



**EMERALD TOURIST  
RAILWAY BOARD**  
ANNUAL REPORT 2018/19



PUFFING BILLY ANNUAL PATRONAGE 1962–2018/19



*“Puffing Billy offers a unique volunteer experience. It is recognised throughout the country for its quality, dedication and diversity of community minded people ...”*

WHAT IS PUFFING BILLY?

Puffing Billy is Australia’s foremost operating steam railway, and one of the largest narrow-gauge steam and heritage railways in the world. Its history spans a period of 119 years. Remarkably, for more than half that span, it has operated as a volunteer-based not-for-profit body. The Puffing Billy Railway is operated by the Emerald Tourist Railway Board which conducts services of up to six trains a day, every day except Christmas Day. This year the Railway carried 487,543 patrons.

The narrow-gauge line between Belgrave and Gembrook in Victoria survives as one of the most intact examples of pioneering railway infrastructure in Australia. Its steeply graded banks, trestle bridges, line-side telegraph, signalling and rolling stock are of an era elsewhere supplanted by more modern technology. This railway takes its “era of significance”, dating from 1900 to 1930, seriously. This emphasis has held the Organisation in good stead over the years, and is the key to the understanding the philosophy which drives the Emerald Tourist Railway Board in achieving preservation goals.

The 2’6” gauge line to Gembrook opened in 1900, initially to carry produce, livestock and timber to Ferntree Gully, where the freight was transferred to broad gauge trains. However, it quickly became a great favourite of Melburnians, seeking a leisurely way of visiting “the hills”. The Railway closed in 1954 after a major landslide near Menzies Creek, and a succession of “Young Sun” specials was organised by the Melbourne daily newspaper to farewell the Railway. The success of these specials brought about the formation of the Puffing Billy Preservation Society which quickly reopened the Railway for the public to enjoy.

Unprecedented visitation from people across the globe has seen the Railway at close to full capacity on many days of the year. To enhance the visitor experience and ensure volunteers also enjoy their time on the Railway, the management team secured key funding from the State and Federal Governments during the year to commence the first of the Masterplan projects; the Discovery Centre development at Emerald Lake Park.

Puffing Billy offers a unique volunteer experience. It is recognised throughout the country for its quality, dedication and diversity of community minded people who operate this iconic railway through the scenic Dandenong Ranges.

In 1977, the Emerald Tourist Railway Board was formed pursuant to the Emerald Tourist Railway Act, as a means of taking over the infrastructure previously owned by the Victorian Railways.

The Board is responsible for corporate governance and management of the business whilst the Puffing Billy Preservation Society provides financial support and specialist expertise as well as a significant proportion of the Railway’s knowledge base.

After the release of the Ombudsman’s report in June 2018, the Railway reaffirmed its commitment to the safety of the public, its volunteers and staff, as well as further improvements to its governance structure.

We are pleased to present this, the forty-second Annual Report of the Emerald Tourist Railway Board.



## BOARD AND MANAGEMENT

### MEMBERS OF THE BOARD



**TIM  
NORTH**

**QC CHAIR  
LEGAL**

Member of Queen's Counsel. Admitted to practice as a barrister in 1980 and signed the Victorian Bar Roll in 1983 specialising in commercial litigation for over 35 years. Appears regularly as an International Mediator and Arbitrator in Asia-Pacific region. President of the Victorian Rugby Union (elected by Victorian community-based clubs and associates). President of Melbourne Rebels Rugby Union. Appointed: 23 June 2018



**CAMPBELL  
ROSE**

**AM  
DEPUTY CHAIR**

Rail, Governance, Tourism Chief Executive of VicTrack. Seasoned senior executive with experience across major events, infrastructure development, construction and business transformation. Recently chaired Retired Tram Stakeholder Reference Group. Former Chief Executive of Melbourne Major Events Company. Led successful 2006 Melbourne Commonwealth Games Bid. Appointed: 23 June 2018



**JAMES  
PINDER**

**DIRECTOR**

Operational risk and asset management Mr Pinder is the current CEO of V/Line and has more than 32 years' experience in the rail industry, including as General Manager Rolling Stock at Metro Trains Melbourne and Fleet Manager at Southern Railway in the UK. Appointed: 25 June 2019



**PAUL  
LAPPIN**

**DIRECTOR**

Finance, Legal, Governance Experienced executive and non-executive director. Chairman of Bastion Reputation Management. Director of Virgin Australia Fashion Festival. Trained accountant and auditor. Former Senior Manager at PWC. Appointed: 23 June 2018



**ROGER  
CLIFTON**

**DIRECTOR**

Change Management Experienced senior business strategist with extensive marketing and advertising knowledge. Former Chairman of Prahran Market. Former Managing Director of marketing and advertising agencies Shannon's Way, McCann Erickson and Singleton Ogilvy & Mather. Appointed: 23 June 2018



**JUSTINE  
HEAZLEWOOD**

**DIRECTOR**

Records Management Director of Public Record Office Victoria (PROV), the State's archival authority, and Victoria's fifth Keeper of Public Records. Worked for PROV since 1996. Involved in initiatives to set national and international standards for recordkeeping across Victoria and Australia. Appointed: 23 June 2018



**JUDY  
MADDIGAN**

**DIRECTOR**

Volunteers, Governance Former Australian politician, Member for Essendon and first female Speaker of the Victorian Legislative Assembly. Joint founder of "Defend Public Libraries". Former Chairperson of Portrayal of Women in Outdoor Advertising Committee, Essendon Historical Society, Friends of Essendon Library and Ministerial Advisory Council on libraries. Currently a member of the History Council of Victoria and Chair of the Public Records Advisory Council. Appointed: 23 June 2018

#### SECRETARY TO THE BOARD:

*Angela Jamieson*

There were changes in the Board composition during this financial year. In this regard, after leading the development and completion of the Child Safe Standards plan (a critical recommendation of the Victorian Ombudsman's report), Jennifer Fleming resigned from the Board. The Board expresses its appreciation to Jennifer for all her valuable assistance.

On 25 June 2019, the Governor in Council approved the appointment of Mr James Pinder as a member of the Board for a period of 12 months. Mr Pinder's skills, experience and expertise will contribute to the ongoing success of Puffing Billy Railway.

#### EXTERNAL ADVISORS TO THE BOARD:

*Peter Bingeman* (CEO of Visit Victoria)

*Ron Bria* (Managing Director at LPMM Consultancy)

*Dean Matthews* (Executive General Manager – Safety and Environment at V/Line)



BOARD AND MANAGEMENT

COMMITTEES AND OFFICERS OF THE BOARD

FINANCE, AUDIT, RISK AND COMPLIANCE SUBCOMMITTEE

Chair *Paul Lappin*  
Members *Roger Clifton, Judy Madigan, Mark Jouvelet, Steve O'Brien*

THE OPERATIONS & SAFETY SUBCOMMITTEE

This committee has been restructured to the Operation and Safety Management Subcommittee. The members are:  
Chair *C. Rose*  
Members *V. Ducrow, J. Clowes, J. Bell, P. Essig*

VOLUNTEER, PBPS ENGAGEMENT SUBCOMMITTEE

Chair *J. Maddigan*  
Members *D. Gadsden*

PEOPLE & CULTURE, ETHICS, REMUNERATION & SUCCESSION PLANNING SUBCOMMITTEE

Chair *T. North*  
Members *J. Heazlewood, S. O'Brien, D. Gadsden*

EMERALD LAKE PARK DISCOVERY CENTRE SUBCOMMITTEE

Chair *C. Rose*  
Members *R.Clifton, P. Lappin, S. O'Brien, A.B. Butler, M. Jouvelet*

MARKETING & TOURISM SUBCOMMITTEE

Chair *R. Clifton*  
Members *P. Bingeman, E Hutchinson*

SENIOR MANAGERS TEAM AS AT 30 JUNE 2019

Chief Executive Officer and Accountable Officer	<i>S. O'Brien</i>
Manager, Finance & Administration, CFO	<i>M Jouvelet CPA</i>
Manager, Visitor Experience	<i>N. Giurgiu</i>
Manager, Infrastructure Projects	<i>A.B. Butler</i>
Manager, Engineering	<i>P. Essig</i>
Manager, Train and Passenger Services	<i>J. L. Clowes</i>
Manager, Commercial	<i>Vacant</i>
Manager, Way & Works	<i>J. M. Bell</i>
Manager, Human Services	<i>D. M. Gadsden</i>

Management Officers as at 30 June 2019

Manager, Marketing	<i>E. M. Hutchinson</i>
Manager, Special Events	<i>M. J. Collopy</i>
Manager, Safety	<i>V. Ducrow</i>
Manager, Traffic	<i>B. McKenzie</i>
Manager, Menzies Creek Museum	<i>D. Baker</i>
Manager, Signals & Telegraph	<i>A. D. Wheatland</i>
Manager, Information Technology Systems	<i>D. Smith</i>
Manager, Human Resources	<i>E. Oxworth</i>





## CHAIRMAN'S REPORT

This was the Year of Stabilisation after the release of the Victorian Ombudsman's Report and Focus on Strengthening the Operations of the Railway

The loyalty, commitment and engagement demonstrated by so many involved in Puffing Billy Railway makes it an exceptional place to be involved with.

Over 80% of those engaged in the railway are volunteers who give their precious time to do something they feel passionate about and have great pride in. Together with a team of dedicated staff members, they continue to make a difference to ensure that Puffing Billy is a unique part of the community spirit in the Dandenong Ranges.

This gives us a great foundation to continue to build and enhance a successful and enduring experience for future generations, giving them a slice of history in a living and breathing museum and tourist attraction for all Victorians and international visitors.

The Board, staff and volunteers have been working collaboratively over the past 12 months to stabilise the organisation after significant events of 2018, to continue to strengthen the operations and preservation of the heritage railway and to maintain its status as an iconic Victorian tourist attraction.

As a statutory body, we are focused on strengthening and aligning the aging Emerald Tourist Railway Act 1977 with best practice governance requirements and ensuring the Railway continues to be successful with appropriate oversight to take it into the next century.

In June 2018, several Sub Committees were established or reconfigured to support the Board.

Some significant outcomes and deliverables from these Sub Committees were presented and recommended to the Board for their endorsement. Of note are those relating to the implementation of the Ombudsman's recommendations including, but not limited to, the completion of an information management review and an archive management review.

We have been working very closely with the Government and the Department of Jobs Precincts and Regions (DJPR) with a particular focus on the independent governance review. The review is being completed by PwC, who will make a recommendation on the future governance structure and will ensure it is consistent with the Ombudsman's recommendations. After this review, and the Government's response and direction, the Board will have an opportunity to work with the Puffing Billy Preservation Society to implement relevant recommendations.

As part of improving overall governance, the Board recently appointed Internal Auditor, Protiviti and a preferred legal services provider, Macpherson Kelley Lawyers.

Other key areas of focus for the Board and its Sub Committees were around safety and risk management, which included the approval to complete an independently managed trial for the possible reintroduction of "sitting on the sills", a review and enhancements of the safety risk register and safety management system; and the development of one central enterprise risk register. We have established and will maintain

a positive and transparent relationship with the regulator Office of the National Rail Safety Regulator (ONRSR).

During the year a number of capital works programs were approved, which included the installation of boom gates at three high risk level crossings. Funding was obtained for two of these through the Victorian Safer Country Crossing program and the third will be funded by Puffing Billy itself.

We executed agreements with Commonwealth and State Governments to have grant funds made available for the development and construction of the Lakeside Discovery Centre, and recommended to the Minister for Tourism, Sport and Major Events, the Hon. Martin Pakula MP to execute a contract for the appointment of a construction company to complete the build. Construction is due to commence in August 2019 with an expected completion date of late 2020.

In the new financial year, I have been invited to represent the Emerald Tourist Railway and present at an AliShan Forest Railway Summit in Taiwan.

This is a great opportunity to continue to enhance international awareness of Puffing Billy Railway as operated by the Emerald Tourist Railway Board. Puffing Billy has a significant status as an iconic Australian/Victorian tourist attraction. Interactions with relevant international delegates give the Railway the opportunity to create a "sister railway status" with the Alishan Railway, Taiwan. This will build on other international connections the Railway has developed over the years with Talylyn in Wales, and the North Yorkshire Moors Railway in England. The Emerald Tourist Railway Board will continue to foster key

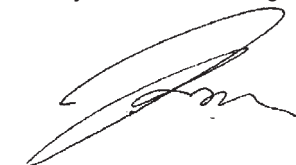
international relations.

We will also continue to have an open, honest and transparent approach in the way we operate and interact. Board members have met many staff members, volunteers and stakeholders, together with the Puffing Billy Preservation Society at various forums and at face to face meetings. These interactions have been very informative and have assisted the Board to make appropriate and relevant decisions.

We wish to express our appreciation to all our dedicated staff members, who were led by CEO, Steve O'Brien, for their support, work ethic and advice to the Board during the year.

We look forward to continuing to work with all those associated with the Railway, to endure to strengthen the Railway's operations, to proactively seek opportunities to support the implementation of the Puffing Billy strategic plans and to meet any new challenges head on.

On behalf of the Board I sincerely thank everyone for their ongoing contribution to Puffing Billy. Your commitment and support is second to none. The Board is privileged to work with you all and is looking forward to the year ahead.



Tim North QC Chairman  
16 October 2019

***"... Over 80% of those engaged in the railway are volunteers who give up their precious time to do something they feel passionate about and have great pride in ..."***





## CEO'S REPORT

The past year has been a challenging one for Puffing Billy Railway and I would like to first and foremost acknowledge the valuable contribution by our volunteers, Board members and staff. The outcomes from the Ombudsman's report and the initial conclusions of governance review delivered many necessary changes for the Railway, including a new Board and Chief Executive Officer. Together, we all have demonstrated resilience and the ability to grow and evolve as an organisation. Together, we all have demonstrated resilience and the ability to grow and evolve as an organisation. I am pleased to advise that the Board and its Sub-committees have hit the ground running and are working through these changes as a united team. We are starting a fresh new year and I'm confident our learnings and actions over the past 12 months will make Puffing Billy Railway a better experience for all.

Puffing Billy continues to be a much-loved Australian tourist attraction, with generations of people holding fond memories of their experiences on our unique heritage railway. After seven years of consecutive growth, Puffing Billy's patronage decreased by 4.4%, to 487,543, still the second largest on record. This decrease in patronage has primarily been felt in the domestic market and in response we are introducing a host of initiatives and incentives to attract domestic travellers, such as monthly events and new product development programs. The easing of visitation has, however, given the organisation some grace to meet demand in our capacity constrained environment.

Emerald Tourist Railway Board and Management are well down the track in addressing all the recommendations from the Ombudsman's report and are completely committed to be a safe and friendly organisation for all our visitors. We recognise, respect and promote children's rights. The Emerald Tourist Railway Board is establishing additional programs to protect and empower children who come into contact with the organisation. At Puffing Billy Railway, children are listened to, with all issues taken seriously and treated with sensitivity and compassion.

Whilst the first three decades of the 20th Century are the "era of significance" that our presentation and interpretation is based around, our systems and process are being brought up to date. We are introducing sweeping reforms to address the shortfall in preserving our documentation and allowing public access to them.

The Interim Board and Management are working together to transform the organisation to tackle critical areas including:

- *Long term planning towards a more sustainable future and ensuring our investment is balanced across many competing areas.*
- *Ensuring safety for all and that we are ready for an emergency response.*
- *Effective governance and compliance.*
- *Engaging with local businesses and community.*

- *Raising the standard of our product offerings.*
- *Shifting to use more local products and produce.*
- *Opening up new opportunities for education programs.*

The Board has also identified some areas that require further attention including improving volunteer amenities and the improvement of the Operational space within the Belgrave site.

We will soon commence the construction of our \$20M state-of-the-art Lakeside Discovery Centre at Emerald Lake Park. The new facility will become the hub of the railway and will be instrumental in opening up the Lakeside to Gembrook section of the train line for year-round use. The Centre will enhance the Puffing Billy experience by featuring a café, function spaces, significantly upgraded toilet facilities, retail, food and beverage options and interpretation spaces for school groups and passengers.

To complement the Discovery Centre and upgrade other sections of the Railway a co-ordinated range of other key Masterplan initiatives will also take place. In March 2019, Railway accepted an offer to take up a \$6.3m Grant from the Hon Martin Pakula, the Minister for Tourism, Sport and Major Events to contribute further to the Masterplan. This grant will assist with the construction of projects such as the Emerald Running Shed and light up facilities at Gembrook. This will help improve the connectivity of each station along the line. Facilities such as this allow the ETRB to store, maintain and fire up key equipment, which in turn supports other precinct such as the new Discovery Centre. And it doesn't stop there! So much more is going on in the background to make sure that the Railway has the people, processes and equipment to operate an iconic tourist attraction. These initiatives will be a game changer in moving the stress from the Belgrave-Menzies Creek section, to a hub that provides a more pleasant journey across all sections - not just for visitors, but volunteers and staff also. The Minister's offer is currently being formalised and is conditional upon further specifications. We are also making changes to improve engagement with staff and volunteers. A volunteer representative group is being established and we will work to improve communication and introduce new measures to encourage more volunteers.

We would like to extend our gratitude to all volunteers and staff for their brilliant contributions to preserving and sharing this iconic heritage steam railway. We are thrilled to continue to make Puffing Billy a better holistic experience for all.



Steve O'Brien, CEO.  
16 October 2019



***"... Puffing Billy continues to be a much-loved Australian tourist attraction, with generations of people holding fond memories of their experiences ..."***





---

**REPORT OF OPERATIONS  
OUR YEAR IN REVIEW 2018/2019**



## YEAR IN REVIEW AND FINANCIAL STATEMENTS

### OUR VISION

To excel in our presentation of a heritage rail experience, which captures both the natural beauty and rich social history of Victoria's Dandenong Ranges.

### OUR MISSION

To restore and operate the Puffing Billy Railway as Australia's premier heritage steam railway, in a safe, efficient and economically sustainable manner for the ongoing education, benefit, and satisfaction of the community, customers and the Railway stakeholders, including members, staff and volunteers.

### OUR STRATEGIC PLAN

The Railway's ongoing success is considered to be a product of the following eight key strategic elements. These key elements are listed below:

**Safety** – Promote a Safety Culture, Railway Safety Management

**Finance** – Oversee Financial and Risk Management, Financial Sustainability

**Environmental Management** – Manage Stakeholder And Community Partnerships, Environmental Plans And Measures

**Operational Capabilities** – Deliver Plans for Business On Time And On Budget

**Customer Satisfaction** – Expand And Strengthen The Puffing Billy Railway Customer Experience

**Heritage Integrity** – Promote, Preserve and Maintain a Heritage Railway and the Rail Corridor

**Organisational Culture** – Volunteers And Staff, Succession Planning, Governance, Culture & Change Management

**Tourism Contribution** – Community, Neighbour And Stakeholder Partnerships

Pursuant to the provisions of the Financial Management Act 1994 and the Audit Act 1994, the Board presents its Annual Report in respect of the year ended 30 June 2019. The report is prepared in accordance with all Victorian legislation.

### THE YEAR'S OPERATIONS

Patronage for 2019 (the 57th year of operation since re-opening in 1962) was 487,543 in 2018-19 – a decline of 22,585 (4.4%) on 510,128 in 2017-18. This is the second highest annual passenger number in the Railway's history. The slight decline reflects a softening in the domestic market.

The Railway is scheduled to run every day (except Christmas day). Similar to last year, the Railway faced a number of extreme weather conditions. In particular the Bunyip Bushfires impacted the Gembrook district, resulting in a number of cancellations including one of the much-loved "Day Out With Thomas" weekends. The Railway operated for 362 days and completed

1,837 revenue earning return trips (2018 – 1,849 trips). Trips included scheduled daily excursion trains, charter trains, lunch time Steam and Cuisine trains, Dinner Trains, "Day Out With Thomas" trains, Murder Mystery and Jazz trains, Footplate Experience trains and various special events trains.

A total of 99% train kilometres, including non-passenger train kilometres, were steam hauled (95% in 2018). Non-steam-train kilometres were mostly diesel-hauled works trains and diesel-hauled passenger trains operating on total fire ban days during the fire season. Also, some trains that ran beyond Emerald Lake Park during the driest part of the fire season were diesel-hauled to reduce fire risk. Total train kilometres travelled in 2019 were 53,029 - up 0.4% on the 52,792 kilometres travelled in 2018. This is a strong efficiency result, tracking in line with last year's record result.

### FINANCIAL POSITION AND BUSINESS REVIEW

The operations of the Board after depreciation and grants resulted in a Net Result for the year of \$1,099,273 compared with a Net Profit of \$1,466,517 in the previous year on a like for like basis.

No significant asset revaluations were performed in 2019. Surplus before depreciation and grants was \$1,885,885 compared with \$3,230,160 in the previous year. Although operational revenues were slightly down due to a softening domestic market, the main decline in the result was a result of the organisation adapting to the compliance changes in response to the Ombudsman report. Approximately, 75% of this increase is expected to be permanent.

### GRANTS FROM GOVERNMENT BODIES:

Two Grants were received from Government Bodies during the year. The Federal Government pledged an initial \$550,000 earlier in the year towards the construction of the Discovery Centre at Emerald Lake Park. The State Government also contributed \$240,000 to the same project in June. Both the Federal and State Governments have pledged a combined amount of \$13.7M to the construction of this project over the next two years. The State Government has also pledged a further \$6.3M to other Masterplan initiative over the next three years.

### OPERATIONAL PERFORMANCE:

The result was achieved on gross income of \$17,328,229 (2018 - \$16,681,490) less total expenditure of \$16,253,212 (2018 - \$15,218,467) and represents a return of 1.7% (2.3% in 2018) on equity of \$65,309,078 (2018 - \$64,209,805).

Operational Income earned by the Railway (which consists of excursion fares, revenue from dining trains, "Day Out

With Thomas" weekends, special events, and shop revenue) decreased by 2.6% compared to the previous year, due to a combination of passenger number decreases and fare increases. Average ticket revenue per passenger increased by 2.9%, to \$29.19 from \$28.38. This was driven by a 5% increase in regular excursion train fares in October 2018. The annual fare increase was deferred pending the outcome of the Public's reaction to the Ombudsman related changes. As a result, the 2019 result was not able to benefit from a full year of the increase.

Total expenses year-on-year increased by 6.4%, compared to the 2.6% revenue decrease. The 2018/2019 year was a year of stabilisation and compliance. Significant resources were invested to deliver the changes outlined in the Ombudsman's report, while still meeting the operational needs of the Railway.

The Puffing Billy Preservation Society provided grants totalling \$314,697 (2018 - \$81,097) for the construction of the Belgrave signal box, the refurbishment of the Museum, the restoration of Locomotive NGG16-129 and a number of minor projects.

### FINANCIAL POSITION – BALANCE SHEET

#### ASSET REVALUATIONS

For 2019, no further asset revaluations were deemed to be necessary. The Valuer General's Land indexation tables did not recommend an increase for the rural land along the ETRB's rail corridor.

### CASH FLOWS

Cash, cash equivalents and term deposits represent all cash either deposited in bank accounts or held as physical cash on premises. In 2019, these combined amounts declined by \$1,180,579 (2018: \$1,435,350 increase). This was caused by a reduction in operating activities during the year. Refer to the five-year summary.

### CAPITAL PROJECTS/ASSET INVESTMENT PROGRAMS

#### CAPITAL EXPENDITURE

Capital works expenditure in 2019 increased by \$1,916,963 from \$1,912,253 to \$3,829,216. Refer to note 4.1.3.

Capital works expenditure in the current year, funded internally or by the Puffing Billy Preservation Society, the Federal Government and the Victorian State Government included:

- On-going restoration of Garratt locomotive NGG16-129.
- Construction of the new NBH carriages.
- The Kilvington Drive Office extension
- The continuation of the design phase of the Discovery Centre.
- The Way & Works Office demolition and rebuild.
- Completion of the NA Class oil burning conversion
- Lakeside precinct fibre optic cabling
- Belgrave Data Centre and Telephony

### FIVE YEAR FINANCIAL SUMMARY

	2019	2018	2017	2016	2015
Total income from transactions	17,328,229	16,681,490	15,706,964	13,246,787	10,503,090
Total expenses from transactions	16,253,212	15,218,466	13,150,252	10,822,849	9,476,994
Net result for the year	1,099,273	1,466,517	2,556,512	2,423,938	1,026,096
Asset revaluations	-	-	-	2,556,512	-
Comprehensive result for the year	1,099,273	1,466,517	2,556,512	4,980,450	1,026,096
Net cash flow from operating activities	2,624,380	3,790,269	4,505,951	3,778,992	2,264,685
Total assets	68,031,198	66,791,767	65,145,980	62,378,280	53,366,443
Total liabilities	2,722,120	2,581,962	2,402,693	2,191,505	1,801,305
Days operated	362	360	364	362	363
Passengers	487,543	510,128	487,237	417,155	349,790
Revenue trips	1,837	1,849	1,910	1,891	1,788
Fare revenue per passenger	\$29.19	\$28.38	\$27.68	\$26.72	\$25.48

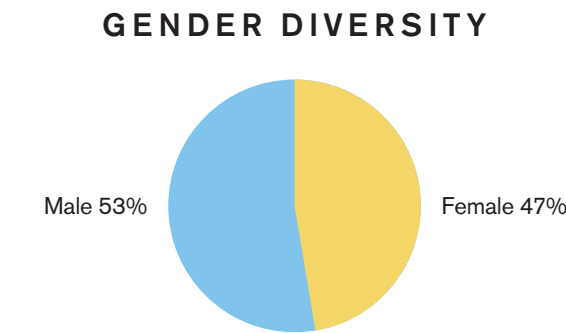
Note: The Railway runs limited trains to Gembrook on weekdays from May to August except for school and public holidays.



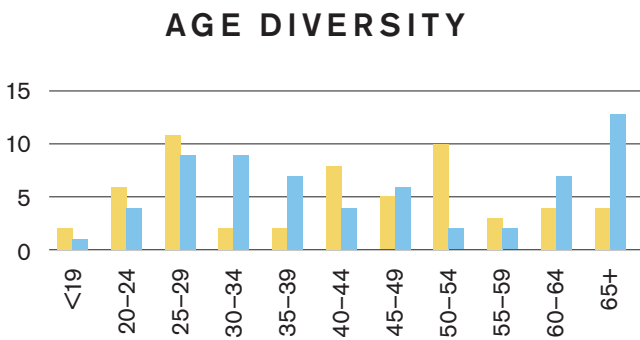
WORKFORCE DATA

<i>Paid staff numbers</i>	<i>Full Time</i>	<i>Permanent Part Time</i>	<i>Total</i>
As at 30 June 2018	54	15	69
Commenced during year	18	26	44
Sub Totals	72	41	113
Departures	10	3	13
As at 30 June 2019	62	38	100

In addition, averages of 21 casual employees were engaged to assist with seasonal peaks (2018 – 33). New governance arrangements saw the addition of many new roles. 12 casuals chose to convert to part-time during the year.



Female participation has increased by 5%. Male participation has declined by 5%.



HEALTH AND SAFETY

During the year, the Emerald Tourist Railway Board identified and submitted 917 IDRs (Incident Defect Report), resulting in 144 notifications to Office of the National Rail Safety Regulator (ONRSR) and eight notifications to WorkSafe.

There were no statutory notices issued by either safety regulator. Due to improving safety culture, there has been an increase in reporting, and this trend is expected to continue through 2019/20.

A total of 58 people (15 passengers, 43 staff/volunteers) reported an injury. The majority of these were minor cuts and grazes or soft-tissue strains to major injuries. Three of these resulted in WorkCover Claims where 45 staff days (2018 - 44) were lost.

To ensure the Railway’s safety culture is reinforced, the organisation introduced Monthly Safety Themes. A campaign of “See something, say something” increased tracking and trending of key data.

The Operations and Safety Subcommittee sponsored a review of Emergency Management and our Safety Management System. This resulted in a number of positive initiatives, such as the introduction of designated working groups and Occupational Health and Safety representation across the Railway. These key initiatives are designed to keep safety as Puffing Billy Railway’s number one priority.

HUMAN SERVICES

The year brought many changes across the Organisation. These had a significant impact on the Railway’s staff, volunteers and the community.


In 2018, the Victorian Ombudsman wrote a grave report referring to historical events on the Railway. Specifically, the Ombudsman recommended the Railway implement the Child Safe Standards.

The Child Safe Standards were created as a result of significant research into child abuse within institutions and other influential organisations. They aim to reduce the risk of children being exposed to, or experiencing, harm.

A number of preventative measures were implemented across the Railway and a series of training programs conducted. These training sessions were attended by the ETRB, senior management, staff and volunteers to discuss the expected behaviors and the reporting and response procedures when suspecting child abuse.

The sole purpose of acting on our Child Safety Commitment is to ensure Puffing Billy Railway’s staff and volunteers are committed to providing positive experiences for children in an environment that is caring, nurturing and safe.

OUR CHILDREN, OUR FOCUS, OUR FUTURE, SPEAK UP!

 To ensure a positive and permanent cultural shift, the Emerald Tourist Railway Board launched its own Child Safe logo in addition to its statement of commitment.

The ETRB engages many volunteers to perform a staggering number of tasks throughout organisation. Volunteers make up 82% of the Emerald Tourist Railway’s workforce. For many of these individuals, Puffing Billy is a community, a place to come and share positive experiences with many people from varying backgrounds, all with a common love of trains, or the district it represents. Volunteers also are provided with opportunities to learn an array of important and beneficial skills. Whatever the role a volunteer chooses, most will find them both gratifying and rewarding.

All volunteers give their time willingly, freely and for the common good to ensure all passengers and visitors have an enjoyable and memorable day.



Volunteers are involved in every aspect – administrative support, special events, driving the trains, restoring the heritage carriages, maintaining buildings and infrastructure along the Railway and selling the Railway’s commercial retail offering at smaller stations to patrons. Without these key people, the Railway would not function. The value of Volunteer Contribution over the last Financial was estimated at over \$6.5m.

Although Puffing Billy is a living Museum, it is often forgotten that it is a real Railway, with real risks. Training has to be thorough. Many roles require formal certification to meet key Government standards, whether they are employees or volunteers. To facilitate this, the Railway employed a specialist in Learning and Development.

Puffing Billy Railway works closely with local communities, and every year donates hundreds of family passes to education and non-profit organisations to support their fundraising activities. The Railway also makes annual donations to local CFA branches to assist with their valuable work in protecting the community. This year the Railway donated a \$170,959 infrastructure project to the local community along Old School Road at Menzies Creek in the form of a new bus parking facility. This has vastly improved traffic flow, safety and parking in the area.

Puffing Billy has the privilege of establishing links with many corporate volunteers through its successful Corporate Volunteer Program. For the 2018/2019 financial year the Emerald Tourist Railway Board saw nearly 375 (300 – 2018) corporate volunteers contribute to many projects around the Railway.



## MENZIES CREEK MUSEUM

Menzies Creek Museum has been closed to the public and undergoing restoration since 2010.

A substantial effort has been made in both the collection and restoration of many impressive artefacts. The preservation of steam history goes much further than steam locomotives and rolling stock, with a number of beautiful examples of steam machinery, field equipment and tools used in the height of the “Steam Era”.

Many of these items have been meticulously catalogued on behalf of the people of Victoria and are documented via the Victorian collection’s website. Each museum piece has a story to tell, leading to a wealth of interpretive data being collated for each exhibit worthy of display in the Museum complex.

The completion of the Boiler house and the temporary ticket office was the main focus during the year. Both will make wonderful additions to the Museum.

Most of the work involved in renovating the museum has been carried out by a group of dedicated volunteers.

The final operational logistics are underway and it is anticipated the Museum will open to the public in the near future

## MARKETING

The year commenced with some challenges including the organisation recovering from the release of the Ombudsman’s report in early July 2018 and a bus incident that occurred on Tuesday 6 March 2018, which resulted in a temporary ban on the practice of sitting on the carriage sills. Both events received significant media attention Australia-wide.

Off the back of these challenges, the marketing department sought to lift the organisation’s profile through a number of positive key Public Relation initiatives, including the 20-year celebration of the reopening of the Lakeside to Gembrook line.

The railway reported its second-highest patronage ever, with 487,543 passengers.

### LAKESIDE DISCOVERY CENTRE

The first renders of the new, state-of-the-art \$20M Lakeside Discovery Centre at Emerald Lake Park in Emerald were released. Scheduled to open in December 2020, the Discovery Centre will enhance the Puffing Billy experience by featuring a café, function spaces, significantly upgraded toilet facilities, retail, food and beverage options and interpretation spaces for school groups and families.

### DOMESTIC MARKETING

Our key focus to increase domestic visitation included the following initiatives:

- Promoting the lesser-known part of the Puffing Billy line – Lakeside to Gembrook Station. Several promotions were rolled out, increasing patronage by 28% compared to 2018.
- Leveraging of Yarra Ranges Tourism’s mid-week special and introducing a promotional calendar for the Steam and Cuisine Luncheon train. Bookings for this product have already increased by 1%.
- Hosting several key journalists and social media influencers to increase our domestic market reach and promote our product range including excursion, lunch and dinner trains.
- Continuing the roll out of the Day Out With Thomas events over Spring and Summer.
- Engaging with 39 senior groups, thanks to the tireless work of the Volunteer Speaker Panel Group.
- Elevating our electronic direct mail to our database to advertise exclusive promotions and increase product awareness.

### INTERNATIONAL MARKETING

International visitation grew by 5% compared to last year. Much of the record passenger numbers can be attributed to China, representing 37% of overall visitation, with numbers growing by 11%. A new in-market representation agency was appointed at the beginning of the year, bringing renewed strategic direction for both trade and digital marketing.

Other notable increases in visitation included India 63%, Vietnam 31%, Europe 34%, USA 23%, and South Korea 12%.

The Railway secured several major Meetings, Incentives, Conventions and Exhibitions (MICE) groups, including the BE International group from Malaysia where we carried 1,000 passengers.

Puffing Billy worked closely with key industry bodies, attending key tourism missions throughout Australia and South East Asia. Product familiarisations were held at the Railway for wholesalers, travel agents and media from all around the globe.

### KEY MEDIA OPPORTUNITIES

In conjunction with our PR company, two high profile journalists, Miranda Luby and Michael Portillo, were hosted on board our dining and excursion trains during the year. To maximise coverage and promote the “ultimate” getaway to the Dandenong Ranges, we collaborated with Yarra Ranges Accommodation. The respective articles received notable media coverage.

Locally, the Railway supported the Emerald RSL’s 100th anniversary of Armistice by adorning Puffing Billy in over 3,000 poppies. While the annual Great Train Race received record media coverage, featuring across all major Australian broadcast networks.

### SOCIAL MEDIA

**Social media** – Facebook and Instagram followers:

- Instagram 8,324 followers (2018 – 5,839)
- Facebook 41,229 followers (2018 – 34,855)
- Great Train Race** social followers
- Facebook 1,184 followers (2018 – 781)
- Instagram 560 followers (2018 – 356)

### TRIPADVISOR RATING

The railway maintained excellent results with TripAdvisor, receiving our sixth consecutive Certificate of Excellence in 2019, maintaining a status in TripAdvisor’s Hall of Fame.



## EVENTS



### DAY OUT WITH THOMAS

Our Day Out With Thomas, continues to attract thousands of visitors and generate excitement for young families at Puffing Billy's beautiful Gembrook station.

The popularity of the Thomas the Tank Engine brand, in association with Puffing Billy Railway, offers a unique family experience like no other – the opportunity to see Thomas the Tank Engine in full steam, along with his friends, Percy and Diesel. Additional activities included in the experience ensure that customers enjoy a family fun day in the beautiful surrounds of the Dandenong Ranges.

The event was scheduled for 14 days, across seven weekends throughout Spring 2018 and Autumn 2019. Unfortunately, fires in the nearby Bunyip Sate Forest in early March resulted in cancellations on two days. In total, 19, 248 tickets were sold this financial year. The long-term success of the event can be attributed to providing thousands of Thomas and railways enthusiasts with an opportunity to experience a fully operational railway whilst at the same time seeing their favourite trains in full steam.

## COMMERCIAL



### RETAIL OPERATIONS

The Retail Operations is an essential part of the business providing a steady revenue stream for the railway and is often one of the first faces of the Railway the general public will meet. The Railway operates a retail presence at Belgrave, Emerald Lakeside and Gembrook. On special occasions, kiosks are opened at Menzies Creek and the Emerald station. All outlets sell a wide range of souvenirs and food and beverage to service customers and help the organisation raise funds to support key historic restoration along the Railway.

### RETAIL SPONSORSHIP

The Railway appreciates the continuing support from our major sponsor, Street's ice-cream. We would also like to welcome the support of our newest sponsor Coca Cola Amatil.

### STEAM & CUISINE LUNCHEON

The Steam & Cuisine Luncheon product had an upgrade in 2018 and completed its first full year since those improvements. The new menu has been well received by travellers showcasing local produce and regional wines. This product continues to attract a constant stream of patrons with 9,861 passengers enjoying the experience in 2019 (9,822 in 2018).

### THEMED EVENING TRAINS

"Murder on the Puffing Billy Express" continues to be the flagship of the organisation's night train service. The "Steam & Cuisine After Dark" grew since its launch last year and is particularly popular over the warmer months. The themed night trains at the Packing Shed offer variety for our patrons and strike a balance between a train experience and entertainment venue not seen anywhere else in Victoria. For the second year in a row, this product was also impacted by several weather-related cancellations during peak times. Patronage was 2,444 in 2019 (3,559 in 2018).



A photograph of a steam train at night, with a large clock and 'NEXT TRAIN' signs on the carriage. The scene is illuminated by warm, orange light from the train's windows and external lights. A man in a dark jacket is in the foreground, looking down at something in his hands. A woman with blonde hair is partially visible behind him. The train has a large clock on its side, and signs that read 'NEXT TRAIN' and 'SPECIAL'. The background shows the structure of the train station.

## TRAIN AND PASSENGER OPERATIONS

Although there was a downturn in free and independent (FIT) passenger numbers during the year, tour group numbers experienced strong growth. The Lakeside to Gembrook section patronage grew in popularity, as awareness grew. This section of the Railway highlights spectacular rolling rural hills, wooded forests and several beautiful bridges before passengers arrive at the little hamlet town of Gembrook.

The current practice of an open ticket return will give way to a nominated return time. This is in response to customers requesting a comfortable ride in both directions, as well as improving safety by avoiding overcrowding.

Train Operations experienced challenges with an aging volunteer workforce. Options to streamline our training programs are being investigated to encourage volunteering from all demographics within the community.

Several experienced operational staff are currently undergoing a Certificate 4 in Training and Assessment. This will augment the succession plan and ensure the Emerald Tourist Railway Board has adequate trainers and assessors for the future.

Train and Passenger Operations staff and volunteers are often seen as the “face” of Puffing Billy. These individuals are invaluable and continue to carry out their roles in a professional manner ensuring a safe and enjoyable visitor experience for all passengers.

## LOCOMOTIVE AND CARRIAGE WORKSHOPS

The Locomotive Workshop at Belgrave and Carriage Workshop at Emerald maintain and restore locomotives, carriages and freight wagons, to meet the daily operational requirements of the Railway.

The Belgrave Workshop performs the detailed locomotive maintenance and restoration. The workshop was busy maintaining the six steam locomotives used for main passenger operations, restoring the NG/G16-129 locomotive and servicing another four steam locomotives used for special events. Three steam locomotives are usually in traffic whilst two are being maintained in the workshop - one undergoing major refurbishment and one on standby. During the busy summer season, the maintenance schedule is adjusted to allow four steam locomotives to be used in traffic. The workshop also maintains the three diesel locomotives used for either shunting carriages around the yard, or for relieving steam locomotive during periods of high fire danger. It is a credit to all Puffing Billy personnel, both staff and volunteers, that all locomotives provided uninterrupted service.

The Emerald Workshop performs the essential maintenance of the carriages including mechanical systems, woodwork and painting to ensure a safe and enjoyable experience for our passengers. The existing fleet of more than 50 carriages provided uninterrupted operation over a busy year with record passenger numbers.

Major current workshop projects include the refurbishment of the Garratt locomotive NG/G16-129, 12 new passenger carriages, and a number of other safety and technical advancements to locomotives and carriages.



INFRASTRUCTURE  
PROJECTS

The focus of attention continued to be on the Emerald Lake Park Discovery Centre development during the 2018-19 Financial Year with this project progressing significantly as a result.

Key project milestones included the approval of an amendment to the Cardinia Planning Scheme for the project, execution of a Heads of Agreement with Cardinia Shire Council to purchase the land required for the development and the execution of a Grant Agreement with the Victorian State Government to formalise the \$8.2M funding announcement made in the previous year.

A competitive tender process to secure a Project Superintendent organisation was finalised in February 2019 whilst a request for tender process for the construction of the Discovery Centre was undertaken during April to June and issued to a select invitee list of appropriately qualified and experienced builders from the Department of Treasury and Finance’s Construction Supplier Register. Following the execution of an appropriate Evaluation Plan, a preferred tenderer was identified and final contract negotiations commenced with a view to execution and commencement of construction early in 2019-20. As of June 2019, the construction of the Lakeside Discovery Centre remains on target with completion of the project due in the second quarter of 2019-2021.

This year also saw the commencement and completion of a number of other Master Plan related capital projects. These included:

- Menzies Creek Indented Bus Bay project which significantly improved the safety and amenity of local residents and passengers by reducing congestion on the local School Road.
- Extension of the Emerald Finance Office building.
- Demolition and reconstruction of a new Way & Works Office.
- Construction of a heritage-styled signal box at Lakeside Station.

The resources necessary for the railway to continue to implement the *Puffing Billy Railway Master Plan 2017* were further strengthened in June 2019 when the Hon. Martin Pakula MP, Minister of Tourism, Sport and Major Events, pledged a further \$6.3M for Master Plan and related strategic projects. This welcome announcement complements the previously announced \$8.2M from the Victorian State Government for the Discovery Centre project. It will be pivotal in Puffing Billy Railway delivering the projects necessary for the railway to best respond to the opportunity presented in the continued growth of Victoria’s international and domestic visitor economy.

WAY AND WORKS

The Way and Works branch provides the Railway with a number of key services ranges from tasks such as track patrols, fire patrols, works trains, building maintenance, environmental works and track and infrastructure maintenance. It achieves this through a dedicated team of staff and volunteers who work around the clock, rain, hail or shine. They also ensure that the track is fit for purpose and clear any obstruction during train running times.

The Corporate Volunteer Program contributed 375 volunteers for the year over 23 days, by seven different corporate groups. This diverse range of individuals from varied backgrounds including office workers, tertiary and secondary school students assisted many supervised projects including weed control and revegetation works along the rail corridor and station areas. They also assisted with igarden design, planting, mulching, building of fences and other minor infrastructure and landscape works. Some works were completed in conjunction with local groups such as Emerald Men’s Shed and John Hills Landcare .

The 2018/2019 Fire Patrol Season commenced on Saturday 1 December 2018 and concluded on 30 April 2019, with patrols finishing effectively with the return to Belgrave of the patrol behind Train 44 on 23 April 2019.

The operational season lasted 150 days with a total of 671 shifts scheduled to run. A total of 98 volunteers dedicated their time to assist the Railway throughout the season.

The Railway’s regular Gangers converged on all remaining locations, inserting 1,484 new sleepers and re-gauging 792 throughout the Railway, addressing drainage matters and fallen trees. Rail swap was also carried out in areas to extend the life of the rail.

An alternative sustainable plastic sleeper trial is being completed at two test sites, one inserted in 2015 and the other in 2016. All results from the testing to date have been positive and investigations are continuing, with differently designed plastic sleepers being inserted for performance testing.

An independent arborist inspection identified and indexed several dangerous trees along the rail corridor. Work to cut down or lop the identified trees was undertaken to ensure the safe running of all trains. When trees are cut down or lopped the resulting timber is recycled into mulch, firewood for locomotives and, where possible, the timber is milled on site for fences or seating and other infrastructure within the rail corridor.





## SIGNALS AND TELEGRAPH

With a number of Administration facilities were upgraded at Kilvington Drive in Emerald and Stanley Street in Belgrave and the Signals and Telegraph team contributed to a significant amount of wiring and rewiring of these facilities. A backup electrical generator was installed to protect the server at Kilvington Drive from electrical outages – a frequent occurrence in Emerald.

In preparation for the new Discovery Centre at Lakeside in Emerald, fibre optic cabling was laid to support administrative, operational and future customer usage of key Information Technology infrastructure.

The new signal box at Lakeside commenced during the year and is currently being fitted out with new switches to make the box operational prior to the completion of the Lakeside Discovery Centre. A similar project is at design stage for the Belgrave precinct. Both boxes will not only be a welcome safety upgrade, but also an attraction for train enthusiasts.

## ENVIRONMENTAL PERFORMANCE

The Railway actively promotes a culture of energy conservation and encourages staff and volunteers to minimise water, waste, electricity and gas consumption wherever possible.

Puffing Billy's largest negative environmental impact emanates from the coal burning locomotives that form an integral part of the heritage steam Railway's historic and tourism appeal. The Railway consumed approximately 1,141 tonnes of coal (1,133 in 2018) using historical steam locomotives designed over 100 years ago.

The Environmental crew concentrated on the removal of environmental weeds and trees along the rail corridor. The main target being cotoneaster, sweet pittosporum, cherry laurel, holy and ivy.

## ENERGY SAVING INITIATIVES

- **Electricity:** Creating a culture of awareness to turn off appliances and lights after hours, and when not in use, had an immediate impact. LED lights replaced traditional lighting where practical, and are used in new constructions.
- **Water:** Puffing Billy is continually providing training to drivers and firemen to ensure engine efficiency, which helps to conserve the amount of water consumed by our trains. Many of Puffing Billy's buildings harvest water into tanks.
- **Paper:** Administration staff are encouraged to carry out double-sided printing, scanning, emailing and to print only what is needed and mostly in black and white.
- **Waste:** The message of recycling is promoted on all areas of the Railway with the provision of recycling bins at each station, as well as in all administration areas
- **Fuel:** Log books are provided in all vehicles and are actively used to verify each vehicle's use.
- **Coal:** Given that the coal burned to fire Puffing Billy's steam engines is a large contributor to carbon emissions, the ongoing training of drivers and firemen, to operate engines as efficiently as possible, will help to reduce coal usage. Additionally, Loco 14A was converted from coal to oil burning technology in 2018 and ran successfully throughout its full year of operation in the 2019 financial year.





## STATUTORY INFORMATION

The Board has established procedures to implement the requirements of the *Protected Disclosure Act 2012*. In the current year, as in all prior years, there were no disclosures made or referred to the Board. Puffing Billy was one of a number of Government agencies investigated by the Ombudsman into Government institutional sexual abuse as outlined in both the Chairman and the CEO Report. The report was made public on 25 June 2018 and was a major influence on the organisation's focus throughout the year.

No information was requested by any person or organisation pursuant to the *Freedom of Information Act 1982*.

The Board operates the Puffing Billy Railway in association with the Puffing Billy Preservation Society as an historical example of an early Victorian narrow gauge railway operation for the benefit of present and future generations of Victorian residents and interstate and international visitors. Both organisations have been endorsed as a Deductible Gift Recipient status by the Australian Taxation Office.

The principal office of the Board is located at:  
Narrow Gauge Railway Station, Old Monbulk Road, Belgrave.

Contact numbers are:  
Phone: (03) 9757 0700  
Fax: (03) 9757 0705  
Email: [info@pbr.org.au](mailto:info@pbr.org.au)

The organisational structure of the Board, its staff and committees is set out on Page 31 of this report.

The Board produces an Operations and Financial Report pursuant to the requirements of the *Emerald Tourist Railway Act 1977* and the *Financial Management Act 1994*.

In addition, the Board markets a range of publications dealing with the history and operation of the Puffing Billy Railway. These publications can be purchased from the Board's retail outlets at various stations along the Puffing Billy Railway.

The Board continues to oversee access modifications to a number of its new administration facilities in line with the *Disability Act 2006*. Wheelchair access and interior changes for vision impaired continue to be improved. Additionally, the new "modified" fleet of carriages currently under construction are being built to specifically meet the needs of customers with mobility aids. These carriages will come into service in the new financial year.

No member, officer or employee of the Board was required to complete a declaration of Pecuniary Interest during the financial year with respect to their position or employment with the Board.

The Marketing Manager undertook one overseas trip, while the Marketing Officer made two trips (2018 – two), to continue the successful marketing of the Railway to international tourists. All of these trips were unaccompanied. No other overseas visits were undertaken during the financial year, either on behalf of, or paid for, by the Board. The Visit by Board members to Puffing Billy's sister railway AliShan Forest Railway Summit in Taiwan was not until July 2019.

No time has been lost during 2019 due to industrial disputation (2018 – nil).

### Details of consultancies in excess of \$100,000

In 2019 zero operational consultants were engaged. (2017 – one at \$253,934).

### Details of consultancies under \$100,000

In 2019, 29 consultants were engaged for a total of \$512,270 (2018 – 18 consultants for \$234,219), to assist with compliance and risk management, as well as crisis management in relation to the release of the Ombudsman's investigation into Government institutions which included the Puffing Billy Railway.

### Details of Information and Communication Technology (ICT) expenditure

For the 2018-19 reporting period, the Railway had a total ICT expenditure of \$226,147 (2018 – \$200,860). The main costs related to the Netsuite rollout and adapting enterprise-wide software to strengthen data security standards.

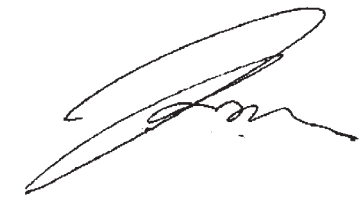


## REPORT OF OPERATIONS OUR YEAR IN REVIEW 2018/2019



Attestation on compliance with the Australian Risk Management Standard:

I, S. O'Brien, certify that Emerald Tourist Railway Board has risk management processes in place consistent with Australian Standards AS4292 (rail safety) and AS 4360 and an internal control system is in place that enables members of the Board and senior management to understand, manage and satisfactorily control material risk exposures. The audit committee verifies this assurance that the risk profile of Emerald Tourist Railway Board has been critically reviewed within the last 12 months.



Tim North  
Chair  
Emerald Tourist Railway Board  
  
Belgrave  
16 October 2019

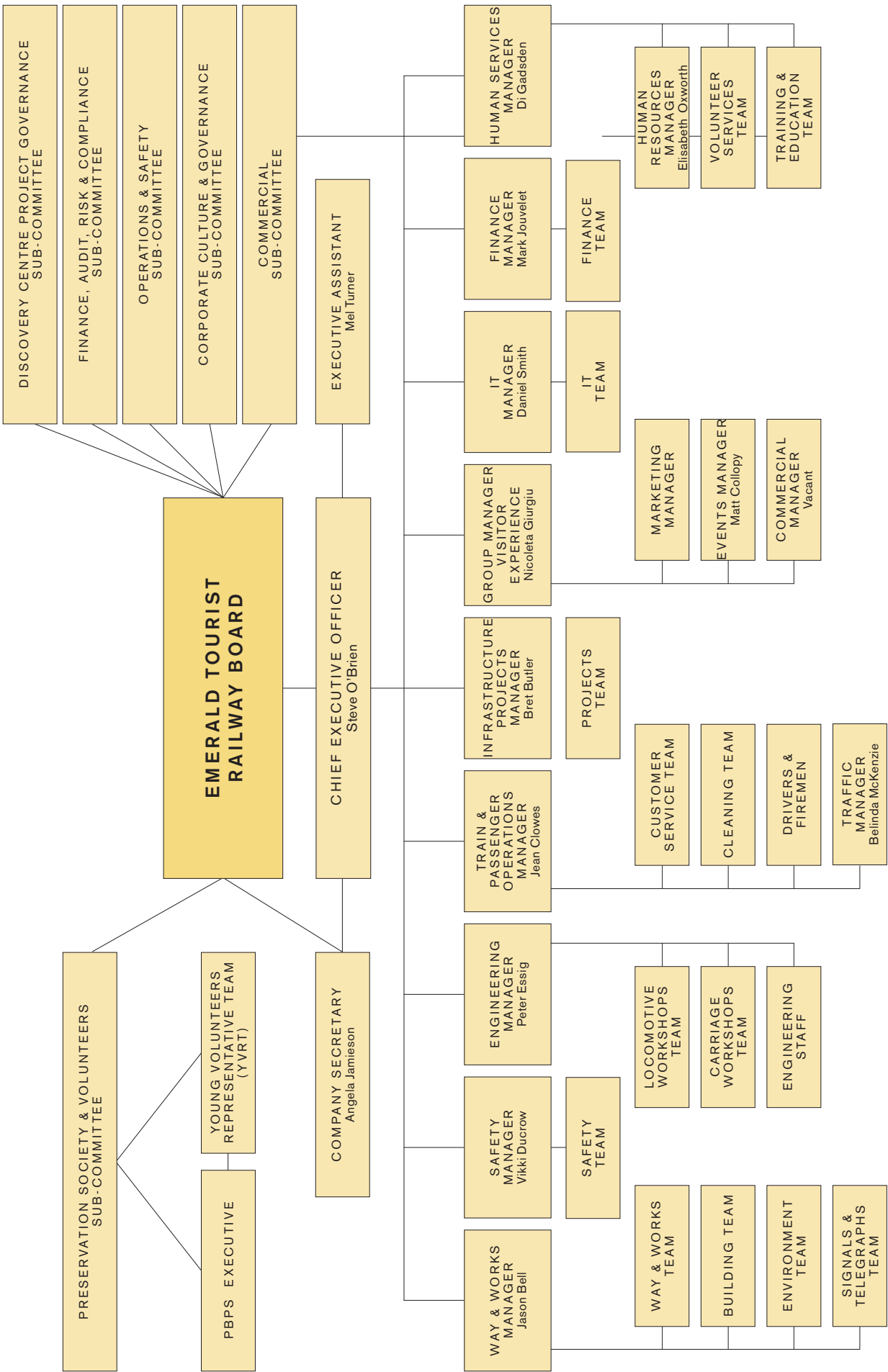
Attestation for compliance with Ministerial Standing Direction 3.7.1 – Risk management framework and processes:

I, S. O'Brien certify that Emerald Tourist Railway Board has complied with the Ministerial Standing Direction 3.7.1 – Risk management framework and processes.  
  
This report is made by a resolution of the Board dated 16 October 2019, in accordance with the *Financial Management Act 1994*, and signed on behalf of the Board by:



Steve O'Brien  
Chief Executive Officer and Accountable Officer Emerald Tourist Emerald Tourist Railway Board  
  
Belgrave  
16 October 2019

PUFFING BILLY RAILWAY ORGANISATIONAL STRUCTURE 2019





# Independent Auditor’s Report

## To the Board Members of the Emerald Tourist Railway Board

Opinion	<p>I have audited the financial report of the Emerald Tourist Railway Board (the entity) which comprises the:</p> <ul style="list-style-type: none"> <li>balance sheet as at 30 June 2019</li> <li>comprehensive operating statement for the year then ended</li> <li>statement of changes in equity for the year then ended</li> <li>cash flow statement for the year then ended</li> <li>notes to the financial statements, including significant accounting policies</li> <li>declaration in the financial statements.</li> </ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the entity as at 30 June 2019 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor’s Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board’s APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Other Information	<p>The Board Members of the entity are responsible for the Other Information, which comprises the information in the entity’s annual report for the year ended 30 June 2019, but does not include the financial report and my auditor’s report thereon.</p> <p>My opinion on the financial report does not cover the Other Information and accordingly, I do not express any form of assurance conclusion on the Other Information. However, in connection with my audit of the financial report, my responsibility is to read the Other Information and in doing so, consider whether it is materially inconsistent with the financial report or the knowledge I obtained during the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.</p>

Board Members’ responsibilities for the financial report	<p>The Board Members of the entity are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board Members determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board Members are responsible for assessing the entity’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>
Auditor’s responsibilities for the audit of the financial report	<p>As required by the <i>Audit Act 1994</i>, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.</p> <p>As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:</p> <ul style="list-style-type: none"> <li>identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.</li> <li>obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity’s internal control</li> <li>evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board Members</li> <li>conclude on the appropriateness of the Board Members’ use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the entity’s ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor’s report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor’s report. However, future events or conditions may cause the entity to cease to continue as a going concern.</li> </ul>



Auditor's responsibilities for the audit of the financial report (continued)	<ul style="list-style-type: none"><li>• evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.</li></ul>
	I communicate with the Board Members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE  
18 October 2019



Simone Bohan  
*as delegate for the Auditor-General of Victoria*

FINANCIAL REPORT  
FOR THE YEAR ENDED 30 JUNE 2019

DECLARATION IN THE  
FINANCIAL STATEMENTS

The attached financial statements for the Emerald Tourist Railway Board (the Board) have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer for Finance under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and

accompanying notes, presents fairly the financial transactions during the year ended 30 June 2019 and financial position of the Board at 30 June 2019.

At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

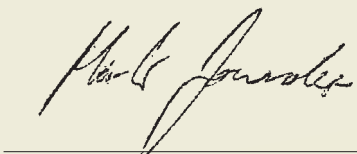
We authorise the attached financial statements for issue on 16 October 2019



Tim North  
*Chair*  
*Emerald Tourist Railway Board*  
  
Belgrave  
16 October 2019



Steve O'Brien  
*Chief Executive Officer and Accountable Officer*  
*Emerald Tourist Emerald Tourist Railway Board*  
  
Belgrave  
16 October 2019



Mark Jouvelet  
*Manager, Finance and Administration (CFO)*  
*Emerald Tourist Railway Board*  
  
Belgrave  
16 October 2019



COMPREHENSIVE OPERATING STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2019

The Comprehensive Operating Statement should be read in conjunction with the accompanying notes.

		2019	2018
<b>Income</b>			
Revenue from Fares, Shops and External Contracts	2.1	15,749,399	16,163,398
Other Income	2.1	<u>1,578,830</u>	<u>518,092</u>
	2	<u>17,328,229</u>	<u>16,681,490</u>
<b>Expenses</b>			
Employee Benefits Expense	3.1.1	7,501,998	7,235,641
Depreciation Expense	4.1.1	1,891,309	1,844,740
Supplies and Services	3.2	2,798,142	2,749,747
Finance Costs	3.1	-	3,322
Advertising and Promotion	3.1	319,102	341,131
Insurance Costs	3.1	316,287	321,450
Administration Expenses	3.3	1,656,203	1,321,253
Grants and other transfers	3.4	185,959	15,000
Electricity & Gas	3.1	183,681	137,359
Other Expenses	3.5	<u>1,400,531</u>	<u>1,248,824</u>
		<u>16,253,212</u>	<u>15,218,467</u>
<b>Net Results from Transactions</b>		<u>1,075,017</u>	<u>1,463,023</u>
<b>Other Economic Flows included in Net Result</b>			
Net (loss) gain on Non-Financial Assets		<u>24,256</u>	<u>3,494</u>
<b>Net Result for the Year</b>		<u>1,099,273</u>	<u>1,466,517</u>
<b>Comprehensive Result for the Year</b>		<u>1,099,273</u>	<u>1,466,517</u>

The Comprehensive Operating Statement should be read in conjunction with the accompanying notes.

BALANCE SHEET  
AS AT 30 JUNE 2019

		2019	2018
<b>FINANCIAL ASSETS</b>			
Cash and Cash Equivalents	6.1	4,457,331	3,643,460
Receivables	5.1	993,107	528,723
Other Financial Assets	5.4	<u>5,191,318</u>	<u>7,185,768</u>
Total Financial Assets		<u>10,641,756</u>	<u>11,357,951</u>
<b>NON-FINANCIAL ASSETS</b>			
Prepayments		213,188	170,594
Inventories	5.3	570,850	595,724
Property, Plant and Equipment	4.1	48,836,870	49,499,487
Capital Works in Progress	4.1.3	<u>7,768,534</u>	<u>5,168,011</u>
Total Non-Financial Assets		<u>57,389,442</u>	<u>55,433,816</u>
<b>Total Assets</b>		<u>68,031,198</u>	<u>66,791,767</u>
<b>LIABILITIES</b>			
Payables	5.2	1,095,718	960,506
Provisions	3.1.2	1,104,978	1,135,742
Other	5.5	<u>521,424</u>	<u>485,714</u>
<b>Total Liabilities</b>		<u>2,722,120</u>	<u>2,581,962</u>
<b>Net Assets</b>		<u>65,309,078</u>	<u>64,209,805</u>
<b>EQUITY</b>			
Contributed Capital		17,361,115	17,361,115
Physical Asset Revaluation Surplus	8.2	42,276,552	42,276,552
Accumulated Gain		<u>5,671,411</u>	<u>4,572,138</u>
<b>Total Equity</b>		<u>65,309,078</u>	<u>64,209,805</u>

The Comprehensive Operating Statement should be read in conjunction with the accompanying notes.



STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 30 JUNE 2019

	Physical Asset Revaluation Surplus	Accumulated Gain / (Loss)	Contributed Capital	Total
Balance at 1st July 2017	42,276,552	3,105,621	17,361,115	62,743,288
Net Result for the Year:	-	1,466,517	-	1,466,517
Comprehensive Other Income – Asset Revaluations	-	-	-	-
Contributions by owner	-	-	-	-
Balance at 30th June 2018	42,276,552	4,572,138	17,361,115	64,209,805
Net Result for the Year	-	1,099,273	-	1,099,273
Contributions by owner	-	-	-	-
Balance at 30th June 2019	42,276,552	5,671,411	17,361,115	65,309,078

The statement of changes in equity should be read in conjunction with the accompanying notes.

CASH FLOW STATEMENT  
FOR THE YEAR ENDED 30 JUNE 2019

		2019	2018
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers		15,775,558	16,776,413
Payments to Suppliers and Employees		(14,500,829)	(13,117,960)
Goods & Services Tax Refunded (Paid) to the ATO		88,985	(129,725)
Interest Received		155,970	180,446
Grants from Commonwealth Government Bodies		550,000	-
Grants from Victorian Government Bodies		240,000	-
Capital Grants from Puffing Billy Preservation Society		314,696	81,097
Net Cash Flows from Operating Activities	6.1(b)	2,624,380	3,790,269
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for Property, Plant and Equipment		(1,228,692)	(915,178)
Payment for Capital Works in Progress		(2,600,522)	(1,356,174)
Proceeds from (Payment for) Investments		1,994,449	(166,658)
Proceeds from sale of Property, Plant and Equipment		24,256	3,494
Net Cash Used in Investing Activities		(1,810,509)	(2,434,516)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from/(Repayment of) Borrowings		-	(87,061)
Net Cash Flows from/Used in Financing Activities		-	(87,061)
Net Increase/(Decrease) in Cash and Cash Equivalents		813,871	1,268,692
Cash and Cash Equivalents at Beginning of the Year		3,643,460	2,374,768
Cash and Cash Equivalents at End of the Year	6.1 (a)	4,457,331	3,643,460

The Cash Flow Statement should be read in conjunction with the accompanying notes.



NOTES TO FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 30 JUNE 2019

1. ABOUT THIS REPORT

Basis of preparation

The annual financial statements represent the general-purpose financial statements for the Emerald Tourist Railway Board (the Board).

The accrual basis of accounting has been applied in the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

These financial statements are presented in Australian dollars, the functional and presentation currency of the Board.

In the application of AAS, judgements, estimates and assumptions are required to be made about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstance. Actual results may differ from these estimates.

The estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements made by management in the application of AASs that have significant effects on the financial statements and estimates, with a risk of material adjustments in the next year, are disclosed throughout the notes to the financial statements.

The report has been prepared in accordance with the historical cost convention. Historical cost is based on the fair values of the consideration given in exchange for assets.

Exceptions to the historical cost convention include:

- non-financial physical assets which, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value;
- the fair value of an asset other than land is generally based on its current replacement value – (refer to Note 4.1.2).
- provision for long service leave – (refer to Note 3.1.2).

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2019 and the comparative information presented for the year ended 30 June 2018.

(A) Statement of compliance

These general-purpose financial statements have been prepared in accordance with the Financial Management Act 1994 and applicable Australian Accounting Standards (AAS), which includes interpretations issued by the Australian Accounting Standards Board (AASB).

Where appropriate, those AAS paragraphs applicable to not-for-profit entities have been applied. The annual financial statements were authorised for issue by the Chairman, the interion Chief Executive Officer and the Manager, Finance and Administration of the Emerald Tourist Railway Board on 16 October 2019.

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

(B) Reporting entity

The financial statements cover the Emerald Tourist Railway Board (the Board) as an individual reporting entity. The Board is a statutory authority established under the *Emerald Tourist Railway Act 1977*.

Its principal address is:

Emerald Tourist Railway Board  
Old Monbulk Road  
Belgrave 3160

2. FUNDING THE DELIVERY OF OUR SERVICES

The Emerald Tourist Railway's overall mission is to restore and operate the Puffing Billy Railway as Australia's premier heritage steam railway, in a safe, efficient and economically sustainable manner for the ongoing education, benefit, and satisfaction of the community, customers and the Railway stakeholders, including members, staff and volunteers

To enable The Railway to fulfil its objective and provide outputs as described in Section 4, it receives revenue from fares, the sales of retail goods and services, minor grants, interest and rental income.

NOTE 2.1 – Summary of income that funds the delivery of our services

		2019	2018
Revenue from fares, shops and external contracts			
Fares		14,238,246	14,474,975
Sales – Shop		1,511,153	1,563,438
Sales – External Contracts		-	124,985
Sale of Goods and Services	2.2.1	15,749,399	16,163,398
Other income			
Grants	2.2.2	1,104,697	81,097
Interest Received		155,970	180,445
Rents Received	2.2.3	183,446	190,820
Other Income	2.2.3	134,717	65,730
		1,578,830	518,092
Total income		17,328,229	16,681,490

Income is recognised to the extent that it is probable that the economic benefits will flow to the entity and the income can be reliably measured.

Net realised and unrealised gains and losses on the revaluation of investments do not form part of income from transactions but are reported either as part of income from other economic flows in the net result or as unrealised gains and losses taken directly to equity, forming part of the total change in net worth in the comprehensive result.

Interest income is recognised using the effective interest method which allocates the interest over the relevant period.



NOTE 2.2.1 – Sale of goods and services income

	2019	2018
Fares	14,238,246	14,474,975
Sales – Shop	1,511,153	1,563,438
Sales – External Contracts	-	124,985
Total sale of goods and services	15,749,399	16,163,398

Income from the provision of services is recognised at the day of travel for fares income, immediately for shop sales, or by reference to the stage of completion of the services for revenue being performed in relation to external contracts. The income is recognised when:

- the amount of the income, stage of completion and transaction costs incurred can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to the Board. Under the stage of completion method, income is recognised by reference to labour hours supplied or to labour hours supplied as a percentage of total services to be performed in each annual reporting period.

Income from the sale of goods is recognised by the Board when:

- the significant risks and rewards of ownership of the goods have transferred to the buyer;
- the Board retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of income, and the costs incurred or to be incurred in respect of the transaction can be reliably measured; and
- It is probable that the economic benefits associated with the transaction will flow to the Board.

NOTE 2.2.2 – Grants

	2019	2018
Puffing Billy Preservation Society Grant	314,697	81,097
Grant from Federal Government Bodies	550,000	-
Grant from State Government Bodies	240,000	-
Total sale of goods and services	1,104,697	81,097

Grants from third parties (other than contribution by owners) are recognised as income in the reporting period in which the Board gains control over the underlying assets.

NOTE 2.2.3 – Other Income

	2019	2018
Rental income – Income	183,446	190,820
<b>Miscellaneous</b>		
Advertising	45,000	45,000
Commissions Received	-	1,459
Other Income	89,717	19,271
Other Income Sub-Total	134,717	65,730
Total Rental Income and Miscellaneous Income	318,163	256,550

Rental income from the leasing of property, plant and equipment is recognised on a straight-line basis over the lease term. Advertising income is derived from retail sponsorships.

The Board received a number of resources and volunteer services free of charge as part of its operations. As the value of these resources and services cannot be reliably measured, they have not been recognised as revenue.



### 3.THE COST OF DELIVERING SERVICES

This section provides an account of the expenses incurred by The Railway in delivering services and outputs. In Section 2, the funds that enable the provision of services were disclosed and in this note the cost associated with provision of services are recorded.

#### NOTE 3.1 – Expenses incurred in delivering services

	Notes	2019	2018
Employee benefit expenses	3.1.1	7,501,998	7,235,641
Supplies and Services	3.2 (b)	2,798,142	2,749,747
Finance Costs		-	3,322
Advertising and Promotion		319,102	341,131
Insurance Costs		316,287	321,450
Administration Expenses	3.3	1,656,203	1,321,253
Grants and other transfers	3.4	185,959	15,000
Electricity and Gas		183,681	137,359
Other operating expenses	3.5	<u>1,400,531</u>	<u>1,248,824</u>
Total expenses incurred in delivery of services		<u>14,361,903</u>	<u>13,373,727</u>

Expenses are recognised as they are incurred and reported in the financial year to which they relate.

#### Finance Costs

The Finance costs represent the charges paid by the Railway towards the organisations hire purchase arrangements.

#### Advertising and Promotion

The Emerald Tourist Railway Board actively markets itself as a major tourist destination of choice. It regularly advertises to attract customers and advise the community of key events.

#### Interest expense

Included in Administration costs are the Railways interest expenses. Interest expenses are recognised as expenses in the period in which they are incurred.

#### Electricity and Gas

Electricity and Gas represents the electrical and natural gas resources used throughout the Railway.

#### Grants and Donations

Grants and other transfers represent grants or donations given to local community groups by the Emerald Tourist Railway Board. The Emerald Tourist Railway Board built and donated \$170,959 to the Yarra Ranges Shire in the form of the construction of the Menzies Creek South Bus Park, while further general community grants have been dispersed were made to the local fire brigades operated by the Country Fire Authority for \$15,000.

#### Other operating expenses

Other operating expenses generally represent the day to day running costs incurred in normal operations.

#### NOTE 3.1.1 – Employee benefits in the comprehensive operating statement

	2019	2018
Defined contribution superannuation expense	808,043	707,745
Salaries and wages, annual leave and long service leave	<u>6,693,955</u>	<u>6,527,896</u>
Total employee expenses	<u>7,501,998</u>	<u>7,235,641</u>

#### Superannuation

The amount recognised in the comprehensive operating statement is the employer contributions for members of defined contribution superannuation plans that are paid or payable during the reporting period.

#### Termination

Termination benefits are payable when employment is terminated before normal retirement date, or when an employee accepts an offer of benefits in exchange for the termination of employment.

#### Employee expenses

Employee expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, termination payments and WorkCover premiums.

#### NOTE 3.1.2 – Employee benefits in the balance sheet

	2019	2018
<b>Current provisions:</b>		
<i>Annual leave</i>		
Unconditional and expected to settle within 12 months	369,787	107,460
Unconditional and expected to settle after 12 months	99,326	340,068
<i>Long service leave</i>		
Unconditional and expected to settle within 12 months	28,757	36,841
Unconditional and expected to settle after 12 months	384,978	361,635
<i>Provisions for on-costs</i>		
Unconditional and expected to settle within 12 months	75,721	26,796
Unconditional and expected to settle after 12 months	86,664	131,938
<b>Total current provisions for employee benefits</b>	<b><u>1,045,233</u></b>	<b><u>1,004,738</u></b>
<b>Non current provisions:</b>		
Employee benefits	50,813	111,416
On costs	<u>8,933</u>	<u>19,588</u>
Total non current provisions for employee benefits	<b><u>59,746</u></b>	<b><u>131,004</u></b>
<b>Total provisions for employee benefits</b>	<b><u>1,104,979</u></b>	<b><u>1,135,742</u></b>

#### Reconciliation of movement in on-cost provision

	2019	2018
<b>Opening balance</b>	200,804	107,680
Provision made throughout the year	173,954	135,864
Settlements	<u>(203,440)</u>	<u>(65,221)</u>
<b>Closing balance</b>	<b><u>171,318</u></b>	<b><u>178,323</u></b>
Current	162,385	158,735
Non current	<u>8,933</u>	<u>19,588</u>



**Employee benefits**

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

**(i) Wages and salaries, annual leave and sick leave**

Liabilities for wages and salaries, including non-monetary benefits, and annual leave which are expected to be settled within 12 months of the reporting period, are recognised in the provision for employee benefits. These liabilities are classified as current liabilities and measured at their nominal values.

Those liabilities that are not expected to be settled within 12 months are also recognised in the provision for employee benefits as current liabilities but are measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

**(ii) Long service leave**

Liability for long service leave (LSL) is recognised in the provision for employee benefits. Current liability – unconditional LSL is disclosed in the notes to the financial statements as a current liability even where the Board does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- nominal value – component that the Board expects to settle within 12 months; and
- present value – component that the Board does not expect to settle within 12 months.

Non-current liability – conditional LSL is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service.

This non-current LSL liability is measured at present value. Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an other economic flow.

**Employee benefits on-costs**

Employee benefits on-costs such as payroll tax, workers compensation and superannuation are recognised in the provision for employee benefits.

**NOTE 3.1.3 – Superannuation contributions**

	Paid contribution for the year	Paid contribution for the year
	2019	2018
<b>Defined contribution plans</b>	808,043	707,745
<b>Total</b>	<b>808,043</b>	<b>707,745</b>

**NOTE 3.2 – Supplies and services**

	2019	2018
Other supplies and services (b)		
Cost of shops sales	629,379	689,948
Coal and light up wood	349,374	347,401
Catering	426,239	433,590
Cost external contracts	193,981	20,901
Repairs, maintenance and consumables	1,199,169	1,257,907
	<u>2,798,142</u>	<u>2,749,747</u>

Supplies and services are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when the inventories are distributed.

**NOTE 3.3 – Administration**

	2019	2018
Printing and stationary	96,601	81,851
Telephone and postage	159,754	100,088
Masterplan expenses	133,879	441,605
Consultants	505,091	298,732
Information Technology	442,484	200,860
Other	318,394	198,117
	<u>1,656,203</u>	<u>1,321,253</u>

**NOTE 3.4 – Grant Expenses**

	2019	2018
General purpose grants	170,959	-
Specific purpose grants for on passing	-	-
Payments for specific purposes (CFA)	15,000	15,000
<b>Total grant expenses</b>	<b>185,959</b>	<b>15,000</b>

The Emerald Tourist Railway Board built and donated \$170,959 to the Yarra Ranges Shire in the form of the construction of the Menzies Creek South Bus Park, while further general community grants have been dispersed were made to the local fire brigades operated by the Country Fire Authority for \$15,000.

**NOTE 3.5 – Other operating expenses**

	2019	2018
Other Expenses		
Auditor's Remuneration: – Auditor General	8,500	17,100
Payroll Tax	335,316	320,445
Special Events	300,558	306,244
Train Operation Expenses	244,870	228,834
Other Operating Expenses	328,061	166,515
Rates and Levies	90,200	88,334
Training and Education	93,026	121,352
	<u>1,400,531</u>	<u>1,248,824</u>

Other operating expenses generally represent the day-to-day running costs incurred in normal operations. It also includes bad debts expense from transactions that are mutually agreed.



## 4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

The Emerald Tourist Railway Board controls infrastructure which is utilised in fulfilling its objectives and conducting its activities. They represent the resources that have been entrusted to the Railway to be utilised for delivery of those outputs.

### NOTE 4.1 – Total property, plant and equipment

	2019	2018
Non-Current:		
Land – at fair value	11,066,570	11,066,570
	<u>11,066,570</u>	<u>11,066,570</u>
Buildings, Structures and Improvements – at fair value	9,931,991	9,495,524
Accumulated Depreciation	(1,196,324)	(791,679)
	<u>8,735,667</u>	<u>8,703,845</u>
Total Land and Buildings	<u>19,802,237</u>	<u>19,770,415</u>
Locomotives and Rolling Stock – at fair value	16,904,628	16,428,919
Accumulated Depreciation	(1,990,334)	(1,325,561)
Total Locomotives and Rolling Stock	<u>14,914,294</u>	<u>15,103,357</u>
Motor Vehicles – at fair value	723,777	723,777
Accumulated Depreciation	(486,770)	(402,124)
	<u>237,007</u>	<u>321,653</u>
Office Furniture and Equipment – at fair value	377,047	371,366
Accumulated Depreciation	(317,126)	(293,868)
	<u>59,921</u>	<u>77,498</u>
Plant and Equipment – at fair value	3,937,421	3,637,686
Accumulated Depreciation	(1,465,284)	(1,189,881)
Total Plant and Equipment	<u>2,472,137</u>	<u>2,447,805</u>
Total Motor Vehicles, Plant and Equipment	<u>2,769,065</u>	<u>2,846,956</u>
Permanent Way – at fair value	12,645,963	12,634,865
Accumulated Depreciation	(1,294,689)	(856,107)
Total Permanent Way	<u>11,351,274</u>	<u>11,778,758</u>
Property, Plant and Equipment	<u>48,836,870</u>	<u>49,499,487</u>

### Description of significant unobservable inputs to Level 3 valuations

	Valuation technique	Significant unobservable inputs	Range	Sensitivity of fair value measurement to changes in significant unobservable inputs
Land	Market based direct comparison, discounted for public use zoning (community service obligation)	Community service obligation	40%	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower fair value
Buildings, Structures & Improvements	Current replacement cost	Heritage restrictions Useful life of buildings and bridges	Impact of heritage restrictions is considered but not quantified. 10 to 60 years	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower fair value
Locomotives and Rolling Stock	Current replacement cost	Heritage restrictions Remaining useful life of locomotives and rolling stock	Impact of heritage restrictions is considered but not quantified. 20 to 40 years	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower fair value
Plant & Equipment	Current replacement cost	Useful life of the Plant, equipment and Museum exhibits.	4 to 100 years	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower fair value
Permanent Way	Current replacement cost	Useful life of the railway track and earthworks	10 to 150 years	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower fair value

### Revaluation gains/(losses) of non-financial physical assets

Refer to accounting policy on Property, plant and equipment, provided in Note 4.1.3

### Impairment of assets

All other assets are assessed annually for indications of impairment, except for inventories. If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their possible recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as another economic flow, except to the extent that the write down can be debited to an asset revaluation surplus amount applicable to that class of asset.

It is deemed that, in the event of the loss of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.



NOTE 4.1.1 – Depreciation and impairment

	2019	2018
Building, Structures and Improvements	404,646	397,236
Locomotives and Rolling Stock	664,773	662,781
Motor Vehicles	84,646	66,806
Office Furniture and Equipment	23,258	40,515
Plant and Equipment	275,403	248,882
Permanent Way	438,583	428,520
	1,891,309	1,844,740

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets (excluding items under operating leases, assets held-for-sale and investment properties) that have finite useful lives are depreciated. Depreciation is generally calculated on a straight-line basis, at rates that allocate the asset’s value, less any estimated residual value, over its estimated useful life.

Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is the shorter, using the straight-line method.

The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period, and adjustments made where appropriate.

The following are typical estimated useful lives for the different asset classes for both current and prior years. Asset class useful lives are as follows:

Buildings, Structures and Improvements	10 – 60 years
Locomotives and Rolling Stock	20 – 40 years
Motor Vehicles	5 – 10 years
Office Furniture and Equipment	4 – 10 years
Plant and Equipment	5 – 40 years
Permanent Way	10 – 50 years
Museum	100 years
Under Track Earthworks	150 years

Land, earthworks, land under declared roads, and core cultural assets, which are considered to have an indefinite life, are not depreciated. Depreciation is not recognised in respect of these assets as their service potential has not, in any material sense, been consumed during the reporting period. Earthworks under the railway track are considered to have an almost indefinite life and are depreciated over 100 years.

NOTE 4.1.2 – Reconciliation of Movements in Carrying amount of property, plant and equipment

		Buildings, Structures & Land Improvements	Locomotives and Rolling Stock	Motor Vehicles Plant and Equipment	Permanent Way	Total
Fair Value Hierarchy	3	3	3	3	3	
Carrying Amount at 1st July 2017	11,025,000	8,994,761	15,717,142	2,753,420	11,938,727	50,429,051
Additions	41,570	-	-	317,528	-	359,098
Transfers from Work in Progress	-	106,320	48,996	132,210	268,552	556,078
Depreciation Expense	-	(397,236)	(662,781)	(356,203)	(428,520)	(1,844,740)
Carrying Amount at 30th June 2018	11,066,570	8,703,845	15,103,357	2,846,955	11,778,760	49,499,487
Additions						
Transfers from Work in Progress	-	437,656	296,632	483,307	11,096	1,228,692
Depreciation Expense	-	(404,646)	(664,773)	(383,307)	(438,583)	(1,891,309)
Carrying Amount at 30th June 2019	11,066,570	8,736,855	14,735,216	2,946,955	11,351,273	48,836,870

NOTE 4.1.3 – Capital Work in Progress – Fair Value Hierarchy

Capital Work in Progress – Fair Value Hierarchy	Buildings, Structures & Improvements	Locomotives and Rolling Stock	Plant and Equipment	Permanent Way	Total
Carrying Amount at 1st July 2017	536,899	3,058,229	-	216,709	3,811,837
Additions	692,018	1,168,391	-	51,844	1,912,253
Transfers to Property					
Plant and Equipment	(238,530)	(48,996)	-	(268,552)	(556,079)
Carrying Amount at 30th June 2018	990,387	4,177,624	-	-	5,168,011
Additions	2,568,628	1,251,904	-	8,683	3,829,215
Transfers to Property					
Plant and Equipment	(920,963)	(296,632)	-	(11,097)	(1,228,692)
Carrying Amount at 30th June 2019	2,638,052	5,132,896	-	(2,414)	7,768,534

Property, plant and equipment

All non-financial physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment.

All property, plant and equipment categories have been categorised into a hierarchy of three levels, which are as follows:

- Level 1 – are assets which can be purchased in an active market in which there are identical or similar assets readily available
- Level 2 – are assets in a market in which there are other like or observable assets, other than those included in Level 1, which can be quoted either directly or indirectly.
- Level 3 – are assets which are not observable against any other assets to determine a comparable cost.

Non-financial physical assets such as land and heritage assets are measured at fair value with regard to the property’s highest and best use after due consideration is made for any legal or constructive restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset. Theoretical opportunities that may be available in relation to the asset are not taken into account until it is virtually certain that the restrictions will no longer apply.

The fair value of infrastructure systems and plant, equipment and vehicles, is normally determined by reference to the asset’s current replacement cost. For plant, equipment and vehicles, existing depreciated historical cost is generally a reasonable proxy for current replacement cost because of the short lives of the assets concerned.

Restrictive nature of cultural and heritage assets

The Board holds some heritage assets and infrastructure, which are deemed worthy of preservation because of the social rather than financial benefits they provide to the community. Consequently, there are certain limitations and restrictions imposed on their use and/or disposal.

The fair value of Museum Exhibits has been measured at cost and these Exhibits are not depreciated as it is considered by the Board that these Exhibits may well be appreciating in value.

Non-financial physical assets arising from finance leases

Refer to Note 5.2.1.

Non-financial physical assets constructed by the Board

The cost of non-financial physical assets constructed by the Board includes the cost of all materials used in construction, direct labour on the project, and an appropriate proportion of variable and fixed overheads.



Revaluations of non-financial physical assets

Non-financial physical assets are measured at fair value in accordance with FRD 103F issued by the Minister for Finance. A full revaluation normally occurs every five years, based on the asset's government purpose classification, but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are used to conduct these scheduled revaluations and any interim revaluations are determined in accordance with the requirements of the FRDs.

Revaluation increases or decreases arise from differences between an asset's carrying value and fair value.

Net revaluation increases (where the carrying amount of a class of assets is increased as a result of a revaluation) are recognised in "Other economic flows – other movements in equity" and accumulated in equity under the asset revaluation surplus, except that the net revaluation increase shall be recognised in the net result to the extent that it reverses a net revaluation decrease in respect of the same class of property, plant and equipment previously recognised as an expense (other economic flows) in the net result.

Net revaluation decreases are recognised immediately as expenses (other economic flows) in the net result, except that the net revaluation decrease shall be recognised in "other economic flows – other movements in equity" to the extent that a credit balance exists in the asset revaluation surplus in respect of the same class of property, plant and equipment. The net revaluation decrease recognised in 'other economic flows – other movement in equity' reduces the amount accumulated in equity under the asset revaluation surplus.

Revaluation increases and decreases relating to individual assets within a class of property, plant and equipment, are offset against one another within that class but are not offset in respect of assets in different classes. Any asset revaluation surplus is not normally transferred to accumulated funds on de-recognition of the relevant asset.

5. OTHER ASSETS AND LIABILITIES

This section sets out those assets and liabilities that arose from The Railway's controlled operations.

NOTE 5.1 – Other receivables

	2019	2018
Current Contractual Trade Debtors	736,363	317,272
Other Receivables	30,044	33,225
	766,407	350,497
Statutory GST Receivables	226,700	178,226
	993,107	528,723

Contractual receivables are classified as financial instruments and categorised as 'financial assets at amortised costs'. They are initially recognised at fair value plus any directly attributable transaction costs. The Railway holds the contractual receivables with the objective to collect the contractual cash flows and therefore subsequently measured at amortised cost using the effective interest method, less any impairment.

Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments for disclosure purposes. The Railway applies AASB 9 for initial measurement of the statutory receivables and as a result statutory receivables are initially recognised at fair value plus any directly attributable transaction cost. Amounts recognised from the the Railway represent funding for all commitments incurred and are drawn from the Consolidated Fund as the commitments fall due.

NOTE 5.2 – Payables

	2019	2018
<b>Contractual</b>		
Trade Creditors	409,500	255,475
Sundry Creditors and Accrued Expenses	525,154	436,030
<b>Statutory</b>		
GST payable	161,002	147,215
Employee Tax Withheld	62	121,786
<b>Total payables</b>	1,095,718	960,506
<i>Represented by:</i>		
Current payables	1,095,718	960,506
Non-current payables	-	-

Payables consist of:

- contractual payables, such as accounts payable, and unearned income which is the income received but related to the service to be rendered in the future period ('income in advance'). Accounts payable represent liabilities for goods and services provided to the Board prior to the end of the financial year that are unpaid, and arise when the Board becomes obliged to make future payments in respect of the purchase of those goods and services; and
- statutory payables, such as goods and services tax and fringe benefits tax payables.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost. Statutory payables are recognised and measured similarly to contractual payables but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost because they do not arise from a contract.

Payables are initially recognised at fair value, being the cost of the goods and services, and subsequently measured at amortised cost.



NOTE 5.2.1 – Maturity analysis of contractual financial liabilities

	Carrying Amount	Nominal Amount	Maturity dates			
			Less than 1 month	1 – 3 Months	3 Months – 1 Year	1 – 5 Years
2019 Payables						
Supplies and services	409,500	409,500	409,500	-	-	-
Other payables	525,154	525,154	525,154	-	-	-
Total	934,654	934,654	934,654	-	-	-
2018 Payables						
Supplies and services	255,475	255,475	255,475	-	-	-
Other payables	436,030	436,030	436,030	-	-	-
Total	691,505	691,505	691,505	-	-	-

NOTE 5.3 – Inventories

Current:

Finished Goods held for resale, at cost
Coal, at cost
Workshop Inventories and Spare Parts, at cost

2019	2018
352,450	374,875
17,760	20,209
200,640	200,640
570,850	595,724

Inventories include goods held either for sale or for distribution at zero or nominal cost, or for consumption in the ordinary course of business operations.

Inventories held for distribution are measured at cost, adjusted for any loss of service potential. All other inventories are measured at the lower of cost and net realisable value.

Bases used in assessing loss of service potential for inventories held for distribution include current replacement cost and technical or functional obsolescence. Technical obsolescence occurs when an item still functions for some or all of the tasks it was originally acquired to do, but no longer matches existing technologies. Functional obsolescence occurs when an item no longer functions the way it did when it was first acquired.

Cost for all inventory is measured on the basis of weighted average cost. Inventories acquired for no cost or nominal considerations are measured at current replacement cost at the date of acquisition.

NOTE 5.4 – Other Non-Financial Assets

	2019	2018
Current:		
Australian dollar term deposits > 90 days	5,191,318	7,185,768

NOTE 5.5 – Other Liabilities

Current – Other Liabilities

Passenger Bookings in Advance	425,657	393,401
Rent Received in Advance	95,767	92,315
Total Other Liabilities	521,424	485,716

The Railway’s Other Liabilities relate predominantly to unearned income which is the income received but related to the service to be rendered in the future period (‘income in advance’).



## 6.HOW WE FINANCED OUR OPERATIONS

This section provides information on the sources of finance utilised by the Emerald Tourist Railway Board during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of the Board.

### NOTE 6.1 – Reconciliation of Net result for the period to cash flow from operating activities

	2019	2018
<b>(a) Commitment for Hire Purchase Payments</b>		
(a) Reconciliation of Cash and Cash Equivalents		
Cash on Hand	31,650	31,250
Cash at Bank	787,464	718,790
Cash invested at call	3,638,217	2,893,420
Balance as per cash flow statement	<u>4,457,331</u>	<u>3,643,460</u>
(b) Reconciliation of Cash Flows from Operations		
Net Result for the Year	1,099,273	1,466,517
Non-cash movements		
– Depreciation	1,891,309	1,844,740
– Loss (Profit) on Disposal of Property, Plant and Equipment	<u>(24,256)</u>	<u>(3,494)</u>
	2,966,326	3,307,763
Movements in assets and liabilities		
– Decrease/ (Increase) in Receivables	(464,384)	34,114
– Decrease/ (Increase) in Inventories	24,874	132,599
– Decrease/ (Increase) in Prepayments	(42,590)	49,460
– (Decrease)/ Increase in Payables	135,210	156,572
– (Decrease)/ Increase in Provisions	(30,764)	141,782
– (Decrease)/ Increase in Other Liabilities	<u>35,708</u>	<u>(32,022)</u>
Net Cash Flows from Operations	<u>2,624,380</u>	<u>3,790,269</u>

### NOTE 6.2 – Commitments for Expenditure

#### NOTE 6.2.1 – Total Commitments Payable - Operating

Nominal amounts 2019	Less than 1 year	1 – 5 years	5+ years	Total
Operating and lease commitments payable	43,472	-	-	-
<b>Total commitments (inclusive of GST)</b>	<b>43,472</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total commitments (exclusive of GST)</b>	<b>39,520</b>	<b>-</b>	<b>-</b>	<b>-</b>
2018	Less than 1 year	1 – 5 years	5+ years	Total years
Operating and lease commitments payable	-	-	-	-
<b>Total commitments (inclusive of GST)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Total commitments (exclusive of GST)</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

### NOTE 6.3 – Commitments for Capital

Nominal amounts	Less than 1 month	1 – 5	5+	Total
<b>2019</b>				
Discovery centre	15,064,051	9,443,500	-	24,507,551
New NBH rolling stock	2,278,231	-	-	2,278,231
Other Masterplan projects	112,401	-	-	112,401
<b>Total commitments (inclusive of GST)</b>	<b>17,454,683</b>	<b>9,443,500</b>		<b>26,898,183</b>
Less GST recoverable	(1,586,789)	(858,500)		(2,445,289)
<b>Total commitments (exclusive of GST)</b>	<b>15,867,894</b>	<b>8,585,000</b>	<b>-</b>	<b>24,452,894</b>
<b>2018</b>				
New rolling stock	1,540,000	556,041	-	2,096,041
<b>Total commitments (inclusive of GST)</b>	<b>1,540,000</b>	<b>556,041</b>	<b>-</b>	<b>2,096,041</b>
Less GST recoverable from the Australian Tax Office	(140,000)	(50,549)	-	(190,549)
<b>Total commitments (exclusive of GST)</b>	<b>1,400,000</b>	<b>505,492</b>	<b>-</b>	<b>1,905,492</b>

The Discovery centre received the backing of both the Federal and State Government during the year. The Building contract has recently been awarded, with the project expected to be complete in 2020.



7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

The Emerald Tourist Railway Board (the Board) is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for the Board related mainly to fair value determination.

From 1 July 2018, the Railway applies AASB 9 and classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms.

NOTE: 7.1 Financial instruments specific disclosures

Categories of financial assets under AASB 9

Financial assets at amortised cost

Financial assets are measured at amortised costs if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by the Railway to collect the contractual cash flows, and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

The Railway recognises the following assets in this category:

- cash and deposits;
- receivables (excluding statutory receivables); and
- term deposits.

Categories of financial assets previously under AASB 139

Loans and receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets and liabilities are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method (and for assets, less any impairment). The Railway recognises the following assets in this category:

- cash and deposits;
- receivables (excluding statutory receivables); and
- term deposits.

Categories of financial liabilities under AASB 9 and previously under AASB 139

Financial liabilities at amortised cost are initially recognised on the date they are originated. They are initially measured at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability, using the effective interest rate method. The Railway recognises the following liabilities in this category:

- payables (excluding statutory payables); and
- borrowings (including finance lease liabilities).

De-recognition of financial liabilities: A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an 'other economic flow' in the comprehensive operating statement. There were no de-recognition of financial liabilities in 2018/19 (Nil - 2017/18).

NOTE 7.1.1 – Financial Instruments: Categorisation

Categorisation of Financial Instruments

	Contractual Financial Assets at amortised cost	Contractual Financial Liabilities at amortised cost	Total
2019			
Contractual Financial Assets			
Cash and cash equivalents	4,457,331	-	4,457,331
Term Deposits	5,191,318	-	5,191,318
Receivables	-	766,407	766,407
Total Contractual Financial Assets	9,648,649	766,407	10,415,056
Contractual Financial Liabilities			
Payables	-	934,654	934,654
Total Contractual Financial Liabilities	-	934,654	934,654
2018			
Contractual Financial Assets			
Cash and cash equivalents	3,643,460	-	3,643,460
Term Deposits	7,185,768	-	7,185,768
Receivables	-	350,497	350,497
Total Contractual Financial Assets	10,829,228	350,497	11,179,725
Contractual Financial Liabilities			
Payables	-	691,505	691,505
Total Contractual Financial Liabilities	-	691,505	691,505



NOTE 7.1.2 – Net Holding Gain/(Loss) on Financial Instruments by Category

Categorisation of Financial Instruments				
	Net Holding gain/(loss)	Total Interest income/(expense)	Impairment Loss	Total
2019				
Contractual Financial Assets				
Financial Assets – loans and receivables	-	155,970	-	155,970
Total Contractual Financial Assets	-	155,970	-	155,970
2018				
Contractual Financial Assets				
Financial Assets – loans and receivables	-	180,446	-	180,446
Total Contractual Financial Assets	-	180,446	-	180,446

The net holding gains or losses disclosed above are determined as follows:

- for cash and cash equivalents, loans or receivables and available-for-sale financial assets, the net gain or loss is calculated by taking the movement in the fair value of the asset, the interest income, minus any impairment recognised in the net result;
- for financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the interest expense, plus or minus foreign exchange gains or losses arising from the revaluation of financial liabilities measured at amortised cost; and
- for financial asset and liabilities that are held for trading or designated at fair value through profit or loss, the net gain or loss is calculated by taking the movement in the fair value of the financial asset or liability.

NOTE 7.1.3 – Financial risk management objectives and policies

As a whole, the Railway's financial risk management program seeks to manage these risks and the associated volatility of its financial performance.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability above are disclosed in Note 8.3 to the financial statements.

The main purpose in holding financial instruments is to prudentially manage the Railway's financial risks within the government policy parameters.

The Railway's main financial risks include credit risk, liquidity risk, and interest rate risk. The Railway manages these financial risks in accordance with its financial risk management policy.

The Railway uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the financial risk management committee of the Railway.

NOTE 7.1.3 – Credit Quality of contractual financial assets that are neither past due nor impaired.

	Financial Institutions AA- credit rating	Other	Total
2019			
Cash and deposits	9,648,649	-	9,648,649
Receivables	-	766,407	766,407
Total contractual financial assets	9,648,649	766,407	10,415,056
2018			
Cash and deposits	10,829,228	-	10,829,228
Receivables	-	350,497	350,497
Total contractual financial assets	10,829,228	350,497	11,179,725

Financial instruments: Credit risk

Credit risk refers to the possibility that a borrower will default on its financial obligations as and when they fall due. The Railway's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the Railway. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the Railway's contractual financial assets is minimal because the majority of sales are cash or prepaid fares. Credit sales represent an approximate range of 20% to 30% of total revenue. Variation in the range is due to monthly seasonal factors.

In addition, the Railway does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest, except for cash and deposits, which are mainly cash at bank.

Provision of impairment for contractual financial assets is recognised when there is objective evidence that the Railway will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debts that are more than 90 days overdue, and changes in debtor credit ratings.

Except as otherwise detailed in the following table, the carrying amount of contractual financial assets recorded in the financial statements, net of any allowances for losses, represents the Railway's maximum exposure to credit risk without taking account of the value of any collateral obtained.

There has been no material change to the Railway's credit risk profile in 2018-19.

Impairment of financial assets under AASB 9 – applicable from 1 July 2018

From 1 July 2018, the Railway has been recording the allowance for expected credit loss for the relevant financial instruments, replacing AASB 139's incurred loss approach with AASB 9's Expected Credit Loss approach. Subject to AASB 9 impairment assessment include the Railway's contractual receivables and statutory receivables.

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

Contractual receivables at amortised cost

The Railway applied the AASB 9 simplified approach for all contractual receivables to measure expected credit losses using a lifetime expected loss allowance based on the assumptions about risk of default and expected loss rates. The Railway has grouped contractual receivables on shared credit risk characteristics and days past due and determined the expected credit loss rate based on the Railway's historical observed loss rates, which are adjusted to reflect existing market conditions and forward-looking estimates at the financial year end.

On this basis, the Railway determines the opening loss allowance on initial application date of AASB 9 and the closing allowance at the end of the financial year as follows:



	Current	Less than 1 month	1-3 months	> 3 months	Total
<b>30 June 2019</b>					
<b>Contractual receivables</b>					
Expected loss rate	0.0%	0.0%	0.0%	0.0%	
Gross carrying amount of contractual receivables	533,977	154,445	46,501	1,440	736,363
Loss allowance	-	-	-	-	-

	Current	Less than 1 month	1-3 months	> 3 months	Total
<b>30 June 2018</b>					
<b>Contractual receivables</b>					
Expected loss rate	0.0%	0.0%	9.2%	0.0%	
Gross carrying amount of contractual receivables	213,774	87,119	16,379	-	317,272
Loss allowance	-	-	1,500	-	1,500

A reconciliation of the movement in the loss allowance for contractual receivables is as follows:

	2019	2018
<b>Balance at the beginning of the year</b>	-	(1,500)
Adjustment to opening retained earnings on adoption of AASB 9	-	-
<b>Opening loss allowance</b>	-	(1,500)
Increase in the allowance recognised in the net result	-	-
Reversal of allowance for receivables written off during the year as uncollectible	-	1,500
<b>Balance at the end of the year</b>	-	-

Credit loss allowance is classified as other economic flows in the net result. Contractual financial assets are written off against the carrying amount when there is no reasonable expectation of recovery. Bad debt is written off by mutual consent and is classified as a transaction expense. Subsequent recoveries of amounts previously written off are credited against the same line item.

In prior years, an allowance for impairment of contractual financial assets was recognised when there was objective evidence that the Group would not be able to collect a receivable. Bad debts were considered as written off by mutual consent.

#### Financial instruments: Credit risk

Credit risk refers to the possibility that a borrower will default on its financial obligations as and when they fall due. The Railway's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the Railway. Credit risk is measured at fair value and is monitored on a regular basis.

In addition, the Railway does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest, except for cash and deposits, which are mainly cash at bank. As with the policy for debtors, the Railway's policy is to only deal with banks with high credit ratings.

Contract financial assets are written off against the carrying amount when there is no reasonable expectation of recovery. Bad debt written off by mutual consent is classified as a transaction expense. Bad debt written off following a unilateral decision is recognised as other economic flows in the net result.

Except as otherwise detailed in the following table, the carrying amount of contractual financial assets recorded in the financial statements, net of any allowances for losses, represents the Railway's maximum exposure to credit risk without taking account of the value of any collateral obtained.

There has been no material change to the Railway's credit risk profile in 2018-19.

#### NOTE 7.1.5 – Credit quality of financial assets

	Financial Institutions (triple-AA-credit rating)	Other (min triple-B credit rating)	Total
<b>2019</b>			
<b>Financial assets</b>			
<b>Financial assets with loss allowance measured at 12-month expected credit loss</b>			
Cash and deposits	9,648,649	-	9,648,649
Contractual receivables	-	736,363	736,363
Other receivables	-	30,044	30,044
<b>Total financial assets</b>	<b>9,648,649</b>	<b>766,407</b>	<b>10,415,056</b>

#### Credit quality of contractual financial assets that are neither past due nor impaired

Financial	Institutions (triple-AA-credit rating)	Other (min triple-B credit rating)	Total
<b>2018</b>			
<b>Financial assets</b>			
Cash and deposits	10,829,228	-	10,829,228
Contractual receivables	-	317,272	317,272
Other receivables	-	33,225	33,225
<b>Total financial assets</b>	<b>10,829,228</b>	<b>350,497</b>	<b>11,179,725</b>

#### Cash and deposits

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits at call and those highly liquid investments with an ideal original maturity of three months or less in the majority of cases, which are held for the purpose of meeting short term cash commitments rather than for investment purposes, and which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

For cash flow statement presentation purposes, cash and cash equivalents includes bank overdrafts, which are included as borrowings on the balance sheet.

#### Investments and other financial assets

Investments are classified in the following categories:

- financial assets at fair value through profit or loss,
- loans and receivables, and
- available-for-sale financial assets.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition. Any interest earned on the financial asset is recognised in the comprehensive operating statement as a transaction.

#### Financial instruments: Liquidity risk

Liquidity risk arises from being unable to meet financial obligations as they fall due. The Railway operates fair payments policy of settling financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution.

The Railway is exposed to liquidity risk mainly through the financial liabilities as disclosed in the face of the balance sheet and the amounts related to financial guarantees. The Railway manages its liquidity risk by:

- close monitoring of its short-term and long-term borrowings by senior management, including monthly reviews on current and future borrowing levels and requirements;
  - maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligations;
  - holding investments and other contractual financial assets that are readily tradeable in the financial markets;
  - careful maturity planning of its financial obligations based on forecasts of future cash flows; and
  - Banking with only financial institutions a high and stable credit rating (Moody's Investor Services and Standard & Poor's double A-).
- The Railway's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. Cash for unexpected events is generally sourced from liquidation of available-for-sale financial investments.



NOTE 7.1.6 – Interest Rate Exposure of Financial Instrument

		Interest Rate Exposure			
	Weighted Average Effective Interest %	Carrying Amount	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
2019					
Financial Assets					
Cash and cash equivalent	0.50	4,457,331	2,136,080	1,502,137	819,114
Term Deposits	2.14	5,191,318	5,191,318	-	-
Receivables					
– Sale of goods and services		736,363	-	-	736,363
– Other receivables		30,044	-	-	30,044
Total Financial Assets		8,912,919	7,327,398	1,502,137	1,585,521
Financial Liability					
Payables					
– Supplies and services		409,500	-	-	409,500
– Other payables		525,154			525,154
Total Financial Liabilities		934,654	-	-	934,654

	Weighted Average Effective Interest %	Interest Rate Exposure			
		Carrying Amount	Fixed Interest Rate	Variable Interest Rate	Non Interest Bearing
2018					
Financial Assets					
Cash and cash equivalent	0.51	3,643,460	-	2,893,420	750,040
Term Deposits	2.10	7,185,768	7,185,768	-	-
Receivables					
– Sale of goods and services		317,272			317,272
– Other receivables		33,225			33,225
Total Financial Assets		11,179,725	7,185,768	2,893,420	1,100,537
Financial Liability					
Payables					
– Supplies and services		255,475	-	-	255,475
– Other payables		436,030			436,030
Total Financial Liabilities		691,505	-	-	691,505

Financial instruments: Market risk

The Railway’s exposures to market risk are primarily through interest rate risk. Foreign currency risk and equity price risk are less prevalent. Objectives, policies and processes used to manage each of these risks are disclosed below.

Sensitivity disclosure analysis and assumptions

The Railway’s sensitivity to market risk is determined based on the observed range of actual historical data for the preceding five-year period, with all variables other than the primary risk variable held constant. The Railway’s fund management cannot be expected to predict movements in market rates and prices. Sensitivity analyses shown are for illustrative purposes only.

The following movements are ‘reasonably possible’ over the next 12 months:

- a movement of 100 (i.e. 1%) basis points up and down (100 basis points up and down) in market interest rates (AUD);

Interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. The Railway does not hold any interest-bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Railway has minimal exposure to cash flow interest rate risks through cash and deposits, term deposits and bank overdrafts that are at floating rate.

The Railway manages this risk by mainly undertaking fixed rate or non-interest-bearing financial instruments with relatively even maturity profiles, with only insignificant amounts of financial instruments at floating rate. Management has concluded for cash at bank and bank overdraft, as financial assets that can be left at floating rate without necessarily exposing the Railway to significant bad risk, management monitors movement in interest rates on a daily basis.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates and the Railway’s sensitivity to interest rate risk are set out in the table that follows.

NOTE 7.1.5 – Interest Rate Risk Sensitivity

			Interest Rate Risk			
	Carrying Amount	Profit	-1%	Equity	Profit	+1% Equity
2019						
Financial Assets						
Cash and cash equivalent	4,457,331	(44,573)		-	44,573	-
Term Deposits	5,191,318	(51,913)		-	51,913	-
Receivables	766,407	-		-	-	-
Contractual Financial Liabilities						
Trade and other payables	934,654	-		-	-	-
		(96,486)		-	96,486	-
2018						
			Interest Rate Risk			
Financial Assets						
			-1%		+1%	
Cash and cash equivalent	3,643,460	(36,435)		-	36,435	-
Term Deposits	7,185,768	(71,858)		-	71,858	-
Receivables	350,497	-		-	-	-
Contractual Financial Liabilities						
Trade and other payables	691,505	-		-	-	-
		(108,292)		-	108,292	-



## NOTE 7.2 – Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

The Board is aware of the potential adverse outcomes resulting from the recent Ombudsman's report into "Investigation into child sex offender Robert Whitehead's involvement with Puffing Billy and other railway bodies". The quantum at this stage is continues to remain unknown, and therefore the contingent liability is non-quantifiable.

There were no contingent assets to declare as at 30 June 2019.

## NOTE 7.3 – Fair value determination

### Fair Value

The fair values and net fair values of financial instrument assets and liabilities are determined as follows:

- Level 1 – the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;
- Level 2 – the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3 – the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

The Board considers that the carrying amounts of financial instrument assets and liabilities recorded in the financial statements to be fair approximation of their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full. The Board has no financial assets measured at fair value.

The following table shows that the fair value of all of the contractual financial assets and liabilities are the same as the carrying amounts.

### NOTE 7.3.1 – Fair Value Determination

	Level	2019		2018	
		Carrying Amount	Fair Value	Carrying Amount	Fair Value
Contractual Financial Assets					
Cash and cash equivalent	3	4,457,331	4,457,331	3,643,460	3,643,460
Term Deposits	3	5,191,318	5,191,318	7,185,768	7,185,768
Receivables	3	766,407	766,407	350,497	350,497
Total Contractual Financial Assets		10,415,056	10,415,056	11,779,725	11,779,725
Contractual Financial Liabilities					
Trade and other payables	3	934,654	934,654	691,505	691,505
Total Contractual Financial Liabilities		934,654	934,654	652,622	652,622

## 8. OTHER DISCLOSURES

This section includes additional material disclosures required by accounting standards or otherwise, for the understanding of this financial report.

### NOTE: 8.1 – Accounting for the Goods and Services Tax (GST)

Income, 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 or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

### NOTE: 8.2 – Reserves

	2019	2018
<b>Physical asset revaluation surplus</b>		
Balance at beginning of financial year	42,276,552	42,276,552
Revaluation increments/(decrements)	-	-
Impairment losses	-	-
<b>Balance at end of financial year</b>	<b>42,276,552</b>	<b>42,276,552</b>

### Contributions by owners

Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners.

Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners.

### NOTE: 8.3 – Responsible Person

Responsible persons during the year ended 30 June 2019 were:

Responsible Minister: Hon. Martin Pakula MP, Minister for Tourism, Sport and Major Events from 29th of November 2018 to the 30th of June 2019. The Hon. Martin Pakula replaced the the Hon. John Eren, who was the Minister for Tourism, Sport and Veterans prior to the 29th of November 2019.

Accountable Officer: S. O'Brien	3 October 2018 to 30 June 2019
Accountable Officer: Jonathan Clancy	1 July 2018 to 3 October 2018

Members of the Board at 30 of June 2019:

T. North QC 23rd of June 2018 to 30 June 2019  
C. Rose AM 23rd of June 2018 to 30 June 2019  
J. Pinder 25th of June 2019 to 30 June 2019  
P Lappin 23rd of June 2018 to 30 June 2019  
R Clifton 23rd of June 2018 to 30 June 2019  
J Heazlewood 23rd of June 2018 to 30 June 2019  
J Maddigan 23rd of June 2018 to 30 June 2019

Remuneration was paid to the four non Government Board Members during 2018/2019. Three of these members received a remuneration of \$20,000 for their services, while the remaining Director received \$40,000. The three Government representatives on the Board received no remuneration for their services.

Remuneration received or receivable by the Accountable Officer in connection with the management of the Railway during the reporting period was in the range: \$350,000 – \$359,999 (\$290,000 – \$299,999 in 2017/18). 2019 includes two interim CEO 's remuneration.



NOTE: 8.4 – Remuneration of executives

Remuneration paid to Executive Officers and the Accountable Officer is as follows:

Total Remuneration Base Remuneration

Compensation of Executives

Short-term employee benefits(a)

Post-employment benefits

Other long-term benefits

Total

Total Number of Executives

Total Annualised Employee Equivalents

	2019	2018
Short-term employee benefits(a)	1,260,581	1,440,549
Post-employment benefits	110,412	136,852
Other long-term benefits	178,004	136,442
Total	1,548,997	1,713,843
Total Number of Executives	9	10
Total Annualised Employee Equivalents	10	9

NOTE: 8.5 – Related parties

Four of the seven Members of the Board employees or Directors of other related Government Agencies. All the Directors where appointed by the Minister using emergency executive processes in June last year. The Directors where selected for their specialised skills to assist in stabilising the organisation and to ensure the objectives of the Ombudsman's recommendations are met.

The 50% Puffing Billy Preservation Society (PBPS) Executive contribution to the Board as outlined under the *Emerald Tourist Railway Board Act (1977)* were replaced by government appointed board members by the Government in Council. As a result there is no PBPS executive related party connections with the Board in 2019.

The Puffing Billy Preservation Society still maintain close ties with the Emerald Tourist Railway Board, however, other than the transactions of the Society disclosed elsewhere in this report, there were no other related party transactions.

Members of The Puffing Billy Preservation Society continue provide a limited range services to the Board and other segments of the railway.

Additionally, Puffing Billy Preservation Society has provided grants totalling \$314,697 (2018: \$81,097) towards capital works in progress, as disclosed in Note 2. The Board has purchased books and DVD's to the value of \$1,143 (2018: \$4,654) from the Society for sale in its station kiosks.

The compensation details below excludes the salaries and benefits the portfolio Minister receives. The Ministers remuneration and allowance's is set by the *Parliamentary Salaries and Superannuation Act 1968*, and is reported within the Department of Parliamentary Service's Financial report.

Period	Key Management Personnel	Position title
3 Oct 2019 to 30 June 2019	S. O'Brien	Interim Chief Executive Officer & Accountable Officer
1 July 2018 to 2 Oct 2019	J. Clancy	Interim Chief Executive Officer & Accountable Officer
1 July 2018 to 30 June 2019	M. Jouvelet	Finance & Administration Manager and Chief Financial Officer
1 July 2018 to 30 June 2019	P. Essig	Engineering Manager

Compensation of KMPs

Short-term employee benefits

Post-employment benefits

Other long-term benefits

Total

	2019	2018
Short-term employee benefits	679,436	535,472
Post-employment benefits	46,559	50,870
Other long-term benefits	47,867	62,913
Total	773,862	649,255

NOTE: 8.6 – Remuneration of the auditors

	2019	2018
Victorian Auditor General's Office		
Audit of the financial statements	8,500	17,100
Total remuneration of auditors	8,500	17,000

NOTE 8.7 – Ex-gratia expenses

No form of Ex-gratia payment or debt forgiveness or waiver was made by the Railway during the financial year 2018/2019.

NOTE: 8.8 – Subsequent events

Adjustments are made to amounts recognised in the financial statements for events which occur after the reporting period and before the date the financial statements are authorised for issue, where those events provide information about conditions which existed in the reporting period.

Other than the items disclosed in Note 7.2 in relation to the findings and adverse outcomes of the recent Ombudsman's report into the "Investigation into child sex offender Robert Whitehead's involvement with Puffing Billy and other railway bodies", the Emerald Tourist Railway Board has no further subsequent events to report for 2018/19.

NOTE 8.9 – Change in accounting policies

The Railway has elected to apply the limited exemption in AASB 9 paragraph 7.2.15 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. As a result:

(a) any adjustments to carrying amounts of financial assets or liabilities are recognised at beginning of the current reporting period with difference recognised in opening retained earnings; and

(b) financial assets and provision for impairment have not been reclassified and/or restated in the comparative period.

This note explains the impact of the adoption of AASB 9 Financial Instruments on the Railway's financial statements.

NOTE 8.10 – Changes to classification and measurement

On initial application of AASB 9 on 1 July 2018, the Railway's management has assessed for all financial assets based on the Railway's business models for managing the assets. The following are the changes in the classification of the Railway's financial assets:

(a) Term deposits previously classified as held to maturity under AASB 139 are now reclassified as financial assts at amortised cost under AASB 9. There was no difference between the previous carrying amount and the revised carrying amount at 1 July 2018 to be recognised in opening retained earnings.

(b) Contractual receivables previously classified as other loans and receivables under AASB 139 are now reclassified as financial assets at amortised cost under AASB 9.

The accounting for financial liabilities remains largely the same as it was under AASB 139, except for the treatment of gains or losses arising from the Railway's own credit risk relating to liabilities designated at fair value through net result. Such movements are presented in other comprehensive income with no subsequent recycle through profit or loss.



The following table summarises the required and elected reclassification upon adoption of AASB 9. The main effects resulting from the reclassification are as follows:

		AASB 139 Measurement Categories	AASB 9 Measurement Categories
As at 30 June 2018	Notes	Loan and Receivables	Amortised cost
<b>AASB 139 Measurement Categories</b>			
Cash and Cash Equivalents	8.10 (a)	3,643,460	3,643,460
Receivables	8.10(b)	528,723	528,723
Other Financial Assets – Term Deposits	8.10(a)	7,185,768	7,185,768
<b>As at 1 July 2018</b>		<b>11,357,951</b>	<b>11,357,951</b>

NOTE 8.11 – Changes to the impairment of financial assets

Under AASB 9, all loans and receivables not carried at fair value through net result are subject to AASB 9's new expected credit loss (ECL) impairment model, which replaces AASB 139's incurred loss approach.

For other loans and receivables, the Railway applies the AASB 9 simplified approach to measure expected credit losses based on the change in the ECLs over the life of the asset.

Applying the ECL model does not result in recognition of additional loss allowance (previous loss allowance was nil). No further increase in allowance in the current financial year.

NOTE 8.12 – Transition impact

There was no financial impact from the first-time adoption of AASB 9 on the Consolidated Comprehensive Operating Statement and Consolidated Balance Sheet as at 1 July 2018.

NOTE: 8.13 – Australian Accounting Standards issued that are not yet effective

Certain new AASs have been published that are not mandatory for the 30 June 2019 reporting period. The Railway assesses the impact of these new standards and advises the Board of their applicability and early adoption where applicable.

As at 30 June 2019, the following standards and interpretations that are applicable to the Board had been issued but are not mandatory for the financial year ended 30 June 2019. Standards and interpretations that are not applicable to the Board have been omitted. The Board has not early adopted these standards. No significant impact on the financial statements is expected from the following standards:

Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on the ETRB's financial statements
AASB 15 Revenue from Contracts with Customers	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 January 2019	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications.  Revenue that was deferred and amortised over a period may now need to be recognised immediately as a transitional adjustment against the opening returned earnings if there are no former performance obligations outstanding.  This is expected to have little impact on the Emerald Tourist Railway Board. Fares are recognised on the day of travel. Retail activity is recognised on the physical day of an item is sold.
Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on the ETRB's financial statements
AASB 16 Leases	The key changes introduced by AASB 16 include the recognition of most operating leases (which are current not recognised) on balance sheet.	1 January 2019	The assessment has indicated that as most operating leases will come onto the balance sheet, recognition of lease assets and lease liabilities will cause net debt to increase.  Depreciation of lease assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus.  The amounts of cash paid for the principal portion of the lease liability will be presented within financing activities and the amounts paid for the interest portion will be presented within operating activities in the cash flow statement.  This is expected to have little impact on the Emerald Tourist Railway Board, due to the last lease liability finishing in 2017. No new Financial leases have been entered into over the years 2018 or 2019.
Standard / Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on the ETRB's financial statements
AASB 1058 Income of Not-for-Profit Entities	The key AASB 1058 change applies when the Railway receives volunteer services or enters into other transactions where the consideration to acquire an asset is significantly less than the fair value of the asset principally to enable the entity to further its objectives.	1 January 2019	The impact of the value of volunteer services for 2018/19 would have been \$6,523,000 if adopted. The impact to income and expenditure would be significant, however these entries would offset and not impact the total profitability of the organisation.

NOTE: 8.14 – Style conventions

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

Tables throughout the report, unless otherwise stated, are in Australian dollars.

The notation used in the tables is as follows:

- zero, or rounded to zero
- (xxx.x) negative numbers
- 200x year period
- 200x 0x year period

The financial statements and notes are presented based on the illustration for a government department in the 2018 19 Model Report for Victorian Government Departments. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of the Railway's annual reports, but have been re-arranged to reflect the Victorian Department of Treasury and Finance's new reporting format.

APPENDICES





## DISCLOSURE INDEX

The annual report of the Railway is prepared in accordance with all relevant Victorian legislations and pronouncements. This index has been prepared to facilitate identification of the Railway's compliance with statutory disclosure requirements.

<i>Legislation</i>	<i>Requirement</i>	<i>Page reference</i>
<i>Ministerial Directions &amp; Financial Reporting Directions</i>		
<i>Report of operations</i>		
<b>Charter and purpose</b>		
FRD 22H	Manner of establishment and the relevant Ministers	Page 3, 40, 68
FRD 22H	Purpose, functions, powers and duties	Page 14, 28
FRD 8D	Departmental objectives, indicators and outputs	Page 14–15, 28
FRD 22H	Key initiatives and projects	Page 14–16
FRD 22H	Nature and range of services provided	Page 14–26
<b>Management and structure</b>		
FRD 22H	Organisational structure	Page 31
<b>Financial and other information</b>		
FRD 8D	Performance against output performance measures	Page 14–26
FRD 10A	Disclosure index	Page 74
FRD 12B	Disclosure of major contracts	Page 28
FRD 15D	Executive officer disclosures	Page 67–69
FRD 22H	Occupational health and safety policy	Page 17
FRD 22H	Summary of the financial results for the year	Page 15
FRD 22H	Significant changes in financial position during the year	Page 36, 66, 67
FRD 22H	Major changes or factors affecting performance	Page 14–16
FRD 22H	Subsequent events	Page 69
FRD 22H	Application and operation of <i>Freedom of Information Act 1982</i>	Page 28
FRD 22H	Details of consultancies over \$100 000	Page 28
FRD 22H	Details of consultancies under \$100 000	Page 28
FRD 22H	Disclosure of ICT expenditure	Page 28
FRD 22H	Statement of availability of other information	Page 28
FRD 24C	Reporting of office based environmental impacts	Page 26
FRD 29B	Workforce Data disclosures	Page 16
<b>Compliance attestation and declaration</b>		
SD 3.7.1	Attestation for compliance with Ministerial Standing Direction	Page 30
SD 5.2.3	Declaration in report of operations	Page 30
<i>Financial statements</i>		
<b>Declaration</b>		
SD 5.2.2	Declaration in financial statements	Page 35

### Other requirements under Standing Directions 5.2

<i>Legislation</i>	<i>Requirement</i>	<i>Page reference</i>
<i>Ministerial Directions &amp; Financial Reporting Directions</i>		
SD 5.2.1(a)	Compliance with Australian accounting standards and other authoritative pronouncements	Page 40
SD 5.2.1(a)	Compliance with Ministerial Directions	Page 28
SD 5.2.1(b)	Compliance with Model Financial Report	Page 40
<b>Other disclosures as required by FRDs in notes to the financial statements</b>		
FRD 11A	Disclosure of Ex gratia Expenses	Page 69
FRD 21C	Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report	Page 67–68
FRD 102	Inventories	Page 54
FRD 103F	Non Financial Physical Assets	Page 53-54, 59
FRD 110A	Cash Flow Statements	Page 39
FRD 112D	Defined Benefit Superannuation Obligations	Page 46

Note:

(a) References to FRDs have been removed from the Disclosure Index if the specific FRDs do not contain requirements that are of the nature of disclosure.

<i>Legislation</i>	
<i>Freedom of Information Act 1982</i>	Page 28
<i>Audit Act 1994</i>	Page 12
<i>Building Act 1993</i>	N/A
<i>Protected Disclosure Act 2012</i>	Page 27
<i>Carers Recognition Act 2012</i>	N/A
<i>Victorian Industry Participation Policy Act 2003</i>	N/A
<i>Financial Management Act 1994</i>	Page 14, 28, 32–33, 35, 40

Puffing Billy Railway  
1 Old Monbulk Road  
P.O. Box 451  
Belgrave, VIC 3160

Phone: + 61 3 9757 0700  
Fax: + 61 3 9757 0705  
Email: [info@pbr.org.au](mailto:info@pbr.org.au)  
[www.puffingbilly.com.au](http://www.puffingbilly.com.au)



**EMERALD TOURIST  
RAILWAY BOARD**



Photo: Derek Schlennstedt