LORD HOWE ISLAND BOARD
FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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 2012 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: 16 October 2012

LORD HOWE ISLAND BOARD
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 30 JUNE 2012

	Notes	**Actual 2012 $**	Actual 2011 $
Income from continuing operations			
Revenue:			
Revenue from nursery operations		**170,214**	486,558
Gain on change of fair value of biological assets	9	**-**	535,539
Liquor store sales		**1,525,534**	1,526,889
User charges and fees	3(a)	**3,113,526**	3,095,971
Interest and investment income		**241,242**	250,139
Grants and subsidies provided for operating purposes	3(b)	**8,208,055**	2,214,454
Grants and subsidies provided for capital purposes	3(b)	**105,282**	-
Gain on disposal of assets	5	**-**	56,840
Recovery under insurance claim		**-**	1,216,842
Other		**-**	-
Total income from continuing operations		**13,363,853**	9,383,232
Expenses from continuing operations			
Nursery cost of sales		**(234,728)**	(202,075)
Liquor store cost of sales		**(1,204,224)**	(1,212,014)
Personnel services	4(a)	**(3,373,082)**	(3,166,651)
Depreciation	11	**(1,983,915)**	(1,152,988)
Amortisation	12	**(1,068)**	(151)
Impairment	9	**(908,343)**	-
Other expenses	4(b)	**(2,974,774)**	(3,052,844)
Net loss from disposal of assets	5	**(379)**	-
Total expenses from continuing operations		**(10,680,513)**	(8,786,723)
Net operating result for the year	20	**2,683,340**	596,509
Other comprehensive income			
Gain/(loss) on revaluation of infrastructure, property, plant and equipment	20	**5,465,364**	-
Total other comprehensive income for the year		**5,465,364**	-
Total comprehensive income for the year		**8,148,704**	596,509

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 2012

	Note	**Actual 2012 $**	Actual 2011 $
ASSETS			
CURRENT ASSETS			
Cash and cash equivalents	6	**9,545,304**	5,131,400
Receivables	7	**938,450**	907,907
Inventories	8	**428,064**	446,148
Biological assets	9	**104,696**	363,239
Prepayments	10	**7,450**	20,888
TOTAL CURRENT ASSETS		**11,023,964**	6,869,582
NON-CURRENT ASSETS			
Biological assets	9	**-**	649,800
Infrastructure, property, plant & equipment	11	**47,684,243**	42,732,638
Intangible assets	12	**202,026**	4,653
TOTAL NON-CURRENT ASSETS		**47,886,269**	43,387,091
TOTAL ASSETS		**58,910,233**	50,256,673
LIABILITIES			
CURRENT LIABILITIES			
Payables	13	**465,660**	444,023
Provisions	14	**849,970**	774,184
TOTAL CURRENT LIABILITIES		**1,315,630**	1,218,207
NON-CURRENT LIABILITIES			
Provisions	14	**-**	38,428
Post-retirement benefit obligations	15	**815,506**	369,645
TOTAL NON-CURRENT LIABILITIES		**815,506**	408,073
TOTAL LIABILITIES		**2,131,136**	1,626,280
NET ASSETS		**56,779,097**	48,630,393
EQUITY			
Accumulated funds	20	**10,232,199**	7,548,859
Reserves	20	**46,546,898**	41,081,534
TOTAL EQUITY		**56,779,097**	48,630,393

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 2012

	Notes	**Accumulated Funds**	**Asset Revaluation Reserve $**	**Total $**
BALANCE AS AT 1 JULY 2011		**7,548,859**	**41,081,534**	**48,630,393**
Surplus / (deficit) for the year		**2,683,340**	**-**	**2,683,340**
Other comprehensive income				
Net increase / (decrease) in asset revaluation reserve	20	**-**	**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**
BALANCE AS AT 1 JULY 2010		6,952,350	41,081,534	48,033,884
Surplus / (deficit) for the year		596,509	-	596,509
Other comprehensive income				
Net increase / (decrease) in asset revaluation reserve	20	-	-	-
Total comprehensive income for the year		596,509	-	596,509
BALANCE AS AT 30 JUNE 2011		7,548,859	41,081,534	48,630,393

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 2012

	Notes	**Actual 2012 $**	Actual 2011 $
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts:			
Receipts from User charges and fees		**3,219,095**	3,374,616
Receipts from Nursery customers		**276,276**	470,953
Receipts from Liquor store customers		**1,511,360**	1,511,437
Grants and subsidies received		**8,166,300**	2,214,454
Recovery under insurance claim		**-**	1,216,842
Payments:			
Payments to personnel and suppliers		**(7,325,212)**	(7,517,217)
Net cash from operating activities	16	**5,847,819**	1,271,085
CASH FLOWS FROM INVESTING ACTIVITIES			
Receipts:			
Proceeds from sale of infrastructure, property, plant and equipment		**-**	58,545
Interest and investment income		**239,713**	250,139
Payments:			
Payments for infrastructure, property, plant and equipment		**(1,470,534)**	(583,575)
Payments for intangible assets		**(203,094)**	-
Net cash used in investing activities		**(1,433,915)**	(274,891)
Net increase in cash and cash equivalents		**4,413,904**	996,194
Cash and cash equivalents at beginning of reporting period		**5,131,400**	4,135,206
Cash and cash equivalents at end of reporting period	6	**9,545,304**	5,131,400

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 2012

Contents of the notes to the financial statements Page

LORD HOWE ISLAND BOARD
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2012

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 2012 has been authorised for issue by the Lord Howe Island Board on 16 October 2012.

(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 2011 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 2011.

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 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

The Board exports kentia palm seedlings and revenue is recognised once the seedlings have been dispatched.

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. Interest income on impaired loans is recognised using the original effective interest rate.

(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 other 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 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 and cash held in Hourglass at Call Facility Trusts with NSW Treasury Corporation ("TCorp").

(h) Receivables

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

Collectability of 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) 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 are determined after deducting rebates and discounts. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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

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

The Board has assessed that the following plant and seed stock do not constitute biological assets and are, instead, recognised as inventories:

Palm plants and stocks of other native species which have been 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 have been propagated for the purpose of reforestation.

Liquor stock is valued at cost, which includes freight inwards charges.

(j) Infrastructure, property, plant and equipment (“IPPE”)

IPPE is measured 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 Board conducts a full revaluation of each class of IPPE at least every five years and ensures that the carrying amount of each asset in the class does not differ materially from its fair value at reporting date.

The latest revaluations are as follows:

Valuer	Asset Classification	Date of Revaluation
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
HP Consultants P/L	Electricity Network	June 2008

Increases in the carrying amounts arising on revaluation are credited to the asset revaluation reserve. 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 reserves directly in equity to the extent of the remaining reserve 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 are charged to the statement of comprehensive income during the financial period in which they are incurred.

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

	2012	2011
Buildings	25 years	25 years
Roads - Pavement (Formation)	25 years	25 years
Roads - Surface	7 years	5 years
Airport	See below	See below
Marine Facilities	15 years	15 years
Plant & Equipment	5 years	5 years
Television Installation	20 years	20 years
Motor Vehicles	5 years	5 years
Electricity Assets	See below	See below
Infrastructure	50 – 100 years	50 – 100 years

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

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. These 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 3 and 80 years respectively, in accordance with the equivalent class of non-current assets applicable to each component, as shown below:

Computer equipment	3 years
Load control and other office and workshop tools & equipment	10-15 years
Powerhouse/Workshop buildings	40 years
Generating Plant	20-30 years
Transformer equipment	30 years
Electrical Substations	50 years
Reticulation	40-80 years

(k) Biological assets

The Board manages and maintains a kentia palm nursery primarily for the purpose of propagation and export of native kentia palm seedlings. The Board has assessed that part of the activities of the Nursery come within the definition of "*Biological Assets"* as defined in AASB 141 Agriculture.

The following assets are 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 do 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.*

Prior to 2004-05, provisions of the Lord Howe Island Act (1953) gave the Board full right of ownership of seed produced from leasehold plantations. During 2004-05 a decision by the Minister under the Lord Howe Island Regulation 2004 gave the ownership of palm trees and palm tree products on perpetual leases to the respective lessee. This decision effectively removed 37% of the palm plantations from the Board's control, however as the Board's Palm Nursery is the only current and active market for palm seed on the island, this decision has had no significant effect on the operation of the Nursery and the finances of the Board.

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. Seeds are therefore germinated and propagated in the nursery environment prior to export as marketable seedlings.

Palm Plantations:

Although the market value of seedlings may be determined by reference to the sale price, there is currently no active and liquid market for the palm trees which bear the seeds. The Board has therefore calculated the fair value of its plantations by determining the *net present value* of future cash flows arising from the sale of seedlings to be derived from the plantations in accordance with paragraph 20 of AASB 141.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(k) Biological assets (continued)

Palm Seeds:

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

Palm Seedlings:

There has historically been an active and liquid market for seedlings and the fair value of seedlings is determined by reference to the current average selling price less costs to sell in accordance with paragraph 9 of AASB 141. Market conditions are changing, with the Board's market becoming less active and liquid than it once was. As the value of the seedlings is not material, they have been valued at the cost of collection plus the cost of planting.

(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.

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

(l) Investments and other financial assets (continued)

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 subsequently 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.

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 investment is represented by 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 annual 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 long service leave and annual leave which is not expected to be settled within twelve months after the end of the period in which the employees 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 employees up to the end of the reporting period. Consideration is given to expected future wage and salary levels, experience of employee departures and periods of service. Expected future payments are discounted using market yields at the end of the reporting period on national government bonds with terms to maturity and currency that match, as closely as possible, the estimated future cash outflows.

The obligations are presented as current liabilities in the 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 various 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 unrecognised actuarial gains (less unrecognised 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).

(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 2012 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 2009 11 *Amendments to Australian Accounting Standards* arising from AASB 9 and AASB 2010-7 *Amendments to Australian Accounting Standards* arising from AASB 9 (December 2010) (effective from 1 January 2013*)

AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013* but is available for early adoption. When adopted, the standard will affect in particular Council'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 derecognition rules have been transferred from AASB 139 *Financial Instruments: Recognition and Measurement* and have not been changed.

* In December 2011, the IASB delayed the application date of IFRS 9 to 1 January 2015. The AASB is expected to make an equivalent amendment to AASB 9 shortly.

(ii) AASB 13 Fair *Value Measurement* and AASB 2011-8 *Amendments to Australian Accounting Standards* arising from AASB 13 (effective 1 January 2013)

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 in the annual reporting period ending 30 June 2014.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) New accounting standards and interpretations (continued)

(iii) Revised AASB 119 *Employee Benefits*, AASB 2011-10 *Amendments to Australian Accounting Standards* arising from AASB 119 (September 2011) and AASB 2011-11 *Amendments to AASB 119 (September 2011)* arising from Reduced Disclosure Requirements (effective 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 (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.

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 based on past claim experience.

(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 to software. Costs capitalised include external direct costs of materials and service. Amortisation is calculated on a straight line basis over 5 years.

(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. The 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 actual income, expenses and assets have been attributed to the following functions or activities.
Details of these functions or activities are provided below.

	Income from continuing operations		Expenses from continuing operations		Operating result from continuing operations		Grants included in income		Total assets held (current and non-current)	
	Actual 2012 $	Actual 2011 $	**Actual 2012 $**	Actual 2011 $	**Actual 2012 $**	Actual 2011 $	**Actual 2012 $**	Actual 2011 $	**Actual 2012 $**	Actual 2011 $
Nursery operations	**170,214**	1,022,097	**1,431,546**	865,246	**(1,261,332)**	156,851	**-**	-	**1,385,103**	1,267,652
Liquor store operations	**1,525,534**	1,526,889	**1,222,436**	1,213,326	**303,098**	313,563			**300,138**	280,443
General administration	**854,824**	873,168	**1,720,659**	1,430,824	**(865,835)**	(557,656)	**253,329**	246,406	**717,263**	4,653
Local authority services	**1,277,775**	2,574,133	**2,049,670**	2,104,228	**(771,895)**	469,905	**522,431**	548,820	**15,988,024**	52,704
Environmental services	**7,304,500**	1,245,567	**1,618,042**	1,473,546	**5,686,458**	(227,979)	**6,684,291**	631,888	**423,453**	28,597
Health services	**65,176**	15,252	**245,674**	212,499	**(180,498)**	(197,247)	**-**	-	**789,604**	0
Electricity supply	**1,486,519**	1,427,034	**1,194,975**	1,074,808	**291,544**	352,226	**827,104**	781,340	**4,114,970**	3,317,946
Airport operation	**679,311**	638,362	**1,224,432**	351,516	**(545,121)**	286,846	**26,182**	6,000	**11,823,400**	12,535,022
Unallocated	**0**	60,730	**(26,921)**	60,730	**26,921**	0	**0**	0	**23,368,278**	32,769,656
Totals	**13,363,853**	9,383,232	**10,680,513**	8,786,723	**2,683,340**	596,509	**8,313,337**	2,214,454	**58,910,233**	50,256,673

2. FUNCTIONS OR ACTIVITIES OF THE BOARD (CONTINUED)

Details of the functions or activities of the Board are as follows:

Nursery operations

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

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 provide technical assistance to the Board.

Aerodrome Operation

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

3. INCOME FROM CONTINUING OPERATIONS

	Actual 2012 $	Actual 2011 $
(a) User charges and fees		
Mooring fees	**18,340**	22,619
Environmental levy	**566,857**	541,151
Electricity user charges	**659,415**	645,694
Waste management fees	**300,447**	229,737
Airport user charges	**653,129**	632,362
Wharf user fees	**249,289**	268,176
Housing and other building rentals	**131,398**	122,381
Public accommodation fees	**247,200**	240,000
Lease fees	**118,770**	127,799
Other fees and charges	**168,681**	266,052
Total user charges and fees	**3,113,526**	3,095,971

	Operating		**Capital**	
	Actual 2012 ($)	Actual 2011 ($)	**Actual 2012 ($)**	Actual 2011 ($)
(b) Grants and subsidies				
Funding from State Government grants and subsidies				
Treasury	**1,482,000**	1,442,541	**26,182**	-
Rural Fire Service	**14,076**	6,091	**18,750**	-
Local Government Grants Commission	**217,484**	168,674	**-**	-
Northern Rivers Catchment Management Authority	**60,000**	103,000	**-**	-
Dept of Environment & Climate Change	**-**	-	**-**	-
NSW Environmental Trust	**1,346,551**	104,496	**-**	-
Office of Environment and Heritage	**25,300**	-	**-**	-
Office of Environment and Heritage and two industry bodies	**-**	-	**60,350**	-
Department of Industry and Investment	**-**	4,203	**-**	-
Mid-North Coast Weed Coord. Committee	**4,329**	-	**-**	-
Department of Planning	**(1,794)**	-	**-**	-
Department of Premier and Cabinet	**-**	-	**-**	6,000
Total State grants and subsidies	**3,147,946**	1,829,005	**105,282**	6,000

3. INCOME FROM CONTINUING OPERATIONS (CONTINUED)

(b) Grants and subsidies (continued)

	Operating		Capital	
	Actual 2012 ($)	Actual 2011 ($)	**Actual 2012 ($)**	Actual 2011 ($)
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 - NHT	**92,747**	-	**-**	-
Dept of Environment, Water, Heritage and the Arts and Dept of Agriculture and Fisheries	**4,926,480**	-	**-**	-
Natural Heritage Trust	**-**	205,449	**-**	-
Australian Council Of Local Government	**-**	30,000	**-**	-
Dept of Infrastructure, Transport, Regional Development	**-**	-	**-**	144,000
Total Commonwealth grants and subsidies	**5,039,227**	235,449	**-**	144,000
Funding from other grants and subsidies				
Mitsubishi and ABB Australia	**18,182**	-	**-**	-
Foundation for National Parks & Wildlife	**2,700**	-	**-**	-
Total other grants and subsidies	**20,882**	-	**-**	-
Total grants and subsidies	**8,208,055**	2,064,454	**105,282**	150,000

(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 6.

Grants and subsidies received during the year ended 30 June 2012 which were not 'restricted' have been fully spent during the year – this was also the case during the year ended 30 June 2011.

	Actual 2012 $	Actual 2011 $
Restricted grants and subsidies	**6,562,845**	597,148
Unrestricted grants and subsidies	**1,750,492**	1,617,306
Total grants and subsidies	**8,313,337**	2,214,454

4. EXPENSES FROM CONTINUING OPERATIONS

	Actual 2012 $	Actual 2011 $
(a) Personnel services expense		
Salaries and wages, including annual leave	**2,776,791**	2,662,247
Long service leave entitlements	**95,419**	49,399
Superannuation	**246,995**	245,283
Workers' compensation insurance premium	**94,140**	75,590
FBT	**24,521**	14,735
Payroll tax	**135,216**	119,397
Total personnel services expense	**3,373,082**	3,166,651
Number of FTE personnel	**39**	40

	Actual 2012 $	Actual 2011 $
(b) Other expenses		
Due to the set up of the general ledger the Board is unable to show individual Other expenses net of personnel expenses.		
Electricity	**1,072,890**	1,167,239
Administration	**1,054,157**	1,014,580
Environment General	**719,634**	715,301
Local Authority General	**640,962**	539,963
Permanent Park Preserve	**480,030**	489,677
Environmental Grant Programs	**401,816**	152,591
Waste Management	**330,117**	316,193
Corporate Governance	**298,164**	301,135
Palm Nursery	**246,682**	407,890
Community Wellbeing and Health	**200,845**	186,838
Land Administration and Planning	**180,948**	138,765
Airport	**140,736**	162,620
Buildings	**139,630**	224,573
Visitor Facilities	**127,608**	136,011
Tourism	**102,484**	105,812
Roadworks	**85,314**	112,931
Wharf	**38,489**	47,376
Other	**87,350**	
Total Other expenses	**6,347,856**	6,219,495
Less Personnel expenses	**(3,373,082)**	(3,166,651)
Total Other Expenses net of personnel expenses	**2,974,774**	3,052,844

Emoluments to members of the Board in respect to the 2011/12 financial year totalled $38,900 (2010/11; $38,922).

Fees paid and payable to the Audit Office of NSW for 2011/12 will total $57,404 (2010/11; $53,350). This figure is inclusive of GST. The Board meets the cost of travel and accommodation of Audit Office staff. No other benefits were provided to the Audit Office staff.

5. GAIN OR LOSS FROM DISPOSAL OF ASSETS

	Actual 2012 $	Actual 2011 $
Gain (or loss) on abandonment of Capital WIP		
Proceeds from disposal	**0**	0
Less: Carrying amount	**204**	330
Gain (or loss) on disposal	**(204)**	(330)
Gain (or loss) on disposal of motor vehicles		
Proceeds from disposal	**0**	55,090
Less: Carrying amount of assets sold	**0**	0
Gain(or loss) on disposal	**0**	55,090
Gain (or loss) on disposal of office equipment		
Proceeds on disposal	**0**	0
Less: Carrying amount of assets sold	**175**	0
Gain (or loss) on disposal	**(175)**	0
Gain (or loss) on disposal of plant and equipment		
Proceeds on disposal	**0**	3.455
Less: Carrying amount of assets sold	**0**	1,375
Gain (or loss) on disposal	**0**	2,080
Net gain (or loss) from disposal of assets	**(379)**	56,840

6. CASH AND CASH EQUIVALENTS

	Actual 2012 $	Actual 2011 $
Cash at bank and on hand	1,381,492	300,984
Cash at TCorp	8,163,812	4,830,416
Total	9,545,304	5,131,400

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:

	Actual 2012 $	Actual 2011 $
Cash subject to external restrictions	5,751,886	259,329
Cash subject to internal restrictions	-	-
Cash not subject to any restrictions	3,793,418	4,872,072
Total cash and cash equivalents	9,545,304	5,131,400

Movements during the year ended 30 June 2012 were:

	Opening balance $	**Transfers to restrictions $**	**Transfers from restrictions $**	**Closing balance $**
External restrictions				
Unexpended specific purpose grants from prior years	259,329	-	(259,329)	-
Unexpended specific purpose grants received during current year	-	6,415,808	(663,922)	5,751,886
Cash subject to restrictions	259,329	6,415,808	(923,251)	5,751,886

Notes:

(a) There was also $147,037 (2011: $nil) receivable at 30 June 2012 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 2012 relates to plans for the eradication of rodents from the Island, comprising $5,449,889 (2011: $nil). The primary purpose for which cash subject to external restrictions was held at 30 June 2011 was an upgrade of radio infrastructure ($86,673).

7. RECEIVABLES

	Actual 2012		Actual 2011	
	Current ($)	**Non-current ($)**	Current ($)	Non-current ($)
Nursery receivables	**93,644**	**-**	199,706	-
Liquor Store receivables	**59,313**	**-**	45,139	-
Airport receivables	**46,660**	**-**	64,611	-
Electricity receivables	**192,552**	**-**	196,964	-
Waste management fee receivables	**73,190**	**-**	53,757	-
Public accommodation receivables	**61,800**	**-**	60,000	-
Other local authority receivables	**86,679**	**-**	83,892	-
Health receivables	**775**	**-**	-	-
Environmental services receivables	**134,241**	**-**	28,597	-
Interest receivable	**1,529**	**-**	-	-
Other receivables	**188,067**	**-**	175,241	-
Total	**938,450**	**-**	907,907	-

Other receivables includes $5,148 (2011: $6,866) owing by Board members and employees.

A detailed review of debtors was undertaken as at 30 June 2012 and the Board has not created a provision for impairment for the 2012 financial year (2011: $0).

8. INVENTORIES

	Actual 2012		Actual 2011	
	Current	**Non-current**	Current	Non-current
Held for Distribution				
Diesel Fuel - Powerhouse	**63,455**	**-**	78,070	-
Stores on hand	**58,926**	**-**	71,711	-
	122,381	**-**	149,781	-
Held for Resale				
Non biological asset plant & seed stock	**70,248**	**-**	46,433	-
Nursery merchandise	**5,060**	**-**	8,474	-
Tourist literature & videos	**3,161**	**-**	6,156	-
Liquor	**227,214**	**-**	235,304	-
	305,683	**-**	296,367	-
Total inventories	**428,064**	**-**	446,148	-
Inventories not expected to be realised within the next 12 months	**-**	**-**	**-**	-

9. BIOLOGICAL ASSETS

	Actual 2012		Actual 2011	
	Current $	**Non-current $**	Current $	Non-current $
Seeds	**54,915**	**-**	39,044	-
Seedlings	**49,781**	**-**	324,195	-
Plantations	**-**	**-**	-	649,800
Total Biological Assets	**104,696**	**-**	363,239	649,800

Movements during the year were:	**Actual 2012 $**	**Actual 2011 $**
Total opening balances	**1,013,039**	477,500
Value changes caused by:		
Increase in fair value of biological assets	**-**	535,539
Impairment – decrease in fair value of biological assets	**(908,343)**	-
Total closing balances	**104,696**	1,013,039

Key assumptions used in the determination of the fair value of plantations were:

(a) each plantation will begin to yield consistent quality and quantity of seed 15 years after planting, based on a rolling five-year average of actual seed collected, being 513 bushels (2011: 544 bushels);

(b) the economic harvest life of each palm tree is 15 years from the commencement of harvesting;

(c) saleable yield from plantations is 60% (2011: 63%) of seeds harvested;

(d) sale price for marketable produce is equivalent to current market price being $0.45 (2011: $0.45);

(e) each bushel contains 4,600 (2011: 4,600) seeds;

(f) average time from germination of seed to sale of seedling is one year;

(g) assumed costs are based on current actual costs on a per bushel basis;

(h) discount rate used was 2.56%p.a. (2011: 4.88%p.a.), being the market yield on Commonwealth government bonds per the Reserve bank of Australia (RBA) Capital Market Yields – five year rate as at 30 June 2012.

The significant impairment of value attributable to the plantations and seedlings during the year ended 30 June 2012 is 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 are structural weaknesses in the Board's current market position, as the Board is heavily reliant on one major customer, based in the Netherlands.

10. PREPAYMENTS

	Actual 2012		Actual 2011	
	Current	**Non-current**	Current	Non-current
Prepayments	**7,450**	**-**	20,888	-
Total other assets	**7,450**	**-**	20,888	-

Note:

Prepayments are for annual subscriptions, motor vehicle registrations and insurances.

11. INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

By asset type

	At 30 June 2011				Movements during the year					At 30 June 2012			
	Cost/ Fair value	Gross Value	Accum. dep'n and impairment	WDV	Additions	WDV of disposals	Dep'n and impairment	Transfers/ Adjustments	Revaluation increments/ (decrements)	Cost/ Fair value	Gross value	Accum. dep'n and impairment	WDV
Capital WIP		127,896	0	127,896	1,111,964	204	0	(63,193)	0		1,176,463	0	1,176,463
Airport	14,604,482		2,134,071	12,470,411	3,124	0	1,072,255	27,330	0	14,634,936		3,206,326	11,428,610
Buildings	8,515,318		2,275,512	6,239,806	101,752	0	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	0	0	121,972	0	0	5,560,355		2,767,310	2,793,045
Hospital Equipment	24,452		24,452	0	0	0	0	0	0	24,452		24,452	0
Household Contents	52,678		51,381	1,297	0	0	604	0	0	50,308		49,615	693
Land	11,050,000		0	11,050,000	0	0	0	0	0	11,050,000		0	11,050,000
Marine Facilities	3,230,547		704,080	2,526,467	0	0	142,497	0	0	3,230,547		846,577	2,383,970
Moorings	69,515		32,400	37,115	0	0	2,896	0	0	69,515		35,296	34,219
Motor Vehicles	679,039		421,169	257,870	0	0	38,841	0	0	679,039		460,010	219,029
Office Equipment	143,975		109,828	34,147	21,777	175	17,519	0	0	159,657		121,428	38,229
Other Infrastructure	3,908,093		889,336	3,018,757	15,449	0	74,708	0	1,872,625	5,796,167		964,044	4,832,123
Plant & Equipment	1,902,493		1,440,365	462,128	216,467	0	101,979	23,328	0	2,142,288		1,542,344	599,944
Roadworks	9,090,596		5,546,784	3,543,812	0	0	238,823	0	3,619,555	6,924,544		0	6,924,544
Television Facility	161,686		113,772	47,914	0	0	10,421	0	0	161,686		124,193	37,493
Total Assets	58,993,229	127,896	16,388,487	42,732,638	1,470,534	379	1,983,915	0	5,465,364	59,086,284	1,176,463	12,578,504	47,684,243

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

	At 30 June 2010				Movements during the year					At 30 June 2011			
	Cost/fair value	Gross Value	Accum. dep'n and impairment	WDV	Additions	WDV of disposals	Dep'n and impairment	Transfers/ Adjustments	Revaluation increments/ (decrements)	Cost/ fair value	Gross Value	Accum. dep'n and impairment	WDV
Capital WIP		83,157	0	83,157	102,159	330	0	(57,090)	0	0	127,896	0	127,896
Airport	14,604,482		1,953,237	12,651,245	0	0	180,834	0	0	14,604,482		2,134,071	12,470,411
Buildings	8,435,641		2,068,416	6,367,224	20,607	0	206,417	57,090	0	8,515,318		2,275,512	6,239,806
Electricity Supply	5,499,358		2,516,920	2,982,439	60,997	0	128,417	0	0	5,560,355		2,645,338	2,915,017
Hospital Equipment	24,453		24,453	0	0	0	0	0	0	24,453		24,453	0
Household Contents	59,983		57,774	2,209	0	7,306	913	0	0	52,678		51,381	1,297
Land	11,050,000		0	11,050,000	0	0	0	0	0	11,050,000		0	11,050,000
Marine Facilities	3,230,547		574,857	2,655,690	0	0	129,222	0	0	3,230,547		704,080	2,526,467
Moorings	69,515		29,505	40,010	0	0	2,896	0	0	69,515		32,400	37,115
Motor Vehicles	806,676		555,976	250,700	62,933	190,570	55,762	0	0	679,039		421,169	257,870
Office Equipment	144,984		95,585	49,399	4,454	5,463	19,706	0	0	143,975		109,829	34,147
Other Infrastructure	3,703,685		816,406	2,887,279	204,408	0	72,930	0	0	3,908,093		889,336	3,018,757
Plant & Equipment	1,924,243		1,375,604	548,639	23,027	44,777	108,842	0	0	1,902,493		1,440,365	462,128
Roadworks	8,991,909		5,310,156	3,681,753	98,687	0	236,629	0	0	9,090,596		5,546,784	3,543,812
Television Facility	161,686		103,350	58,336	0	0	10,421	0	0	161,686		113,772	47,914
Total Assets	58,707,162	83,157	15,482,239	43,308,080	577,272	248,446	1,152,988	0	0	58,993,230	127,896	16,388,490	42,732,638

12. INTANGIBLE ASSETS

	Actual 2012 $	Actual 2011 $
Software		
Cost	**258,454**	78,107
Accumulated amortisation and impairment	**(73,454)**	(73,454)
Net book amount	**185,000**	4,653
Website		
Cost	**18,094**	-
Accumulated amortisation and impairment	**(1,068)**	-
Net book amount	**17,026**	-
Total net book value	**202,026**	-

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

	Actual 2012 $	Actual 2011 $
Net book amount at 1 July	**4,653**	151
Software acquired during the year	**180,347**	4,653
Less: Amortisation during the year	**-**	151
Net book amount at 30 June	**185,000**	4,653

Contractual commitments were entered into during June 2012 to acquire new software for a total cost of $402,715, of which $180,347 was paid during June 2012. The remaining cost of $217,715 is included in Commitments (refer Note 17).

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

	Actual 2012 $	Actual 2011 $
Net book amount at 1 July	**-**	-
Website costs incurred during the year	**18,094**	-
Less: Amortisation during the year	**(1,068)**	-
Net book amount at 30 June	**17,026**	-

A revised, updated website was created for the Board during the year.

13 PAYABLES

	Actual 2012 Current $	Actual 2012 Non-current $	Actual 2011 Current $	Actual 2011 Non-current $
Payables				
Trade creditors and accruals	**280,642**	**-**	262,433	-
Personnel services liability (a)	**180,368**	**-**	170,043	-
Refundable Deposits (b)	**4,650**	**-**	11,547	-
Total Payables	**465,660**	**-**	444,023	-
Current payables not expected to be settled within the next twelve months	**-**	**-**	-	-

Notes:

(a) Personnel services liability includes accrued salaries and wages for personnel.
(b) Refundable deposits comprise cash amounts held on behalf of individuals, community groups and organisations

14 PROVISIONS

	Actual 2012 Current $	Actual 2011 Current $
Annual Leave	**226,516**	225,553
Long Service Leave	**573,454**	587059
Settlement of legal claim	**50,000**	-
Total Provisions	**849,970**	774,184
Current provisions for long service leave expected to be settled within the next twelve months	**28,673**	**27,432**

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 are:

Class of provision	**Opening balance $**	**Payments $**	**Increase in provision $**	**Closing balance $**
Annual Leave	225,553	(210,343)	211,305	226,516
Long service 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**

Details of movements in provisions during the prior year were:

Class of provision	**Opening balance $**	**Payments $**	**Increase in provision $**	**Closing balance $**
Annual Leave	183,077	(169,229)	211,705	225,553
Long service leave	586,936	(49,388)	49,511	587,059
Settlement of legal claim	-	-	-	-

Total	**770,013**	**(218,617)**	**261,216**	**812,612**

15. POST-RETIREMENT BENEFIT OBLIGATIONS – PERSONNEL SERVICES

The Pooled Fund administered by Pillar Administration holds in trust the investments of the closed NSW public sector superannuation funds:

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

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

Superannuation contributions made by the Board to these funds and to First State Super Fund, a defined contribution fund, during the year totalled $238,631 (2011: $245,283).

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

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	0	1,744,899
Less: Estimated reserve account balance	(864,330)	(11,820)	(53,244)	(929,393)
Post-retirement benefit obligation	**788,293**	**80,457**	**(53,244)**	**815,506**

Superannuation position as at 30 June 2011	**SASS 30-Jun-11 $**	**SANCS 30-Jun-11 $**	**SSS 30-Jun-11 $**	**TOTAL 30-Jun-11 $**
Accrued liability	1,257,501	79,520	-	1,337,021
Estimated reserve account balance	(987,188)	73,013	(53,201)	(967,376)
Post-retirement benefit obligation	**270,313**	**152,533**	**(53,201)**	**369,645**

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 payable as non-current.

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

	Notes	Actual 2012 $	Actual 2011 $
(a) Reconciliation of cash assets			
Total cash and cash equivalents	6	**9,545,304**	5,131,400
Balance as per cash flow statement		**9,545,304**	5,131,400
(b) Reconciliation of net operating result to cash provided from operating activities			
Net operating result from statement of comprehensive income		**2,683,340**	596,509
Add:			
Depreciation	11	**1,983,915**	1,152,988
Amortisation	12	**1,068**	151
Impairment	9	**908,343**	-
Increase in provisions		**37,358**	42,600
Decrease in receivables and prepayments		**13,438**	309,397
Decrease in inventories		**18,084**	-
Increase in post-retirement benefit obligations		**445,861**	-
Increase in payables		**21,741**	-
Increase in other liabilities		**-**	2,998
Loss on disposal of assets		**379**	-
Other amounts		**4,548**	-
Less:			
Decrease in post-retirement benefit obligations		**-**	(39,597)
Increase in receivables		**(30,543)**	-
Increase in inventories		**-**	(23,091)
Increase in biological assets		**-**	(333,464)
Decrease in payables		**-**	(130,097)
Interest and investment income		**(239,713)**	(250,139)
Gain on sale of assets		**-**	(57,170)
Net cash provided from (or used in) operating activities from the Statement of cash flows		**5,847,819**	1,271,085

17. COMMITMENTS FOR EXPENDITURE

	Actual 2012 $	Actual 2011 $
(a) Capital commitments (exclusive of GST)		
Capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities:		
- Electricity generation	**397,504**	159,536
- Airport	**18,327**	-
- Waste management facilities	**13,053**	-
- Software	**217,715**	-
- TV/radio infrastructure	**-**	63,770
- Other	**-**	4,498
Total	**646,599**	227,804
These expenditures are payable as follows:		
- Not later than one year	**492,427**	227,804
- Later than one year and not later than 5 years	**154,172**	-
- Later than 5 years	**-**	-
Total	**646,599**	227,804
(b) Non-capital commitments (exclusive of GST)		
Non-capital expenditure committed for at the reporting date but not recognised in the financial statements as liabilities	**111,761**	262,893
Total	**111,761**	262,893
These expenditures are payable as follows:		
- Not later than one year	**111,761**	262,893
- Later than one year and not later than 5 years	**-**	-
- Later than 5 years	**-**	-
Total	**111,761**	262,893

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

18. 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**	
	2012	2011	**2012**	2011
	$	$	**$**	$
Financial Assets				
Cash and cash equivalents	**9,545,304**	5,131,400	**9,545,304**	5,131,400
Receivables*	**938,450**	907,907	**938,450**	907,907
Financial Liabilities				
Payables**	**461,010**	432,476	**461,010**	432,476

* Excludes statutory receivables and prepayment (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 comprises cash on hand and bank balances within the Board's operating bank account and NSW Treasury Corporation Hour Glass cash facility. Interest is earned on the daily bank balance.

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

Another risk associated with cash 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.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

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

These risks are mitigated by the fact that 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 Board has placed funds on deposit with TCorp, which is rated "AAA" by Standards and Poor's. These deposits are similar to money market or bank deposits and are "at call". The deposit earned an average interest rate of 4.89% (2011: 5.13%) on the weighted average balance during the year.

None of these assets are past due or impaired.

	2012	2011
	$	$
Impact of a 10%(1) movement in price of investments:		
- Equity	**816,381**	483,042
- Statement of comprehensive income	**816,381**	483,042
Impact of a 1%(1) movement in interest rates:		
- Equity	**13,815**	3,010
- Statement of comprehensive income	**13,815**	3,010

Note 1

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

(b) 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 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.

The repayment terms of the entire carrying amount of nursery receivables, being $93,644 (2011: $199,658) have been re-negotiated, and would otherwise be past due but are not impaired. The credit quality of the two debtors involved is considered acceptable, as repayments have for some time been made in accordance with the respective re-scheduled payment terms.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Receivables (continued)

The profile of the Board's credit risk at balance date was:

	Totals [1]	Past due but not impaired $	Considered impaired $
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 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**	**-**
2011			
Nursery receivables			
< 3 months overdue	47,075	47,075	-
3 months – 6 months overdue	-	-	-
> 6 months overdue	66,348	66,348	-
Total	**113,423**	**113,423**	-
Liquor receivables			
< 3 months overdue	-	-	-
3 months – 6 months overdue	-	-	-
> 6 months overdue	-	-	-
Total	-	-	-
Other receivables			
< 3 months overdue	63,637	63,637	-
3 months – 6 months overdue	58,738	58,738	-
> 6 months overdue	31,380	31,380	-
Total	**153,755**	**153,755**	-
Total receivables	**267,178**	**267,178**	-

Notes

(1) Each column in the table reports 'gross receivables'.

18. 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 2011/12 year (2011: $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 $815,506 (2011: $369,645) or the provision for settlement of legal claim of $50,000 (2011: $nil)).

	Due within 1 year $	**Due between 1 and 5 years $**	**Due after 5 years $**	**Total contractual cash flows $**	**Carrying values $**
2012					
Financial Liabilities					
Payables	**465,660**	**-**	**-**	**465,660**	**465,660**
Provisions	**849,970**	**-**	**-**	**849,970**	**849,970**
Post-retirement benefit obligation	**-**	**-**	**-**	**-**	**815,506**
2011					
Financial Liabilities					
Payables	444,023	-	-	444,023	444,023
Provisions	812,612	-	-	812,612	812,612
Post-retirement benefit obligation	-	-	-	-	369,645

(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.

18. FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Interest rate risk (continued)

	Carrying Amount $	-1% Profit $	-1% Equity $	1% Profit $	1% Equity $
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**
2011					
Financial Assets					
Cash and cash equivalents	5,131,400	(51,314)	(51,314)	51,314	51,314
Receivables	907,907	-	-	-	-
Financial Liabilities					
Payables	444,023	-	-	-	-
Total Increase / (Decrease)		(51,314)	(51,314)	51,314	51,314

(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. The value of Hour-Glass Investments is based on the Board's share of the value 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 $	2012 Total $
Derivatives	0	0	0	0
TCorp Hour-Glass Investment Facility	0	8,163,812	0	8,163,812
Shares	0	0	0	0
	0	**8,163,812**	**0**	**8,163,812**

Financial Assets at Fair Value	Level 1 $	Level 2 $	Level 3 $	2011 Total $
Derivatives	0	0	0	0
TCorp Hour-Glass Investment Facility	0	4,830,416	0	4,830,416
Shares	0	0	0	0
	0	**4,830,416**	**0**	**4,830,416**

19. CONTINGENT ASSETS AND LIABILITIES

There are no material contingent assets or contingent liabilities for the financial year ended 30 June 2012 (2011: nil).

20. REVALUATION RESERVE AND RETAINED EARNINGS

	Actual 2012 $	Actual 2011 $
(a) Retained earnings		
Movements in retained earnings during the year were:		
At beginning of year	**7,548,859**	6,952,350
Net operating result for the year	**2,683,340**	596,509
At end of year	**10,232,199**	7,548,859
(b) Asset revaluation reserve		
Movements in asset revaluation reserve re Infrastructure, property, plant and equipment during the year were:		
At beginning of year	**41,081,534**	41,081,534
Revaluation increments during the year	**5,465,364**	-
At end of year	**46,546,898**	41,081,534

(c) Nature and purpose of reserve

Infrastructure, property, plant and equipment revaluation reserve

The infrastructure, property, plant and equipment revaluation reserve is used to record increments and decrements on the revaluation of non-current assets.

21. MATERIAL ASSISTANCE PROVIDED AT NO COST

No unfunded material assistance was provided to the Board during the year ended 30 June 2012 (2011: $nil) by the Defence forces or any other external agency.

22. 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