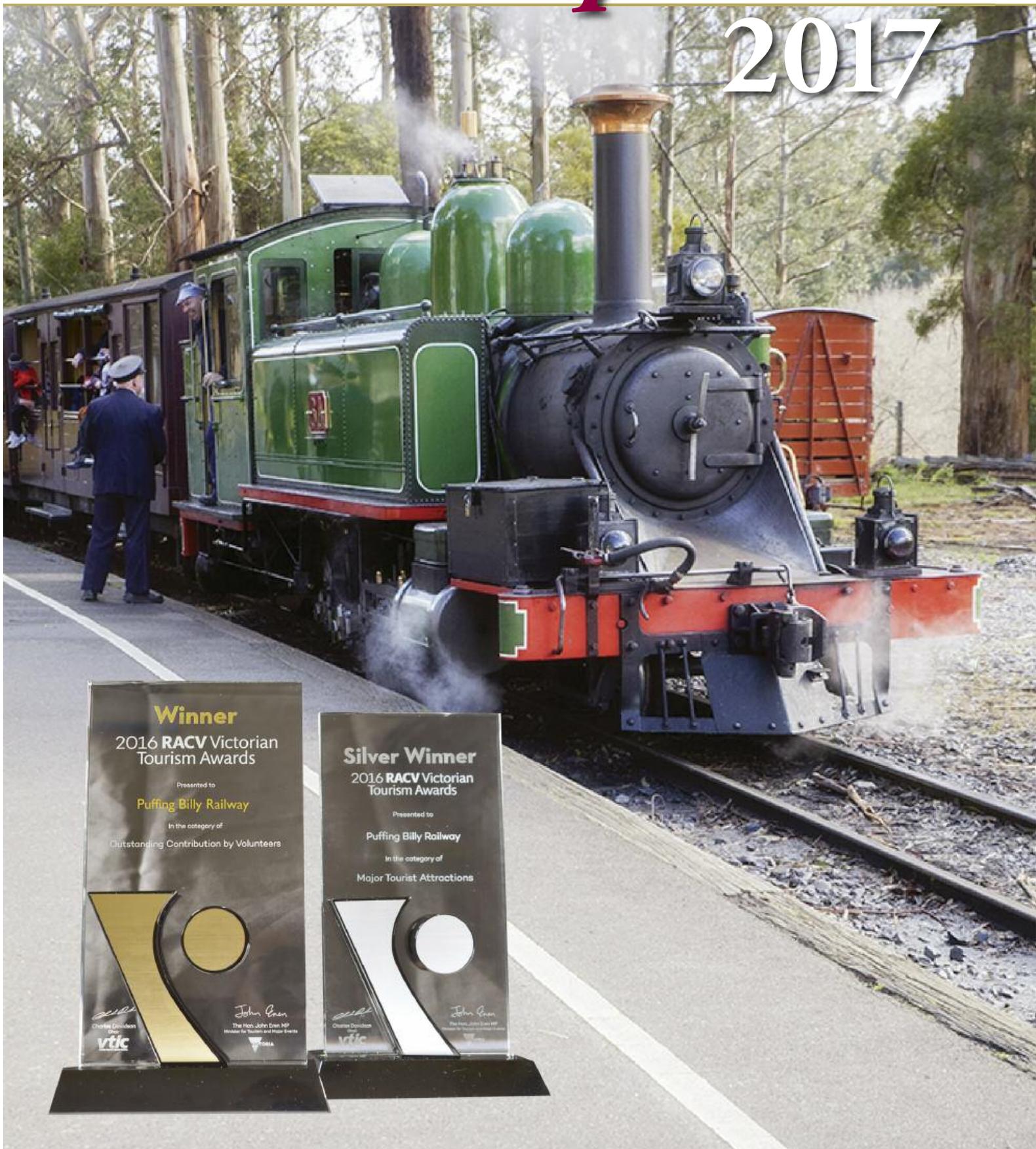




EMERALD TOURIST RAILWAY BOARD

annual report

2017



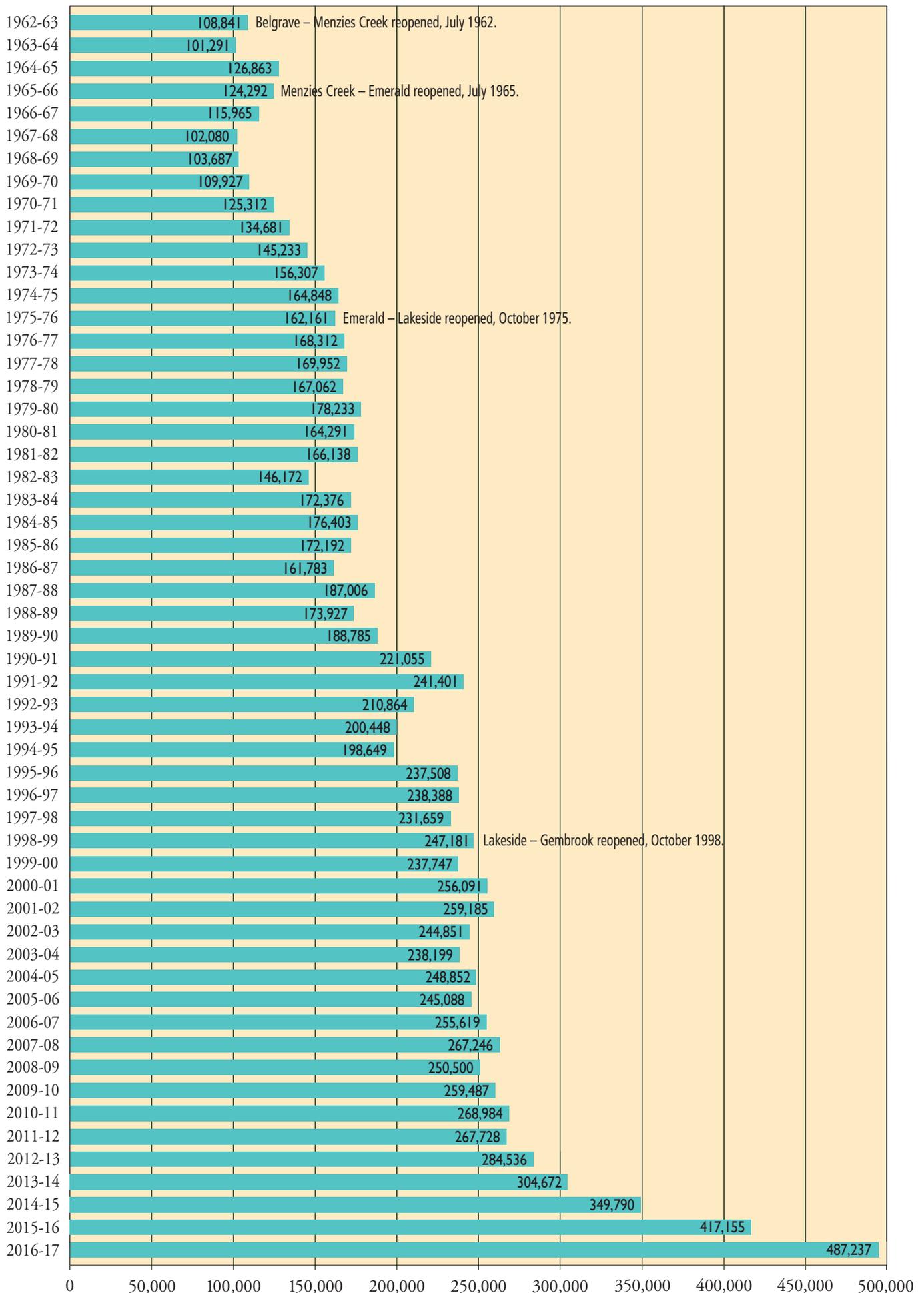
Winner
2016 RACV Victorian
Tourism Awards
Presented to
Puffing Billy Railway
In the category of
Outstanding Contribution by Volunteers



Silver Winner
2016 RACV Victorian
Tourism Awards
Presented to
Puffing Billy Railway
In the category of
Major Tourist Attractions



PUFFING BILLY RAILWAY ANNUAL PATRONAGE 1962–2017





what is

PUFFING BILLY?

Puffing Billy is Australia's foremost operating steam railway, and one of the largest steam and heritage railways in the world. Its history spans a period of 117 years. Remarkably, for more than half that span, it has operated as a volunteer-based not-for-profit body. It operates up to seven trains a day, every day except Christmas Day and it has carried over 487,000 patrons in the 2016/2017 financial year, again an all-time record.

The narrow gauge line between Belgrave and Gembrook 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", from 1900 to 1930, seriously and its guiding philosophy has held it in good stead.

The 2'6" gauge line to Gembrook opened in 1900, initially to carry produce, livestock and timber to Upper 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.

This year, the Railway has been focusing on building for the future. With the unprecedented public interest in the Puffing Billy Railway, the Emerald Tourist Railway Board has formulated a Master Plan strategy to deal with the medium to long term growth along the entire Railway corridor.

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 masterstroke, so critical to maintaining the support base, was to interlock this Board with the Puffing Billy Preservation Society. The Board is responsible for corporate governance and management of the business whilst the Society provides financial support and people power as well as a significant proportion of the Railway's knowledge base.

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



board & management

MEMBERS OF THE BOARD

Chairman

Robert Cochrane was appointed Chairman in October 2016 having previously been Deputy Chairman. He is a former teacher and education manager, with a wide range of experience in both Victoria and the Northern Territory. He holds degrees in both Arts and Education. He is a very active volunteer at Puffing Billy, regularly performing a varied range of operational roles.

Deputy Chairman

Ray Leivers has a degree in agricultural science, was a Director of Catchment & Land Management, and was General Manager at Phillip Island Nature Park and Falls Creek Alpine Resort before becoming CEO at Emerald Tourist Railway Board from 2002 to 2006. He was the Chairman from December 2008 to October 2016.

Other Members

Russell Bowen was appointed to the Board in January 2017. He was Finance Manager of Emerald Tourist Railway Board from 2001 to 2016 and is a regular volunteer at the Railway. He is currently the Compliance and Strategy Manager focusing on future growth opportunities for the Railway.

John Brady is a Chartered Professional Engineer owning and managing a business that provides mechanical and engineering consulting services to industry. John is a Fellow of the Institution of Engineers (retired), Australia. He has been an active volunteer at Puffing Billy for many years, and is on the Project Governance Committee.

Jean Clowes is Vice President of Puffing Billy Preservation Society and has been involved with Puffing Billy for over twenty-five years, as a volunteer, and as an employee for the last eighteen years. Currently she is the Passenger Services Manager, responsible for managing volunteer station masters, conductors, and booking office staff, as well as customer service and cleaning staff.

David Eaton is President of the Upwey/Belgrave RSL, a member of the Dandenong Ranges Gardens Advisory Committee, a life member of Victorian Tourism Industry Council and a mentor for Victorian Tourism Awards. Previously he was Marketing Manager of Puffing Billy Railway from 1989 to 2009, and was also Chairman of the Victorian Tourism Operators Association.

Adrian Ponton has worked in the rail industry for over 40 years and brings broad experience in rail operations, logistics, project management and rail safety accreditation. He is a Member of the Institute of Railway Signalling Engineers and Australian Institute of Company Directors. He has also been a volunteer at Puffing Billy.

Jacquie Prentice was appointed to the Board in December 2015. Jacquie has a Bachelor of Business Hospitality Management, Graduate Diploma of Business Hospitality Management and Advanced Management Program from Business School. With more than 20 years' experience in hotel management, she is recognised throughout the industry for her flair in project and facility management. Jacquie has been a past Vice President and National Board Member of Hotel, Motel and Accommodation Association of Victoria (Australia) (HMAAV). She continues to remain active outside of Puffing Billy, being the owner of Float Projects, as well as representing Tourism Victoria as an Awards judge.



Members of the Board as at 30 June 2017 were:

Chairman	R.S. Cochrane* BA, B. Ed., TTC.
Deputy Chairman	R.L. Leivers Dip. Ag.Sci., B. Ag. Sci (Hons).
Members	R.D. Bowen#* CA, CPA (Canada).
	J.R. Brady* FIE Aust CPEng. (retired)
	J.L. Clowes#*
	D.L. Eaton
	A.J. Ponton#
	J. Prentice

Secretary to the Board: D.G. Parbery B.Sc. Agr. (Syd.), M. Agr. Sc. (Qld.), Ph.D. (Melb.)

= Reappointment pending on the 30th of June. Officially approved/reappointed on 22 August 2017.

* = nominated by the Puffing Billy Preservation Society (PBPS).

Retired Board members during 2016/17 year:

R.W Kingham* RFD, FCSA, FCPA, FCIS

All Board Members, and the Secretary, serve in an honorary capacity.

COMMITTEES AND OFFICERS OF THE BOARD

The Audit and Remuneration Committee, as at 30 June 2017 comprised the following:

Chairman	D.L. Eaton
Members	R.S. Cochrane, R.D. Bowen, A.J. Ponton

The Rail Safety Management Systems Committee

Membership and Officers are the same as the Board as at 30 June 2017

The Heritage Advisory Committee, as at 30 June 2017 comprised the following:

Chairman	A.D. Rayment.
Members	M. Bracher, R.S. Cochrane, P. Rayment, B. Saunders, R. Smith, G. Tasker, J.E. Thompson

Senior Managers Group as at 30 June 2017

Chief Executive Officer	J.A. Robinson* FCA
General Manager, Operations	N.M. Hutchins*
Manager, Compliance & Strategy	R.D. Bowen* CA, CPA (Canada)
Manager, Finance & Administration	M. Jouvelet * CPA
Manager, Infrastructure Projects	A.B. Butler*
Manager, Engineering	P. Essig*
Manager, Train and Passenger Services	J.L. Clowes*
Manager, Commercial	A. Williams*
Manager, Way & Works	J.M. Bell*
Manager, Human Services	D.M. Gadsden*

Management Officers as at 30 June 2017

Manager, Marketing	E.M. Hutchinson*
Manager, Special Events	M.J. Collopy*
Manager, Safety (acting)	J.F. Hoy*
Manager, Traffic	B. McKenzie*
Manager, Volunteer Co-ordinator	S.L. Ham*
Manager, Menzies Creek Museum	D. Baker*
Manager, Signals & Telegraph	A.D. Wheatland
Manager, Information Technology Systems	J.G. Jacobe*
Manager, Rail Safety Accreditation	A.D. Marshall *
Manager, Human Resources	N.A. Stephens*

* Staff Managers, other Members serve in an honorary capacity.



chairman's report

The Board has witnessed continued growth of passenger numbers highlighting the Railway's performance in the past year, with patronage increasing by nearly 17% compared to 2015-16. Once again, much of this growth is attributable to the greatly increased level of Asian tourism to Australia, and to Victoria in particular. On most days, notwithstanding time of year, or weather conditions, the railway is operating at near capacity, and at weekends it is becoming common that all trains are sold out.

The development of the Master Plan, which was referred to in last year's Annual Report, has now been finalised and envisages several substantial development programmes, some of which have commenced, making use of internally generated funds.

To a great extent, major capital projects aimed at Puffing Billy playing a greater role in Victoria's tourism market are hamstrung by funding limitations. Major projects, such as the proposed Discovery Centre, and modern tourist facilities, will necessarily be dependent on a greater availability of external capital funding. The Commonwealth Government is making available \$5.5m. toward the previously mentioned Discovery Centre, but at least matching finance will be required for that project alone to come to fruition.

Puffing Billy depends very heavily on a large base of volunteers, together with supporting paid staff, who both perform a very wide range of operational and administrative roles on the railway. The growing complexities and size of the railway have necessitated the engagement this year of several new professional and skilled staff. The positive contribution of these new appointees is already evident.

The year past has at times been difficult for our staff and volunteers, mainly due to our stretched resources in an increasingly busy environment. However all of our volunteers and staff have accepted the challenge and I congratulate and thank all of them for their hard work and achievements.

I would also like to welcome Russell Bowen to the Board. Russell is a Chartered Accountant, and was for many years the Finance Manager of the Railway. He replaces Rex Kingham, who unfortunately had to stand down from the Board due to ill health. I thank Rex for his contributions to the Board in recent years.

Also, to all my fellow Board members, I thank you for your contribution and support. In particular I thank my predecessor, Ray Leivers, for his help and assistance. Ray led the Board from 2008 until he chose to relinquish the Chairman's position in October 2016. Ray continues as our highly valued Deputy Chairman.

Bob Cochrane, Chairman



ceo's report

For the fifth consecutive year the railway has established a new patronage record with 487,237 passengers experiencing a visit to the Puffing Billy Railway.

This represents growth of 16.79% on the previous year's growth of 19.14%. Over the past three years patronage has grown by 60% which we believe to be the fastest growing tourist attraction in the State. Continued growth in the international market from a number of countries has continued to be the main driver of this rapid growth.

This growth is now starting to cause capacity constraints, with the Management and Board having responded by finalising a Master Plan for the next ten years. This is designed to produce significant increases in carrying capacity, improve passenger amenity and ensure long term sustainability of the Puffing Billy Railway. Further, a major review of the Organisation Structure of the business has been implemented to ensure that the business is structured to meet the challenges of the future.

To achieve the objectives of the Master Plan the Board requires financial assistance over and above its own resources to accommodate the large increase in demand and to avoid brand damage to the Puffing Billy Railway and the State from our inability to accommodate anticipated future demand.

Lack of adequate car parking at Belgrave is now a major issue and will further constrain our ability to meet market demand in the years to come.

The Board confirmed the promise of a Federal Government Grant of \$5.5 Million towards the construction of a Discovery Centre at Emerald Lake Park estimated to cost \$15.6 Million. This grant is conditional on the Board finding the balance of required funding. Assistance in this regard is being sought from the State Government.

The Board has recently let contracts for the construction of twelve additional passenger carriages, conversion of one coal fired locomotive to oil burning and continues to fund internal work on the restoration of another locomotive. All of these projects are addressing our problem of capacity constraints.

For the fifth consecutive year we have been awarded a 'Trip Advisor Excellence Award' which is an ongoing tribute to all volunteers and staff who continue to provide high levels of service to our growing customer base. In addition we won the 'Outstanding Contribution By Volunteers' award and were awarded 'Silver' in the major tourist attraction category of the 2016 RACV Victorian Tourism Awards.

Yet again the past twelve months have been the most successful in our history. This is a tribute to all staff and volunteers who have worked tirelessly to meet and overcome the many challenges that rapid growth of the business has presented to us all.

Our continued success reflects this dedication and I thank all members of the Puffing Billy Family for another outstanding year.

John Robinson, CEO



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 & Strengthen the Puffing Billy Railway Customer experience.

Heritage Integrity – Promote, Preserve & Maintain a Heritage Railway & the Rail Corridor.

Organisational Culture – Volunteers and Staff, Succession Planning, Governance, Culture and Change Management.

Tourism Contribution – Community, Neighbour & 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 ending 30 June 2017. The report is prepared in accordance with all Victorian legislation.

The Year's Operations

Patronage for 2017 (the fifty-fifth year of operation since re-opening in 1962) was 487,237 – an increase of 70,082 (16.8 percent) on 417,155 in 2016. This is the highest number of passengers in a single year in the Railway's history for the fourth consecutive year.

The Railway ran every day (except Christmas day) and completed 1,910 revenue earning return trips (2016 – 1,891 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.

Ninety-three percent of train kilometres, including non-passenger train kilometres, were steam hauled (ninety-one percent in 2016). 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 Lakeside during the driest part of the fire season were diesel-hauled to reduce fire risk. Total train kilometres travelled in 2017 were 56,520 up 12 percent on the 50,446 kilometres travelled in 2016.

continued ...



Financial

The operations of the Board after depreciation and grants resulted in a Net Result for the year of \$2,556,512 compared with a Net Profit of \$2,423,938 in the previous year on a like for like basis.

Last year's Comprehensive result also included an up lift in profit and a favourable asset revaluation of \$6,197,699, producing a final Profit of \$8,621,637. No significant asset revaluations were performed in 2017. Surplus before depreciation, asset revaluations and grants was \$4,138,368 compared with \$3,371,384 in the previous year.

Grants from Victorian Government bodies:

Federal funding of \$75,000 was received from the Port Phillip and Westernport CMA to assist with the maintenance of Puffing Billy's green rail corridor. No Grants were received from the State Government.

The result was achieved on gross income of \$15,706,764 (2016 - \$13,246,787) less total expenditure of \$13,150,252 (2016 - \$10,822,849) and represents a return of 4.07 percent (2016 being 4.02 percent) on equity of \$62,743,287 (2016 - \$60,186,775).

Income earned by the Railway, (which consists of excursion fares, revenue from dining trains, "Day out with Thomas" weekends, special events, and shop revenue), increased by twenty-six percent, due to a combination of greater passenger numbers and fare increases. Revenue per passenger has increased by 3.6 percent, from \$26.72 to \$27.68, with the growth in the economical tour group sector being particularly strong. The favourable growth in retail revenue was driven by the improvement in shops sales. This was predominately due to the Lakeside tearooms being open for a full financial year (Opened part way through 2016). Although there were also volume increases in the premium product categories products such as Steam and Cuisine, the largest increase came from The Railways standard fares such as Tour groups and walk up passengers.

Total expenses year-on-year increased by twenty-two percent, compared to the nineteen percent revenue increase.

The Puffing Billy Preservation Society provided grants totalling \$167,557 (2016 - \$247,449) for on-going restoration of Garratt locomotive NGG 16-129 and the refurbishment of the Museum.

Asset Revaluations

For 2017, no further asset revaluations were deemed to be necessary. Last year, the Emerald Tourist Railway Board performed a comprehensive non-financial asset review with the assistance of the Victorian Valuer General. These valuations were considered to be still relevant during 2017 financial year.

Cash Flows

During the year cash, or cash equivalents, and liquid investments increased by \$994,000 (2016 – \$854,000 decrease). Term deposits increased by \$2,611,237 (2016 increased by \$2,334,27)

Capital Expenditure

Capital works expenditure in 2017 decreased by \$104,000, from \$888,000 to \$784,000.

Capital works expenditure in the current year, funded internally or by the Puffing Billy Preservation Society included:

- On-going restoration of Garratt locomotive NG/G16-129.
- The Gembrook Yard was upgraded to cater for the "Day out with Thomas" relaunch.
- Installation of CCTV across key areas of the Railway.
- A continuing major upgrade of the railway track.
- The commencement of the conversion of one locomotive from coal fuelled to oil fuelled technology.

continued ...



- A project to construct a number of new carriages to cater for continuing passenger growth commenced.

Operating statistics for the past five years are listed hereunder:

	2017	2016	2015	2014	2013
Total income from transactions	15,706,764	13,246,787	10,503,090	8,842,306	7,689,541
Total expenses from transactions	(13,150,252)	(10,822,849)	(9,476,994)	(9,424,069)	(8,760,051)
Net result from transactions	2,556,512	2,423,938	1,026,096	(581,763)	(1,070,510)
Asset revaluations	–	2,556,512	–	–	–
Net result for the period	2,556,512	4,980,450	1,026,096	(581,763)	(1,070,510)
Net cash flow from operating activities	2,374,768	1,380,330	2,234,369	1,414,621	904,350
Total Assets	64,917,806	62,378,280	53,366,443	52,668,443	51,138,190
Total Liabilities	2,402,693	2,191,505	1,801,305	2,129,401	1,867,385
<hr/>					
Days operated	364	362	363	363	363
Passengers	487,237	417,155	349,790	304,672	284,536
Revenue Trips	1,910	1,891	1,788	1,702	1,586
Fare Revenue per passenger	27.68	26.72	25.48	23.54	22.00

(Note: The railway did not operate trains to Gembrook on weekdays from May to August except for school and public holidays).

Workforce Data

Paid staff numbers	Full Time	Permanent Part Time	Total
As at 30 June 2016	41	17	58
Commenced during year	12	1	13
<hr/>			
Sub Totals	53	18	71
Departures	4	2	6
<hr/>			
As at 30 June 2017	49	16	65

In addition, averages of 30 casual employees were engaged to assist with seasonal peaks (2016 – 25).

Health and Safety

During the year 44 staff days (last year 211) were lost as a result of minor industrial accidents and ailments.

No accidents or ailments were related to rail safety.

The Railway has a Health and Safety Committee, made up of staff and volunteers from all areas of the Railway, which meets monthly to discuss current health and safety matters.

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Human Services

The 2016/2017 year brought about some exciting changes to the Volunteer space at the Railway, with the rebranding of the branch from Training and Volunteer services to its new name Human Services.

Volunteer recruitment and recognition became the focus of Human Services. To drive this theme, a new Volunteer Recruitment Officer and a new Volunteer Recognition Officer were specifically assigned to the task. The new appointment of a dedicated Human Resources Manager was also a welcomed engagement to our paid staff.

There has been a focussed effort on developing the Volunteer Recognition Program. Through this program, the Railway has had the privilege of offering a number of activities and incentives to our precious Volunteers. The objective is to increase the volunteer retention rate. In the last 12 months there have been at least 15 Volunteer Recognition events. Some of these include Soup weeks, Massage weeks, Platform breakfasts, Summer Goodie Bag distribution, Celebrations of Chinese New Year, Christmas Parties, TLC and giveaways for Valentine's Day, Baked Potatoes in celebration of St. Patricks Day, National Volunteers Week – more than 400 'thank you' cupcakes and bumper sticker giveaways and a number of 'Thank You' barbecues.

Another great initiative is the development of the Volunteer Recognition Garden, introduced with an Opening Gala, this is a dedicated space for our Volunteers to socialise, attend events and take a break while on shift.

With the extraordinary growth in the Railway over the last couple of years, the Railway has identified the need to employ a number of people in specialised positions. It is essential that the organisation resource these areas and remains compliant with all regulatory bodies, and does so in a timely manner. To co-ordinate this emerging complexity, the Railway has employed its first Human Resource specialist.

Participation of younger volunteers on the Railway has been encouraged again this year. Young volunteers are being included in the decision making processes of the Railway, through the PBR Young Volunteer Representative Team. This committee meets on a regular basis to contribute to the business and offer a refreshing angle to decision making.

Puffing Billy's volunteers account for 91% of the workforce. The Railway operates each day with hundreds of passionate volunteers, who give their time willingly, freely and for the common good to ensure that all passengers and visitors have an enjoyable and memorable day.

Volunteers are involved in every aspect – administrative support, special events (examples being the 'Day Out with Thomas' events and The Great Train Race), driving the trains, restoring the heritage carriages, maintaining buildings and infrastructure along the Railway, and selling the Railway's retail offerings to its patrons.

Training at Puffing Billy has undertaken a more formalised approach. Blended training across most volunteer roles has been introduced at the entry level of the organisation. All registered volunteers undergo training and skills development. All training courses have been reviewed, and refreshed, to ensure they will comply with training developments and new legislative requirements.

A holistic approach to training has been offered to both volunteers and staff. This includes more role-specific training, with Safe Trolley Operation Courses; Safe Chainsaw Operation Courses; the development of a new Ganger's Course for the track maintenance crew; and individual personal development courses for full-time staff.

continued ...



A new two-day Puffing Billy Railway Pathways Program for volunteer and paid staff induction has proven successful with an improvement in the retention of volunteers. The new program ensures an initial commitment is realised, and a uniformed approach is applied to the training of each new volunteer. It defines clear expectations and boundaries for all stakeholders. A clear career pathway has been developed to improve the volunteers' experiences while volunteering at the Railway. The launch of eLearning software for our volunteer base has brought with it some challenges, yet it has been a welcome change to the management and delivery of training programs for the Railway.

Puffing Billy Railway works closely with local communities and every year donates hundreds of family passes to education organisations and assists non-profit organizations 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. Additionally, Puffing Billy has been fortunate enough to have established links with many corporate volunteers through the very successful Corporate Volunteer Program. The 2016/2017 financial year saw more than 202 corporate volunteers contribute to a number of projects around the Railway.

Menzies Creek Museum

Menzies Creek Museum has been closed and has been undergoing major renovation since 2010. The restoration of the Railways' historic exhibits in the Museum has progressed well over the past 12 months. Much of the collection is now catalogued on the Victorian collections web site. Many interpretative articles have been produced to complement the Museum's displays and provide informative stories on the items displayed.

A significant amount of the work at the museum has been on the track layout outside the main building. The installations of a dual gauge track and other important track components have been completed. Garden beds and other forms of landscaping now complement the newly completed dual-gauge track areas.

Most of the work involved in renovating the museum has been carried out by a group of dedicated volunteers. The Railway is intending to reopen the Museum in 2018.

Marketing

The Railway's main marketing initiatives were focussed around increasing passenger numbers, especially catered train products and special events, whilst managing regular excursion train product growth.

A new catered train product called 'Steam & Cuisine After Dark' was introduced. This new evening product offers further variety to the Railway's existing wine & dine range and provides an opportunity to target a younger demographic.

The Railway entered two categories in the RACV 2016 Victorian Tourism Awards and proudly received the Silver award in the Major Tourist Attraction category and the Gold award in the Outstanding Contribution by Volunteers category.

Domestic Marketing

The Portable Sales Centre continued to operate in Melbourne and suburban shopping centres, where the public is offered promotional rates and an insight into the rail experience.

The volunteer Speaker Panel promotes the Railway to various community groups such as Probus and Service Clubs and Seniors organisations. This year forty-four presentations were made by the Speaker Panel with an average audience of fifty-six people.

Marketing further developed its digital marketing capability during the year to target the domestic market. The digital library has been improved, while the Railway's social media and online presence has been expanded across all social media platforms.

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International Marketing

International visitation was the biggest contributor to the Railway's record passenger numbers. The majority of growth is attributed to the Asian market, in particular China. The Railway continued to work with their representative company based in Shanghai. This company manages sales calls to the travel agencies, as well as social media including Weibo and WeChat, on behalf of the Railway.

The Railway has worked closely with key industry bodies. Puffing Billy representatives attended:

- Tourism Australia events including the Australian Tourism Exchange (ATE), India Travel Mission and Japan Walkabout Mission.
- Tourism Victoria Mission to Taiwan as well as sales calls into Singapore and Malaysia with fellow Yarra Ranges tourism operators.
- Australian Tourism Export Council (ATEC) events, including, VicBound and Meeting Place.

Product familiarisations were held at the Railway for wholesalers, travel agents and media from; China, Taiwan, Singapore, Malaysia, Hong Kong, Japan, South Korea, India, the United Kingdom, USA, Vietnam and Thailand.

Key Media Opportunities

The annual Great Train Race featured in the Australian media, receiving record coverage. And the Puffing Billy Master Plan consultation meetings with local communities, the Master Plan's funding requirements, and the Railway's 11th Million Passenger all featured strongly in Victorian media.

Website & Social Media

The Puffing Billy website recorded 1,096,845 visits (13% more than 2016) with an average of 91,404 visits per month. The 'Puffing Billy Railway' Facebook page has 31,289 fans (44% more than 2016).

Instagram remains an important social media platform recording a total of 4,101 followers (78% more than 2016). The Railway continues to utilise other social media platforms, such as Twitter and Chinese social media channels such as WeChat and Weibo.

This year the Railway focused on leveraging off popular professional and amateur bloggers which has increased Puffing Billy's digital presence and visibility to a wider audience.

The Railway continues to receive regular passenger reviews on Trip Advisor and was delighted to receive a 2017 Certificate of Excellence from TripAdvisor. It is the fourth year in a row the Railway has received this award.

Events

To facilitate growth and visitor enjoyment, the 'Day Out With Thomas' event moved from Emerald to Gembrook Station which saw an increase in passenger numbers of 30% compared to 2015/16.

In conjunction with the Independent Restaurant in Gembrook, the Railway hosted a very successful 'Regional Long Lunch' as part of the Melbourne Food and Wine Festival.

The Railway worked in conjunction with the Puffing Billy Preservation Society to organise and hold:

- The 'Great Train Race' which saw 2,213 (2016: 2,735) runners compete against the train. The race was moved from early May to the final Sunday in April to avoid it clashing with an international foot race.
- The 'Santa Special' event, which also moved to the Gembrook end of the line and saw an increase in passenger numbers of 62% over 2015/16.

continued ...



Commercial

Retail Operations

The Retail Operations complements the passengers' railway experience by providing a range of quick meals, souvenirs and mementos. 2017 marked the first full year since the opening the Lakeside Tearooms. The success of this new venture contributed to the nineteen percent growth in total retail turnover.

Retail Sponsorship

The Board appreciates the continuing support from our major sponsors, Streets Ice Cream and Schweppes.

Steam & Cuisine Luncheon

The Steam & Cuisine Luncheon product continues to be one of the Railway's more popular products, with passenger numbers growing by seventeen percent during the year. The Railway encourages regional suppliers contribute local fresh produce for the menu. Additionally, the beverage list incorporates local wines which are indigenous to the Railway's regional area.

Themed Evening Trains

'Steam & Cuisine After Dark' was introduced during the year to extend the range of evening trains operated by the Railway. The Themed Evening Trains to the Packing Shed are continuing to perform well. 'Murder on the Puffing Billy Express' continues to be the most popular night time event. Revenue generated by the evening trains increased by twelve percent over the previous year.

Train & Passenger Operations

As passenger numbers continue to grow, it has been a challenge to maximise available daily capacity to meet the needs of all passengers. On many days of the year virtually every train is booked to capacity, and extra carriages are added to the train if it is possible to do so.

Passenger Operations continues to be predominately staffed by volunteers who work as Booking Clerks, Station Masters and Conductors.

To assist the international market, the Railway has introduced a new brochure that provides detailed travel options and information for the traveller purchasing tickets on the day. On weekends and peak periods the Railway has also have introduced a Mandarin and Cantonese speaking 'meet and greet' assistant at the Belgrave booking office.

On-line bookings continue to grow and later in the year the Railway will be offering the option for on-line return tickets to be purchased from Lakeside to Gembrook.

To assist with passenger management on the platform at Belgrave, trials have been carried out using temporary barriers. These trials were an overwhelming success, assisting with both passenger safety and the flow of platform foot traffic. The Railway is currently working towards a more permanent solution that will blend in with the heritage nature of the platform surrounds.

In Train Operations the drivers of the trains are a combination of volunteer and staff drivers. The roles of fireman, guards and signaller are predominately staffed by volunteers. Training for operational roles is extensive, thorough and ongoing. Safety in all aspects of the Railway's operations is a priority and providing staff with the skills required to carry out these critical roles is essential. Operational staff and volunteers are committed and dedicated. Day in and day out they do an outstanding job ensuring the smooth operation of the daily train services.

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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 has been busy keeping the six active locomotives in traffic, in addition to servicing another four locomotives which are used for other activities and events. Five locomotives are usually in traffic while one is being maintained in the shop. During the busy summer season the maintenance schedule was adjusted to allow all six main locomotives to be used in traffic. The workshop also maintains the three Diesel locomotives used for either moving carriages around the yard or for relieving steam locomotive during periods of high fire danger. It was a credit to all Puffing Billy personnel, both staff and volunteers, that all locomotives provided an uninterrupted service.

Refurbishment of the Garratt locomotive NGG16-129 in the Belgrave Workshop is well advanced and is expected to come into service early in 2019.

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

Way and Works

The Way and Works branch relies heavily on the help and support of volunteers who perform a range of tasks such as track patrols, fire patrols, works trains, building maintenance, environmental works and track and infrastructure maintenance. With the growth in passenger numbers the Railway has seen, and the introduction of a new Pathways Program for Volunteers, the number of new volunteers has increased substantially.

The Corporate Volunteer Program has contributed a total of 263 volunteers for the year, who have assisted many supervised projects, including weed control and revegetation works along the rail corridor. Corporate volunteers have also been involved in the Menzies Creek museum redevelopment, assisting in garden design, planting, mulching, building of fences and other minor infrastructure works. The programme has included participants from a wide range of backgrounds, including office workers, tertiary and secondary school students.

2016/2017 saw the implementation of a Capital Works Group, with the dedicated focus on the track maintenance program. This team concentrated on a 1.7 km section of track between Belgrave and Selby with a total of 1079 new sleepers inserted in this area. The Railway's regular Gangers have converged on all remaining locations, inserting 1248 new sleepers throughout the Railway, addressing drainage matters and liaising with local government to improve run-off issues.

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.

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

continued ...



Signals and Telegraph

Early in the year, the Signals and Telegraph team focused on the restoration and installation of an original 1920's Victorian Railways cast iron lineside power distribution cabinet. This provided a heritage enclosure to house a new switchboard for Thomas events at Gembrook.

A 100/100Mb fibre internet connection was provided at Belgrave. This improved existing connection speeds, as well as introducing new telephone exchanges at Menzies Creek, Lakeside and Gembrook. These were commissioned in December.

To improve passenger safety, a customised pair of motorised pedestrian gates was installed at Menzies Creek station.

Replica signal levers were installed back in their original location, on the platform at Cockatoo. This was installed prior to a Cockatoo building restoration project which will commence at the station in the new financial year.

Master Plan Projects Planning

Following the finalisation of the Puffing Billy Railway Master Plan Report in January, a new role of Manager, Infrastructure Projects was appointed in February. The first five months of activity in this role has focused on prioritising and planning across the range of projects, especially the Lakeside Discovery Centre.

All Master Plan projects, are being developed through conceptual designs, in liaison with Board Members, Senior Management, and the Heritage Advisory Committee as appropriate, prior to the submission of formal planning applications, cost estimations and quotes.

Initial preparations have indicated the Lakeside Discovery Centre project has estimated a lead time of almost 20 months required prior to its commencement of construction. Concurrent preliminary studies that will support the formal planning submission for this signature project have commenced. An Expression of Interest (EOI) is now under way to procure the Discovery Centre architectural design services. This is currently been done in collaboration with DEDJTR and the Office of Victorian Government Architect.

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 historical and tourism appeal.

The Railway consumes approximately 1,350 tonnes of coal (1,200 in 2016) annually using historical steam locomotives designed over 100 years ago.

The Board's management team continues to actively promote the most efficient use of coal possible in order to keep emissions to a minimum.

The Railway's mechanical engineering personnel are in the process of investigating new technologies in an effort to reduce the level of existing locomotive carbon emissions. New equipment is currently on order and is to be installed on Loco 14A during the 2017/18 year to convert the engine from burning coal to oil. It is anticipated this will reduce spot fire risk at the Gembrook end of the railway, as well as reducing coal based emissions and improving locomotive efficiency.

For many years the Railway has had processes in place to reduce other environmental impacts, and these processes remain in place.

continued ...



Energy Saving Initiatives

- **Electricity:** By creating a culture of awareness to turn off appliances and lights after hours, and when not in use, this has an immediate impact. LED lights have replaced traditional lighting where practical.
- **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 will be converted from coal to oil burning technology

Other Environmental Matters

The Way & Works Branch is a frequent beneficiary of volunteer initiatives and community grants funding programmes such as the annual Stream Frontage Management Program grants through Melbourne Water. These funding programmes assist in the ongoing upkeep of locations along the Railway and play an important role in protecting and improving local rivers and creeks abutting the Railway.

A grant from the Port Phillip and Westernport Catchment Management Authority in October 2016, enabled over 3000 native saplings to be planted, 4 hectares of land was cleared of weeds, 0.77 hectares of land was revegetated and 7.56 hectares of land had fuel reduction work was undertaken to improve bushfire prevention. These works coincide with the Railway's ongoing maintenance schedule as per its Fire Prevention Plan and Works Programme.

With the success of the grant works, the Railway was able to appoint two new environmental team workers to continue working on its Environmental Management Plan. It is anticipated this will improve the railway corridor and increase the biodiversity of indigenous species in the immediate environment. The plan was prepared in collaboration with local environmental groups and government agencies.

All groups recognize that the trackside needs to be managed to not only provide a scenic background for running of the historic steam train, but also to enhance the environmental values of the area that is held with affection by local residents and the wider community.

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 or to the Ombudsman.

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

continued ...



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 tourists. Both organisations have been endorsed as a Deductible Gift Recipient 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

The organisational structure of the Board, its staff and committees is set out in *Appendix 1* of this report on page 17.

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 oversaw the access modifications on its new administration facility in line with the *Disability Act 2006*. Wheel chair access and interior changes for vision impaired was improved in recent acquired administration buildings. Additionally, the Board ordered a number of new 'modified' carriages to be built to specifically meet the needs of customers with mobility aids. This will come into service over the next 24 months.

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 four trips (2016 – three), 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.

No time has been lost during 2017 due to industrial disputation (2016 – nil).



Details of consultancies in excess of \$100,000

In 2017 one consultant was engaged for \$158,570, (2016 – one at \$120,000), to continue with the Master Plan preparation for all the Emerald Tourist Railway Board's station precincts, as well as formulating an extended Business Plan.

Details of consultancies under \$100,000

In 2017 five consultants were engaged for a total of \$187,426, (2016 – two consultants for \$21,000).

Attestation on compliance with the Australian Risk Management Standard:

I, J.A. Robinson, 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.

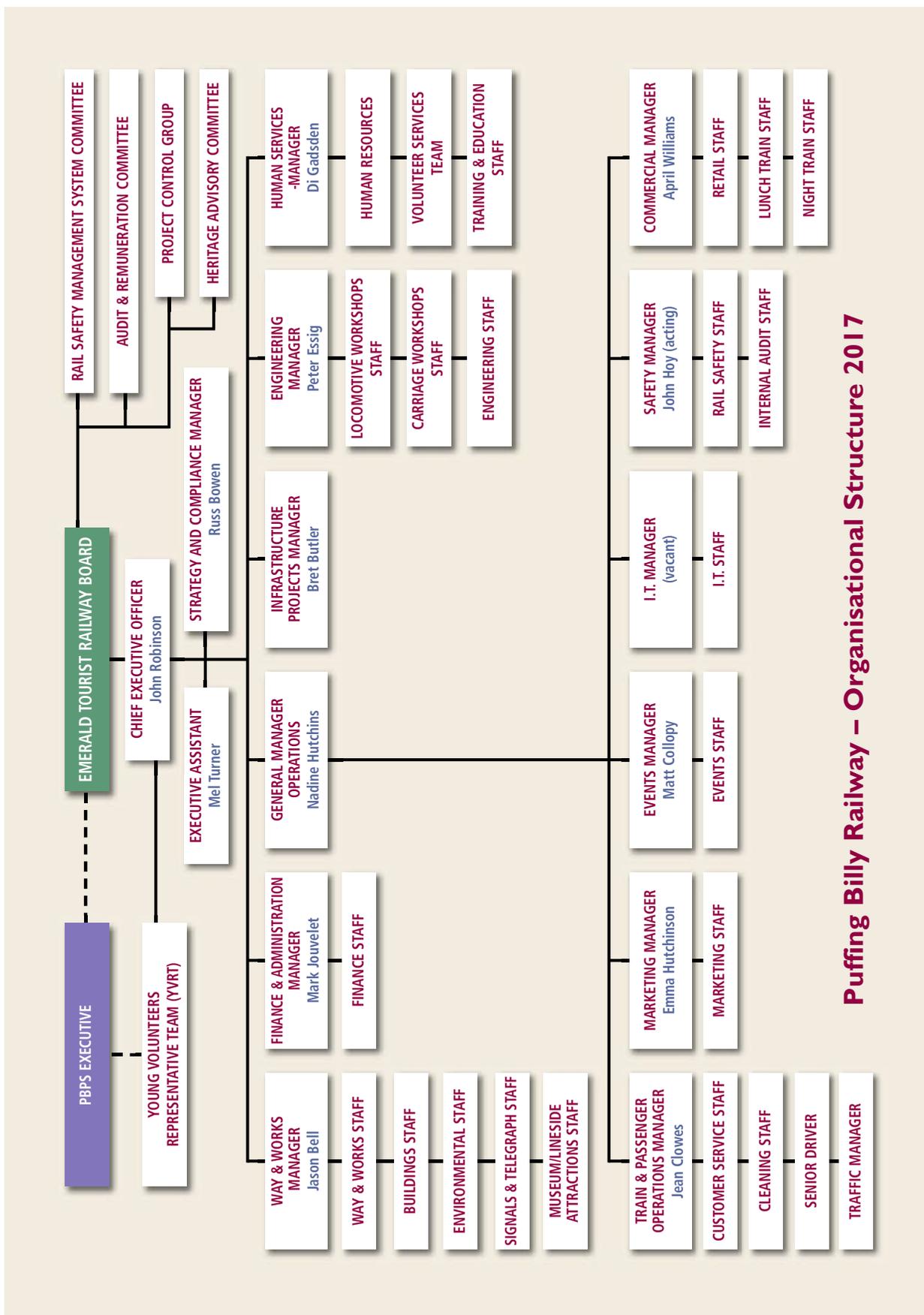
Attestation for compliance with Ministerial Standing Direction 3.7.1 – Risk Management Framework and Processes:

I, J.A. Robinson, certify that Emerald Tourist Railway Board has complied with Ministerial Standing Direction 3.7.1 – Risk Management Framework and Processes.

This report is made by a resolution of the Board dated 24th day of August 2017, in accordance with the *Financial Management Act 1994*, and signed on behalf of the Board by:

R.S. Cochrane
Chairman

J.A. Robinson
Chief Executive Officer



Puffing Billy Railway – Organisational Structure 2017

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"> • balance sheet as at 30 June 2017 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including a summary of significant accounting policies • declaration in the financial statements. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the entity as at 30 June 2017 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. My responsibilities under the Act are further described 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 Australia. 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>
Board Members' responsibilities for the financial report	<p>The Board Members 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, 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

As required by the *Audit Act 1994*, 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.

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:

- 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 our 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
- 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
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board Members
- 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
- 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.

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 September 2017



Anna Higgs
as delegate for the Auditor-General of Victoria



financial report

FOR THE YEAR ENDED 30 JUNE 2017

DECLARATION IN THE FINANCIAL STATEMENTS

The attached financial statements for the Emerald Tourist Railway Board have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister 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 2017 and financial position of The Railway at 30 June 2017.

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 14 September 2017.

J.A. Robinson
Chief Executive Officer
Accountable Officer
Belgrave
14 September 2017

M. Jouvelet
Manager, Finance and Administration
Belgrave
14 September 2017

R.D. Bowen
Board Member and Manager, Strategy & Compliance
Emerald Tourist Railway Board
Belgrave
14 September 2017



comprehensive operating statement

FOR THE YEAR ENDED 30 JUNE 2017

	NOTES	2017 \$	2016 \$
Income			
Revenue from Fares, Shops and External Contracts	2.1	15,061,368	12,440,836
Other Income	2.1	645,596	805,951
	2	<u>15,706,964</u>	<u>13,246,787</u>
Expenses			
Employee Benefits Expense	3.1.1	5,794,637	4,986,094
Depreciation Expense	4.1.1	1,824,143	1,419,895
Supplies and Services	3.2	2,624,825	2,226,962
Finance Costs	3.1	9,388	12,595
Advertising and Promotion	3.1	315,557	281,157
Insurance Costs	3.1	254,505	230,188
Administration Expenses	3.3	993,301	573,956
Grants and other transfers	3.4	15,000	12,000
Electricity and Gas	3.1	119,707	124,163
Other Expenses	3.5	1,199,389	955,839
		<u>13,150,452</u>	<u>10,822,849</u>
Net Results from Transactions		<u>2,556,512</u>	<u>2,423,938</u>
Other Economic Flows included in Net Result			
Net (loss) gain on Non-Financial Assets		–	–
Net Result for the Year		<u>2,556,512</u>	<u>2,423,938</u>
Comprehensive Other Income – Asset Revaluations	4.1.3	–	6,197,699
Comprehensive Result for the Year		<u><u>2,556,512</u></u>	<u><u>8,621,637</u></u>

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



balance sheet

		AS AT 30 JUNE 2017	
	NOTES	2017	2016
		\$	\$
FINANCIAL ASSETS			
Cash and Cash Equivalents	6.2	2,374,768	1,380,330
Receivables	5.1	562,837	465,015
Other Financial Assets	5.4	7,019,110	4,407,873
Total Financial Assets		9,956,715	6,253,218
NON-FINANCIAL ASSETS			
Prepayments		220,054	167,543
Inventories	5.3	728,323	750,424
Property, Plant and Equipment	4.1	50,429,051	51,988,538
Capital Works in Progress	4.1.4	3,811,837	3,218,557
Total Non-Financial Assets		55,189,265	56,125,062
Total Assets		65,145,980	62,378,280
LIABILITIES			
Payables	5.2	803,934	790,595
Interest Bearing Liabilities	6.1	87,061	129,400
Provisions	3.1.2	993,960	822,566
Other	5.5	517,738	448,944
Total Liabilities		2,402,693	2,191,505
Net Assets		62,743,287	60,186,776
EQUITY			
Contributed Capital		17,361,115	17,361,115
Physical Asset Revaluation Surplus	8.2	42,276,552	42,276,552
Accumulated Gain		3,105,620	549,108
Total Equity		62,743,287	60,186,775

The Balance Sheet should be read in conjunction with the accompanying notes.



statement of changes in equity

FOR THE YEAR ENDED 30 JUNE 2017

	Physical Asset Revaluation Surplus \$	Accumulated Gain / Loss \$	Contributed Capital \$	Total \$
Balance at 1 July 2015	36,078,853	(1,874,830)	17,361,115	51,565,138
Net Result for the Year	–	2,423,938	–	2,423,938
Comprehensive Other Income - Asset Revaluations	6,197,699	–	–	6,197,699
Contributions by Owner	–	–	–	–
Balance at 30 June 2016	42,276,552	549,108	17,361,115	60,186,775
Net Result for the Year	–	2,556,512	–	2,556,512
Contributions by Owner	–	–	–	–
Balance at 30 June 2017	42,276,552	3,105,620	17,361,115	62,743,287

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



cash flow statement

FOR THE YEAR ENDED 30 JUNE 2017

	NOTES	2017 \$	2016 \$
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from Customers		15,961,414	12,921,667
Payments to Suppliers and Employees		(11,822,729)	(9,699,779)
Interest Received		124,709	84,654
Grants from Commonwealth Government Bodies		75,000	225,000
Grants from Victorian Government Bodies		–	–
Capital Grants from Puffing Billy Preservation Society		167,557	247,449
Net Cash Flows from Operating Activities	6.2(b)	<u>4,505,951</u>	<u>3,778,992</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Payment for Property, Plant and Equipment		(264,657)	(1,374,142)
Payment for Capital Works in Progress		(593,280)	(835,545)
Payment for Investments		(2,611,237)	(2,384,272)
Proceeds from sale of Property, Plant and Equipment		–	–
Net Cash Used in Investing Activities		<u>(3,469,174)</u>	<u>(4,593,959)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Owner Contributions by State Government		–	–
Proceeds from/(Repayment of) Borrowings		(42,339)	(39,072)
Net Cash Flows from/Used in Financing Activities		<u>(42,339)</u>	<u>(39,072)</u>
Net Increase/(Decrease) in Cash and Cash Equivalents		994,438	(854,039)
Cash and Cash Equivalents at Beginning of the Year		1,380,330	2,234,369
Cash and Cash Equivalents at End of the Year	6.2(a)	<u><u>2,374,768</u></u>	<u><u>1,380,330</u></u>

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



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 1: ABOUT THIS REPORT

(A) Basis of preparation

The annual financial statements represent the audited 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 depreciated replacement value.
- 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 2017 and the comparative information presented for the year ended 30 June 2016.

(B) 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 Manager, Finance and Administration of the Emerald Tourist Railway Board on 24 August, 2017.

continued ...



**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

NOTE 1: ABOUT THIS REPORT *(continued)*

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.

(C) 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

NOTE 2: FUNDING DELIVERY OF OUR SERVICES

Introduction

The Emerald Tourist Railway Board'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

	NOTES	2017 \$	2016 \$
Revenue from fares, shops and external contracts			
Sale of Goods and Services	2.2.1	15,061,368	12,440,836
Other Sources of Income			
Grants	2.2.2	242,557	472,449
Interest Received		134,921	89,953
Rents Received	2.2.3 (a)	197,030	140,385
Other Income	2.2.3 (b)	71,088	103,164
		<u>645,596</u>	<u>805,951</u>
Total Income		<u>15,706,964</u>	<u>13,246,787</u>

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.

continued ...



NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 2.2 – Income from transactions

NOTE 2.2.1 – Sale of goods and services income	2017	2016
	\$	\$
Fares	13,485,843	11,145,568
Sales - Shop	1,521,536	1,278,022
Sales - External Contracts	53,989	17,246
Total sale of goods and services	<u>15,061,368</u>	<u>12,440,836</u>

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	2017	2016
	\$	\$
Puffing Billy Preservation Society Grant	167,557	247,449
Federal Government Bodies	75,000	225,000
Total Grants	<u>242,557</u>	<u>472,449</u>

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.

continued ...



**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

NOTE 2.2.3 – Other Income	2017	2016
	\$	\$
Rental Property Income (a)	197,030	140,385
Miscellaneous		
Advertising	23,000	36,000
Commissions Received	1,483	1,517
Miscellaneous income	46,605	65,647
	<hr/>	<hr/>
Other Income (b)	71,088	103,164
	<hr/>	<hr/>
Total other income	<u>268,118</u>	<u>243,549</u>

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.

NOTE 3: THE COST OF DELIVERING SERVICES

Introduction

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 3.0 - Expenses incurred in delivering services

	NOTES	2017	2016
		\$	\$
Employee benefit expenses	3.1.1	5,794,637	4,986,094
Supplies and Services	3.2	2,624,825	2,226,962
Finance Costs		9,388	12,595
Advertising and Promotion		315,557	281,157
Insurance Costs		254,505	230,188
Administration Expenses	3.3	993,301	573,956
Grants and other transfers	3.4	15,000	12,000
Electricity and Gas		119,707	124,163
Other operating expenses	3.5	1,199,389	955,839
		<hr/>	<hr/>
Total expenses incurred in delivery of services		<u>11,326,309</u>	<u>9,402,954</u>

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

continued ...



**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

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

Grants and other transfers represent grants given to local community groups by the Emerald Tourist Railway Board. The main recipients of this Grant are local fire brigades operated by the Country Fire Authority.

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

	2017 \$	2016 \$
Defined contribution superannuation expense	658,737	601,626
Termination benefits	–	11,826
Salaries and wages, annual leave and long service leave	5,135,900	4,372,642
Total employee expenses	<u>5,794,637</u>	<u>4,986,094</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.

continued ...



**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

NOTE 3.1.2 – Employee benefits in the balance sheet	2017	2016
	\$	\$
Current provisions		
Annual leave		
Unconditional and expected to settle within 12 months	212,721	163,580
Unconditional and expected to settle after 12 months	210,662	197,121
Long service leave		
Unconditional and expected to settle within 12 months	29,481	11,797
Unconditional and expected to settle after 12 months	360,611	292,563
Provisions for on-costs		
Unconditional and expected to settle within 12 months	19,485	11,955
Unconditional and expected to settle after 12 months	75,849	64,225
	<hr/>	<hr/>
Total current provisions for employee benefits	908,809	741,270
	<hr/>	<hr/>
Non current provisions:		
Employee benefits	72,805	67,510
On costs	12,346	13,786
Total non current provisions for employee benefits	85,151	81,296
	<hr/>	<hr/>
Total provisions for employee benefits	993,960	822,566
	<hr/> <hr/>	<hr/> <hr/>
 Reconciliation of movement in on-cost provision	 2017	
	\$	
Opening balance	89,996	
Provision made throughout the year	85,276	
Settlements	(67,592)	
Closing balance	107,680	
	<hr/>	
Current	95,334	
Non current	12,346	
	<hr/> <hr/>	

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.

continued ...



**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

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		Contribution outstanding at year end	
	2017	2016	2017	2016
	\$	\$	\$	\$
Defined contribution plans	658,737	601,626	–	–
Total	658,737	601,626	–	–

NOTE 3.2 - Supplies and services

	2017	2016
	\$	\$
Cost of shops sales	637,343	550,271
Coal and light up wood	340,053	301,688
Catering	424,092	350,118
Cost administering contracts	5,942	1,348
Repairs, maintenance and consumables	1,217,395	1,023,537
	2,624,825	2,226,962

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.

continued ...



NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 3.3 - Administration	2017	2016
	\$	\$
Printing and stationary	84,981	97,601
Telephone and postage	87,499	93,669
Master Plan strategic expenses	325,344	120,000
Other	495,477	262,686
	<u>993,301</u>	<u>573,956</u>

NOTE 3.4 – Grant expenses	2017	2016
	\$	\$
Payments for specific purposes (CFA)	15,000	12,000
Total grant expenses	<u>15,000</u>	<u>12,000</u>

General Community grants have been dispersed to the local branches of the CFA along the railway corridor.

NOTE 3.5 – Other operating expenses	2017	2016
(b) Other Expenses	\$	\$
Auditor's Remuneration:		
- Auditor General	11,000	8,800
Electricity and Gas	256,392	223,177
Payroll Tax	351,940	165,361
Special Events	198,012	155,661
Train Operations Expenses	124,467	118,997
Rates, Minor Taxes and Levies	75,784	48,497
Training and Education	181,794	235,346
Other Expenses	<u>1,199,389</u>	<u>955,839</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.

continued ...



NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 4 – KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

Introduction

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	2017	2016
	\$	\$
Non-Current:		
Land - at fair value	11,025,000	11,025,000
	<u>11,025,000</u>	<u>11,025,000</u>
Buildings, Structures and Improvements - at fair value	9,389,204	9,361,850
Accumulated Depreciation	(394,443)	-
	<u>8,994,761</u>	<u>9,361,850</u>
Total Land and Buildings	<u>20,019,761</u>	<u>20,386,850</u>
Locomotives and Rolling Stock - at fair value	16,379,923	16,559,000
Accumulated Depreciation	(662,781)	-
Total Locomotives and Rolling Stock	<u>15,717,142</u>	<u>16,559,000</u>
Motor Vehicles - at fair value	429,411	396,010
Accumulated Depreciation	(335,318)	(290,331)
	<u>94,093</u>	<u>105,679</u>
Office Furniture and Equipment - at fair value	327,083	308,452
Accumulated Depreciation	(253,354)	(203,610)
	<u>73,729</u>	<u>104,842</u>
Plant and Equipment - at fair value	3,526,598	3,199,605
Accumulated Depreciation	(940,999)	(696,398)
Total Plant and Equipment	<u>2,585,599</u>	<u>2,503,207</u>
Total Motor Vehicles, Plant and Equipment	<u>2,753,421</u>	<u>2,713,728</u>
Permanent Way - at fair value	12,366,313	12,328,960
Accumulated Depreciation	(427,586)	-
Total Permanent Way	<u>11,938,727</u>	<u>12,328,960</u>
Property, Plant and Equipment	<u>50,429,051</u>	<u>51,988,538</u>



**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

Description of 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 community service obligation discount would result in a significantly higher or lower fair value
Buildings, Structures & Improvements	Depreciated replacement cost	Heritage Restrictions Useful life of buildings and bridges	Impact of heritage restrictions is considered but not quantified. 25 – 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	Depreciated replacement cost	Heritage Restrictions Remaining Useful life of locomotives and rolling stock	Impact of heritage restrictions is considered but not quantified. 20 – 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	Depreciated replacement cost	Useful life of the Plant, equipment and Museum exhibits.	5 – 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	Depreciated replacement cost	Useful life of the railway track and earthworks	30 – 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 4.1.4

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

continued ...



**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

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

	2017	2016
	\$	\$
Building, Structures and Improvements	394,443	277,363
Locomotives and Rolling Stock	662,781	543,850
Motor Vehicles	44,987	80,039
Office Furniture and Equipment	49,744	55,406
Plant and Equipment	244,602	169,317
Permanent Way	427,586	293,919
	1,824,143	1,419,894
	1,824,143	1,419,894

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	20 – 60 years
Locomotives and Rolling Stock	10 – 40 years
Motor Vehicles	5 – 10 years
Office Furniture and Equipment	5 – 10 years
Plant and Equipment	10 – 40 years
Permanent Way	50 years
Under Track Earthworks	100 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.

continued ...



**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

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

	Land	Buildings, Structures & Improvements	Locomotives and Rolling Stock	Motor Vehicles Plant and Equipment	Permanent Way	Total
Fair Value Hierarchy	Level 3	Level 3	Level 3	Level 3	Level 3	
	\$	\$	\$	\$	\$	\$
Carrying Amount at 1 July 2015	8,099,000	5,760,743	15,026,333	1,374,187	14,876,338	45,136,601
Additions	1,161,000	114,000	–	99,145	–	1,374,145
Transfers from Work in Progress	–	330,150	1,046	368,792	–	699,988
Revaluation	1,765,000	3,434,320	2,075,472	1,176,366	(2,253,459)	6,197,699
Depreciation Expense	–	(277,363)	(543,851)	(304,762)	(293,918)	(1,419,895)
Carrying Amount at 30 June 2016	11,025,000	9,361,850	16,559,000	2,713,728	12,328,961	51,988,538
Additions	–	11,771	–	62,344	–	74,115
Reclassification	–	–	(179,077)	179,077	–	–
Transfers from Work in Progress	–	15,583	–	137,605	37,353	190,541
Depreciation Expense	–	(394,443)	(662,781)	(339,333)	(427,586)	(1,824,143)
Carrying Amount at 30 June 2017	11,025,000	8,994,761	15,717,141	2,753,421	11,938,727	50,429,051

continued ...



**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

NOTE 4.1.3 – Capital Work in Progress

	Buildings, Structures, Plant & Equipment \$	Locomotives and Rolling Stock \$	Permanent Way \$	Total \$
Carrying Amount at 1st July 2015	763,105	2,267,491	–	3,030,596
Additions	416,048	471,901	–	887,949
Transfer to Spare Parts Inventory	–	–	–	–
Transfers to Property Plant and Equipment	(698,942)	(1,046)	–	(699,988)
Carrying Amount at 30th June 2016	480,211	2,738,346	–	3,218,557
Additions	209,876	319,883	254,062	783,821
Transfers to Property Plant and Equipment	(153,188)	–	(37,353)	(190,541)
Carrying Amount at 30th June 2017	536,899	3,058,229	216,709	3,811,837

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 depreciated replacement cost. For plant, equipment and vehicles, existing depreciated historical cost is generally a reasonable proxy for depreciated 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.

continued ...



**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

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.

continued ...



**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

NOTE 5 – OTHER ASSETS AND LIABILITIES

Introduction

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

	2017	2016
	\$	\$
NOTE 5.1 - Receivables		
Current Contractual Trade Debtors	411,871	313,608
Provision for Doubtful Debtors	(1,500)	(3,160)
Other Receivables	31,943	32,225
	<hr/>	<hr/>
Statutory	442,314	342,673
GST Receivables	120,523	122,342
	<hr/>	<hr/>
	562,837	465,015
	<hr/> <hr/>	<hr/> <hr/>

Receivables consist of:

- statutory receivables which include predominantly amounts owing from the government and GST input tax credits recoverable; and
- Contractual receivables which include mainly debtors in relation to goods and services, loans to third parties, accrued investment income, and finance lease receivables (refer to Note 6.2).

Receivables that are contractual are classified as financial instruments.

Statutory receivables are not classified as financial instruments.

Receivables are recognised initially at fair value and subsequently measured at amortise cost, using the effective interest method, less an allowance for impairment.

A provision for doubtful receivables is made when there is objective evidence that the debts may not be collected and bad debts are written off when identified (refer to table below).

NOTE 5.1.1 – Movement in the provision for doubtful debts

	2017	2016
	\$	\$
Balance at beginning of the year	(3,160)	(3,160)
Reversal of unused provision recognised in the net result	1,660	–
	<hr/>	<hr/>
Balance at end of the year	(1,500)	(3,160)
	<hr/> <hr/>	<hr/> <hr/>

Doubtful debts expenses and its adjustments are part of the ‘other expenses’ contained in the Other Operating Expenditure Note 3.5.

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NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 5.1.2 Ageing analysis of contractual receivables

	Carrying Amount	Not Past Due	Past due but not Impaired				Impairment
			Less than 1 month	1- 3 Months	3 Months- 1 Year	1-5 Years	
	\$	\$	\$	\$	\$	\$	\$
2017							
Investment and other Contractual Financial Assets							
Receivables:							
– Sale of goods and services	410,371	275,373	74,226	20,770	41,503	–	(1,500)
– Other receivables	31,943	31,943	–	–	–	–	–
Total Financial Assets	442,314	307,316	74,226	20,770	41,503	–	(1,500)
2016							
Investment and other Contractual Financial Assets							
Receivables:							
– Sale of goods and services	310,448	188,467	73,850	51,291	–	–	(3,160)
– Other receivables	32,225	32,225	–	–	–	–	–
Total Financial Assets	342,673	220,692	73,850	51,291	–	–	(3,160)

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 dividend or interest earned on the financial asset is recognised in the comprehensive operating statement as a transaction.

Impairment of financial assets

The Board assesses at the end of each reporting period whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

continued ...



**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

Bad and doubtful debts for financial assets are assessed on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. The bad debts not written off by mutual consent and allowance for doubtful receivables are classified as 'other economic flows' in the net result.

In assessing impairment of statutory (non-contractual) financial assets which are not financial instruments, the Board applies professional judgement in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 Impairment of assets. The average credit period for sales of goods/services and for other receivables is 30 days. There are no material financial assets that are individually determined to be impaired. Currently the Department does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

NOTE 5.2 - Payables

	2017	2016
Contractual		
Trade Creditors	213,132	389,625
Sundry Creditors and Accrued Expenses	352,429	197,292
Statutory		
GST payable	144,307	122,499
Employee Tax Withheld	94,066	81,179
	<hr/>	<hr/>
Total payables	803,934	790,595
Represented by:	<hr/>	<hr/>
Current payables	803,934	790,595
Non-current payables	-	-
	<hr/>	<hr/>

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.

continued ...



**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

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 \$
2017						
Payables						
Supplies and services	213,132	213,132	213,132	–	–	–
Other payables	352,429	352,429	352,429	–	–	–
Borrowings						
Hire purchase liabilities	87,061	87,061	7,255	14,510	65,296	–
Total	652,622	652,622	572,816	14,510	65,296	–
2016						
Payables						
Supplies and services	389,625	389,625	389,625	–	–	–
Other payables	197,292	197,292	197,292	–	–	–
Borrowings						
Hire purchase liabilities	129,400	129,400	3,530	7,060	31,769	87,041
Total	716,317	716,317	590,447	7,060	31,769	87,041

NOTE 5.3 - Inventories

Current:	2017 \$	2016 \$
Finished Goods held for resale, at cost	409,700	347,061
Coal, at cost	19,620	11,480
Workshop Inventories and Spare Parts, at cost	299,003	391,883
Total Inventories	728,323	750,424

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.

continued ...



NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 5.4 – Other Financial Assets

	2017	2016
	\$	\$
Current:		
Australian dollar term deposits	7,019,110	4,407,873
	<u>7,019,110</u>	<u>4,407,873</u>
Other Financial Assets	<u>7,019,110</u>	<u>4,407,873</u>

NOTE 5.5 – Other Liabilities

	2017	2016
	\$	\$
Current - Other Liabilities		
Passenger Bookings in Advance	408,112	337,579
Rent Received in Advance	109,626	111,365
Current - Other Liabilities	<u>517,738</u>	<u>448,944</u>
Total Other Liabilities	<u>517,738</u>	<u>448,944</u>

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

continued ...

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017****NOTE 6 – HOW WE FINANCED OUR OPERATIONS****Introduction**

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 – Interest Bearing Liabilities Leases

(a) Commitment for Hire Purchase Payments	2017	2016
	\$	\$
Payable not later than 1 year	90,384	51,668
Payable later than 1 year but not later than 5 years	–	90,384
	<hr/>	<hr/>
	90,384	142,052
Deferred Hire Purchase Charges	(3,323)	(12,652)
	<hr/>	<hr/>
	87,061	129,400
	<hr/> <hr/>	<hr/> <hr/>
Current Hire Purchase Liability (net)	87,061	42,359
Non-current Hire Purchase Liability (net)	–	87,041
	<hr/>	<hr/>
Total Other Liabilities	87,061	129,400
	<hr/> <hr/>	<hr/> <hr/>

A lease is a right to use an asset for an agreed period of time in exchange for payment. Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases of property, plant and equipment are classified as finance infrastructure leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. All other leases are classified as operating leases.

Finance leases**Board as lessee**

At the commencement of the lease term, finance leases are initially recognised as assets and liabilities at amounts equal to the fair value of the lease property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The lease asset is depreciated over the shorter of the estimated useful life of the asset or the term of the lease.

Minimum finance lease payments are apportioned between reduction of the outstanding lease liability, and periodic finance expense which is calculated using the interest rate implicit in the lease and charged directly to the comprehensive operating statement.

continued ...

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017****NOTE 6.2 - Reconciliation of Net Result for the period to cash flow from operating activities**

	2017	2016
(a) Reconciliation of Cash and Cash Equivalents	\$	\$
Cash on Hand	29,970	29,838
Cash at Bank	366,001	285,111
Cash invested at call	1,978,797	1,065,381
	<hr/>	<hr/>
Balance as per balance sheet	2,374,768	1,380,330
	<hr/> <hr/>	<hr/> <hr/>
(b) Reconciliation of Cash Flows from Operations		
Net Result for the Year	2,556,512	8,621,637
Non-cash movements		
• Depreciation	1,824,143	1,419,895
• Comprehensive other income – Asset Revaluations	–	(6,197,699)
• Loss (Profit) on Disposal of Property, Plant and Equipment	–	–
	<hr/>	<hr/>
	4,380,655	3,843,833
Movements in assets and liabilities		
• Decrease/ (Increase) in Receivables	(97,822)	(183,237)
• Decrease/ (Increase) in Inventories	22,101	(148,776)
• Decrease/ (Increase) in Prepayments	(52,511)	(109,693)
• (Decrease)/ Increase in Payables	13,340	171,309
• (Decrease)/ Increase in Provisions	171,394	115,721
• (Decrease)/ Increase in Other Liabilities	68,794	89,835
	<hr/>	<hr/>
Net Cash Flows from Operations	4,505,951	3,778,992
	<hr/> <hr/>	<hr/> <hr/>

continued ...

**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017****NOTE 6.3 – Commitments for Expenditure****NOTE 6.3.1 – Total Commitments Payable – Operating**

Nominal amounts	Less than 1 year	1 – 5 years	5+ years	Total
2017	\$	\$	\$	\$
Operating and lease commitments payable (b)	99,422	–	–	99,422
Deferred HP charges	3,654	–	–	3,654
Other non-capital financial commitments	–	–	–	–
Total commitments (inclusive of GST)	<u>95,766</u>	<u>–</u>	<u>–</u>	<u>95,766</u>
Less GST recoverable	–	–	–	8,706
Total commitments (exclusive of GST)	<u>–</u>	<u>–</u>	<u>–</u>	<u>87,062</u>
2016				
Operating and lease commitments payable (i)	58,835	99,422	–	156,257
Deferred HP charges	–	13,917	–	13,917
Other non-capital commitments payable	435,980	–	–	435,980
Total commitments (inclusive of GST)	<u>492,795</u>	<u>85,505</u>	<u>–</u>	<u>142,340</u>
Less GST recoverable	–	–	–	12,940
Total commitments (exclusive of GST)	<u>–</u>	<u>–</u>	<u>–</u>	<u>129,400</u>

Commitments are disclosed at their nominal value and inclusive of the goods and services tax (GST) payable.

continued ...



NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 6.3.2 – Commitments for Capital

Nominal amounts	Less than 1 year	1 – 5 years	5+ years	Total
2017	\$	\$	\$	\$
Locomotive conversion from coal to oil fuel	31,774	291,627	–	323,400
New rolling stock	–	3,080,000	–	3,080,000
Total commitments (inclusive of GST)	31,774	3,371,627	–	3,403,400
Less GST recoverable	–	–	–	340,340
Total commitments (exclusive of GST)	–	–	–	3,063,060
2016				
Major capital works	64,744	–	–	64,744
Total commitments (inclusive of GST)	64,744	–	–	64,744
Less GST recoverable	–	–	–	6,474
Total commitments (exclusive of GST)	–	–	–	58,858

continued ...



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 7 – RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

Introduction

The Emerald Tourist Railway Board (The Railway) 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 Railway related mainly to fair value determination.

NOTE: 7.1 – Financial instruments specific disclosures

Introduction

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the Railway's activities, certain financial assets and financial liabilities arise under statute rather than a contract (for example taxes, fines and penalties). Such assets and liabilities do not meet the definition of financial instruments in AASB 132 Financial Instruments: Presentation. Guarantees issued on behalf of The Railway are financial instruments because, although authorised under statute, terms and conditions for each financial guarantee may vary and are subject to an agreement.

Categories of financial instruments

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

Available-for-sale financial instrument assets are those designated as available-for-sale or not classified in any other category of financial instrument asset. Such assets are initially recognised at fair value. Subsequent to initial recognition, they are measured at fair value with gains and losses arising from changes in fair value, recognised in 'Other economic flows – other comprehensive income' until the investment is disposed. On disposal, the cumulative gain or loss previously recognised in 'Other economic flows – other comprehensive income' is transferred to other economic flows in the net result.

Held to maturity financial assets: If the Railway has the positive intent and ability to hold nominated investments to maturity, then such financial assets may be classified as held to maturity. These are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, held to maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

The held to maturity category includes certain term deposits for which the Railway intends to hold to maturity.

continued ...



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

Financial assets and liabilities at fair value through net result are categorised as such at trade date, or if they are classified as held for trading or designated as such upon initial recognition. Subsequently, any changes in fair value are recognised in the net result as other economic flows. **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. There were no de-recognition of financial assets in 2016/17 (2015/16 – Nil).

NOTE 7.1.1 - Financial Instruments: Categorisation

Categorisation of Financial Instruments	Contractual Financial Assets Loans and Receivables	Contractual Financial Liabilities at amortised cost	Total
	\$	\$	\$
2017			
Contractual Financial Asset			
Cash and cash equivalent	2,374,768	–	2,374,768
Term Deposits	7,019,110	–	7,019,110
Receivables	442,314	–	442,314
Total Contractual Financial Assets	9,836,192	–	9,836,192
Contractual Financial Liabilities			
Payables	–	565,561	565,561
Hire Purchase Liabilities	–	87,061	87,061
Total Contractual Financial Liabilities	–	652,622	652,622
2016			
Contractual Financial Assets			
Cash and cash equivalent	1,380,330	–	1,380,330
Term Deposits	4,407,873	–	4,407,873
Receivables	342,673	–	342,673
Total Contractual Financial Assets	6,130,876	–	6,130,876
Contractual Financial Liabilities			
Payables	–	586,917	586,917
Hire Purchase Liabilities	–	129,400	129,400
Total Contractual Financial Liabilities	–	716,317	716,317

continued ...



**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

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
2017				
Contractual Financial Assets				
Financial Assets - loans and receivables	–	134,921	–	134,921
Total Contractual Financial Assets	–	134,921	–	134,921
Financial Liabilities				
Financial Liabilities at amortised cost	–	(9,388)	–	(9,388)
Total Financial Liabilities	–	(9,388)	–	(9,388)
2016				
Contractual Financial Assets				
Financial Assets - loans and receivables	–	89,953	–	89,953
Total Contractual Financial Assets	–	89,953	–	89,953
Financial Liabilities				
Financial Liabilities at amortised cost	–	(12,595)	–	(12,595)
Total Financial Liabilities	–	(12,595)	–	(12,595)

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, plus or minus foreign exchange gains or losses arising from revaluation of the financial assets, and 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.

continued ...



**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

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 and equity instrument 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, interest rate risk, foreign currency risk and equity price 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
2017	\$	\$	\$
Cash and deposits	9,393,878	–	9,393,878
Receivables	–	442,314	442,314
Total contractual financial assets	<u>9,393,878</u>	<u>442,314</u>	<u>9,836,192</u>
2016			
Cash and deposits	5,788,203	–	5,788,203
Receivables	–	342,673	342,673
Total contractual financial assets	<u>5,788,203</u>	<u>342,673</u>	<u>6,130,876</u>

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 only represent approximately 20% to 30% in any one month.

continued ...



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

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 2016-17.

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 with a high and stable credit rating (Moody's Investor Services and Standard & Poor's triple-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



NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 7.1.4 – Interest Rate Exposure of Financial Instrument

	Interest Rate Exposure				
	Weighted Average Effective Interest %	Carrying Amount \$	Fixed Interest Rate \$	Variable Interest Rate \$	Non Interest Bearing \$
2017					
Financial Assets					
Cash and cash equivalent	0.60	2,374,768	–	395,971	1,978,797
Term Deposits	2.20	7,019,110	7,019,110	–	–
Receivables					
– Sale of goods and services		410,371	–	–	410,371
– Other receivables		31,943	–	–	31,943
Total Financial Assets		9,836,192	7,019,110	395,971	2,421,111
Financial Liability					
Payables					
– Supplies and services		213,132	–	–	213,132
– Other payables		352,429	–	–	352,429
Borrowings					
– Hire purchase liabilities	6.89	87,061	87,061	–	–
Total Financial Liabilities		652,622	87,061	–	565,561
2016					
Financial Assets					
Cash and cash equivalent	1.05	1,380,330	–	1,065,381	314,949
Term Deposits	2.58	4,407,873	4,407,873	–	–
Receivables					
– Sale of goods and services		310,448	–	–	310,448
– Other receivables		32,225	–	–	32,225
Total Financial Assets		6,130,876	4,407,873	1,065,381	657,622
Financial Liability					
Payables					
– Supplies and services		389,625	–	–	389,625
– Other payables		197,292	–	–	197,292
Borrowings					
– Hire purchase liabilities	6.89	129,400	129,400	–	–
Total Financial Liabilities		716,317	129,400	–	586,917

continued ...



**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

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.



NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 7.1.5 – Interest Rate

Risk Sensitivity

	Carrying Amount \$	Interest Rate Risk			
		-1% Profit \$	Equity \$	+1% Profit \$	Equity \$
2017					
Financial Assets					
Cash and cash equivalent	2,374,768	(23,748)	–	23,748	–
Term Deposits	7,019,110	(70,191)	–	70,191	–
Receivables	442,314	–	–	–	–
Contractual Financial Liabilities					
Trade and other payables	565,561	–	–	–	–
Borrowings	87,061	–	–	–	–
		(93,939)	–	93,939	–
2016					
Financial Assets					
Cash and cash equivalent	1,380,330	(13,803)	–	13,803	–
Term Deposits	4,407,873	(44,079)	–	44,079	–
Receivables	342,673	–	–	–	–
Contractual Financial Liabilities					
Trade and other payables	586,917	–	–	–	–
Borrowings	129,400	–	–	–	–
		(57,882)	–	57,882	–

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. As at the 30th of June, The Railway was not aware of any contingent assets or liabilities that are not already disclosed elsewhere in this report (2016 – NIL).

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.

continued ...



**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

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 Contractual Financial Assets

	Level	2017		2016	
		Carrying Amount \$	Fair Value \$	Carrying Amount \$	Fair Value \$
Contractual Financial Assets					
Cash and cash equivalent	3	2,374,768	2,374,768	1,380,330	1,380,330
Term Deposits	3	7,019,110	7,019,110	4,407,873	4,407,873
Receivables	3	442,314	442,314	342,673	342,673
Total Contractual Financial Assets		9,836,192	9,836,192	6,130,876	6,130,876
Contractual Financial Liabilities					
Trade and other payables	3	565,561	565,561	586,917	586,917
Borrowings	3	87,061	87,061	129,400	129,400
Total Contractual Financial Liabilities		652,622	652,622	716,317	716,317

continued ...



NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 8 – OTHER DISCLOSURES

Introduction

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

	2017	2016
Physical asset revaluation surplus (a)	\$	\$
Balance at beginning of financial year	42,276,552	36,078,853
Revaluation increments/(decrements)	–	6,197,699
Impairment losses	–	–
Balance at end of financial year	<u>42,276,552</u>	<u>42,276,552</u>

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.

continued ...



**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

NOTE 8.3 – Responsible Person

Responsible persons during the year ended 30th June 2017 were:

Responsible Minister: The Hon. John Eren, Minister for Tourism, Sport and Veterans from 4 December 2014

Accountable Officer: J.A. Robinson (Chief Executive Officer)

Remuneration paid to the Minister is reported in the Parliament of Victoria's Annual Report.

Members of the Board during the year ended 30 June 2017 were as under:

J.R.S. Cochrane (Chairman) 1 July 2016 to 30 June 2017

R.L. Leivers ((Deputy Chairman) 1 July 2016 to 30 June 2017

R.D. Bowen 1 February 2017 to 30 June 2017

J. Brady 1 July 2016 to 30 June 2017

J.L. Clowes 1 July 2016 to 30 June 2017

D.L. Eaton 1 July 2016 to 30 June 2017

R.W. Kingham 1 July 2016 to 31 January 2017

A.J. Ponton 1 July 2016 to 30 June 2017

J. Prentice 1 December 2016 to 30 June 2017

No remuneration was paid or is payable to any Board Members acting in their capacity as a Board Member.

Remuneration received or receivable by the Accountable Officer in connection with the management of the Railway during the reporting period was in the range: \$200,000 – \$209,999 (also within \$200,000 – \$209,999 in 2015/16).



NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 8.4 - Remuneration of Executives

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

Remuneration of Executive Officers	Total Remuneration	
	2017	2016
	\$	\$
• Short-term employee benefits	1,080,902	
• Post-employment benefits	97,377	
• Other long-term benefits	18,015	
Total remuneration	1,196,294	
Total Number of Executives	9	6
Total annualised employee equivalents	7.75	4.4

Notes:

(a) No comparatives have been reported because remuneration in the prior year was determined in line with the basis and definition under FRD 21B. Remuneration previously excluded non-monetary benefits and comprised any money, consideration or benefit received or receivable, excluding reimbursement of out-of-pocket expenses, including any amount received or receivable from a related party transaction. Refer to the prior year's financial statements for executive remuneration for the 2015-16 reporting period.

(b) The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure (Note 8.6).

(c) Annualised employee equivalent is based on the time fraction worked over the reporting period.

(d) Payments to contractors charged with significant management responsibility:

There were no payments made to contractors charged with significant management responsibility (2016: Nil).

continued ...



**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

NOTE 8.5 – Related parties

Members of the Board who are also members of the Puffing Billy Preservation Society Executive Committee were R. Cochrane, J. Brady, R Kingham, R Bowen and J. L. Clowes.

There were no related party transactions with any of these members.

R.D. Bowen and J.L.Clowes are employees of the ETRB.

Their remuneration forms part of the table below, along with Chief Executive, J.A. Robinson.

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 provide volunteer services to the Board.

Additionally, Puffing Billy Preservation Society has provided grants totalling \$167,557 (2016: \$247,449) towards capital works in progress, as disclosed in Note 2.

The Board has purchased books and DVD's to the value of \$2,942 (2016: \$9,038) from the Society for sale in its station kiosks.

Key management personnel of the agencies consolidated pursuant to section 53(1)(b) of the FMA into the Railway's financial statements include:

Entity	Key Management Personnel	Position title
Emerald Tourist Railway Board	Mr. J.A. Robinson	Chief Executive Officer & Accountable Officer
	R.D. Bowen	Board Member and Strategy & compliance Manager
	J.L. Clowes	Board Member and Train & Passenger Services Manager

Compensation of KMPs	Emerald Tourist Railway Board
	2017
	\$
Short-term employee benefits(a)	441,582
Post-employment benefits	39,615
Other long-term benefits	7,360
Total(b)	488,557

Notes:

(a) Total remuneration paid to KMPs employed the Accountable Officer during the reporting period.

(b) Note that KMPs are also reported in the disclosure of remuneration of executive officers (Note 8.5).

(c) No comparatives have been reported because remuneration in the prior year was determined in line with the basis and definition under FRD 21B. Remuneration previously excluded non-monetary benefits and comprised any money, consideration or benefit received or receivable, excluding reimbursement of out-of-pocket expenses, including any amount received or receivable from a related party transaction.

Refer to the prior year's financial statements for executive remuneration for the 2015-16 reporting period.

continued ...



**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

NOTE 8.6 – Remuneration of the auditors

	2017	2016
Victorian Auditor General’s Office	\$	\$
Audit or review of the financial statements	9,350	8,800
Total remuneration of auditors	<u>9,350</u>	<u>8,800</u>

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 2016/2017.

NOTE 8.8 – Subsequent events

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the Board and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period. 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. The Emerald Tourist Railway Board has no subsequent events to report for 2017 (2016 – NIL).

continued ...



**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

NOTE 8.9 – Australian Accounting Standards issued that are not yet effective

Certain new AASs have been published that are not mandatory for the 30 June 2017 reporting period. DTF assesses the impact of these new standards and advises the Board of their applicability and early adoption where applicable.

As at 30 June 2017, the following standards and interpretations that are applicable to the Board had been issued but are not mandatory for the financial year ending 30 June 2017. 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	Impact on the ETRB's financial statements
<p>AASB 15 Revenue from Contracts with Customers</p> <p>Applicable for annual reporting periods beginning on 1 January 2018</p>	<p>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.</p>	<p>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.</p> <p>A potential impact will be the upfront recognition of revenue from licenses that cover multiple reporting periods. 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.</p>
<p>AASB 16 Leases</p> <p>Applicable for annual reporting periods beginning on 1 January 2019</p>	<p>The key changes introduced by AASB 16 include the recognition of most operating leases (which are current not recognised) on balance sheet.</p>	<p>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.</p> <p>Depreciation of lease assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus.</p> <p>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.</p>

Changes in accounting policies

No new accounting policies have been adopted in the 2016-17 year.

continued ...



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 8.10 – Glossary of technical terms

The following is a summary of the major technical terms used in this report.

Borrowings refers to interest bearing liabilities mainly raised from public borrowings raised through the Treasury Corporation of Victoria, finance leases and other interest bearing arrangements. Borrowings also include non-interest bearing advances from government that are acquired for policy purposes.

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

Comprehensive result is the amount included in the operating statement representing total change in net worth other than transactions with owners as owners.

Current grants are amounts payable or receivable for current purposes for which no economic benefits of equal value are receivable or payable in return.

Depreciation is an expense that arises from the consumption through wear or time of a produced physical or intangible asset. This expense is classified as a 'transaction' and so reduces the 'net result from transaction'.

Effective interest method is the method used to calculate the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, where appropriate, a shorter period.

Employee benefits expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments, defined benefits superannuation plans, and defined contribution superannuation plans.

Ex-gratia expenses mean the voluntary payment of money or other non-monetary benefit (e.g. a write-off) that is not made either to acquire goods, services or other benefits for the entity or to meet a legal liability, or to settle or resolve a possible legal liability or claim against the entity.

Financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual right:
 - to receive cash or another financial asset from another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- (d) a contract that will or may be settled in the entity's own equity instruments and is:
 - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
 - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

continued ...



NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30 JUNE 2017

NOTE 8.10 – Glossary of technical terms *(continued)*

Financial liability is any liability that is:

- (a) a contractual obligation:
 - to deliver cash or another financial asset to another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- (b) a contract that will or may be settled in the entity's own equity instruments and is:
 - a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
 - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Financial statements in the Model Report comprises:

- (a) a balance sheet as at the end of the period;
- (b) a comprehensive operating statement for the period;
- (c) a statement of changes in equity for the period;
- (d) a cash flow statement for the period;
- (e) notes, comprising a summary of significant accounting policies and other explanatory information;
- (f) comparative information in respect of the preceding period as specified in paragraph 38 of AASB 101 Presentation of Financial Statements; and
- (g) a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 41 of AASB 101.

Grant expenses and other transfers are transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature.

While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes.

Grants can be paid as general purpose grants, which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants, which are paid for a particular purpose and/or have conditions attached regarding their use.

Infrastructure systems provide essential services used in the delivery of final services or products.

They are generally a complex interconnected network of individual assets and mainly include sewerage systems, water storage and supply systems, and public transport assets owned by the State.

continued ...



**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

NOTE 8.10 – Glossary of technical terms *(continued)*

Interest expense represents costs incurred in connection with borrowings. It includes interest on advances, loans, overdrafts, bonds and bills, deposits, interest components of finance lease repayments, and amortisation of discounts or premiums in relation to borrowings.

Interest income includes unwinding over time of discounts on financial assets and interest received on bank term deposits and other investments.

Investment properties are properties held to earn rentals or for capital appreciation or both.

Investment properties exclude properties held to meet service delivery objectives of the State of Victoria.

Leases are rights to use an asset for an agreed period of time in exchange for payment. Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases of infrastructure, property, plant and equipment are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. All other leases are classified as operating leases.

Net acquisition of non-financial assets (from transactions) are purchases (and other acquisitions) of non-financial assets less sales (or disposals) of non-financial assets less depreciation plus changes in inventories and other movements in non-financial assets. Includes only those increases or decreases in non-financial assets resulting from transactions and therefore excludes write-offs, impairment write-downs and revaluations.

Net financial liabilities is calculated as liabilities less financial assets, other than equity in public non-financial corporations (PNFC) and public financial corporations (PFC). This measure is broader than net debt as it includes significant liabilities, other than borrowings (e.g. accrued employee liabilities such as superannuation and long service leave entitlements). For the PNFC and PFC sectors, it is equal to negative net financial worth.

Net financial worth is equal to financial assets minus liabilities. It is a broader measure than net debt as it incorporates provisions made (such as superannuation, but excluding depreciation and bad debts) as well as holdings of equity. Net financial worth includes all classes of financial assets and liabilities, only some of which are included in net debt.

Net gain on equity investments in other sector entities [DTF only] measured at proportional share of the carrying amount of net assets/(liabilities) comprises the net gains relating to the equity held by the general government sector in other sector entities. It arises from a change in the carrying amount of net assets of the subsidiaries. The net gains are measured based on the proportional share of the subsidiary's carrying amount of net assets/(liabilities) before elimination of inter sector balances.

Net lending/borrowing is the financing requirement of government, calculated as the net operating balance less the net acquisition of non-financial assets. It also equals transactions in financial assets less transactions in liabilities. A positive result reflects a net lending position and a negative result reflects a net borrowing position.

Net operating balance or net result from transactions is a key fiscal aggregate and is revenue from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

continued ...



NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

NOTE 8.10 – Glossary of technical terms *(continued)*

Net result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those classified as ‘other non-owner movements in equity’.

Net worth is calculated as assets less liabilities, which is an economic measure of wealth.

Non-financial assets are all assets that are not financial assets. It includes inventories, land, buildings, infrastructure, road networks, land under roads, plant and equipment, cultural and heritage assets, intangibles and biological assets such as commercial forests.

Non-financial public sector represents the consolidated transactions and assets and liabilities of the general government and PNFC sectors. In compiling statistics for the non-financial public sector, transactions and debtor/creditor relationships between sub-sectors are eliminated to avoid double counting.

Operating result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as ‘other non-owner movements in equity’. Refer also ‘Net result’.

Other economic flows included in net result are changes in the volume or value of an asset or liability that do not result from transactions. In simple terms, other economic flows are changes arising from market remeasurements. They include gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets; fair value changes of financial instruments and agricultural assets; and depletion of natural assets (non-produced) from their use or removal.

Other economic flows – other comprehensive income comprises items (including reclassification adjustments) that are not recognised in net result as required or permitted by other Australian Accounting Standards. They include changes in physical asset revaluation surplus; share of net movement in revaluation surplus of associates and joint ventures; and gains and losses on remeasuring available-for-sale financial assets.

Payables includes short and long-term trade debt and accounts payable, grants, taxes and interest payable.

Produced assets include buildings, plant and equipment, inventories, cultivated assets and certain intangible assets. Intangible produced assets may include computer software, motion picture films and research and development costs (which does not include the start-up costs associated with capital projects).

Receivables include amounts owing from government through appropriation receivable, short and long-term trade credit and accounts receivable, accrued investment income, grants, taxes and interest receivable.

Sales of goods and services refers to income from the direct provision of goods and services and includes fees and charges for services rendered, sales of goods and services, fees from regulatory services and work done as an agent for private enterprises. It also includes rental income under operating leases and on produced assets such as buildings and entertainment, but excludes rent income from the use of non-produced assets such as land. User charges includes sale of goods and services income.

Supplies and services generally represent cost of goods sold and the day to day running costs, including maintenance costs, incurred in the normal operations of the Department.

continued ...



**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

NOTE 8.10 – Glossary of technical terms *(continued)*

Taxation income represents income received from the State’s taxpayers and includes:

- payroll tax, land tax and duties levied principally on conveyances and land transfers;
- gambling taxes levied mainly on private lotteries, electronic gaming machines, casino operations and racing;
- insurance duty relating to compulsory third party, life and non-life policies;
- insurance company contributions to fire brigades;
- motor vehicle taxes, including registration fees and duty on registrations and transfers;
- levies (including the environmental levy) on statutory corporations in other sectors of government; and
- other taxes, including landfill levies, licence and concession fees.

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows into an entity such as depreciation, where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the Government.

NOTE 8.11 – 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.

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 2016-17 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 new reporting format.

continued ...



**NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017**

How this report is structured

The Emerald Tourist Railway Board has presented its audited general purpose financial statements for the financial year ended 30 June 2017 in the following structure to provide users with the information about the Railway's stewardship of resources entrusted to it.

Financial statements	Page
Comprehensive operating statement	22
Balance sheet	23
Cash flow statement	24
Statement of changes in equity	25
Notes to the financial statements	
1. About this report	26
The basis on which the financial statements have been prepared and compliance with reporting regulations	
2. Funding delivery of our services	27
Revenue recognised from taxes, grants, sales of goods and services and other sources	
2.1 Summary of income that funds the delivery of our services	27
2.2 Income from transactions	28
3. The cost of delivering services	29
Operating expenses of the Department	
3.1 Expenses incurred in delivery of services	29
3.2 Supplies and services	32
3.3 Administration	33
3.4 Grants	33
3.5 Other operating expenses	33
4. Key assets available to support output delivery	34
Land, property, investment properties, biological assets, intangible assets, investments accounted for using the equity method, investments and other financial assets, and acquisition and disposal of entities	
4.1 Total property, plant and equipment	34
5. Other assets and liabilities	40
Working capital balances, and other key assets and liabilities	
5.1 Receivables	40
5.2 Payables	42
5.3 Inventories	43
5.4 Other non-financial assets	44
5.5 Other provisions	44

continued ...



NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2017

Notes to the financial statements *(continued)*

	Page
6. Financing our operations	45
Borrowings, cash flow information, leases and assets pledged as security	
6.1 Interest bearing liabilities	45
6.2 Cash flow information and balances	46
6.3 Commitments for expenditure	47
7. Risks, contingencies and valuation judgements	49
Financial risk management, contingent assets and liabilities as well as fair value determination	
7.1 Financial instruments specific disclosures	49
7.2 Contingent assets and contingent liabilities	56
7.3 Fair value determination	56
8. Other disclosures	58
8.1 Ex-gratia expenses	58
8.2 Reserves	58
8.3 Responsible persons	59
8.4 Remuneration of executives	60
8.5 Ex-gratia expenses	61
8.6 Subsequent events	62
8.7 Responsible persons	62
8.8 Remuneration of executives	62
8.9 Australian Accounting Standards issued that are not yet effective	63
8.10 Glossary of technical terms	64
8.11 Style conventions	68

continued ...



DISCLOSURE INDEX FOR THE YEAR ENDED 30 JUNE 2017

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

Legislation	Requirement	Page reference
Ministerial Directions & Financial Reporting Directions		
<i>Report of Operations</i>		
Charter and Purpose		
FRD 22H	Manner of establishment and the relevant Ministers	Page 1, 59
FRD 22H	Purpose, functions, powers and duties	Page 6, 15
FRD 8D	Departmental objectives, indicators and outputs	Page 6, 15
FRD 22H	Key initiatives and projects	Page 6
FRD 22H	Nature and range of services provided	Page 6-14
Management and Structure		
FRD 22H	Organisational structure	Page 18
Financial and other information		
FRD 8D	Performance against output performance measures	Page 6-8
FRD 10A	Disclosure index	Page 71
FRD 12B	Disclosure of major contracts	Page 17
FRD 15D	Executive officer disclosures	Page 59-61
FRD 22H	Occupational health and safety policy	Page 8
FRD 22H	Summary of the financial results for the year	Page 8
FRD 22H	Significant changes in financial position during the year	Page 6-8
FRD 22H	Major changes or factors affecting performance	Page 27
FRD 22H	Subsequent events	Page 62
FRD 22H	Application and operation of <i>Freedom of Information Act 1982</i>	Page 15
FRD 22H	Application and operation of the <i>Protected Disclosure Act 2012</i>	Page 15
FRD 22H	Details of consultancies over \$10 000	Page 17
FRD 22H	Details of consultancies under \$10 000	Page 17
FRD 22H	Disclosure of government advertising expenditure	Page 22, 29-30
FRD 22H	Statement of availability of other information	Page 15-16
FRD 24C	Reporting of office based environmental impacts	Page 15
FRD 29B	Workforce Data disclosures	Page 8
Compliance attestation and declaration		
SD 3.7.1	Attestation for compliance with Ministerial Standing Direction	Page 17
SD 5.2.3	Declaration in report of operations	Page 17

continued ...



DISCLOSURE INDEX FOR THE YEAR ENDED 30 JUNE 2017 *(continued)*

Legislation	Requirement	Page reference
Ministerial Directions & Financial Reporting Directions		
<i>Financial Statements</i>		
Declaration		
SD 5.2.2	Declaration in financial statements	Page 21
Other requirements under Standing Directions 5.2		
SD 5.2.1	Compliance with Australian accounting standards and other authoritative pronouncements	Page 26
SD 5.2.1	Compliance with Ministerial Directions	Page 16
Other disclosures as required by FRDs in notes to the financial statements (a)		
FRD 11A	Disclosure of Ex gratia Expenses	Page 62
FRD 21C	Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report	Page 59-60
FRD 102	Inventories	Page 43
FRD 103F	Non Financial Physical Assets	Page 34-39
FRD 110A	Cash Flow Statements	Page 25, 46
FRD 112D	Defined Benefit Superannuation Obligations	Page 32
<i>Legislation</i>		
	<i>Freedom of Information Act 1982</i>	Page 52
	<i>Building Act 1993</i>	N/A
	<i>Protected Disclosure Act 2012</i>	Page 15
	<i>Carers Recognition Act 2012</i>	N/A
	<i>Victorian Industry Participation Policy Act 2003</i>	Page 46
	<i>Financial Management Act 1994</i>	Page 6, 16-17, 21, 26



MISSION STATEMENT

To preserve, 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 Railway stakeholders, including members, staff and volunteers.

BOARD OFFICES	Train Operations, Marketing and Workshops Old Monbulk Road, BELGRAVE 3160 Finance and Administration 17 Kilvington Drive, EMERALD 3782
POSTAL ADDRESS	P. O. Box 451, BELGRAVE 3160
BANKERS	Commonwealth Bank of Australia, 1 Kilvington Drive, EMERALD 3782
AUDITORS	Victorian Auditor General's Office, Level 24, 35 Collins Street, MELBOURNE 3000
INSURERS	1) Victorian Managed Insurance Authority (VMIA) Level 10, 161 Collins Street, MELBOURNE 3000 2) Edgewise Insurance Brokers Pty Ltd 675 Victoria Street ABBOTSFORD 3067
RECORDED INFORMATION	(03) 9757 0700
ENQUIRIES & BOOKINGS	Phone: (03) 9757 0700 Fax: (03) 9757 0705
ADMINISTRATION	Phone: (03) 5968 6257 Fax: (03) 5968 6264
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