	1,176,463	-	1,176,463
Airport	14,604,482	2,134,071	12,470,411	3,124	-	-	1,072,255	27,330	-	14,634,936	3,206,326	11,428,610
Buildings	8,515,318	2,275,512	6,239,806	101,752	-	-	161,397	12,535	(26,816)	8,602,789	2,436,909	6,165,880
Electricity Supply	5,560,355	2,645,338	2,915,017	-	-	-	121,972	-	-	5,560,355	2,767,310	2,793,045
Hospital Equipment	24,452	24,452	-	-	-	-	-	-	-	24,452	24,452	-
Household Contents	52,678	51,381	1,297	-	-	-	604	-	-	50,308	49,615	693
Land	11,050,000	-	11,050,000	-	-	-	-	-	-	11,050,000	-	11,050,000
Marine Facilities	3,230,547	704,080	2,526,467	-	-	-	142,497	-	-	3,230,547	846,577	2,383,970
Moorings	69,515	32,400	37,115	-	-	-	2,896	-	-	69,515	35,296	34,219
Motor Vehicles	679,039	421,169	257,870	-	-	-	38,841	-	-	679,039	460,010	219,029
Office Equipment	143,975	109,828	34,147	21,777	175	-	17,519	-	-	159,657	121,428	38,229
Other Infrastructure	3,908,093	889,336	3,018,757	15,449	-	-	74,708	-	1,872,625	5,796,167	964,044	4,832,123
Plant & Equipment	1,902,493	1,440,365	462,128	216,467	-	-	101,979	23,328	-	2,142,288	1,542,344	599,944
Roadworks	9,090,596	5,546,784	3,543,812	-	-	-	238,823	-	3,619,555	9,441,032	2,516,487	6,924,544
Television Facility	161,686	113,772	47,914	-	-	-	10,421	-	-	161,686	124,193	37,493
Total IPPE Assets	59,121,125	16,388,487	42,732,637	1,470,534	379	-	1,983,915	-	5,465,364	60,262,747	12,578,504	47,684,242

12. INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT (continued)

Comparative figures as at 30 June 2012 have been re-stated for asset classes revalued at 30 June 2012, being Roadworks and Other Infrastructure, due to a reclassification between cost/fair value and accumulated depreciation.

There is no impact on the written down values of these asset classes in the Statement of Financial Position, or on any amount in the Statement of Comprehensive Income during that financial year, nor during the current financial year.

The total impact of the reclassifications on the comparative figures as at 30 June 2012 for cost/fair value and accumulated depreciation and impairment is $3,430,326.

Depreciation expense and impairment loss totals shown above are dis-aggregated and shown separately between continuing and discontinued activities below:

	2013 **$**	2012 $
Depreciation expense: continuing operations	**3,190,926**	1,952,007
Depreciation expense: discontinued operations	**69,257**	31,908
Total depreciation expense	**3,260,183**	1,983,915
Impairment loss: Electricity assets	**300,039**	-
Depreciation expense and impairment losses	**3,560,222**	1,983,915

13. INTANGIBLE ASSETS

	2013 $	2012 $
Software		
Software in use - at cost	73,454	73,454
Accumulated amortisation and impairment	(73,454)	(73,454)
	-	-
Software work-in-progress – at cost	248,543	185,000
Accumulated amortisation and impairment	-	-
Net book amount	248,543	185,000
Website		
Cost	-	18,094
Accumulated amortisation and impairment	-	(1,068)
Net book amount	-	17,026
Total net book value	248,543	202,026

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

	2013 $	2012 $
Net book amount at 1 July	185,000	4,653
Software acquired during the year	63,543	180,347
Less: Amortisation during the year	-	-
Net book amount at 30 June	248,543	185,000

Contractual commitments were entered into during June 2012 to acquire new software for a total cost of $402,715. The remaining cost of $154,172 is included in Commitments for Expenditure (refer Note 19). This software is, at 30 June 2013, not yet available for use, and so amortisation of these costs has not yet commenced.

Movements in the carrying amount of website costs during the year were:

	2013 $	2012 $
Net book amount at 1 July	17,026	-
Website costs incurred during the year	-	18,094
Less: Amortisation during the year	-	(1,068)
Less: Impairment during the year	(17,026)	-
Net book amount at 30 June	-	17,026

A revised, updated website was created for the Board during 2012, the cost of which has been written off during the year ended 30 June 2013.

14 TRADE AND OTHER PAYABLES

	2013 Current $	2012 Current $
Payables		
Trade creditors and accruals	393,057	262,965
Personnel services liabilities (a)	161,141	180,368
GST payable	-	17,677
Refundable Deposits (b)	9,740	4,650
Total Payables	563,938	465,660
Current payables not expected to be settled within the next twelve months	-	-

Notes:

(a) Personnel services liabilities includes termination benefits of $25,128 (2012: $nil) and accrued salaries and wages and accrued on-costs for personnel.

(b) Refundable deposits comprise cash amounts held on behalf of individuals, community groups and organisations

15 PROVISIONS

	2013		2012	
	Current $	Non-Current $	Current $	Non-Current $
Recreation Leave	181,117	-	226,516	-
Extended Leave	556,791	21,385	573,454	-
Settlement of legal claim	-	-	50,000	-
Total Provisions	737,908	21,385	849,970	-
Current provisions for extended leave expected to be settled within the next twelve months	28,884	-	28,673	-

LHIB does not employ any staff. Personnel services are provided by Office of Environment and Heritage (OEH). The above provisions for personnel services are payable to OEH.

Details of movements in provisions during the year ended 30 June 2013 are:

Class of provision	Opening balance $	Payments $	Increase/(Decrease) in provision $	Closing balance $
Recreation Leave	226,516	(251,883)	206,485	181,117
Extended leave	573,454	(76,480)	81,202	578,176
Settlement of legal claim	50,000	(46,224)	(3,776)	-
Total	**849,970**	**(374,587)**	**283,911**	**759,293**

15 PROVISIONS (continued)

Details of movements in provisions during the year ended 30 June 2012 are:

Class of provision	Opening balance $	Payments $	Increase/(Decrease) in provision $	Closing balance $
Recreation Leave	225,553	(210,343)	211,305	226,516
Extended leave	587,059	(109,024)	95,419	573,454
Settlement of legal claim	-	-	50,000	50,000
Total	**812,612**	**(319,367)**	**356,724**	**849,970**

16. POST-RETIREMENT BENEFIT OBLIGATIONS

	2013		2012	
	Current	**Non-current**	Current	Non-current
Post-retirement benefit obligations	-	331,218	-	815,506
Total	**-**	**331,218**	-	815,506

Overall movements during the year were:

Balance at 01 July 2012	-	815,506	-	369,645
Actuarial (gain)/loss during the year	-	(460,050)	-	445,861
Other income	-	(24,238)		-
Balance at 30 June 2013	**-**	**331,218**	-	815,506

The Pooled Fund holds in trust the investments of the closed NSW public sector superannuation schemes:

- State Authorities Superannuation Scheme (SASS);
- State Authorities Non-contributory Superannuation Scheme (SANCSS); and
- State Superannuation Scheme (SSS).

These schemes are defined benefit funds - at least a component of the final benefit is derived from a multiple of member salary and years of membership. All the schemes are closed to new members.

Superannuation contributions totalling $18,960 (2012: $16,881) were paid by the Board to SASS during the year and superannuation contributions totalling $237,610 (2012: $221,750) were paid by the Board to defined contribution funds nominated by the respective personnel.

Pillar Administration has advised the Board of the estimated (surplus)/unfunded liability of each of the defined benefit superannuation funds to which the Board contributes, as follows:

Superannuation position as at 30 June 2013	**SASS 30-Jun-13 $**	**SANCS 30-Jun-13 $**	**SSS 30-Jun-13 $**	**TOTAL 30-Jun-13 $**
Accrued liability	1,538,362	85,024	-	1,623,386
Less: Estimated reserve account balance	(1,196,944)	(32,956)	(62,268)	(1,292,168)
Post-retirement benefit obligation	**341,418**	**52,068**	**(62,268)**	**331,218**
Experience adjustments – Fund liabilities	(330,746)	(28,314)	-	(359,060)
Experience adjustments – Fund assets	(94,393)	(2,152)	(4,445)	(100,990)

16. POST-RETIREMENT BENEFIT OBLIGATIONS (continued)

Superannuation position as at 30 June 2012	SASS 30-Jun-12 $	SANCS 30-Jun-12 $	SSS 30-Jun-12 $	TOTAL 30-Jun-12 $
Accrued liability	1,652,622	92,777	-	1,744,899
Estimated reserve account balance	(864,330)	(11,820)	(53,244)	(929,393)
Post-retirement benefit obligation	**788,293**	**80,457**	**(53,244)**	**815,506**

The LHIB does not employ any staff. Personnel services are provided by the Office of Environment and Heritage (OEH). The post retirement benefit obligation disclosed above is payable to Pillar. The LHIB has assessed this amount payable as a non-current liability.

Reconciliation of the present value of the defined benefit obligation for the financial year to 30 June 2013:

	SASS 30-Jun-13 $	SANCS 30-Jun-13 $	SSS 30-Jun-13 $
Present value of partly funded defined benefit obligation at beginning of the year	1,652,622	92,276	-
Current service cost	15,906	3,856	-
Interest cost	49,444	2,674	-
Contributions by Fund participants	6,835	-	-
Actuarial (gains)/losses	(330,746)	(28,314)	-
Benefits paid	144,301	14,532	-
Past service cost	-	-	-
Curtailments	-	-	-
Settlements	-	-	-
Business combinations	-	-	-
Exchange rate changes	-	-	-
Present value of partly funded defined benefit obligation at end of the year	**1,538,362**	**85,024**	**-**

16. POST-RETIREMENT BENEFIT OBLIGATIONS (continued)

Reconciliation of the fair value of Fund assets for the financial year to 30 June 2013:

	SASS 30-Jun-13 $	SANCS 30-Jun-13 $	SSS 30-Jun-13 $
Fair value of Fund assets at beginning of the year	864,330	11,820	53,244
Expected return on Fund assets	71,823	756	4,579
Actuarial gains/(losses)	94,393	2,152	4,445
Employer contributions	15,262	3,697	-
Contributions by Fund participants	6,835	-	-
Benefits paid	144,301	14,531	-
Settlements	-	-	-
Business combinations	-	-	-
Exchange rate changes	-	-	-
Fair value of Fund assets at end of the year	**1,196,944**	**32,956**	**62,268**

Reconciliation of the assets and liabilities recognised in statement of financial position:

	SASS 30-Jun-13 $	SANCS 30-Jun-13 $	SSS 30-Jun-13 $	TOTAL 30-Jun-13 $
Present value of partly funded defined benefit obligation at end of year	1,538,362	85,024	-	1,623,386
Fair value of Fund assets at end of year	(1,196,944)	(32,956)	(62,268)	(1,292,168)
Sub-total	341,418	52,068	(62,268)	331,218
Unrecognised past service cost	-	-	-	-
Unrecognised gain/(loss)	-	-	-	-
Adjustment for limitation on net asset	-	-	-	-
Net liability/(asset) recognised in Statement of Financial Position	**341,418**	**52,068**	**(62,268)**	**331,218**

Expense recognised in Income Statement during the year ended 30 June 2013:

	SASS 30-Jun-13 $	SANCS 30-Jun-13 $	SSS 30-Jun-13 $	TOTAL 30-Jun-13 $
Current service cost	15,906	3,856	-	19,762
Interest cost	49,444	2,674	-	52,118
Expected return on Fund assets (net of expenses)	(71,823)	(756)	(4,579)	(77,158)
Actuarial losses/(gains) recognised	-	-	-	-
Past service cost	-	-	-	-
Movement in adjustment for limitation on net asset	-	-	-	-
Curtailment or settlement (gain/(loss)	-	-	-	-
Expense / (income) recognised	**(6,473)**	**5,774**	**(4,579)**	**(5,278)**

16. POST-RETIREMENT BENEFIT OBLIGATIONS (continued)

Amounts recognised in other comprehensive income:

	SASS 30-Jun-13 $	SANCS 30-Jun-13 $	SSS 30-Jun-13 $	TOTAL 30-Jun-13 $
Actuarial (gains)/losses	(425,138)	(30,467)	(4,445)	(460,050)
Adjustment for limit on net asset	-	-	-	-
Total	**(425,138)**	**(30,467)**	**(4,445)**	**(460,050)**

The cumulative amount of actuarial gains and losses recognised in other comprehensive income is $38,427 (2012: $(445,861)).

The percentage invested in each asset class at the balance sheet date:

	2013	2012
Australian equities	30.4%	28.0%
Overseas equities	26.1%	23.7%
Australian fixed interest securities	6.9%	4.9%
Overseas fixed interest securities	2.2%	2.4%
Property	8.3%	8.6%
Cash	13.1%	19.5%
Other	13.0%	12.9%

Fair value of Fund assets
All Fund assets are invested by STC at arm's length through independent fund managers.

Expected rate of return on assets
The expected return on assets assumption is determined by weighting the expected long-term return for each asset class by the target allocation of assets to each asset class. The returns used for each asset class are net of investment tax and investment fees.

Actual return on Fund assets for the year ended 30 June 2013:

	SASS 30-Jun-13 $	SANCS 30-Jun-13 $	SSS 30-Jun-13 $
Actual return on Fund assets	**156,280**	**2,908**	**9,024**

Valuation method and principal actuarial assumptions at 30 June 2013

(a) Valuation Method
The Projected Unit Credit (PUC) valuation method was used to determine the present value of the defined benefit obligations and the related current service costs. This method sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

16. POST-RETIREMENT BENEFIT OBLIGATIONS (continued)

(b) Economic assumptions

	2013
Salary increase rate (excluding promotional increases)	
• 2013/14 (SAAA, SSS and SANCS)	2.25%
• 2014/15	2.25%
• 2015/16 to 2019/20	2.0% p.a.
• 2020 onwards	2.5% p.a.
Rate of CPI increase	2.5% p.a.
Expected rate of return on assets	8.60%
Discount rate	3.80% p.a.

(c) Demographic assumptions

The demographic assumptions at 30 June 2013 are those that were used in the 2012 triennial actuarial valuation. The triennial review report is available from the NSW Treasury website.

	SASS 30-Jun-13 $	SANCS 30-Jun-13 $	SSS 30-Jun-13 $
Expected employer contributions to be paid during the next reporting period	12,987	3,463	-

Funding arrangements for employer contributions

(a) Surplus/deficit

The following is a summary of the 30 June 2013 financial position of the Fund calculated in accordance with AAS 25"Financial Reporting by Superannuation Plans":

	SASS 30-Jun-13 $	SANCS 30-Jun-13 $	SSS 30-Jun-13 $	TOTAL 30-Jun-13 $
Accrued benefits	1,076,532	74,779	-	1,151,311
Net market value of Fund assets	(1,196,944)	(32,956)	(62,268)	(1,292,168)
Net (surplus)/deficit	(120,412)	41,823	(62,268)	(140,857)

(b) Contribution recommendations

Recommended contribution rates for LHIB are:

	SASS	SANCS	SSS
Multiple of member contributions	1.90		1.60
% of member salary		2.50	-

16. POST-RETIREMENT BENEFIT OBLIGATIONS (continued)

(c) Funding Method

Contribution rates are set after discussions between the employer, STC and NSW Treasury.

(d) Economic assumptions

The weighted average economic assumptions adopted for the 2012 actuarial review of the Fund are:

	2013
Expected rate of return on Fund assets backing current pension liabilities	8.3% p.a.
Expected rate of return on Fund assets backing other liabilities	7.3% p.a.
Expected salary increase rate (SASS, SSS and SANCS)	2.7% p.a.
Expected rate of CPI increase	2.5% p.a.

Nature of Asset/Liability

If a surplus exists in the employer's interest in the Fund, e.g., re SSS, then the employer may be able to take advantage of it in the form of a reduction in the required contribution rate, depending on the advice of the Fund's actuary.

Where a deficiency exists, the employer is responsible for any difference between the employer's share of Fund assets and the defined benefit obligation.

17. REVALUATION SURPLUS

The revaluation surplus represents the net accumulated revaluation increments and decrements arising from revaluation of certain asset classes among the Board's IPPE assets since 1986.

	2013 $	2012 $
Airport	16,151,645	16,151,645
Buildings	6,695,080	6,695,080
Electricity supply	1,209,764	1,406,381
Land	7,780,000	7,780,000
Marine facilities	4,281,280	4,281,280
Other infrastructure	2,105,838	1,872,625
Plant and equipment	26,825	26,825
Roadworks	8,140,426	8,140,426
Television/radio facilities	-	69,312
Unallocated	123,324	123,324
Total	46,514,182	46,546,898

Movements during the year re Electricity supply assets were:

Opening balance	1,406,381	1,406,381
Impairment loss – old generator site affected by fire in a previous year	(300,039)	-
Revaluation surplus – relating to assets at the new generator site	103,422	-
Total closing balances	1,209,764	1,406,381

Movements during the year re Other Infrastructure assets were:

Opening balance	1,872,625	-
Revaluation surplus on revaluation at 30 June 2012	163,901	1,872,625
Transfer of revaluation surplus on re-classification of television/radio facilities as other infrastructure	69,312	-
Total closing balances	2,105,838	1,872,625

Movements during the year re Television/radio facilities were:

Opening balance	69,312	69,312
Transfer of revaluation surplus on re-classification of television/radio facilities as 'Other Infrastructure'	(69,312)	-
Total closing balances	-	69,312

18. RECONCILIATION OF OPERATING RESULT TO NET CASH MOVEMENT FROM OPERATING ACTIVITIES

	Notes	2013 $	2012 $
Net operating result from statement of comprehensive income		(3,099,970)	3,129,201
Add:			
Depreciation	12	3,260,183	1,983,915
Amortisation	13	-	1,068
Impairment	4(b) and 6	198,220	908,343
Increase in provisions		-	37,358
Decrease in receivables		115,209	-
Decrease in inventories		46,316	18,084
Increase in payables		98,278	21,741
Loss on disposal of assets		-	379
Unearned income		19,200	-
Other amounts		-	17,986
Less:			
Increase in receivables		-	(30,543)
Increase in prepayments		(89,250)	-
Decrease in provisions		(90,677)	-
Interest and investment income		(419,369)	(239,713)
Gain on sale of assets		(3,432)	-
Other income (non-cash)	16	(24,238)	-
Other amounts		(19,534)	-
Net cash provided from (or used in) operating activities from the Statement of cash flows		(9,064)	5,847,819

19. COMMITMENTS FOR EXPENDITURE

	2013 **$**	2012 $
Capital expenditure commitments		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
- Electricity generation	38,401	397,504
- Airport	-	18,327
- Waste management facilities	10,560	13,053
- Software	-	63,543
- Other		-
Total	48,961	492,427
These expenditures are payable as follows:		
- Not later than one year	48,961	492,427
- Later than one year and not later than 5 years	-	-
- Later than 5 years	-	-
Total	48,961	646,599

There were no lease commitment receivables or payables, or contingent rentals recognised as at the reporting date.

20. FINANCIAL RISK MANAGEMENT

The Board's activities expose it to a variety of financial risks including price risk, credit risk, liquidity 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.

The Board's main risks arising from financial instruments are outlined below, together with the Board's objectives, policies and procedures for measuring and managing risk. Further quantitative and qualitative disclosures are included throughout this financial report.

The Chief Executive Officer has overall responsibility for the establishment and oversight of risk management and reviews and agrees policies for managing of these risks. Risk management policies are established to identify and analyse the risks faced by the Board, to set risk limits and controls to monitor risks. Compliance with policies is reviewed by the Board's internal auditors on a continuous basis.

The Board held the following financial instruments at balance date:

	Carrying value		Fair value	
	2013	2012	**2013**	2012
	$	$	**$**	$
Financial Assets				
Cash and cash equivalents	8,879,533	9,545,304	8,879,533	9,545,304
Receivables*	823,241	938,450	823,241	938,450
Financial Liabilities				
Payables**	563,938	447,983	563,938	447,983

* Excludes statutory receivables and prepayments (i.e. not within scope of AASB 7).

** Excludes statutory payables and unearned revenue (i.e. not within scope of AASB 7)

Fair value is determined as follows:

- Cash and cash equivalents, receivables, payables – estimated to be the carrying value which approximates net market value.
- Financial assets at fair value through profit and loss, available for sale financial assets – based on quoted market prices in active markets for identical investments.

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.

(a) Cash and cash equivalents and financial assets at fair value through profit and loss.

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

Cash and cash equivalents comprises cash on hand and bank balances within the Board's operating bank account and a short term deposit with one of Australia's four major banks as well as a balance maintained with NSW Treasury Corporation Hour Glass cash facility. Interest is earned on the daily bank balances.

The major risk associated with investments 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.

Cash and cash equivalents and investments are also subject to interest rate risk – the risk that movements in interest rates could affect returns.

20. FINANCIAL RISK MANAGEMENT (continued)

(a) Cash and cash equivalents and financial assets at fair value through profit and loss (continued)

Another risk associated with cash and cash equivalents and investments 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. These risks are mitigated by :

(i) 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; and

(ii) TCorp is a managed investment pool, with each particular pool having different investment horizons and comprising a mix of asset classes appropriate to that investment horizon. TCorp appoints and monitors fund managers, and establishes and monitors the application of appropriate investment guidelines.

The interest rate being earned on the Board's short term deposit is a fixed rate of 4.26% per annum.

Primarily during 2012, the Board placed funds on deposit with one of Australia's 'big four' banks (rated AA-) or with TCorp, which is rated "AAA" by Standards and Poor's. These deposits are either "at call" or have short term maturity.

None of these assets are past due or impaired.

	2013 **$**	2012 $
Impact of a 10%[1] movement in value of investments:		
- Equity	821,062	816,381
- Statement of comprehensive income	821,062	816,381
Impact of a 1%[1] movement in interest rates:		
- Equity	88,795	95,453
- Statement of comprehensive income	88,795	95,453

Note 1

Sensitivity percentages are based on management's expectation of future possible market movements. (Movements are calculated on investments subject to fair value adjustments. Interest rate movements are calculated on total cash and cash equivalents).

(b) Trade and other receivables

The major risk associated with the Board's receivables is credit risk – the risk that the debts may not be repaid. The Board manages this risk by monitoring outstanding debt and employing stringent debt recovery policies.

Credit risk arises when there is a possibility of the Board's debtors defaulting on their contractual obligations, resulting in a financial loss to the Board. The maximum exposure to credit risk is generally represented by the carrying amount of the financial assets (net of any amount for impairment).

Credit risk arises from the financial assets of the Board, including cash and cash equivalents, and receivables. No collateral is held by the Board. The Board has not granted any financial guarantees.

All trade debtors are recognised as amounts receivable at balance date. Collectability of trade debtors is reviewed on an ongoing basis. Procedures as 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 impairment is raised when there is objective evidence that the entity will not be able to collect all amounts due. This evidence includes past experience, and current and expected changes in economic conditions and debtor credit ratings. No interest is earned on trade debtors. Sales are made on 30 days terms, except for palm seedling sales to Europe which are sold on 90 day terms.

The Board is not materially exposed to concentrations of credit risk to a single trade debtor or group of debtors. The only financial assets that are past due or impaired are receivables in the statement of financial position.

20. FINANCIAL RISK MANAGEMENT (continued)

(b) Trade and other receivables (continued) The repayment terms of almost the entire carrying amount of nursery receivables, being $30,159 (2012: $93,644) have been re-negotiated, and would otherwise be past due but are not impaired. The credit quality of the debtor involved is considered acceptable, as repayments have for some time been made in accordance with the respective re-scheduled payment terms. The profile of the Board's credit risk at balance date was:

	Totals (1)	Past due but not impaired $	Considered impaired $
2013			
Nursery receivables			
< 3 months overdue	-	-	-
3 months – 6 months overdue	-	-	-
> 6 months overdue	30,159	30,159	-
Total	**30,159**	**30,159**	**-**
Liquor Store receivables			
< 3 months overdue	18,494	18,494	
3 months – 6 months overdue	-	-	
> 6 months overdue	-	-	
	18,494	**18,494**	
Other receivables			
< 3 months overdue	57,700	57,700	-
3 months – 6 months overdue	5,429	5,429	-
> 6 months overdue	177	177	-
Total	**63,306**	**63,306**	**-**
Total receivables	**111,959**	**111,959**	**-**
2012			
Nursery receivables			
< 3 months overdue	29,475	29,475	-
3 months – 6 months overdue	15,150	15,150	-
> 6 months overdue	45,659	45,659	-
Total	**90,284**	**90,284**	**-**
Liquor Store receivables			
< 3 months overdue	8,973	8,973	-
3 months – 6 months overdue	-	-	-
> 6 months overdue	-	-	-
Total	**8,973**	**8,973**	**-**
Other receivables			
< 3 months overdue	94,728	94,728	-
3 months – 6 months overdue	20,911	20,911	-
> 6 months overdue	5,156	5,156	-
Total	**120,795**	**120,795**	**-**
Total receivables	**220,052**	**220,052**	**-**

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Payables

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 no current stand-by credit arrangements or unused loan facilities in place.

The liabilities are recognised for amounts due to be paid in the future for goods or services, whether or not invoiced. Amounts owing to suppliers (which are unsecured) are settled in accordance with the policy set out in Treasurer's Direction 219.01. 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. Treasurer's Direction 219.01 allows the Minister to award interest for late payment. No interest for late payment was made during the year ended 30 June 2013 (2012: $0).

The contractual undiscounted cash flows of the Board's payables are set out in the Liquidity Sensitivity Table below (note: there is no contractually fixed payment arrangement in place in respect of either the post-retirement benefit obligation of $331,218 (2012: $815,506) or the provision for settlement of legal claim of $nil (2012: $50,000)).

	Due within 1 year $	Due between 1 and 5 years $	Due after 5 years $	Total contractual cash flows $	Carrying values $
30 June 2013					
Financial Liabilities					
Payables	563,938	-	-	563,938	563,938
Provisions	210,001	571,002	-	781,003	759,293
Post-retirement benefit obligation	-	-	-	-	331,218
30 June 2012					
Financial Liabilities					
Payables	465,660	-	-	465,660	465,660
Provisions	849,970	-	-	849,970	849,970
Post-retirement benefit obligation	-	-	-	-	815,506

(d) 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 associated with the unit price of the Hour Glass Investment Facilities. The Board has no exposure to foreign currency risk and does not enter into commodity contracts.

(e) Interest rate risk

The Board has no interest bearing liabilities or borrowings and does not account for any fixed rate financial instruments at fair value through profit or loss or as available-for-sale. Therefore, a change in interest rates would not affect profit or loss or equity. A reasonably possible change of +/- 1% is used, based on current trends in interest rates. The basis will be reviewed annually and amended where there is a structural change in the level of interest rate volatility. The Board's exposure to interest rate risk is set out below.

20. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Interest rate risk (continued)

		-1%		1%	
	Carrying Amount $	Profit $	Equity $	Profit $	Equity $
30 June 2013					
Financial Assets					
Cash and cash equivalents	8,879,533	(88,795)	(88,795)	88,795	88,795
Receivables	823,241	-	-	-	-
Financial Liabilities					
Payables	563,938	-	-	-	-
Total Increase / (Decrease)		(88,795)	(88,795)	88,795	88,795
30 June 2012					
Financial Assets					
Cash and cash equivalents	9,545,304	(95,453)	(95,453)	95,453	95,453
Receivables	938,450	-	-	-	-
Financial Liabilities					
Payables	465,660	-	-	-	-
Total Increase / (Decrease)		(95,453)	(95,453)	95,453	95,453

(f) Fair value compared to carrying amount

Financial instruments are recognised at cost, except for TCorp Hour-Glass facilities, which are measured at fair value, based on the Board's share of the market value of the underlying assets of the facility. The Hour-Glass facilities are valued using 'redemption' pricing. The carrying amount of receivables less any impairment provision and payables is a reasonable approximation of their fair value due to their short term nature.

(g) Fair value recognised in the statement of financial position

The Board uses the following valuation technique hierarchy for the fair value of financial assets only (as no financial liabilities are measured at fair value in the Statement of Financial Position):

- Level 1 – Derived from quoted prices in active markets for identical assets / liabilities.
- Level 2 – Derived from inputs other than quoted prices that are observable directly or indirectly.
- Level 3 – Derived from valuation techniques that include inputs for the asset / liability not based on observable market data (unobservable inputs).

Financial Assets at Fair Value	**Level 1 $**	**Level 2 $**	**Level 3 $**	**2013 Total $**
TCorp Hour-Glass Investment Facility	0	125,457	0	125,457
	0	**125,457**	**0**	**125,457**

Financial Assets at Fair Value	**Level 1 $**	**Level 2 $**	**Level 3 $**	**2012 Total $**
TCorp Hour-Glass Investment Facility	0	8,163,812	0	8,163,812
	0	**8,163,812**	**0**	**8,163,812**

21. CONTINGENT ASSETS AND LIABILITIES

There are no material contingent assets or contingent liabilities for the financial year ended 30 June 2013 (2012: nil).

22. MATERIAL ASSISTANCE PROVIDED AT NO COST

No unfunded material assistance was provided to the Board during the year ended 30 June 2013 (2012: $nil) by the Defence forces or any other external agency.

23. EVENTS OCCURRING AFTER BALANCE SHEET DATE

The Board is not aware of any matter or circumstance not otherwise dealt with in the accounts that has or may significantly affect the operations of the Board, the results of those operations or the state of affairs of the Board in subsequent financial years that has occurred after reporting date.

END OF FINANCIAL STATEMENTS