

Transport HeritageNSW

A photograph of a steam locomotive pulling a passenger train through a lush green landscape. The locomotive is black with a green and red livery. The train is moving towards the viewer. The background is filled with tall green trees and grass. A dotted white line runs horizontally across the middle of the image.

ANNUAL REPORT 2016-17

SECTION 2: AUDITED FINANCIAL STATEMENTS



**AUDITORS INDEPENDENCE DECLARATION UNDER S 307C
OF THE CORPORATIONS ACT 2001
TO THE DIRECTORS OF TRANSPORT HERITAGE NSW LIMITED**

I declare that, to the best of my knowledge and belief, during the period ended 30 June 2017 there have been no contraventions of:

- (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.

Castletons Auditing Services

A handwritten signature in black ink, appearing to read "Wayne H Price".

Wayne H Price
Partner

Sydney
26 September 2017

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Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2017

	Note	2017 \$'000's	2016 \$'000's
Revenue including Government Funding Stream 1 recognised		6,027	6,382
Government Funding Streams 2 and 3, and Special Purpose Funds recognised		1,928	-
Other Income		8	48
Changes in inventories and finished goods/work in progress		(19)	14
Raw materials and consumables used - coal and diesel		(110)	(159)
Depreciation and amortisation expenses		(167)	(154)
Advertising and promotion expenses		(102)	-
Employee benefits expenses		(2,554)	(2,504)
Service provision expenses		(2,613)	-
Administration expenses		(469)	-
Other expenses		-	(3,621)
Government Funding Streams 2 and 3, and Special Purpose Funds expensed		(1,928)	-
Current year surplus before income tax	2	1	6
Income tax expense		-	-
Net current year surplus		1	6
Net current year surplus attributable to members of the entity		1	6

Statement of Financial Position

As at 30 June 2017

	Note	2017 \$'000's	2016 \$'000's
ASSETS			
Current Assets			
Cash and cash equivalents	4	9,367	8,390
Account receivables and other debtors	5	462	687
Inventories on hand	6	191	171
Other current assets	7	86	109
Total Current Assets		<u>10,106</u>	<u>9,357</u>
Non-Current Assets			
Property, plant and equipment	8	638	676
Total Non-Current Assets		<u>638</u>	<u>676</u>
TOTAL ASSETS		<u><u>10,744</u></u>	<u><u>10,033</u></u>
LIABILITIES			
Current Liabilities			
Accounts payable and other payables	9	878	942
Employee provisions	10	139	89
Total Current Liabilities		<u>1,017</u>	<u>1,031</u>
Non-Current Liabilities			
Employee provisions	10	18	10
Government Funding Streams 1, 2 and 3, and Special Purpose Funds	11	6,696	5,884
Total Non-Current Liabilities		<u>6,714</u>	<u>5,894</u>
TOTAL LIABILITIES		<u><u>7,731</u></u>	<u><u>6,925</u></u>
NET ASSETS		<u><u>3,013</u></u>	<u><u>3,108</u></u>
EQUITY			
Retained surplus		989	988
Business Reserve Fund		259	259
General Restoration Fund		741	861
Glasgow Bequest Fund		1,024	1,000
TOTAL EQUITY		<u><u>3,013</u></u>	<u><u>3,108</u></u>

Statement of Changes in Equity

For the year ended 30 June 2017

	Retained Surplus \$'000's	Business Reserve Fund \$'000's	General Restoration Fund \$'000's	Glasgow Bequest Fund \$'000's	Steam Future Fund \$'000's	Total \$'000's
Balance at 1 July 2015	1,762	10	310	-	38	2,120
Comprehensive income						
Surplus attributable to members of the entity	6	-	-	-	-	6
Other comprehensive income for the year	(30)	-	30	-	-	-
Transfer to / (from) reserves:						
General Restoration Fund	(500)	-	538	-	(38)	-
Capital works reserve	(250)	250	-	-	-	-
Balance at 30 June 2016	988	259	861	1,000	-	3,108
Comprehensive income						
Surplus attributable to members of the entity	1	-	-	-	-	1
Other comprehensive income for the year	-	-	-	-	-	-
Transfer to / (from) reserves:						
Business Reserve Fund	-	-	-	-	-	-
General Restoration Fund	-	-	(120)	-	-	(120)
Glasgow Bequest Fund	-	-	-	24	-	24
Balance at 30 June 2017	989	259	741	1,024	-	3,013

General Restoration Fund

The Board approved the drawdown of \$120k from the General Restoration Fund for the Locomotive 4201 Restoration Project which was completed during the financial year ended 30 June 2017.

Business Reserve Fund

The Board has approved spending of up to \$100k from the Business Reserve Fund for the redevelopment of the front entrance of the NSW Rail Museum which is being undertaken during the forthcoming 2017/18 financial year. Hence as at 30 June 2017 no monies had been spent.

Glasgow Bequest Fund

The Board has approved a budget allocation of up to \$500k from the Glasgow Bequest Fund towards the Southern Aurora Overhaul Project. Scoping of this project will commence in the 2017/18 financial year. Expenditure of funds will be subject to further decisions by the THNSW Board. Hence as at 30 June 2017 no monies had been spent.

Statement of Cash Flows

For the year ended 30 June 2017

	Note	2017 \$'000's	2016 \$'000's
CASH FLOWS FROM OPERATING ACTIVITIES			
Receipts from operations (including Government Funding Stream 1)		5,736	5,527
Receipts from donations, bequests		82	92
Receipts (net) from Government Funding Streams 2 and 3, and Special Purpose Funds		601	2,402
Payments to suppliers and employees		(5,346)	(6,357)
Interest received		8	48
Interest paid		-	-
Net cash (used in)/generated from operating activities	15	<u>1,081</u>	<u>1,712</u>
CASH FLOWS INVESTING ACTIVITIES			
Payments for property, plant and equipment		(128)	(135)
Proceeds from sale of property, plant and equipment		-	-
Net cash (used in)/generated from investing activities		<u>(128)</u>	<u>(135)</u>
CASH FLOWS FINANCING ACTIVITIES			
Interest received - Glasgow Bequest Fund		24	-
Net cash provided by (used in) financing activities		<u>24</u>	<u>-</u>
Net increase (decrease) in cash held		977	1,577
Cash on hand at the beginning of the financial year		<u>8,390</u>	<u>6,813</u>
Cash on hand at the end of the financial year	4	<u><u>9,367</u></u>	<u><u>8,390</u></u>

Notes to the Financial Statements

For the year ended 30 June 2017

These financial statements are for Transport Heritage NSW Limited (Non-Reporting) as an individual entity, incorporated and domiciled in Australia. Transport Heritage NSW Limited (the "Company" or "THNSW") is a company limited by guarantee and is a not-for-profit, registered charity.

These financial statements were authorised for issue on 26 September 2017 by the Directors of the Company.

Note 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The Directors have prepared the financial statements on the basis that the company is a non-reporting entity because there are no users dependent on general purpose financial statements. These financial statements are therefore special purpose financial statements that have been prepared in order to meet the requirements of the Australian Charities and Not-for-profits Commission Act 2012. The company is a not-for-profit entity for financial reporting purposes under Australian Accounting Standards.

The financial statements have been prepared in accordance with the mandatory Australian Accounting Standards applicable to entities reporting under the Corporations Act 2001 and the significant accounting policies disclosed below, which the Directors have determined are appropriate to meet the needs of members. Such accounting policies are consistent with those of previous periods unless stated otherwise.

The financial statements, except for the cash flow information, have been prepared on an accrual basis and are based on historical costs unless otherwise stated in the notes. Material accounting policies adopted in the preparation of these financial statements are presented below and have been consistently applied unless stated otherwise. The amounts presented in the financial statements have been rounded to the nearest thousand dollars.

Accounting Policies

a. Revenue

Non-reciprocal funding deeds revenue is recognised in profit or loss when the entity obtains control of the funding and it is probable that the economic benefits gained from the funding will flow to the Company and the amount of the funding can be measured reliably.

If conditions are attached to the funding which must be satisfied before the Company is eligible to receive the contribution, the recognition of the funding as revenue will be deferred until those conditions are satisfied. This also means that the Company is allowed to carry non-reciprocal funding over for use in subsequent years.

When funding deed revenue is received whereby the Company incurs an obligation to deliver economic value directly back to the contributor, this is considered a reciprocal transaction and the funding revenue is recognised in the statement of financial position as a liability until the service has been delivered to the contributor; otherwise the funding is recognised as income on receipt.

Transport Heritage NSW Limited receives non-reciprocal contributions of assets from the NSW Government and other parties for zero or a nominal value. These assets are recognised at fair value, where possible, on the date of acquisition in the statement of financial position, with a corresponding amount of income recognised in profit or loss.

Donations and bequests are recognised as revenue when received. If conditions are attached to the donations or bequests which must be satisfied, the recognition of the donation or bequest as revenue will be deferred until those conditions are satisfied.

Interest revenue is recognised as it accrues using the effective interest method, which for floating rate financial assets is the rate inherent in the instrument. Interest revenue is also recognised in accordance with THNSW's Investment & Interest Policy introduced for the financial year ended 30 June 2017.

Revenue from the rendering of a service is recognised upon the delivery of the service to the customer.

All revenue is stated net of the amount of goods and services tax (GST).

b. Inventories on Hand

Inventories are measured at the lower of cost and current replacement cost.

Inventories acquired at no cost, or for nominal consideration, are valued at the current replacement cost as at the date of acquisition.

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

c. Property, Plant and Equipment

Plant and equipment are measured on the cost basis less depreciation and any impairment losses.

The carrying amount of plant and equipment is reviewed annually to ensure it is not in excess of the recoverable amount from these assets. The recoverable amount is assessed on the basis of the expected net cash flows that will be received from the assets' employment and subsequent disposal. The expected net cash flows have been discounted to their present values in determining recoverable amounts.

In the event the carrying amount of plant and equipment is greater than the recoverable amount, the carrying amount is written down immediately to the estimated recoverable amount. A formal assessment of recoverable amount is made when impairment indicators are present.

Plant and equipment including locomotives, rolling stock, real property and collection objects that have been contributed at no cost, or for nominal cost by RailCorp or other Government entities, including custody plant and equipment, are recognised at no value.

Depreciation

The depreciable amount of all fixed assets, including buildings and capitalised lease assets, but excluding freehold land, is depreciated on a straight-line basis over the asset's useful life to the Company commencing from the time the asset is held ready for use. Leasehold improvements are depreciated over the shorter of either the unexpired period of the lease or the estimated useful lives of the improvements.

The depreciation rates used for each class of depreciable assets are:

<u>Class of Fixed Asset</u>	<u>Depreciation Rate</u>
Plant and equipment	5 - 20%
Leasehold improvements, other	4 - 15%
Assets under custody	Term of custody or previously determined period.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposals are determined by comparing proceeds with the carrying amount. These gains or losses are recognised in profit or loss in the period in which they arise. When revalued assets are sold, amounts included in the revaluation surplus relating to that asset are transferred to retained earnings.

d. Leases

Lease payments for operating leases, where substantially all the risks and benefits remain with the lessor, are charged as expenses on a straight-line basis over the lease term.

e. Financial Instruments

Initial recognition and measurement

Financial assets and financial liabilities are recognised when the Company becomes a party to the contractual provisions to the instrument. For financial assets, this is equivalent to the date that the Company commits itself to either purchase or sell the asset, i.e., trade date accounting is adopted.

Financial instruments are initially measured at fair value plus transaction costs except where the instrument is classified "at fair value through profit or loss", in which case transaction costs are expensed to profit or loss immediately.

Classification and subsequent measurement

Financial instruments are subsequently measured at fair value, amortised cost using the effective interest method, or cost. Where available, quoted prices in an active market are used to determine fair value. In other circumstances, valuation techniques are adopted.

Amortised cost is calculated as the amount at which the financial asset or financial liability is measured at initial recognition less principal repayments and any reduction for impairment, and adjusted for any cumulative amortisation of the difference between that initial amount and the maturity amount calculated using the effective interest method.

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

The effective interest method is used to allocate interest income or interest expense over the relevant period and is equivalent to the rate that exactly discounts estimated future cash payments or receipts, including fees, transaction costs and other premiums or discounts, through the expected life (or when this cannot be reliably predicted, the contractual term) of the financial instrument to the net carrying amount of the financial asset or financial liability. Revisions to expected future net cash flows will necessitate an adjustment to the carrying amount with a consequential recognition of an income or expense item in profit or loss.

Fair value is the price the company would receive to sell an asset or would have to pay to transfer a liability in an orderly, i.e., unforced, transaction between independent, knowledgeable and willing market participants at the measurement date. Fair value is determined based on current bid prices for all quoted investments. Valuation techniques are applied to determine the fair value for all unlisted securities, including recent arm's length transactions, reference to similar instruments and option pricing models.

(i) Financial assets at fair value through profit or loss

Financial assets are classified at "fair value through profit or loss" when they are held for trading for the purpose of short-term profit taking, derivatives not held for hedging purposes, or when they are designated as such to avoid an accounting mismatch or to enable performance evaluation where a group of financial assets is managed by key management personnel on a fair value basis in accordance with a documented risk management or investment strategy. Such assets are subsequently measured at fair value with changes in carrying amount included in profit or loss.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market and are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iii) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets that have fixed maturities and fixed or determinable payments, and it is the Company's intention to hold these investments to maturity. They are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial asset is derecognised.

(iv) Available-for-sale investments

Available-for-sale investments are non-derivative financial assets that are either not capable of being classified into other categories of financial assets due to their nature or they are designated as such by management. They comprise investments in the equity of other entities where there is neither a fixed maturity nor fixed or determinable payments.

They are subsequently measured at fair value with any re-measurements other than impairment losses and foreign exchange gains and losses recognised in other comprehensive income. When the financial asset is derecognised, the cumulative gain or loss pertaining to that asset previously recognised in other comprehensive income is reclassified into profit or loss.

(v) Financial liabilities

Non-derivative financial liabilities other than financial guarantees are subsequently measured at amortised cost. Gains or losses are recognised in profit or loss through the amortisation process and when the financial liability is derecognised.

Derecognition

Financial assets are derecognised where the contractual rights to receipt of cash flows expire or the asset is transferred to another party whereby the entity no longer has any significant continuing involvement in the risks and benefits associated with the asset. Financial liabilities are derecognised where the related obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability, which is extinguished or transferred to another party, and the fair value of consideration paid, including the transfer of non-cash assets or liabilities assumed, is recognised in profit or loss.

g. Employee Provisions

Provision is made for the Company's obligation for short-term employee benefits. Short-term employee benefits are benefits (other than termination benefits) that are expected to be settled wholly before 12 months after the end of the annual reporting period in which the employees render the related service, including wages, salaries and sick leave. Short-term employee benefits are measured at the (undiscounted) amounts expected to be paid when the obligation is settled.

The Company's obligations for short-term employee benefits such as wages, salaries and sick leave are recognised as part of accounts payable and other payables in the statement of financial position.

Contributions are made by the entity to an employee superannuation fund and are charged as expenses when incurred.

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

h. Cash on Hand

Cash on hand includes cash on hand, deposits held at-call with banks, other short-term highly liquid investments with original maturities of three months or less, and bank overdrafts.

i. Accounts Receivable and Other Debtors

Accounts receivable and other debtors include amounts due from donors and any outstanding funding deed receipts. Receivables expected to be collected within 12 months of the end of the reporting period are classified as current assets. All other receivables are classified as non-current assets.

j. Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of the amount of GST, except where the amount of GST incurred is not recoverable from the Australian Taxation Office (ATO).

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the ATO is included with other receivables or payables in the statement of financial position.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to, the ATO are presented as operating cash flows included in receipts from customers or payments to suppliers.

k. Income Tax

No provision for income tax has been raised as Transport Heritage NSW Limited is exempt from income tax under Div 50 of the Income Tax Assessment Act 1997 .

m. Provisions

Provisions are recognised when the Company has a legal or constructive obligation, as a result of past events, for which it is probable that an outflow of economic benefits will result and that outflow can be reliably measured. Provisions recognised represent the best estimate of the amounts required to settle the obligation at the end of the reporting period.

n. Comparative Figures

Where required by Accounting Standards, comparative figures have been adjusted to conform with changes in presentation for the current financial year.

Where the company retrospectively applies an accounting policy, makes a retrospective restatement or reclassifies items in its financial statements, a third statement of financial position as at the beginning of the preceding period in addition to the minimum comparative financial statements must be presented.

o. Accounts Payable and Other Payables

Accounts payable and other payables represent the liability outstanding at the end of the reporting period for goods and services received by the company during the reporting period which remain unpaid. The balance is recognised as a current liability with the amount normally paid within 30 days of recognition of the liability.

p. Critical Accounting Estimates and Judgements

The Directors evaluate estimates and judgements incorporated into the financial statements based on historical knowledge and best available current information. Estimates assume a reasonable expectation of future events and are based on current trends and economic data, obtained both externally and within the company.

Key estimates

(i) Impairment

The Company assesses impairment at the end of each reporting period by evaluating conditions and events specific to the company that may be indicative of impairment triggers.

(ii) Judgements

As disclosed in note 9, provision for the impairment of trade receivables included in accounts as 30 June 2017 is amount of \$0 (2016 \$3,500) as general provision for impairment of receivables. The Directors believe that the provision of impairment of receivables is adequate provision for any bad debts.

q. Economic Dependence

Transport Heritage NSW Limited is dependent on the Transport for NSW funding deeds for the majority of its revenue used to operate the business. The current funding deeds expire on 30 June 2019. At the date of this report the Board of Directors has no reason to believe the Transport for NSW will not continue to support Transport Heritage NSW Limited.

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

r. New Accounting Standards for Application in Future Periods

Accounting Standards issued by the AASB that are not yet mandatorily applicable to the Company, together with an assessment of the potential impact of such pronouncements on the company when adopted in future periods, are discussed below:

AASB 9: Financial Instruments and associated Amending Standards (applicable to annual reporting periods beginning on or after 1 January 2018). Although the Directors anticipate that the adoption of AASB 9 may have an impact on the Company's financial instruments, it is impracticable at this stage to provide a reasonable estimate of such impact.

s. Going Concern Basis

The financial statements of the Company have been prepared on a going concern basis. The Directors believe that the Company will be able to pay all its debts as and when they become due and payable.

t. Change in Accounting Policy

During the year THNSW changed its accounting chart (alternatively known as Chart of Accounts) in relation to the grouping of revenue and expense accounts. Revenue and expenses are now grouped by functional area rather than nature. Consequently, revenue and expense comparison to the previous year is impractical to achieve. This change has been implemented as the Directors are of the opinion that it will provide a more relevant and reliable assessment of the Company's performance in the current and subsequent reporting period. Per the requirements of AASB 108, the change in accounting policy has been applied to this period.

u. Rounding in the Presentation of Figures

The amounts presented in the financial statements have been rounded to the nearest thousand dollars. As a result some numbers may not add up to totals shown due to rounding.

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

Note 2: Net Current Year Surplus

	2017	2016
	\$'000's	\$'000's
a. Significant Revenue		
The following significant revenue items is relevant in explaining the financial performance:		
Thirlmere Rail Heritage Centre and railway		270
Railway operations consolidated		1,370
Retail sales	Not used for the financial year ended 30 June 2017	198
Workshop projects		75
Blue Mountains Group		45
Illawarra Group		1
Other income		1
Programs & Events - Museums	659	
Programs & Events - Rail Operations	1,018	
Other Commercial Activities (including Retail)	326	Not used for the financial year ended 30 June 2016
Marketing	-	
Heritage & Collections	1	
Fleet Maintenance	120	
Facilities	89	
THNSW Board	-	
Membership	110	95
Donations & Gifts	82	92
Interest received	8	48
Government Funding Stream 1	3,588	-
Other Corporate Services	35	-
Government Funding Deed	-	4,236
Government Funding Streams 2 and 3, and Special Purpose Funds	1,928	-
Total Revenues	7,964	6,430

As previously noted at Note 1t, from the financial year ended 30 June 2017 THNSW changed its Chart of Accounts in relation to the grouping of revenue and expense accounts to be grouped by functional area. Consequently, direct revenue and expense comparison to the previous year is impractical to achieve for this period. Shading indicates where particular items are not comparable between the current and previous reporting period.

The amounts presented in the financial statements have been rounded to the nearest thousand dollars. As a result some numbers may not add up to totals shown due to rounding.

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

Note 2: Net Current Year Surplus (continued)

	2017	2016
	\$'000's	\$'000's
b. Expenses		
Thirlmere Rail Heritage Centre and railway		623
Railway operations consolidated	Not used for the financial year ended 30 June 2017	1,846
Retail sales		149
Collections		61
Workshop projects		591
Other expenses		7
Programs & Events - Museums	390	Not used for the financial year ended 30 June 2016
Programs & Events - Rail Operations	821	
Other Commercial Activities (including Retail)	205	
Marketing	319	
Heritage & Collections	268	
Fleet Maintenance	1,409	
Facilities	1,034	
THNSW Board	11	
Stakeholder & Relationship Management	59	
Depreciation and amortisation:		
- Plant and equipment	156	144
- Leasehold improvements and other	11	11
- Assets under custody		
Total depreciation and amortisation expenses	<u>167</u>	<u>154</u>
Employee provisions - Superannuation	210	185
Rental - operating leases	8	8
Other Corporate Services	1,115	2,532
Auditor's Remuneration:		
- Auditing activities	18	28
- Other audit related services		
- Non-audit services		
Total Auditor's Remuneration	<u>18</u>	<u>28</u>
Government Funding Streams 2 and 3, and Special Purpose Funds expensed	1,928	242
Total Expenses	<u>7,963</u>	<u>6,425</u>

As previously noted at Note 1t, from the financial year ended 30 June 2017 THNSW changed its Chart of Accounts in relation to the grouping of revenue and expense accounts to be grouped by functional area. Consequently, direct revenue and expense comparison to the previous year is impractical to achieve for this period. Shading indicates where particular items are not comparable between the current and previous reporting period.

The amounts presented in the financial statements have been rounded to the nearest thousand dollars. As a result some numbers may not add up to totals shown due to rounding.

Note 3: Dividends

Clause 38.3 of the Constitution of Transport Heritage NSW Limited specifically prohibits the payment of dividends by the Company.

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

Note 4: Cash & Cash Equivalents

	2017	2016
	\$'000's	\$'000's
Cash on hand	4	9
Cash at bank - deposits on call	1,039	1,512
Cash at bank - term deposits & higher interest earning deposits	<u>8,324</u>	<u>6,869</u>
	<u>9,367</u>	<u>8,390</u>

Note 5: Accounts Receivable and Other Debtors

	2017	2016
	\$'000's	\$'000's
CURRENT		
Trade receivables	462	690
Less: provision for impairment of receivables	-	(3)
Other receivables	<u>-</u>	<u>-</u>
	<u>462</u>	<u>687</u>

Note 6: Inventories on Hand

	2017	2016
	\$'000's	\$'000's
CURRENT		
At cost:		
Stock on hand	119	99
Operational fleet spare parts	<u>72</u>	<u>72</u>
	<u>191</u>	<u>171</u>

Note 7: Other Current Assets

	2017	2016
	\$'000's	\$'000's
Prepayments	<u>86</u>	<u>109</u>
	<u>86</u>	<u>109</u>

The amounts presented in the financial statements have been rounded to the nearest thousand dollars. As a result some numbers may not add up to totals shown due to rounding.

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

Note 8: Property, Plant & Equipment

	2017	2016
	\$'000's	\$'000's
Museum exhibits - at cost	64	64
Less accumulated depreciation	<u>-</u>	<u>-</u>
Net carrying amount	<u>64</u>	<u>64</u>
Leasehold property improvements - at cost	315	315
Less accumulated depreciation	<u>(226)</u>	<u>(216)</u>
Net carrying amount	<u>89</u>	<u>99</u>
Other plant, equipment and motor vehicles - at cost	1,468	1,340
Less accumulated depreciation	<u>(983)</u>	<u>(827)</u>
Net carrying amount	<u>485</u>	<u>513</u>
Total net carrying amount	<u><u>638</u></u>	<u><u>676</u></u>

Note 9: Accounts Payable and Other Payables

	2017	2016
	\$'000's	\$'000's
CURRENT		
Trade creditors and accruals	531	439
Tour/Event sales in advance	170	130
Sundry creditors	177	284
Provision for major repairs - RailCorp	<u>-</u>	<u>89</u>
	<u>878</u>	<u>942</u>

Note 10: Employee Provisions

	2017	2016
	\$'000's	\$'000's
CURRENT		
Annual Leave	139	89
Long Service Leave	<u>-</u>	<u>-</u>
	<u>139</u>	<u>89</u>
NON-CURRENT		
Annual Leave	-	-
Long Service Leave	<u>18</u>	<u>10</u>
	<u>18</u>	<u>10</u>
	<u><u>157</u></u>	<u><u>99</u></u>

The amounts presented in the financial statements have been rounded to the nearest thousand dollars. As a result some numbers may not add up to totals shown due to rounding.

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

Note 11: Funding Deeds

	2017	2016
	\$'000's	\$'000's
NON-CURRENT		
TfNSW Funding Stream 1 (FS#1)		
Opening balance	334	451
Funding amount received	3,800	3,800
Interest received	-	-
Funding amount expended	(3,588)	(3,917)
Balance at the end of the year	<u>546</u>	<u>334</u>
TfNSW Funding Stream 2 (FS#2)		
Opening balance	3,141	1,358
Funding amount received	1,850	1,850
Interest received	85	32
Funding amount expended	(1,014)	(99)
Balance at the end of the year	<u>4,062</u>	<u>3,141</u>
TfNSW Funding Stream 3 (FS#3)		
Opening balance	159	150
Funding amount received	150	150
Interest received	1	2
Funding amount expended	(167)	(143)
Balance at the end of the year	<u>143</u>	<u>159</u>
TfNSW Special Purpose Funding (SPF)		
Opening balance	2,250	1,640
Funding amount received	400	580
Interest received	43	30
Funding amount expended	(748)	-
Balance at the end of the year	<u>1,945</u>	<u>2,250</u>
Total Funding remaining as at 30 June	<u><u>6,696</u></u>	<u><u>5,884</u></u>

THNSW has entered a Funding Deed with the NSW Government, via Transport for NSW (TfNSW), to care for and manage the NSW State-owned Heritage Transport Collection and to deliver a wide range of activities to support the Transport Heritage Sector in NSW.

The Funding Deed with the NSW Government provides specific funding to THNSW for the following purposes:

TfNSW Funding Stream 1 (FS#1)

Annual funding allocated specifically to THNSW's Business Operations, including a minimum of \$1 million which must be used for operational rolling stock fleet maintenance. The THNSW Board determines THNSW's annual business plan and annual business operations budget, including the allocation of FS#1 funds to be used and the use of THNSW's own-generated revenue raised through its various activities.

TfNSW Funding Stream 2 (FS#2)

Annual funding for the purposes of Portfolio Management of the NSW Government-owned heritage transport assets. Allocation of the annual funding is determined by the Independent Funding & Advisory Panel (IFAP) appointed by the NSW Government.

TfNSW Funding Stream 3 (FS#3)

Annual funding for the Transport Heritage Grants Program. Allocation of the annual funding is determined by the Independent Funding & Advisory Panel (IFAP) appointed by the NSW Government.

TfNSW Special Purpose Funding (SPF)

THNSW has also entered into a Special Projects Funding Deed with the NSW Government under which specific funding is allocated to specific projects. Allocation of Special Purpose Funds to specific projects is determined by TfNSW. Currently there is one approved project being the 3801 Locomotive reconstruction.

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

Note 12: Capital and Leasing Commitments

	2017	2016
	\$'000's	\$'000's
Operating Lease Commitments		
Non-cancellable operating leases contracted for but not recognised in the financial statements:		
Payable – minimum lease payments:		
– not later than 12 months	8	8
– between 12 months and five years	-	2
– later than five years	-	-
	<u>8</u>	<u>10</u>

Note 13: Related Parties Transactions

a. Key Management Personnel

Any person(s) having authority and responsibility for planning, directing and controlling the activities of the company, directly or indirectly, including any Director (whether executive or otherwise) is considered key management personnel.

The Total number of key management personnel at the end of each financial year remained unchanged at eight Directors (non-remunerated by THNSW), the CEO and six manager (employees) reporting directly to the CEO.

	2017	2016
	\$'000's	\$'000's
Key management personnel compensation		
- Salaries	1,047	1,182
- Minimum mandatory superannuation contributions	97	90
	<u>1,144</u>	<u>1,272</u>

b. Other related parties

Other related parties include close family members of key management personnel and entities that are controlled or jointly controlled by those key management individually or collectively with close family members.

	2017	2016
	\$'000's	\$'000's
Company controlled by Director and/or close family members		
- Short term benefits	-	-
- Post-employment benefits	-	-
- Purchase of client support services	-	-
	<u>-</u>	<u>-</u>

c. Payments to the Chair

During the year following payment was made by Transport for NSW (TfNSW) to the chair, for services in leading the Transport Heritage NSW Board during their term.

	2017	2016
	\$'000's	\$'000's
Payment for services as Chair		
- Peter Lowry, OAM - for the period 01 Jul 2016 to 12 Dec 2016	18	35
- Rob Mason - for the period 01 Mar 2017 to 30 Jun 2017	-	-
	<u>18</u>	<u>35</u>

Notes to the Financial Statements (continued)

For the year ended 30 June 2017

Note 14: Contingent Liabilities

a. Contingent Liabilities

There were no contingent liabilities at the reporting date relating to the normal operations of THNSW.

Note 15: Cash Flow Information

	2017	2016
	\$'000's	\$'000's
Reconciliation of cash flows from operating activities with net current year surplus		
Net current year surplus	1	6
Non-cash flow in current year surplus		
- Depreciation and amortisation	167	154
- Net(gain) loss on disposal of property, plant and equipment	-	4
- Net (gain) loss from reserve transfer	(120)	-
- (increase)/decrease in accounts receivable and other debtors	225	(646)
- (increase)/decrease in prepayments	23	35
- (increase)/decrease in inventories on hand	(19)	(14)
- (decrease)/increase in grants received in advance	813	2,285
- (decrease)/increase in accounts payable and other payables	(68)	(50)
- (decrease)/increase in provisions	59	(62)
Net Cash From Operating Activities	1,081	1,712

The amounts presented in the financial statements have been rounded to the nearest thousand dollars. As a result some numbers may not add up to totals shown due to rounding.

Note 16: Economic Dependency

Railway operations which include tours and charters, are a significant part of the company's operation. Tours and charter operations are dependent on effective restoration, maintenance and operation of the heritage fleet, including track access and safety accreditation, and are dependent upon continued support from the general public.

Funding provided by TfNSW under a Funding Deeds provides a minimum annual funding amount for the duration of the Funding Deed.

Note 17: Events Subsequent to reporting date

No events have occurred subsequent to the reporting date that required adjustment to the financial statements or disclosure into the financial statements.

Note 18: 3801 Limited

3801 Limited was incorporated on 05 June 1985 as a non-profit company limited by guarantee. THNSW and the Australian Railway Historical Society (NSW Division) are the two Management Members of 3801 Ltd.

THNSW is not represented on the Committee of 3801 Limited, however remains a Management Members. The liability of THNSW is limited to \$250.00 which is unchanged from the previous 2016 year.

Note 19: Members Guarantee

Transport Heritage NSW Limited is incorporated under the Corporations Act 2001 and is a company limited by guarantee. If the company is wound up, the constitution states that each member is required to contribute a maximum of \$20.00 towards meeting any outstanding obligations of the Company. At 30 June 2017, the number of members was 2,483 (excluding Complimentary and Honorary members).

Note 20: Entity Details

The registered office of the company is:

Suite 3010, Locomotive Workshop, Australian Technology Park, 2 Locomotive Street, Eveleigh NSW 2015

The principal places of business are:

Suite 3010, Locomotive Workshop, Australian Technology Park, 2 Locomotive Street, Eveleigh NSW 2015

10-20 Barbour Road, Thirlmere NSW 2572

17 Tusculum Road, Valley Heights NSW 2777

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TRANSPORT HERITAGE NSW LIMITED**

Report of the Financial Report

We have audited the financial report of Transport Heritage NSW Limited, which comprises the statement of financial position as at 30 June 2017, the statement of profit or loss and other 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 the directors' declaration.

In our opinion, the accompanying financial report of Transport Heritage NSW Limited is in accordance with the Corporations Act 2001, including:

- (i) giving a true and fair view of the company's financial position as at 30 June 2017 and of its financial performance for the year then ended; and
- (ii) complying with Australian Accounting Standards to the extent described in Note 1, and the Corporations Regulations 2001.

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 company in accordance with the auditor independence requirements of the Corporations Act 2001 and 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.

We confirm that the independence declaration required by the Corporations Act 2001, which has been given to the directors of the company, would be in the same terms if 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 - Basis of Accounting

We draw attention to Note 1 to the financial report, which describes the basis of accounting. The financial report has been prepared for the purpose of fulfilling the directors' financial reporting responsibilities under the Corporations Act 2001. As a result, the financial report may not be suitable for another purpose. Our opinion is not modified in respect of this matter.

Responsibilities of the Directors for the Financial Report

The directors of the company are responsible for the preparation of the financial report that gives a true and fair view and have determined that the basis of preparation described in Note 1 to the financial report is appropriate to meet the requirements of the Corporations Act 2001 and is appropriate to meet the needs of the members. The directors' responsibility also includes 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.

In preparing the financial report, the directors are responsible for assessing the company'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 company or to cease operations, or have no realistic alternative but to do so.

**INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF TRANSPORT HERITAGE NSW LIMITED**

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 the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, we exercise professional judgement 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 company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' 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 company'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 company 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 the directors 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.

Castletons Auditing Services



Wayne H Price
Partner

Sydney
26 September 2017

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