

PUFFING BILLY PRESERVATION SOCIETY

annual report

AND FINANCIAL STATEMENTS

2018



PUFFING BILLY PRESERVATION SOCIETY

ABN 79 004 621 505 ACN 004 621 505

PRESIDENT'S REPORT

Without doubt the most significant event during the year occurred on 25th June 2018, with the release of the Victorian Ombudsman's report on the Investigation into child sex offender Robert Whitehead's involvement with Puffing Billy and other railway bodies. Amongst its findings, the report concluded that at least two former Puffing Billy adult volunteers, Robert Whitehead and Anthony Hutchins had committed acts of child sex abuse against Puffing Billy youth volunteers and that the Society and ETRB was aware of allegations of child sex abuse by Whitehead and Hutchins for many years; taking no, or not sufficient, action.

Prior to the release of the report, John Robinson, the CEO of ETRB resigned from his position.

Following the release of the report:

DEDJTR reviewed the composition of the ETRB board and governance between ETRB and the Society, with the effect that the Society no longer has members on the Board.

A number of the Society's Executive Committee members have, for various reasons, resigned.

Soon the Society, together with the State Government and the ETRB, will be making a formal apology to victims and their families.

The Society has been served with legal proceedings by several former youth volunteers at Puffing Billy alleging sexual abuse by adult volunteers / Society members in the early 1980s. The Society takes these allegations very seriously and has instructed lawyers to engage in an informal settlement conference process with the claimants, their lawyer and ETRB.

Dealing with our legal representatives with regards to the Ombudsman's Report and the writs has incurred costs to date of \$54,487. These costs are reported in the accounts.

For the sixth year in a row our membership figures have continued to grow, and the Society now has 1,219 members on its books. In addition, Society events continue to be popular, attracting good numbers.

The Society has a comprehensive range of sub-committees, through which we continue to undertake a range of activities around the Railway, whether that be in fundraising, providing support in restoration projects, or participating in management committees. The use of Dropbox assists communication at committee level, providing a more secure means of distributing documents than by using email and Mailchimp is proving an attractive and successful way of promoting activities amongst the Membership and the Railway's volunteers.

Membership

Membership details in respect of the year ended 30th June 2018 are as follows:

	Full	Concession	Life (inc. Senior Life)	Hon. Life	Family	Junior/ Student	Total
As at 30/06/2017	433	435	79	5	150	34	1136
As at 30/06/2018	452	440	83	4	208	32	1219
	+19	+5	+4	-1	+58	-2	+83

50 Years of Membership awards

Once more, the Society organised an event to acknowledge those members who have held 50 years of continuous financial membership. Held at the Packing Shed on 9th July 2017, all our current 50 Year members and partners were invited for lunch. This has now become an established event on the Society's calendar, and one which is much appreciated by our 50 Year badge holders.

Climax Locomotive 1694

The Climax operated a Twilight Train in October 2017. However, as the organising members had to step aside for various reasons, we were unable to operate the season of daytime Commissioners Trains in 2018. A new organising team has now been formed and we look forward to running further Climax hauled trains in the future. Footplate Experience Trains continue to be popular and continue to raise funds to cover ongoing maintenance costs for the Climax locomotive.

Menzies Creek Museum

Work has continued throughout the year with the exterior dual-gauge trackwork almost complete. Internally much work has been done to bring the Museum towards the stage where it can be opened to the public. Volunteers also continue to catalogue items within the Museum's collection using Victorian Collections.

Archives

As the Society now has use of the complete the Kings Road premises for the Archives, the team is able to work much more effectively. During the year the Archives opened its doors for the first time to Society Members on each Monday, allowing them access to the archive material.

Great Train Race

The 37th Great Train Race was held on Sunday 29th April, attracting over 2,000 runners. A major organisational feat. This event continues to be a significant fundraiser for the Society. Proceeds from this year's race will again benefit the Menzies Creek Museum project.

Constitutional change

At a meeting on 19th June, the Society voted to make changes to the Constitution, whereby for the first time, financial members of the Society who are not members of the Executive Committee may be able to represent the Society on the ETRB. This move was made so Society can put forward members that have a wide range of professional skills and experience and thus help, as far as possible to strengthen the Board.

Society awards

This year, in the light of the Ombudsman's report, the Society felt it could be seen as insensitive to recognise people for their work. Accordingly, the awards programme has been held over.

Volunteers Thank You event

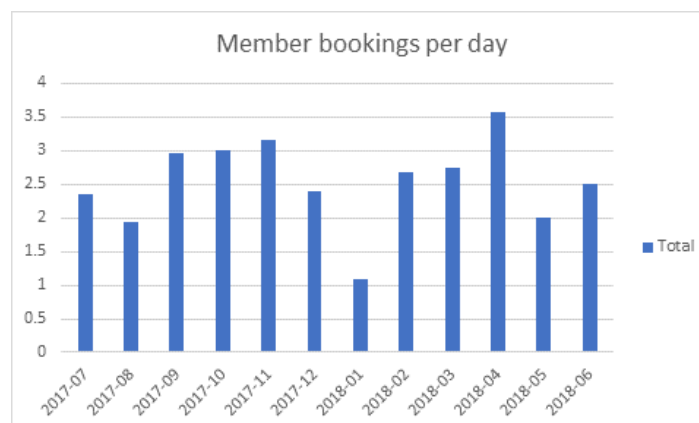
This event, organised by the Society, and held each year in February, is the Railway's 'Thank You' to the volunteers for their efforts during the year. In 2018, the event was held again at Gembrook, in the Hoecker (the large marquee used for Day Out with Thomas events which has space sufficient to accommodate the numbers attending. A special train was operated from Belgrave in conjunction with the event. This function continues to attract increasing numbers of people, and it is pleasing to note that the event today draws nearly twice the number of people it did only a few years ago.

Rolling stock restoration

The assessment of non-operational wooden bodied rolling stock has now concluded, and a number of vehicles have been identified which are deemed capable of restoration. Until such time as money and facilities are available, the first priority is to store these vehicles out of the weather which has caused so much deterioration over the last 60 years. Accordingly, a scheme has been devised by Tim Heeks to allow these vehicles to be safely and securely stored.

Members' benefits

There has recently been some discussion around the use and potential abuse of members' free travel benefits. Below is data showing the level of free travel take-up for the 2017-2018 year and this shows that there were 922 members who used their benefits during the year. This equates to an average of 2.53 members / day over the period, or around 0.2% of the total passengers travelling.



Free travel is a privilege granted to the Society by the Board; and costs the Society nothing. We are pleased to conclude that this information indicates that our members are treating this benefit with respect.

Fundraising

Other fundraisers this year included the Footplate Experience Trains and the Gembrook book sale, that raised money put towards the maintenance costs of the Climax, and G42 book sales, the proceeds of which go towards the maintenance of G42. Funding for the ongoing restoration of NGG16-129 continued during the year.

Social Committee

A series of well-attended events were organised for members and volunteers, their friends and families during the year. In addition to the regular New Year's Eve Train, a film night was held in the new Museum building at Menzies Creek. Other successful social events were also held visiting the Botanic Gardens in Ballarat and riding on the trams, a Wild East Train to Gembrook, and a day out to visit the B-24 bomber at Werribee, the RAAF Museum at Point Cook and the miniature railway at Altona.

Santa Specials

Another successful fund-raising event for the Society, the Santa Special days were run again in their new format at Gembrook station. This change has proved successful with increased numbers of passengers carried.

Website

All Society event booking continues to be made online, which is quicker, simpler and much more efficient than the previous method. Any members without internet access are able to contact the Railway's call centre during business hours and make bookings over the phone. Further updates to the Society's web pages are now required following a general website facelift.

Strategic Plan

During the year, the Executive continued to work on a new Strategic Plan which will determine what the Society does, and how the objectives of the Society can be achieved, in the coming years. This work is ongoing.

Publications Group

This group continues to produce *Narrow Gauge* magazine to a high standard and continues to work on other projects for the future. During the year, two Editors were selected to occupy the role; Stuart Minetti joined the team in late 2017, stepping aside in early 2018. He has now been replaced with Malcolm Simister and we wish Malcolm well in the role. The reprint of the Ted Downs classic book, *Speed Limit 20*, known as *Speed Limit 20 Plus*, was launched at Emerald station over the weekend of 25th - 26th November 2017, and has proved to be popular.

John Robinson

Prior to the release of the Ombudsman's report, John stepped aside as CEO of the Emerald Tourist Railway Board and shortly afterwards vacated the Society Treasurer's role and left the Society Executive Committee. Russ Bowen, the Railway's former Finance Manager, was elected to replace John as Treasurer.

Information evening

An information evening was held at Mater Christi College Belgrave on 23rd May 2018. This gave members and volunteers the opportunity to listen to the latest information from the Society, the Board and the Railway's management and to ask questions on matters of interest.

Conclusion

Despite a difficult conclusion to the year, I would like to thank all those members who have contributed towards the Society's achievements and successes during the last twelve12 months. It is critical that the Society remains active, attractive and relevant in the 21st Century and, especially now that we no longer have representation on the ETRB, it is more important than ever that we do not lose sight of that.

A handwritten signature in black ink, appearing to read 'J Goodwin', enclosed within a hand-drawn, irregular loop.

Jeff Goodwin

President

24.09.18

PUFFING BILLY PRESERVATION SOCIETY

ABN 79 004 621 505 ACN 004 621 505

ANNUAL REPORT OF THE EXECUTIVE COMMITTEE

The Executive Committee submits herewith the Financial Statements of the Society for the year ended 30th June, 2018.

The Committee members in office at any time during or since the end of the year are:

Mr R.D. Bowen	Mr. J.R. Brady	Mrs. J. L. Clowes	Mr. R. S. Cochrane	Mr. J.K. Goodwin
Mr T. Heeks	Mr N. Kingswood	Mr. R. L. Leivers	Mr L. Reed-Nickerson	Mr. R. A. Richens
Mr. J. A. Robinson	Mr K. Stanes	Mr. B. L. Van de Linde		

The principal activities of the Society in the course of the financial year were in relation to the continued preservation and operation of the Puffing Billy Railway and the provision of voluntary management, operational and support staff to supplement the staff of the Emerald Tourist Railway Board.

The surplus of the Society, before grants made to Emerald Tourist Railway Board, was \$249,428 (2017: \$256,877).

The Net Result of the Society, after grants made to Emerald Tourist Railway Board was a surplus of \$168,331 (2017: \$89,320).

One bequest of \$10,000 was received during the past twelve months, (2017 - Nil).

In 2018 \$81,097 (2017: \$120,065) was donated towards the Museum redevelopment at Menzies Creek, which was the net proceeds of \$81,097 from the 2017 Great Train Race in this financial year. No other donations were made during the financial year. In 2017, \$21,638 was donated to continue refurbishment of locomotive NGG16-129); and \$25,854 was donated towards the maintenance of the Climax locomotive. There were no other significant amounts transferred to or from reserves or provisions during the year.

The Society's constitution specifically prohibits the payment of any dividends.

The Society is limited by Guarantee. If the Society is wound up, the constitution states that each member is required to contribute a maximum of \$20 each towards meeting any outstanding obligations of the Society. At 30 June 2018 there were 1,219 members (2017: 1,136).

The Society's long and short-term objectives are to:

- Restore and preserve the heritage assets of Puffing Billy Railway
- Raise funds to assist in covering the cost of restoring Puffing Billy's heritage assets
- Provide volunteers to assist in the daily operations of Puffing Billy Railway
- Conserve and catalogue all archival material which relates to the history of Puffing Billy Railway and its assets.

- Exhibit non-operational rolling stock and heritage assets in Puffing Billy Railway museum at Menzies Creek

The Society's strategy for achieving these objectives in the current year is as follows:

- Providing approximately 500 Volunteers to assist the Emerald Tourist Railway Board with the operation of the Puffing Billy Railway
- Providing funding towards the redevelopment of Menzies Creek museum \$81,097.
- The Society owns a substantial amount of archival material which is gradually being restored or catalogued by Volunteers at the Society's archives office in Kings Road, Emerald.
- The Society owns a substantial amount of non-operational physical heritage assets which are exhibited at the Puffing Billy Museum site at Menzies Creek. The Society has provided \$728,578 towards a total redevelopment of the museum site since work commenced in late 2010. A new Museum building, which will house many non-operational narrow-gauge locomotives and rolling stock, has been completed. Over the past year many interpretation boards have been produced to complement the displays and provide stories relating to the exhibit., and restoration of the boiler house has also been completed in readiness for opening. Further development of the rest of the Museum site has also been proceeding, with significant site work now completed. The new museum building is anticipated to open in the next few months, and planning is under way for further museum buildings to be constructed.
- The Society runs several fund-raising events each year, including the Great Train Race, several Santa Special trains, and Footplate Experience Trains. The Australian Taxation Office has granted GST- exemption status to the Great Train Race, which means that GST is not required to be collected or paid on entry fees, and GST is not refundable on supplies of goods and services purchased for the race. This year's net proceeds from the Great Train Race, \$89,255 (2017: \$81,097) will be contributed towards the redevelopment of the museum at Menzies Creek.

Towards the end of the financial year the Society received writs from several present or former members who are claiming that they were abuse victims of paedophile Robert Whitehead in the 1980's. The Society has engaged a firm of solicitors to provide legal assistance with the writs. The Society has also sought independent legal advice regarding the findings contained in the recent Ombudsman's report. The cost of legal advice received to 30th June 2018 is \$54,487. At the time of preparing this report, there have not been any further legal expenses incurred.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may affect the operations of the Society, the results of these operations or the state of affairs of the Society in subsequent financial years.

There are no other likely developments or changes in the operation of the Society which are expected to affect its operations or results in subsequent financial years.

No Committee member, since the end of the previous financial year, has received or has become entitled to receive a benefit by reason of a contract made by the Society or a related corporation with the Committee member or with a firm of which he is a member or with a company in which he has a substantial financial interest.

Information on Committee Members in office at 30th June 2018

<i>Member</i>	<i>Experience</i>	<i>Special Responsibilities</i>
J. K. Goodwin	President for 8 years	President
B. Tech C.Eng. MIET	Committee member for 9 years Chartered Engineer	
J. L. Clowes	Vice president for 8 years Committee member for 11 years Train and Passenger Business Manager – E.T.R.B	Vice-President
R. D. Bowen CPA(Canada)	Committee member for 3 years Retired Finance Manager of Emerald Tourist Railway Board	Acting Treasurer
T. Heeks	Secretary for 2 years Committee member for 3 years Manager, Engineering Drawing Office, Emerald Tourist Railway Board	Secretary
R. S. Cochrane B.A., B.Ed., T.T.C.	Committee member for 11 years Ex Chairman, Emerald Tourist Railway Board Retired Manager	
N. Kingswood M. Ed	Committee member for 1 year Retired University Lecturer	
B. van de Linde	Committee member for 1 year Engineering Design Manager	

Meetings of Committee Members

During the financial year, eleven (11) meetings of the Executive Committee were held. The number of meetings attended by each committee member was:

Mr. R. D. Bowen	10	Mr. J. R. Brady	4	Mrs. J. L. Clowes	10
Mr T. Heeks	11	Mr. R. S. Cochrane	8	Mr. J. K. Goodwin	11
Mr. N. Kingswood	7	Mr R. L. Leivers	9	Mr L. Reed-Nickerson	3
Mr. R. A. Richens	8	Mr. J. A. Robinson	7	Mr. K. Stanes	10
Mr. B. L. Van de Linde	7				

Indemnifying Officers of the Society

The Society has not, during or since the end of the financial year, in respect of any person who is or has been an officer or auditor of the Society indemnified or made any relevant agreement for indemnifying against a liability incurred as an officer, including costs and expenses in successfully defending legal proceedings.

During or since the end of the financial year a premium of \$3,608 (2017 - \$3,809) has been paid by the Emerald Tourist Railway Board to insure officers and members of the Board and executive officers of the Puffing Billy Preservation Society against liabilities for costs and expenses incurred by them in defending any legal proceedings arising out of their conduct while acting in the capacity of officer of either the Board or the Society, other than conduct involving a wilful breach of duty.

The Society Officers in respect of whom the premium was paid are:

Mr R.D. Bowen	Mr. J. R. Brady	Mrs. J. L. Clowes
Mr. R. S. Cochrane	Mr. J. K. Goodwin	Mr T. Heeks
Mr. N. Kingswood	Mr R. L. Leivers	Mr. L. Reed Nickerson
Mr. R. A. Richens	Mr. J. A. Robinson	Mr K. Stanes
Mr. B. Van de Linde		

The auditor's independence declaration for the year ended 30 June 2018 has been received and can be found on page 33 of the Annual Report.

This report is made by authority of a resolution of the Committee and signed on their behalf by:-



J. I. Clowes

Vice President

Dated this 1st day of October 2018

PUFFING BILLY PRESERVATION SOCIETY

ABN 79 004 621 505

ACN 004 621 505

EXECUTIVE COMMITTEE DECLARATION

The Executive Committee of the Society declares that:

The financial statements and notes, as set out on accompanying pages 12 to 32 are in accordance with the Australian Charities and Not-for-profit Commission Act 2012:

- (a) comply with accounting standards, reduced disclosure requirements, and the Australian Charities and Not-for-profit Commission Regulations 2013; and other mandatory professional reporting requirements, and
- (b) give a true and fair view of the financial position as at 30th June, 2018 and performance of the Society for the year ended on that date, and
- (c) In the opinion of the Executive Committee there are reasonable grounds to believe that the Society will be able to pay its debts as and when they become due and payable

This declaration is made in accordance with a resolution of the Executive Committee.

A handwritten signature in blue ink that reads "R.D. Bowen". The signature is stylized and cursive.

R.D Bowen

Executive Committee Member and Acting Treasurer

Dated this 1st day of October 2018

PUFFING BILLY PRESERVATION SOCIETY
COMPREHENSIVE OPERATING STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	2018 \$	2017 \$
Sales Revenue	2	47,356	4,556
Cost of Sales	2	<u>(21,471)</u>	<u>(3,512)</u>
Gross Profit		<u>25,885</u>	<u>1,044</u>
Other Income			
General Activities	2	553,236	547,733
Expenses			
General Activities	2	<u>(329,694)</u>	<u>(291,900)</u>
Surplus before grants made		<u>249,427</u>	<u>256,877</u>
Grants made to Emerald Tourist Railway Board			
Climax Locomotive Maintenance		-	(25,854)
G42 Locomotive Maintenance		-	-
Museum Redevelopment		(81,097)	(120,065)
Refurbish Locomotive NGG16-129		<u>-</u>	<u>(21,638)</u>
	10	<u>(81,097)</u>	<u>(167,557)</u>
Comprehensive Result for the Year		<u>168,331</u>	<u>89,320</u>

The accompanying notes form part of the Financial Statements

PUFFING BILLY PRESERVATION SOCIETY

**BALANCE SHEET
AS AT 30 JUNE 2018**

	NOTE	2018	2017
		\$	\$
Financial Assets			
Cash and Cash Equivalents	3	520,383	347,959
Receivables	4	35,164	50,888
Other Financial Assets	5	<u>1,708,780</u>	<u>1,666,742</u>
Total Financial Assets		<u>2,264,327</u>	<u>2,065,589</u>
Non-Financial Assets			
Inventories	6	16,650	18,907
Property, Plant and equipment	7	<u>1,030,097</u>	<u>1,030,097</u>
Total Non-Financial Assets		<u>1,046,747</u>	<u>1,049,004</u>
Total Assets		<u>3,311,074</u>	<u>3,114,593</u>
Liabilities			
Payables	8	67,305	25,867
Other	9	<u>51,891</u>	<u>65,179</u>
Total Liabilities		<u>119,196</u>	<u>91,046</u>
Net Assets		<u>3,191,878</u>	<u>3,023,547</u>
Equity			
Asset Revaluation Reserve		906,970	906,970
Retained Profits	10	<u>2,284,908</u>	<u>2,116,577</u>
Total Equity		<u>3,191,878</u>	<u>3,023,547</u>

The accompanying notes form part of the Financial Statements

PUFFING BILLY PRESERVATION SOCIETY
STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$	\$
Total Equity at beginning of Financial Year	3,023,547	2,934,227
Net Result for the Year	168,331	89,320
Physical Asset Revaluation	<u>-</u>	<u>-</u>
Total Equity at the end of Financial Year	<u>3,191,878</u>	<u>3,023,547</u>

The accompanying notes form part of the Financial Statements

PUFFING BILLY PRESERVATION SOCIETY
CASH FLOW STATEMENT
FOR THE YEAR ENDED 30 JUNE 2018

	NOTE	2018	2017
		\$	\$
Cash Flows from Operating Activities			
Receipts from Customers and Members		566,815	537,444
Payments to Suppliers		(307,469)	(306,092)
Interest Received		<u>36,212</u>	<u>43,113</u>
Net Cash Flows from Operating Activities	14(b)	<u>295,558</u>	<u>274,465</u>
Cash Flows from Investing Activities			
Grants to Emerald Tourist Railway Board for restoration Projects		(81,097)	(167,557)
Payment for / (Redemption of) Investments		<u>(42,038)</u>	<u>(221,233)</u>
Net Cash used in Investing Activities		<u>(123,135)</u>	<u>(388,790)</u>
Net Increase / (Decrease) in Cash and Cash Equivalents		172,424	(114,325)
Cash and Cash Equivalents at the beginning of the Year		<u>347,959</u>	<u>462,284</u>
Cash and Cash Equivalents at the end of the Year	14(a)	<u>520,383</u>	<u>347,959</u>

The accompanying notes form part of the Financial Statements

PUFFING BILLY PRESERVATION SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: Summary of Significant Accounting Policies

These general purpose financial statements have been prepared in accordance with Australian Accounting Standards – Reduced Disclosure Requirements, other authoritative pronouncements of the Australian Accounting Standards Board, Urgent Issues Group Interpretations and the Australian Charities and Not-for-profit Commission Act 2012 and the Australian Charities and Not-for-profit Commission Regulations 2013.

Puffing Billy Preservation Society is a company limited by guarantee, incorporated and domiciled in Australia.

The financial statements were authorised for issue on 1st October 2018.

Basis of preparation

These financial statements comply with Australian Accounting Standards – Reduced Disclosure Requirements as issued by the Australian Accounting Standards Board (AASB). The adoption of these standards has not had any impact on the current period or any prior period and is not likely to affect future periods.

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 Society.

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.

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2018, and the comparative information presented in these financial statements for the year ended 30 June 2017.

Income Tax

The Society qualifies as an organisation specifically exempted from income tax pursuant to section 50-45 of the Income Tax Assessment Act 1997. Therefore, no provision has been made for income tax.

PUFFING BILLY PRESERVATION SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: Summary of Significant Accounting Policies (continued)

Scope and presentation of financial statements

Comprehensive operating statement

Income and expenses in the comprehensive operating statement are classified according to whether or not they arise from 'transactions' or 'other economic flows'. This classification is consistent with the whole of government reporting format and is allowed under AASB 101 Presentation of financial statements.

'Transactions' are those economic flows that are considered to arise as a result of policy decisions, usually interactions between two entities by mutual agreement. Transactions also include flows within 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.

'Other economic flows' are changes arising from market re-measurements. They include gains and losses from disposals, revaluations and impairments of non-financial physical and intangible assets and fair value changes of financial instruments.

The net result is equivalent to profit or loss derived in accordance with AASs.

Balance sheet

Assets and liabilities are presented in liquidity order with assets aggregated into financial assets and non-financial assets.

Current and non-current assets and liabilities (those expected to be recovered or settled beyond 12 months) are disclosed in the notes, where relevant.

Cash flow statement

Cash flows are classified according to whether or not they arise from operating activities, investing activities, or financing activities. This classification is consistent with requirements under AASB 107 Statement of cash flows.

Statement of changes in equity

The statement of changes in equity presents reconciliations of each non-owner and owner equity opening balance at the beginning of the reporting period to the closing balance at the end of the reporting period. It also shows separately changes due to amounts recognised in the comprehensive result and amounts recognised in other comprehensive income related to other non-owner changes in equity.

PUFFING BILLY PRESERVATION SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: Summary of Significant Accounting Policies (continued)

Income from transactions

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.

Cash Donations

Cash donations are recognized as income when they are deposited into the Society's bank account.

Interest income

Interest includes interest received on deposits and other investments and the unwinding over time of the discount on financial assets. Interest income is recognised using the effective interest method which allocates the interest over the relevant period.

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.

Sales of goods and services

Income from the provision of services is recognised by reference to the stage of completion of the services being performed. 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 Society. 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 Society when:

- the significant risks and rewards of ownership of the goods have transferred to the buyer;
- the Society 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 Society.

PUFFING BILLY PRESERVATION SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: Summary of Significant Accounting Policies (continued)

Grants

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

The Society 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.

Expenses from transactions

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

Depreciation

All plant and equipment and other non-financial physical assets 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.

It is considered by the Society that Museum Exhibits are no longer depreciating and may well be appreciating in value. Accordingly, no depreciation has been provided for these assets.

Interest expense

Interest expenses are recognised as expenses in the period in which they are incurred.

Other operating expenses

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

Supplies and services

Supplies and services expenses 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 distributed.

Financial Assets

Cash and cash equivalents

Cash and cash equivalents include cash on hand, cash in bank and highly liquid investments with original maturities of less than three months to maturity that are readily convertible to cash on hand and are subject to insignificant risk of changes in value, net of outstanding bank overdrafts. Bank overdrafts, if applicable, are shown within interest bearing liabilities in current liabilities in the balance sheet.

PUFFING BILLY PRESERVATION SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: Summary of Significant Accounting Policies (continued)

Receivables

Trade receivables, loans and other receivables are recorded at amortised cost, using the effective interest method, less impairment.

The effective interest rate method is a method of calculating 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.

The collectability of debts is assessed at balance date and specific provision is made for doubtful debts. A provision is made for doubtful debts based on a review of all outstanding receivables at balance date. Bad debts are written off in the period in which they are recognised.

The average credit period on sales of goods or provision of service is 30 days. No interest is charged on trade or other receivables.

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 Society 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.

PUFFING BILLY PRESERVATION SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: Summary of Significant Accounting Policies (continued)

Non-Financial Assets

Inventories

Inventories are valued at the lower of weighted average cost or net realisable value. Costs are assigned to inventory on hand by the method most appropriate to each particular class of inventory, with the majority being valued on a weighted average acquisition cost basis. Net realisable value represents the estimated selling price less all estimated costs to be incurred in marketing, selling and distribution.

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.

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 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.

Restrictive nature of cultural and heritage assets – Classified as Level 3 assets

The Society holds some heritage assets 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 Society that these Exhibits may well be appreciating in value.

PUFFING BILLY PRESERVATION SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$	\$
Note 2: Operating Profit		
Income		
Sale of Merchandise	<u>47,356</u>	<u>4,556</u>
Less: Cost of Sales		
Opening Stocks	18,907	21,751
Purchases	<u>19,214</u>	<u>668</u>
	38,121	22,419
Less: Closing Stocks	16,650	18,907
	<u>21,471</u>	<u>3,512</u>
Cost of Sales	<u>21,471</u>	<u>3,512</u>
Gross Profit	<u>25,885</u>	<u>1,044</u>
Income		
Donations - General	5,617	6,474
- G42 Locomotive Maintenance	4,055	4,297
- Climax Maintenance	7,679	7,930
- Belgrave Signal Box	15,062	8,158
- Heritage Rolling Stock	1,575	1,378
- 3NA Locomotive	1,860	2,930
- Garratt Locomotive NGG16-129	8,912	10,222
- Menzies Creek Museum	1,211	2,037
- Society Archives	223	15,683
Bequests	10,000	-
Grants	7,920	8,524
Interest - Bank	-	-
Interest - Investments	36,212	40,334
Membership Subscriptions	84,334	71,466
Gross Proceeds:		
- Fundraising Activities - General	5,010	13,965
- Fundraising Activities - Climax Maintenance	56,887	58,900
- Great Train Race	243,174	224,020
- Santa Specials	<u>63,505</u>	<u>71,415</u>
	<u>553,236</u>	<u>547,733</u>

PUFFING BILLY PRESERVATION SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

	2018	2017
	\$	\$
Note 2: Operating Profit (continued)		
Less: Expenditure		
Auditors' Remuneration: Audit	5,000	3,450
Archive Expenses	5,509	9,037
Bank Charges and Government Taxes	1,201	861
Grant Expenses	7,102	10,604
Legal Fees	54,487	-
Narrow Gauge and Membership Services	8,188	16,866
Printing and Stationery	5,997	5,048
Write down of Inventory Value	-	-
Sundry Expenses	13,327	15,361
Gross Expenses:		
- Fundraising Activities - General	5,048	8,564
- Fundraising Activities - Climax Maintenance	18,335	25,866
- Great Train Race	153,919	142,923
- Santa Specials	51,581	53,320
	329,694	291,900
 Note 3: Cash and Cash Equivalents		
Cash at Bank	56,473	85,737
Bank On-Line Saver Accounts	463,910	262,222
	520,383	347,959
 Note 4: Receivables		
Current		
Contractual		
Sundry Debtors	34,089	49,683
 Statutory		
GST Receivables	1,075	1,205
	35,164	50,888

PUFFING BILLY PRESERVATION SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 1: Summary of Significant Accounting Policies (continued)

Liabilities

Payables

Payables consist of:

- Contractual payables include accounts payable. Accounts payable represent liabilities for goods and services provided to the Society prior to the end of the financial year that are unpaid, and arise when the Society becomes obliged to make future payments in respect of the purchase of those goods and services; and

- Statutory payables include goods and services tax.

Other Liabilities

Other liabilities consist of payments made in advance for membership renewals and services to be provided after the end of the current year.

AASs issued that are not yet effective

Certain new AASs have been published that are not mandatory for the 30 June 2018 reporting period. The Society assesses the impact of these new standards and determines whether early adoption is applicable.

As at 30 June 2018, no standards and interpretations that have been issued but were not mandatory for the financial year ending 30 June 2018 have been adopted early.

Comparatives

There have been no changes to prior year's figures.

PUFFING BILLY PRESERVATION SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

Note 4: Receivables (Cont'd)

The Society does not have any material credit risk exposure to any single receivable or group of receivables.

There are no balances within trade receivables that contain assets that are impaired or are past due. It is expected that all balances will be received when due.

The Society does not have any receivables whose terms have been renegotiated, but which would otherwise be past due or impaired

	2018	2017
	\$	\$
	_____	_____

Note 5: Other Financial Assets

Held-to-maturity Investments

Current:

Interest Bearing Bank Term Deposits	1,708,780	1,666,742
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Note 6: Inventories

Current

Finished Goods, at net realisable value	16,650	18,907
	16,650	18,907

PUFFING BILLY PRESERVATION SOCIETY
PUFFING BILLY PRESERVATION SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

Note 7: Property, Plant and Equipment	2018	2017
	\$	\$
Land and Buildings, at fair value	<u>995,000</u>	<u>995,000</u>
Museum Exhibits, at fair value	48,368	48,368
Less: Accumulated Depreciation	<u>13,271</u>	<u>13,271</u>
	<u>35,097</u>	<u>35,097</u>
Tools and Equipment, at fair value	4,391	4,391
Less: Accumulated Depreciation	<u>4,391</u>	<u>4,391</u>
	<u>-</u>	<u>-</u>
Total Property, Plant and Equipment	<u>1,030,097</u>	<u>1,030,097</u>

PUFFING BILLY PRESERVATION SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

Note 7: Property, Plant and Equipment (Cont'd)

(a) Movement in carrying amounts

Movement of the carrying amounts for each class of property, plant and equipment at the beginning and end of the current financial year:

	Land 2	Museum Exhibits 3	Tools and Equipment 1	Total
Fair Value Level	2	3	1	
	\$	\$	\$	\$
Carrying Amount at 1st July 2017	995,000	35,097	-	1,030,097
Additions	-	-	-	-
Depreciation Expense	-	-	-	-
Carrying Amount at 30th June 2018	995,000	35,097	-	1,030,097

Note 9: Other Liabilities

Current

Members Subscriptions in advance
 Advance Sales – Speed Limit 20 Plus

	2018	2017
	\$	\$
Members Subscriptions in advance	51,891	48,730
Advance Sales – Speed Limit 20 Plus	-	16,449
	51,891	65,179

PUFFING BILLY PRESERVATION SOCIETY 2018
 NOTES TO FINANCIAL STATEMENTS \$ 2017
 FOR THE YEAR ENDED 30 JUNE 2018 \$

Note 8: Payables

Current

Contractual

Sundry Creditors - unsecured	59,464	16,469
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Statutory

GST Payable	7,841	9,398
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	<u>67,305</u>	<u>25,867</u>
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Note 10: Retained Profits

	2018	2017
General Fund	\$	\$
Balance at beginning of the Year	1,044,232	954,912
Surplus before Grants	249,428	256,877
	<u>1,293,660</u>	<u>1,211,789</u>
Transfer to Endowment Fund	-	-
	<u>(81,097)</u>	<u>(167,557)</u>
Balance at end of the Year	<u>1,212,563</u>	<u>1,044,232</u>
Endowment Fund		
Balance at beginning of the Year	1,072,345	1,072,345
Transfer from General Fund	-	-
	<u>1,072,345</u>	<u>1,072,345</u>
Balance at end of the Year	<u>1,072,345</u>	<u>1,072,345</u>
Total Retained Profits	<u>2,284,908,</u>	<u>2,116,577</u>

General Fund and Endowment Fund balances at the end of the year include amounts for the following specific purposes:

Garratt Locomotive G42 Maintenance	6,715	6,540
Gembrook Restoration	1,579	1,579
Climax Locomotive Maintenance	64,626	18,394
Belgrave Signal Box Appeal	193,710	178,648
Heritage Rolling Stock	22,378	20,803
Reconstruction of Locomotive 3NA	371,731	369,871
Garratt Locomotive NGG16-129 Restoration	17,944	9,032
Archives at Kings Road	1,360	6,646
Menzies Creek Museum	92,329	82,960
	<u>772,371</u>	<u>694,473</u>

PUFFING BILLY PRESERVATION SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 14: Cash Flow Information

	NOTE	2018 \$	2017 \$
(a) Reconciliation of Cash			
Cash and Cash Equivalents	3	<u>520,383</u>	<u>347,959</u>
Cash and Cash Equivalents as per Cash Flow Statement		<u>520,383</u>	<u>347,959</u>
(b) Reconciliation of Net Cash provided by Operating Activities to Operating Profit			
Surplus before grants to Emerald Tourist Railway Board		249,428	256,877
		<hr/>	<hr/>
		249,428	256,877
Changes in Assets and Liabilities			
- (Increase)Decrease in Receivables		15,724	(19,565)
- (Increase)Decrease in Inventories		2,257	2,844
- (Decrease) Increase in Accounts Payable		41,438	14,048
- (Decrease)Increase in Other Liabilities		<u>(13,288)</u>	<u>20,261</u>
Net Cash provided by Operating Activities		<u>295,559</u>	<u>274,465</u>

PUFFING BILLY PRESERVATION SOCIETY
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED 30 JUNE 2018

NOTE 15: Subsequent Events

The release of the Ombudsman’s report has resulted in several legal and counselling services being incurred since balance date. This report relates to historical claims of abuse during the 1970’s to the early 1990’s. Further detail is outlined in Note 16.

NOTE 16: Commitments and Contingencies

In late June 2018, the Victorian Government handed down its findings into the “Investigation into child sex offender Robert Whitehead’s involvement with Puffing Billy and other railway bodies”. As the organisation is working through the implications of the findings of the Ombudsman report, the quantum of any legal exposure is not able to be determined.

**AUDITOR'S INDEPENDENCE DECLARATION
UNDER SECTION 60-40 OF THE AUSTRALIAN CHARITIES AND NOT-FOR-PROFITS
COMMISSION ACT 2012 TO THE DIRECTORS OF PUFFING BILLY PRESERVATION SOCIETY**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2018 there have been:

- (i) no contraventions of the auditor independence requirements as set out in the Australian Charities and Not-for-profits Commission Act 2012 in relation to the audit; and
- (ii) no contraventions of any applicable code of professional conduct in relation to the audit.



McLean Delmo Bentleys Audit Pty Ltd



Martin Fensome
Partner

Hawthorn
27 September 2018

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF PUFFING BILLY PRESERVATION SOCIETY

Opinion

We have audited the financial report of the Puffing Billy Preservation Society, which comprises the statement of financial position as at 30 June 2018, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies and other explanatory information, and the directors' declaration.

In our opinion, the financial report of the Puffing Billy Preservation Society is in accordance with Division 60 of the Australian Charities and Not-for-profits Commission Act 2012, including:

- (a) giving a true and fair view of the Puffing Billy Preservation Society's financial position as at 30 June 2018 and of its performance for the year ended on that date; and
- (b) complying with Australian Accounting Standards – Reduced Disclosure Requirements, and Division 60 of the Australian Charities and Not-for-profits Commission Regulations 2013.

Basis for Opinion

We conducted our audit in accordance with Australian Auditing Standards. Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of our report. We are independent of the Puffing Billy Preservation Society in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to our audit of the financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with the Code.

In conducting our audit, we have complied with the independence requirements of the Australian Charities and Not-for-profits Commission Act 2012, which has been given to the directors as at the time of this auditor's report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of Matter

As disclosed in Note 16 to the financial statements, The Victorian Ombudsman conducted an investigation and issued a report titled "Investigation into child sex offender Robert Whitehead's involvement with Puffing Billy and other railway bodies". Puffing Billy Preservation Society is working through the implications of the findings of the Ombudsman report and the quantum of any exposure is not able to be determined.

Our opinion is not modified with respect to this matter.

Responsibilities of the Directors for the Financial Report

The Directors of the Entity are responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements and the Australian Charities and Not-for-profits Commission Act 2012 and for such internal control as the directors determine is necessary to enable the preparation of a financial report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF PUFFING BILLY PRESERVATION SOCIETY (CONTINUED)**

In preparing the financial report, the directors are responsible for assessing the Entity's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Entity or to cease operations, or has no realistic alternative but to do so.

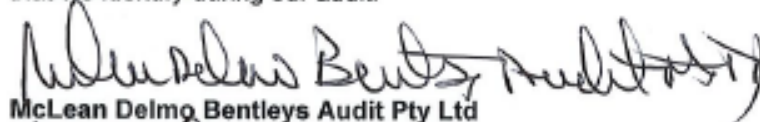
Auditor's Responsibilities for the Audit of the Financial Report

Our objectives 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 our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with 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 the financial report.

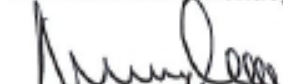
As part of an audit in accordance with Australian Auditing Standards, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- 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 management.
- Conclude on the appropriateness of management's 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 we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our 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.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.



McLean Delmo Bentleys Audit Pty Ltd



Martin Fensome
Partner

Hawthorn
2 October 2018

PUFFING BILLY PRESERVATION SOCIETY

gratefully acknowledges generous contributions

by the following sponsors of the

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PUFFING BILLY PRESERVATION SOCIETY

also thanks the following organisations

Country Fire Authority and Local Brigades

Victoria Police

Emerald SES Unit

Cardinia Shire Council

Shire of Yarra Ranges

Vicroads

Hermon's Rainbow Removals & Storage

Mater Christi College

Rotary Club of Emerald and District

145/37 Foresters Venturer Unit

Australian College of Fitness and Bodywork

All PBPS Members and PBR Volunteers

Puffing Billy Management and Staff

COVER PICTURE: Climax 861 at Gembrook Station .

PHOTO: DEAN GIFFORD