

PUFFING BILLY PRESERVATION SOCIETY

ABN 79 004 621 505

annual report
AND FINANCIAL STATEMENTS **2011**



HONORARY LIFE MEMBERS

4th Combat Engineers Regiment

Chris Alger (*dec.*) • Phil A'Vard AM • Les Edyvean (*dec.*) • Mel Elliott
Tom Murray • Norm Wadeson OAM • John Robinson • Reg Topp
Lon Wymond OAM (*dec.*) • Dorothy Wymond (*dec.*)

GOLD PASS AWARDS

** Recipients in 2010*

Chris Alger (<i>dec.</i>)	Peter Harcourt	Chris Raggett
Sheila Alger	John Hearsch	Wilma Ratcliffe
Phil Asker	Andrew Hennell	Philip Rayment
Jim Atkins	Hal Hennell (<i>dec.</i>)	Colin Rees
Phil A'Vard AM	Ella Hennell (<i>dec.</i>)	Andrew Richards
Hugh Ballantyne (<i>dec.</i>)	David Hennell	Les Richards (<i>dec.</i>)
Carl Barnard *	Harry Hibgame	Shirley Richards
Venetia Barnard *	Don Horsburgh	Walter Ritter (<i>dec.</i>)
Chris Bell (<i>dec.</i>)	Norm Houston (<i>dec.</i>)	Pat Ritter
Colin Benson	John Hoy *	John Robinson
Chas Bevan	June Ilett	Chris Rodakis (<i>dec.</i>)
Doris Bevan (<i>dec.</i>)	Larry James	Barry Rogers
Frank Birch (<i>dec.</i>)	John Kerley	Robert Rossiter
Beryl Birch (<i>dec.</i>)	David Kerry *	Bill Russell
John Brady	Tom Kilner (<i>dec.</i>)	Colin Rutledge
Graeme Breydon (<i>dec.</i>)	John Knight (<i>dec.</i>)	Bob Sanderson
Alan Bridge (<i>dec.</i>)	Graham Knight	Ian Sanderson
Henry Brohier	Weston Langford	John Shaw
Rick Bryse (<i>dec.</i>)	Corinne Larkin	Cliff Simmons
Laurie Bunn (<i>dec.</i>)	Kevin Larkin	Frank Soden (<i>dec.</i>)
John Burrows (<i>dec.</i>)	Neil Lewis	John Stephens
Dorothy Burrows	Rob McUtchen	Peter Stowell
Ralph Cleary	Ian Marks	Kevin Taig
Syd Cleland (<i>dec.</i>)	Hugh Markwick	Geoff Tasker
Jean Clowes	Don Marshall	John Thompson
David Conlan	Kevin Mathisen	Reg Topp
Alan Curtis	Norm Mauger *	John Topp (<i>dec.</i>)
Graeme Daniel	Peter Medlin	Norm Wadeson OAM
Robert Dawson	Greg Michael	Peter Walker (<i>dec.</i>)
Ralph Dickinson (<i>dec.</i>)	John Munro	Reg Walton (<i>dec.</i>)
Les Edyvean (<i>dec.</i>)	Tom Murray	Herb Warren
Mel Elliott	Doug Newberry	Graham Watsford
Leigh Ellis (<i>dec.</i>)	Ian Newman	Bruce West
Robert Emmerson	Doug Parbery	Andrew Wheatland
Don English	Bruce Paroissien	Alan Williams (<i>dec.</i>)
Bob Farr	Helen Paroissien	Ray Williams
Les Fenwick	Ron Peach	Bob Wilson
John Frost	Reg Phillips (<i>dec.</i>)	Deb Woodward
Grahame Gardner	Eric Platt	Lon Wymond OAM (<i>dec.</i>)
Howard Gration	Peter Priestly (<i>dec.</i>)	Dorothy Wymond (<i>dec.</i>)
Ron Gunn		

PUFFING BILLY PRESERVATION SOCIETY

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ANNUAL REPORT 2010/2011

It is with pleasure that I present my report for the Puffing Billy Preservation Society for the financial year ended 30th June 2011.

The Society has continued its long established preservation objectives and maintains its important role in the ongoing support of the Emerald Tourist Railway Board in areas of administration and operation of the Puffing Billy Railway. The majority of Board members continue to be members of the Society and Society members continue to form the major part of the Railway's volunteer workforce. These are involved in the daily operation of the Railway, in a wide range of activities and are supported by the Board's relatively small team of paid staff.

Active Society members continue to be involved in various 'behind the scenes' support activities, including fundraising and participation in management committees and sub-committees.

Membership

Membership details in respect of the year ended 30th June, 2011 are as follows:

Type	Full	Associate*	Life	Hon. Life	Affiliate	Pensioner#	Family	Total
As at 1/7/10	502	22	77	8	0	235	60	904
As at 30/6/11	464	20	74	8	0	277	48	891
	-38	-2	-3	-	-	+42	-12	-13

* Associate includes Junior and Student members

Pensioner now includes Concession

Archive Facilities & Collections Management

Maintaining their care and working to established policies, work continues in conserving and cataloguing archival material, artefacts and memorabilia within the Society's collection. During the year an additional computer was purchased to assist with cataloguing work.

Menzies Creek Museum

During the year funds were allocated towards the construction of a new display building together with an extension to the current workshop building at Menzies Creek. Considerable preparatory work has already been undertaken on the site and work will commence shortly on erecting the display building. This is an important development as, when complete, it will allow, for the first time in many years, the Society's collection of historic narrow gauge vehicles to be stored under cover and out of the elements.

Ticket Printing Machines

The machines used to print the Railway's Edmondson tickets were relocated during the year to new premises. The costs associated with the move, together with the provision of improved facilities at the new location, were met by the Society.

Book Sale

Over the years, the Society has benefitted from a great many bequests of books and other publications, mainly of rail interest. A number of these books are being retained to form a Puffing Billy Library, but finding affordable, suitable storage for all these publications is a challenging task. Accordingly, during the year a book sale was organised at Gembrook for a number of books which were outside the terms of reference for the library. The proceeds of the sale were directed towards restoration of the Climax locomotive.

It is planned to establish a permanent second-hand book shop at Gembrook station.

The Great Train Race

The 30th Great Train Race, sponsored by the Society, continues to be as popular as ever. This event, which requires considerable organisation by a volunteer and staff team, attracts in excess of 3,000 participants and serves as a major fundraiser for the Society. This year the event proceeds were directed to the restoration of NGG16.

Climax Locomotive Restoration Committee

Work continues on the restoration of this locomotive and with re-assembly now well underway, it is beginning once more to resemble a steam engine rather than a kit of parts. Work above the frames is proceeding well, but there still remains much work and money required to complete the wheels, axles and bogies. To that end the Committee will shortly launch a fundraising campaign to secure the money required to complete the project.

Staff and Volunteers' BBQ

A regular fixture on the Puffing Billy calendar, this Society organised event continues to be a popular attraction with over 300 of the Railway's staff and volunteers attending. The BBQ was held at the GEMCO Theatre in Emerald and a special train ran from Belgrave in conjunction with the event.

Social Committee

During the year, a series of well attended events was laid on for the benefit of members, volunteers, their friends and families. Amongst the events organised were a very popular day out to visit the railways of Kerrisdale, Healesville and Alexandra, and a family day at Como Gardens.

General

I would like to end by extending thanks to all Society members, volunteers and members of staff who have contributed to the Society's continued successful operation of Puffing Billy over the last year. At a time when we are carrying record numbers of passengers, let us now look forward to the challenges of the coming year.



Jeff Goodwin
PRESIDENT

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, 2011

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

Mr. J.R. Brady	Mrs. J. L. Clowes	Mr. R. S. Cochrane
Mr. J.K. Goodwin	Mr. B. R. Holmes	Mr. J. F. Hoy
Mr. L.A. James	Mr. R. L. Leivers	Mr. I. Marks
Mr. R.S. McUtchen	Mr. A.D. Rayment	Mr. R.A. Richens
Mr. J.A. Robinson	Mr. J.E. Thompson	

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 Operating Profit of the Society for the year under review was \$265,264 (2010: \$572,432).

A bequest totalling \$20,000 was received during the past twelve months and was transferred from the General Fund Retained Profits to the Endowment Fund (2010: \$352,329). In addition \$130,000 (2010: \$50,000) was transferred from the Climax Restoration Fund and donated to Emerald Tourist Railway Board to continue the restoration of this locomotive, and \$50,000 was donated to Emerald Tourist Railway Board to commence the refurbishment of the museum site at Menzies Creek. 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 2011 the number of members was 891 (2010: 904).

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:

- The Society provided over 400 Volunteers to assist the Emerald Tourist Railway Board with the operation of the Puffing Billy Railway.
- The Society funded several capital projects in the current year, including the restoration of Climax locomotive 1694 and upgrading the museum at Menzies Creek.
- The Society owns a substantial amount of archival material which is gradually being restored or catalogued by Volunteers at its office in Emerald.

PUFFING BILLY PRESERVATION SOCIETY

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ANNUAL REPORT OF THE EXECUTIVE COMMITTEE

- 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 committed to providing \$300,000 towards the first stage in a total redevelopment of the museum site and work commenced in late 2010.
- 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, \$67,294 (2010: \$74,455) will be put towards the refurbishment of the Garratt locomotive purchased from South Africa 15 years ago.

The Society made a loan to Emerald Tourist Railway Board in June 2010, under commercial terms and conditions, to enable Emerald Tourist Railway to purchase new radios for its trains and safe-working buildings. The loan is being repaid over four years at 8% interest. It also has an outstanding loan to Emerald Tourist Railway Board to assist in rebuilding a Diesel locomotive, repayable by January 2013.

No matters or circumstances have arisen since the end of the financial year which significantly affected or may effect 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 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.

PUFFING BILLY PRESERVATION SOCIETY

Information on Committee Members in office at 30th June 2011

<i>Member</i>	<i>Experience</i>	<i>Special Responsibilities</i>
J. K. Goodwin B.Tech C.Eng. MIET	Appointed President April 2010 Committee member for 2 years Chartered Engineer.	President
J. L. Clowes	Committee member for 4 years Passenger Business Manager – E.T.R.B	Vice President
J.A. Robinson F.C.A.	Treasurer for 5 years. Ex President for 10 years. Previously Committee Member for 27 years. Retired Company Chief Financial Officer.	Treasurer PB.PS. Nominee to ETRB.
L.A. James	Secretary for 4 years. Ex Committee member for 22 years, including ex Secretary for 11 years. Radio presenter.	Secretary
J. R. Brady B. Eng	Elected Committee member 21 November 2010 Fellow of the Institution of Engineers Company Director.	PB.PS. Nominee to E.T.R.B.
R.S. Cochrane B.A., B.Ed., T.T.C.	Committee member for 3 years. Retired Manager.	
B. R. Holmes	Committee member for 5 years. Company Director.	
J. F. Hoy	Committee member for last 11 years and 22 years in total Operations and Engineering Manager - ETRB	PB.PS. Nominee to E.T.R.B
R. A Richens	Elected Committee member 21 November 2010 Previously Committee member for 1 year Train Driver	
R.S. McUtchen B. Ec, B.Theol.	Committee member for 2 years School Chaplain.	
A.D. Rayment	Committee member for 4 years. Small business owner and Hairdresser.	
J. E. Thompson Dip. Ind. Design (RMIT)	Ex President for 8 years Committee member for last 22 years and 38 years in total Retired Industrial/Graphic Designer	PB.PS. Nominee to E.T.R.B

PUFFING BILLY PRESERVATION SOCIETY

Meetings of Committee Members

During the financial year, six (6) meetings of the Executive Committee were held. The number of meetings attended by each committee member was:

Mr. J. E. Thompson	6	Mr. J. F. Hoy	5
Mr. R. L. Leivers	2*	Mr. J. A. Robinson	3
Mr. B. R. Holmes	5	Mr. A. D. Rayment	6
Mr. R. S. McUtchen	5	Mr. I. Marks	2*
Mrs. J. L. Clowes	6	Mr. J. R. Brady	2*
Mr. L. A. James	6	Mr. R. S. Cochrane	6
Mr. R. A. Richens	4*	Mr. J. K. Goodwin	6

* Mr. Leivers and Mr Marks retired on 21 November 2010, and Mr. Richens and Mr. Brady were elected to replace them.

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.

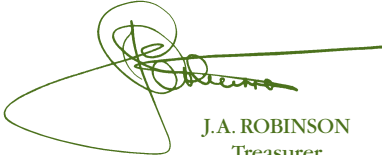
During or since the end of the financial year a premium of \$8,298 (2010 - \$8,418) has been paid by the Emerald Tourist Railway Board to insure officers and members of the Board and executive officers of the Puffing Billy Preservation Society against liabilities for costs and expenses incurred by them 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. J. R. Brady	Mrs. J. L. Clowes	Mr. R. S. Cochrane
Mr. J. K. Goodwin	Mr. B. R. Holmes	Mr. J. F. Hoy
Mr. L. A. James	Mr. R. L. Leivers	Mr. I. Marks
Mr. R. S. McUtchen	Mr. A. D. Rayment	Mr. R. A. Richens
Mr. J. A. Robinson	Mr. J. E. Thompson	

The auditor's independence declaration for the year ended 30 June 2011 has been received and can be found on page 21 of the Annual Report.

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



J. A. ROBINSON
Treasurer

Dated this 8th day of August, 2011

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 6 to 20 are in accordance with the Corporations Act 2001:

- (a) comply with accounting standards and the Corporations Regulations 2001; and other mandatory professional reporting requirements, and
- (b) give a true and fair view of the financial position as at 30th June, 2011 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 black ink, appearing to read 'J.A. Robinson', with a large, sweeping loop on the left side.

J.A. ROBINSON
Treasurer

Dated this 8th day of August 2011.

PUFFING BILLY PRESERVATION SOCIETY

COMPREHENSIVE OPERATING STATEMENT FOR THE YEAR ENDED 30TH JUNE 2011

	<i>NOTE</i>	<i>2011</i> \$	<i>2010</i> \$
Sales Revenue	2	7,301	9,441
Cost of Sales	2	(1,982)	(5,756)
Gross Profit		5,319	3,685
Other Income			
General Activities	2	488,418	772,754
Expenses			
General Activities	2	(228,473)	(204,007)
Operating Profit		265,264	572,432
Grants made to Emerald Tourist Railway Board			
Climax Locomotive		(130,000)	(50,000)
Refurbish Moondarra volunteer accommodation		-	(5,000)
Modification to Museum Menzies Creek		-	(2,500)
Museum Redevelopment		(50,000)	-
	10	(180,000)	(57,500)
Net Result for the Year		85,264	514,932
Comprehensive Result for the Year		85,264	514,932

The accompanying notes form part of the Financial Statements

PUFFING BILLY PRESERVATION SOCIETY

BALANCE SHEET AS AT 30TH JUNE 2011

	<i>NOTE</i>	<i>2011</i>	<i>2010</i>
		\$	\$
Financial Assets			
Cash and Cash Equivalents	3	485,132	425,863
Receivables	4	157,065	221,370
Other Financial Assets	5	1,213,924	1,128,959
Total Financial Assets		1,856,121	1,776,192
Non-Financial Assets			
Inventories	6	31,678	38,579
Property, Plant and equipment	7	124,658	106,347
Total Non-Financial Assets		156,336	144,926
Total Assets		2,012,457	1,921,118
Liabilities			
Payables	8	9,238	8,808
Other	9	43,883	38,238
Total Liabilities		53,121	47,046
Net Assets		1,959,336	1,874,072
Equity			
Retained Profits	10	1,959,336	1,874,072
Total Equity		1,959,336	1,874,072

STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 30TH JUNE 2011

	<i>2011</i>	<i>2010</i>
	\$	\$
Total Equity at beginning of Financial Year	1,874,072	1,359,140
Comprehensive Result for the Year	85,264	514,932
Total Equity at the end of Financial Year	1,959,336	1,874,072

The accompanying notes form part of the Financial Statements

PUFFING BILLY PRESERVATION SOCIETY

CASH FLOW STATEMENT FOR THE YEAR ENDED 30TH JUNE 2011

	<i>NOTE</i>	<i>2011</i>	<i>2010</i>
		\$	\$
Cash Flows from Operating Activities			
Receipts from Customers and Members		459,573	582,655
Payments to Suppliers		(222,683)	(213,608)
Grants Received		5,980	4,556
Interest Received		100,115	63,736
		342,985	437,339
Cash Flows from Investing Activities			
Grants to Emerald Tourist Railway Board for restoration Projects		(180,000)	(57,500)
Payments for Property, Plant & Equipment		(18,751)	-
Payment for Investments		(84,965)	(358,301)
		(283,716)	(415,801)
Net Cash used in Investing Activities		(283,716)	(415,801)
Net Increase in Cash and Cash Equivalents		59,269	21,538
Cash and Cash Equivalents at the beginning of the Year		425,863	404,325
Cash and Cash Equivalents at the end of the Year	3	485,132	425,863

The accompanying notes form part of the Financial Statements

PUFFING BILLY PRESERVATION SOCIETY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2011

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 Corporations Act 2001.

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

The financial statements were authorised for issue by J A Robinson, Treasurer, on 10th August 2011.

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 2011, and the comparative information presented in these financial statements for the year ended 30 June 2010.

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 30TH JUNE 2011

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' and 'other economic flows' are defined by the Australian system of government finance statistics: concepts, sources and methods 2005 Cat. No. 5514.0 published by the Australian Bureau of Statistics.

'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; actuarial gains and losses arising from defined benefit superannuation plans; fair value changes of financial instruments and agricultural assets; and depletion of natural assets (non-produced) from their use or removal.

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.

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.

PUFFING BILLY PRESERVATION SOCIETY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2011

NOTE 1: Summary of Significant Accounting Policies (continued)

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.

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.

PUFFING BILLY PRESERVATION SOCIETY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2011

NOTE 1: Summary of Significant Accounting Policies (continued)

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.

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.

PUFFING BILLY PRESERVATION SOCIETY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2011

NOTE 1: Summary of Significant Accounting Policies (continued)

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.

Non-Financial Assets

Inventories

Inventories are valued at the lower of 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 first-in, first-out 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

Each class of property, plant and equipment is carried at fair value less, where appropriate, any accumulated depreciation and impairment.

All other fixed assets, excluding freehold land, are depreciated on a straight line basis so as to write off the net cost of each item over its expected useful life to its residual value. The estimated useful lives, residual values and depreciation method are reviewed at the end of each annual reporting period.

Equipment purchased in 2004 is being depreciated at 10% per annum.

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 2011 reporting period. The Society assesses the impact of these new standards and determines whether early adoption is applicable.

As at 30 June 2011, no standards and interpretations that have been issued but were not mandatory for the financial year ending 30 June 2011 have been adopted early.

Comparatives

There have been no changes to prior year's figures, but there have been some changes in the presentation of certain figures.

PUFFING BILLY PRESERVATION SOCIETY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2011

NOTE 2: Operating Profit	2011 \$	2010 \$
Income		
Sales of Merchandise	7,301	9,441
	<hr/>	<hr/>
Less: Cost of Sales		
Opening Stocks	38,579	41,419
Purchases	1,681	2,916
	<hr/>	<hr/>
	40,260	44,335
Less: Closing Stocks	31,678	38,579
Write down of inventory value	6,600	-
	<hr/>	<hr/>
	1,982	5,756
	<hr/>	<hr/>
Gross Profit	5,319	3,685
	<hr/>	<hr/>
Income		
Bequests	20,000	352,329
Donations	6,120	24,426
• General	299	1,532
• G42 Locomotive	4,911	8,776
• Climax Restoration	6,373	11,842
• Belgrave Signal Box	792	973
• Heritage Rolling Stock	550	104
• 3NA Locomotive	4,900	700
• South African Garratt Locomotive		
Grants	5,980	4,556
Interest	39	50
• Bank		
• Investments	100,115	63,736
Membership Subscriptions	43,311	46,642
Miscellaneous Income	1,698	-
Gross Proceeds	8,612	9,218
• Fundraising Activities – General	39,880	18,755
• Fundraising Activities – Climax Rest'n		
• Fundraising Activities – Heritage Rolling Stock	1,294	-
• Great Train Race	199,948	188,758
• Santa Specials	43,596	40,357
	<hr/>	<hr/>
	488,418	772,754
	<hr/> <hr/>	<hr/> <hr/>

PUFFING BILLY PRESERVATION SOCIETY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2011

NOTE 2: Operating Profit (Cont'd)	2011 \$	2010 \$
Less: Expenditure		
Auditors' Remuneration: Audit	3,618	3,860
Archive Expenses	5,135	11,129
Bank Charges and Government Taxes	820	645
Depreciation - Tools and Equipment	440	440
Grant Expenses	1,076	3,512
Narrow Gauge and Membership Services	23,388	23,710
Printing and Stationery	7,503	5,556
Write down of Inventory Value	6,600	-
Sundry Expenses	12,061	8,341
Gross Expenses:		
• Fundraising Activities - General	6,874	5,760
• Fundraising Activities - Climax Restoration	14,032	13,607
• Great Train Race	132,654	114,303
• Santa Specials	14,272	13,144
	228,473	204,007
Operating Profit - General Fund	265,264	572,432
Note 3: Cash and Cash Equivalents		
Cash at Bank	24,512	53,989
ANZ On-Line Saver Account	460,620	371,874
	485,132	425,863
Note 4: Receivables		
Current		
Contractual		
Sundry Debtors	32,415	54,115
Loan to Emerald Tourist Railway Board	45,067	25,045
	77,482	79,160
Statutory		
GST Receivables	1,714	1,948
	79,196	81,108
Non-Current: Contractual		
Loan to Emerald Tourist Railway Board	77,869	140,262
	157,065	221,370

PUFFING BILLY PRESERVATION SOCIETY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2011

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.

	<i>2011</i>	<i>2010</i>
	\$	\$

NOTE 5: Other Financial Assets

Held-to-maturity Investments

Current:

Interest Bearing Deposits - Term	1,213,924	1,128,959
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NOTE 6: Inventories

Current:

Finished Goods, at cost	-	38,579
Finished Goods, at net realisable value	31,678	-
	31,678	38,579

NOTE 7: Property, Plant and Equipment

Land and Buildings, at fair value	88,030	88,030
Museum Exhibits, at fair value	48,368	29,617
Less: Accumulated Depreciation	13,271	13,271
	35,097	16,346
Tools and Equipment, at fair value	4,391	4,391
Less: Accumulated Depreciation	2,860	2,420
	1,531	1,971
Total Property, Plant and Equipment	124,658	106,347

PUFFING BILLY PRESERVATION SOCIETY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2011

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	Museum Exhibits	Tools & Equipment	Total
	\$	\$	\$	\$
Carrying Amount at 1st July 2010	88,030	16,346	1,971	106,347
Additions	-	18,751	-	18,751
Depreciation Expense	-	-	440	440
Carrying Amount at 30th June 2011	88,030	35,097	1,531	124,658

NOTE 8: Payables

	2011	2010
	\$	\$
Current		
Contractual		
Sundry Creditors - unsecured	3,600	3,600
Statutory		
GST Payable	5,638	5,208
	9,238	8,808

NOTE 9: Other Liabilities

Current		
Members Subscriptions in advance	30,973	23,038
Santa Specials advance bookings	12,910	15,200
	43,883	38,238

PUFFING BILLY PRESERVATION SOCIETY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2011

NOTE 10: Retained Profits	NOTE	2011	2010
		\$	\$
General Fund			
Balance at beginning of the Year		822,965	660,362
Profit for the Year	2	265,264	572,432
		<hr/>	<hr/>
		1,088,229	1,232,794
Transfer to Endowment Fund		(20,000)	(352,329)
		<hr/>	<hr/>
Grants to Emerald Tourist Railway Board		(180,000)	(57,500)
		<hr/>	<hr/>
Balance at end of the Year		888,229	822,965
		<hr/>	<hr/>
Endowment Fund			
Balance at beginning of the Year		1,051,107	698,778
Transfer from General Fund		20,000	352,329
		<hr/>	<hr/>
Balance at end of the Year		1,071,107	1,051,107
		<hr/>	<hr/>
Total Retained Profits		1,959,336	1,874,072
		<hr/> <hr/>	<hr/> <hr/>

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

G42 Restoration	26,271	25,972
Gembrook Restoration	3,154	3,154
Climax Restoration	(26,301)	72,940
Belgrave Signal Box Appeal	102,806	96,433
Heritage Rolling Stock	12,556	10,470
Reconstruction of Locomotive 3NA	353,683	353,133
South African Garratt Locomotive	78,635	6,441
	<hr/>	<hr/>
	550,804	568,543
	<hr/> <hr/>	<hr/> <hr/>

PUFFING BILLY PRESERVATION SOCIETY

NOTES TO FINANCIAL STATEMENTS FOR THE YEAR ENDED 30TH JUNE 2011

NOTE 11: Related Party

Four of the eight members of the Emerald Tourist Railway Board are nominees of the Puffing Billy Preservation Society. In addition to the specific cash grants disclosed in the accounts (Note 10) the Society provides significant voluntary services to the Board.

NOTE 12: Related Party Transactions

In the year ended 30th June 2011 a premium of \$8,298 (2010: \$8,418) 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 sold books to the value of \$4,041, (2010: \$6,456) to Emerald Tourist Railway Board.

NOTE 13: Members' Guarantee

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 2011 the number of members was 901 (2010: 904).

NOTE 14: Subsequent Events

There has been no event occurring after the balance date that would have a material effect on the accounts.

NOTE 15: Commitments and Contingencies

(a) Commitments for expenditure:

The Society has committed to a \$300,000 redevelopment of the museum site at Menzies Creek, and has paid \$50,000 in the current financial year towards preparing the site and carrying out earthworks, prior to construction.

(b) Contingent assets and liabilities:

At the date of this report, the executive committee is unaware of any assets or liabilities, contingent or otherwise, that were not already disclosed elsewhere in this report.

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

Report on the Financial Report

We have audited the accompanying financial report of the Puffing Billy Preservation Society, which comprises the balance sheet as at 30 June 2011, comprehensive operating statement, statement of changes in equity and cash flow statement for the year then ended, a summary of significant accounting policies and other explanatory notes and the Executive Committee's declaration.

Executive Committee's Responsibility for the Financial Report

The Executive Committee of the Society is responsible for the preparation of the financial report that gives a true and fair view in accordance with Australian Accounting Standards – Reduced Disclosure Requirements (including the Australian Accounting Interpretations) and the Corporations Act 2001 and for such internal control as the Executive Committee determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on the financial report based on our audit. We conducted our audit in accordance with Australian Auditing Standards. Those Standards require that we comply with relevant ethical requirements relating to audit engagements and plan and perform the audit to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial report that gives a true and fair view 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Executive Committee, as well as evaluating the overall presentation of the financial report.

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

Independence

In conducting our audit, we have complied with the independence requirements of the Corporations Act 2001.

Auditor's Opinion

In our opinion, the financial report of the Puffing Billy Preservation Society is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the Society's financial position as at 30 June 2011 and of its performance for the year ended on that date; and
- (ii) complying with Australian Accounting Standards – Reduced Disclosure Requirements (including Australian Accounting Interpretations) and the Corporations Regulations 2001.

MDHC Audit Assurance Pty Ltd
MDHC Audit Assurance Pty Ltd

Hawthorn 8 August 2011


GRAEME A MARRIOTT
Director

**AUDITOR'S INDEPENDENCE DECLARATION UNDER S 307C OF THE
CORPORATIONS ACT 2001 TO THE EXECUTIVE COMMITTEE OF THE
PUFFING BILLY PRESERVATION SOCIETY**

I declare that, to the best of my knowledge and belief, during the year ended 30 June 2011 there have been

- i no contraventions of the auditor independence requirements as set out in the Corporations Act 2001 in relation to the audit; and
- ii no contraventions of any applicable code of professional conduct in relation to the audit.

MDHC Audit Assurance Pty Ltd

MDHC Audit Assurance Pty Ltd

Graeme A Marriott

GRAEME A MARRIOTT
Director

Hawthorn
8 August 2011

Emerald Tourist Railway Board's 2011 Annual Report will be available on the Puffing Billy Railway website after it has been tabled in the State Parliament of Victoria in early September.



COVER PICTURE A regular Puffing Billy passenger train heads over the Cockatoo Creek trestle bridge towards Gembrook. PHOTOS: PBPS ARCHIVES

PUFFING BILLY PRESERVATION SOCIETY

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PUFFING BILLY PRESERVATION SOCIETY

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COUNTRY FIRE AUTHORITY AND LOCAL BRIGADES

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