

ANNUAL REPORT 2017

FALLS CREEK ALPINE RESORT MANAGEMENT BOARD



Falls Creek Resort Management
ABN 21 789 770 569
1 Slalom Street, Falls Creek VIC 3699
PO Box 50, Falls Creek VIC 3699

Telephone 03 5758 1200
Facsimile 03 5758 3415
fcrm@fallscreek.com.au
www.fallscreek.com.au



February 2018

The Hon. Lily D'Ambrosio MP
Minister for Energy, Environment, Climate Change and Suburban Development
Level 36, 121 Exhibition Street
Melbourne, VIC, 3000

Dear Minister D'Ambrosio

Re: Falls Creek Alpine Resort Management Board Annual Report 2017

We have pleasure in submitting to you for presentation to Parliament, the Annual Report of the Falls Creek Alpine Management Board, covering the period, 1st January 2017 to 31st December 2017.

In accordance with the Financial Management Act 1994, the Annual Report contains the Report of Operations and Statutory Financial Statements for the Board for the reporting period.

We extend our appreciation for the support provided by the Victorian Government and the assistance provided by the Department of Environment, Land, Water and Planning throughout the year.

We look forward to welcoming you to Falls Creek in the near future to share our vision for the Resort and our continued evolution into an all seasons alpine experience.

Yours sincerely

Sue Lebish
Chair

Stuart Smythe
CEO

Contents

Letter to the Minister	2	FINANCIAL STATEMENTS	
Chair's Report	4	How the 2017 Financial Statements are Structured	32
CEO's Report	6	Declaration and Auditor's Report	
Resort Profile	8	Declaration by the Board Chair and Accountable Officers	33
Vision, Mission and Principles	9	Independent Auditor's Report	34
Year at a glance	10	Financial Statements	
Enhancing the Visitor Experience and Building Partnerships	12	Comprehensive Operating Statement	36
Developing the Resort and Broadening Access Opportunities	14	Balance Sheet	37
Delivering Resort Services and Infrastructure	16	Cash Flow Statement	38
Respecting the Alpine Environment	19	Statement of Changes in Equity	39
Sustainability and Climate Adaptation	20	Notes to the Financial Statements	
Organisational Structure	22	1. About this Report	40
Board Profile	23	The basis on which the financial statements have been prepared and compliance with reporting regulations	
Board Committees	24	2. Funding Delivery of Our Services	41
OH&S and Human Resources	26	Revenue recognised from taxes, grants, sales of goods and services and other sources	
Compliance Items	28	3. The Cost of Delivering Services	42
Attestations	31	Operating expenses of FCRM	
Disclosure Index	70	4. Key Assets Available to Support Service Delivery	46
		Infrastructure and other assets utilised in fulfilling objectives	
		5. Other Assets and Liabilities	48
		Working capital balances, and other key assets and liabilities	
		6. How We Financed Our Operations	52
		Borrowings, cash flow information, leases and assets pledged as security	
		7. Risks, Contingencies and Valuation Judgements	55
		Financial risk management, contingent assets and liabilities as well as fair value determination	
		8. Other Disclosures	64

Chair's Report



The 2017 year can be characterised as one of consolidation and engagement.

The announcement in January 2017 regarding the Alpine resort futures project saw considerable stakeholder engagement undertaken on proposed governance reforms and climate adaptation.

The Falls Creek Alpine Resort Management Board (FCRM), community and stakeholders actively participated in providing their considerable expertise, alpine resort knowledge and insights. I would like to take this opportunity to thank all who participated for recognising the importance of their contribution and collaboration in the process.

The Victorian Alps are a tremendous asset to the State. Measuring its value, be that ecologically with their tremendous biodiversity, to the importance this natural asset plays in driving tourism and outdoor recreation is often overlooked.

The importance of the Alpine Resorts to the Victorian state economy was however highlighted this year with the release of the Alpine Resorts Co-ordinating Council's "Victorian Alpine Resorts Economic Study". It is extremely pleasing to note that Falls Creek, as an All Seasons Alpine Resort, is the largest economic contributor to the state in the Alpine sector. However, more importantly, the contribution from all the resorts continues to grow.

This positive momentum was further captured by record visitation during the 2017 snow season, which saw in excess of 1.6m visitor days recorded across the Victorian alpine resort sector. This was the highest recorded level of visitation since statistics were first collected back in 1984.

Management has worked extensively with its North East Victorian regional partners on growing visitation via participation on regional Boards, committees and working groups to drive further diversification and activation opportunities into the region. Resort management staff are to be congratulated for their efforts in this regard. Whilst the winter season is a clear economic driver of the resort, the work undertaken by the Board, community and stakeholders in driving all seasons visitation has once again resulted in a record "Green Season" over the summer of 2016/17 at Falls Creek. Building off this increasing visitation has seen new activations across the mountain bike park, lakeside aquatic activities and the ever-popular Falls to Hotham Crossing alpine walking track and surrounding trails across the High Plains and Alpine National Park. Consequently, the vibrancy and sustainability of the village on an all seasons basis is contributing to improved resilience and vitality for the local and regional community.

During the year, the Board, community and stakeholders have also tackled the challenges presented by climate change. Ongoing priorities have been evaluating adaptation strategies, implementing programs to enhance infrastructure resilience, assessing the application of alternative energy solutions and significantly reducing landfill offtake from the resort. More work is to be done on further reducing the resort's carbon footprint and this will be a major focus for the Board and management team.

The Land Management division has undertaken a comprehensive review and calibration of the resort's environmental management plan, with this document being central to initiatives and key performance indicators being established for the targeting of initiatives in this regard. I would like to congratulate the team for their work in this area.

One of the Boards many responsibilities are "for the development, promotion, management and use of the resort". To this end, the 2016 Master Plan is the guiding document and the Board and management were pleased to have received endorsement of the plan by the Minister for Energy, Environment and Climate Change (Hon Lily D'Ambrosio MP) during 2017.

The implementation program and initiatives encompassed within this document are now progressing and evident by substantial public and private investment across the resort. Complementing this has been broad based investment by stakeholders via multimillion dollar refurbishments and enhancements to accommodation, food, beverage and retail offerings significantly boosting the visitor experience and village amenity.

As in 2016, property investment has continued its strong upward trend in 2017. The increased turnover in property sales and price growth reflects favourably on investor confidence and demonstrates the attractiveness of the resort as both an investment and lifestyle destination choice.

The Board was extremely pleased to see the culmination of all these initiatives lead to the resort being bestowed a major tourism award in 2017. Falls Creek Resort won bronze in the Victorian Tourism Industry Council and RACV Victorian Tourism Awards most prestigious category of "Major Tourist Attraction". The honour of such recognition belongs to the entire resort community and stakeholders, as it reflects the outstanding contribution made by all in making Falls Creek such a great destination.

Following the announcement of proposed changes to the Board structure for the Alpine Resort Management Boards, several long-term Board Members – Mark Anderson (9 years' service), Roger Kilby (7 years' service) and Lisa Logan (4 years' service) finished their terms on 31 December 2017.

The material contribution made by each outgoing director cannot be understated. On behalf of my fellow Board members, the management team, stakeholders and the broader community I thank them for their service.

In light of these changes, I am honoured to be Chair until the new Board is appointed. As such I would like to thank my fellow Board members for their continued commitment and devotion to the resort. Their contribution to strategy and work undertaken through the four main committees is integral to assisting management in executing the best possible outcomes for all stakeholders.

The Finance, Risk and Audit Committee (FRAC), played a vital role in working with management in implementing the new financial and enterprise resource planning software, associated policies and work practices, as well as completing an extensive review of the asset register and related policies, together with providing risk management and compliance oversight.

The Planning and Land Management Committee (PLMC), chaired by Roger Kilby has overseen a busy year for lease renewals, whilst also working with management on reviews relating to site rental and service charges, streamlining design and site guidelines, the adoption of a new Environmental Management Plan and framework, and approving exciting developments for the village in the coming years.

The Arts and Culture Development Committee (ACDC), chaired by Lindy Allen has built on its first year of achievements, with the successful launch of the Artist in Residence

program. Furthermore, in collaboration with the Faculty of the Victorian College of the Arts and the Melbourne Conservatorium of Music (VCA & MCM) the committee established and awarded the inaugural Falls Creek Resort Indigenous Artist Award. In just its first year, the overwhelming application for residency and artists exploring how to undertake cultural and artistic appreciation of the unique landscape, the resort and surrounding area's history, the village street scape and the natural environment whilst engaging with the community through participation and involvement has been tremendous.

The Board also wishes to thank the Victorian Government for its support during the year and to the guidance and direction received from the Department of Environment, Land, Water and Planning. We also wish to thank the Alpine Resorts Co-ordinating Council under the Chairmanship of Mr Bill Jaboor, and his team.

2017 was the celebration of Falls Creek Resort's 70th year. The pioneering spirit and passion for the resort continues to be just as strong and robust as it was in 1947 when the first "lodge" was built. I am certain all stakeholders are just as excited as the Board and management team are in relation

to what the future holds for the resort. We look forward to 2018 being another pivotal year in the resort's evolution. I'd like to thank all stakeholders, the community and resort visitors for their continued support and making Falls Creek Australia's best All Season Alpine Resort. Finally, to the resort management staff and the executive leadership team, congratulations on another outstanding year for the resort.

SUE LEBISH
Board Chair



Credit: Falls Creek Historical Society

CEO's Report



70 Years Strong...

In 1947 the first "lodge" was built in Falls Creek. Skyline Lodge cemented the foundations for the development of what is now Australia's premier All Seasons Alpine Resort. That pioneering spirit and the determination of those dedicated and passionate snow enthusiasts is as vibrant and alive across the village today, as it was then. The only difference being that Falls Creek Alpine Resort has transformed into a year-round destination of choice for a much wider and more diverse group of visitors and is home to a growing full time alpine community.

In our 7th decade as an alpine resort, a crowning achievement was recognition by the peak Victorian tourism industry of Falls Creek Resort's status as a major tourist attraction. The resort was awarded the bronze in the most coveted category at the RACV Victorian Tourism Awards. The award is recognition of the tremendous work undertaken all year round by all stakeholders and their contribution to making Falls Creek such a desirable destination. A summary of these achievements can be found in the report on page 12 "Enhancing the Visitor Experience".

In recognising the same, I thank and congratulate resort management staff, stakeholders, the Falls Creek Chamber of Commerce, the Falls Creek Alpine Association, various Strategic Stakeholder Forums, the Falls Creek Ski Lift Company, the Falls Creek Historical Society, Tourism North East, all the Victorian Alpine resorts, the Alpine Shire, the Alpine Resorts Co-ordinating Council, Parks Victoria, Regional Development Victoria and the key Emergency Service agencies. The collaboration and assistance throughout the year has been essential in ensuring Falls Creek is the best it can be.

Fulfilling one of the key guiding principles of the resort management team – "Enacting Stewardship: ...acting as custodians for our environment and planning for its sustainability..." Falls Creek Resort has joined the Victorian Premier and Sustainability

Victoria's "Take2" initiative and has also become one of only two Australian alpine resorts to become a partner resort with Protect Our Winters (POW), the leading global climate advocacy group for the winter sports community.

The resort has pledged to improve its environmental sustainability along with progressing its targets for improved resource use. With the resort's origins strongly linked to the development of Victoria's largest renewable energy scheme, the Kiewa Hydro Scheme which dates to 1937, a re-emphasis on alternative solutions is an obvious resolution.

The Economic Development and Land Management division, in collaboration with the Infrastructure and Mountain Response division will be driving initiatives in this regard. The resort has extensively overhauled its Environmental Management Plan and this will provide the framework for execution and benchmarking, whilst the enhanced asset management system will enable infrastructure investment to comply with these goals and objectives. Ongoing works to scope the resort's ability to implement renewable solutions for its energy needs, prioritise increased efficiency and reduced emissions is a priority for both groups.

After several years of an extensive program of capital works focused on infrastructure resilience, capacity and longevity, 2017 saw priority given to addressing safety issues, improving efficiency and on the execution of enabling works. Investment into systems monitoring now provides real time data for analysis and evaluation of all service demands across the infrastructure portfolio. Data provided in the report on page 16 highlights the importance of such works to ensure the demands on services from continued visitation growth can be effectively delivered.

Driving much of the increased visitation has been the tremendous work of the Marketing and Communications division. The team works extensively with an array of stakeholders and resort partners to ensure events, collateral, promotions, social and mainstream media are delivered effectively, relevantly and with influence. The team also manages the customer service interface, along with resort specific emergency communications, response and co-ordination. The team drives the continued recognition of the resort as a destination of choice by a range of diverse and varied users and guests, and hence were instrumental in the resort being recognised by the RACV Tourism award panel.

The Corporate Services division has undergone a major transformation following the implementation of new systems to execute its financial and corporate governance functions. The team has diligently overhauled processes and continues to improve service

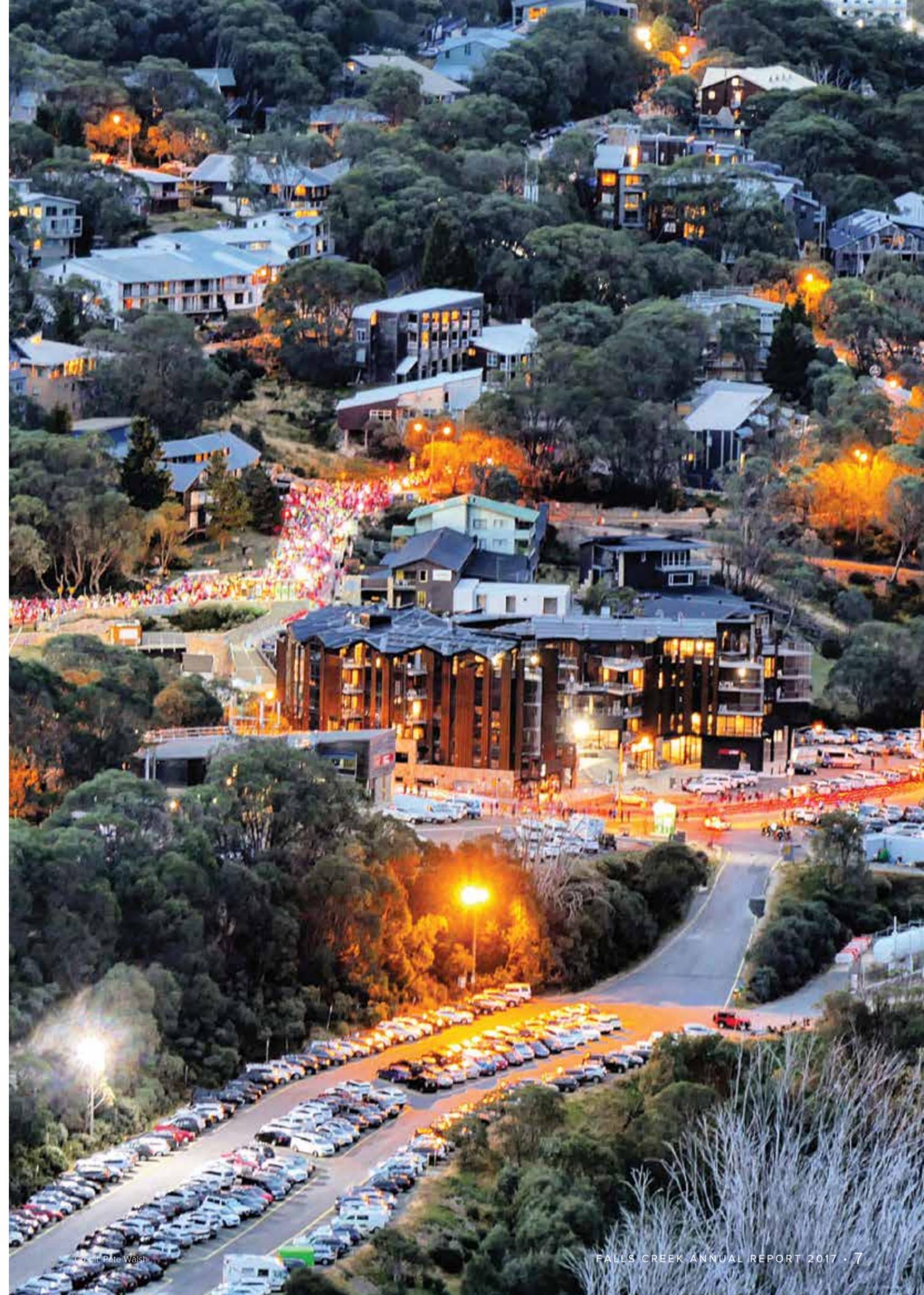
delivery to more efficiently discharge these responsibilities. I commend them on their application and resilience to the many frustrations encountered through this process.

Looking forward to 2018 and beyond, Falls Creek Alpine Resort is extremely well positioned and prepared to continue its diversification. Ongoing investment and the pipeline of projects that will be unveiled, will not only underwrite confidence in that outlook, but also demonstrate adaptation initiatives to ensure its sustainable contribution to Victoria and the North East.

In closing, I thank the Board for their significant contribution. I would like to thank the outgoing Board members, particularly, Chair Mark Anderson, for his guidance, counsel and encouragement. The work undertaken by the Board and sub committees is largely underappreciated with respect to their dedication and desire to see the resort excel. Thank you.

Finally, I would like to recognise and thank the entire resort management team for their contribution this year. The resort is extremely fortunate to have a dedicated and enthusiastic team of professionals working alongside the community and stakeholders, all of whom make Falls Creek Alpine Resort a truly vibrant, unique and relevant world class alpine experience.

STUART SMYTHE
CEO



Resort Profile



Credit: Ken Bell

About Falls Creek

Falls Creek is a major tourist destination in North East Victoria. The resort is set at altitude ranging from 1,210 to 1,850 metres and is surrounded by the Alpine National Park. Falls Creek uniquely benefits from its hydroelectric heritage. In particular, the Rocky Valley Lake and 65km of aqueduct trails supports the resort's water supply, snow making capabilities and activity base.

Falls Creek contributes significantly to the economy of the region. The resort generates significant seasonal employment, particularly in the nearby towns, and provides recreational opportunities and environmental values to both the local and wider community. At the same time, the resort proudly maintains a vibrant but small permanent community that uniquely maintains a year round primary school and a fully accredited child care centre.

The Falls Creek Alpine Resort Management Board was established under the *Alpine Resorts (Management) Act 1997*. The Board operates under its registered business trading name of Falls Creek Resort Management (FCRM). The responsible Minister during the 2017 reporting year was the Hon Lily D'Ambrosio MP, Minister for Energy, Environment and Climate Change.

While responsibilities include elements similar to a local government authority such as planning and the provision of infrastructure services, FCRM also has a responsibility for Crown Land management, destination marketing of the resort, and resort promotion. It is expected to commercially manage the leases of public land in the best interests of the people of Victoria.

FCRM is an organisation with assets comprising Crown Land, public utilities, and infrastructure assets. Annual recurrent revenues are approximately \$11 million. Expenditure is primarily directed to visitor

services, infrastructure services including roads, water, sewerage, waste management, winter operations (ski patrol, cross country skiing and snow clearing), and resort promotion.

Alpine Resorts Strategic Plan 2012

In December 2012, the Victorian Government released its new framework for the development, promotion, management and use of Victorian alpine resorts. The vision for the alpine resorts is:

"Victoria's alpine resorts will be vibrant, growing and sustainable places, delivering alpine recreational and tourism experiences that are available to all".

The plan outlines six strategic objectives:

The plan also provides specific actions to be undertaken to deliver on the strategic objectives.

Strategic Objective 1:
Enhancing the visitor experience and developing resorts

Strategic Objective 2:
Delivering resort services and infrastructure efficiently and accountably

Strategic Objective 3:
Building partnerships

Strategic Objective 4:
Respecting the alpine environment

Strategic Objective 5:
Broadening access opportunities

Strategic Objective 6:
Regulatory reform

Delivery of Government Strategic Objectives

FCRM's Strategic Management Plan ("A Pathway to the Future"), outlines the strategic vision for Falls Creek supported by the overarching Alpine Resorts Strategic Plan 2012. It also details initiatives to be implemented to deliver on the Government's vision and strategic objectives.

The Board's annual Corporate Plan details three years of key initiatives and actions flowing from both the Alpine Resorts Strategic Plan 2012 and the Strategic Management Plan, and the resources required to deliver thereon.

The Falls Creek Master Plan is supported by this Strategic Management Plan. It includes a ten year vision and associated asset management/renewal plan.



Vision, Mission and Principles

Strategic Vision

Within the context of the Alpine Resorts Strategic Plan 2012, the Board has defined the vision for Falls Creek as: A vibrant and distinctive village offering Australia's most memorable alpine experiences.

Mission

The mission for all resort management staff is to see Falls Creek recognised as being "an unparalleled, unique and world class all seasons alpine resort, renowned for being Australia's premier leisure, lifestyle and adventure destination."

Guiding Principles

To achieve this mission, our guiding principles, formulated through collaboration across the workforce, and embedded into all facets of the organisation, are:

- Exceed Expectations: By using integrity, applying commitment and engaging with our users, the community and our staff, we will endeavour to excel.
- Create Fun, Adventure and Lifelong Memories: By inspiring people to embrace an active outdoor lifestyle.
- Enacting Stewardship: Is about being accountable to our stakeholders, acting

as custodians for our environment and planning for its sustainability, we are then able to facilitate and build prosperity for the local and regional community.

- Dedicated and Passionate: We live, breathe, use and thoroughly appreciate the responsibility entrusted to us in managing the unique assets of the resort and surrounding high plains.
- Strive for Value: Through ensuring operational efficiencies are optimised, infrastructure and services can be delivered that will enhance any activity, ultimately offering exceptional value and an outstanding mountain resort experience to all users.



Credit: Charlie Brown

Year at a glance

Financial Position

The 2017 financial year recorded an operating surplus of \$1.6m and robust cash inflows of \$1.2m from operating activities following continued strong growth in resort visitation. With the inclusion of \$2.1m for depreciation, amortisation and financing charges, the net deficit from continuing operations of \$0.5m matched the revised budget. However, \$0.35m in non-operating asset impairments and disposal losses resulted in a \$0.85m comprehensive deficit. Note that the prior period 2016 figures are for 14 months due to a change in the financial year-end date and aren't directly comparable to the 12 month 2017 financial year.

Operating revenue was \$11.3m, which was slightly higher than the revised budget and 2016 on a 12 month pro-rata basis:

- Resort entry revenue rose by \$0.4m to \$3.8m due to continued visitation growth;
- Site rental revenue rose marginally on a 12 month pro-rata basis to \$1.67m;
- Service charge income rose to \$4.1m, a \$0.3m pro-rata increase on 2016;
- Government contributions fell by \$0.8m to \$0.35m and was mainly comprised of funding for risk mitigation (\$0.1m) and the child care centre (\$0.22m); and
- Other revenue grew pro-rata by \$0.1m to \$1.3m, with higher ski patrol contributions, insurance recoveries and other income partly offset by lower revenue from

co-operative marketing, property and leasing, interest income and the child care centre.

Operating expenditure rose to \$9.67m, a \$0.3m increase on 2016 (pro-rata) and the revised budget. The main variances were due to:

- additional events held and the higher promotional, set-up and running expenses in the formative years of these new events;
 - \$0.17m for extra staff for environmental management and the in-sourced finance, HR and building surveyor functions;
 - increased casual labour usage for the 2017 storm events, ski and bike patrol, coverage of long-term WorkCover absence, civil works and other operational requirements;
 - additional Enterprise Agreement (EA) employee costs, uplifts for pay-band standardisations and higher qualifications, and leave provision adjustments; and
 - higher insurance, software licences and utilities charges (pro-rata), offset by lower infrastructure and general operations, rent, marketing and land management costs.
- Non-operating charges more than halved to \$2.5m, though 2016 was impacted by the Valuer-General's \$2.8m net devaluation of assets. The main components consisted of:
- depreciation charges of \$2.1m, which was a \$0.2m pro-rata reduction from 2016 that resulted from a comprehensive review of asset useful lives based on empirical evidence, expert and industry standards / guidance, location factors and condition assessments; and

- asset impairments and losses on asset disposals, that resulted in \$0.35m of other economic outflows.

FCRM's financial position and net assets remain strong and provide a solid platform for future operations:

- 2017 was a year of cash and asset base consolidation following the extensive capital works program of the previous few years. Year-end cash balances increased by \$0.5m. Capital works projects included a retaining wall, the waste water treatment plant water main upgrade, a pump shed, an elevated pit platform for the workshop and other minor capital items. The new MYOB Advanced finance system was capitalised following the in-sourcing of the finance function;
- strong cash inflows from operating activities of \$1.2m enabled the full repayment in August 2017 of a temporary \$1m funding support facility provided by DELWP in January 2017;
- total assets were \$91.3m, a decline of \$1.2m from the previous year but still a sound base, especially with the substantial asset investment to upgrade resort infrastructure over the past 4 years;
- total liabilities decreased by \$0.4m to \$2.8m, primarily from a \$0.6m fall in contractual accounts payable. Liabilities remain a low 3% of the total asset base of \$91.3m.

The table on page 11 illustrates the resort's financial performance and position for the past five years.

Five Year Financial Summary					
	2017	2016 ^	2015	2014	2013
Resort entry revenue	3,811,348	3,437,684	2,886,999	3,006,377	2,531,213
Site rental	1,666,650	1,860,978	1,680,338	1,676,083	1,885,324
Service charges	4,124,507	4,473,546	3,683,205	3,497,363	3,335,166
Grant income	349,041	1,142,244	1,208,050	314,215	609,516
Other revenue	1,325,983	1,388,664	1,078,645	2,429,334	1,813,816
Total revenue	11,277,529	12,303,116	10,537,237	10,923,372	10,175,035
Operating expenditure *	9,669,774	10,910,232	9,075,034	7,791,254	8,084,674
Operating surplus / (deficit)	1,607,755	1,392,884	1,462,203	3,132,118	2,090,361
Non-operating transactions	2,457,581	5,867,192	2,375,801	2,273,129	2,144,346
Total expenditure & other economic flows	12,127,355	16,777,424	11,450,835	10,064,383	10,229,020
Comprehensive result	(849,826)	(4,474,308)	(913,598)	858,989	(53,985)
Cash inflows from operating activities	1,171,964	1,825,827	479,937	2,895,186	2,016,544
Total assets	91,263,346	92,463,394	96,118,074	97,316,705	96,671,465
Liabilities	2,762,371	3,212,593	2,807,965	3,222,998	3,436,747
Net assets	88,500,975	89,250,801	93,310,109	94,093,707	93,234,718

^ 2016 figures are for 14 months due to the change of financial year end to 31 December, whereas the comparative years are 12 months.

* Operating expenditure excludes financing charges and depreciation / amortisation, and therefore differs from total expenses from transactions on page 36 of the financial statements.



Credit: Falls Creek Historical Society – The old Falls Creek



Credit: Astra – The new Falls Creek

Enhancing the Visitor Experience and Building Partnerships



Bronze Winner 2017 RACV VICTORIAN TOURISM AWARDS

Falls Creek continues to increase visitation on an all season basis.

The 2016-17 green season saw 94,269 total visitors totalling 169,684 visitor days. Since the 2011-12 season, the total number of visitors across the Victorian Alpine region as a whole has increased by 21% and the number of visitor days by 22%.

2017 Significant Achievements

- Falls Creek is the number one resort for intrastate and international visitation.
- A 31% increase on the 10 year winter visitor average and 21% on visitor days.
- Falls Creek was the highest contributor to the Victorian economy with \$359 million value added Gross State Product (GSP), 1,864 direct jobs and 1,300 indirect jobs.
- Events hosting with an estimated economic impact of **\$5 million**.
- **Bronze winner** in the RACV Tourism Awards 2017, Major Tourism Destination category.
- Astra Lodge – 2nd year – Australia's Best Ski Boutique Hotel 2017.
- Showcased Falls Creek on the international road cycling stage as the stage 1 finish location for the Jayco Herald Sun Tour.
- Raised over \$15,000 for the Leukaemia Foundation since 2014 and \$5,000 for Motor Neurone Disease.
- Continues to host the largest southern hemisphere cross country ski event, the Kangaroo Hoppet.
- Positioning of Falls Creek Mountain Bike Park as the most appealing element of the current High Country mountain bike offer.
- Hosted a round of the Mountain Bike Australia (MTBA) Gravity Enduro national series.
- Upgrade of community gym facilities.
- Year on year increase in business operators open all year round.
- Falls Creek Historical Society digital Cultural Heritage walk.

- Victorian Institute of Sport rowing camp host location.
- 50% year on year increase on mountain bike (MTB) shuttles.

Events

The resort continues to expand its annual calendar in collaboration with experienced event organisers. A further \$4.5 million worth of potential events are currently in the pipeline.

November to April is the key green season visitation periods and June to September, the winter season. May and October are the lowest periods. The annual event calendar currently consists of:

January

- Kids Club – daily
- Dash for Cash
- Falls to Hotham crossing shuttle
- Dragon Boats Regatta
- MTB de femme
- Curated bushwalks

February

- Jayco Herald Sun Tour stage 1 finish

March

- Peaks Challenge
- Junior Peaks
- Regional Longest Lunch – year on year growth

April

- Easter
- MTBA Gravity Enduro round

May

- High Country Harvest bonfire

June

- Ice Plunge
- Opening weekend

July

- Falls Creek Ski Lifts (FCSL) hosted snow related events

August

- Kangaroo Hoppet
- Sled Dogs

September

- Light the Night

October

- McKayos

November

- Ignition - Mountain Bike Park opening
- Falls Creek Alpine Challenge
- Altitude training camps

December

- Carols by candlelight
- Athletes Week

Destination Marketing

Resort management continue to drive destination marketing for the resort on an all season basis in line with the Marketing Strategy 2017-2019. The objective is to support tourism and economic development and improve the visitor experience.

A reporting mechanism is in place to measure return on investment.

Partnerships

Key partnerships and collaborations are an important element of the resorts continued development, success and visitation increase:

- AGL
- Albury City Council
- Alpine Shire
- Athletics Australia
- Blue Dirt
- Disabled Wintersports Australia (DWA)
- FCSL
- Falls Creek Chamber of Commerce and stakeholders
- Falls Creek Alpine Association

- Falls Cycle Club
- Falls Creek Historical Society
- **NEW – Melbourne Track Club**
- **New – Mountain Bike Australia**
- **New – North East Victoria Cycling Optimisation Project (NEVCO)**
- Parks Victoria
- Renault Australia
- Ski and Snowboard Australia
- **NEW - Specialized Bikes**
- Tourism North East

Of note is the resort collaboration with Specialized Bikes who have supplied pedal assist bikes for the bike patrol, resulting in much improved and more efficient response times.

Emerging Markets

Mountain Biking – The resort's unique offer is supported by trails built by world leader, World Trail, shuttles by industry leader, Blue Dirt, bike patrol and ride in / ride out access suitable for all riders abilities.

The resort is working collaboratively with DWA on trails suitable for adaptive mountain biking.

Altitude Training – The resort continues to be an attractive option for athletes, in particular in the lead up to the 2018 Winter Olympics and the Commonwealth Games. Olympian and World Champion, Britteny Cox, calls Falls Creek home. The development of the Nordic Bowl, which is shovel ready, will further support this market.

Car / motorbike touring – There is scope to increase visitation from this high yield market.

Snowplay – With the increase in new visitors, Resort Management is collaborating with FCSL to ensure an holistic snowplay offer is available for non-skiers/boarders to encourage repeat visitation and creating 'snow visitors' for life.

Water sports – An existing resort operator will be offering a hire service at Rocky Valley Lake from 27th December 2017 – 14th January 2018, with paddle boards, kayaks and sailing boats.

Hiking – Falls to Hotham Crossing. The finalisation of the Master Plan will see the enhancement of this offering from a facility and branding perspective. With the trail head proposed at Rocky Valley Lake, new activation opportunities will become available.



Credit: Blue Dirt

Developing the Resort and Broadening Access Opportunities

The Board has continued to work proactively to develop and refurbish the resort to ensure it remains a contemporary premier tourist destination.

Through the progression of new leases, lease renewals and strategic resort developments, FCRM has implemented the Alpine Resorts Leasing Policy in accordance with the goals and objectives from the:

- Alpine Resorts Strategic Plan 2012;
- Falls Creek Strategic Plan 2013 – A Pathway to Our Future; and,
- Falls Creek Master Plan 2016.

Strengthening Our Summer Market

Falls Creek continued to strengthen the non-winter market through further investment in summer infrastructure and promotional partnerships that provide broader exposure to Victoria's alpine landscape.

The continued activation of mountain bike and walking trails provided key non-winter infrastructure assets that drove significant tourism at Falls Creek during the steadily increasing summer market. Expansion of the Falls Creek Bike Hub continued to provide a social and programme centre for all cycling activities in Falls Creek.

Commercial activation of the Rocky Valley foreshore provided the first genuine sail boat and equipment hire in alpine areas in Australia. Greater facilitation of water-based activities will remain a key point of difference for Falls Creek in the summertime alpine tourism market.

The Falls Creek Primary School, the only year-round alpine resort school in Australia, had a record 23 student enrolled year-round for 2017. This is a strong indicator that families are choosing Falls Creek as a viable professional and lifestyle community. A limit capacity of 40 students in winter highlighted a significant overflow of families seeking seasonal public education in the resort. Work will continue in 2018 with the Department of Education and Training to look at long-term solutions to ensuring that public education needs are met for all families in the resort.

New Leases and Property Transactions

A strong leasing framework remains a keystone for the progressive development of the village. Appropriate lease negotiation and subsequent development provides the foundation for the village to remain a contemporary guest experience at all times of the year. A continued strong emphasis on environmental performance and the Falls Creek Design and Siting Guidelines ensures all lease renewals are completed to contemporary standards.

Falls Creek has over half (51) of the current leases with more than 30 years until expiry. Of the remaining 44 leases, 15 have over 20 years to run, 8 have 10-20 years, 8 have between 5 and 10 years, and a further 6 have less than 5 years to run. The final 7 leases are undertaking scheduled works to meet the conditions of Agreement to Leases that, once complete, will secure new long term leases for the site. All new leases granted at Falls Creek in 2017 have been in accordance with the Alpine Resorts Leasing Policy, statutory planning provisions and Board policies and strategies.

FCRM has been engaged with all lessees with less than 10 years to run on their lease, through public workshops and information sessions, to ensure that the process for lease renewal runs smoothly.

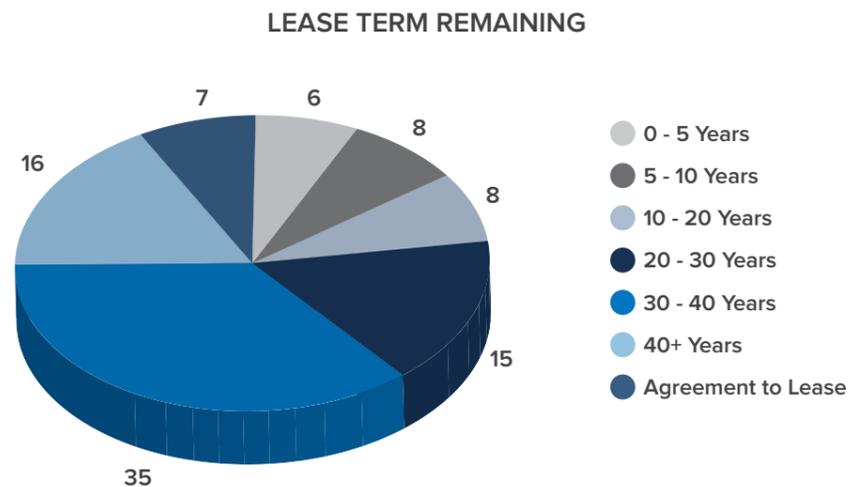
Developments have continued on various sites throughout the village as lessees continued to deliver refurbishment and upgrade requirements for leases or lease obligations that have been issued over the previous five years. Refurbishments and upgrades totalling more than \$18m were undertaken by a number of key sites in the village in 2017.

FCRM has worked with all lessees to ensure that all scheduled obligations are met in accordance with leases, the Building Code of Australia and planning permits issued under the Alpine Resorts Planning Scheme.

There has continued to be steady property movement throughout the previous year in Falls Creek. Property sale transactions were strong in 2017 with 49 transactions consented by FCRM representing over \$14.3m of invested capital. This was a steady increase for the recorded sales in 2016 and greatly exceeded the combined total of 2013-14 and 2014-15 indicating that Falls Creek continues to be an attractive investment and lifestyle destination. Three (3) of the head leases in the village were sold in 2017.

In 2017 the assessment of fair value by the Office of the Valuer-General Victoria valued the village leasehold sites at \$29,006,800 with the balance of the resort valued at \$10,397,000. The improved value of the resort, excluding publically owned assets, was valued at \$246,140,000 in 2017.

Table 1: Remaining Crown Lease Terms



Source: FCRM

Statutory Compliance

In accordance with Section 192 (1) of the *Building Act 1993*, FCRM ensures compliance with all Building Code of Australia requirements at Falls Creek Alpine Resort. Annual scheduled inspections are conducted throughout all buildings in the village to ensure compliance with all relevant standards.

All environmental health requirements for the resort encompassed in the *Food Act 1984* and the *Health Act 1958* are met by FCRM through a services contract with the Indigo Shire. Inspections of 44 food premises, 35 accommodation facilities, 1 premise selling

tobacco and 3 health premises were conducted during the season. Educational components were included in these visits, where needed, in the areas of tobacco reform and aquatic facility maintenance. Due to the seasonal changes in staff, environmental health efforts were focussed on an educational approach to inspections, ensuring new staff were aware of statutory responsibilities.

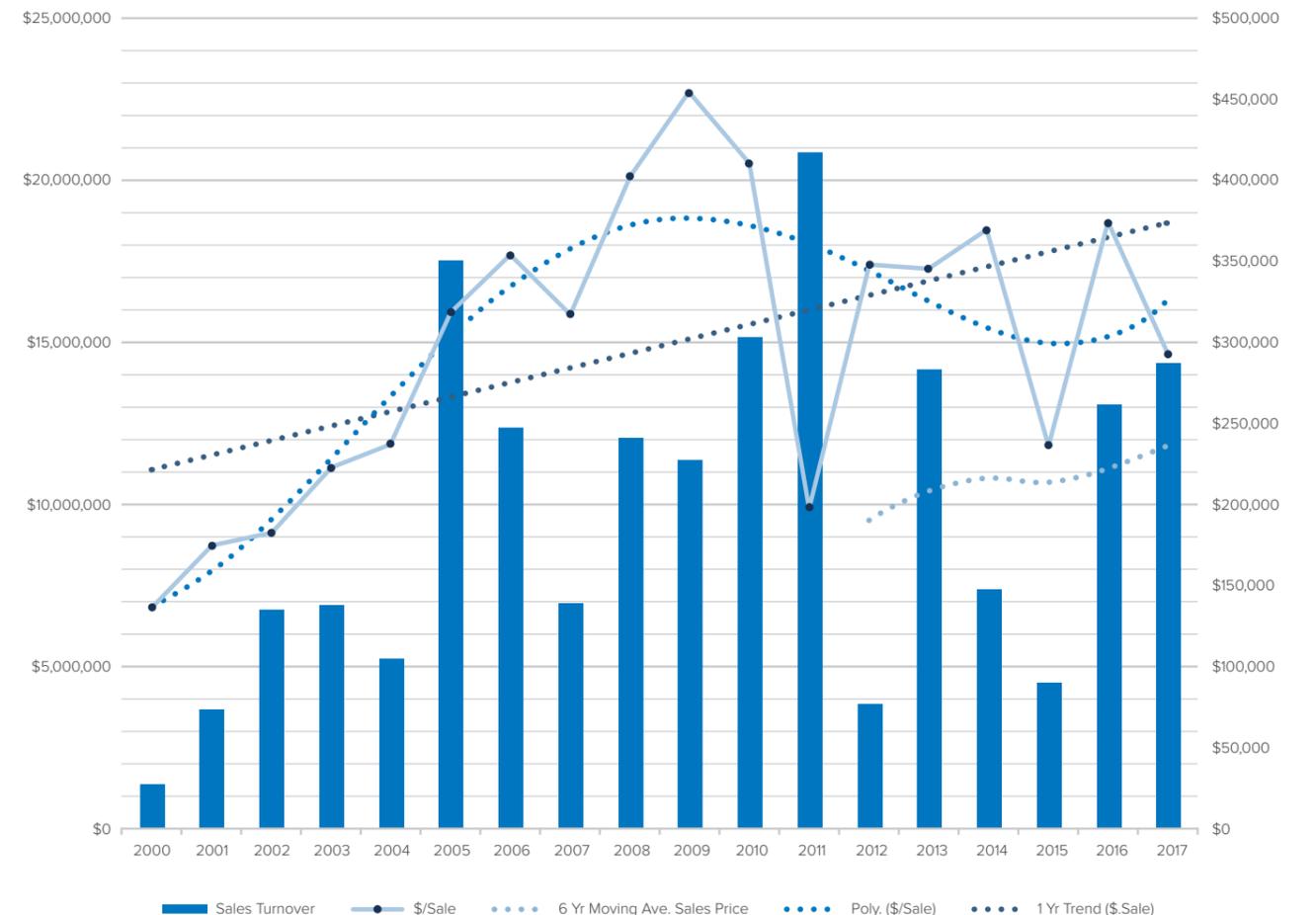
Commercial Vibrancy

Short-term authorities and street trading permits were issued in 2017 to provide commercial vibrancy and diversity in guest

offerings throughout the resort. Street trading continued to augment lease-based trading in key nodes during the winter and non-winter periods. Pop-up stalls and mobile vendors provided commercial food and beverage for remote events.

FCRM worked closely with Falls Creek Ski Lifts Pty Ltd through the public tendering of the food and beverage concessions located in the ski field. The number and quality of submissions provided evidence that Falls Creek is a very attractive commercial environment for quality operators. Traverse Alpine Group, the newly appointed ski field food and beverage providers, will ensure a premium guest experience in 2018 and beyond.

FALLS CREEK PROPERTY SALES



Source: FCRM

Delivering Resort Services and Infrastructure

The primary role of the Infrastructure and Mountain Response group within Falls Creek Alpine Resort is to provide the essential services, infrastructure and emergency management functions that enable the Falls Creek village and broader resort to operate in a safe, reliable and contemporary capacity.

Throughout the year these services include the provision and management of potable water, waste water treatment, waste collection, roads and car parks, stormwater, public buildings, public spaces, emergency management and geotechnical risk mitigation. During the declared snow season key services extend to include village transport shuttles, accommodation transport, freight services, car parking, snow clearing, village roads snow management, ski patrol and cross-country trail grooming.

Many responsibilities of the resort are similar to those of a municipality with the primary focus of work in the non-winter period being the maintenance of assets and key infrastructure. In addition, capital works efforts are concentrated during this period and are of critical importance to ensure the renewal, replacement and re-investment program keeps all assets and services at a contemporary level.

Capital Works Program

This year saw a targeted capital investment portfolio focussed on addressing safety issues, improving efficiency and execution of enabling works. Key highlights of this program included:

- Upgrade of Village Bowl water and sewer mains;
- Red Onion retaining wall replacement;
- Workshop hydraulic pit platform;
- Upgrade of facility lighting to LED;
- Village hydrant upgrades; and
- Sodium hydroxide dosing plant concept development.

Winter Operations

This winter was characterised by a series of significant snowfall events through August and September.

Despite some early snow around opening weekend, natural snow accumulation this winter did not begin until around mid-July. However, three major storm systems deposited 102cm, 57cm and 83cm beginning 5th August and concluding on 12th September.

These significant snow events resulted in natural snow depths peaking in mid-September at 217cm, the 6th highest total since records began in the early 1980s.

Falls Creek's renowned snowpack reliability was once again highlighted in 2017 as the resort was able to extend the season by one week, closing on 8th October.

Resort Management again worked collaboratively with Parks Victoria to provide high quality groomed cross-country trails for a significant portion of the snow season. The storm cycles experienced during the season required significant additional effort to maintain the trails. However for the majority of the season 50km+ of groomed trails were provided throughout the resort and adjacent Alpine National Park.

Participation in cross-country skiing at the resort remained strong again in 2017 peaking around Kangaroo Hoppet event weekend at the end of August.

Road Access

Maintaining a safe and user-friendly village road network to ensure reliable commercial operation of the resort and critical emergency services access is one of our primary responsibilities.

As a ski-in/ski-out village Falls Creek offers a unique experience for snow enthusiasts. Throughout 2017 considerable attention was paid to management of this facility which required considerable effort due to the storm cycles experienced. Resort Management continues to investigate more efficient methods for ensuring this product enhances the visitor experience at the resort.

Despite the difficulties experienced during the season, the village roads were closed to wheeled vehicle access for a total of 82 days in 2017, the highest number of days recorded since 2012 (83).

For the first time in many years chains were required on 4WD vehicles on the Bogong High Plains Road during the snow season, highlighting the impact of the large storm systems on the access road.

The Bogong High Plains Road between Falls Creek and the Omeo valley is not cleared of snow throughout the season, enabling its use as a key cross-country ski trail. In 2017 the road was closed to vehicles from 1st June until 10th November due to substantial snow drifts and repair works being undertaken on the road post season.

During the season Resort Management cleared numerous tree and rockfall events and the road was also closed for several hours due to high voltage power lines falling.

Transport and Car Parking Services

The resort once again offered a range of transport services in 2017, including the Accommodation Transfer Service (ATS), village shuttle, Bogong High Plains Road shuttle, car parking service and freight delivery service. All freight services were

once again delivered free of charge to all business and commercial lodges, removing a large number of vehicles from the village roads and contributing to an improved village amenity. Consistent with previous years the ATS operated under a user-pays model with other services provided on a complimentary basis as part of the resort entry fee.

In response to guest feedback, further improvements were made to the ATS operating model to improve performance of this key service.

Ski Patrol

The resort's ski patrol is responsible for safety on the ski slopes and in 2017 they again provided an exceptional public safety service. Patrollers are visible throughout the snow season providing a range of services. In 2017 the ski patrol consisted of 42 patrollers: 18 full time seasonal staff, 12 part time staff, 9 volunteer staff and 3 trainees. In addition, Falls Creek welcomed an exchange patroller from Keystone USA, continuing our ongoing relationship with this resort.

The resort's patrol team undertake annual training to ensure their skills are maintained to a high standard. The Australia Ski Patrol Association (ASPA) refresher course was once again conducted at Falls Creek during May 2017. The course included patrol staff from Mount Hotham and was regarded as very successful.

The work of the ski patrol typically starts well before the lifts open with a thorough safety

assessment of the ski area. This work includes marking hazards and assessing the safety of ski runs. When the slopes open to the public the patrol focus on mountain awareness activities to educate guests on safe and social behaviour to ensure the ski area remains a safe and enjoyable experience for all guests. Mountain awareness includes maintaining a visible presence at high traffic areas on the slopes, such as 'slow areas' leading into the bottom of lifts.

This season was particularly challenging for ski patrol. The large storm events created additional work to reset ropes, markers and signage and required avalanche control work to be undertaken in the Ruined Castle area of the resort.

The patrol is responsible for attending incidents, minor treatment/assessment in the field and transporting guests to the medical centre. In 2017, the patrol responded to a total of 1,575 incidents, which is a substantial increase on the long term average. This increase can be largely attributed to the patronage of the resort over winter and the excellent snow conditions. The Falls Creek skifield injury rate remains at 1.7/1000 skier days which compares very favourably to international rates and is well below the accepted standard of 3.0/1000 skier days.

Falls Creek Ski Patrol continued its focus on backcountry safety and improving the backcountry response of patrollers. The backcountry program included regular assessment of conditions on Mt McKay and provided public access data via the daily snow

report. Next season options to expand public safety information programs will be explored.

Members of patrol provide valuable support for resort search and rescue. This year was no exception with several lost person incidents within resort requiring response. The diligence and competency of the team ensured these were quickly resolved.

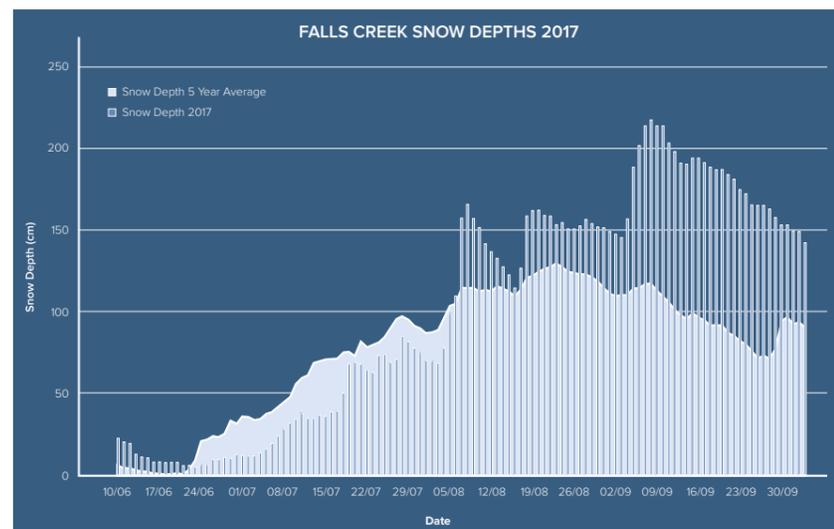
Falls Creek and Mt Hotham Ski Patrols worked collaboratively with Parks Victoria, Victoria Police, the State Emergency Service and Ambulance Victoria on developing a new "advisory alert" system for backcountry skiing enthusiasts. The heightened avalanche risk experienced in the Australian alps this season was evident on numerous occasions.

The Victorian Police Search & Rescue Squad rope rescue training was also conducted at Mt Hotham this year with attendance from Falls Creek ski patrol representatives.

Emergency Management

Resort Management is responsible for developing and maintaining a Municipal Emergency Management Plan (MEMP) that is compliant with the recently revised *Emergency Management Act 2013*. The Falls Creek Municipal Emergency Management Planning Committee met twice during the 2016-17 period pre and post winter/fire season: 14th June 2016 and 25th October 2017.

Resort Management has spent considerable effort revising the MEMP this year in preparation for our next audit due on 4th April 2018.



Source: FCRM Ski Patrol



Credit: Falls Creek Ski Patrol

Delivering Resort Services and Infrastructure

Falls Creek prioritises a practical exercise to test the MEMP where activation has not occurred. This year a multi-agency desktop test based on a ski lift failure was undertaken on 14th June.

Resort Management remains committed to responsible and compliant emergency management and works closely with all agencies to ensure this can be achieved.

Water Supply

Falls Creek enjoys a unique high quality water supply that is compliant with the water quality standards prescribed by the *Safe Drinking Water Act 2003* and *Safe Drinking Water Regulations 2015*. During the year the resort used a combination of groundwater from the new bore supply and surface water from Rocky Valley Reservoir. This ensured the quality of supply was maintained at exceptional standards throughout the year. Testing for water quality compliance is conducted weekly at a range of locations within the system. In 2017 test results were compliant with relevant guidelines and the standards prescribed in the legislation and confirmed that high water quality standards were maintained throughout the year. The water is treated by parallel UV disinfection units prior to entering the village.

The annual consumptive water use in 2017 was 177 ML compared to 165 ML the previous year, reflecting increased visitation.

Wastewater Management

Another key role for Resort Management is the safe, efficient and compliant treatment of wastewater. The wastewater treatment plant operates year round under an alternating aerobic and anaerobic process with treated effluent being discharged into the Rocky Valley Creek catchment. The plant achieves high standards of nitrogen and phosphorus removal. This year the new Sequence Batch Reactor process provided considerable process improvement to operations of the plant.

Effluent from the plant is subject to an EPA waste discharge licence that specifies limits for a number of parameters, tested monthly. Testing in 2017 indicated the effluent from the plant was fully compliant with the parameters specified in the EPA waste discharge licence.

Resort Management continues to work on system improvements and to address EPA risk management requirements.

In 2017 the total annual discharge was 134,982kL compared with 129 ML the previous year.

Solid Waste Management

The management of solid waste and the provision of waste services are largely carried out under contract by 4Site Australia. Collection of all waste, organics and recyclable material is conducted daily throughout the snow season. At all other times of the year waste is collected nominally twice weekly with an additional collection following public holidays or busy event periods.

The award winning Living Bin program aimed at diverting the organic waste stream continued throughout the resort during the year. An increase in waste per person diverted from landfill continued a strong trend throughout recent years to ensure that Falls Creek is on track to meet North East Waste and Resource Recovery Group (NEWRRG) targets (refer to p21 table).

FCRM continued to work collaboratively with NEWRRG partners to deliver best practice waste recovery and recycling with various partnership programs and projects. 2017 recorded an increase in recycling diversion from landfill from 36% to 40%. Further increases in diversion from landfill rates are targeted for subsequent years.

Additionally Resort Management provided hard waste collection on two occasions over the year.

Geotechnical Risk Mitigation

The geotechnical program is an essential component of managing geotechnical risk in the resort. Most geotechnical works are undertaken using funds provided through the Department of Environment, Land, Water & Planning Alpine Risk Mitigation Program. This program has enabled FCRM to design and

deliver an ongoing recurrent works program that includes the collection and analysis of groundwater data and identification of emerging hazards.

In addition to recurrent works monitoring risk via a network of ground water drains, FCRM undertakes a range of capital works each year. In 2017 these works included the replacement of degraded stormwater infrastructure, replacement of failed retaining walls, automation of key existing groundwater monitoring bores and the installation of new groundwater monitoring bores.

In future years Resort Management will be looking to undertake a full village risk analysis to update the geotechnical risk ratings assigned to each area.

Summer Operations

The past four years has seen significant increases in summer visitation at the resort. Additional focus has been required to address the peak periods of summer to ensure service levels are adequate to meet guest expectations. In particular increased utilisation of key infrastructure has restricted access to plant and roads during the summer works program. This requires careful and detailed planning to be undertaken to ensure the works program can be completed with minimal disruption.

Management of village and resort parking is now a key strategy to ensure the amenity and safety of the village can also be maintained over this period.

Tracks and trails now get extensive use for mountain biking and running over the summer period. We now have a dedicated team ensuring trails are managed and in acceptable condition at all times.



Credit: Big Hill Events

Respecting the Alpine Environment

FCRM continued to prioritise the protection and enhancement of the alpine environment throughout 2017.

Environmental Management Plan

Long-term strategic and operational planning was addressed through the development of an Environmental Management Plan (EMP) for the resort. The EMP is a strategic document that sets the direction and works schedule for environmental activities and programs over the next five years. The EMP is one component of a new Environmental Management System for FCRM which provides the broader framework for environmental management and is modelled on international standards (ISO 14001:2016). The plan covers aspects relating to biodiversity, water and catchments, waste and resource use, land management, energy use and climate change.

Key partnerships with adjacent land managers underpinned landscape scale projects to protect and enhance key biodiversity value on the Bogong High Plains.

Environmental Programs

FCRM continued to work in collaboration with Parks Victoria to implement a fox baiting control program focussed on reducing predation risk to the Mountain Pygmy Possum and other threatened native species. Feral cats were controlled through multiple targeted shooting sessions over the year, also aiming to reduce the threat of predation. The Mountain Pygmy Possum populations on Mt McKay and surrounding habitat areas continued to be surveyed as part of a long term monitoring program. FCRM also worked with Parks Victoria to implement camera monitoring for pest animals to help inform and improve the effectiveness of pest control programs.

FCRM continued to deliver a weed control program across the resort, with a particular focus on protecting high value environmental areas such as alpine peatlands. Strategically the program targeted high risk weeds and dispersal vectors such as roads, bike trails and waterways, with the intention of limiting the risk of weed spread into the surrounding National Park.

Waste Reduction Initiatives

The management of solid waste and the provision of waste services are largely carried out under contract by 4Site Australia.

Waste was collected daily during the snow season and twice weekly outside these periods. FCRM continued to work collaboratively with the North East Waste and Resource Recovery Group (NEWRRG) partners to deliver best practice waste recovery and recycling through various partnerships and programs.

FCRM continued to actively support and promote the Living Bin organic waste recycling program. This year the program successfully diverted 41.5 tonnes of waste from landfill, up from 39.4 tonnes in 2015-16. More broadly FCRM worked to increase its resource recovery rates and met its organisational target of 40% diversion rate for 2016-17 (reaching 40.6%), up from 36% in 2015-16. FCRM will continue to focus on reducing its waste to landfill with a target of 45% by 2020. The quantity of waste to landfill per visitor day also continued to decrease (refer figure 1).

Two hard waste collections were coordinated by FCRM over the year and changes in

collection and sorting processes began to be implemented in an effort to increase the recovery of hard waste materials.

Research and Education

FCRM has continued to work with peak tertiary institutions to deliver relevant alpine research to provide greater understanding of the unique alpine biodiversity.

Key research undertaken has included:

- Willow seed dispersal across the resort and Bogong High Plains;
- Nutrient surveys on endemic alpine shrubs and grasses; and
- Morphology of alpine plants adaption to climate change.

FCRM continued the tertiary and VCE environmental education presentation series for university and secondary students throughout Victoria to promote and foster greater understanding of the complexities of our unique alpine landscape.

Figure 1: Falls Creek Winter Landfill Waste per Visitor Day 2006 – 2017



Source: FCRM



Credit: Falls Creek Country Club

Sustainability and Climate Adaptation

The Board recognises that climate change will continue to play a key role in resort strategies and operations in the future.

The resort is well positioned to meet the impacts of a changing climate and realise new commercial and tourism opportunities with a continued expansion into a year-round tourism destination.

Strengthening winter resilience through increased investment in snow making technology has provided greater commercial security for investors and operators during the strong winter period. Upgrading to TechnoAlpin TF10 Snow Fans and expansion of the automated snow making system continues to increase snow making efficiency through more snow with less energy consumption. Access to the 28,000ML Rocky Valley Dam for snow making provides Falls Creek with the greatest snow making capacity in Australia with over 100ha of man-made snow to augment the natural falls. Combined with the protected southern aspect of the Sun Valley ski area, the protection of the winter snow product for lifted activities will provide

a strong winter market for many decades to come. Continued investment in snow capturing and management infrastructure on the cross-country trails continues to provide enhanced snow experiences for guests seeking alternatives to lifted activities.

Expanding the summer market has been a long-term strategy for the Board through the development of key infrastructure and events that will continue to provide a draw for year-round visitation. The 2016-17 summer saw almost 170,000 non-winter visitor days at the resort, representing a 3 year increase of over 20% in the non-winter market. The development of 40km of mountain bike trails, funded through the Victorian government Regional Infrastructure Development Fund, has provided a landscape-based activation of the resort to reduce the long-held commercial reliance on the winter season. Combined with 17 non-winter activity and cultural events, Falls Creek has continued to grow as an alpine destination of choice throughout the year.

In 2017 the Board incorporated a number of contemporary modelling and policy statements into medium and long-term strategic planning, including the:

- *Potential Impact of Climate Change on Victorian Alpine Resorts* study which predicts alpine climate trends to the end of the century;

- State-wide climate change and adaption policy frameworks from the Victorian government, including ambitious energy targets that apply to all public land entities; and

- Climate Vulnerability Assessment for the resort.

This information, combined with increased baseline data collection will see the Board's continued focus on adapting to climate change through:

- Establishing carbon footprint metrics to measure and reduce the impact to the global environment;
- Investigation into renewable energy sources and green energy partnerships to meet the Victorian state-wide targets for renewable energy consumption;
- Increased capacity to deal with year-round significant storm events including continued review of the Emergency Management Plan and resort risk profile; and
- Establishing baseline KPI's for biodiversity condition.



Sustainability and Climate Adaptation

Despite a slow start to the natural winter snowfalls, 2017 turned into a very strong year for natural and man-made snow which resulted in record breaking visitation at the resort.

Natural snowfall was low until the start of July when a series of significant snow events, reported in the media as "The Blizzards of Oz" produced bumper snow conditions throughout the resort and the Australian Alps. Continued late season snowfalls, combined with collaborative marketing strategies,

saw the season extended for one week beyond the advertised closing date. The season was aided by the highest recorded cumulative snowfall since 2004 and the 6th highest since 1988.

The strong snow season culminated in record breaking visitation to the resort with over 450,000 visitor days recorded for the winter. On average, weekly visitation was 28% above the 10-year average. Furthermore, the last 6 weeks of the snow season saw visitation 49% ahead of the 10-year average, with the month of September recording the highest visitation on record. The significant snow fall resulted in the "ski in/ski out" snow coverage on village roads lasting for over 82 days of the season and providing an exceptional and unique guest experience.

Whilst winter remains the key economic engine of the resort, the increasing visitation trends in summer, or the green season, supports all year-round growth and diversification of the resort. In 2016-17, the strong summer visitation was similarly the highest on record, at nearly 170,000 visitor days, resulting in total visitation to the resort exceeding 600,000 visitor days for the full year.

The summary table below provides key metrics monitored by Resort Management. This suite of metrics will continue to grow as sustainability initiatives are added through the new frameworks being applied to resource use within the resort.



Sustainability Metrics	
Days of declared ski season	127
Days of lifted skiing operations	127
Maximum natural snow depth	217cm
Total natural accumulated snowfall	473cm
Days of village ski in/ski out	82
Total visitor days	451,961
Overall winter guest satisfaction rating	3.5/5*
*Source: Woolcott Ski Resort Satisfaction Survey 2017	
Summer Metrics	
Total visitor days	169,684
Number of summer events	17
Overall summer guest satisfaction rating	9/10**
**Source: FCRM Guest Satisfaction Survey 2016/17	
Water Usage	
Consumption	
Annual potable water consumption	177ML
Annual potable water usage/visitor	0.636kL
Annual potable water usage/visitor day	0.287kL
Annual discharge of treated water to catchment	134ML
Annual potable water consumption/visitor day	0.069kL
Compliance with statutory and licence conditions	
Safe Drinking Water Act	100%
EPA licence conditions	100%
Energy Usage	
LNG Consumption (Gigajoules - GJ)	4.6
Electricity Consumption (GJ)	3.9
Petroleum Products (GJ)	2.9
Renewable energy consumed by Board	**
Greenhouse gas emissions	**
** Baseline data to be collected in 2018	
Note: by 2020 30% of ALL resort energy needs are targeted to be from renewable sources. **	
Waste Data	
Total waste	683.7t
Waste disposed to landfill	413.4t
Waste recovered	270.3t
% of waste diverted from landfill	40%
Waste disposed to landfill / visitor day	0.67kg

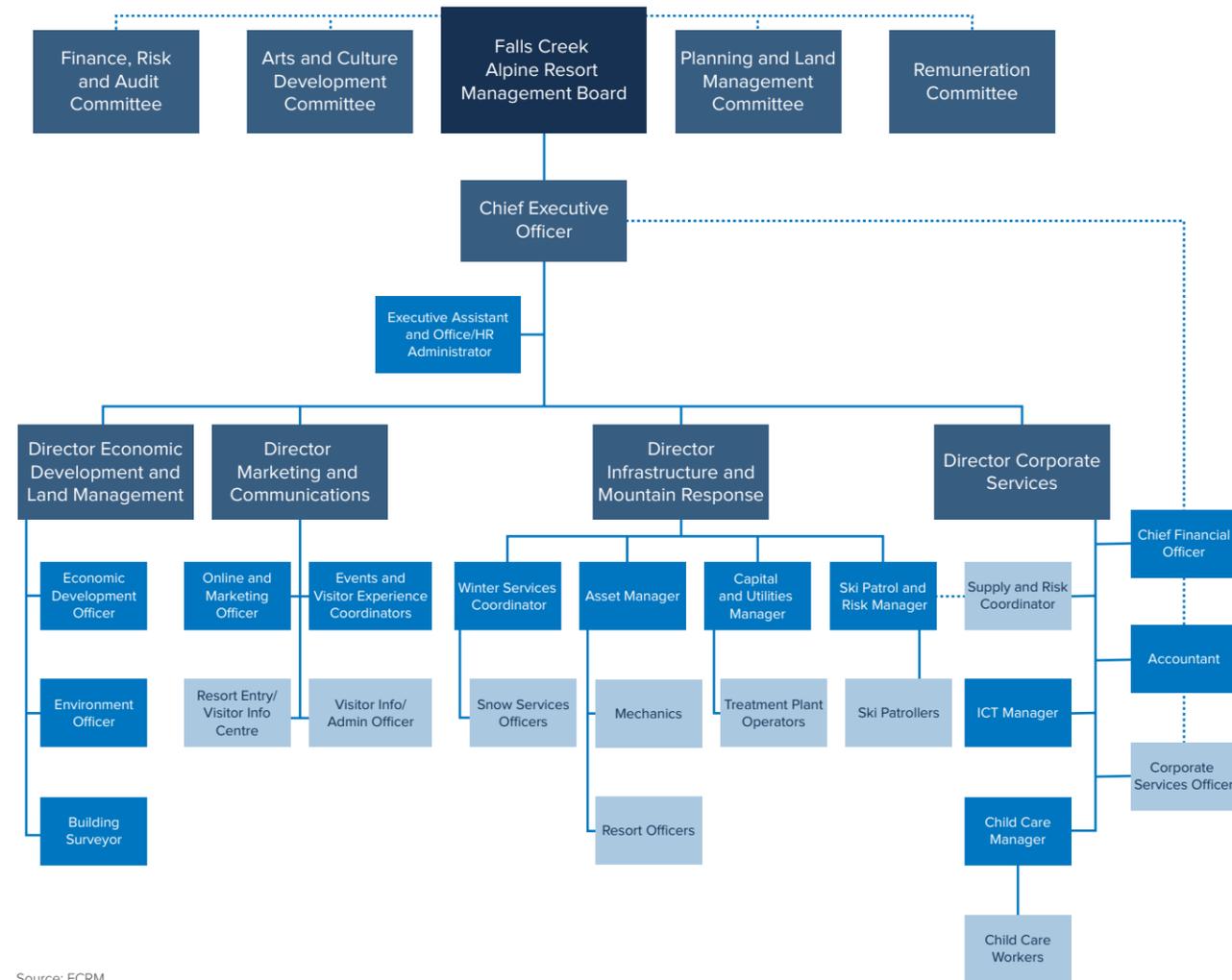
Source: FCRM

Organisational Structure

FCRM's functional structure includes the following defined areas:

- Economic Development and Land Management;
- Marketing and Communications;
- Corporate Services; and
- Infrastructure and Mountain Response.

During 2017, the Economic Development and Land Management directorate employed an Environment Officer and a part-time Building Surveyor following the in-sourcing of building surveying services late in 2017. The Infrastructure and Mountain Response directorate was slightly re-aligned to better match operations with responsibilities. A Chief Financial Officer was appointed due to the in-sourcing of the finance function. FCRM's organisational structure at 31 December 2017 is outlined in the following chart.



Source: FCRM

Board Profile

Sue Lebish

Sue has over twenty years' professional and senior management experience in Local Government, University and the Banking sectors providing finance, governance, project and risk management roles in Queensland, Canberra and Victoria. She is on the Winton Wetlands Committee of Management, Chair of the Audit Committee for the Alpine Shire and has held various other Board appointments in Government Owned and University Research Corporations. Sue's formal qualifications include a graduate of the Australian Institute of Company Directors, a Master of Business Administration, a Bachelor of Commerce, a Certified Practising Accountant and she is also a member of the Australian Risk Policy Institute. She is a keen skier who has visited Falls Creek since the 1980s and has a strong belief in the commercial, ecological and social value of the Alpine regions to the local and regional communities.

Lindy Allen

Lindy is a highly-experienced senior executive currently operating Living-Proof Media, an independent consultancy to the arts offering services including documentation, evaluation, writing and editing for publication. Recent professional roles include immediate past Chief Executive Officer of Regional Arts Australia (2013-2014) and former Chief Executive Officer of Regional Arts Victoria (2004-2012). During 2012-2013, Lindy was Executive Producer for the Centenary of Canberra's largest national community engagement program, One River, spanning four states and a territory.

Board roles include the Cultural Development Network and the Narrandera-based arts organisation, the CAD Factory. Former board roles include Lakes Entrance-based Aboriginal cultural organisation Wurrinbeena, Regional Arts Australia and the Australian Children's Theatre Foundation. Other roles include judge and mentor for the Victorian Tourism Industry Commission awards and Australia Day Ambassador.

Professional qualifications include Bachelor of Arts (University of Melbourne), Graduate Diploma Arts Management (University of South Australia), photojournalism major, Bachelor of Creative Arts, Latrobe University, Bendigo and Graduate Australian Institute of Company Directors (GAICD).

Jason Alexandra

Jason Alexandra has over 30 years' experience working on sustainability and natural resources management (NRM) operating consulting, revegetation and farming businesses and working in senior roles in national and international organisations. Jason has been a Director of Land and Water Australia and the Port Phillip CMA. As the Executive Director of the Earthwatch Institute, Jason initiated the successful citizen science program ClimateWatch. Between 2008 and 2013, Jason was a senior executive at the Murray Darling Basin Authority with responsibilities for NRM, water reform, climate science and ecosystem management.

As the managing director of Alexandra and Associates Pty Ltd, Jason has completed over 100 consulting projects on sustainability, natural resources management, environment and water policy. He is an adjunct research fellow at Charles Darwin University.

Anne-Marie Tenni

Anne-Marie Tenni brings to the Board 30 years' experience in environmental management encompassing natural resource management, pollution control, environmental management systems, auditing and governance. She has worked in both public and private sectors encouraging people to work together to achieve the best possible environmental outcomes. Anne-Marie has hands-on experience living, working and managing the alpine environment at Falls Creek. She has worked extensively with government and private sector agencies, Landcare and Friends groups as well as contributing to community groups including Race Club, school boards and her local revegetation groups. Anne-Marie brings a practical approach to decision making derived from her experience in public land management, running a small rural property and spending a large amount of time at Falls Creek over all seasons.

Formal Qualifications: Degree in Agricultural Science (MU) and post-graduate degrees in Environmental Engineering (MU) and, Agriculture and Rural Development (UWS).

Mark Anderson

Mark is an experienced Board member in the Government and not for profit sectors and has been Chair of FCRM and Council Member of Alpine Resorts Co-ordinating Committee for

eight years. He is also a Board member of the Melbourne International Comedy Festival.

Mark is currently on the Audit Committees for the Country Fire Authority, the City of Maribyrnong, the Alpine Shire, Working Heritage, EREA and is the Treasurer of the Friends of the Royal Botanic Gardens Melbourne.

Previously, he was the CEO of Dousta Galla Aged Services, an aged care provider, the Director of Finance for Melbourne City Council and at the Department of Treasury and Finance.

Mark has extensive financial experience and has been involved in many large Melbourne projects including the 2006 Commonwealth Games, Federation Square and the development of Docklands. Mark is a Fellow of the Australian Institute of Company Directors and a Fellow Certified Practising Accountant.

Roger Kilby

Roger maintains a long term involvement with Falls Creek as a skier, an 'all-seasons' visitor and an apartment owner. He also has a keen interest in sport, recreation and leisure activities.

Roger brings experience in business management, joint ventures, capital projects and brand, retail and commercial marketing and was Chair of the Planning and Land Management Committee during 2017.

In addition to his Falls Creek roles, Roger is Past President of the Committee of Management for a training and employment organisation for the disabled, a Committee Member of the Australian Institute of Energy, and has extensive senior executive experience, including General Manager and Company Secretary of an energy company.

Lisa Logan

Lisa is a Falls Creek local and the Manager/Director of Diana Alpine Lodge Pty Ltd. Diana Lodge is one of Falls Creek's oldest hosted accommodation providers and operates all seasons. Diana Lodge recently achieved considerable success by securing a prized TQUAL development grant from the Federal Government.

Lisa has a Bachelor of Arts majoring in Social Science from Deakin University. She also has a Graduate Certificate of Commerce from Deakin University. Additionally, Lisa is an active member of the Falls Creek Chamber of Commerce and in recent years has held executive positions.

Board Committees

The Board meets regularly and operates with a Committee structure as detailed below to meet accepted principles of good governance and compliance requirements and to assist with the work of management and the Board.

Finance, Risk and Audit Committee

The primary objective of the Finance, Risk and Audit Committee (FRAC) is to assist the Board to fulfil its corporate governance and oversight responsibilities relating to financial accounting practices, risk management, internal control systems, external reporting and the internal and external audit function.

All the Committee are independent, non-executive members. The FRAC has appropriate financial and industry expertise, and members are financially literate and have an appropriate understanding of the operation of the Resort Management Board.

Membership for the 2017 year included:

- Sue Lebish (Chair)
- Mark Anderson
- Lisa Logan
- Lindy Allen

FRAC Duties and Responsibilities:

The FRAC has a range of duties and responsibilities to fulfil as a Committee of the Board. In summary, these duties include:

- a) reviewing the program and the audits conducted both by the organisation's internal and external auditors;
- b) maintaining open lines of communication with the Board, the internal auditors and the external auditors;
- c) reviewing the financial information to be presented by management to the Department of Environment, Land, Water and Planning (DELWP);
- d) reviewing the adequacy of internal controls;
- e) oversight of compliance and recommendations to the Board as to appropriate policies and governance; and
- f) reviewing the Risk Management Framework and critical risks from the Risk Register.

During 2017, FCRM brought the financial systems back within the resort's internal management. Substantial work and effort was directed to embed and streamline processes, ensure security of systems, implement concise reporting and bring policies operating within the organisation up to date. Further refinement will continue in 2018.

Planning and Land Management Committee

This committee assists the Board in fulfilling its responsibilities relating to planning and land management within the resort.

Membership during 2017 included:

- Roger Kilby (Chair)
- Jason Alexandra
- Sue Lebish
- Anne-Marie Tenni

Arts and Cultural Development Committee

This committee was formed in 2016 to develop an arts and culture strategy to connect key points identified in the Falls Creek Master Plan. The committee oversees the implementation of this strategy which provides a clear framework for development of arts and culture in the resort.

Membership during 2017 included:

- Lindy Allen (Chair)
- Roger Kilby
- Lisa Logan
- Debbie Howie (Falls Creek Chamber of Commerce representative)
- Karen Smythe (Falls Creek Historical Society representative)

Remuneration Committee

This Committee's responsibilities related to the appointment and performance of the Chief Executive and executive remuneration policies, reporting and performance.

Membership during 2017 included:

- Mark Anderson (Chair)
- Roger Kilby
- Lindy Allen

Board and Committee Attendance

Name	Board	Planning and Land Management Committee	Finance, Risk and Audit Committee	Arts and Cultural Development Committee	Remuneration Committee
Mark Anderson	9/10		7/10		1/1
Roger Kilby	9/10	7/7	2/2	5/6	1/1
Lisa Logan	9/10		7/10	3/6	
Jason Alexandra	8/10	7/7			
Lindy Allen	9/10		8/10	6/6	1/1
Sue Lebish	10/10	7/7	10/10		
Anne-Marie Tenni	8/10	7/7			
Debbie Howie				4/6	
Karen Smythe				5/6	



Credit: Mountainside by Charlie Brown (www.mountainside.net.au), Location: Wallace Hut - Bogong High Plains, Vic., Event: Melbourne Food & Wine Festival - Regional Longest Lunch - Falls Creek 2018.

OH&S and Human Resources

Occupational Health and Safety (OH&S)

Falls Creek Resort Management is committed to providing a healthy and safe workplace. The OH&S strategy is to ensure that employees, contractors and visitors remain safe and healthy at work and while enjoying the alpine activities that Falls Creek has on offer. Some of the OH&S initiatives and actions in 2017 included:

- development of a new OH&S reporting framework as part of a safety consultancy review
- an updated OH&S manual and work practices
- upgrades to safety / personal protective equipment
- further refinement of the online Work Health & Safety (WHS) system which provides access to online inductions, incident/hazard reporting, policies, forms, contractor licences, certificates and insurances and a broad range of other OH&S information, data, registers and documents.
- addressing items in the Health and Safety Action/Improvement Plans
- workplace safety discussions – daily “toolbox/morning briefing” meetings for all ski patrol and other outdoor crew
- flu vaccination and employee assistance program
- ongoing staff training to meet requirements in safety compliance, emergency management and personal development
- workplace inspection program, evacuation drills and other regular OH&S tasks to ensure resort safety and compliance.

2017 OH&S Performance

Measure	KPI	2017	2016	2015
Incidents	Number of incidents	69	49	43
	Rate per 100 FTE	215.6	148.5	114.1
Claims	Number of standard claims	3	3	1
	Rate per 100 FTE	9.4	9.1	2.7
	Number of lost time claims	3	2	1
	Rate per 100 FTE	9.4	6.1	2.7
Fatalities	Number of claims exceeding 13 weeks	1	0	0
	Rate per 100 FTE	3.1	0.0	0.0
Fatalities	Fatality claims	0	0	0
Claim costs	Average cost per claim	\$14,457	\$24,519	n/a
Return To Work (RTW)	Percentage of claims with RTW plan < 30 days	67%	100%	0%
WorkCover premium rate		1.96%	1.97%	1.77%
Management commitment	OH&S policy statement, OH&S objectives, regular reporting to Board and senior management of OH&S and OH&S plans	completed	completed	completed
Consultation and participation	Evidence of agreed structure of designated work groups (DWGs), health and safety representatives (HSRs) and issue resolution procedures (IRPs).	completed	completed	completed
	Compliance with agreed structure on DWGs, HSRs and IRPs	completed	completed	completed
Risk management	Percentage of internal audits/inspections conducted as planned	75%	70%	65%
	Percentage of issues identified actioned arising from:			
	- Internal audits/inspections	100%	100%	<75%
	- HSR (PINs)	n/a	n/a	n/a
Training	- OH&S committee meetings	87.5%	75%	75%
	Percentage of managers and staff that have received OH&S training:			
	- Induction	100%	100%	100%
	- Management training	80%	75%	75%
	Percentage of HSRs trained:			
- Acceptance of role:	100%	100%	100%	
- Re-training (refresher)	100%	100%	100%	
- Reporting of incidents and injuries	100%	100%	100%	

The number of incidents increased in 2017 due to increased staff familiarity with the WHS online reporting system and heightened awareness of the importance of reporting all incidents, in addition to the flow-on effect of the rise in resort visitation across all seasons. The number of lost time injury claims increased to 3, which was a rate of 9.4 per 100 FTE (Full-Time Equivalents). The lost time injuries comprised 2 musculoskeletal injuries and 1 fracture, each of which required surgical intervention, with 1 of the claims requiring longer-term rehabilitation.

Industrial Relations

The new four-year Enterprise Agreement (EA) ratified in October 2016 aligned indoor and outdoor employee classifications and pay-bands and provided for annual salary and wage increases in exchange for identified savings. A small number of EA queries have been subsequently clarified and some employees have entered into individual flexibility arrangements. There was no lost time during the year from industrial disputes.

Workforce Data

	December 2017						December 2016							
	All Employees		Ongoing			Fixed Term/Casual		All Employees		Ongoing			Fixed Term/Casual	
	H/C	FTE	Full-time H/C	Part-time H/C	FTE	H/C	FTE	H/C	FTE	Full-time H/C	Part-time H/C	FTE	H/C	FTE
Demographic Data														
Gender														
Male	26	21	14	1	14	11	7	26	23	15	0	15	11	8
Female	15	11	7	3	9	5	2	15	10	5	3	7	7	3
Age														
15-24	0	0	0	0	0	0	0	1	0	0	0	0	1	0
25-34	7	5	3	1	4	3	1	5	4	2	1	3	2	1
35-44	17	14	9	2	10	6	4	18	15	10	2	11	6	4
45-54	12	10	8	0	8	4	2	12	10	6	0	6	6	4
55-64	4	2	1	1	1	2	1	4	4	2	0	2	2	2
65+	1	0	0	0	0	1	0	1	0	0	0	0	1	0
Classification Data														
Band 2	0	0	0	0	0	0	0	1	0	0	0	0	1	0
Band 3	3	2	0	0	0	3	2	5	3	1	0	1	4	2
Band 4	8	5	3	0	3	5	2	5	3	1	0	1	4	2
Band 5	14	10	8	3	9	3	1	15	11	8	3	10	4	1
Band 6	6	6	5	1	6	0	0	7	7	6	0	6	1	1
Band 7	6	5	5	0	5	1	0	4	4	4	0	4	0	0
Executives	4	4	0	0	0	4	4	4	4	0	0	0	4	4
Total Employees	41	32	21	4	23	16	9	41	33	20	3	22	18	11

Abbreviations: H/C = Headcount; FTE = Full-time Equivalent

Note: FTE figures in above table are rounded to the nearest whole number, so there may be rounding errors for some totals.

Compliance Items

Statutory Undertakings

The statutory undertakings of the Board are:

- As a Board of Management under the *Alpine Resorts (Management) Act 1997* to manage the land at Falls Creek declared to be an alpine resort and to deliver the functions and services specified in the Act;
- To act as a Committee of Management under the *Crown Land (Reserves) Act 1978*, and to exercise the powers conferred under that Act;
- To provide the services of a municipal council for the purposes of the *Emergency Management Act 1986* and Division 2A of Part 9 of the *Environmental Protection Act 1970*;
- To administer and enforce Parts 3, 4, 5, 7 and 8 of the *Building Act 1993* and the building regulations in the resort;
- To regulate traffic and parking within the resort as a prescribed Public Authority under the *Road Safety Act 1986*;
- To provide public health services within the resort under the provisions of the *Health Act 1958* and *Food Act 1984*; and
- To consider applications for planning permits in accordance with Sections 52 and 55 of the *Planning and Environment Act 1987*. The Minister with administrative responsibility for Alpine Resorts and responsible for the *Crown Land (Reserves) Act 1978* is the Minister for Energy, Environment and Climate Change.

Nature and Scope of Activities

The Board provides a range of services to the community and resort visitors determined by clearly defined functions under the *Alpine Resorts (Management) Act 1997*. These are:

- To plan for the development, promotion, management and use of the resort in accordance with the object of the Act;
- To:
 - Develop and promote; or
 - Facilitate the development or promotion by others of the use of the resort in accordance with the object of the Act;
- To manage the resort in accordance with the object of the Act;
- To contribute to the development of the Alpine Resorts Strategic Plan and other strategic planning for alpine resorts as a whole;
- To undertake research into alpine resort issues;
- To contribute to and support the operation of the Alpine Resorts Co-ordinating Council;
- To prepare and implement a Strategic Management Plan for the resort;
- To expend or apply revenue of the Board in accordance with a direction of the Minister under section 36(A) of the Act;

- To act as a committee of management of any Crown land deemed to be permanently reserved under the *Crown Land (Reserves) Act 1978* in the resort;
- To contribute, together with Tourism Victoria, established under the *Tourism Victoria Act 1992*, and the Council, to the overall promotion of alpine resorts
- To develop a tourism and marketing strategy for and to promote the resort and to collect and expend voluntary contributions from commercial undertakings in the resort for this purpose;
- To provide services in the nature of:
 - Garbage Disposal
 - Water Supply
 - Gas
 - Drainage
 - Sewerage
 - Electricity
 - Roads
 - Fire Protection
 - Transport for the Resort
- To collect fees prescribed by the regulations for the resort;
- To attract investment for the improvement of the resort in respect of which the Board is established; and
- To carry out any other function conferred on the Board.

Legislative and Regulatory Compliance

There is a wide range of legislative and regulatory requirements and deadlines that govern the Board's activities and behaviour. Those with a major influence on performance and success, together with brief details of our compliance outcomes are:

Alpine Resorts (Management) Act 1997

The object of this Act is to make provision in respect of alpine resorts:

- For the development, promotion, management and use of the resorts on a sustainable basis and in a manner that is compatible with the alpine environment, having regard to environmental and ecological considerations (in particular, climate change), economic considerations, and cultural heritage considerations (in particular, indigenous cultural heritage considerations); and
- For the use of the resorts primarily for alpine recreation and tourism, in all seasons of the year and by persons from varied cultural and economic groups.

Compliance obligations under this Act were met through:

- Preparation of a Corporate Plan in accordance with Section 53;

- Fixing contributions for specified services in accordance with Section 13;
- Notifying the Minister of significant affecting events in accordance with Section 55;
- The keeping of a General Account in accordance with Section 56;
- Delivery of the functions prescribed in Section 38;
- Exercise of powers in accordance with Section 39;
- Employment of staff in accordance with Section 41;
- Conduct of proceedings and disclosure of interest in accordance with Sections 51 and 52;
- Granting of leases in accordance with Part 2; and
- Preparation of a Strategic Management Plan in accordance with Section 56.

Alpine Resorts (Management) Regulations 2009

Regulatory obligations have been met by:

- Declaration of the Snow Season;
- Setting aside areas where activities are prohibited or restricted;
- Setting aside areas where entry is prohibited or restricted;
- Setting aside areas to be used for certain purposes;
- Granting of Authorities for certain purposes; and
- Managing entry and permits for other uses in accordance with Parts 2 and 3.

Building Act 1993

Falls Creek Resort Management is responsible for the application of this Act in much the same way as a municipal council and the nominated Municipal Building Surveyor for the resort is Peter Sheridan. Each building within the resort area has been scheduled for inspection to ensure that the regular maintenance of essential services installed has occurred to the required operational level at the required frequency. These inspections occur over a 3 year inspection cycle.

Catchment and Land Protection Act 1994

Falls Creek continued programs in accordance with the requirements of this Act.

Works included:

- Control of noxious weeds;
- Control of pest animals;
- Control of State Prohibited Weeds; and
- Ensured the health of land and waterways within the resort and their impacts within the catchment.

Crown Land (Reserves) Act 1978

- Exercise of the powers of a committee of management; and

- Granting of licences in accordance with Section 7.

Emergency Management Act 1986

Falls Creek Resort Management Board is deemed to be a municipal council for the purposes of this Act and has:

- Prepared and maintained a Municipal Emergency Management Plan in accordance with Section 20; and
- Complied with Section 2 in relation to coordination and planning and audit of the plan.

Environment Protection Act 1970

Participation in the regional waste management group (NevRwaste) and the development of a regional waste management plan were central to meeting the obligations under this Act. Sewerage treatment operation was compliant with our EPA licence and an annual report was presented to the EPA by year end in accordance with the licence.

Financial Management Act 1994

Refer to Financial Statements.

Freedom of Information Act 1982

This Act allows the public a right of access to documents held by the Board.

Freedom of Information requests are made in writing describing the documents requested and including payment of the \$27.20 application fee. Further charges may be payable. FOI fees and charges are not subject to GST.

Requests should be sent to Freedom of Information Officer, Craig Thompson. The telephone contact number is (03) 5758-1200.

Enquiries can be emailed to fcrm@falls creek.com.au

Requests for access to documents should be in writing and directed to:

Falls Creek Resort Management
PO Box 50, Falls Creek, Victoria 3699

In the reporting period there was 1 request, for which the full documents requested were provided.

Health and Food Act

Obligations and responsibilities under this Act are met under Ministerial delegation to Indigo Shire.

Occupational Health & Safety Act 2004

Refer to OH&S on page 26.

Planning & Environment Act 1987

Falls Creek fulfilled its role as a referral authority and as a land management agency under this Act.

Protected Disclosure Act 2012

This Act is designed to protect people who disclose information about serious wrongdoing within the Victorian Public Sector and to provide a framework for the investigation of these matters.

There were no disclosures received during the reporting period.

The protected disclosure co-ordinator for the Department of Environment, Land, Water and Planning (DELWP) acts as an agent for the Board to receive disclosures under the Act and applies DELWP procedures in managing disclosures. Disclosures of improper conduct by the Board or its employees may be made to:

The Ombudsman Victoria
Level 9, North Tower, 459 Collins St
Melbourne, Vic 3000
Phone: 9613 6222
Toll Free: 1800 806 314
Website: www.ombudsman.vic.gov.au

Public Administration Act 2004

The purpose of this Act is to provide a framework for good governance in the Victorian public sector and to establish the Victorian Public Sector Commission (VPSC).

A number of divisions of the Act have applied to FCRM since the Act commenced. These include Board responsibilities to uphold and promote public sector values and employment principles.

Road Management Act 2004

Falls Creek maintains a roads register as required by this Act.

Road Safety Act 1986

Falls Creek exercised its role as a public authority for the purposes of this Act.

Safe Drinking Water Act 2003

The resort met its testing and monitoring obligations prescribed by this Act.

Falls Creek's annual report on its water supply responsibilities and testing was submitted to the Department of Health.

Victorian Industry Participation Policy Act 2003

This Act requires public bodies and Departments to report on the implementation of the Victorian Industry Participation Policy (VIIPP) for all tenders over \$3 million in metropolitan Melbourne and \$1 million in regional Victoria. In 2017, there were no tenders above \$1 million.

National Competition Policy

Competitive neutrality is a guiding principle of the National Competition Policy and requires that the Board should compete with private sector businesses on the same footing. The Board complies with the Victorian Government policies in regard to National Competition Policy.

Women, Aged, Youth and Indigenous Affairs

The Board is committed to policies, programs and strategies aimed at delivering culturally appropriate services to all Victorians. In carrying out its business the Board ensures that there is female representation and equity and involves women in consultation, decision-making, leadership and equality of opportunity.

The Board abides by Aboriginal Affairs Victoria's reporting requirements.

Contracts

The management of Board contracts is governed by its expenditure and contract approval policy and delegations register.

The Board did not enter into any contracts greater than \$10 million in value during the reporting period.

Public Administration Values and Employment Principles

FCRM continued its commitment to the principles of merit and equity in human resource management. All appointments and promotions conducted during the reporting period were based on competitive selection processes. These selection processes ensure that applicants are assessed and evaluated fairly and equitably on the basis of the key selection criteria and other accountabilities without discrimination.

The organisation continues to implement the directions of the Victorian Public Sector Commission with respect to upholding public sector conduct, managing and valuing diversity, managing underperformance, reviewing personal grievances and selecting on merit. Employees have been correctly classified in workforce data collections.

Factors Influencing Board's Performance

There were no major changes or factors affecting the Board's performance during the year.

Events Subsequent to Reporting Date

Subsequent events are detailed in note 8.8 of the financial statements. Subsequent to the balance sheet date, no other item, transaction or event of a material or unusual nature is likely, in the opinion of the Board, to significantly affect the operations of the Board, the results of those operations, or the state of affairs of the Board, in future financial years.

Overseas Travel

During 2017, there was one overseas visit made by an employee of FCRM. The purpose of this work related travel was to undertake a ski patroller exchange placement at Keystone Resort in Colorado, U.S.A.

Compliance Items

Government Advertising Expenditure

No Government Advertising Expenditure was incurred by FCRM during the reporting period.

Compliance with DataVic Access Policy

Consistent with the DataVic Access Policy issued by the Victorian Government in 2012, any data tables produced by the Falls Creek Alpine Resort Management Board will be available at www.data.vic.gov.au in machine readable format.

Other Available Information

The following information is available on request, subject to the *Freedom of Information Act 1982*:

- a statement that declarations of pecuniary interests have been duly completed by all relevant officers;
 - details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary;
 - details of publications produced by the entity about itself, and how these can be obtained;
 - details of changes in prices, fees, charges, rates and levies charged by the entity;
 - details of any major external reviews carried out on the entity;
 - details of major research and development activities undertaken by the entity;
 - details of overseas visits undertaken
- including a summary of the objectives and outcomes of each visit;
- details of major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the entity and its services;
 - details of assessments and measures undertaken to improve the occupational health and safety of employees;
 - a general statement on industrial relations within the entity and details of time lost through industrial accidents and disputes; and
 - a list of major committees sponsored by the entity, the purposes of each committee and the extent to which the purposes have been achieved.

Consultancies

The selection and engagement of consultants is based on obtaining competitive public or restricted offers through open and effective competition, observing accountability requirements and achieving value for money.

Details of individual consultancies valued at greater than \$10,000

In 2017, there were six consultancies where the total fees payable to the consultants was \$10,000 or greater. The total expenditure incurred during 2017 in relation to these consultancies was \$168,858 (excluding GST). Details of these individual consultancies are outlined below.

Consultant	Purpose of Consultancy	Total Approved Project Fee (excl. GST)	Expenditure 2017 (excl. GST)	Future Expenditure (excl. GST)
Biosis Pty Ltd	Vegetation offset strategy and water consulting	\$15,000	\$14,350	\$15,000
Foresight Engineering Services	Civil and structural engineering	\$30,000	\$27,084	\$20,000
GHD Pty Ltd	Geotechnical risk mitigation	\$18,000	\$17,854	\$20,000
On Tap Consulting Pty Ltd	Technical and compliance advice	\$85,000	\$83,170	\$60,000
Safety Action	OH&S reporting framework and safety consulting	\$10,200	\$10,200	Nil
Yabbie Pond Pty Ltd	Waste water treatment consulting	\$16,200	\$16,200	Nil

Details of consultancies under \$10,000

In 2017, Falls Creek Resort Management engaged five consultancies where the total fees payable to the consultants were less than \$10,000, with a total expenditure in relation to these consultancies of \$18,408 (excluding GST).

Information and Communication Technology (ICT) Expenditure

ICT Expenditure type	Expenditure 2017 (excl. GST)
ICT Business As Usual (BAU) expenditure	\$363,121
ICT Non-Business As Usual (non-BAU) expenditure:	
Operational expenditure	-
Capital expenditure	\$32,142
Total ICT expenditure	\$395,263

Attestations

Risk Management Attestation

I, Sue Lebish, certify that the Falls Creek Alpine Resort Management Board has complied with the Ministerial Standing Direction 3.7.1 - Risk Management Framework and Processes. The Falls Creek Alpine Resort Management Board's Finance, Risk and Audit Committee has verified this.



Sue Lebish
Board Chair
26 February 2018

Financial Management Attestation

I, Sue Lebish, on behalf of the Falls Creek Alpine Resort Management Board, certify that the Falls Creek Alpine Resort Management Board has complied with the applicable Standing Directions of the Minister for Finance under the Financial Management Act 1994 and Instructions.



Sue Lebish
Board Chair
26 February 2018

Gifts & Benefits Attestation

I, Stuart Smythe, Chief Executive Officer, of Falls Creek Alpine Resort Management Board, certify that:

- my public entity has policies and procedures in place that are consistent with the minimum requirements and accountabilities outlined in the Gifts, Benefits and Hospitality Policy Framework issued by the Victorian Public Sector Commissioner;
- staff are informed about these gifts, benefits and hospitality policies and procedures; and
- the Finance, Risk and Audit Committee reviews the operation of the policies and procedures at least once a year to ensure transparent reporting of accepted gifts, benefits and hospitality



Stuart Smythe
Chief Executive Officer
26 February 2018

How the 2017 Financial Statements are Structured

Falls Creek Alpine Resort Management Board (FCRM) has presented its audited general purpose financial statements for the financial year ended 31 December 2017 in the following structure to provide users with the information about FCRM's stewardship of resources entrusted to it.

FINANCIAL STATEMENTS	
Declaration and Auditor's Report	
Declaration by the Board Chair and Accountable Officers	33
Independent Auditor's Report	34
Financial Statements	
Comprehensive Operating Statement	36
Balance Sheet	37
Cash Flow Statement	38
Statement of Changes in Equity	39
NOTES TO THE FINANCIAL STATEMENTS	
1. About this Report	40
The basis on which the financial statements have been prepared and compliance with reporting regulations	
2. Funding Delivery of Our Services	41
Revenue recognised from taxes, grants, sales of goods and services and other sources	
2.1 Income from Transactions	
2.2 Site Rent and Service Charges	
2.3 Visitor Fees	
2.4 Other Income	
2.5 Government Contributions	
3. The Cost of Delivering Services	42
Operating expenses of FCRM	
3.1 Expenses Incurred in Delivery of Services	
3.2 Employee Benefits	
3.3 Operating Expenses	
4. Key Assets Available to Support Service Delivery	46
Infrastructure and other assets utilised in fulfilling objectives	
4.1 Total Infrastructure, Property, Plant and Equipment	
4.2 Depreciation and Amortisation	
4.3 Reconciliation of Movements in Carrying Amounts of Property, Plant and Equipment	
4.4 Intangible Assets	
4.5 Other Economic Flows included in the Net Result	
5. Other Assets and Liabilities	48
Working capital balances, and other key assets and liabilities	
5.1 Receivables	
5.2 Payables	
5.3 Inventories	
5.4 Prepayments	
5.5 Unearned Revenue	
6. How We Financed Our Operations	52
Borrowings, cash flow information, leases and assets pledged as security	
6.1 Borrowings	
6.2 Operating Leases Receivable	
6.3 Cash Flow Information	
6.4 Commitments for Expenditure	
7. Risks, Contingencies and Valuation Judgements	55
Financial risk management, contingent assets and liabilities as well as fair value determination	
7.1 Financial Instruments: Specific Disclosures	
7.2 Contingent Assets and Contingent Liabilities	
7.3 Fair Value Determination	
8. Other Disclosures	64
8.1 Ex-gratia Expenses	
8.2 Other Economic Flows included in Net Result	
8.3 Non-financial Assets Held for Sale	
8.4 Responsible Persons	
8.5 Remuneration of Executives	
8.6 Related Parties	
8.7 Remuneration of Auditors	
8.8 Subsequent Events	
8.9 Australian Accounting Standards issued that are not yet effective	
8.10 Glossary of Technical Terms	
8.11 Style Conventions	

Declaration

Falls Creek Alpine Resort Management Board Declaration by the Chair and accountable officers

The attached financial statements for Falls Creek Alpine Resort Management Board have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister for Finance under the Financial Management Act 1994, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 31 December 2017 and financial position of the Board at 31 December 2017.

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

We authorise the attached financial statements for issue on 9 March 2018.



Sue Lebish
Board Chair

Falls Creek
9 March 2018



Stuart Smythe
Chief Executive Officer

Falls Creek
9 March 2018



Craig Thompson
Director Corporate Services

Falls Creek
9 March 2018

Independent Auditor's Report

To the Board of the Falls Creek Alpine Resort Management Board

Opinion I have audited the financial report of the Falls Creek Alpine Resort Management Board (the entity) which comprises the:

- balance sheet as at 31 December 2017
- comprehensive operating statement for the year then ended
- statement of changes in equity for the year then ended
- cash flow statement for the year then ended
- notes to the financial statements, including a summary of significant accounting policies
- declaration by the chairperson and accountable officers.

In my opinion the financial report presents fairly, in all material respects, the financial position of the entity as at 31 December 2017 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.

Basis for Opinion I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. My responsibilities under the Act are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report.

The Auditor-General's independence is established by the *Constitution Act 1975*. My staff and I are independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.

Board's responsibilities for the financial report The Board of the entity is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.

In preparing the financial report, the Board is responsible for assessing the entity's ability to continue as a going concern, and using the going concern basis of accounting unless it is inappropriate to do so.

Auditor's responsibilities for the audit of the financial report

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- conclude on the appropriateness of the Board'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 I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the entity to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE
13 March 2018



Simone Bohan
as delegate for the Auditor-General of Victoria

Comprehensive Operating Statement

For the financial year ended 31 December 2017

	Notes	12 months 2017	14 months 2016
			(\$ whole)
Continuing operations			
Income from transactions			
Site rent and service charges	2.2	5,791,157	6,334,524
Visitor fees	2.3	3,950,613	3,638,581
Other income	2.4	1,186,718	1,187,767
Government contributions	2.5	349,041	1,142,244
Total income from transactions		11,277,529	12,303,116
Expenses from transactions			
Employee benefits	3.2	4,268,088	3,939,762
Contract payments, materials, services	3.3	2,897,311	4,513,523
Utilities and communications	3.3	516,993	528,350
Depreciation and amortisation	4.2	2,064,008	2,668,326
Financing charges	6.1.2	41,216	56,130
Marketing and communications	3.3	480,801	555,954
Other expenses	3.3	1,506,581	1,372,643
Total expenses from transactions		11,774,998	13,634,688
Net result from continuing operations		(497,469)	(1,331,572)
Other economic flows included in net result			
Net gain/(loss) on non-financial assets	4.5	(280,821)	(302,678)
Impairment of property, plant and equipment	4.5	(71,345)	(71,567)
Other gain/(loss) from other economic activities	4.5	(191)	(192)
Total other economic flows included in net result		(352,357)	(374,437)
Net result		(849,826)	(1,706,009)
Other economic flows – other comprehensive income			
Changes in physical asset revaluation surplus		-	(2,768,299)
Total other economic flows – other comprehensive income		-	(2,768,299)
Comprehensive result		(849,826)	(4,474,308)

The accompanying notes form part of these financial statements.

Balance Sheet

As at 31 December 2017

	Notes	12 months 2017	14 months 2016
			(\$ whole)
Assets			
Financial assets			
Cash and deposits	6.3	655,885	169,491
Receivables	5.1	1,484,264	1,562,863
Total financial assets		2,140,149	1,732,354
Non-financial assets			
Inventories	5.3	38,209	36,569
Prepayments	5.4	335,220	238,885
Infrastructure, property, plant and equipment	4.1 / 8.3	88,593,075	90,339,667
Intangible assets	4.4	156,693	115,919
Total non-financial assets		89,123,197	90,731,040
Total assets		91,263,346	92,463,394
Liabilities			
Payables	5.2	811,999	1,304,673
Unearned revenue	5.5	278,555	221,426
Borrowings	6.1	972,552	1,139,328
Provisions	3.2.1	699,265	547,166
Total liabilities		2,762,371	3,212,593
Net assets		88,500,975	89,250,801
Equity			
Accumulated surplus		5,987,158	6,836,984
Asset revaluation reserve		41,077,529	41,077,529
Contributed capital		41,436,288	41,336,288
Net worth		88,500,975	89,250,801

The accompanying notes form part of these financial statements.

Cash Flow Statement

For the financial year ended 31 December 2017

	Notes	12 months 2017	14 months 2016
			(\$ whole)
Cash flows from operating activities			
Receipts			
Receipts in the course of operations		11,833,665	11,918,002
Receipts from Government		352,910	1,172,244
Receipts of insurance claims		54,080	10,932
Interest received		-	24,689
Total receipts		12,240,655	13,125,867
Payments			
Payments to suppliers for goods and services		(6,896,851)	(7,706,269)
Payments to and on behalf of employees		(4,115,125)	(3,903,160)
Interest paid		(41,261)	(56,130)
Goods and Services Tax received/(paid) to the ATO		(15,455)	365,519
Total payments		(11,068,692)	(11,300,040)
Net cash flows from/(used in) operating activities	6.3	1,171,964	1,825,827
Cash flows from investing activities			
Purchases of non-financial assets		(630,269)	(5,627,389)
Sale of non-financial assets		11,475	44,045
Proceeds from sale of investments		-	3,250,330
Net cash flows from/(used in) investing activities		(618,794)	(2,333,014)
Cash flows from financing activities			
Owner contributions by State Government		100,000	415,000
Proceeds from borrowings		1,000,000	-
Repayment of borrowings		(1,166,776)	(186,580)
Net cash flows from/(used in) financing activities		(66,776)	228,420
Net increase/(decrease) in cash and deposits		486,394	(278,767)
Cash and deposits at beginning of period		169,491	448,258
Cash and deposits at end of period	6.3	655,885	169,491

The accompanying notes form part of these financial statements.

(1) Goods and Services Tax received from the ATO is presented on a net basis.

Statement of Changes in Equity

For the financial year ended 31 December 2017

	Notes	Asset revaluation reserve	Accumulated surplus	Contributed capital	Total
					(\$ whole)
Balance as at 31 October 2015		43,845,828	8,542,993	40,921,288	93,310,109
Net result for the period		-	(1,706,009)	-	(1,706,009)
Revaluation of property, plant and equipment		(2,768,299)	-	-	(2,768,299)
Capital contributions for the period		-	-	415,000	415,000
Balance as at 31 December 2016		41,077,529	6,836,984	41,336,288	89,250,801
Net result for the period		-	(849,826)	-	(849,826)
Capital contributions for the period		-	-	100,000	100,000
Balance as at 31 December 2017		41,077,529	5,987,158	41,436,288	88,500,975

The accompanying notes form part of these financial statements.

Notes to the Financial Statements

1. ABOUT THIS REPORT

The Falls Creek Alpine Resort Management Board (the Board) is a statutory authority of the State of Victoria, established under the *Alpine Resorts (Management) Act 1997*.

A description of the nature of its operations and its principal activities is included in the "Report of Operations" which does not form part of these financial statements.

The principal address is:

Falls Creek Alpine Resort Management Board
1 Slalom Street,
Falls Creek VIC 3699

BASIS OF PREPARATION

During 2016, the Minister for Finance instructed the Board to change its financial year date from 31 October to 31 December, which occurred for the year ended 31 December 2016. Accordingly, the comparative period includes 14 months whereas the current period includes a 12-month period from 1 January 2017 to 31 December 2017.

These financial statements are in Australian dollars and the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis.

The accrual basis of accounting has been applied in preparing 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.

Consistent with the requirements of AASB

1004 Contributions, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of the Board.

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

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. 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 circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and in future periods that are affected by the revision. Judgements and assumptions made by management in applying AAS that have significant effects on the financial statements and estimates are to be disclosed in the notes under the heading: 'Significant judgement or estimates'. The Board does not have any 'Significant judgement or estimates' to disclose in the financial year.

All amounts in the financial statements have been rounded to the nearest \$1 unless otherwise stated.

These financial statements cover the Board as an individual reporting entity. These financial statements have been prepared on a going concern basis. During the 2018 Financial Year, the Board will change to consist of 7 members, 3 unique Board members to Falls Creek and 4 Board members who direct Falls Creek, Mt Hotham, Mt Buller & Mt Stirling. This change in the Board make-up will not affect the going concern of the organisation but will bring more collaboration between the Resorts involved.

COMPLIANCE INFORMATION

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994* (FMA) and applicable Australian Accounting Standards (AASs) which include Interpretations, issued by the Australian Accounting Standards Board (AASB). They are presented in a manner consistent with the requirements of AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

Where appropriate, those AASs paragraphs applicable to not-for-profit entities have been applied. Accounting policies selected and applied in these financial statements ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

2. FUNDING DELIVERY OF OUR SERVICES

INTRODUCTION

The overall objective of the Board is to deliver, for our users and stakeholders, an unparalleled and unique world class all seasons Alpine resort, renowned for being Australia's premier leisure, lifestyle and adventure destination.

To enable the Board to fulfil its objective it receives contributions from site holders in accordance with its role as managers of Crown Land. The Board also receives income of visitor fees from the public visiting during the declared Snow Season. The Board also receives Government funding due to its status as a statutory authority.

2.1 INCOME FROM TRANSACTIONS

	Notes	12 months 2017	14 months 2016
			(\$ whole)
Site and service charges	2.2	5,791,157	6,334,524
Visitor fees	2.3	3,950,613	3,638,581
Other income	2.4	1,186,718	1,187,767
Government contributions	2.5	349,041	1,142,244
Total		11,277,529	12,303,116

Income is recognised to the extent it is probable the economic benefits will flow to the Board and the income can be reliably measured. Where applicable, amounts disclosed as income are net of returns, allowances, duties and taxes.

2.2 SITE RENT AND SERVICE CHARGES

	12 months 2017	14 months 2016
		(\$ whole)
Service charges	4,124,507	4,473,546
Site rental	1,666,650	1,860,978
Total	5,791,157	6,334,524

Service charges are imposed on an annual basis, and revenue is recognised. Service charges are calculated on a rate per bed and per commercial area held within each premise. A bed audit is conducted on a three-year cycle for each premise. Site rental is recognised under the terms and conditions of each lease and in accordance with the Board's role as a Committee of Management of any Crown land deemed to be permanently reserved under the *Crown Lands Reserve Act 1978*. The general terms and conditions for Site Rent are based on a formal valuation undertaken on a three-year cycle for each site holder. During the years between valuations, Site Rent increases in-line with the CPI released by the Australian Bureau of Statistics.

2.3 VISITOR FEES

	12 months 2017	14 months 2016
		(\$ whole)
Resort entry fees	3,811,348	3,437,684
Child care services	139,265	200,897
Total	3,950,613	3,638,581

Revenue is recognised at the point of sale when services are rendered or when a rate/tariff is fixed for service charges levied under Section 13 of the *Alpine Resorts (Management) Act 1997*. Infringements are issued to guests who do not pay their visitor fees under the *Road Safety Act 1986* and the *Road Safety (General) Regulations 2009*. Infringement income is located below in note 2.4 Other income.

Notes to the Financial Statements

2.4 OTHER INCOME

	12 months 2017	14 months 2016
		(\$ whole)
Ski patrol contributions	431,439	418,691
Co-operative marketing	95,376	138,273
Interest	-	24,689
Insurance recovery	50,200	10,932
Property and leasing fees	203,737	320,839
Sponsorships	52,337	62,165
Other income	353,630	212,178
Total	1,186,718	1,187,767

2.5 GOVERNMENT CONTRIBUTIONS

	12 months 2017	14 months 2016
		(\$ whole)
Victorian State Government	175,651	640,000
Commonwealth funding	173,390	139,744
Other government funding	-	362,500
Total	349,041	1,142,244

Government contributions or grants from third parties (other than contributions by owners) are recognised as income in the reporting period in which the Board gains control over the underlying assets. Grants and contributions for capital works from all sources are recognised as operating revenue when an entitlement is established and disclosed in the comprehensive operating statement as government grants. However, grants and contributions received from the Victorian State Government that are deemed as being owner's contributions, in accordance with *FRD 119A Transfers through contributed capital* are accounted for as Equity – Contributed Capital.

3. THE COST OF DELIVERING SERVICES

INTRODUCTION

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

3.1 EXPENSES INCURRED IN DELIVERY OF SERVICES

	Notes	12 months 2017	14 months 2016
			(\$ whole)
Employee benefits	3.2	4,268,088	3,939,762
Operating expenses	3.3	5,401,686	6,970,470
Total		9,669,774	10,910,232

The total expenses incurred in delivery of services does not reflect the total expenses from transactions in the Comprehensive Operating Statement as the above table does not include depreciation and financing charges. Depreciation is discussed in note 4 and financing charges are discussed in note 6.

3.2 EMPLOYEE BENEFITS

	12 months 2017	14 months 2016
		(\$ whole)
Salaries and wages, annual leave and long service leave	3,924,136	3,656,181
Defined contribution superannuation expense	332,268	269,944
Defined benefit superannuation expense	11,684	13,637
Total	4,268,088	3,939,762

During the 2017 year, the Board put on additional in-house employees in the areas of Finance, HR and Environmental management. This reduced the amount paid to contractors throughout the year but has increased the overall expense on wages and employee benefits. During the declared snow season, there were additional staff hours rostered to assist in the clean up after storms, resulting in overtime paid to staff, and an increase in the employee benefit expenses.

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

The amount recognised in the Comprehensive Operating Statement in relation to superannuation is employee contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period. The Department of Treasury and Finance (DTF) in their annual financial statements disclose on behalf of the State as the supporting employer, the net defined benefit cost related to the members of these plans as an administered liability. More detailed disclosures in relation to these plans can be obtained in DTF's Annual Financial Statements.

3.2.1 EMPLOYEE BENEFITS IN THE BALANCE SHEET

	2017	2016
		(\$ whole)
Current provisions		
Annual leave		
Unconditional and expected to be settled within 12 months	46,737	161,202
Unconditional and expected to be settled after 12 months	99,533	39,641
Long service leave		
Unconditional and expected to be settled within 12 months	106,491	66,571
Unconditional and expected to be settled after 12 months	152,030	96,828
Provisions for on-costs		
Unconditional and expected to be settled within 12 months	21,342	35,636
Unconditional and expected to be settled after 12 months	35,616	20,048
Total current provisions for employee benefits	461,749	419,926
Non-current provisions		
Employee benefits	208,914	111,566
Employee benefits on-costs	28,602	15,674
Total non-current provisions	237,517	127,240
Total provisions or employee benefits	699,265	547,166

Employee benefits consist of annual leave and long service leave accrued by employees. On-costs such as payroll tax and workers' compensation insurance are not employee benefits and are reflected as a separate provision. All amounts are measured at present values.

No provision has been made for sick leave as all sick leave is non-vesting and is not considered probable that the average sick leave taken in the future will be greater than the benefits accrued in the future. As sick leave is non-vesting, an expense is recognised in the Comprehensive Operating Statement as it is taken.

Notes to the Financial Statements

RECONCILIATION OF MOVEMENT IN ON-COST PROVISION

	12 months 2017	14 months 2016
		(\$ whole)
Opening balance	71,358	73,515
Additional provisions recognised	45,068	46,627
Additions due to transfer in	4,380	-
Reductions arising from payments	(35,055)	(48,592)
Effect of change in discount rates	(191)	(192)
Closing balance	85,560	71,358
Current	56,958	55,684
Non-current	28,602	15,674
Total	85,560	71,358

3.2.2 SUPERANNUATION CONTRIBUTIONS

	Paid contribution for the year		Contribution outstanding at year end	
	2017	2016	2017	2016
				(\$ whole)
Defined benefits plan (i)				
ESS super	10,341	13,637	1,859	-
Defined contribution plans				
Vic super	100,829	111,262	28,732	14,602
Other	194,810	158,682	61,531	40,049
Total	305,980	283,581	92,122	54,651

Note: (i) The bases for determining the level of contributions is determined by the actuary of the defined benefit superannuation plan.

Employees of the Board are entitled to receive superannuation benefits and the Board contributes to both defined benefit and defined contribution plans. The defined benefit plans provide benefits based on years of service and final average salary.

As noted before, the defined benefit liability is recognised in DTF as an administered liability. However, superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the Comprehensive Operating Statement of the Board.

3.3 OPERATING EXPENSES

	12 months 2017	14 months 2016
		(\$ whole)
Infrastructure services and general village operations	2,612,752	3,740,653
Marketing and communications	480,801	890,593
Economic development and land management	284,560	395,488
Utilities and communication	516,993	528,350
ARCC industry development fee	406,639	465,548
Insurance	423,676	300,477
Software licenses	120,953	88,429
Audit fees (internal and external)	74,760	95,197
Training fees	57,279	64,669
Travel	50,619	57,739
External payroll costs	41,800	-
Bank fees	39,947	32,783
Rent	32,439	57,445
Commissions	19,506	10,647
Freight charges	15,104	20,793
Contributions	11,860	28,970
Other general office expenses	211,998	192,689
Total	5,401,686	6,970,470

At 1 January 2017, all finance functions except payroll, were bought back in-house by the Board. This in-housing has resulted in a reclassification of the Chart of Accounts to provide greater clarity of expense lines and budgets across business units. Therefore, the above comparatives should be read with consideration of the differing lengths of time (12 months vs 14 months) and with the reclassification building greater integrity into the Chart of Accounts for 2017 and future years.

External payroll costs: From 1 January 2017, all finance services except for payroll were bought back in-house by the Board. This results in a non-comparable expense line for external payroll costs, as part of the re-classification explained above. The Board is looking to bring all payroll services back in-house when an appropriate payroll system is selected.

Software licenses: With the in-housing of the finance functions, an Enterprise Resource Planning Program has increased the cost of software licenses. This has also resulted in a decrease in the overall expenses to contractors.

Contributions: The Board pays an amount to the local State Emergency Service (SES) branch to match the contribution by the State Government. Smaller contributions may also be made by the Board to other not-for-profit organisations as approved.

Insurance: This figure differs due to the re-classification of expenses to show the entire Insurance costs for the organisation in one-line item for clear comparatives going forward. This includes all insurance premiums for the Board excluding workers compensation insurance, which is included with salaries and wages.

Training: The Board encourages staff to continue training in their specific areas of expertise to ensure that employees are applying the most up to date information and remain confident and competent for the responsibilities of their position. Examples of training expenses can be specific formalised training or generalised training for multiple employees in *Assertive Communication* or *Time Management*.

Commissions: The Board maintains relationships with off-mountain enterprises to sell resort entry tickets prior to guests arriving at the resort. Commissions are paid for this service and this streamlines the resort entry process for our guests and encourages relationships with small off-mountain enterprises

Notes to the Financial Statements

4. KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY

INTRODUCTION

The Board controls infrastructure and other investments that are utilised in fulfilling its objectives and conducting its activities. They represent the key resources that have been entrusted to the Board to be utilised for delivery of those activities.

SIGNIFICANT JUDGEMENT: CLASSIFICATION OF INVESTMENTS AS “KEY ASSETS”

The Board has made the judgement that investments are key assets utilised to support the Board’s objectives and outputs.

FAIR VALUE MEASUREMENT

Where the assets included in this section are carried at fair value, additional information is disclosed in Note 7.3 in connection with how those fair values were determined.

4.1 TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2017	2016	2017	2016	2017	2016
Land at fair value	39,403,800	39,403,800	-	-	39,403,800	39,403,800
Buildings at fair value	12,371,009	12,372,809	(562,989)	(169,900)	11,808,020	12,202,909
Infrastructure systems at fair value	22,463,832	22,499,751	(852,409)	(104,574)	21,611,423	22,395,177
Plant, equipment and vehicles at fair value	4,800,531	5,275,596	(3,165,613)	(3,225,288)	1,741,295	2,050,308
Roads at fair value	14,151,791	14,173,940	(532,962)	(5,052)	13,618,829	14,168,888
Capital works in progress	409,708	118,585	-	-	409,708	118,585
Total	93,600,671	93,844,481	(5,113,973)	(3,504,814)	88,593,075	90,339,667

Initial recognition: Items of property, plant and equipment, are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a machinery of government change are transferred at their carrying amount.

Subsequent measurement: Property, plant and equipment are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined regarding the asset’s highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset) and is summarised below by asset category. During the 2016 Financial Year, all asset categories besides plant, equipment and vehicles were revalued by the Valuer-General Victoria and written back to their fair value.

Note 7.3 includes additional information in connection with fair value determination of infrastructure, property, plant and equipment.

4.2 DEPRECIATION AND AMORTISATION – CHARGE FOR THE PERIOD

	(\$ whole)	
	12 months 2017	14 months 2016
Buildings at fair value	393,089	418,524
Infrastructure systems at fair value	774,503	845,160
Plant, equipment and vehicles at fair value	311,517	499,389
Intangible assets	53,188	48,534
Roads at fair value	531,711	856,719
Total depreciation	2,064,008	2,668,326

All infrastructure assets, buildings, plant and equipment and other non financial physical assets that have finite useful lives, are depreciated. The exceptions to this rule include items under operating leases, assets held for sale, land and investment properties.

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. Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

Asset	Useful life: years
Buildings	10 to 60
Infrastructure	10 to 150
Plant, equipment and vehicles (incl. leased assets)	3 to 10
Roads	10 to 150

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

Impairment: Non-financial assets, including items of infrastructure, property, plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired.

The assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset’s carrying value exceeds its recoverable amount, the difference is written off as an ‘other economic flow’, except to the extent that it can be debited to an asset revaluation surplus amount applicable to that class of asset.

If there is an indication that there has been a reversal in impairment, the carrying amount shall be increased to its recoverable amount. However, this reversal should not increase the asset’s carrying amount above what would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

4.3 RECONCILIATION OF MOVEMENTS IN CARRYING AMOUNTS OF PROPERTY, PLANT AND EQUIPMENT MOVEMENTS IN CARRYING AMOUNTS

For the 12 months ended 31 December 2017	Land at fair value	Buildings at fair value	Infrastructure at fair value	Plant, equipment and vehicles at fair value	Roads at fair value	Capital works in progress at fair value	(\$ whole)
							Total
Opening balance	39,403,800	12,202,909	22,395,177	2,050,308	14,168,888	118,585	90,339,667
Additions	-	20,200	217,018	98,939	-	388,297	724,454
Disposals	-	(22,000)	(226,269)	(25,090)	(18,348)	-	(291,707)
Impairment	-	-	-	(71,345)	-	-	(71,345)
Transfers	-	-	-	-	-	(97,175)	(97,175)
Revaluation of PPE	-	-	-	-	-	-	-
Depreciation	-	(393,089)	(774,503)	(311,517)	(531,711)	-	(2,010,819)
Closing balance	39,403,800	11,808,020	21,611,423	1,741,295	13,618,829	409,707	88,593,075

For the 14 months ended 31 December 2016	Land at fair value	Buildings at fair value	Infrastructure at fair value	Plant, equipment and vehicles at fair value	Roads at fair value	Capital works in progress at fair value	(\$ whole)
							Total
Opening balance	48,807,000	8,643,526	17,290,616	2,268,960	12,144,932	1,382,269	90,537,303
Additions	-	4,007	9,760	73,958	-	5,517,020	5,604,745
Disposals	-	(82,031)	(182,102)	(14,910)	(135,247)	-	(414,290)
Transfers	-	627,720	5,619,585	221,689	311,710	(6,780,704)	-
Revaluation of PPE	(9,403,200)	3,428,211	502,478	-	2,704,212	-	(2,768,299)
Depreciation	-	(418,524)	(845,160)	(499,389)	(856,719)	-	(2,619,792)
Closing balance	39,403,800	12,202,909	22,395,177	2,050,308	14,168,888	118,585	90,339,667

Notes to the Financial Statements

4.4 INTANGIBLE ASSETS

	2017	2016
		(\$ whole)
Gross carrying amount		
Opening balance	115,919	158,804
Additions	93,962	18,644
Amortisation of intangible assets	(53,188)	(61,529)
Closing balance	156,693	115,919

The consumption of intangible assets is included in the 'depreciation and amortisation' line item on the Comprehensive Operating Statement.

4.5 OTHER ECONOMIC FLOWS INCLUDED IN THE NET RESULT

	2017	2016
		(\$ whole)
Net gain/(loss) on disposal of infrastructure, property, plant and equipment	(280,821)	(302,678)
Impairment of infrastructure, property, plant and equipment	(71,345)	(71,567)
Other gain/(loss) from other economic activities	(191)	(192)
Total other economic flows included in the net result	(352,357)	(374,437)

5. OTHER ASSETS AND LIABILITIES

INTRODUCTION

This section sets out those assets and liabilities that arose from the Board's operations.

5.1 RECEIVABLES

	2017	2016
		(\$ whole)
Current receivables		
Contractual		
Sale of goods and services	215,646	581,919
Provision for doubtful receivables	(11,500)	(67,171)
Accrued revenue	1,179,001	888,919
Statutory		
GST input tax credit recoverable	101,117	159,196
Total receivables	1,484,264	1,562,863

Contractual receivables are classified as financial instruments and categorised as 'loans and receivables'. They are initially recognised at fair value plus any directly attributable transaction costs. After initial measurement they are measured at amortised cost using the effective interest method, less any impairment.

Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment) but are not classified as financial instruments.

MOVEMENT IN THE PROVISION FOR DOUBTFUL DEBTS

	2017	2016
		(\$ whole)
Balance at beginning of the year	(67,171)	(123,632)
Transfer in	11,436	-
Increase in provision recognised in the net result	(4,331)	-
Reversal of provision of receivables written off during the year as uncollectable	48,566	56,461
Balance at end of the year	(11,500)	(67,171)

Doubtful debts: Receivables are assessed for bad and doubtful debts on a regular basis. A provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected, and bad debts are written off when identified. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with *AASB 136 Impairment of Assets*.

A provision is made for estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired. The decrease in the provision for the year is recognised in the net result.

5.1.1 AGEING ANALYSIS OF CONTRACTUAL RECEIVABLES

	Carrying amount	Not past due and not impaired	Less than 1 month	Past due but not impaired		
				1 – 3 months	3 months – 1 year	1 – 5 years
						(\$ whole)
2017						
Sale of goods and services	215,646	2,322	35,511	16,394	111,310	50,109
Accrued revenue	1,179,001	1,179,001	-	-	-	-
Total	1,394,647	1,181,323	35,511	16,394	111,310	50,109
2016						
Sale of goods and services	514,748	85,346	2,442	51,557	271,770	103,633
Accrued revenue	888,919	888,919	-	-	-	-
Total	1,403,667	974,265	2,442	51,557	271,770	103,633

No interest is charged for the first 30 days from the invoice date. Thereafter, interest can be charged at 10% on the outstanding balance for site rent and service charges. Any other kind of receivable does not incur interest, it incurs a late fee of \$15 per month after the first 30 days. The average credit period for sales of goods / services and for other receivables is 14 days. There are no material financial assets that are individually determined to be impaired.

Currently the Board does not hold any collateral as security nor credit enhancements relating to any of its financial assets.

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

Notes to the Financial Statements

5.2 PAYABLES

	2017	2016
		(\$ whole)
Current payables		
Contractual		
Supplies and services	312,043	901,362
Superannuation payable	92,122	54,651
Other payables	139,503	188,405
Statutory		
GST payable	181,028	96,155
Other taxes payable	87,303	64,100
Total payables	811,999	1,304,673

Payables consist of:

- **contractual payables**, classified as financial instruments and measured at amortised cost. Accounts payable represent liabilities for goods and services provided to the Board prior to the end of the financial year that are unpaid; and
- **statutory payables**, that are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from contracts.

Payables for supplies and services have an average credit period of 30 days. The terms and conditions of amounts payable to the government and agencies vary according to the agreements and as they are not legislative payables, they are not classified as financial instruments.

5.2.1 MATURITY ANALYSIS OF CONTRACTUAL PAYABLES

	Carrying amount	Nominal amount	Maturity dates				
			Less than 1 month	1 – 3 months	3 months – 1 year	1 – 5 years	5+ years
2017							
Supplies and services	312,043	312,043	282,043	-	-	-	30,000
Unearned revenue	278,555	278,555	-	91,806	186,749		
Superannuation payable	92,122	92,122	92,122				
Other payables and accruals	139,503	139,503	101,406	38,097			
Total	822,223	822,223	475,571	129,903	186,749	-	30,000
2016							
Supplies and services	901,362	901,362	901,362	-	-	-	-
Unearned revenue	221,426	221,426	-	-	221,426	-	-
Superannuation payable	54,651	54,651	54,651	-	-	-	-
Other payables and accruals	188,405	188,405	188,405	-	-	-	-
Total	1,365,844	1,365,844	1,144,418	-	221,426	-	-

Maturity analysis is presented using the contractual undiscounted cash flows.

5.3 INVENTORIES

	2017	2016
		(\$ whole)
Current inventories		
Diesel at cost	31,644	31,726
Unleaded petrol at cost	6,565	4,842
Total inventories	38,209	36,569

Inventories include goods held for distribution at nominal cost and are measured at the lower of cost and net realisable value, adjusted for any loss of service potential.

5.4 PREPAYMENTS

	2017	2016
		(\$ whole)
Current other assets		
Prepayments	335,220	238,885
Total other assets	335,220	238,885

Prepayments represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period.

5.5 UNEARNED REVENUE

	2017	2016
		(\$ whole)
Current other liabilities		
Unearned revenue	278,555	221,426
Total unearned revenue	278,555	221,426

Unearned revenue includes funds received in advance of the Board delivering that service or that part of income received made in one accounting period covering a term extending beyond that period.

Notes to the Financial Statements

6. HOW WE FINANCED OUR OPERATIONS

INTRODUCTION

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

This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Notes 7.2 and 7.3 provide additional, specific financial instrument disclosures.

6.1 BORROWINGS

	2017	2016
Current borrowings		
Loan from TCV (i)	173,363	166,776
Total current borrowings	173,363	166,776
Non current borrowings		
Loan from TCV (i)	799,189	972,552
Total non current borrowings	799,189	972,552
Total borrowings	972,552	1,139,328

Note: (i) Unsecured credit foncier loan drawn down in February 2013 for a term of 10 years at a fixed interest rate of 3.9%.

Borrowings' refer to interest bearing liabilities mainly raised from public borrowings raised through the Treasury Corporation of Victoria (TCV).

Borrowings are classified as financial instruments. All interest-bearing borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. The measurement basis after initial recognition depends on whether the Board has categorised its interest-bearing liabilities as either 'financial liabilities designated at fair value through profit or loss', or financial liabilities at 'amortised cost'. The classification depends on the nature and purpose of the interest-bearing liabilities. The Board determines the classification of its interest-bearing liabilities at initial recognition.

Defaults and breaches: During the current and prior year, there were no defaults and breaches on the loan held.

6.1.1 MATURITY ANALYSIS OF BORROWINGS

	Carrying amount	Nominal amount	Maturity dates				
			Less than 1 month	1 – 3 months	3 months – 1 year	1 – 5 years	5+ years
2017							
Loan from TCV	972,552	972,552	14,192	28,521	130,650	799,189	-
Total	972,552	972,552	14,192	28,521	130,650	799,189	-
2016							
Loan from TCV	1,139,328	1,139,328	13,653	27,438	125,685	938,046	34,506
Total	1,139,328	1,139,328	13,653	27,438	125,685	938,046	34,506

6.1.2 INTEREST EXPENSE

	12 months 2017	14 months 2016
Total interest expense	41,216	56,130
Total interest expense	41,216	56,130

Interest expense includes costs incurred in connection with the borrowing of funds and includes interest on short term and long term borrowings. Interest expense is recognised in the period in which it is incurred.

6.2 OPERATING LEASES RECEIVABLE

	12 months 2017	14 months 2016
Non-cancellable operating lease receivables		
Not longer than 1 year	1,363,692	1,314,025
Longer than 1 year but not longer than 5 years	5,001,482	4,880,481
Longer than 5 years	29,339,423	28,628,444
Total operating leases receivable	35,704,597	34,822,950

Crown land is recorded in the accounts of the Board. The Board has bought to account the rental revenue in relation to the leased sites and does not account for depreciation since the class of asset is defined as land. No adjustments have been made for CPI to these amounts. The Board, acting as a Committee of Management under section 38 of the *Alpine Resorts (Management) Act 1997*, manages 100 Crown lease arrangements with site holders. The lease arrangements cover a variety of lease periods.

6.3 CASH FLOW INFORMATION AND BALANCES

	2017	2016
Total cash and deposits disclosed in the balance sheet	655,885	169,491
Balance as per cash flow statement	655,885	169,491

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

For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as current borrowings on the balance sheet, as indicated in the reconciliation below.

Notes to the Financial Statements

6.3.1 RECONCILIATION OF NET RESULT FOR THE PERIOD TO CASH FLOW FROM OPERATING ACTIVITIES

	2017	2016
		(\$ whole)
Net result for the period	(849,826)	(1,706,009)
Non-cash movements		
Depreciation and amortisation of non current assets	2,064,008	2,668,326
(Gain)/loss on disposal of non-current assets	280,821	302,678
Impairment of non-current assets	71,345	71,567
Movements in assets and liabilities		
(Increase)/decrease in receivables	78,599	(208,411)
(Increase)/decrease in inventories	(1,640)	6,094
(Increase)/decrease in prepayments	(96,335)	100,374
Increase/(decrease) in payables	(578,548)	359,267
Increase/(decrease) in unearned revenue	51,441	214,335
Increase/(decrease) in provisions	152,099	17,606
Net cash flows from/(used in) operating activities	1,171,964	1,825,827

6.4 COMMITMENTS FOR EXPENDITURE

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are recorded below at their nominal value and inclusive of GST. Where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

6.4.1 TOTAL COMMITMENTS PAYABLE

NOMINAL AMOUNTS: 2017

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
				(\$ whole)
Capital expenditure commitments payable	187,784	-	-	187,784
Operating and lease commitments payable (i)	109,021	305,960	7,475,821	7,890,801
Other commitments payable (ii)	1,611,998	3,636,877	-	5,248,875
Total commitments (inclusive of GST)	1,908,803	3,942,837	7,475,821	13,327,461
Less GST recoverable from the Australian Tax Office				(1,211,587)
Total commitments (exclusive of GST)				12,115,873

NOMINAL AMOUNTS: 2016

	Less than 1 year	Between 1 and 5 years	Over 5 years	Total
				(\$ whole)
Capital expenditure commitments payable	-	-	-	-
Operating and lease commitments payable (i)	51,780	220,393	7,534,967	7,807,140
Other commitments payable (ii)	1,286,546	3,508,647	-	4,795,193
Total commitments (inclusive of GST)	1,338,326	3,729,040	7,534,967	12,602,333
Less GST recoverable from the Australian Tax Office				(1,145,667)
Total commitments (exclusive of GST)				11,456,666

Notes: (i) Non-cancellable operating lease payments are recognised on the balance sheet.

(ii) Subleases in relation to occupancy of the boardroom, childcare, gymnasium, public amenities and visitors' information hub within the St Falls development. The sub-leases cover all rental, outgoings and operating expenses for the remaining term of 63 years. Other operating lease commitments payable include gym equipment, office equipment and vehicles where the contracts do not allow for purchase of the items upon lease expiry.

(iii) Service contracts for Transport and Waste Services, event sponsorships, parking infringements processing, software licencing and land release and development expressions of interest.

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

INTRODUCTION

The Board is exposed to risk from its activities and outside factors. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for the Board related mainly to fair value determination.

BACKGROUND

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of Board's activities, certain financial assets and financial liabilities arise under statute rather than a contract (for example taxes, fines and penalties). Such assets and liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*.

Guarantees issued on behalf of the Board are financial instruments because, although authorised under statute, terms and conditions for each financial guarantee may vary and are subject to an agreement.

CATEGORIES OF FINANCIAL INSTRUMENTS

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

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

Financial assets and liabilities at fair value through net result are categorised as such at trade date, or if they are classified as held for trading or designated as such upon initial recognition. After initial recognition, they are measured at fair value with gains and losses arising from changes in fair value, recognised in 'Other economic flows – other comprehensive income' until the investment is disposed. Movements resulting from impairment are recognised in the net result as other economic flows. On disposal, the cumulative gain or loss previously recognised in 'Other economic flows – other comprehensive income' is transferred to other economic flows in the net result. The Board recognises investments in equities and managed investment schemes in this category.

7.1 FINANCIAL INSTRUMENTS SPECIFIC DISCLOSURES

Financial instrument assets are designated at fair value through profit or loss on the basis that the financial assets form part of a group of financial assets that are managed based on their fair values and have their performance evaluated in accordance with documented risk management and investment strategies. Financial instruments at fair value through net result are initially measured at fair value; attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as other economic flows. The Board recognises certain debt securities in this category.

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

The Board recognises the following liabilities in this category:

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

Derecognition of financial assets:

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired; or
- the Board has transferred its rights to receive cash flows from the asset and either:
 - a) has transferred substantially all the risks and rewards of the asset; or
 - b) has neither transferred nor retained substantially all the risks and rewards of the asset but has transferred control of the asset.

Where the Board has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of the Board's continuing involvement in the asset.

Impairment of financial assets: At the end of each reporting period, the Board assesses 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.

The allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

Derecognition of financial liabilities:

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Notes to the Financial Statements

7.1.1 FINANCIAL INSTRUMENTS: CATEGORISATION

	Contractual financial assets – loans and receivables and cash	Contractual financial liabilities at amortised cost	Total
2017			
Contractual financial assets			
Cash and deposits	655,885	-	665,885
Receivables (i)			
Sale of goods and services	215,646	-	215,646
Accrued revenue	1,179,001	-	1,179,001
Total contractual financial assets	2,050,532	-	2,050,532
Contractual financial liabilities			
Payables (i)			
Supplies and services	-	312,043	312,043
Superannuation payable	-	92,122	92,122
Other payables	-	139,503	139,503
Unearned revenue	-	278,555	278,555
Borrowings			
Loans from TCV	-	972,552	972,552
Total contractual financial liabilities	-	1,794,775	1,794,775

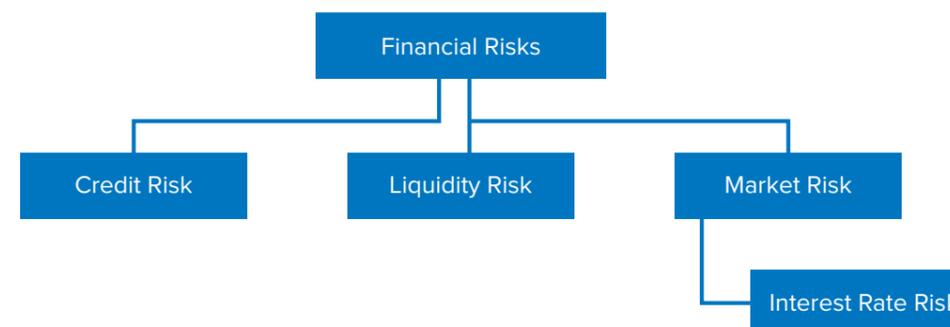
Notes: (i) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian government and GST input tax credit recoverable and taxes payable).

	Contractual financial assets – loans and receivables and cash	Contractual financial liabilities at amortised cost	Total
2016			
Contractual financial assets			
Cash and deposits	169,491	-	169,491
Receivables (i)			
Sale of goods and services	514,748	-	514,748
Accrued revenue	888,919	-	888,919
Total contractual financial assets	1,573,158	-	1,573,158
Contractual financial liabilities			
Payables (i)			
Supplies and services	-	901,362	901,362
Superannuation payable	-	54,651	54,651
Other payables	-	188,405	188,405
Unearned revenue	-	221,426	221,426
Borrowings			
Loans from TCV	-	1,139,328	1,139,328
Total contractual financial liabilities	-	2,505,172	2,505,172

Notes: (i) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian government and GST input tax credit recoverable and taxes payable).

7.1.2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Board is exposed to many financial risks, including:



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

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses

are recognised, with respect to each class of financial asset, financial liability and equity instrument above are disclosed in Note 7.2.

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

The Board uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the Finance, Risk and Audit Committee of the Board.

7.1.2.1 FINANCIAL INSTRUMENTS: CREDIT RISK

Credit risk refers to the possibility that a site holder will default on its financial obligations as and when they fall due. The Board's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the Board. Credit risk is measured at fair value and is monitored on a regular basis. The Board makes every attempt to communicate with Site Holders regarding any overdue financial obligations. As discussed in note 5.1, interest is not charged on the first 30 days after the invoice date. Board policies are in place to ensure that sufficient communication is undertaken

with Site Holders via various methods and communicated back to management in a timely manner. Any payment plans entered into are discussed with the Director Corporate Services and Chief Executive Officer and placed in writing.

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

Provision of doubtful debts for contractual financial assets is recognised when there

is objective evidence that the Board will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debts which are more than 90 days overdue.

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

There has been no material change to the Board's credit risk profile in 2017.

Notes to the Financial Statements

CREDIT QUALITY OF CONTRACTUAL FINANCIAL ASSETS THAT ARE NEITHER PAST DUE NOR IMPAIRED (i)

	Financial institutions	Government agencies	Other	Total
(\$ whole)				
2017				
Cash and deposits	650,528	-	5,357	655,885
Receivables (i)	-	-	215,646	215,646
Accrued revenue	-	-	1,179,001	1,179,001
Total contractual financial assets	650,528	-	1,400,004	2,050,532
2016				
Cash and deposits	163,499	-	5,992	169,491
Receivables (i)	-	-	514,748	514,748
Accrued revenue	-	-	888,919	888,919
Total contractual financial assets	163,499	-	1,409,659	1,573,158

Notes: (i) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian government and GST input tax credit recoverable).

7.1.2.2 FINANCIAL INSTRUMENTS: LIQUIDITY RISK

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

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

- close monitoring of its short-term and long-term borrowings by senior

management, including monthly reviews on current and future borrowing levels and requirements;

- maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligations; and
- careful maturity planning of its financial obligations based on forecasts of future cash flows.

The Board's exposure to liquidity risk is decreasing based on prior period's data and current assessment of risk. Stringent

cashflow analysis and control is taking place by management to continue minimising this risk. To mitigate liquidity issues in 2017 the Board exercised a short-term facility and borrowed \$1,000,000 from the Department of Environment, Land, Water & Planning. The facility was fully extinguished in August 2017. The reinstatement of financial controls in-house and rigid financial management systems has improved cashflow and liquidity integrity.

The carrying amount detailed in the table at 5.2.1 of contractual financial liabilities recorded in the financial statements represents the Board's maximum exposure to liquidity risk

7.1.2.3 FINANCIAL INSTRUMENTS: MARKET RISK

The Board's exposures to market risk are primarily through interest rate risk. Objectives, policies and processes used to manage each of these risks are disclosed below.

SENSITIVITY DISCLOSURE ANALYSIS AND ASSUMPTIONS

The Board's sensitivity to market risk is determined based on the observed range of actual historical data for the preceding five-year period, with all variables other than the primary risk variable held constant. The Board's fund managers cannot be expected to predict movements in market rates and prices. Sensitivity analyses shown are for illustrative purposes only. A movement of 100 basis points up and down in market interest rates (AUD) is 'reasonably possible' over the

next 12 months. The following table shows the impact on the Board's net result and equity for each category of financial instrument held by the Board at the end of the reporting period as presented to key management personnel, if the above movement were to occur.

INTEREST RATE RISK

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

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market

interest rates. The Board has minimal exposure to cash flow interest rate risks through cash and deposits that are at floating rates.

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

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

7.1.2.3 FINANCIAL INSTRUMENTS: MARKET RISK (CONTINUED)

Interest rate exposure of financial instruments	Weighted average interest rate %	Carrying amount	(\$ whole)		Non-interest bearing
			Fixed interest rate	Variable interest rate	
2017					
Financial assets					
Cash and deposits	0.00%	655,885	-	650,528	5,357
Receivables (i)					
Sale of goods and services		215,646	-	-	215,646
Accrued revenue		1,179,001	-	-	1,179,001
Total financial assets		2,050,532	-	650,528	1,400,004
Financial liabilities					
Payables (i)					
Supplies and services		312,043	-	-	312,043
Superannuation payable		92,122	-	-	92,122
Other payables		139,503	-	-	139,503
Unearned revenue		278,555	-	-	278,555
Borrowings					
Loan from TCV	3.90%	972,552	972,552	-	-
Total financial liabilities		1,794,775	972,552	-	822,223
2016					
Financial assets					
Cash and deposits	1.57%	169,491	-	163,499	5,992
Receivables (i)					
Sale of goods and services		514,748	-	-	514,748
Accrued revenue		888,919	-	-	888,919
Total financial assets		1,573,158	-	163,499	1,409,659
Financial liabilities					
Payables (i)					
Supplies and services		901,362	-	-	901,362
Superannuation payable		54,651	-	-	54,651
Other payables		188,405	-	-	188,405
Unearned revenue		221,426	-	-	221,426
Borrowings					
Loan from TCV	3.90%	1,139,328	1,139,328	-	-
Total financial liabilities		2,505,172	1,139,328	-	1,365,844

Notes: (i) The carrying amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian government and GST input tax credit recoverable).

Notes to the Financial Statements

7.1.3.3 FINANCIAL INSTRUMENTS: MARKET RISK (CONTINUED)

INTEREST RATE RISK SENSITIVITY

	(\$ whole)		- 100 basis points		+100 basis points
2017	Carrying amount	Net result	Available for sale revaluation surplus	Net result	Available for sale revaluation surplus
Contractual financial assets					
Cash and deposits	650,528	(6,505)	-	6,505	-
Total impact		(6,505)	-	6,505	-
2016			- 100 basis points		+100 basis points
Contractual financial assets					
Cash and deposits	163,499	(1,635)	-	1,635	-
Total impact		(1,635)	-	1,635	-

7.2 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed and, if quantifiable, are measured at nominal value.

Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

CONTINGENT ASSETS

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

These are classified as either quantifiable, where the potential economic benefit is known, or non-quantifiable.

The Board has no contingent assets (2017: \$Nil)

CONTINGENT LIABILITIES

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- present obligations that arise from past events but are not recognised because:

- it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations; or

- the amount of the obligations cannot be measured with sufficient reliability.

Contingent liabilities are also classified as either quantifiable or non-quantifiable.

NON-QUANTIFIABLE CONTINGENT LIABILITIES

The Board has one outstanding insurance claim at balance date, which may result in legal proceedings to determine liability. At balance date, the Board is unable to reliably measure outstanding insurance claims.

7.3 FAIR VALUE DETERMINATION

SIGNIFICANT JUDGEMENT: FAIR VALUE MEASUREMENTS OF ASSETS AND LIABILITIES

Fair value determination requires judgement and the use of assumptions. This section discloses the most significant assumptions used in determining fair values. Changes to assumptions could have a material impact on the results and financial position of the Board.

This section sets out information on how the Board determined fair value for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following assets and liabilities are carried at fair value:

- Financial assets and liabilities at fair value through operating result; and
- Land, buildings, infrastructure, plant and equipment.

In addition, the fair values of other assets and liabilities which are carried at amortised

cost, also need to be determined for disclosure purposes.

The Board determines the policies and procedures for determining fair values for both financial and non-financial assets and liabilities as required.

FAIR VALUE HIERARCHY

In determining fair values, several inputs are used. To increase consistency and comparability in the financial statements, these inputs are categorised into three levels, also known as the fair value hierarchy. The levels are as follows:

- Level 1 – Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 – Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

The Board determines whether transfers have occurred between levels in the hierarchy by

reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

HOW THIS SECTION IS STRUCTURED?

For those assets and liabilities for which fair values are determined, the following disclosures are provided:

- carrying amount and the fair value (which would be the same for those assets measured at fair value);
- which level of the fair value hierarchy was used to determine the fair value; and
- in respect of those assets and liabilities subject to fair value determination using Level 3 inputs:
 - a reconciliation of the movements in fair values from the beginning of the year to the end; and
 - details of significant unobservable inputs used in the fair value determination.

This section is divided between disclosures in connection with fair value determination for financial instruments (refer Note 7.3.1) and non-financial physical assets (refer 7.3.2)

7.3.1 FAIR VALUE DETERMINATION OF FINANCIAL ASSETS AND LIABILITIES

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

- Level 1 – the fair value of financial instrument with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;

- Level 2 – the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3 – the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

The Board currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts are a reasonable approximation of fair value, either due to their short-term nature or with the expectation that they will be paid in full by the end of the 2018 reporting period. These financial instruments include:

Financial Assets	Financial Liabilities
Cash and deposits	Payables:
Receivables:	• For supplies and services
• Sale of goods and services	• Amounts payable to government and agencies
• Accrued investment income	• Other payables
• Other receivables	Borrowings:
Investments and other contractual financial assets	• Loan from TCV

Where the fair value of the financial instruments is different from the carrying amounts, the following information has been included to disclose the difference. For financial assets and liabilities, the carrying amount is the same as fair value.

Notes to the Financial Statements

7.3.2 FAIR VALUE DETERMINATION: NON-FINANCIAL PHYSICAL ASSETS

FAIR VALUE MEASUREMENT HIERARCHY

(\$ whole)

2017	Carrying amount as at 31 December 2017	Fair value measurement at end of reporting period using		
		Level 1	Level 2	Level 3
Land at fair value				
Specialised land	39,403,800	-	38,691,800	712,000
Total land at fair value	39,403,800	-	38,691,800	712,000
Buildings at fair value				
Specialised buildings	11,808,020	-	-	11,808,020
Total buildings at fair value	11,808,020	-	-	11,808,020
Plant, equipment and vehicles at fair value				
Plant, equipment and vehicles	1,741,295	-	-	1,741,295
Total plant, equipment and vehicles at fair value	1,741,295	-	-	1,741,295
Infrastructure at fair value				
Infrastructure systems	21,611,423	-	-	21,611,423
Roads	13,618,829	-	-	13,618,829
Total infrastructure at fair value	35,230,252	-	-	35,230,252

2016	Carrying amount as at 31 December 2016	Fair value measurement at end of reporting period using		
		Level 1	Level 2	Level 3
Land at fair value				
Specialised land	39,403,800	-	38,691,800	712,000
Total land at fair value	39,403,800	-	38,691,800	712,000
Buildings at fair value				
Specialised buildings	12,202,909	-	-	12,202,909
Total buildings at fair value	12,202,909	-	-	12,202,909
Plant, equipment and vehicles at fair value				
Plant, equipment and vehicles	2,050,308	-	-	2,050,308
Total plant, equipment and vehicles at fair value	2,050,308	-	-	2,050,308
Infrastructure at fair value				
Infrastructure systems	22,395,177	-	-	22,395,177
Roads	14,168,888	-	-	14,168,888
Total infrastructure at fair value	36,564,065	-	-	36,564,065

There have been no transfers between levels during the period.

SPECIALISED LAND AND SPECIALISED BUILDINGS

Specialised land is valued using the market approach, adjusted for Community Service Obligation (CSO) to reflect the specialised nature of the land being valued.

Under the market approach to valuation, the assets are compared to recent comparable sales or sales of comparable assets, which are considered to have nominal or no added improvement value. The valuation of such assets is performed by analysing comparable sales and allowing for share, size, topography, location and other relevant factors specific to the asset being valued.

The CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that it is also equally attributable to market participants. This approach is in light of the highest and best use consideration required for fair value measurement and takes into account the use of the asset that is physically possible, legally permissible and

financially feasible. Specialised land that is valued on lease rent with no CSO applied is categorised as level 2 land. Specialised land and buildings with adjustments of CSO that are considered as significant unobservable inputs, would be classified as level 3 assets.

Specialised buildings are valued using the depreciated replacement cost method, adjusting for the associated depreciations. As depreciation adjustments are observable in nature, specialised buildings are classified as Level 3 fair value measurements.

An independent valuation of specialised land and buildings was performed by the Valuer-General Victoria (VGV). The effective date of the valuation is 31 December 2016. There were no changes to the valuation during 2017.

INFRASTRUCTURE

Infrastructure assets, including road infrastructure, are valued using the depreciated replacement cost method. This cost represents the replacement cost of the building/component after applying depreciation rates on a useful life basis.

Replacement costs relate to costs to replace the current service capacity of the asset. Economic obsolescence has also been factored into the depreciated replacement cost calculation.

An independent valuation of the Board's infrastructure assets was performed by the Valuer-General Victoria. The valuation was performed based on the depreciated replacement costs of the assets. The effective date of the valuation is 31 December 2016. There were no changes to the valuation during 2017.

PLANT AND EQUIPMENT

Plant and equipment is held at fair value. When plant and equipment is specialised in use, such that it is rarely sold other than as part of a going concern, fair value is determined using depreciated cost method.

There were no changes in valuation techniques throughout the period to 31 December 2017.

For assets measured at fair value, the current use is considered the highest and best use.

RECONCILIATION OF LEVEL 3 FAIR VALUE

For the 12 months ended 31 December 2017	Specialised land	Specialised buildings	Plant, equipment and vehicles	Infrastructure systems	Roads
Opening balance	712,000	12,202,909	2,050,308	22,395,177	14,168,888
Additions	-	20,200	98,939	217,018	-
Disposals	-	(22,000)	(25,090)	(226,269)	(18,348)
Impairment	-	-	(71,345)	-	-
Depreciation	-	(393,089)	(311,517)	(774,503)	(531,711)
Closing balance	712,000	11,808,020	1,741,295	21,611,423	13,618,829

For the 14 months ended 31 December 2016	Specialised land	Specialised buildings	Plant, equipment and vehicles	Infrastructure systems	Roads
Opening balance	712,000	8,643,526	2,268,960	17,290,616	12,144,932
Additions	-	549,696	280,737	5,447,243	176,463
Depreciation	-	(418,524)	(499,389)	(845,160)	(856,719)
Revaluation of PPE	-	3,428,211	-	502,478	2,704,212
Closing balance	712,000	12,202,909	2,050,308	22,395,177	14,168,888

Notes to the Financial Statements

DESCRIPTION OF SIGNIFICANT UNOBSERVABLE INPUTS TO LEVEL 3 VALUATIONS

	Valuation Technique	Significant Unobservable inputs
Specialised land	Market Approach	Community Service Obligation Adjustment (CSO)
Specialised buildings	Depreciated replacement cost	Replacement cost per square metre Useful life of specialised buildings
Plant and equipment	Depreciated replacement cost	Cost per unit Useful life of plant and equipment
Infrastructure	Depreciated replacement cost	Cost per unit Useful life of plant and equipment
Roads	Depreciated replacement cost	Cost per unit Useful life of plant and equipment

8. OTHER DISCLOSURES

INTRODUCTION

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

8.1 EX-GRATIA EXPENSES

There were no ex-gratia expenses paid during the financial year ended 31 December 2017 (2016: \$Nil).

8.2 OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT

Other economic flows are changes in the volume or value of an asset or liability that do not result from transactions. Other gains/(losses) from other economic flows include the gains or losses from:

- the revaluation of the present value of the long service leave liability due to changes in the bond interest rates.

8.3 NON-FINANCIAL ASSETS HELD FOR SALE

In addition to the assets and liabilities disclosed above as part of the disposal groups, the following non-financial asset held for sale exists at the reporting date:

	2017	2016
Non-financial assets		-
Plant and equipment (Belt Press) held for sale	18,000	-
Total non-financial assets held for sale	18,000	-

(\$ whole)

The non-financial asset held for sale is measured at fair value less cost to sell. This is held within the balance sheet in Infrastructure, property, plant and equipment until the sale is made. Any impairments incurred are included in the above net gain/(loss) on non-financial assets per AASB 5 Non-current assets held for sale and discontinued operations.

8.4 RESPONSIBLE PERSONS

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994* (FMA), the following disclosures are made regarding responsible persons for the reporting period

NAMES

The persons who held the positions of Ministers and Responsible Officers in the Board are as follows:

Minister for Energy, Environment and Climate Change

The Hon Lily D'Ambrosio MP (1 January 2017 to 31 December 2017)

The Minister's remuneration and allowances are set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the Department of Parliamentary Services' Financial Report.

The persons who held the positions of Responsible Officers in the Board are as follows:

Name	Position	Period
Mark Anderson	Board Chair	(1 January 2017 to 31 December 2017)
Roger Kilby	Deputy Chair	(1 January 2017 to 31 December 2017)
Sue Lebish	Board Member	(1 January 2017 to 31 December 2017)
Lisa Logan	Board Member	(1 January 2017 to 31 December 2017)
Lindy Allen	Board Member	(1 January 2017 to 31 December 2017)
Jason Alexandra	Board Member	(1 January 2017 to 31 December 2017)
Anne-Marie Tenni	Board Member	(1 January 2017 to 31 December 2017)
Stuart Smythe	CEO & Accountable Officer	(1 January 2017 to 31 December 2017)

Remuneration received or receivable by the responsible persons in connection with the management of the Board during the reporting period was \$313,598 (2016: \$347,486).

The number of responsible persons and their total remuneration during the reporting period are shown in the table below in their relevant income bands.

Income bands	Total remuneration	
	12 months 2017	14 months 2016
\$0-\$9,999	6	10
\$10,000-\$19,999	1	1
\$250,000-\$259,999	1	-
\$270,000-\$279,999	-	1
Total number of responsible persons	8	12
Total remuneration	\$313,598	\$347,486

(\$ whole)

Notes to the Financial Statements

8.5 REMUNERATION OF EXECUTIVES

The remuneration of the executive officers including superannuation shows the total annualised employee equivalents provides a measure of full time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits in all forms of consideration paid, payable or provided by the entity, or on behalf of the

entity, in exchange for services rendered, and is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Post-employment benefits include pensions

and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Other long-term benefits include long service leave, other long service benefits or deferred compensation.

No termination benefits or shared-based payments were paid to executive officers throughout the 2017 Financial Year.

REMUNERATION

(\$ whole)

	Total remuneration	
	2017	2016 (i)
Short-term employee benefits	\$727,875	n/a
Post-employment benefits	\$69,148	n/a
Other long-term benefits	\$16,230	n/a
Total remuneration (i) (ii)	\$813,253	n/a
Total number of executives	11	n/a
Total annualised employee equivalents (iii)	11	n/a

Notes: (i) Note that for the first year of implementation (2017), no comparatives will be required.

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

(iii) Annualised employee equivalent is based on paid working hours of 38 ordinary hours per week over the 52 weeks for a reporting period.

8.6 RELATED PARTIES

AASB 124 – Related Party Disclosures has changed the disclosure requirements for related party transactions within the 2017 financial year. The following disclosures are in-line with the AASB requirements.

The new requirements omit transactions from being disclosed that are of the nature of an ordinary citizen paying taxes and rates. Due to this, any related party transactions listed below with site holders do not have the site rent disclosed, as this is determined an ordinary citizen transaction. Service charges are disclosed in the below, as the Board has determined this to be outside the realm of ordinary citizen transactions.

The Board is a wholly owned and controlled entity of the State of Victoria.

Related parties of the Board include:

- all key management personnel and their close family members;
- all cabinet ministers and their close family members; and
- all departments and public-sector entities

that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions have been entered on an arm's length basis.

SIGNIFICANT TRANSACTIONS WITH GOVERNMENT-RELATED ENTITIES

The Board received a short-term cash flow injection from the Department of Environment, Land, Water & Planning (DELWP) totalling \$1,000,000 in January 2017. The terms of this cash flow injection were for full repayment in August 2017. No interest would be calculated on the amount. This was paid back to the Department during August 2017, leaving no outstanding commitments on the balance sheet. Other transactions with the DELWP included income of \$200,000 grant funding; expenses of \$47,152 for various governance fees and valuation fees from site holders.

The Board received funds from Diana Alpine Lodge Pty Ltd during the year for marketing membership, service charges

and environmental health registration totalling \$44,900 and paid out to Diana Alpine Lodge Pty Ltd amounts of \$7,111 for accommodation and the catering of meetings.

The Board paid an amount to Alpine Resorts Co-ordinating Council (ARCC) of \$409,939 for operational and marketing contributions (2016: \$465,548).

During the year, the Board had the following government-related entity transactions related to the reimbursement of shared costs for legal advice and training expenses with Mt Buller Mt Stirling (ARMB); Mt Hotham (ARMB); and Lake Mountain (ARMB).

Key management personnel of the Board include the Cabinet Minister, Portfolio Minister, Board members and the Executive Officer. The compensation detailed below excludes the salaries and benefits the Cabinet Minister & Portfolio Minister receives. The Minister's remuneration and allowances is set by the Parliamentary Salaries and Superannuation Act 1968 is reported within the Department of Parliamentary Services' Financial Report.

COMPENSATION OF KMPs

(\$ actual)

	2017
Short-term benefits	\$281,462
Post-employment benefits	\$26,739
Other long-term benefits	\$5,397
Total (a)	\$313,598

Notes: (a) Note that KMP are also reported in the disclosure of remuneration of executives (Note 8.5).

TRANSACTIONS WITH KEY MANAGEMENT PERSONNEL AND OTHER RELATED PARTIES

Given the breadth and depth of State government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment of processes within the Victorian public sector occur on terms and conditions consistent with the Public Administration Act 2004 and Codes of Conduct and Standards issued by the Victorian Public-Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements.

Outside of normal citizen type transactions with the Board, there were no related party transactions that involved key management personnel, their close family members and their personal business interests. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

8.7 REMUNERATION OF AUDITORS

(\$ whole)

	12 months 2017	14 months 2016
Victorian Auditor General's Office		
Audit or review of the financial statements	57,600	55,620
HLB Mann Judd		
Internal audit	17,160	39,577
Total remuneration of auditors	74,760	95,197

8.8 SUBSEQUENT EVENTS

The Board is not aware of any subsequent events that have occurred after the reporting period and before authorisation of the financial statements.

The policy in connection with recognising subsequent events is as follows: where events occur between the end of the reporting period and the date when the financial statements are authorised for issue:

- adjustments are made to amounts recognised in the financial statements where those events provide information about conditions which existed at the reporting date; and/or
- disclosure is made where the events relate to conditions which arose after the end of the reporting period that are of material interest.

Notes to the Financial Statements

8.9 AUSTRALIAN ACCOUNTING STANDARDS ISSUED THAT ARE NOT YET EFFECTIVE

Certain new Australian Accounting Standards (AAS) have been published that are not mandatory for the 31 December 2017 reporting period. The Department of Treasury and Finance assesses the impact of these new standards and advises the Board of their applicability and early adoption where applicable.

The following Australian Accounting Standards (AASs) become effective for reporting periods commencing after the operative dates stated:

Standard/interpretation	Summary	Applicable for reporting periods beginning on	Impact on public sector entity financial statements
AASB 15 Revenue from Contracts with Customers	The core principal of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 Jan 2018	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The standard will also require additional disclosures on service revenue and contract modifications.
AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities	The standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019	1 Jan 2019	This amending standard will defer the application of AASB 15 for not-for-profit entities to the 2019 reporting period.
AASB 16 Leases	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on the balance sheet.	1 Jan 2019	The assessment has indicated that most operating leases will come onto the balance sheet, recognition of the right-of-use assets and lease liabilities will cause net debt to increase.
AASB 1058 Income of Not-for-Profit Entities	The standard replaces AASB 1004 Contributions and establishes revenue recognition principles for transactions where the consideration to acquire an asset is significantly less than fair value to enable the not-for-profit entity to further its objectives.	1 Jan 2019	The assessment has indicated that revenue from capital grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as performance obligations are satisfied. As a result, the timing recognition of revenue will change.

8.10 GLOSSARY OF TECHNICAL TERMS

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

Amortisation is the expense that results from the consumption, extraction or use over time of a non-produced physical or intangible asset. This expense is classified as an 'other economic flow'.

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

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

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

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

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

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

settle or resolve a possible legal liability or claim against the entity.

Financial asset is any asset that is:

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

- a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

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

Financial liability is any liability that is:

- (a) a contractual obligation:
 - to deliver cash or another financial asset to another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- (b) a contract that will or may be settled in the entity's own equity instruments and is:
 - a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
 - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Infrastructure systems provide essential services used in the delivery of final services or products. They are generally a complex interconnected network of individual assets and mainly include sewerage systems, water storage and supply systems, and public transport assets owned by the State.

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

8.11 STYLE CONVENTIONS

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

The notation used in the tables is as follows:

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

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

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

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

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

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

Other economic flows included in net result are changes in the volume or value of an asset or liability that do not result from transactions. In simple terms, other

economic flows are changes arising from market remeasurements. They include gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets; fair value changes of financial instruments and agricultural assets; and depletion of natural assets (non-produced) from their use or removal.

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

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

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

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

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

- zero, or rounded to zero
- (xxx) negative numbers
- 201x year period
- 201x 201x year period

The financial statements and notes are presented based on the illustration for a

government department in the 2016-17 Model Report for Victorian Government Departments. The presentation of other disclosures is generally consistent with the other disclosures made in earlier publications of the Board's annual report.

Disclosure Index

The Annual Report of the Falls Creek Alpine Resort Management Board is prepared in accordance with all relevant Victorian legislation and pronouncements. This index has been prepared to facilitate identification of compliance with statutory disclosure requirements.

DISCLOSURE REQUIREMENT	PAGE
Accountable Officer's declaration	
SD 5.2 Sign off requirements	33
Charter and purpose	
FRD 22H Objectives, functions, powers and duties	8-9, 28-30
FRD 22H Manner of establishment and responsible Minister	8
FRD 22H Nature and range of services provided	28
Financial information	
FRD 22H Operational and budgetary objectives and performance against objectives	10
FRD 22H Summary of the financial results	11
FRD 22H Major changes or factors affecting performance	10
FRD 22H Subsequent events	29, 67
FRD 22H Significant changes in financial position during the year	10-11
Governance and organisational structure	
FRD 22H Organisational structure	22
FRD 22H Occupational health and safety	26
FRD 22H Employment and conduct principles	9, 29-30
FRD 29B Workforce Data disclosures	27
FRD 15D Executive officer disclosures	65-67
Other information	
FRD 10A Disclosure index	70
FRD 25C Victorian Industry Participation Policy disclosures	29
FRD 22H Details of consultancies in excess of \$10,000	30
FRD 22H Details of consultancies under \$10,000	30
FRD 12B Disclosure of major contracts	29-30
FRD 22H Application and operation of <i>Freedom of Information Act 1982</i>	29-30
FRD 22H Compliance with building and maintenance provisions of <i>Building Act 1993</i>	28
FRD 22H Statement on National Competition Policy	29
FRD 22H Application and operation of the <i>Protected Disclosure Act 2012</i>	29
FRD 24C Reporting of office-based environmental impacts	18-21
FRD 22H Statement of availability of other information	30
SD 3.7 Risk Management compliance attestation	31
SD 5.1.4 Financial Management compliance attestation	31
PC 2012/02 Gifts Benefits and Hospitality attestation	31
FRD 22H General and specific information requirements	1-72
Financial Statements required under Part 7 of the <i>Financial Management Act 1994</i>	
SD 5.2 Model Financial Reporting	32-69
SD 5.2 Comprehensive Operating Statement	36
SD 5.2 Balance Sheet	37
SD 5.2 Cash Flow Statement	38
SD 5.2 Statement of Changes in Equity	39
SD 5.2 Accountable Officers' Declaration	33
SD 5.2 Compliance with Australian Standards and other authoritative pronouncements	40
SD 5.2 Compliance with Ministerial Directions	40
SD 5.2 Rounding of amounts	69
Legislation	
<i>Alpine Resorts (Management) Act 1997</i>	8, 28, 40, 41, 53
<i>Building Act 1983</i>	15, 28
<i>Financial Management Act 1994</i>	29, 31, 40, 65
Print and design	
FRD 30D Standard requirements for the publication of annual reports	1-72

Acronyms: FRD – Financial Reporting Direction; SD – Standing Direction; PC – Premiers Circular



**FALLS CREEK ALPINE RESORT
MANAGEMENT BOARD**

PO Box 50, Falls Creek
Victoria, 3699 Australia

Phone: +61 3 5758 1200

www.fallscreek.com.au

