


# Annual Report

## 2018-19



*We acknowledge the  
Traditional Custodians  
of the land on which  
we live, work and learn,  
the Bunurong people.  
We pay our respects to  
their Elders past and  
present.*





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# Our business

*Phillip Island Nature Parks (the Nature Parks) is a unique conservation organisation that operates complementary ecotourism experiences on Phillip Island.*

We acknowledge that the Crown Land we are privileged to manage forms part of the traditional lands of the Bunurong people and that the Land, Waters and Sea are of spiritual, cultural and economic importance to Aboriginal and Torres Strait Islander Peoples. We are an organisation committed to recognition and reconciliation.

**The Nature Parks was created by the State Government in 1996 for the conservation of areas of natural interest or beauty or of scientific, historic or archaeological interest. Since this time Phillip Island's wildlife and environment have flourished. The Summerland Peninsula is restored, securing habitat for little penguins and creating a majestic canvas for a truly world-class visitor experience.**

We manage an important iconic attraction for Victoria and Australia. The visitor experience across our Island home offers unique opportunities to interact with nature and wildlife. This includes five main visitor attractions: the world-renowned Penguin Parade, Koala Reserve, Churchill Island, EcoBoat Tours to Seal Rocks and the Antarctic Journey at the Nobbies Centre. Each attraction offers memorable experiences that bring our visitors closer to the natural and cultural environment and Phillip Island's unique wildlife.

Our model of funding conservation through quality tourism and education experiences is the key to our success, enabling us to invest in programs to ensure Phillip Island's landscape, habitats and wildlife are protected for future generations.

Our conservation programs on Phillip Island and beyond are research led and our visitor experience programs are developed to echo key messages for environmental change and inspire action. Our Little penguin, seabird and seal research programs continue to provide a model of conservation excellence and contribute to our

understanding of key global issues such as climate change impacts and marine food security.

Our focus on the management of feral animals and invasive plants on Phillip Island continues to be a substantial endeavour. Declaring Phillip Island fox-free in 2017 was monumental. We have created a 30-Year Conservation Vision to guide us towards a future where native wildlife and threatened species can once again live in balance within the island's ecosystem.

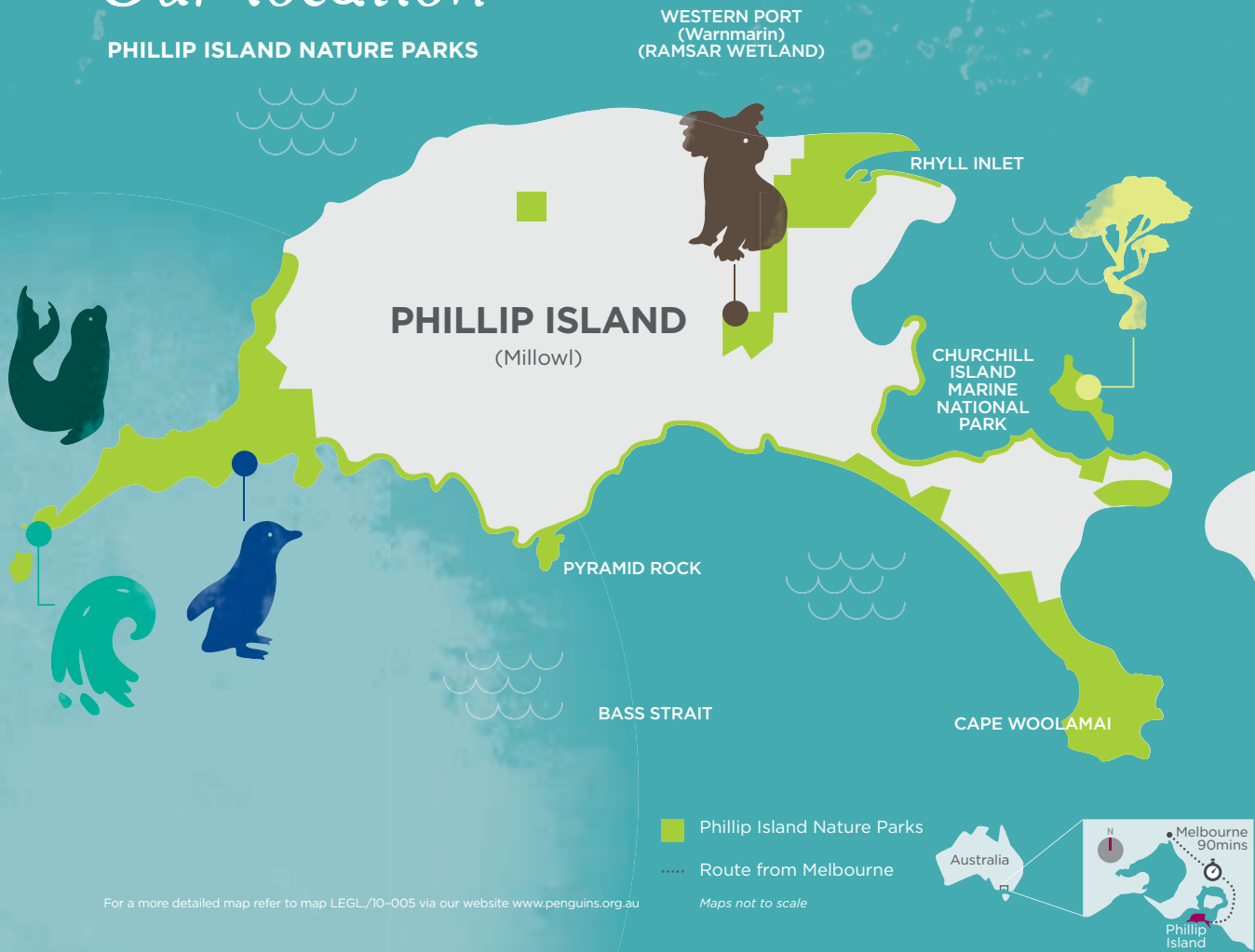
We work in partnership with Government and Non-Government Organisations and our local community to assist in the delivery of key local and state initiatives. These strategies for visitor economy and conservation continue to influence our planning and on-ground programs.

We have entered a new era with the completion of the Penguin Parade visitor centre in July 2019. This major \$58.2M development was made possible through the support of the State Government, contributing \$48.2M to the project. The facility will set a new benchmark for world class visitor experiences.

The Nature Parks is proud to continue to be Phillip Island's largest employer with a diverse team that is dedicated to the Nature Parks' success. We are committed to working with our partners, community and volunteers to make the future of wildlife and nature conservation on Phillip Island a better one for all.

# Our location

## PHILLIP ISLAND NATURE PARKS



For a more detailed map refer to map LEGL/10-005 via our website [www.penguins.org.au](http://www.penguins.org.au)



### PHILLIP ISLAND NATURE PARKS 2018-2019

1.12 million visitors

#### PENGUIN PARADE

Wild penguin viewing at sunset.

719,617 visitors



#### ANTARCTIC JOURNEY

Immersive exhibition and boardwalks.

72,868 visitors



#### ECOBOAT ADVENTURES

High-speed tours to Seal Rocks colony.

11,484 visitors



#### KOALA RESERVE

Close koala viewing in natural habitat.

182,745 visitors



#### CHURCHILL ISLAND

Heritage-listed working farm and events.

134,560 visitors



#### PARKS AND RESERVES

Over 1,805 hectares of Crown Land for the conservation of areas of natural interest or beauty or of scientific, historic or archaeological interest.



## *Our purpose*

### **THIS IS WHY WE ARE HERE:**

To protect nature for wildlife and inspire people to act.

## *Our vision*

### **THIS IS WHAT WE WANT TO BE:**

A place where conservation and ecotourism excellence inspire people to actively protect the environment.

## OUR GUIDING PRINCIPLES

*These are the choices we make:*

Our organisation is underpinned by three principles which are all integral to our success and guide our decision making:

1. Nature conservation is paramount.
2. Visitor experiences should be authentic and inspire action.
3. Financial sustainability is key to our continued success.

## OUR KEY ASPIRATIONS

- Phillip Island is a safe haven for the protection of native threatened species.
- We are leaders in research and make a significant contribution to the global protection of penguins and seabirds.
- Visitors to all sites are inspired to act for conservation.
- Our ecotourism experiences are world leading and Phillip Island is a premier ecotourism destination.
- We are committed to sustainable initiatives to become carbon, water and waste neutral.
- Reconciliation with Aboriginal and Torres Strait Islander Peoples is embedded in our values and daily action.
- Our volunteer program includes a diverse range of opportunities and is central to our visitor experience.

## OUR PROGRAMS

### *Conservation Excellence*

We support the conservation of native wildlife and healthy ecosystems by demonstrating best practice on Phillip Island and sharing our knowledge globally.

### *Extraordinary Visitor Experiences*

All attractions and natural assets tell a story that increases the conservation knowledge of our visitors and inspires action.

### *Community Partnerships*

Our success starts with our local community. We build upon our strong relationships through genuine engagement and proactive communications.

### *Sustainable Future*

Our conservation values are reflected in all aspects of our operations as we strive for financial and environmental sustainability.

### *Agile Organisation, Inspired People*

We harness the passion and values of our team to deliver extraordinary outcomes. Our organisation is resilient and agile in responding to challenges and meeting best practice.

# Chair and CEO's report

This was a year of conservation achievements, celebrating successes and realising a new future vision.

**We are a conservation organisation and rely on the success of our ecotourism experiences to continue our important work of supporting the conservation of native wildlife and healthy ecosystems on Phillip Island and sharing our knowledge globally. Thanks to the support of the State Government, our new Penguin Parade visitor centre will help to ensure this will continue.**

We are delighted to have delivered a modern, environmental visitor centre at the Penguin Parade - our most significant infrastructure project to date. The project is on budget and opened in July 2019, four months ahead of schedule with thanks to Terroir Architects and principle contractors, Kane Constructions. The State Government backed this project with \$48.2M in funding due to the outcomes for visitors, the environment and the Victorian economy. We look forward to delivering these benefits for the state as this project is finalised.

This significant project was the catalyst for a broader organisational transformation undertaken this year. The change program involved the creation of two new office sites, the enabling of a more mobile and flexible workforce and the delivery of complementary technology. We are proud to see the Nature Parks team embrace this change and positively work through the significant disruption.

This year the Nature Parks recorded a loss of \$1.4M which included \$2.8M in depreciation expense associated with the old Penguin Parade visitor centre. This was a pleasing result in a year of substantial change.

*Phillip Island's stunning south coast.*



Our financial strength allowed us to drive our future vision and to be able to invest \$4.5M into conservation, research and education activities to achieve excellence in visitor experience and further protection and restoration of Phillip Island's environment.

We maintained strong visitor numbers with a total of 1.4M visitors overall. A total of 1,121,274 visitors attended our paid attractions which is slightly down on the previous year. We achieved an 8% increase in demand for premium experiences, demonstrating our visitors' desire to engage more deeply with our team, environment and wildlife.

This year we commenced delivering upon key actions in our Strategic Plan 2018-2023. The plan details our long-term vision of a place where conservation and ecotourism excellence inspire people to actively protect the environment.

A key outcome was the launch of our 30-year Conservation Vision - Beyond the Horizon in March along with the accompanying 5-Year Conservation Plan 2019-2023. Both of these documents will drive our future conservation objectives.

In August 2017 Phillip Island was declared a fox-free island, which was the culmination of 25 years of intensive fox eradication work. This has enabled us to pursue significant initiatives in the conservation of threatened species for Victoria. The first of these endeavours was the release of 67 eastern barred bandicoots onto the Summerland Peninsula in October 2017.



## Chair and CEO's report continued

This year we built upon this work by developing the roadmap to becoming Victoria's 'Island Ark' providing haven for the reintroduction of identified threatened animal and plant species. We continue to work with our local community to introduce threatened species that align with Phillip Island's key agricultural, conservation, cultural and tourism attributes. We are also continuing efforts to strengthen feral cat control on Nature Parks land to protect biodiversity and wildlife.

We demonstrated our ongoing commitment to the recognition of Phillip Island's Traditional Custodians and Aboriginal and Torres Strait Islander Community with the launch of our third Reconciliation Action Plan 2019-2022 and signing of our first Memorandum Of Understanding (MOU) with Bunurong Land Council Aboriginal Corporation in May. We were also proud to be a founding member of the Bass Coast Reconciliation Network to bring about cultural recognition and change. We thank our local Community for their continued involvement and the Traditional Custodians of the land we are privileged to care for.

### WE ARE ALSO PROUD TO REPORT CONTINUED SUCCESS ACROSS THE ORGANISATION:

- **POSITIVE PENGUIN NUMBERS.** Despite a drought and shortage of food, the average daily number of penguins crossing the beach at the Penguin Parade was 771 and above the long-term average (647).  
  
The Summerland Peninsula Little penguin population now exceeds 32,000.
- **WILDLIFE PROTECTION.** Hooded plovers are listed as Vulnerable in Victoria and 2018-19 was our 27th year of monitoring. Despite some challenges, we can report a positive breeding season result with nine chicks successfully fledged.
- **HABITAT ENHANCEMENT.** We contributed a large effort into revegetation projects across Phillip Island with a total of 43,779 plants put in. Rehabilitation of the old Penguin Parade car park site continued including placement of additional penguin boxes to create homes for Little penguins.

- **CLOSE COLLABORATIONS.** We thank our wonderful Community and Environment Advisory Committee, Reconciliation Advisory Committee, key government agencies and local traders and organisations for their support across the year.

We are pleased to have signed an MOU with Bunurong Land Council and maintained MOUs with Bass Coast Shire Council and the Department of Environment, Land, Water and Planning (DELWP) and appreciate their ongoing partnership in many activities.

- **INSPIRED TEAM.** We continued to be Phillip Island's largest employer with 225 team members working in unique and diverse environments. We are indebted to our 296 volunteers who contributed more than 14,600 hours across the Nature Parks. We remained proud to be a White Ribbon Accredited Workplace to lead by example to raise awareness of this vital issue.
- **CONNECTED COMMUNITY.** Phillip Island is privileged to have a passionate and dedicated community and we thank all the local community organisations that we work closely with to achieve positive outcomes for Phillip Island. More than 2,000 Bass Coast residents enjoyed the Nature Parks' ninth annual Community Open Day.

We sincerely thank the Nature Parks Board members for their counsel, time, expertise and dedication. We welcomed three new Board Members in Michaela Salvato, David Cochrane and Jane Foley, who collectively add financial, tourism, environmental management and not-for profit sector expertise to our Board and thank them for their efforts so far.

This year's outstanding achievements would not have been possible without the passion, dedication and support of the management team, staff and volunteers, who bring together their diverse backgrounds 'to protect nature for wildlife and inspire people to act'.

In accordance with the *Financial Management Act 1994*, we present this Annual Report for the year ended 30 June 2019.

Liz Stinson  
Board Chair

Catherine Basterfield  
CEO



*Report of  
operations  
Our year in review*



# Financial review

The Nature Parks strives to achieve quality ecotourism experiences which contribute to environmental excellence and acknowledge that each outcome is dependent on the success of the other.

As a not-for-profit organisation, the Nature Parks relies on the success of its tourism attractions to deliver ongoing funding for important social, environmental, conservation, research and education outcomes.

The Nature Parks also acknowledges the significant contribution of the State Government in contributing \$48.2M to the Penguin Parade Redevelopment.

## SUMMARY OF FINANCIAL RESULTS

The Nature Parks tourism operations experienced another consistent year with visitor numbers exceeding one million tickets sold.

The Penguin Parade remains the backbone of our operations and this year faced logistical challenges with the development of the new Penguin Parade. The Penguin Parade recorded revenue growth of 3.4% despite a slight decrease in visitors. 20.7% of visitors now purchase premium experiences at the Penguin Parade, up 0.9% compared to 2017-18.

Revenue growth from admissions was largely driven through an increase in demand for premium tours and experiences. Revenue from retail operations experienced a decrease but remains a critical part of the organisation's funding model. Growth in admissions, food and beverage revenue, combined with ongoing cost control measures, achieved net result before depreciation, \$5.4M. This result is \$0.9M lower than the prior year. A decrease in retail revenue has contributed to 2018-19 gross profit \$0.6M less than the prior year.

The Nature Parks revised the useful life of each asset decommissioned as a result of the development of the new Penguin Parade visitor centre, which opened July 2019. This revision accelerated the depreciation on impacted assets and resulted in an additional \$2.8M of depreciation being recognised in the period. The Nature Parks operating result ('net result from transactions') including depreciation was a net loss \$1.4M.

Expenses from transactions remained consistent with 2017-18 and included vital ongoing parkwide maintenance and a strong commitment to conservation programs through funding for research, education and on ground conservation activities.

The Nature Parks considers operating result ('net result from transactions') to be the appropriate measure of financial performance that can be directly attributable to operations. This measure excludes the effects of asset revaluations which are outside of the organisation's control. The Nature Parks' net cash from operations was \$4.8M, \$1.4M less than prior year, \$17.4M was contributed from the Victorian Government towards the new Penguin Parade visitor centre during the year which represents

the final contribution totalling \$48.2M towards the Penguin Parade development. The Nature Parks continues to plan for the future, setting aside funds for future possible defined benefit superannuation fund shortfalls. This is in addition to the Nature Parks' funding commitments for the new Penguin Parade visitor centre, with the balance of investment to be completed in 2019-20.

## TOURISM OPERATIONS

The Nature Parks tourism operations achieved strong revenue performance, 2% more than budget and 1% better than prior year. This result was achieved despite a 3% decrease in the total number of visitors attending the Nature Parks' ticketed attractions.

## RETAIL OUTLETS

The Nature Parks operates retail outlets at each of its attractions. We have experienced a decline in customer demand for retail products as part of their customer experience and a decline in the average purchase spend per visitor. Decreasing consumer sentiment, lower visitation and a competitive retail market have contributed to a 9% decline in retail revenue compared to prior year.

## FOOD AND BEVERAGE SERVICES

The Nature Parks partners with Delaware North to operate and provide food services at all attractions. During 2018-19 financial year, food and beverage contributed \$546K revenue, a 11% growth on prior year result. This partnership ensures the Nature Parks can focus on achieving its core mission of conservation whilst providing an outstanding experience to our visitors.

## CONSERVATION, RESEARCH AND EDUCATION PROGRAMS

During the year we invested \$4.5M into conservation, research and education activities, partially funded by \$0.4M in grants from government bodies and other organisations.

## SIGNIFICANT CHANGES IN FINANCIAL POSITION

The Nature Parks received a \$17.4M contribution from the Victorian Government in the form of cash during the year. This payment represented the final funding instalment totalling \$48.2M contribution towards the new Penguin Parade visitor centre, paid over three years. The Nature Parks is also contributing \$10M towards this project. As a result of this project being ahead of schedule, the Nature Parks recognised \$2.8M of accelerated depreciation in 2018-19 to account for the decommissioning of the existing Penguin Parade visitor centre. There were no other significant changes in the Nature Parks' financial position compared with the previous year.

## COMPREHENSIVE OPERATING STATEMENT

For the financial year ended 30 June 2019

	NOTES	2019	2018
<b>CONTINUING OPERATIONS</b>		\$	\$
<b>INCOME FROM TRANSACTIONS</b>			
Supply of services and sale of goods	2.1.1	24,821,454	25,245,434
Other income	2.1.2	2,186,822	3,394,880
<b>Total income from transactions</b>		<b>27,008,276</b>	<b>28,640,314</b>
<b>EXPENSES FROM TRANSACTIONS</b>			
Employee expenses	3.1	(12,285,942)	(13,253,784)
Cost of sales	3.2	(2,147,518)	(2,322,317)
Depreciation and amortisation	4.1.1	(6,865,494)	(4,508,991)
Other operating expenses	3.3	(7,009,604)	(6,889,705)
<b>Total expenses from transactions</b>		<b>(28,308,558)</b>	<b>(26,974,797)</b>
<b>Net result from transactions (net operating balance)</b>		<b>(1,300,282)</b>	<b>1,665,517</b>
<b>OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT</b>			
Net (loss)/gain on non-financial assets		(124,674)	141,337
<b>Total other economic flows included in net result</b>		<b>(124,674)</b>	<b>141,337</b>
<b>Net result from continuing operations</b>			
<b>Net result (loss)/profit</b>		<b>(1,424,956)</b>	<b>1,806,854</b>
<b>OTHER ECONOMIC FLOWS – OTHER COMPREHENSIVE INCOME:</b>			
<b>ITEMS THAT WILL NOT BE RECLASSIFIED TO NET RESULT</b>			
Changes in physical asset revaluation surplus	8.2	(27,542)	6,473,030
<b>Total other economic flows - other comprehensive income</b>		<b>(27,542)</b>	<b>6,473,030</b>
<b>Comprehensive result</b>		<b>(1,452,498)</b>	<b>8,279,884</b>

The accompanying notes form part of these financial statements.

# PENGUIN PARADE VISITOR CENTRE

*A new era for penguins, people and Phillip Island.*



*The new Penguin Parade visitor centre celebrates our conservation story and creates a contemporary visitor experience to ensure that we can contribute to the next chapter of Phillip Island's conservation and ecotourism story*

## A NEW ERA

The Penguin Parade Visitor Centre development was made possible through generous funding announced by the Andrews Labor Government in April 2016 in the amount of \$48.2M, with an additional \$10M contributed by Phillip Island Nature Parks, a self-funded not for profit conservation organisation.

This modern, environmental visitor centre is the most significant infrastructure project in the Nature Parks' history and will provide major benefits to our visitors, wildlife and community with the Nature Parks contributing over \$400M to the Victorian Visitor Economy each year.

## MEETING OF LANDSCAPES

The building design reflects the meeting point of three distinct landscape types that make up Phillip Island's Summerland Peninsula: basalt bluff, coastal dunes and wetlands.



## WOMIN JEKA WELCOME TO COUNTRY

The message of respect for the Traditional Custodians of Millowl (Phillip Island) and its rich culture runs through the visitor experience. The Welcome to Country area features a sculpture by Aboriginal artist Adam Magennis and includes a gathering and performance space. The 'Bunurong Culture' exhibit showcases artefacts made by Bunurong Peoples.



## PENGUINS ARE THE HEROES

This visitor centre project is all about the Little penguins. The entire building project has required careful staging and planning due to the sensitive nature of the site and its resident penguin population. Ultimately though, they will be the winners with extensive new habitat that they will share with the Summerland Peninsula's other wildlife residents.



## FOR OUR VISITORS

The centre is an experience for the senses carefully designed to welcome and guide visitors through the building to the penguin viewing areas.

Interactive visual displays tell the story of the world's smallest penguins. Visitors can enjoy a penguins' eye-view of the landscape, interact with the history of the Summerland Peninsula and be inspired to take action for conservation through art and sculpture and much more.

## FOR THE PLANET

The new centre 'walks the talk' of the Nature Parks' commitment to environmental sustainability and making positive change for the planet. We are proud to have eliminated all single-use plastics throughout its food outlets and are working towards the same for the two retail outlets.

## DINE WITH THE PENGUINS

The visitor centre includes a new 250-seat restaurant which overlooks the penguin colony surrounding the building.

## LEARN AND SHARE

The education wing includes flexible-activity classrooms with shared facilities for special tour groups, ranger equipment areas and stores.

The building features a 100-seat theatrette and meeting and function spaces available for use and hire by the Nature Parks, community and stakeholders.



## VISITOR CENTRE AMAZING FACTS AND FIGURES

### ESSENTIAL FACTS:

Architect: Terroir

Landscape architect: Tract

The building is **4,950** square metres in size and has a steel and timber structural frame, concrete floors, pre-cast concrete walls, zinc walls and roof cladding and steel roof cladding



**845** workers inducted throughout the project



**168,000** hours worked



**41,783** zinc shingles installed



**25,000** lineal meters of sustainably-sourced Victorian Ash resulting in 750m of structural Glulam beams



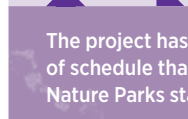
Low carbon building materials used throughout construction. Windows are double-glazed and there is increased roof and floor insulation



**666** x 310kW solar panels to roofs outputting a total of 206,440kW



**150,000** litre water tank to recycle rainwater for non-potable use such as flushing toilets



**85%** of construction waste recycled and diverted from landfill

The project has been delivered on budget and ahead of schedule thanks to the entire project team including Nature Parks staff

People power has played a large role in transforming the surrounding landscape with a mighty revegetation project



Over **6** hectares of extra habitat for Little penguins and wildlife



New homes for over **1,400** Little penguins



**26,326** plants put in across the site over the past two years - more to come over the following years

# Major projects and planning

## SIGNIFICANT PROJECTS AND VISIONARY PLANNING ARE ENSURING EXCITING FUTURE DIRECTIONS FOR THE NATURE PARKS.

Major projects focussed on the delivery of the Penguin Parade Visitor Centre Development on time and on budget. This significant infrastructure investment will deliver major tourism, environmental and economic benefits for Phillip Island and Victoria.

KEY GOAL	MEASURE	RESULT
Penguin Parade Visitor Centre Development project.	Manage site disruptions such as reduced car parking to minimise impact on the visitor experience.	Complete ○○●
	Complete an Operational Plan of the new Penguin Parade facility prior to hand over and commission an external review of the plan.	Complete ○○●
	Complete construction.	Complete ○○●
Establish penguin viewing experiences that complement the new world-class Penguin Parade visitor centre.	Develop design concepts for Penguin Parade boardwalk and viewing stands.	Complete ○○●
Invest in quality infrastructure at our beach access areas.	Toilet facility upgrade at Forrest Caves.	Complete ○○●
Establish a new site to make the Nature Parks more visible and accessible to our local community.	Create collaborative work spaces for our team that encourage interaction and allow everyone to move easily across all sites.	Complete ○○●
	Complete offices, works yard, and warehouse development.	

## MAJOR PROJECTS

### *Penguin Parade Visitor Centre Development Project*

In April 2016, the State Government announced funding of \$48.2M towards a \$58.2M project to develop a new visitor facility at the Penguin Parade with the Nature Parks committing to funding the remaining \$10M.

The building was completed and handed over to the Nature Parks in July 2019, four months early and on budget. This is the largest infrastructure project in the Nature Parks' history and will ensure that this important resource for Victorian and Australian tourism will be able to continue and fund our ongoing conservation programs. The project also delivers over six hectares of extra habitat for penguins and wildlife.

- The next stage of the project involves demolition of the existing building and rehabilitation of the site which commenced in July 2019.
- The new building opened to the public in late July 2019.
- We thank everyone for their patience and cooperation during this process.

### *Office transition*

The Penguin Parade Visitor Centre Redevelopment Project required several major building changes including the creation of two new workspaces. A major program of transitioning from the old workspaces to the new included the relocation of offices, worksyard and warehouse spaces from the Penguin Parade to new spaces in Cowes and the Koala Reserve. The project was a major focus for the organisation and was delivered successfully to set a new direction for our team.

### *Quality beach infrastructure*

As part of our ongoing commitment to investing in our community and providing quality infrastructure, we completed a Heritage Due Diligence assessment and obtained a planning permit to commence works on removing the aged toilet block at Forrest Caves and replacing it with a new facility on the same footprint.

*The Penguin Parade Visitor Centre Development Project was completed four months ahead of schedule and on time and on budget. The Penguin Parade attraction remained operational throughout the year, delivering a continuity of service with minimal impact to visitors and penguins.*



## PLANNING

### *Penguin Parade Boardwalk Project*

- The Board was pleased to approve the appointment of Terroir and Urban Initiatives as the preferred consultants to lead a project to re-design the Penguin Parade boardwalks and viewing infrastructure as identified in the 2012 Summerland Peninsula Master Plan. The consultants led several workshops to identify all aspects of the project and produce draft concept designs.

## TOWARDS 2019-20

The coming year is set to be one of the most significant in the Nature Parks' history. We launch the new Penguin Parade visitor centre, continue to finalise our new office spaces and adopt and implement key planning documents to set new and exciting directions for the Nature Parks including:

- Penguin Parade visitor centre launch and completion of the demolition and rehabilitation components of the project.
- Completion of our transition to our new work spaces.
- Develop a business case for the renewal of the Penguin Parade Boardwalks and viewing platforms.

*An environmental star - the new visitor centre is a stunning addition to the landscape.*



# Conservation

We are committed to working with the community and partners to sustain and improve environmental, social, landscape and cultural values across Phillip Island for future generations.

KEY GOAL	MEASURE	RESULT
Develop a future conservation vision for Phillip Island.	Complete a 30-year conservation plan and establish an action plan for conservation in the coming five years.	Complete ○○●
Build resilience in Little penguin, seabird and Australian fur seal populations through research-led conservation programs.	Maintain and interpret long-term datasets on penguin demography, Australian fur seal and Long nosed fur seal abundance, and abundance of Hooded plovers and other coastal birds on Phillip Island have been maintained and interpreted.	Complete ○○●
	Ten scientific/management papers, internal reports and press releases have been produced on these long-term monitoring projects.	Complete ○○●
Work with key partners to develop a plan for the management of native threatened wildlife and strategic re-introduction of species.	Establish a Threatened Species Plan. Identify and plan for the re-introduction of two species included in this plan.	Complete ○○●
Invest in habitat restoration and developing innovative wildlife protection solutions.	Prioritise the replacement of Marram grass and Sea wheat grass on key coastal beaches with native grass species to improve Little penguin and Hooded plover access.	Complete ○○●
Enhance Phillip Island as a safe haven for wildlife through identifying and controlling threats.	Strengthen the resilience of fox free Phillip Island by focusing on San Remo buffer zone and continue to monitor the impact of feral cats and review, enhance and evaluate the program across Nature Parks land.	Complete ○○●

## FUTURE CONSERVATION VISION

This year saw the launch of our exciting 30-Year Conservation Vision - Beyond the Horizon and the subsequent 5-Year Conservation Plan 2019-2023. Our Conservation Vision is in line with Victorian Government's Biodiversity 2037 Plan and the DELWP Living with Wildlife Plan. This Conservation Vision demonstrates the important role Phillip Island can play in protecting Victoria's biodiversity and providing a haven for unique wildlife and important threatened animal and plant species.

The document details major future challenges including adapting to climate change, controlling the effects of urbanisation and maintaining the wild populations of land and marine animals and plants amidst increased development pressure and the effects of pollution.

The vision is founded on strong conservation principles and informed by scientific research. Our 5-Year Conservation Plan 2019-2023 supports the delivery of this vision by identifying the shorter term priorities for the Nature Parks to deliver upon.

[www.penguins.org.au/conservation/conservation](http://www.penguins.org.au/conservation/conservation)

## RESEARCH-LED CONSERVATION

### International excellence in research

The Little penguin is the second most studied species of penguins (after the King penguin). This is due largely to the commitment of research conducted by the Nature Parks and supported by strong international collaboration with scientists from around the globe. This year, the Nature Parks contributed and co-authored two high profile papers in *Science* and *Nature Climate Changes*. Collaborating with over 100 scientists worldwide, the Nature Parks is proud to be part of the solution to complex global conservation problems.

During the year the research team received over \$350,000 in grant funding and produced 17 publications in peer-reviewed journals (Refer Appendix 2 on page 87) with papers.



We spent a total of 1,768 hours controlling 37 high priority weeds including African boxthorn.



### Protecting Little penguins

Research at the Summerland Peninsula penguin colony on land and at sea continued.

- In 2018-19, the average daily number of penguins crossing the beach at the Penguin Parade was 771. This is the tenth year in a row that the average number of penguins crossing the beach has been above the long-term average (647).
- Penguin weights were lower than the previous season but still above the long-term average.
- Penguins had a poor breeding season, with an average number of 0.4 chicks per pair, well below the long-term average of one chick per pair.

This low breeding performance is most likely linked to conditions at sea. The 2018-19 summer had the warmest water temperatures recorded in Bass Strait. Warm water affects the penguins' food source and these fish move further away to cooler waters. Tracking data showed that penguins travelled three times further than normal for food. This meant that the adults could not feed their chicks resulting in a low survival rate. A climate change related heat wave in March also had an impact on the adult penguin population contributing to adult penguin deaths during the annual moult.

The penguin colony on the Summerland Peninsula remains stable despite these significant events. We acknowledge that natural processes can impact the rise and fall in wildlife populations but we will remain vigilant in monitoring and managing the impacts of climate change to ensure the best possible outcome for Little penguins.

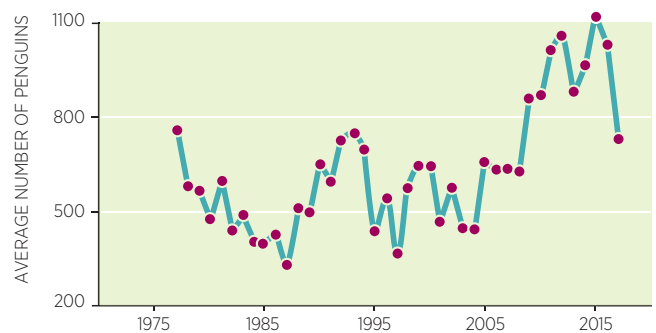


Fig 1: Average number of penguins crossing the beach 1977-2019

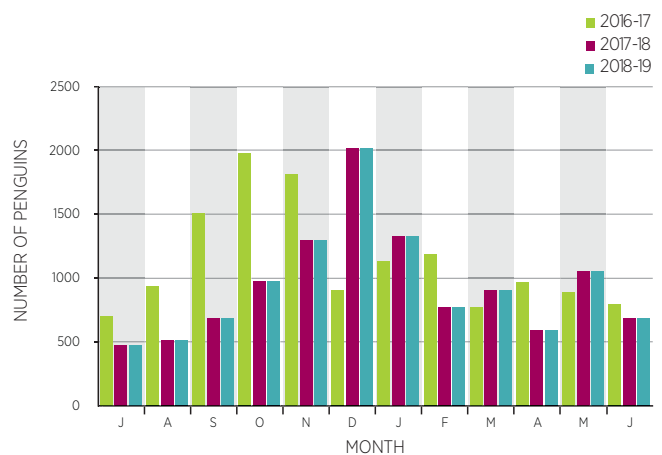
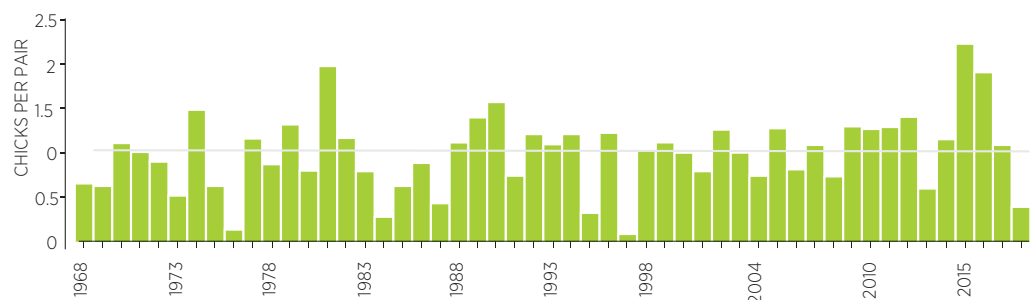


Fig 2: Monthly mean numbers of penguins at the Penguin Parade 2015-2019.

Fig 3: Annual little penguin breeding success 1968-2019





Australian fur seals at Seal Rocks.

### Protecting Australian and Long-nosed fur seals

Our scientists also research Australian and Long-nosed fur seal populations.

In June 2019, we launched the inaugural Annual SealSpotter Challenge - an online Citizen Science project to count Australian fur seals at two large breeding sites, Seal Rocks (Phillip Island) and The Skerries (Mallacoota). A pup count was also obtained for the Australian fur seals at Cape Bridgewater in western Victoria.

- 112 Citizen Scientists from around the world contributed to the counts.
- A total of 113,039 seals were counted from 16,559 images.

We identified 16 Australian fur seals entangled in marine debris on Seal Rocks on four visits.

- 12 of these were new entanglements and four were possible re-sightings.
- Seven were captured and released. The most common entangling materials were recreational fishing line and commercial trawl net.

This year the Nature Parks launched the Bins on Boats project, which aims to reduce net fragments going overboard, reduce marine plastic pollution and reduce entanglement of marine mammals.

- This project is funded by the Victorian Government and is performed in partnership with the South East Trawl Fishing Industry Association.

- We are currently preparing to distribute bins to fishing vessels and promote the project throughout stakeholder networks.

Ongoing monitoring of the colony at Seal Rocks during the 2018-19 breeding season observed an unusually high number of pre-term births. It was identified that *Mycoplasma* infection was the cause of the phenomenon and further monitoring work will assess any longer term impacts.

### Swamp wallabies

A PhD and Masters research project to investigate the habitat use, movements across the landscape and foraging ecology of swamp wallabies on Phillip Island was completed. Results are being published in international scientific journals and shared with the community.

## CONTRIBUTING TO SAVING THREATENED SPECIES

### Threatened species

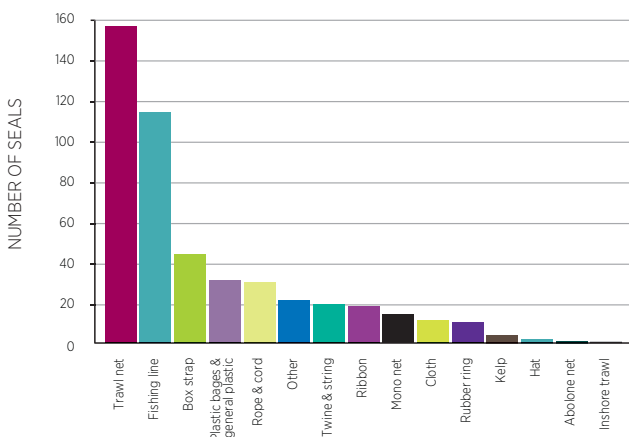
The conservation of threatened species was a primary focus for our 30-Year Conservation Vision. This high level strategy was developed in consultation with experts in this field, our local community and Traditional Custodian representatives. A detailed plan to drive this strategy is under development with the support of the Federal Government's Threatened Species Commission team. The Threatened Species Plan will highlight our ongoing commitment to threatened species conservation on Phillip Island for both fauna and flora in collaboration with key partners.

We adopted a Structured Decision Making Tool to detail our approach to reintroduce threatened fauna to Phillip Island over the next five years. Species for consideration include:

- Bush stone-curlew *Burhinus grallarius*
- Growling grass frog *Litoria raniformis*
- Long-nosed potoroo *Potorous tridactylus*
- Swamp antechinus *Antechinus minimus maritimus*
- Swamp skink *Lissolepis coventryi*.

Our team presented at the Island Ark conference at Rottneest Island in February 2019.

Fig 4: Materials entangling Australian fur seals at Seal Rocks (Nov 1997-July 2019)





We completed our 27th year of Hooded plover monitoring.

## Protecting resident threatened species

### HOODED PLOVERS

Our 27th year of Hooded plover monitoring was both saddening and promising with a low chick survival rate coupled with a good number of individuals fledging. We thank Hooded Plover Watch volunteers for contributing over 450 hours to the program.

- A total of 20 pairs laid 111 eggs in 45 nests - a 13% decrease in breeding pairs to 2017-18 (23 pairs).
- Eggs hatched in 16 of the 45 nests (35.5%) producing 38 chicks with nine surviving to fledge compared to 12 fledglings in 2017-18. This is a significant reduction in pair productivity compared to the past three years.
- Of the 29 chicks that had died, at least six were killed by dog attacks on beaches during January and February. These dog related deaths highlight that all Phillip Island residents and visitors can make a significant difference to the survival of this species.
- Despite this, there is an overall trend in maintaining the number of chicks fledged on Phillip Island and we will continue our efforts to save this Vulnerable species.

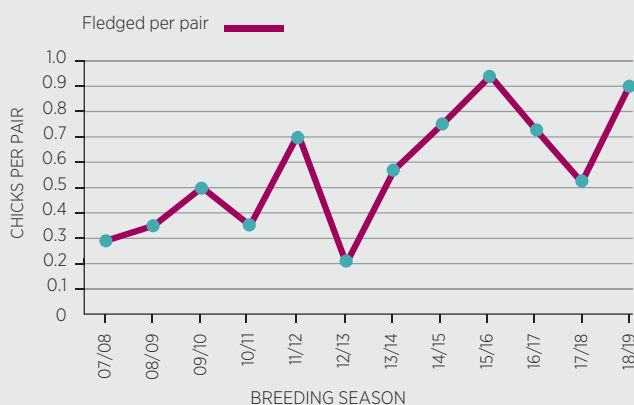


Fig 5: Hooded plover chicks fledged 2007-2019

### EASTERN BARRED BANDICOOTS

Churchill and Phillip Islands maintain populations of Eastern barred bandicoots released in 2015 and 2017 respectively.

#### CHURCHILL ISLAND

- We monitored the population in spring and autumn using live trapping and camera traps.
- The population remains stable despite the suppression of breeding over the dry summer and the harvesting of animals for Phillip Island and the captive breeding program. This is due to the bandicoots' natural ability to control reproduction in challenging conditions.

#### SUMMERLAND PENINSULA

We conducted two live trapping sessions to monitor condition and screen for toxoplasmosis that is spread by feral cats and estimate population density.

- Monitoring to date indicates that the population is doing well and appears to be growing.
- Mapping of foraging sites in March 2019 showed the population has spread across Summerland Peninsula as far as the eastern side of Swan Lake.
- With the spread of the population, the greatest risks to survival include disease (toxoplasmosis spread by cats) and vehicle incidents. During the year 12 bandicoots were killed on the roads and two of those killed were later identified to have toxoplasmosis. No further evidence of toxoplasmosis was detected in the live population.
- Our volunteer program maintained a high level of involvement with 970 hours dedicated to the bandicoots.

## Protecting Phillip Island's special wildlife

### KOALA CONSERVATION

A highlight of the year was the birth of a joey at the Koala Reserve - the first to be born since 2014 and bringing the total woodland population to 21 koalas.

- We continued managing trees in woodland areas to ensure public safety.
- New rails were installed in boardwalk areas so koalas can reduce the pressure on mature trees and allow close viewing for our visitors.
- We focussed on possum proofing the boardwalk enclosures and tree plantations to protect the trees.
- Boardwalk volunteers and interns were a welcome presence and will continue to interact with visitors and assist our rangers in koala monitoring.
- There were 11 koala sightings on Phillip Island including a lone pouch young.
- One koala was killed on the road.
- It is estimated that there are around 20 koalas remaining in the wild on Phillip Island.

### SHORT TAILED SHEARWATER MONITORING AND RESCUE

Research indicated that 2018-19 was an average breeding season with reasonable numbers of chicks with good weights reaching fledging.

- During the annual Short-tailed Shearwater Rescue Program we rescued 256 fledging birds (1,085 in 2018) that had been attracted by lights and landed on roads across Phillip Island and San Remo. These birds were relocated to safer areas to fledge.
- A total of 300 staff hours (230 in 2018) assisted by volunteers was spent.
- Lights on Phillip Island bridge were turned off for 10 days with the support of SPAusNet.
- VicRoads sponsored a large caravan banner at the San Remo bridge to alert drivers and also made a video to communicate to motorists on their Facebook page.
- Interpretive brochures and beach signage increased community awareness and support.

### WILDLIFE RESCUE AND REHABILITATION

The Nature Parks operates a Wildlife Clinic for seabirds and other native local wildlife along with a wildlife rescue and advice service during office hours. We maintained our partnership with Wildlife Victoria who coordinated after-hours wildlife rescues on Phillip Island.

During the past year, the Wildlife Clinic team:

- Cared for 119 penguins (92 in 2017-18).
- Cared for 419 other native animals from 65 different species (303 in 2017-18).
- Responded to over 1,320 calls (915 in 2017-18) for wildlife rescues and advice.
- Continued a study on the survival and dispersal/preferred habitat for hand-raised Common ringtail and Brushtail possum joeys.

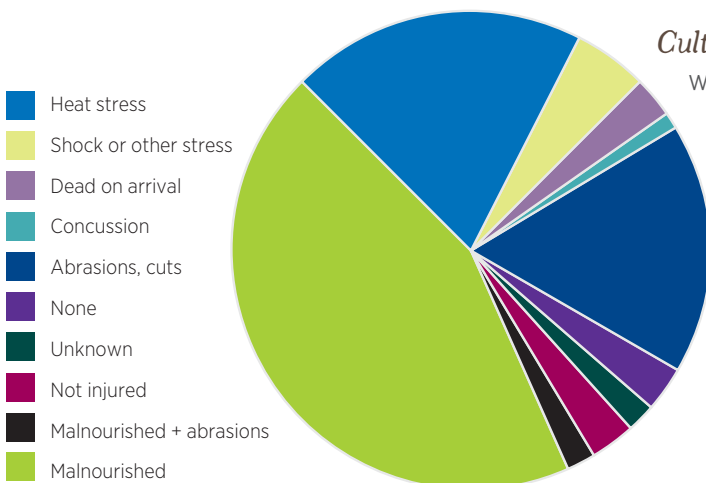


Fig 6: Reasons recorded for little penguin care 2018-19.

### ENVIRONMENTAL MANAGEMENT

The Nature Parks has contributed a large effort into revegetation projects across Phillip Island. A total of 43,779 plants were planted across different sites including key projects:

- Restoring penguin habitat around the new Penguin Parade visitor centre.
- Adding wetland species to the Koala Reserve wetland.
- Replenishing grass species along the Summerland Peninsula.
- A total of 1,768 hours was spent controlling 37 high priority weeds.
- We refined our weed control application and developed new applications to accurately record program outputs and have brought the Nature Parks up to meet industry standards.

### BARB MARTIN BUSHBANK

This indigenous plant nursery is located at the Koala Reserve and we thank the dedicated volunteers who contribute significantly to this community asset.

- We undertook major nursery upgrades including the demolition and removal of outdated facilities and works to ensure we comply with Australian nursery standards.
- A new irrigation system and 100,000 litre water tank were installed. The nursery is now run predominantly from rainwater with a UV light filter to remove pathogens.
- Over 100,000 plants were produced for internal and external projects with retail sales recommencing in October 2018.

### CONSERVATION VOLUNTEERS

Volunteers are essential to achieving our conservation vision.

This year, key contributions included:

- Conservation: 2,946 hours
- Threatened Species programs: 1,313 hours
- Barb Martin Bushbank: 3,871 hours
- Community groups: 201 hours

### Cultural heritage

We acknowledge that the Crown Land and waters we are privileged to manage are the Traditional Lands of the Bunurong Peoples. A Cultural Heritage Portfolio was developed and training rolled out across the entire Conservation Team to ensure compliance in managing Aboriginal and Cultural Heritage in line with relevant legislation.



The annual Short tailed Shearwater Rescue Program rescued 256 fledging birds.

### *Bushfire planning and management*

The Nature Parks plays an important role in fire management and planning for the Crown Land under its control. We work in partnership with the CFA, Bass Coast Shire Council and DELWP to achieve joint solutions.

- The Nature Parks and CFA joined forces to undertake a 0.6 hectare controlled burn at Fishers Wetland to reduce fuel loads and control the introduced Tall wheat grass.
- We partnered with the CFA to run Exercise Summerland - a hybrid discussion/field exercise to enhance the effectiveness of our bushfire response to a fast-moving grass fire on the Summerland Peninsula scenario.
- The exercise was critical to implement our bushfire response with partner agencies in this highly sensitive area of wildlife habitat.

## PEST ANIMAL CONTROL

### FOXES

Phillip Island was declared fox-free in 2017 and no evidence of foxes has been found since 2015. Mitigating the threat of reinvasion onto Phillip Island is a high priority to protect our wildlife and threatened species on Phillip and Churchill Islands. We are a partner in the DELWP Biodiversity 2037 Plan to ensure Phillip Island remains fox free.

#### **In 2018-19 fox control activities included:**

- Phillip Island continues to be monitored for foxes using fox dogs and camera traps. No evidence of foxes has been recorded since 2015.
- Mainland monitoring and baiting programs to remove an estimated 87 foxes from the Anderson Peninsula, while trapping programs removed a further 20 foxes during the year.
- Our fox detection team has provided external services to other conservation and land management organisations. Conservation programs supported include the Eastern barred bandicoot and Eastern quoll release at Mt Rothwell Tiverton and fox baiting success at the Otways.

### FERAL CATS

As part of the French Island Feral Cat Eradication Project Planning Group, the Nature Parks is committed to monitoring and controlling feral cats on Phillip Island and their potential eradication on French Island.

Feral cats are recognised as a key threat to native Australian fauna - especially on islands. Current Victorian legislation allows for cage trapping and spotlight shooting of feral cats on Nature Parks managed lands. In 2018-19 we:

- Removed 132 feral cats from Nature Parks land.
- Handed over five domestic cats caught on Nature Parks land to Bass Coast Shire Council.

### CAT MONITORING MOTION DETECTION CAMERAS

Nature Parks staff, and interns, continued to monitor feral cats to inform management and future programs. This includes the use of tailored motion detection cameras and GPS collaring of feral cats in key areas including:

- A total of 207 camera sites across eight key areas.
- Over 20,000 camera trap nights.
- Four interns assisting the monitoring program.
- Early indication of important learnings that may impact management identified.
- Engaging of a feral cat research expert to analyse data.

Final analysis will be complete by September 2019 providing an adaptive management cycle specific to feral cats.

### FERAL CAT GPS COLLARING

The Victorian declaration of feral cats as a pest species on designated Crown Land in September 2018 has the potential to provide more options to control feral cats and mitigate their impact on native wildlife on the land we manage.

We were the first to GPS collar feral cats in the State of Victoria since the declaration.

In June 2019 six feral cats were GPS collared on Cape Woolamai, Phillip Island, and another four collared on French Island in collaboration with French Island Landcare and Port Phillip and Westernport CMA. This is the first approved feral cat GPS monitoring program in Victoria. Information collected will increase our understanding of feral cat behaviour and habitat use, to enhance our control and monitoring programs.

## TOWARDS 2019-20

The coming year will set significant future directions for conservation including:

- Implementing our Threatened Species Plan and building upon our threatened flora and fauna activities.
- Enhancing community partnerships including promoting living with wildlife.
- Further developing magnetic particle cleaning technology and its benefits for wildlife.
- Developing a Marine Spatial Plan to futureproof penguin food supply at sea.
- Supporting Victorian island conservation programs through feral cat eradication efforts at French Island and the introduction of Eastern barred bandicoots as part of the Regional Recovery Program.
- Developing a climate change adaptation program for Summerland Peninsula to protect wildlife in a drying environment.

# Sustainable future

As an organisation committed to conservation, the Nature Parks is dedicated to the protection and enhancement of Phillip Island's natural environment, and to making a positive impact by improving our environmental sustainability performance and minimising the environmental footprint of our business operations.

KEY GOAL	MEASURE	RESULT
Integrate environmental sustainability principles into our organisation.	Implement a solar energy system at the Nobbies Centre.	Achieved ○○●
	Reduce carbon emissions across the Nature Parks by 10%.	Not achieved ●○○○
	Develop and implement a sustainable purchasing protocol for the Nature Parks retail products.	Achieved ○○●
	Transition Food and Beverage outlets to be single use plastic free.	In progress ○●○○
	Implement organic waste service for all sites.	Achieved ○○●

## KEY SUSTAINABILITY PROJECTS

### Reducing emissions

This year was a year of substantial development and investment in the future sustainability of our organisation. The Nature Parks did not meet its carbon reduction target, largely due to the new Nobbies solar panels being damaged by a storm, which rendered them out of service for the peak summer period. Despite this setback an investment was made into two solar systems which will significantly reduce our energy consumption in 2019-20. These projects included:

- Installation of a 206KW solar system on the new Penguin Parade visitor centre.
- Expanding the Nobbies solar system to a total of 120KW.

### Reducing waste

Waste remained our second largest source of carbon emissions. Improvements in waste sorting in back of house services with the introduction of a six bin system will reduce future emissions from waste. In addition, organic waste services were introduced to the Penguin Parade with only organic waste or glass/aluminium recycling options available to the public. This has been made possible due to the elimination of single use plastics in the Penguin Parade Food and Beverage operations.

### Saving water

Water does not have a significant impact on carbon emissions but is a precious resource and will become more important as rainfall reduces due to climate change. To plan for a future with reduced water the Nature Parks is committing to a 50% reduction in water over five years. To assist in achieving this, the following projects were implemented this year:

- Installation of a 150,000 litre water tank to recycle rainwater for non-potable water use such as toilets at the Penguin Parade.
- Relocation of old water tanks from the Penguin Parade to Churchill Island to harvest rainwater off the machinery shed roof.

## Carbon reporting and reduction targets

*We continually strive to minimise our impact on the environment by reducing emissions through efficiency programs rather than through the purchase of carbon offsets. In 2018-19 the Nature Parks increased overall emissions by 2.5%. This was driven partly by damage to the Nobbies Centre solar panel system offset by a decrease in fuel consumption and reduction in total flights taken.*

*The Nature Parks measures its annual carbon sequestration through tree planting activities. The estimated carbon sequestered through planting in 2018-19 is 6,924 tonnes of CO<sub>2</sub> which is approximately two times the Nature Parks' total emissions.*





*Sculptural installation composed entirely of rubbish found on beaches at the new Penguin Parade visitor centre.*

### *Sustainable design and construction*

The new Penguin Parade visitor centre was developed with sustainability in mind. It not only boasts large scale solar and water storage, but was constructed with a high level of insulation, double glazed windows throughout and sustainably sourced timber. During the construction process, 85% of construction waste was diverted from landfill to be recycled and 89% of materials were locally sourced in accordance with the Victorian Industry Participation Policy. This was a valuable investment for tourism and our environment.

### *Carbon sequestration*

The Nature Parks undertakes significant revegetation programs each year and measures the carbon sequestration of these plantings at the plant's maturity. In 2018-19 the Nature Parks' plantings were estimated to sequester 6,924 tonnes of CO<sub>2</sub> from the atmosphere once these plants reach maturity (based on the assumption that 70% of plantings reach maturity). This represents over twice the Nature Parks annual carbon emissions.

### **TOWARDS 2019-20**

The objectives for 2019-20 include:

- The rollout of plastic free food and beverage operations at each site, starting with the Penguin Parade Visitor Centre in July 2019.
- Complementing this initiative is the rollout of organic waste services at each site which will divert significant amounts of waste from landfill.
- Further work will also be undertaken to outline our strategy for becoming carbon neutral by 2030.





# Visitor attractions

Providing quality, memorable opportunities for visitors to experience the Nature Parks' special places and wildlife in its natural habitat is central to our goals.

KEY GOAL	MEASURE	RESULT
Increase visitor numbers and yield	Achieve admission revenue of \$19,261,272 or greater.	Achieved ○○●
	Achieve visitor numbers across all paid attraction sites of 1,158,021.	Not achieved ●○○
	Achieve Penguin Parade admissions yield of \$21.34.	Achieved ○○●
Optimise our visitor markets	Develop domestic marketing campaigns.	Achieved ○○●
	Develop and implement Digital Marketing Plan.	
Improve identity, communications and partnerships	Commence new branding implementation.	Achieved ○○●
	Develop positive partnership with Delaware North and finalise transition processes.	

## VISITATION ACROSS THE NATURE PARKS

Paid Visitation	2018-2019	2017-2018
Penguin Parade	719,617	740,899
Churchill Island	134,560	143,181
Koala Reserve	182,745	191,124
Antarctic Journey	72,868	83,267
EcoBoat Tours	11,484	10,265
<b>Total</b>	<b>1,121,274</b>	<b>1,169,373</b>

*We welcomed a total of 1,121,274 paying visitors across all attractions.*

*Overall, there were in excess of 14M visitors to Nature Parks venues. This includes visitors to the Nobbies Centre which is a free entry venue.*

### Penguin Parade

The Penguin Parade remains our premier venue and the major source of revenue. There was an increase in uptake of premium products and tours at this venue indicating our visitors' desire for a more personalised visitor experience.

International visitation remained a significant portion of the Nature Parks' customer base and we continued with the highest percentage from China. This was offset by slightly lower visitation in a number of other international markets.

### Churchill Island

Churchill Island visitation decreased slightly due to there being no major events held throughout the year.

### Koala Reserve

Visitation to this attraction experienced a slight decrease in visitors. This was largely due to a reduction in international visitors driven by an increase in the number of competing koala experiences in Victoria and Australia wide.

### Antarctic Journey

The Antarctic Journey at the Nobbies Centre also experienced a slight decrease in line with our other attractions.

### EcoBoat Tours

The EcoBoat experienced significant growth due to increased awareness as a result of ongoing and targeted promotional activities, reduced number of weather cancellations and running of extra tours during peak periods.

### Parkwide

We sold a total of 81,756 Multi Parks Passes during 2018-19. These passes incorporate discounted entry into any combination of our five main visitor attractions and extend visitor stay.

## OPTIMISE OUR VISITOR MARKETS

The key focus of this year's activities was supporting the launch of the new Penguin Parade visitor centre to the tourism industry, our visitors and community in July 2019. This included ongoing communications, development of packages, gala launch event and resulting marketing activities to celebrate this milestone for the Nature Parks.

- We partnered with event organiser Trails+ and will present the inaugural Phillip Island Running Festival in September 2019. This will be centred around the new Penguin Parade visitor centre and working with local partners to extend visitor stay.
- An Open Day to introduce the new visitor centre will be held in October 2019.

### Develop domestic marketing campaigns

Our key focus is to increase domestic visitation and length of stay on Phillip Island. Domestic marketing activities included:

- Promoting the 4 Parks Pass and the 5 Parks Pass as the preferred ticket type to increase awareness, length of stay on Phillip Island and visitor yield.
- Continuing the roll out of our promotional calendar in partnership with Royal Automobile Club of Victoria (RACV), featuring member benefits.
- Initiating a Qwestacon installation at Antarctic Journey for the summer school holidays.

- Hosting family events at Churchill Island such as the Easter Fun Festival and hosted new family events at the Antarctic Journey as well as upgrading exhibits at this venue.
- Leveraging off major events in Melbourne such as Barefoot Cinema, Royal Melbourne Show, Melbourne International Film Festival, and regional shows.
- Building and enhancing relationships with local accommodation providers, Bass Coast Shire Visitor Information Centre and Federation Square and collaborating on promotions.
- Working with Destination Phillip Island on various destination campaigns and events.

### Digital marketing

Our focus towards digital marketing continued to drive [www.penguins.org.au](http://www.penguins.org.au). Online booking sales make up 27% of transactions. We also created an ongoing calendar of content for our digital platforms to promote the Nature Parks with key tourism and conservation messages and activities to support our brand as a leading natural wildlife attraction.

### International market snapshot

#### GREATER CHINA

- Market penetration is increasing significantly with activities in Shanghai, Beijing and Guangzhou as well as Chengdu, Shenzhen, Chongqing, Nanjing, Tianjin and Hangzhou.
- We continued to implement our three-year China strategy and develop our Chinese website and social media channels.
- We conducted sales calls to inbound operators based in Sydney, Melbourne, Brisbane and Gold Coast.
- We attended the Visit Victoria mission in China and Hong Kong in May.
- We partnered with China Eastern Airlines to promote the Nature Parks and ecotourism opportunities.
- We partnered with Virgin Australia on a destination campaign.
- The Nature Parks was included in one of the most popular Chinese reality TV shows generating significant exposure.

#### JAPAN

- We attended Walkabout Japan with Tourism Australia in February and met with 35 major agents.
- We participated in a Visit Victoria workshop and sales calls in Tokyo and delivered product training to more than 120 agents.

#### KOREA

- We participated in a Visit Victoria workshop in Seoul in February and delivered product training to more than 50 agents.
- We provided marketing support to Hana Tour International Travel Show. The Nature Parks was included in the Hana Tour Travel Show magazine generating exposure to over 100,000 delegates.

#### WESTERN AND SOUTH-EAST ASIA MARKETS

- We attended trade missions in the USA, UK, Europe, Singapore and Malaysia in conjunction with Visit Victoria and Tourism Australia meeting with over 1,200 agents.
- We attended the Australian Tourism Exchange (ATE) and met with 180 key travel personnel from all markets globally.
- We maintained partnerships with Flight Centre, Austravel, Urlaubsguru (Germany) and Qantas.



There was an increase in uptake of premium products and tours at this venue indicating our visitors' desire for a more personalised visitor experience.

#### INDIA

- We continued in-market representation, resulting in increased visitors at all venues, in particular the Antarctic Journey and Penguin Parade.
- The Nature Parks was represented at Tourism Australia's India Travel Mission in Jaipur meeting with over 160 agents and also attending Visit Victoria's Destination Showcase in both Mumbai and Delhi. We conducted Sales Calls in the cities of Mumbai and Delhi.

#### CRUISE SHIPS

- The growth in Cruise Ship arrivals for Phillip Island continues to develop with six ships visiting in 2018-19 and 14 scheduled for 2019-20.
- Shore excursions include the Koala Reserve, Antarctic Journey and Penguin Parade.

#### NATURE PARKS BRANDING

We continued to roll new branding across our digital platforms, collateral, signage and exhibits at visitor sites notably The Antarctic Journey, Churchill Island and new Penguin Parade visitor centre, key communications, retail and food and beverage outlets. This will continue across the Nature Parks including the development of new uniforms.

#### TOWARDS 2019-20

The next year will be an exciting one for tourism experiences at the Nature Parks.

We will:

- Continue to launch and leverage our new Penguin Parade visitor centre.
- Maintain our commitment to our key markets.
- Maximise our partnerships.
- Continue to roll out the new branding.
- Expand and enhance our digital communications and opportunities

# Education and interpretation

The Nature Parks visitor experience shares our conversation achievements through engaging and interactive education programs and tours, storytelling and face to face engagement across all our sites.

KEY GOAL	MEASURE	RESULT
Build a Penguin Parade visitor centre that represents a world class ecotourism attraction.	Complete the interpretive story for the new site with reference to the Nature Parks Interpretation Plan and with an emphasis on stories from the Bunorong people.	In progress ○ ● ○
Manage and interpret the natural and cultural history of our sites.	Roll out Phase One of new branding as per implementation plan.	Achieved ○ ○ ●
	Implement Interpretation Plan with a focus on roll out at the Penguin Parade.	In progress ○ ● ○
Create new and diverse volunteer opportunities to double volunteer participation across the Nature Parks.	Extend the volunteer program to establish Visitor Experience Volunteers at the Nobbies and Koala Reserve.	Achieved ○ ○ ●
Increase visitation to Churchill Island through new visitor experiences and events that showcase the heritage precinct.	Improve interpretive experiences at Churchill Island through investment in Shearing Shed displays and support Friends of Churchill Island in delivery of new machinery shed interpretations.	Achieved ○ ○ ●
Maintain financial stability through growth in premium visitor experiences and improved visitation throughout shoulder periods.	Increase premium product capacity by establishing one additional experience.	Achieved ○ ○ ●

## EXCELLENCE IN EDUCATION, INTERPRETATION AND PENGUIN PARADE TOURS

Engaging interpretation and curriculum-based activities ensure that we remain leaders in the field of nature-based, eco-accredited experiences.

- A total of 24,547 school students visited the Nature Parks, an increase of 4.9% on 2017-18.
- We delivered face-to-face educational experiences to 21,427 students.
- In addition:
  - 3,060 students participated in incursion programs.
  - 583 international students participated in ranger guided experiences.
  - 26 students participated in our annual work experience program.
- We held a two day Teacher Expo to promote student experiences and build relationships with teachers and schools. We showcased our guided tours and attractions and presented professional development sessions to support teachers learning through conservation.
- Visitor Experience Rangers delivered conservation-themed guided tours to a total of 43,200 visitors on our premium products providing key take home messages in putting wildlife first and joining the solution to reduce marine debris.
- The Nature Parks undertook some work in analysing and understanding the profiles and motivations of our visitors and reviewing our products to better align with visitor expectations.



Rangers engaging with our community at the annual Community Open Day.



Our Education team inspires thousands of students each year to act for conservation.

## PARTNERSHIPS AND PROJECTS

- Our partnership with Zoos Victoria continued through the *When Balloons Fly, Seabirds Die* campaign. We delivered school talks, a beach monitoring program and incorporated campaign messages into nightly talks at the Penguin Parade. We promoted the campaign through events and collected thousands of signatures of support.
- Our *Chirpy Chicks* incursion program was implemented for the fourth consecutive year. The program is supported by funding from ExxonMobil and through this program the Nature Parks team visits 2,004 students from 20 different schools throughout Victoria.
- The Nature Parks received funding through the Victorian State Government's Department of Education and Training, Strategic Partnerships Program for 2018-2020 to support the implementation of the *Turn the Tide* education program. This incorporates multiple learning activities in environmental science and coastal habitats and is targeted at Years 5-9 from 60 low socio-economic schools in our region.
- The *Turn the Tide* Volunteer Program continued to focus on tackling marine-debris on Phillip Island. Funded by a DELWP Biodiversity-On-Ground Action grant, we removed 52,103 items from 11 beaches in the last 12 months. We ran the first Island Wide Along the Tide (beach clean) event in January 2019 and through this and the amazing work of our 37 dedicated volunteers that monitor and clean our beaches every month, we are educating visitors and the community about this global issue.

## VISITOR EXPERIENCE VOLUNTEERS

Volunteers played a major role in visitor experiences this year.

- A total of 2,336 hours was spent by volunteers contributing to visitor experiences at Churchill Island, Koala Reserve and the Nobbies.
- A further 421 hours were contributed to events and 1,425 hours spent on the *Turn the Tide* program.
- The annual volunteer survey showed that 85% of volunteers contribute because they are: *passionate about the environment and making a difference.*

## TOWARDS 2019-2020

Our focus over the next 12 months will be on:

- Completing the installation of interpretation at the Penguin Parade visitor centre.
- Implementing the Interpretation Plan with a major project on Churchill Island.
- Immersing Aboriginal culture and heritage into our talks, tours and education programs through working appropriately and respectfully with Traditional Custodians and the Aboriginal and Torres Strait Islander community.
- Understanding our visitors through data collection and visitor profiling.
- Implementing our Ecotourism Business Plan to ensure our experiences are world leading and building on our partnership with Ecotourism Australia and Savannah Guides.
- Undertaking a *no flash* photography trial at the Penguin Parade.
- Supporting growth of our internship program and corporate group and volunteer opportunities.

# Community connections

Our local community plays a vital role in supporting the Nature Parks and we are committed to ongoing consultation and involvement.

We aim to deepen engagement with our region and community, seeking to achieve trust through increased communication and transparency.

KEY GOAL	MEASURE	RESULT
Enable opportunities for community engagement.	Recruit a Community Engagement Officer.	Achieved ○○●
	Commence consultation for the development of a Community Engagement Strategy.	Achieved ○○●
	Publish key Annual Report outcomes in local newspapers each financial year.	Achieved ○○●
	Conduct four Community Advisory and Environment Committee (CEAC) meetings.	Achieved ○○●
	Manage the National Surfing Reserve Committee.	Achieved ○○●
Increase community participation, visitation and involvement.	Hold the ninth Community Open Day.	Achieved ○○●
Strengthen connections with the Aboriginal and Torres Strait Islander Community.	Acquit current Reconciliation Action Plan (RAP).	Achieved ○○●
	Complete and launch our next RAP 2019-22.	
	Hold four Reconciliation Advisory Committee (RAC) meetings per annum.	
	Support regional reconciliation initiatives.	
	Implement RAP actions noted before July 2019.	

## CELEBRATING CONNECTIONS

We thank our vibrant and committed community for their ongoing involvement, notably through participating in Advisory Committees, supporting new and ongoing initiatives and strategic planning. During the year, we invited and incorporated community input into the development of our 30-Year Conservation Vision - *Beyond the Horizon*, 5-Year Conservation Plan 2019-2023, Reconciliation Action Plan 2019-2022, Threatened Species Plan and Threatened Species Communications Plan and the development of the organisation's first Community Engagement Strategy.



## INVOLVING OUR COMMUNITY

The Nature Parks Board continued to invite input through its two advisory committees: CEAC and RAC. The committees met four times during the year. Meeting minutes and ongoing community information and events are posted on our website.

The Our Community section of [www.penguins.org.au](http://www.penguins.org.au) was updated to inform and engage the community.

## COMMUNITY OPEN DAY

This one-day community event is held annually on the first Sunday in March and invites the community to discover or re-discover the Nature Parks.

Our ninth annual Open Day was again a success with over 2,000 locals enjoying the activities and free entry to Nature Parks attractions. The event program was developed and implemented by a working group consisting of Nature Parks staff, volunteers and local community group representatives and showcased our venues, programs and key environmental messages. The day featured the launch of our 30-Year Conservation Vision - *Beyond the Horizon*.

## PHILLIP ISLAND NATIONAL SURFING RESERVE

Victoria's first and only National Surfing Reserve was formally declared in March 2013. The Reserve is made up of four sites along Phillip Island's coast including Cape Woolamai, Smiths Beach, Summerland and Cat Bay and is overseen by a community working group supported by the Nature Parks and Bass Coast Shire Council and including representatives from Phillip Island Boardriders Club, Woolamai Beach Surf Life Saving Club and the surfing community. The group met regularly throughout the year to continue to promote the Reserve, surfing culture and environmental protection on Phillip Island under the themes of: *Share, protect, preserve*.

### Achievements included:

- Running a successful Surfing Tag Team Challenge event in February at Cape Woolamai.
- Distributing a brochure about the Reserve and how to care for the areas within it.
- Holding a social fundraising event in September.
- Continuing to develop and maintain an archive on the history of surfing on Phillip Island in conjunction with the Phillip Island and District Historical Society.
- Securing community support and a Bass Coast Shire Council Community Grant to assist with events and maintaining the archive.

More information can be found at [www.surfingreserves.org](http://www.surfingreserves.org) and the Reserve's Facebook page.

The National Surfing Reserve annual event involves surfers of all ages and styles.



## COMMUNITY INCLUSIVENESS AND SUPPORT

### Reconciliation

The Nature Parks acknowledges the Traditional Custodians, Elders past, present and future, the Ancestors and their spirits of the land on which we live, work and learn. We also pay our respects to our Aboriginal and Torres Strait Islander staff members, visitors and wider Community.

This was a significant year for Reconciliation across the Nature Parks. The Reconciliation Advisory Committee continued to report directly to the Board and finalised the organisation's third RAP with national body Reconciliation Australia. The RAP includes 25 actions with the key headings of Relationships, Respect and Opportunities and details our commitment to reconciliation and recognition with Aboriginal and Torres Strait Islander Peoples. Our RAP was launched during National Reconciliation Week in May along with implementing a key action from the plan of signing our first MOU with the Bunurong Land Council, the Registered Aboriginal Party for Phillip Island.

#### Achievements included:

- Expanding relationships and opportunities with Traditional Custodians, Aboriginal and Torres Strait Islander Community members and key reconciliation organisations.
- Launching the first Bass Coast Reconciliation Network with Bass Coast Shire Council, Westernport Water, Bass Coast Health in association with Bass Coast South Gippsland Reconciliation Group, Bunurong Land Council and Community. The network jointly presented events for National Sorry Day, National Reconciliation Week and NAIDOC Week.
- The Network developed a Welcome to Country video and commissioned four artworks.
- Integrating Bunurong culture across interpretations for the Penguin Parade visitor centre including a Welcome to Country sculpture at the entry.
- Rolling out cultural awareness training to over 50% of our team with the remainder scheduled for 2019-20.
- Holding our second Board meeting on Country in April.
- Incorporating Traditional Ecological Knowledge into conservation plans and programs.

*Our RAP 2019-22 and updates are available at [www.penguins.org.au/reconciliation](http://www.penguins.org.au/reconciliation)*

### COMMUNITY SUPPORT

The Nature Parks continued to support community events and organisations. We contributed over \$24,000 in donations to local groups and assisted with events through providing complimentary tickets, staffing and materials. These included Change for Sam, International Ranger Federation, Phillip Island and District Basketball Association, Artists Society of Phillip Island, Phillip Island District Cricket Club, Channel Challenge, Cowes Classic, Woolamai Beach Surf Lifesaving Club, Surf Life Saving Victoria, Phillip Island Pro World Surf League event and Phillip Island Festival of Stories.



*Smoking our signed MOU document with Bunurong Land Council.*

## CULTURAL DIVERSITY

Over 50% of Nature Parks visitors are from overseas and we cater for these groups through staff training and tailored publications, programs, iPhone apps, QR codes and audio information in over six languages. Our signage uses international symbols and we acknowledge cultural celebrations and beliefs such as Chinese New Year and various religious observances. We are an equal opportunity employer.

## YOUNG PEOPLE

We support young people by providing age-specific and targeted information and programs. We also encourage opportunities for the employment of young local people.

## TOWARDS 2019-20

We will continue to deepen our connection with our community through:

- Finalising our Community Engagement Strategy including a Living with Wildlife program.
- Developing a Community Giving program.
- Engaging in innovative and inclusive communications and consultation regarding the development of new plans and initiatives for the future of the Nature Parks.
- Supporting the Community and Environment and Reconciliation Board Advisory Committees.
- Completing actions within our RAP 2019-2022.

# Our team and volunteers

Our future vision will be delivered through valuing our employees, developing skills and supporting their health and wellbeing.

The Nature Parks is Phillip Island's largest employer. Our diverse team is made up of members working in conservation, education, visitor services, marketing and communications, retail, administration and facilities management. Our structures and processes support our team and underpin activities to prepare us for the future while creating a positive culture to reflect our values.

KEY GOAL	MEASURE	RESULT
Plan our workforce.	Embedding our new structure and optimising the workforce.	Achieved ○○●
	Implement a Learning and Development Strategy for individuals identified as appropriate successors for management positions.	Achieved ○○●
	Prepare Learning and Development Plan 2017-2019 catering for identified needs and budget considerations.	In progress ○●○
	Review our employment practices and systems.	Achieved ○○●
Build a strong organisational culture.	Conduct at least 20 proactive safety audits across the Nature Parks with at least 10 high-risk activities.	Achieved ○○●
	Provide mandatory cultural awareness training to embed a deep respect and understanding of Aboriginal and Torres Strait Islander Peoples' cultural values and protocols across our organisation.	Achieved ○○●
	Fully implement the Transforming Our Organisation Program to assist with change management and embed Activity Based Working.	Achieved ○○●
	Implement Human Resource Information System (HRIS) to support effective management of employees and the associated people and culture activities.	In progress ○●○
	Develop a Volunteer Program that continues to work with the local community and increases volunteer positions in assisting to deliver quality visitor experiences across our sites.	Achieved ○○●

## WORKFORCE DATA

### Nature Parks' workforce profile

Staff	2018-19	2017-18	2016-17	2015-16
Executive roles	6	6	6	6
Senior managers	4	4	4	4
Supervisors	16	23	23	20
Administration	30	22	20	15
Commercial	56	99	142	136
Field	113	58	58	55
<b>Total</b>	<b>225 (145 FTE)</b>	<b>212 (162 FTE)</b>	<b>262</b>	<b>236</b>
Male	83	79	92	82
Female	142	133	170	154
Self-described	0	0	0	0

NOTE: Figures for 2017-18 reduced due to outsourcing of food and beverage services.

## WORKFORCE PLANNING

### Structure

Following a major restructure that was implemented in 2017-18, this year our focus was on optimising the new structure by analysing data to determine future workforce needs and baseline labour. This resulted in changing the composition of some of our teams to enhance visitor experience and commercial outcomes. It also supported longer term workforce planning with a focus on providing greater employment security for our employees.

### Learning and development

Developing our people focuses on building capacity across all areas of the organisation to support growth. This year we undertook programs to improve team performance, implement change management and enhance employee wellbeing and cultural awareness. Our program of compliance training continued including a range of Occupational Health and Safety programs.

There was a strong focus on supporting employees through our change program by offering individual and team support as well as wellbeing sessions to successfully transition into our new, more agile way of working.

## STRONG CULTURE

### Our values

We continue to support our culture and enhance communication through our values. We developed plans to commence an organisation culture program and review of our values 2019-20.

### Transforming our organisation

Our priority was to plan and execute a comprehensive consultation and change management program to support our strategy to move to a more agile way of working. We invested in supporting employees through the change as we underwent relocations from the Penguin Parade across various new and existing locations across the Nature Parks.



Celebrating our volunteers during National Volunteer Week.

## VOLUNTEERS

Thank you to all Nature Parks volunteers who contributed to protecting nature for wildlife and inspiring people to act this year.

We had 296 volunteers contribute 14,667 hours (13,481 in 2017-18) across all our programs including the Barb Martin Bushbank, Churchill Island, Conservation, Turn the Tide and Visitor Experience roles as well as partnering with community groups including Surf Beach Sunderland Bay Coast Action Group and Friends of Churchill Island Society.

An additional contribution of 2,353 tertiary placements and internship hours were recorded. Eight interns worked across many areas of the organisation including, pest management, wildlife monitoring, data analysis and cultural heritage management. Six tertiary students undertook placements in our wildlife clinic.

### Highlights this year included:

- National Volunteer Week luncheon and day trip to Healesville Sanctuary.
- Newly formed Volunteer Working Group provided a creative platform to discuss improvements, opportunities and address concerns.
- Annual volunteer survey revealed that 84% of volunteers are very satisfied with their experience.

## OCCUPATIONAL HEALTH AND SAFETY (OH&S)

Communication and implementation of our Safety Management System continues to be the focus of OH&S work. Development of safe work practices and procedures to support staff through the transition to new work spaces has been another focus area.

The OH&S Committee met monthly to provide guidance and support to work groups to ensure that key safety messages and understandings are communicated and staff are provided with consultation opportunities.

### Managing risks

Priority has been placed on controlling organisation risks through policy, procedure, process and risk assessment reviews. Engagement and consultation with employees to identify and review risks provides a base for the development of appropriate and supportive processes and implementation of safe work practices.

*Our Annual volunteer survey revealed that 84% of volunteers are very satisfied with their experience.*

### Safety Management System

A full review and update of the Safety Management System was undertaken and improvements made. This included better reporting and analysing of incidents and hazards, identifying trends and implementing controls to reduce recurrence.

### Incident management

Staff awareness and participation in our systems including reporting of incidents regardless of injury or damage occurring continued to remain high. This allowed for better risk management and process development to continue driving the Safety Management System.

### Injury management

During 2018-19 the total injury frequency rate (TIFR) continued to decline with the rate finishing the year at 1.03 per 1,000,000 hours worked. During 2018-19 there were 12 staff who were supported through work related injuries or illnesses with five of those being Premium Sensitive WorkCover claims.

## TOWARDS 2019-20

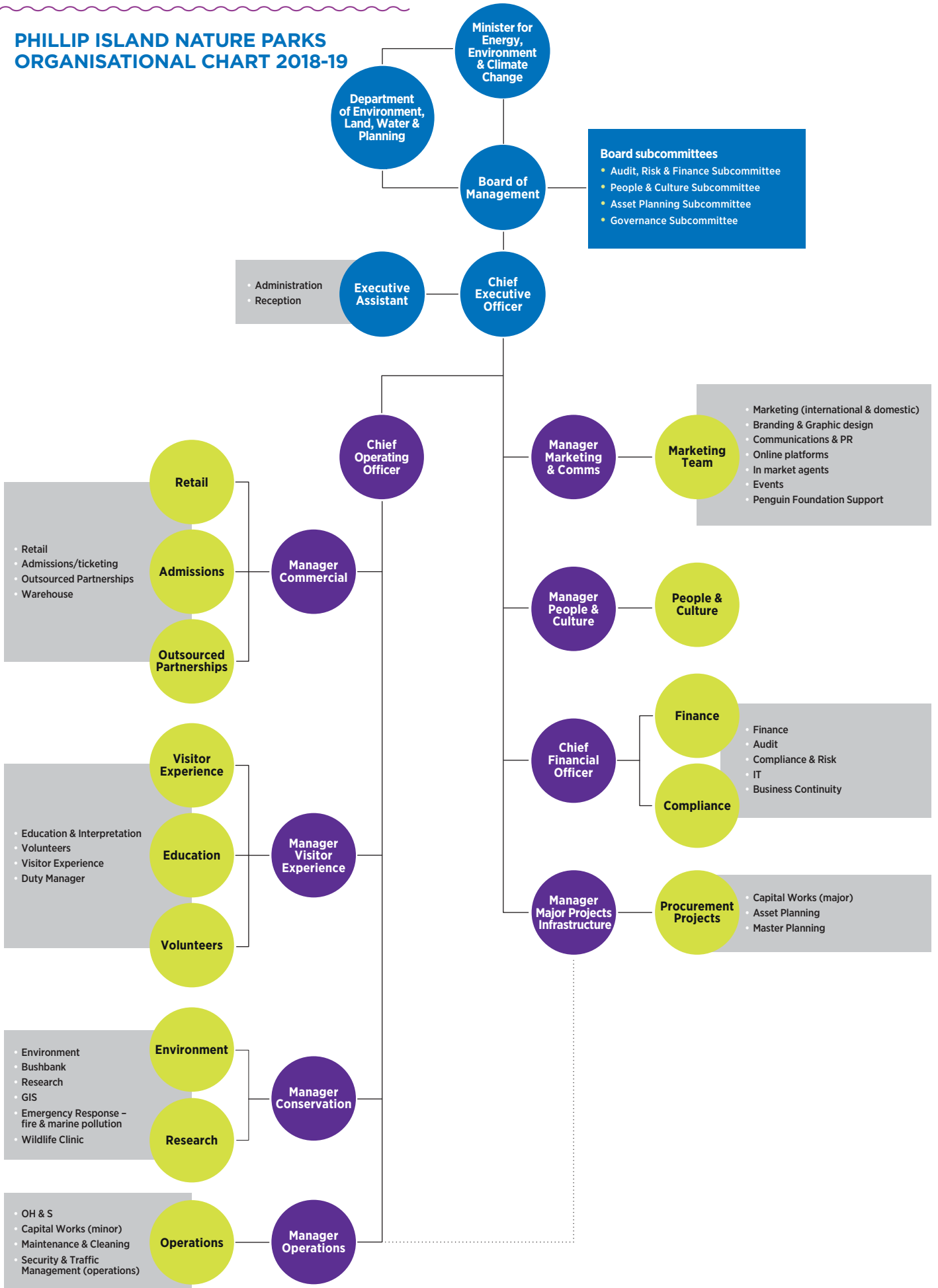
Over the coming year we are looking forward to:

- Supporting employees through change as we undergo relocations from the Penguin Parade site and changes in the way we work within a variety of facilities.
- Focussing on the development of our new corporate branding through a uniform designed to align with our branding and reflect the breadth of our organisation.
- Creating opportunities for volunteering under the age of 18 and including volunteers in our training, health and wellbeing activities.
- Continuing to develop OH&S and Emergency Response systems.



*The happy team of volunteers at the Barb Martin Bushbank.*

## PHILLIP ISLAND NATURE PARKS ORGANISATIONAL CHART 2018-19





# Governance

Phillip Island Nature Park Board of Management Inc. (known as Phillip Island Nature Parks) was created by the State Government in 1996 and is the only 'Nature Park' in Victoria. The term means that all conservation areas are managed under the *Crown Land (Reserves) Act 1978*.

The Nature Parks is governed by a Board of Management established under the *Crown Land (Reserves) Act 1978*. The responsible Minister for the period from 1 July 2018 to 30 June 2019 was the Hon Lily D'Ambrosio MP, Minister for Energy, Environment and Climate Change.

## OUR BOARD

### *Objectives, functions, powers and duties*

Board members are appointed by the Responsible Minister under the *Crown Land (Reserves) Act 1978* Section 15 Powers of Committees of Management (1). 'A Committee of Management of any land appointed under Section 14-(a) shall manage, improve, maintain and control the land for the purposes for which it is reserved.'

### *Board member attendance*

Our Board met eight times during the year to provide governance and strategic direction.

Liz Stinson - Chair	7/8
Andrew Paxton	8/8
Dr Danielle Auldish	8/8
Dr David Cochrane	6/8
Jane Foley	8/8
Kay Spierings	6/8
Kevin Love	8/8
Michaela Salvato	8/8
Shelley Lavender	8/8

**Liz Stinson (Chair July 2018 - current)** brings to her role on the Board many years of experience at operational and management levels in teaching, community services and environmental education in Canada and Australia, and more recently in international business development in Australian universities, including Deakin and La Trobe.

Liz holds postgraduate qualifications in zoology, educational management and leadership and business administration and is a Graduate Member of the Australian Institute of Company Directors (GAICD). In addition to her responsibilities with the Phillip Island Nature Parks Board, Liz's other board commitments include Community Housing (Victoria) Ltd, where she chairs the Audit and Risk Committee. Liz has been a Board Member from 5 September 2015.

**Andrew Paxton** brings extensive experience and qualifications in Landscape Architecture, Business and Organisational Leadership. His MBA thesis explored the application of triple bottom line principles to park management.

Andrew has led a diverse range of portfolios within Local Government including planning, strategic planning, economic

development, tourism, compliance, sustainability, urban design, park management, capital programs and conservation programs. His previous roles included Chief Ranger and Business Manager at Parks Victoria. Andrew has been a Board Member from 5 September 2012.

**Dr Danielle Auldish** brings experience in project management, science and governance. After fifteen years of research in Australia and New Zealand, she was the CEO of a Gippsland not-for-profit dairy organisation that developed projects adopted by the national industry. Her time with an agricultural consultancy group focused on assignments for water catchment authorities, local governments and primary producers as well as drafting practice planning notes for the state government. Danielle currently lectures to science students at Federation University and co-manages its research group, Animal Health, Ecology and Diagnostics. Danielle has been a Board Member since 5 September 2015.

**Dr David Cochrane** currently provides private economic, strategic and financial consulting services (predominantly to government) through Cloudstreet Economics and is a Director of VicForests and Guide Dogs Victoria and an independent member of the Public Transport Victoria Audit, Safety and Risk Advisory Committee. David was previously a partner at Ernst & Young, where he was the leader of the Australasian economics practice.

Over his extensive professional career David has also been director of World Urban Parks, Chair of the Parks Forum Economic Research Project, a member of the Dandenong Ranges Gardens Advisory Board, Chair of Destination Docklands and a member of the Commonwealth Government's Tourism Investment and Regulatory Reform Working Group. David is a Chartered Accountant and has a Bachelor of Economics, a Master of Business Administration and a Doctor of Business Administration. David has been a Board Member since July 2018.

**Jane Foley** is a Manager of Population Health and Community Wellbeing at the Department of Health and Human Services. Jane has previously held the positions of Manager Health Integration and Partnerships at the Department of Health and Human Services, Manager of Community Services at the City of Melbourne, Manager Tourism Melbourne, General Manager of Tourism for Forestry Tasmania, and Director of Destination Development for Tourism Tasmania. Jane has a Bachelor of Arts, a Graduate Diploma of Librarianship and a Graduate Diploma of Recreation. Jane has been a Board Member since July 2018.

**Kay Spierings** is an experienced company director with extensive business management and corporate administration experience, specifically in the areas of strategy, national competition policy, organisational governance, policy formulation, financial management and administration.

Kay is a primary producer with a keen interest in natural resource



Phillip Island's stunning southern coastline.

management, environment and sustainable agriculture. Kay is a Certified Practising Accountant (CPA) and Graduate of the Australian Institute of Company Directors Board. Kay has Board Member since 5 September 2015.

**Kevin Love** operates his own advisory business, specialising in project management, policy advice and governance. For over 20 years Kevin worked at the Department of Agriculture in regional Victoria, including 12 years at Leongatha. He also worked with the Department of Premier and Cabinet as the executive with principal responsibility for advising Premiers Kennett and Bracks on policies, programs and major projects related to resources and infrastructure.

In late 2002 he moved to the Department of Sustainability and Environment as Deputy Secretary, and led significant institutional and organisational reform, had responsibility for the State's public land estate and assets and established himself as a national leader in natural resource and marine and coastal management policy. Kevin has been a Board Member since 9 August 2013.

**Michaela Salvato** is the owner and operator of a local accounting and financial services firm where she has provided accounting, taxation and business advisory services for some 20 years. She is also the Treasurer of Destination Phillip Island, the Regional Tourism Board for Phillip Island. Previously, she held positions as National Taxation Manager for SmithKline Beecham; Chair and Treasurer of Bass Coast Landcare Network Public Fund and as a Founding Member of the Three Creeks Landcare Group Inc.

Her involvement with Landcare over the past 20 years has fuelled a strong passion for the environment, particularly the impact that can be made at a grassroots and community level. Michaela has a Bachelor of Business (Banking and Finance) and is a Chartered Accountant and Registered Tax Agent. Michaela has been a Board Member since July 2018.

**Shelley Lavender** brings strong ecotourism credentials and over 20 years' experience working in not-for-profit companies at both Board and CEO level. These include a directorship of Ecotourism Australia, past employment as CEO in the education and tourism sectors and directorship of a large credit union. Consequently, she has a strong grasp of both operational and governance issues in the sector.

Shelley now works as a Lead Auditor of tourism operators which have Ecotourism certification. This gives her a unique perspective of the challenges facing the industry and an understanding of the need to balance tourism growth with environmental and community issues. Shelley has been a Board Member since 5 September 2015.

### *Board subcommittees*

The Nature Parks' committees and members listed below provided advice to the Board throughout the reporting period.

#### **AUDIT, RISK AND FINANCE SUBCOMMITTEE**

This subcommittee was established in accordance with the *Financial Management Act 1994* to fulfil its governance and oversight responsibilities in relation to financial reporting, internal control systems, processes for legal and regulatory compliance, internal and external audit functions and risk management systems. The subcommittee fulfilled its role this year through oversight of internal and external audits and further development of the Nature Parks' risk management and compliance systems.

- Kay Spierings (Chair)
- Andrew Paxton
- David Cochrane
- Michaela Salvato
- Helen Adair (Independent member)

#### **PEOPLE AND CULTURE SUBCOMMITTEE**

This subcommittee monitors, advises and makes recommendations to the Board in regard to recruitment and retention, remuneration, performance management, succession planning policies and procedures for the CEO. It also advises on strategic workforce planning and monitors organisational culture. The subcommittee fulfilled this role this year through recruitment of new managers, review of key policies and implementing our new organisational structure.

- Shelley Lavender (Chair)
- Andrew Paxton
- Dr Danielle Auldrist
- Jane Foley

#### **GOVERNANCE SUBCOMMITTEE**

Provides advice regarding the effective governance of the organisation through overseeing and monitoring the Nature Parks' key governance frameworks and Charters. It develops the program for Board performance and reviews the effectiveness of reporting. This year the subcommittee achieved this aim across a variety of areas by reviewing key policy changes in an evolving compliance environment.

- David Cochrane (Chair)
- Kevin Love
- Liz Stinson
- Michaela Salvato
- Shelley Lavender

### ASSET PLANNING SUBCOMMITTEE

Provides recommendations to the Board regarding key decision making and assists Management with risks and technical expertise on strategic projects and asset management. The subcommittee fulfilled this role during the year on a variety of projects including the new Penguin Parade visitor centre.

- Kevin Love (Chair)
- Andrew Paxton
- Dr Danielle Auldish
- Jane Foley
- Kay Spierings

### Advisory Committees

The Nature Parks has established a number of committees to provide a channel for communication with key stakeholders and our community.

#### COMMUNITY AND ENVIRONMENT ADVISORY COMMITTEE

Includes members with interest or expertise from community and environment organisations, key stakeholders, volunteers and the local community. It acts in a consultative capacity to enable a two-way flow of information between the community, stakeholders and the Board to keep the Board informed on community issues and inform the community as to the thinking and direction of the Board.

This group formerly consisted of a Community Advisory Committee and an Environment Advisory Committee. These two groups combined meetings during the current period to broaden the scope of information shared.

The committee fulfilled its role this year in major planning processes as the Strategic Plan 2018-2023 and the Penguin Parade Visitor Centre Redevelopment Project. The committee is chaired by Michaela Salvato (Board).

#### RECONCILIATION ADVISORY COMMITTEE

This Advisory Committee was established in October 2017 to further the Nature Parks' commitment to reconciliation through the implementation of our Reconciliation Action Plan (RAP) 2019-2022. It also aims to provide a forum to discuss issues affecting the

Aboriginal and Torres Strait Islander community. The committee fulfilled its function this year through implementing RAP actions, holding events to further reconciliation across the Nature Parks' community and working on the development of protocols and our organisation's next Reconciliation Action Plan. The Committee is chaired by Kevin Love (Board).

#### SCIENTIFIC AND RESEARCH ADVISORY COMMITTEE

This Advisory Committee advises the Board on all aspects of scientific research and research-led management into the Nature Parks' key species and ecosystems and brings issues to the attention of the Board on which the members have expertise. The committee fulfilled its function this year by advising staff and assisting in the preparation of the draft 30-Year Conservation Strategy, planning for the Threatened Species Plan and implementation of the Nature Parks' 5-year Research Plan. The Committee is chaired by Danielle Auldish (Board).

- We thank long-serving member Adrian Moorees who retired this year for his contribution.
- We held two meetings in July 2018 and March 2019

#### ANIMAL ETHICS COMMITTEE

This statutory committee is required to be convened by the Nature Parks to oversee the conduct of activities with regards to the care and use of animals for scientific purposes and provides oversight of animal welfare in the Nature Parks. The committee fulfilled its function this year through overseeing the Nature Parks' wildlife research program, activities in the wildlife clinic and husbandry of the koala population at the Koala Reserve to ensure that the current Australian Code for the Care and Use of Animals for Scientific Purposes (8th Edition 2013), the *Victorian Prevention of Cruelty to Animals Act 1986* and the *Victorian Prevention of Cruelty to Animals Act 2008* were maintained.

- Dr Jennifer Hibble (Chair)
- Clare Davis
- Dr Kath Handasyde
- William Naughtin

A list of Community and Environment Advisory Committees meeting minutes can be found at: [www.penguins.org.au/about/local-community/community-committees](http://www.penguins.org.au/about/local-community/community-committees)



Flynn's Beach on Phillip Island's northern shore.





# Compliance

## ATTESTATION FOR FINANCIAL MANAGEMENT COMPLIANCE WITH MINISTERIAL STANDING DIRECTION 5.1.4

I Liz Stinson, on behalf of the Responsible Body, certify that Phillip Island Nature Parks Board of Management Inc. has complied with the applicable Standing Directions 2018 under the *Financial Management Act 1994* and Instructions.



Board Chair  
25 September 2019

## EMPLOYMENT AND CONDUCT PRINCIPLES

- Nature Parks staff are employed under the *Phillip Island Nature Parks Agreement 2017-2021* and the applicable union is the Australian Services Union.
- Nature Parks staff work in accordance with the Nature Parks Code of Conduct and employment policies that include recruitment, equal opportunity, anti-discrimination anti-harassment and bullying, gifts benefits and hospitality, social media, conflict of interest and occupational health and safety.
- Building capacity of our workforce is augmented by our recruitment frameworks and learning and development strategy enabling us to continue to grow within the changing environment into the future.

## LOCAL JOBS FIRST – VICTORIAN INDUSTRY PARTICIPATION POLICY ACT 2003

- The *Local Jobs First Act 2003* introduced in August 2018 brings together the Victorian Industry Participation Policy (VIPPP) and Major Project Skills Guarantee (MPSG) policy which were previously administered separately.
- Departments and public sector bodies are required to apply the Local Job first policy in all projects valued at \$3 million or more in Metropolitan Melbourne or for state-wide projects, or \$1 million or more for projects in regional Victoria.
- MPSG applies to all construction projects valued at \$20 million or more.
- In 2017-18, the Phillip Island Nature Park approved one VIPPP Strategic Project (Principal Contractor for the Penguin Parade Visitor Centre Development Project), with a total contract value over \$45 million. For this VIPPP Strategic Project, the Industry Capability Network (ICN) worked with the Nature Parks and builders to set a minimum local content requirement that the project must meet, ensuring local spending means local jobs. The local content (Australian and New Zealand value added activity) estimate for this project has been set at 89%. Local content reporting is undertaken by the builder on a quarterly basis with the final acquittal completed at the end of the project.

## GOVERNMENT ADVERTISING EXPENSES

Government policy requires disclosure of all government advertising expenditure with a total media buy of \$100,000 or greater (exclusive of GST).

No government advertising expenditure was incurred by the Nature Parks during the reporting period.

## INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) EXPENDITURE

For the 2018-19 reporting period, the Nature Parks had a total ICT expenditure of \$1,280,100 with details shown below.

### All operational ICT expenditure

Business As Usual (BAU) ICT expenditure	ICT expenditure related to projects to create or enhance ICT capabilities		
	Non Business As Usual (non BAU) ICT expenditure	Operational expenditure	Capital expenditure
(Total)	(Total = Operational expenditure and capital expenditure)		
<b>1,188,479</b>	<b>91,621</b>	<b>1,230,829</b>	<b>49,271</b>

- ICT expenditure refers to the Nature Parks' costs in providing business enabling ICT services. It comprises Business As Usual (BAU) ICT expenditure and Non Business As Usual (Non BAU) ICT expenditure.
- Non BAU ICT expenditure relates to extending or enhancing the Nature Parks' current ICT capabilities.
- BAU ICT expenditure is all remaining ICT expenditure which primarily relates to ongoing activities to operate and maintain the current ICT capability.

## MAJOR CONTRACTS

During the year ended 30 June 2019 the Nature Parks entered into one contract greater than \$10 million in value. The contractor is Kane Constructions and the purpose of the contract is for the building of the new Penguin Parade visitor centre.

## FREEDOM OF INFORMATION ACT 1982

The Act allows the public a right of access to documents held by the Nature Parks. The purpose of the Act is to extend as far as possible the right of the community to access information held by government departments, local councils, Ministers and other bodies subject to the Act.

An applicant has a right to apply for access to documents held by the Nature Parks. This comprises documents both created by the Nature Parks or supplied to the Nature Parks by an external organisation or individual, and may also include maps, films, microfiche, photographs, computer printouts, computer discs, tape recordings and videotapes. Information about the type of material produced by the Nature Parks is available on the Nature Parks website under its Part II Information Statement.

The Act allows the Nature Parks to refuse access, either fully or partially, to certain documents or information. Examples of documents that may not be accessed include cabinet documents; some internal working documents; law enforcement documents;

documents covered by legal professional privilege, such as legal advice; personal information about other people; and information provided to the Nature Parks in-confidence.

From 1 September 2017, the Act was amended to reduce the Freedom of Information (FOI) processing time for requests received from 45 to 30 days. However, when external consultation is required the processing time automatically reverts to 45 days. Processing time may also be extended by periods of 30 days, in consultation with the applicant. With the applicant's agreement this may occur any number of times.

If an applicant is not satisfied by a decision made by the Nature Parks, under section 49A of the Act, they have the right to seek a review by the Office of the Victorian Information Commissioner (OVIC) within 28 days of receiving a decision letter.

### *Making a request*

Access to documents can also be obtained through a written request to the Nature Parks Freedom of Information Officer, as detailed in s17 of the *Freedom of Information Act 1982*.

When making a Freedom of Information request, applicants should ensure requests are in writing, and clearly identify what types of material/documents are being sought.

Requests for documents in the possession of the Nature Parks should be addressed to:

Freedom of Information Officer  
Phillip Island Nature Parks  
PO Box 97  
Cowes Victoria 3922.

- A written response will be sent to the applicant in accordance with the Act.
- Requests can also be lodged online at [www.foi.vic.gov.au](http://www.foi.vic.gov.au)
- Access charges may also apply once documents have been processed and a decision on access is made; for example photocopying and search and retrieval charges. Further information regarding Freedom of Information can be found at [www.foi.vic.gov.au](http://www.foi.vic.gov.au)

### **BUILDING ACT 1993**

The Nature Parks complies with building management provisions of the *Building Act 1993*. Management ensures that all works requiring building approval have certified plans, works in progress inspected and occupancy permits issued by independent building surveyors engaged on a local job-by-job basis. The Nature Parks requires all building practitioners engaged on building works to be registered and to maintain this registration throughout the course of the works.

The Nature Parks carries out detailed building condition audits for all major infrastructure and prioritises maintenance in line with the audit recommendations. A maintenance reporting system is also in place to identify and address any urgent or ad-hoc maintenance issues. Maintenance jobs are prioritised wherever safety implications are identified. The Nature Parks recently completed its annual Essential Safety Measures report in accordance with the Building Regulations 2006 and was compliant in all areas.

In 2018-19 there were five major works projects undertaken by the

Nature Parks greater than 50,000:

- Install additional solar panel system at the Nobbies Centre
- Bathroom facility replacement at Forrest Caves.
- Install new fences to front paddocks at Churchill Island
- Penguin Parade Visitor Centre Development
- New administration office interior build and fit out, Cowes and Koala Reserve.

### **COMPETITIVE NEUTRALITY POLICY**

- Competitive neutrality requires government businesses to ensure where services compete, or potentially compete with the private sector, any advantage arising solely from their government ownership be removed if it is not in the public interest. Government businesses are required to cost and price these services as if they were privately owned. Competitive neutrality policy supports fair competition between public and private businesses and provides government businesses with a tool to enhance decisions on resource allocation. This policy does not override other policy objectives of government and focuses on efficiency in the provision of service.
- Phillip Island Nature Parks took on management of the Barb Martin Bushbank in February 2018. This activity will be impacted by the competitive neutrality policy and a review has been undertaken to ensure the Nature Parks' continued compliance.

### **COMPLIANCE WITH THE PROTECTED DISCLOSURE ACT 2012**

- The *Protected Disclosure Act 2012* encourages and assists people in making disclosures of improper conduct by public officers and public bodies. The Act provides protection to people who make disclosures in accordance with the Act and establishes a system for the matters disclosed to be investigated and rectifying action to be taken.
- The Nature Parks does not tolerate improper conduct by employees, nor the taking of reprisals against those who come forward to disclose such conduct.
- The Nature Parks is committed to ensuring transparency and accountability in its administrative and management practices and supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.
- The Nature Parks will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. It will also afford natural justice to the person who is the subject of the disclosure to the extent it is legally possible.

### *What is a protected disclosure?*

- A protected disclosure is a complaint of corrupt or improper conduct by a public officer or a public body.
- Phillip Island Nature Parks is a public body for the purposes of the Act.

### What is improper or corrupt conduct?

Improper or corrupt conduct involves substantial:

- mismanagement of public resources
- risk to public health or safety or the environment
- corruption

The conduct must be criminal in nature or a matter for which an officer could be dismissed.

### How do I make a Protected Disclosure?

You can make a protected disclosure about Phillip Island Nature Parks or its board members, officers or employees by contacting IBAC on the contact details provided below.

Please note that Phillip Island Nature Parks is **not** able to receive protected disclosures.

### How can I access Phillip Island Nature Parks' procedures for the protection of persons from detrimental action?

Phillip Island Nature Parks has established procedures for the protection of persons from detrimental action in reprisal for making a protected disclosure about Phillip Island Nature Parks or its employees. You can access the Nature Parks' procedures at [www.penguins.org.au](http://www.penguins.org.au)

### Contacts

#### Independent Broad-Based Anti-Corruption Commission (IBAC) Victoria

**Address:** Level 1, North Tower, 459 Collins Street, Melbourne Victoria 3000.

**Mail:** IBAC, GPO Box 24234, Melbourne Victoria 3001

**Internet:** [www.ibac.vic.gov.au](http://www.ibac.vic.gov.au)

**Phone:** 1300 735 135

**Email:** See the website above for the secure email disclosure process, which also provides for anonymous disclosures.

### Reporting procedures

Disclosures of improper conduct or detrimental action by the Nature Parks or any of its employees and/or officers may be made directly to the Independent Broad-based Anti-corruption Commission (IBAC) using the contact details provided below:

#### Independent Broad-based Anti-corruption Commission (IBAC) Victoria

**Address:** Level 1, North Tower, 459 Collins Street, Melbourne Victoria 3001.

1300 735 135

[www.ibac.vic.gov.au](http://www.ibac.vic.gov.au)

**Email:** See the website above for the secure email disclosure process, which also provides for anonymous disclosures.

### Further information

The Protected Disclosure Policy, which outline the system for reporting disclosures of improper conduct or detrimental action by the Department or any of its employees and/or officers, is available on the Nature Parks' website [www.penguins.org.au](http://www.penguins.org.au)

### COMPLIANCE WITH THE DISABILITY ACT 2006

The *Disability Act* 2006 reaffirms and strengthens the rights of people with a disability and recognises that this requires support across the government sector and within the community.

The *Disability Act* 2006 requires Phillip Island Nature Parks to prepare a disability action plan and report on its implementation in their annual report. In 2018 Phillip Island Nature Parks finalised its Strategic Plan 2018-2023 which lists a key measurable as: Disability access review conducted across all sites. Phillip Island Nature Parks' is currently scoping out the preparation of its disability action plan and will be completed in 2019-20.

- In 2018-19, compliance with the Act was incorporated into construction of the new Penguin Parade visitors centre. This included complaint parking, access, toilet and changing places room.
- The Cowes office included a lift, toilets and handrails to comply with the Act.
- The Koala Reserve office included compliant toilets, access ramps and handrails.
- One beach bathroom facility within the Nature Parks was replaced and made accessible.

### DATAVIC ACCESS POLICY

Consistent with the DataVic Access Policy issued by the Victorian Government in 2012, the information included in this Annual Report will be available at: [www.data.vic.gov.au](http://www.data.vic.gov.au) in electronic readable format along with [www.penguins.org.au](http://www.penguins.org.au)

### PUBLIC ADMINISTRATION ACT 2004

The Nature Parks adheres to the merit and equity principles of the *Public Administration Act* 2004 to ensure recruitment decisions are based on merit, that employees are treated fairly and reasonably, that equal employment opportunities are provided and that procedures are in place to deal with disputes.

To ensure employees were aware of their responsibilities, the following policies and procedures have been adopted by the Nature Parks and are available to staff:

- Code of Conduct and Conflict of Interest Policy.
- Equal Employment Opportunity, Anti-Discrimination, Anti-Harassment and Bullying Policy.
- Protected Disclosures Policy.
- Gifts, Benefits and Hospitality Policy.
- Issues Resolution Chart.
- Performance Appraisal and Development Policy, Recruitment Policy & procedure, and Social Media Policy.
- Training Behaviours Protocol.
- Grievance Policy

## HUMAN RIGHTS

The Nature Parks is committed to upholding the principles of human rights as established by the United Nations. This applies to our dealings with our visitors, employees and providers. Human rights are rights inherent to all human beings, whatever their nationality, place of residence, sex, national or ethnic origin, colour, religion, language or any other status.

## CONSULTANCY EXPENDITURE

### *Details of consultancies - \$10,000 or greater*

In 2018-19, there were eleven consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during 2018-19 in relation to these consultancies is \$283,651 (excluding GST). Details of individual consultancies are outlined below:

Consultant	Purpose of consultancy	Expenditure 2018-19 (excl. GST)
Bass Coast Landcare Network	Grant proposal 2018-19	20,000
Aspect Studios Pty Ltd	Vegter Property proposed opportunities plan	43,300
Brett Cheatley Consulting	Visitor analysis, Koala Reserve strategy and abundant wildlife project	33,130
Bunurong Land Council	General consultation	11,951
Crowe Horwath Melbourne	Accounting Services	28,350
Gidja Lee Walker	Surf Beach-Forrest Caves Plan	10,000
Greening Australia Vic. Inc.	Conservation Plan development	28,449
Soda Consulting Group Pty Ltd.	People & Culture support services	34,630
Survey Matters Pty Ltd.	Boardwalk Design Project	21,721
Taylor & Cullity Lethlean	Churchill Island Playground design	34,100
Telemetry Solutions Inc.	Pest Management program	18,000

## DETAILS OF CONSULTANCIES - LESS THAN \$10,000

In 2018-19, there were nineteen consultancies engaged during the year, where the total fees payable to the individual consultancies was less than \$10,000. The total expenditure incurred during 2018-19 in relation to these consultancies was \$87,510 (excl. GST).

## SUBSEQUENT EVENTS

There were no events occurring after balance date which may significantly affect Phillip Island Nature Parks' operations in subsequent reporting periods.

## CAPITAL PROJECTS

- Current information on new and existing capital projects for the Nature Parks and the broader Victorian public sector, is contained in most recent Budget Paper No. 4 State Capital Program (BP4) available on the Department of Treasury and Finance's website at this link: <https://www.budget.vic.gov.au/budget-papers>. There were no Capital Projects with a Total Estimated Investment of \$10M completed during the year.

## ADDITIONAL INFORMATION

### *Available on request*

In compliance with the requirements of the Standing Directions 2018 under the *Financial Management Act* 1994, details in respect of the items listed below have been retained by Phillip Island Nature Parks and are available (in full) on request, subject to the provisions of the *Freedom of Information Act* 1982:

- details of publications produced by the Nature Parks about itself.
- details of any major external reviews carried out on the Nature Parks.
- details of major research and development activities undertaken by the Nature Parks.
- details of major promotional, public relations and marketing.
- details of changes in prices, fees, charges, rates and levies charged.

The information is available on request from [info@penguins.org.au](mailto:info@penguins.org.au)

### *Included in annual report*

Details in respect of the following items have been included in Phillip Island Nature Parks' annual report, on the pages indicated below:

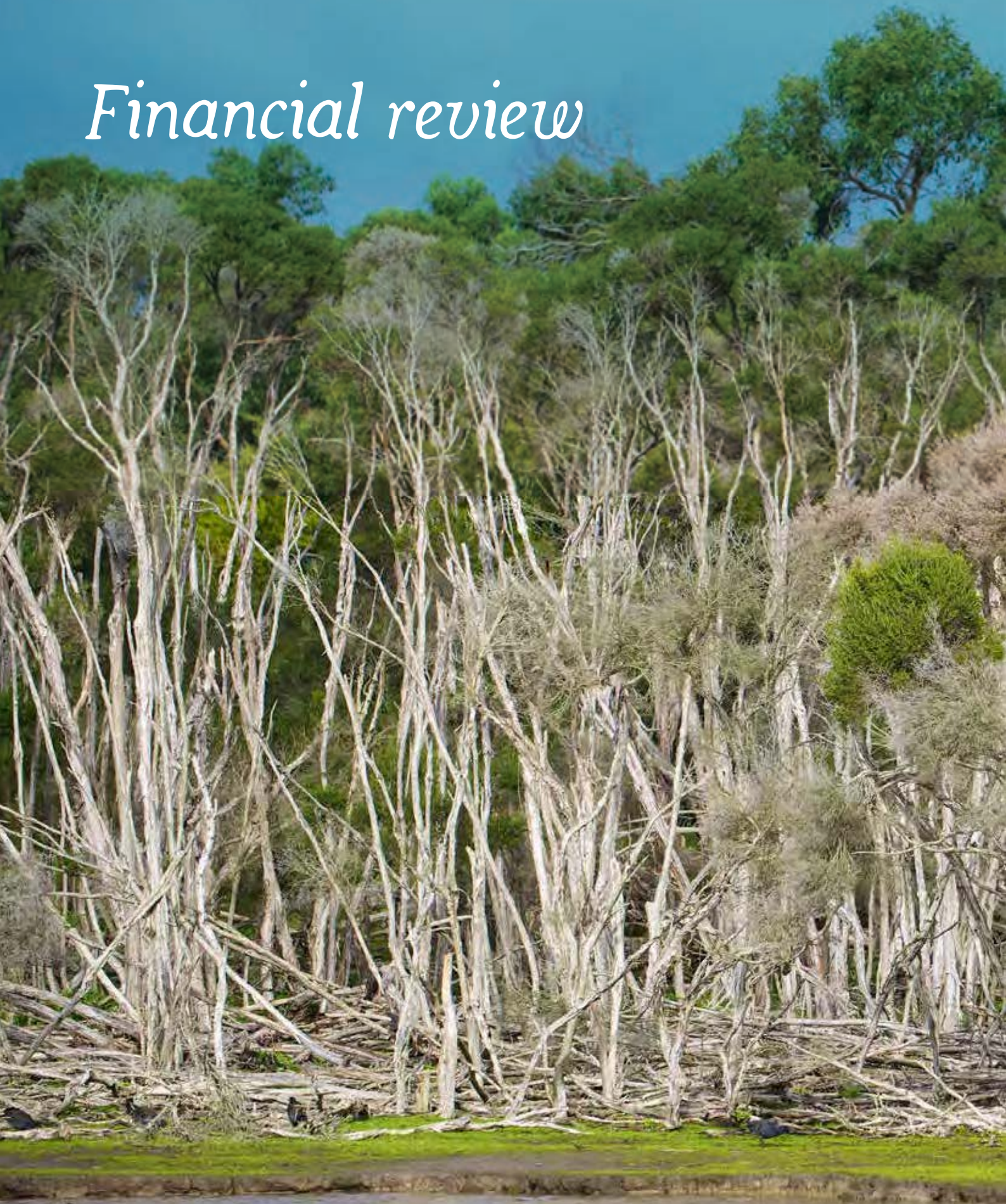
- assessments and measures undertaken to improve the occupational health and safety of employees (on page 33)
- a statement on industrial relations within Phillip Island Nature Parks (on page 40)
- a list of Phillip Island Nature Parks' major committees, the purposes of each committee, and the extent to which the purposes have been achieved (on pages 37-38)
- a statement of completion of declarations of pecuniary interests by relevant officers (on pages 78-79 and also refer Full Financial Statements).

Information that is not applicable to Phillip Island Nature Parks

The following information is not relevant to Phillip Island Nature Parks for the reasons set out below:

- a declaration of shares held by senior officers (No shares have ever been issued in Phillip Island Nature Parks)
- details of overseas visits undertaken (No board members or senior executives took overseas work related trips.)

# *Financial review*





# Phillip Island Nature Parks - Financial Statements

The Phillip Island Nature Parks Board of Management (the Nature Parks) has presented its audited general-purpose financial statements for the financial year ended 30 June 2019 in the following structure to provide users with the information about the Nature Parks' stewardship of resources entrusted to it.

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	Statement of changes in equity	53	
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Land, property, investment properties, biological assets, intangible assets, investments accounted for using the equity method, investments and other financial assets, and acquisition and disposal of entities			
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## DECLARATION IN THE FINANCIAL STATEMENTS

The attached financial statements for Phillip Island Nature Parks have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2019 and financial position of Phillip Island Nature Parks at 30 June 2019.

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 25 September 2019.

On behalf of the Phillip Island Nature Parks Board of Management Inc:



**Catherine Basterfield**

Chief Executive Officer (Accountable Officer)  
Phillip Island  
25 September 2019



**Carolyn Simonds**

Chief Financial Officer (Chief Finance and Accountable Officer)  
Phillip Island  
25 September 2019



**Liz Stinson**

Chair  
Phillip Island Nature Park Board of Management  
Phillip Island  
25 September 2019



## Independent Auditor's Report

### To the Board of the Phillip Island Nature Parks

<b>Opinion</b>	<p>I have audited the financial report of the Phillip Island Nature Parks (the nature parks) which comprises the:</p> <ul style="list-style-type: none"><li>• balance sheet as at 30 June 2019</li><li>• comprehensive operating statement for the year then ended</li><li>• statement of changes in equity for the year then ended</li><li>• cash flow statement for the year then ended</li><li>• notes to the financial statements, including significant accounting policies</li><li>• declaration in the financial statements.</li></ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the nature parks as at 30 June 2019 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
<b>Basis for Opinion</b>	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the nature parks in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
<b>Board's responsibilities for the financial report</b>	<p>The Board of the nature parks is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board 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.</p> <p>In preparing the financial report, the Board is responsible for assessing the nature parks' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

**Auditor's  
responsibilities  
for the audit  
of the financial  
report**

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for 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 nature parks' 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 nature parks' 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 nature parks 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  
3 October 2019



Julia Kilkeny  
*as delegate for the Auditor-General of Victoria*

## COMPREHENSIVE OPERATING STATEMENT

For the financial year ended 30 June 2019

	NOTES	2019	2018
<b>Continuing operations</b>		\$	\$
<b>Income from transactions</b>			
Supply of services and sale of goods	2.1.1	24,821,454	25,245,434
Other income	2.1.2	2,186,822	3,394,880
<b>Total income from transactions</b>		27,008,276	28,640,314
<b>Expenses from transactions</b>			
Employee expenses	3.1	(12,285,942)	(13,253,784)
Cost of sales	3.2	(2,147,518)	(2,322,317)
Depreciation and amortisation	4.1.1	(6,865,494)	(4,508,991)
Other operating expenses	3.3	(7,009,604)	(6,889,705)
<b>Total expenses from transactions</b>		(28,308,558)	(26,974,797)
<b>Net result from transactions (net operating balance)</b>		<b>(1,300,282)</b>	<b>1,665,517</b>
<b>Other economic flows included in net result</b>			
Net (loss)/gain on non-financial assets		(124,674)	141,337
<b>Total other economic flows included in net result</b>		<b>(124,674)</b>	<b>141,337</b>
<b>Net result from continuing operations</b>			
<b>Net result</b>		<b>(1,424,956)</b>	<b>1,806,854</b>
<b>Other economic flows - other comprehensive income:</b>			
<b>Items that will not be reclassified to net result</b>			
Changes in physical asset revaluation surplus	8.2	(27,542)	6,473,030
<b>Total other economic flows - other comprehensive income</b>		<b>(27,542)</b>	<b>6,473,030</b>
<b>Comprehensive result</b>		<b>(1,452,498)</b>	<b>8,279,884</b>

The accompanying notes form part of these financial statements.

## BALANCE SHEET

As at 30 June 2019

	NOTES	2019	2018
<b>Assets</b>		\$	\$
<b>Financial assets</b>			
Cash and deposits	6.1	18,658,652	42,020,203
Receivables	5.1	1,538,521	1,131,756
Investments	7.1.1	250,000	250,000
<b>Total financial assets</b>		<b>20,447,173</b>	<b>43,401,959</b>
<b>Non financial assets</b>			
Inventories	5.3	775,891	768,306
Property, plant and equipment	4.1	141,508,453	100,941,895
Intangibles	4.2	690,005	1,232,232
Other non-financial assets		393,265	107,510
<b>Total non-financial assets</b>		<b>143,367,614</b>	<b>103,049,943</b>
<b>Total assets</b>		<b>163,814,787</b>	<b>146,451,902</b>
<b>Liabilities</b>			
Payables	5.2	3,800,374	1,924,072
Employee related provisions	3.1.1	1,924,698	2,349,617
<b>Total liabilities</b>		<b>5,725,072</b>	<b>4,273,689</b>
<b>Net assets</b>		<b>158,089,715</b>	<b>142,178,213</b>
<b>Equity</b>			
Accumulated surplus		20,228,020	21,652,976
Physical asset revaluation surplus	8.2	59,869,062	59,896,604
Contributed capital	8.8	77,992,633	60,628,633
<b>Net worth</b>		<b>158,089,715</b>	<b>142,178,213</b>

The accompanying notes form part of these financial statements.

## CASH FLOW STATEMENT

For the financial year ended 30 June 2019

	NOTES	2019	2018
<b>Cash flows from operating activities</b>		\$	\$
Receipts from customers and other entities		30,811,310	31,124,160
Interest received		590,509	565,471
Payments to suppliers and other expenses		(16,225,477)	(11,062,588)
Payments to employees		(12,778,608)	(13,064,280)
Goods and services tax received from the ATO		2,449,441	(1,295,460)
<b>Net cash flows from operating activities</b>	6.1	<b>4,847,175</b>	<b>6,267,303</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(45,572,727)	(10,049,869)
Payments for intangibles		-	(33,615)
Proceeds from property, plant and equipment		-	206,130
<b>Net cash flows used in investing activities</b>		<b>(45,572,727)</b>	<b>(9,877,354)</b>
<b>Cash flows from financing activities</b>			
Owner Contribution by State Government		17,364,000	26,528,000
<b>Net cash flows from financing activities</b>		<b>17,364,000</b>	<b>26,528,000</b>
<b>Net increase in cash and cash equivalents</b>		<b>(23,361,551)</b>	<b>22,917,949</b>
Cash and cash equivalents at beginning of financial year		42,020,203	19,102,254
<b>Cash and cash equivalents at end of financial year</b>	6.1	<b>18,658,652</b>	<b>42,020,203</b>

The accompanying notes form part of these financial statements.

## STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2019

	NOTES	PHYSICAL ASSET REVALUATION SURPLUS	ACCUMULATED SURPLUS	CONTRIBUTIONS BY OWNER	TOTAL
<b>Balance at 1 July 2017</b>		53,423,574	19,846,122	34,100,633	107,370,329
Net result from continuing operations		-	1,806,854	-	1,806,854
Other comprehensive income for the year		6,473,030			6,473,030
Capital contributions by State		-		26,528,000	26,528,000
<b>Balance at 30 June 2018</b>		<b>59,896,604</b>	<b>21,652,976</b>	<b>60,628,633</b>	<b>142,178,213</b>
Net result from continuing operations		-	(1,424,956)	-	(1,424,956)
Other comprehensive income/ (loss) for the year		(27,542)			(27,542)
Capital contributions by State		-		17,364,000	17,364,000
<b>Balance at 30 June 2019</b>		<b>59,869,062</b>	<b>20,228,020</b>	<b>77,992,633</b>	<b>158,089,715</b>

*The accompanying notes form part of these financial statements.*

## 1. ABOUT THIS REPORT

The financial statements cover the Phillip Island Nature Parks Board of Management (the Nature Parks) as an individual reporting entity.

The Nature Parks is a government entity of the State of Victoria, established by government gazette under the *Crown Lands (Reserves) Act 1978*.

Principal address:  
Phillip Island Nature Parks  
154-156 Thompson Avenue  
Cowes Victoria 3922

A description of the nature of the Nature Parks operations and its principal activities is included in the report of operations on page 8, which does not form a part of these financial statements.

### BASIS OF PREPARATION

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 Nature Parks.

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 AASB 9 simplified approach is taken to measure expected credit losses using a lifetime expected credit loss allowance (Note 7.1)

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 also in future periods that are affected by the revision. Judgements and assumptions made by management in applying Australian Accounting Standards (AAS) that have significant effects on the financial statements and estimates relate to:

- the fair value of land, buildings, infrastructure, plant and equipment (refer note 7.3)
- estimation of useful life (refer note 4.1)
- impairment of assets (refer note 4.1)
- employee provisions (refer note 3.1.1); and
- accrued expenses (refer note 5.2)

### COMPLIANCE INFORMATION

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

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 Phillip Island Nature Parks' (the Nature Parks) overall objective is to conserve and enhance the Nature Parks' environment for current and future generations, whilst achieving a balanced environmental, economic and social outcome.

To enable the Nature Parks to fulfil its objective and provide outputs, the Nature Parks operates five main visitor attractions for which it receives revenue from admissions and commercial sales.

Income is recognised to the extent it is probable the economic benefits will flow to the Nature Parks and the income can be reliably measured at fair value.

Where applicable, amounts disclosed as income are net of returns, allowances, duties and taxes.

### 2.1 INCOME FROM TRANSACTIONS

#### 2.1.1 Supply of services and sale of goods

	2019	2018
	\$	\$
Supply of services - Admissions	19,674,801	19,568,887
Sale of goods - Retail and souvenirs	5,146,653	5,676,547
<b>Total supply of services and sale of goods</b>	<b>24,821,454</b>	<b>25,245,434</b>

Income from the **supply of services** is recognised by reference to the stage of completion of the services being performed. The income is recognised when:

- the amount of the income and transaction costs incurred can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to the Nature Parks.

Income from the **sale of goods** is recognised when:

- the Nature Parks no longer has any of the significant risks and rewards of ownership of the goods transferred to the buyer;
- the Nature Parks no longer has continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- the amount of income, and the costs incurred or to be incurred in respect of the transactions, can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to the Nature Parks.

## 2. FUNDING DELIVERY OF OUR SERVICES (CONTINUED)

### 2.1.2 Other income

	2019	2018
	\$	\$
Grants from Government	351,105	234,692
Other grants, donations and sponsorship	354,573	498,292
Interest	590,508	565,471
Education tours and school camps	175,705	184,185
Rental income	609,449	548,279
Operating License cost recovery	-	1,047,003
Insurance	-	287,827
Miscellaneous income	105,482	29,131
<b>Total other income</b>	<b>2,186,822</b>	<b>3,394,880</b>

**Grant income** arises from transactions in which a party provides goods or assets (or extinguishes a liability) to the Nature Parks without receiving approximately equal value in return. While grants may result in the provision of some goods or services to the transferring party, they do not provide a claim to receive benefits directly of approximately equal value (and are termed 'non-reciprocal' transfers). Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For non-reciprocal grants, the Nature Parks recognises revenue when the grant is receivable or received. The Nature Parks recognises income from reciprocal grants when it has satisfied its performance obligations under the terms of the grant. Cash received from the grantor is recognised as a liability on the balance sheet until the agreement conditions has been satisfied.

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

**Donations and sponsorship income** is recognised in the period received, except where monies are received to fund projects either for contracted periods of time or specific projects irrespective of the period of time required to complete those projects.

**Interest income** includes interest received on cash at bank and bank term deposits. Interest income is recognised using the effective interest method, which allocates the interest over the relevant period.

**Rental income** from leasing of land and facilities is recognised on a straight-line basis over the term of the agreement.

**Operating license cost recovery** represents reimbursement of costs incurred by the Nature Parks during the transition to the food and beverage rental agreement.

**Miscellaneous income** represents all other income received from activities including the sale of plants through the Barb Martin Bushbank Nursery, sale of livestock and permits. Miscellaneous income is recognised in the period received.

### 3. THE COST OF DELIVERING SERVICES

#### Introduction

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

#### 3.1. EMPLOYEE BENEFITS IN THE COMPREHENSIVE OPERATING STATEMENT

	2019	2018
	\$	\$
Salaries and wages	10,053,253	10,554,037
Payroll tax and workcover	411,267	603,303
Superannuation	1,015,508	1,069,153
Movement in annual leave and long service leave provision	805,914	1,027,291
<b>Total employee expenses</b>	<b>12,285,942</b>	<b>13,253,784</b>

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

The amount recognised in the comprehensive operating statement in relation to superannuation is employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period. The Nature Parks does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees.

#### 3.1.1 Employee benefits in the balance sheet

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave (LSL) for services rendered to the reporting date and recorded as an expense during the period the services are delivered.

	2019	2018
	\$	\$
<b>Current provisions</b>		
<b>Annual leave</b>		
Unconditional and expected to settle within 12 months	584,709	579,650
<b>Long service leave</b>		
Unconditional and expected to settle within 12 months	150,735	127,165
Unconditional and expected to settle after 12 months	513,036	605,421
<b>Provisions for on costs</b>		
Unconditional and expected to settle within 12 months	109,641	114,091
Unconditional and expected to settle after 12 months	78,541	100,805
<b>Accrued wages</b>	255,138	582,233
<b>Total current provisions for employee benefits</b>	<b>1,691,800</b>	<b>2,109,365</b>
<b>Non current provisions</b>		
Employee benefits	201,978	205,959
On-costs	30,920	34,293
<b>Total non-current provisions for employee benefits</b>	<b>232,898</b>	<b>240,252</b>
<b>Total provisions for employee benefits</b>	<b>1,924,698</b>	<b>2,349,617</b>

### 3. THE COST OF DELIVERING SERVICES (CONTINUED)

#### 3.1.1 Employee benefits in the balance sheet (continued)

##### Reconciliation of movement in on-costs provision

	2019
	\$
<b>Opening balance</b>	249,189
Additional provisions recognised	79,348
Reduction arising from payments	(109,434)
<b>Closing balance</b>	<b>219,103</b>
Current	188,183
Non current	30,920

**Wages and salaries, annual leave** and sick leave: Liabilities for wages and salaries (including non-monetary benefits, annual leave and on-costs) are recognised as part of the employee benefit provision as current liabilities, because the Nature Parks does not have an unconditional right to defer settlements of these liabilities.

The liability for salaries and wages are recognised in the balance sheet at remuneration rates which are current at the reporting date. As the Nature Parks expects the liabilities to be wholly settled within 12 months of reporting date, they are measured at undiscounted amounts.

The annual leave liability is classified as a current liability and measured at the undiscounted amount expected to be paid, as the Nature Parks does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

No provision has been made for sick leave as all sick leave is non-vesting and it 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.

Employment on-costs such as payroll tax, workers compensation and superannuation are not employee benefits. They are disclosed separately as a component of the provision for employee benefits when the employment to which they relate has occurred.

**Unconditional LSL** (representing 7 or more years of continuous service) is disclosed as a current liability; even where the Nature Parks does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

- undiscounted value – if the Nature Parks expects to wholly settle within 12 months; or
- present value – if the Nature Parks does not expect to wholly settle within 12 months.

**Conditional LSL** (representing less than 7 years continuous service) is disclosed as a non-current liability. There is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL is measured at present value.

#### 3.1.2 Superannuation contributions

Employees of the Nature Park are entitled to receive superannuation benefits and the Nature Parks contributes to both defined benefit and defined contribution plans. The defined benefit plan(s) provides benefits based on years of service and final average salary. The total value of Superannuation contributions outstanding at 30 June 2019 totalled \$94,825.

	Rate		Paid contribution for the year		Contribution outstanding at year end	
	2019	2018	2019	2018	2019	2018
	%	%	\$	\$	\$	\$
Accumulated Funds (Vision)	9.50	9.50	532,591	484,813	43,590	-
Accumulated Funds (Other)	9.50	9.50	643,854	566,920	51,235	-
Defined Benefits Fund (Vision)	9.50	9.50	18,629	30,497	-	-
<b>Total</b>			<b>1,195,074</b>	<b>1,082,230</b>	<b>94,825</b>	<b>-</b>

### 3. THE COST OF DELIVERING SERVICES (CONTINUED)

#### 3.2 COST OF SALES

	2019	2018
	\$	\$
Cost of sales - Retail and souvenirs	2,147,518	2,322,317
<b>Total cost of sales</b>	<b>2,147,518</b>	<b>2,322,317</b>

Cost of sales: when inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related income is recognised.

#### 3.3 OTHER OPERATING EXPENSES

	2019	2018
	\$	\$
Advertising	445,144	566,877
Bank charges	256,741	219,825
Consultants and other advice	404,504	419,849
Contractors	2,103,554	1,883,133
Doubtful debts	26,599	14,581
Fringe benefits tax	67,933	69,456
Insurance (excluding motor vehicles)	108,533	107,817
Legal expenses	89,038	127,478
Materials and supplies	792,007	795,939
Motor vehicle expenses	184,537	165,784
Memberships, licences and commissions	721,342	720,908
Repairs and maintenance	492,604	378,178
Utilities	270,915	314,451
Training	108,939	146,049
Telephone and internet	105,678	141,067
Travel and accommodation	171,185	187,181
Miscellaneous expense	660,351	631,132
<b>Total other operating expenses</b>	<b>7,009,604</b>	<b>6,889,705</b>

Other operating expenses generally represent the day to day running costs incurred in normal operations. It also includes bad debt expense from transactions that are mutually agreed.

Supplies and services are recognised as an expense in the reporting period in which they are incurred.

## 4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

### Introduction

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

Significant judgement: 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 PROPERTY, PLANT AND EQUIPMENT

	Gross carrying amount	Accumulated depreciation	Net carrying amount
	2019	2019	2019
	\$	\$	\$
Land at fair value	61,145,165	-	61,145,165
Buildings at fair value	29,252,320	(8,613,107)	20,639,213
Boardwalks at fair value	2,278,779	(510,632)	1,768,147
Car parks at fair value	3,982,181	(2,626,169)	1,356,012
Motor vehicles at fair value	1,533,607	(1,023,940)	509,667
Furniture and fittings at fair value	1,249,198	(902,882)	346,316
Plant and equipment at fair value	3,652,700	(2,725,049)	927,651
Computer hardware at fair value	1,128,111	(1,047,015)	81,096
Work in progress at cost	54,735,186	-	54,735,186
<b>Net carrying amount</b>	<b>158,957,247</b>	<b>(17,448,794)</b>	<b>141,508,453</b>

	Gross carrying amount	Accumulated depreciation	Net carrying amount
	2018	2018	2018
	\$	\$	\$
Land at fair value	61,145,165	-	61,145,165
Buildings at fair value	29,256,281	(4,572,590)	24,683,691
Boardwalks at fair value	2,063,844	(335,404)	1,728,440
Car parks at fair value	3,991,191	(1,327,054)	2,664,137
Motor vehicles at fair value	1,465,516	(892,174)	573,342
Furniture and fittings at fair value	1,939,332	(1,676,673)	262,659
Plant and equipment at fair value	3,807,695	(2,693,275)	1,114,420
Computer hardware at fair value	1,148,117	(1,052,447)	95,670
Work in progress at cost	8,674,371	-	8,674,371
<b>Net carrying amount</b>	<b>113,491,511</b>	<b>(12,549,617)</b>	<b>100,941,895</b>

**Initial recognition:** Items of property, plant and equipment, are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment.

The cost of constructed non-financial physical assets includes the cost of all materials used in construction, direct labour on the project and an appropriate proportion of variable and fixed overheads.

## 4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)

### 4.1 TOTAL PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

**Subsequent measurement:** Property, plant and equipment (PPE) are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to 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 on the following page by asset category.

#### **Specialised land and specialised buildings**

The market approach is used for specialised land, although is adjusted for the community service obligation (CSO) to reflect the specialised nature of the land 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 is also equally applicable to market participants.

For the majority of the Nature Parks' specialised buildings, the depreciated replacement cost method is used, adjusting for the associated depreciation.

#### **Car parks and boardwalks**

Car parks and boardwalks are valued using the depreciated replacement cost method. This cost generally represents the replacement cost of the building/component after applying depreciation rates on a useful life basis.

#### **Plant and equipment, furniture and fittings, computer hardware and vehicles**

Plant and equipment, furniture and fittings, computer hardware and vehicles are valued using the depreciated replacement cost method. This cost represents the replacement cost of the plant and equipment, furniture and fitting and vehicles after applying depreciation rates on a useful life basis. Replacement costs relate to costs to replace the current service capacity of the asset. As depreciation adjustments are considered as significant, unobservable inputs in nature, these assets are classified as Level 3 fair value measurements.

#### **Impairment of property, plant and equipment**

The recoverable amount of primarily non cash generating assets of not-for-profit entities, which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 Fair Value Measurement, with the consequence that AASB 136 does not apply to such assets that are generally revalued.

## 4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)

### 4.1.1 Depreciation, amortisation and impairment

#### Charge for the period

	2019	2018
	\$	\$
<b>Depreciation</b>		
Buildings	4,183,418	2,353,105
Boardwalks	175,228	167,159
Car parks	1,306,426	704,086
Motor vehicles	226,486	223,944
Furniture and fittings	141,712	189,424
Plant and equipment	271,791	276,794
Computer hardware	55,652	78,063
<b>Total depreciation</b>	<b>6,360,713</b>	<b>3,992,575</b>
<b>Amortisation</b>		
Software	504,781	516,416
<b>Total amortisation</b>	<b>504,781</b>	<b>516,416</b>
<b>Total depreciation and amortisation</b>	<b>6,865,494</b>	<b>4,508,991</b>

All buildings, plant and equipment and other non-financial physical assets that have finite useful lives, are depreciated. The exception to this rule is land.

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	3 to 40
Boardwalks	3 to 10
Car parks	3 to 20
Motor vehicles	5
Furniture, fittings and equipment	3 to 5
Computer hardware and software	3 to 5

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

**Indefinite life assets:** Land, which is considered to have an indefinite life, is not depreciated. Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period.



#### 4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)

##### 4.1.2 Reconciliation of movements in carrying amount of property, plant and equipment

	Crown land	Buildings	Boardwalks	Car parks	Motor vehicles	Furniture & fittings	Plant & equipment	Computer hardware	Work in progress	Total property, plant & equipment
<b>Non-current</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>2019</b>										
Carrying amount as at 1 July 2018	61,145,165	24,683,691	1,728,440	2,664,137	573,342	262,659	1,114,420	95,670	8,674,371	<b>100,941,895</b>
Additions	-	-	-	-	167,907	10,052	42,644	24,875	47,054,808	<b>47,300,286</b>
Transfer from work in progress	-	258,190	214,935	853	2,096	246,140	43,500	24,396	(993,993)	<b>(203,883)</b>
Disposals	-	(91,708)	-	(2,552)	(7,192)	(30,823)	(1,122)	(8,193)	-	<b>(141,590)</b>
Revaluation	-	(27,542)	-	-	-	-	-	-	-	<b>(27,542)</b>
Depreciation and amortisation expense	-(a)	(4,183,418)	(175,228)	(1,306,426)	(226,486)	(141,712)	(271,791)	(55,652)	-	<b>(6,360,713)</b>
<b>Carrying amount as at 30 June 2019</b>	<b>61,145,165</b>	<b>20,639,213</b>	<b>1,768,147</b>	<b>1,356,012</b>	<b>509,667</b>	<b>346,316</b>	<b>927,651</b>	<b>81,096</b>	<b>54,735,186</b>	<b>141,508,453</b>

Note:

Fair value assessments have been performed for all classes of assets in the purpose group and the decision was made that movements were not material (less than or equal to 10 per cent) for a full revaluation. The next scheduled full revaluation for this purpose group will be conducted in 2021.

(a) Due to the completion of the new Penguin Parade Visitor Centre, the useful life of the decommissioned facilities was adjusted to end 30 June 2019. This has resulted in an increase in depreciation recognised in this period.

	Crown land	Buildings	Boardwalks	Car parks	Motor vehicles	Furniture & fittings	Plant & equipment	Computer hardware	Work in progress	Total property, plant & equipment
<b>Non-current</b>	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
<b>2018</b>										
Carrying amount as at 1 July 2017	52,829,000	26,602,378	1,879,868	3,322,577	576,499	440,485	1,208,571	102,321	1,569,420	<b>88,531,119</b>
Additions	1,791,783	345,020	15,731	43,453	285,532	4,058	138,165	58,487	7,367,640	<b>10,049,869</b>
Transfer from work in progress	-	140,750	-	2,193	-	7,540	44,478	12,973	(262,689)	<b>(54,755)</b>
Disposals	-	-	-	-	(64,745)	-	-	(48)	-	<b>(64,793)</b>
Revaluation	6,524,382	(51,352)	-	-	-	-	-	-	-	<b>6,473,030</b>
Depreciation and amortisation expense	-	(2,353,105)	(167,159)	(704,086)	(223,944)	(189,424)	(276,794)	(78,063)	-	<b>(3,992,575)</b>
<b>Carrying amount as at 30 June 2018</b>	<b>61,145,165</b>	<b>24,683,691</b>	<b>1,728,440</b>	<b>2,664,137</b>	<b>573,342</b>	<b>262,659</b>	<b>1,114,420</b>	<b>95,670</b>	<b>8,674,371</b>	<b>100,941,895</b>

## 4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)

### 4.2 INTANGIBLE ASSETS

	2019	2018
<b>Non-current</b>	\$	\$
Software at cost	3,355,822	3,444,193
Less accumulated amortisation	(2,665,817)	(2,211,961)
<b>Net book value at end of financial year</b>	<b>690,005</b>	<b>1,232,232</b>

	2019	2018
<b>Non-current</b>	\$	\$
Opening balance	1,232,232	1,660,278
Additions	-	33,615
Retirement	(37,446)	-
Transfer from work in progress	-	54,755
Less amortisation	(504,781)	(516,416)
<b>Net book value at end of financial year</b>	<b>690,005</b>	<b>1,232,232</b>

#### INITIAL RECOGNITION

**Purchased intangible assets** are initially recognised at cost. When the recognition criteria in AASB 138 Intangible Assets are met, internally generated intangible assets are recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Depreciation and amortisation begin when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

#### Subsequent measurement

Intangible produced assets with finite useful lives, are amortised as an 'expense from transactions' on a straight-line basis over their useful lives. Produced intangible assets have useful lives of between 3 and 5 years.

Intangible non-produced assets with finite lives are amortised as an 'other economic flow' on a straight-line basis over their useful lives. The amortisation period is 3 to 5 years.

#### Impairment of intangible assets

Intangible assets with finite useful lives are tested for impairment whenever an indication of impairment is identified.

## 5. OTHER ASSETS AND LIABILITIES

This section sets out those assets and liabilities that arose from the Nature Parks controlled operations.

### 5.1 RECEIVABLES

	2019	2018
<b>Contractual</b>	\$	\$
Sale of goods and services	1,036,570	836,905
Allowance for impairment losses of contractual receivables	(56,750)	(36,394)
Accrued interest income	8,868	8,418
Other receivables	173,548	232,096
<b>Total contractual receivables</b>	<b>1,162,236</b>	<b>1,041,025</b>
<b>Statutory</b>		
GST credit recoverable	376,285	90,731
<b>Total receivables</b>	<b>1,538,521</b>	<b>1,131,756</b>
<b>Represented by</b>		
Current receivables	1,538,521	1,131,756

**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. Subsequent to 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.

The AASB 9 simplified approach is taken to measure expected credit losses using a lifetime expected credit loss allowance (Note 7.1)

Details about the Nature Parks' impairment policies, the Nature Parks' exposure to credit risk, and the calculation of the loss allowance are set out in note 7.1.2

### 5.2 PAYABLES

	2019	2018
<b>Contractual</b>	\$	\$
Supplies and services	1,598,729	1,185,142
Accrued expenses	2,089,456	718,050
<b>Total contractual payables</b>	<b>3,688,185</b>	<b>1,903,192</b>
<b>Statutory</b>		
FBT payable	17,364	20,880
Superannuation payable	94,825	-
<b>Total statutory payables</b>	<b>112,189</b>	<b>20,880</b>
<b>Total payables</b>	<b>3,800,374</b>	<b>1,924,072</b>
<b>Represented by</b>		
Current payables	3,800,374	1,924,072

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 Nature Parks prior to the end of the financial year that are unpaid; and

## 5. OTHER ASSETS AND LIABILITIES (CONTINUED)

### 5.2 PAYABLES (CONTINUED)

- **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 following table discloses the maturity of contractual financial liabilities:

	Carrying amount	Nominal amount	Less than 1 month	Maturity dates		
				1-3 months	3 months - 1 year	1-5 years
<b>2019</b>	\$	\$	\$	\$	\$	\$
Payables	3,688,185	3,688,185	3,586,259	69,208	32,718	-
<b>Total payables</b>	<b>3,688,185</b>	<b>3,688,185</b>	<b>3,586,259</b>	<b>69,208</b>	<b>32,718</b>	<b>-</b>
<b>2018</b>						
Payables	1,903,192	1,903,192	1,885,482	14,853	2,857	-
<b>Total payables</b>	<b>1,903,192</b>	<b>1,903,192</b>	<b>1,885,482</b>	<b>14,853</b>	<b>2,857</b>	<b>-</b>

### 5.3 INVENTORIES

	2019	2018
	\$	\$
<b>Current inventories</b>		
<b>Inventories held for sale at cost</b>		
Penguin Parade	493,664	486,373
Koala Reserve	87,628	78,893
Nobbies	134,494	143,869
Churchill Island	93,765	87,985
<b>Total current inventories</b>	<b>809,551</b>	<b>797,120</b>
Less provision for inventory obsolescence	(33,660)	(28,814)
<b>Total inventories</b>	<b>775,891</b>	<b>768,306</b>

Inventory is measured at the lower of cost and net realisable value. Cost has been assigned to inventory on a first in first out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expense. Obsolete and slow-moving stocks are provided for, to ensure the inventories are recorded at net realisable value where such value is below cost.

The amount of any write down of inventories to net realisable value and all losses of inventories shall be recognised as an expense in the period the write down or loss occurs.

#### Movement in the provision for inventory obsolescence

	2019	2018
	\$	\$
<b>Balance at the beginning of the year</b>	<b>(28,814)</b>	<b>(26,622)</b>
Increase in provision recognised in profit or loss	(4,846)	(2,192)
<b>Balance at end of the year</b>	<b>(33,660)</b>	<b>(28,814)</b>

## 6. HOW WE FINANCED OUR OPERATIONS

This section provides information on the sources of finance utilised by the Nature Parks during its operations.

### 6.1 CASH FLOW INFORMATION AND BALANCES

Cash and deposits, including cash equivalents, comprise cash on hand, 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.

	2019	2018
	\$	\$
Cash on hand	40,084	45,000
Cash at bank - trading account	15,955,287	12,141,553
Cash at bank - major project	15,613	27,189,587
Cash at bank - term deposit, maturity of 3 months or less	1,750,000	1,750,000
Cash at bank - defined benefits contingency fund	897,668	894,063
<b>Balance as per cash flow statement</b>	<b>18,658,652</b>	<b>42,020,203</b>

#### 6.1.1 Reconciliation of net result for the period to cash flow from operating activities

	2019	2018
	\$	\$
<b>Net result for the period</b>	<b>(1,424,956)</b>	<b>1,806,854</b>
<b>Non cash movements</b>		
(Gain)/loss on sale or disposal of non current assets	124,674	(141,337)
Depreciation and amortisation of non current assets	6,865,494	4,508,991
<b>Movements in assets and liabilities</b>		
Decrease/(increase) in receivables & other current assets	(692,521)	(42,811)
Decrease/(increase) in inventories	(7,585)	51,167
Increase/(decrease) in payables	406,988	82,779
Increase/(decrease) in employee provisions	(424,919)	1,660
<b>Net cash flows from operating activities</b>	<b>4,847,175</b>	<b>6,267,303</b>

## 6. HOW WE FINANCED OUR OPERATIONS (CONTINUED)

### 6.2 COMMITMENTS FOR EXPENDITURE

Commitments for future capital expenditure arising from contracts are recorded below at their nominal value and inclusive of GST. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

In May 2016 it was announced in the 2016-17 State Capital Program (Budget Paper No 4) that the Nature Park will receive funding for a major capital project. As a condition of this funding, the Nature Parks will contribute a further \$4,000,000 to the project within the next 12 months.

Nominal amounts 2019	Less than 1 year	1 – 5 years	5+ years	Total
	\$	\$	\$	\$
Capital expenditure commitments payable	8,015,826	-	-	8,015,826
Operating lease commitments payable	168,581	538,000	-	706,581
<b>Total commitments (inclusive of GST)</b>	<b>8,184,407</b>	<b>538,000</b>	<b>-</b>	<b>8,722,407</b>
Less GST recoverable				(792,946)
<b>Total commitments (exclusive of GST)</b>				<b>7,929,461</b>

2018				
Capital expenditure commitments payable	40,649,793	7,758,448	-	48,408,241
<b>Total commitments (inclusive of GST)</b>	<b>40,649,793</b>	<b>7,758,448</b>	<b>-</b>	<b>48,408,241</b>
Less GST recoverable				(4,400,749)
<b>Total commitments (exclusive of GST)</b>				<b>44,007,492</b>

## 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

### *Introduction*

The Nature Parks is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for the Nature Parks related mainly to fair value determination.

### 7.1 FINANCIAL INSTRUMENTS SPECIFIC DISCLOSURES

#### *Introduction*

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of the Nature Park'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 Nature Parks, are financial instruments because, although authorised under statute, terms and conditions for each financial guarantee may vary and are subject to an agreement.

From 1 July 2018, the Nature Parks applies AASB 9 and classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms.

#### *Categories of financial assets under AASB 9*

##### **Financial assets at amortised cost**

Financial assets are measured at amortised costs if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by the Nature Parks to collect the contractual cash flows, and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment. The Nature Parks recognises the following assets in this category:

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

#### *Categories of financial assets previously under AASB 139*

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

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

**Financial liabilities at amortised cost** are initially recognised on the date that they are obtained. They are initially measured at fair value plus any directly attributable transaction cost. Subsequent to initial recognition, these financial instruments are measured at amortised cost with any difference between the initial recognised amount and the redemption value being recognised in profit and loss over the period of the interest bearing liability, using the effective interest rate method. The Nature parks recognises the following liabilities in this category:

- Payables (excluding statutory payables)

## 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

### 7.1 FINANCIAL INSTRUMENTS SPECIFIC DISCLOSURES (CONTINUED)

#### 7.1.1 Financial instruments: Categorisation

2019	Cash and Deposits	Financial assets at amortised cost(AC)	Financial liabilities at amortised cost(AC)	Total
<b>Contractual financial assets</b>	\$	\$	\$	\$
Cash and deposits	18,658,652	-	-	18,658,652
<b>Receivables</b>				
Sale of goods and services	-	979,820	-	979,820
Accrued interest income	-	8,868	-	8,868
Other receivables	-	173,548	-	173,548
<b>Investment and other contractual financial assets</b>				
Term deposits	250,000	-	-	250,000
<b>Total contractual financial assets</b>	<b>18,908,652</b>	<b>1,162,236</b>	<b>-</b>	<b>20,070,888</b>
<b>Contractual financial liabilities</b>				
Payables	-	-	3,688,185	3,688,185
<b>Total contractual financial liabilities</b>	<b>-</b>	<b>-</b>	<b>3,688,185</b>	<b>3,688,185</b>

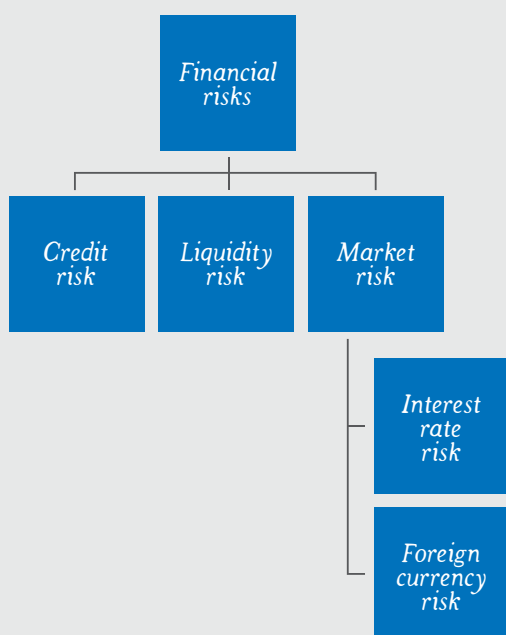
2018	Cash and cash equivalents	Loans and receivables	Investments	Financial liabilities measured at amortised costs	Total
<b>Contractual financial assets</b>	\$	\$	\$	\$	\$
Cash and deposits	42,020,203				42,020,203
Receivables		1,041,026			1,041,026
Term deposits			250,000		250,000
<b>Total contractual financial assets</b>	<b>42,020,203</b>	<b>1,041,026</b>	<b>250,000</b>	<b>-</b>	<b>43,311,229</b>
<b>Contractual financial liabilities</b>					
Payables				1,903,192	1,903,192
<b>Total contractual financial liabilities</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,903,192</b>	<b>1,903,192</b>



## 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

### 7.1 FINANCIAL INSTRUMENTS SPECIFIC DISCLOSURES (CONTINUED)

#### 7.1.2 Financial risk management objectives and policies



The Nature Parks' 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 above are disclosed in Note 7.3 below.

The main purpose in holding financial instruments is to prudentially manage the Nature Parks financial risks within the government policy parameters.

The Nature Parks main financial risks include credit risk, liquidity risk, interest rate risk and foreign currency risk. At this stage, it has no exposure to equity price risk. The Nature Parks' manages these financial risks in accordance with its financial risk management policy.

#### *Financial risk: Credit risk*

Credit risk refers to the possibility that a borrower will default in its financial obligations as and when they fall due.

The Nature Parks' exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the Nature Parks. Maximum exposure to credit risk is the carrying amount of financial assets.

Credit risk associated with the Nature Parks' financial assets is minimal as the risk is spread across a large number of small

debtors. In addition, each debtor must undergo a credit checking process before credit is provided and the outstanding balance is reviewed on a regular basis.

In addition, the Nature Parks does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest, except for cash and deposits, which are mainly cash at bank.

Provision of impairment for contractual financial assets is recognised when there is objective evidence that the Nature Parks will be unable to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payment and changes in credit ratings.

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.

There has been no material change to the Nature Parks credit risk profile in 2018-19.

#### **IMPAIRMENT OF FINANCIAL ASSETS UNDER AASB 9 – APPLICABLE FROM 1 JULY 2018**

From 1 July 2018, the Nature Parks has been recording the allowance for expected credit loss for the relevant financial instruments, replacing AASB 139's Incurred Loss approach with AASB 9's Expected Credit Loss approach. Subject to AASB 9 impairment assessment include the Nature Parks' contractual receivables, statutory receivables and its investment in debt instruments.

Equity instruments are not subject to impairment under AASB 9. Other financial assets mandatorily measured or designated at fair value through net result are not subject to impairment assessment under AASB 9. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

#### **CONTRACTUAL RECEIVABLES AT AMORTISED COST**

The Nature Parks applies AASB 9 simplified approach for all contractual receivables to measure expected credit losses using a lifetime expected loss allowance based on the assumptions about risk of default and expected loss rates. The Nature Parks has grouped contractual receivables on shared credit risk characteristics and days past due and select the expected credit loss rate based on the Nature Parks' history, existing market conditions, as well as forward-looking estimates at the end of the financial year.

## 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

### 7.1.2 Financial risk management objectives and policies (continued)

On this basis, the Nature Parks determines the opening loss allowance on initial application date of AASB 9 and the closing loss allowance at end of the financial year as follows:

1-Jul-18	Current	Less than 1 month	1-2 months	2 months & over	Total
<b>Expected loss rate</b>	4.40%	15.76%	52.60%	100%	
Gross carrying amount of contractual receivables	1,007,385	14,849	7,589	47,596	1,077,419
<b>Loss allowance</b>	<b>44,325</b>	<b>2,340</b>	<b>3,992</b>	<b>47,596</b>	<b>98,253</b>

30-Jun-19	Current	Less than 1 month	1-2 months	2 months & over	Total
<b>Expected loss rate</b>	1.19%	4.08%	81.07%	100%	
Gross carrying amount of contractual receivables	1,108,331	68,829	5,668	36,158	1,218,986
<b>Loss allowance</b>	<b>13,189</b>	<b>2,808</b>	<b>4,595</b>	<b>36,158</b>	<b>56,750</b>

Reconciliation of the movement in the loss allowance for contractual receivables is shown as follows:

	2019	2018
<b>Balance at the beginning of the year</b>	(36,395)	(26,622)
Opening retained earnings adjustment on adoption of AASB 9	-	-
<b>Opening Loss allowance</b>	<b>(36,395)</b>	<b>(26,622)</b>
Increase in provision recognised in net result	(26,320)	(9,773)
Reversal of provision of receivables written off during the year as uncollectable	5,965	
<b>Balance at the end of the year</b>	<b>(56,750)</b>	<b>(36,395)</b>

#### *Financial instruments: Liquidity risk*

Liquidity risk arises when the Nature Parks is unable to meet its financial obligations as they fall due.

The Nature Parks adopts a policy of paying creditors within 30 days of month end.

Maximum exposure to liquidity risk is the carrying amount of financial liabilities, which have a maturity of less than one (1) month based on contractual undiscounted cash flows.

The Nature Parks' exposure to liquidity risk is insignificant based on prior period's data and current assessment of risk. Cash is deposited to the trading account offering a competitive interest rate with at call accessibility of funds.

#### *Interest rate risk*

Fair value interest rate risk is the risk that the fair value of the financial instrument will fluctuate because of changes in market interest rates. The Nature Parks 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 future cash flows of a financial instrument will fluctuate because of market changes in market interest rates. The Nature Parks has minimal exposure to cash flow interest rate risks through cash and deposits that are at floating rate.

## 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

### 7.1.2 Financial risk management objectives and policies

The Nature Parks manages this risk by predominantly undertaking fixed rate or non-interest-bearing financial instruments with relatively even maturity profiles. The Nature Parks has concluded for cash at bank, as financial assets that can be left at floating rate without necessarily exposing the Nature Parks to significant bad risk.

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

#### Interest rate exposure of financial instruments

2019	Weighted average interest rate	Carrying amount	Fixed interest rate	Variable interest rate	Non interest bearing
	%	\$	\$	\$	\$
<b>Financial assets</b>					
Cash and deposits	1.94	18,658,652	1,750,000	16,868,568	40,084
Receivables	-	1,162,236	-	-	1,162,236
Term deposits	1.50	250,000	250,000	-	-
<b>Total financial assets</b>		<b>20,070,888</b>	<b>2,000,000</b>	<b>16,868,568</b>	<b>1,202,320</b>
<b>Financial liabilities</b>					
Payables	-	2,218,871	-	-	2,218,871
<b>Total financial liabilities</b>		<b>2,218,871</b>	<b>-</b>	<b>-</b>	<b>2,218,871</b>

2018	Weighted average interest rate	Carrying amount	Fixed interest rate	Variable interest rate	Non interest bearing
	%	\$	\$	\$	\$
<b>Financial assets</b>					
Cash and deposits	1.85	42,020,203	1,750,000	40,225,203	45,000
Receivables	-	1,041,026	-	-	1,041,026
Term deposits	2.20	250,000	250,000	-	-
<b>Total financial assets</b>		<b>43,311,229</b>	<b>2,000,000</b>	<b>40,225,203</b>	<b>1,086,026</b>
<b>Financial liabilities</b>					
Payables	-	1,903,192	-	-	1,903,192
<b>Total financial liabilities</b>		<b>1,903,192</b>	<b>-</b>	<b>-</b>	<b>1,903,192</b>

## 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

### 7.1.2 Financial risk management objectives and policies (continued)

#### *Interest rate risk sensitivity*

Considering past performance and future expectations a 1% increase or decrease in interest rates is reasonably possible over the next 12 months. The effect on cash assets would be an increase or decrease in fair value of \$168,686 (2018: \$402,252).

#### *Foreign currency risk*

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Exchange differences are recognised in profit or loss in the period in which they arise.

The Nature Parks is exposed to an insignificant amount of foreign currency risk through its payables relating to purchases from overseas. This is because of a limited amount of purchases denominated in foreign currencies and a short time frame between commitment and settlement.

## 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.

The Nature Parks is not aware of any material threatened or existing legal actions or other contingencies between Phillip Island Nature Parks Board of Management Inc and third parties as at 30 June 2019 (2018: Nil)

## 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 Nature Parks.

This section sets out information on how the Nature Parks 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 that are carried at amortised cost, also need to be determined for disclosure purposes.

The Nature Parks 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, a number of 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.

## 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

### 7.3 FAIR VALUE DETERMINATION (CONTINUED)

The Nature Parks 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.

The Valuer-General Victoria (VGV) is the Nature Parks' independent valuation agency (or) the Nature Parks, in conjunction with VGV, monitors changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required.

#### 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 to Note 7.3.1) and non-financial physical assets (refer to Note 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 instruments 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 Nature Parks currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts approximate to fair value, due to their short-term nature or with the expectation that they will be paid in full by the end of the 2018-19 reporting period.

Financial assets	Financial liabilities
<b>Cash and deposits</b> Receivables: <ul style="list-style-type: none"> <li>• Sale of goods and services</li> <li>• Accrued investment income</li> <li>• Other receivables</li> </ul> Investments and other contractual financial assets: <ul style="list-style-type: none"> <li>• Term deposits:</li> </ul>	<b>Payables</b> <ul style="list-style-type: none"> <li>• For supplies and services</li> <li>• Amounts payable to government</li> <li>• Other payables</li> </ul>

## 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

### 7.3.2 Fair value determination of non-financial assets and liabilities

2019	Carrying amount as at 30 June 2019	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
	\$	\$	\$	\$
Specialised land at fair value	61,145,165	-	-	61,145,165
Specialised building at fair value	20,639,213	-	-	20,639,213
Boardwalks at fair value	1,768,147	-	-	1,768,147
Car parks at fair value	1,356,012	-	-	1,356,012
Motor vehicles at fair value	509,667	-	-	509,667
Furniture and fittings at fair value	346,316	-	-	346,316
Plant & equipment at fair value	927,651	-	-	927,651
Computer hardware at fair value	81,096	-	-	81,096

2018	Carrying amount as at 30 June 2018	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
	\$	\$	\$	\$
Specialised land at fair value	61,145,165	-	-	61,145,165
Specialised building at fair value	24,683,691	-	-	24,683,691
Boardwalks at fair value	1,728,440	-	-	1,728,440
Car parks at fair value	2,664,137	-	-	2,664,137
Motor vehicles at fair value	573,342	-	-	573,342
Furniture and fittings at fair value	262,659	-	-	262,659
Plant & equipment at fair value	1,114,420	-	-	1,114,420
Computer hardware at fair value	95,671	-	-	95,671

There have been no transfers between levels during the period.

#### PLANT AND EQUIPMENT, FURNITURE AND FITTINGS, COMPUTER HARDWARE AND VEHICLES

Plant and equipment, furniture and fittings, computer hardware and vehicles are valued using the depreciated replacement cost method. The cost represents the replacement cost of the plant and equipment, furniture and fitting and vehicles after applying depreciation rates on a useful life basis. Replacement cost related to the cost to replace the current service capacity of the asset. As depreciation adjustments are considered as significant, unobservable inputs in nature these assets are classified as level 3 fair value measurements.

#### SPECIALISED LAND AND SPECIALISED BUILDINGS

The market approach is used for specialised land, although is adjusted for the community service obligation (CSO) to reflect the specialised nature of the land being valued.

The CSO adjustment reflects the valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach is considering 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. As adjustments of CSO are considered as significant unobservable inputs, specialised land would be classified as Level 3 assets.

For the majority of the Nature Parks' specialised buildings, the depreciated replacement cost method is used, adjusting for the associated depreciations. As depreciation adjustments are considered as significant, unobservable inputs in nature, specialised buildings are classified as Level 3 fair value measurements.

## 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

### 7.3.2 Fair value determination of non-financial assets and liabilities (continued)

An independent valuation of the Nature Parks' specialised land and specialised buildings was performed by the Valuer-General Victoria. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation is 30 June 2016.

The Nature Parks approved a managerial revaluation of the land asset class of \$6.5M in 2018.

#### CAR PARKS AND BOARDWALKS

Car parks and boardwalks are valued using the depreciated replacement cost method. This cost generally represents the replacement cost of the building/component after applying depreciation rates on a useful life basis.

An independent valuation of the Nature Parks' car parks and boardwalks was performed by the Valuer General Victoria. The valuation was performed based on the depreciated replacement cost of the assets. The effective date of the valuation is 30 June 2016.

#### Reconciliation of Level 3 fair value movements

2019	Specialised land	Specialised buildings	Boardwalks	Car parks	Motor vehicles	Furniture and fittings	Plant and equipment	Computer hardware
	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance	61,145,165	24,683,691	1,728,440	2,664,137	573,342	262,659	1,114,420	95,670
Additions	-	258,190	214,935	853	170,003	256,192	86,144	49,271
Depreciation	-	(4,183,418)	(175,228)	(1,306,426)	(226,486)	(141,712)	(271,791)	(55,652)
Disposal	-	(91,708)	-	(2,552)	(7,192)	(30,823)	(1,122)	(8,193)
Subtotal	61,145,165	20,666,755	1,768,147	1,356,012	509,667	346,316	927,651	81,096
Gains recognised in other economic flows – other comprehensive income								
Revaluation	-	(27,542)	-	-	-	-	-	-
Subtotal	-	(27,542)	-	-	-	-	-	-
<b>Closing balance</b>	<b>61,145,165</b>	<b>20,639,213</b>	<b>1,768,147</b>	<b>1,356,013</b>	<b>509,667</b>	<b>346,316</b>	<b>927,651</b>	<b>81,096</b>

2018	Specialised land	Specialised buildings	Boardwalks	Car parks	Motor vehicles	Furniture and fittings	Plant and equipment	Computer hardware
	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance	52,829,000	26,602,378	1,879,868	3,322,577	576,499	440,485	1,208,571	102,321
Additions	1,791,783	485,770	15,731	45,646	285,532	11,598	182,643	71,460
Depreciation	-	(2,353,105)	(167,159)	(704,086)	(223,944)	(189,424)	(276,794)	(78,063)
Disposal	-	-	-	-	(64,745)	-	-	(47)
Subtotal	54,620,783	24,735,043	1,728,440	2,664,137	573,342	262,659	1,114,420	95,671
Gains recognised in other economic flows – other comprehensive income								
Revaluation	6,524,382	(51,352)	-	-	-	-	-	-
Subtotal	6,524,382	(51,352)	-	-	-	-	-	-
<b>Closing balance</b>	<b>61,145,165</b>	<b>24,683,691</b>	<b>1,728,440</b>	<b>2,664,137</b>	<b>573,342</b>	<b>262,659</b>	<b>1,114,420</b>	<b>95,671</b>

## 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

The Nature Parks is not aware of any ex gratia expenses at the time of finalising the annual report (2018: \$0).

### 8.2 RESERVES

	2019	2018
<b>Physical asset revaluation surplus</b>	\$	\$
Balance at beginning of financial year	59,896,604	53,423,574
Revaluation increments/(decrements)	(27,542)	6,473,030
Balance at end of financial year	59,869,062	59,896,604
Net changes in reserves	(27,542)	6,473,030

### 8.3 RESPONSIBLE PERSONS

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

The names of persons who were responsible persons at any time during the financial year are:

#### RESPONSIBLE MINISTER

The responsible Minister during 2018-19 reporting period was the Hon. Lily D'Ambrosio MP, Minister for Energy, Environment and Climate Change.

#### ACCOUNTABLE OFFICER

Catherine Basterfield, Chief Executive Officer (1 July 2018 to 30 June 2019)

#### BOARD MEMBERS

The names of each person holding the position of board member during the financial year are:

- Liz Stinson, Board Chair (1 July 2018 to 30 June 2019)
- Andrew Paxton, Board Member (1 July 2018 to 30 June 2019)
- Danielle Auldist, Board Member (1 July 2018 to 30 June 2019)
- David Cochrane, Board Member (1 July 2018 to 30 June 2019)
- Jane Foley, Board Member (1 July 2018 to 30 June 2019)
- Kay Spierings, Board Member (1 July 2018 to 30 June 2019)
- Kevin Love, Board Member (1 July 2018 to 30 June 2019)
- Michaela Salvato, Board Member (1 July 2018 to 30 June 2019)
- Shelley Lavender, Board Member (1 July 2018 to 30 June 2019)



## 8. OTHER DISCLOSURES (CONTINUED)

### 8.3 RESPONSIBLE PERSONS (CONTINUED)

#### REMUNERATION

Remuneration received or receivable by the Accountable Officer in connection with the management of the Nature Park during the period was in the range: \$260,000 - \$269,999 (\$250,000 - \$259,999 in 2017-18).

Remuneration bands for responsible persons	2019	2018
\$10,000 to \$19,999	8	8
\$20,000 to \$29,999	1	-
\$250,000 to \$259,999	-	1
\$260,000 to \$269,999	1	-
<b>Total numbers</b>	<b>10</b>	<b>9</b>
<b>Total remuneration</b>	<b>\$410,970</b>	<b>\$386,414</b>

### 8.4 REMUNERATION OF EXECUTIVES

The number of executive officers, other than ministers and accountable officers, and the total remuneration during the reporting period is shown in the table below. Total annualised employee equivalents provide a measure of full time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits (as defined in AASB 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. Accordingly, remuneration is determined on an accrual basis, 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 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.

Remuneration of executive officers	2019	2018
	\$	\$
Short-term employee benefits(a)	179,871	176,332
Post-employment benefits	15,929	15,616
Other long-term benefits	3,965	3,883
<b>Total remuneration (a)</b>	<b>199,765</b>	<b>195,831</b>
<b>Total number of executives</b>	<b>1</b>	<b>1</b>
<b>Total annualised employee equivalents</b>	<b>1</b>	<b>1</b>

## 8. OTHER DISCLOSURES (CONTINUED)

### 8.5 RELATED PARTIES

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

Related parties of the Nature Parks include:

- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over);
- 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.
- The Penguin Foundation Limited

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

#### SIGNIFICANT TRANSACTIONS WITH GOVERNMENT-RELATED ENTITIES

The Nature Parks received funding from the State of Victoria of \$17.4 million (2018: \$26.6 million) towards the Penguin Parade visitor centre (refer note 8.8).

#### KEY MANAGEMENT PERSONNEL

Key management personnel for the Nature Parks includes the Portfolio Minister for Energy, Environment and Climate Change, the Hon. Lily D'Ambrosio MP and members of the Board of Directors and Chief Executive Officer as detailed in section 8.3.

The compensation detailed below excludes the salaries and benefits the Portfolio Minister receives. The Minister's remuneration and allowances is set by the *Parliamentary Salaries and Superannuation Act 1968* and is reported within the Department of Parliamentary Services' Financial Report.

Compensation of KMPs	2019	2018
	\$	\$
Short-term employee benefits(a)	371,926	347,319
Post-employment benefits	33,084	33,962
Other long-term benefits	5,240	5,133
<b>Total(a)</b>	<b>410,970</b>	<b>386,414</b>

Notes: (a) Note that KMPs are also reported in the disclosure of responsible persons (Note 8.3).

#### TRANSACTIONS AND BALANCES 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 occurs 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.

The Nature Parks also has a related party relationship with the Penguin Foundation Limited due to the Accountable Officer and Director of Research volunteering their time to hold Board positions with the Foundation.

## 8. OTHER DISCLOSURES (CONTINUED)

### 8.6 REMUNERATION OF AUDITORS

	2019	2018
	\$	\$
<b>Victorian Auditor General's Office</b>		
Audit or review of the financial statements	20,000	17,000
<b>Total remuneration of auditors</b>	<b>20,000</b>	<b>17,000</b>

### 8.7 SUBSEQUENT EVENTS

The Phillip Island Nature Parks Board of Management is not aware of any circumstances that have arisen since 30 June 2019 that have significantly affected or may significantly affect the Nature Parks' operations in financial years subsequent to 30 June 2019.

### 8.8 OTHER ACCOUNTING POLICIES

#### 8.8.1 Contributions by owners

	2019	2018
	\$	\$
<b>Contribution by owners</b>		
Balance at beginning of financial year	60,628,633	34,100,633
Capital contribution by State	17,364,000	26,528,000
<b>Balance at end of financial year</b>	<b>77,992,633</b>	<b>60,628,633</b>

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 Nature Parks.

During the year the State Government contributed \$17,364,000 (2018: \$26,528,000) to the Nature Parks as instalments relating to the redevelopment of the Penguin Parade Visitor Centre.

### 8.9 SUMMARY OF NEW/REVISED ACCOUNTING STANDARDS EFFECTIVE FOR CURRENT AND FUTURE REPORTING PERIODS

#### CURRENT REPORTING PERIOD

The following accounting standards are effective from the 2018-19 reporting period and are considered to have an impact on public sector reporting:

- *AASB 9 Financial Instruments*: AASB 9 simplifies the classification and subsequent measurement of financial assets from four categories (fair value through profit or loss, loans and receivables and held to maturity to three categories (fair value through profit or loss, fair value through other comprehensive income and amortised cost).

#### Issued but not yet effective Australian accounting and reporting standards

#### FUTURE REPORTING PERIODS

The table below outlines the accounting pronouncements that have been issued but are not effective for 2018-19, which may result in potential impacts on public sector reporting for future reporting periods.

## 8.9 SUMMARY OF NEW/REVISED ACCOUNTING STANDARDS EFFECTIVE FOR CURRENT AND FUTURE REPORTING PERIODS (CONTINUED)

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on public sector entity financial statements
AASB 15 <i>Revenue from Contracts with Customers</i>	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer. Note that amending standard AASB 2015 8 <i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i> has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017 for Not-for-Profit entities.	1 Jan 2019	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. Revenue from grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as the performance obligations attached to the grant are satisfied.  Impact in the initial year of application is expected to be minimal as all grants satisfying AASB 15 have been transitioned to be recognised as the performance has been completed. Balance carried forward and impacted by AASB is \$62K.
AASB 16 <i>Leases</i>	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 Jan 2019	The assessment has indicated that most operating leases, with the exception of short term and low value leases will come on to the balance sheet and will be recognised as right of use assets with a corresponding lease liability.  In the operating statement, the operating lease expense will be replaced by depreciation expense of the asset and an interest charge. There will be no change for lessors as the classification of operating and finance leases remains unchanged.  Potential impact in the initial year of application <ul style="list-style-type: none"> <li>● Increase in Right of Use (ROU) asset \$596,383.</li> <li>● Increase in related depreciation \$143,132. <ul style="list-style-type: none"> <li>● Increase in lease liability \$596,383.</li> <li>● Increase in related interest \$19,233.</li> <li>● Decrease in rental expenses \$111,262.</li> </ul> </li> </ul>
AASB 2016-8 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not for-Profit Entities</i>	AASB 2016-8 inserts Australian requirements and authoritative implementation guidance for not-for-profit-entities into AASB 9 and AASB 15.  This Standard amends AASB 9 and AASB 15 to include requirements to assist not-for-profit entities in applying the respective standards to transactions and events.	1 Jan 2019	This standard clarifies the application of AASB 15 and AASB 9 in a not-for-profit context. The areas within these standards that are amended for not-for-profit application include:  <b>AASB 9</b> <ul style="list-style-type: none"> <li>● Statutory receivables are recognised and measured similarly to financial assets.</li> </ul> <b>AASB 15</b> <ul style="list-style-type: none"> <li>● The ‘customer’ does not need to be the recipient of goods and/or services;</li> <li>● The “contract” could include an arrangement entered into under the direction of another party;</li> <li>● Contracts are enforceable if they are enforceable by legal or ‘equivalent means’;</li> <li>● Contracts do not have to have commercial substance, only economic substance; and</li> </ul> Performance obligations need to be ‘sufficiently specific’ to be able to apply AASB 15 to these transactions.
AASB 1058 <i>Income of Not-for-Profit Entities</i>	AASB 1058 will replace the majority of income recognition in relation to government grants and other types of contributions requirements relating to public sector not-for-profit entities, previously in AASB 1004 <i>Contributions</i> .  The restructure of administrative arrangement will remain under AASB 1004 and will be restricted to government entities and contributions by owners in a public sector context, AASB 1058 establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objective.	1 Jan 2019	Grant revenue is currently recognised up front upon receipt of the funds under AASB 1004 <i>Contributions</i> .  The timing of revenue recognition for grant agreements that fall under the scope of AASB 1058 may be deferred. For example, revenue from capital grants for the construction of assets will need to be deferred and recognised progressively as the asset is being constructed.  The impact on current revenue recognition of the changes is the potential phasing and deferral of revenue recorded in the operating statement.  The Nature Parks has assessed that services provided by volunteers, if not donated, may not be replaced with paid staff. As such would not satisfy the accounting requirements for recognition.

## 8.10 GLOSSARY OF TECHNICAL TERMS

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

**Actuarial gains or losses on superannuation defined benefit plans** are changes in the present value of the superannuation defined benefit liability resulting from:

- (a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has occurred); and
- (b) the effects of changes in actuarial assumptions.

**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'.

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

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

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

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

**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.

**Financial statements** in the Model Report comprises:

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

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

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

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

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

## 8.10 GLOSSARY OF TECHNICAL TERMS (CONTINUED)

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

**Net 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.

**Non-produced assets** are assets needed for production that have not themselves been produced. They include land, subsoil assets, and certain intangible assets. Non-produced intangibles are intangible assets needed for production that have not themselves been produced. They include constructs of society such as patents.

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

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

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

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

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

**Public financial corporations** (PFC) are bodies primarily engaged in the provision of financial intermediation services or auxiliary financial services. They are able to incur financial liabilities on their own account (e.g. taking deposits, issuing

securities or providing insurance services). Estimates are not published for the public financial corporation sector.

**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 Nature Parks.

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

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

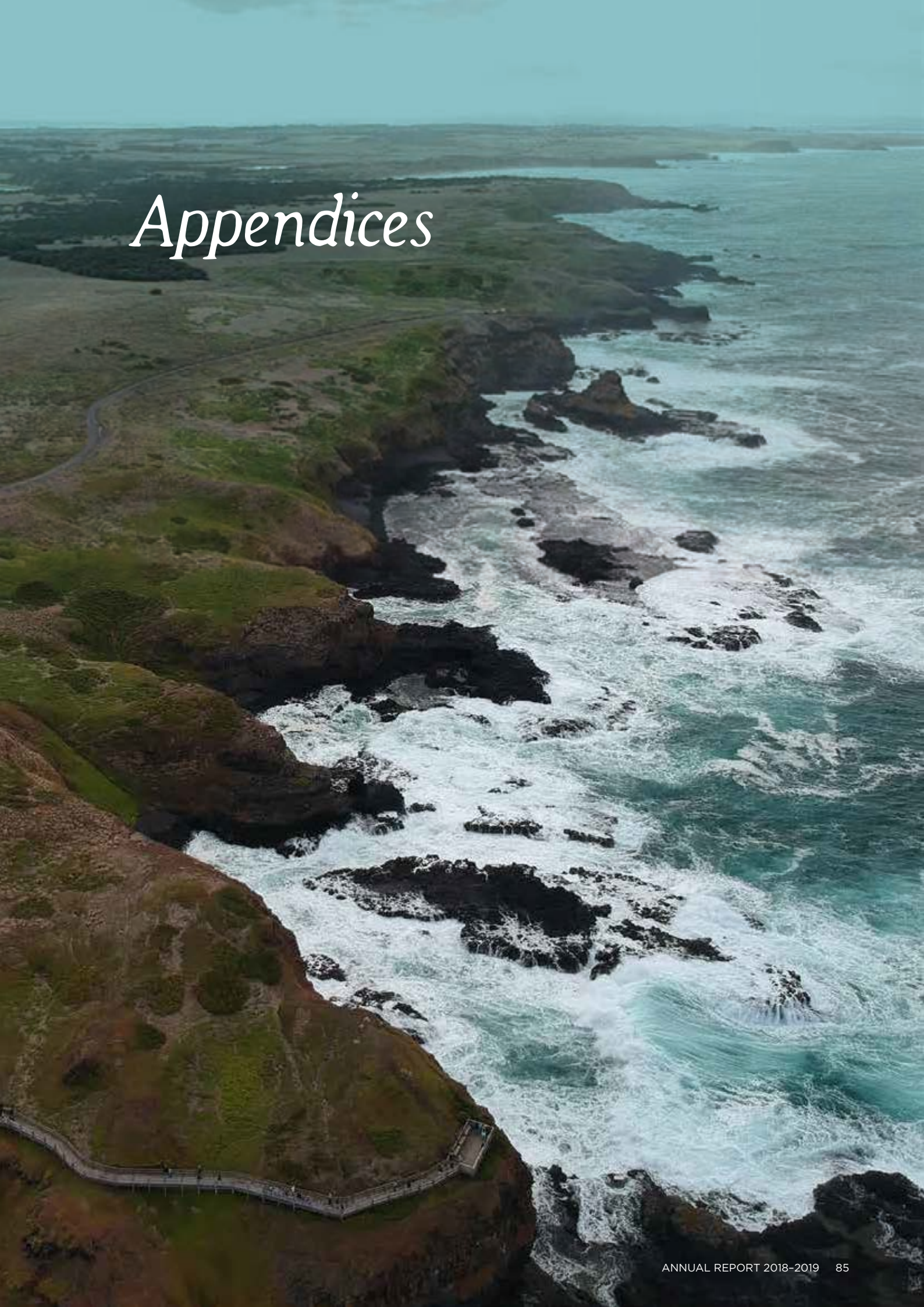
**Transactions** are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows into an entity such as depreciation, where the owner is simultaneously acting as the owner of the depreciating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

## 8.11 STYLE CONVENTIONS

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

The notation used in the tables is as follows:

..	zero, or rounded to zero
(xxx.x)	negative numbers
200x	year period
200x 0x	year period

An aerial photograph of a rugged coastline. The foreground shows a steep, grassy cliffside with a wooden walkway. The middle ground features dark, jagged rocks protruding into the sea, where white-capped waves are crashing. The background shows a wide expanse of the ocean meeting a hazy horizon under a pale sky.

# *Appendices*

# Disclosure index

Phillip Island Nature Parks' Annual Report 2018-19 is prepared in accordance with all relevant Victorian legislations and pronouncements. This index has been prepared to facilitate identification of the Nature Park's compliance with statutory disclosure requirements.

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	<i>Local Jobs Act 2003</i>	40
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# Publications

## Nature Parks staff in bold

PUBLICATIONS (Nature Parks staff in bold)

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For over 20 years, the Nature Parks' achievements have been a tribute to the generous and loyal support of our sponsors, community and colleagues.

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A place where conservation and ecotourism excellence inspire people to actively protect the environment.

