PORT OF HASTINGS
DEVELOPMENT AUTHORITY

Annual Report

2016/17

PORT OF HASTINGS
DEVELOPMENT AUTHORITY

Contents

SECTION 1: Year in Review

Chairperson's Report

Dear Minister,

The Port of Hastings Development Authority (the Authority) has worked throughout the 2016-17 year transforming the activities and focus of the Authority in accordance with the Ministerial Direction signed by the Minister for Ports, the Hon Luke Donnellan MP, and the Treasurer, the Hon Tim Pallas MP on the 27th May 2015.

The 2017-2018 year creates significant opportunities for the strategic direction of the Authority following the confirmation that the Authority would assume responsibility for the day to day landside operations of the Port from 1 July 2017.

This change in direction of the Authority's focus and the establishment of TfV provides a significant opportunity for the Victorian Government (Government), TfV and the Authority to work closely together. Through TfV the Authority has an opportunity to contribute further to the whole of state port strategy and to better align the Port's activities with the objectives of Government. The assumption of responsibility for day to day port operations signals the beginning of a period of great opportunity as the Authority seeks to capitalise on its strategic strengths and capture new trade opportunities, many of which the Authority is presently pursuing.

The Port is in an enviable position having the deepest navigable waters in Victoria, being located in close proximity to the southeast of Melbourne and the Gippsland regions and having 3,453 ha of appropriately zoned land to support port related activities, although only 6ha of this land is owned by the Authority.

2016/17 was a transformational period for the Authority as it prepared for the transition to direct management of the Port. The Authority has worked closely with both the Government and the VRCA to ensure that it and the VRCA are in a position to assume responsibility for day to day operations on the 1st July 2017. During the year the Authority has significantly developed its internal policies and procedures and acquired the skills and knowledge that will underpin both the operational capabilities of the Authority into the future and ensuring that the Authority will be fully compliant with all the legislative and regulatory requirements required to operate the Port.

I would like to acknowledge and thank the CEO Malcolm Geier and his team for their valuable contributions to the Authority during the past year and for the leadership and guidance shown during a period of significant change experienced by the Authority.

I would also especially like to thank you and the Department of Economic Development, Jobs, Transport and Resources for the continuing support of the Authority in its efforts to deliver a competitive and vibrant port that will play an increasingly important role in the State's transport network.

The year ahead will be challenging and rewarding for the Authority and the Board who remain committed to ensuring the Port of Hastings grows as a vital commercial deep water bulk port, and critical link in the State's infrastructure network.

Craig Cook
CHAIR

Chief Executive Officer's Report

The Port Management Agreement under which day to day port operations were managed by Linx Cargo Care (Linx) and its predecessors since 1 July 1997 ended on 30 June 2017. In preparation for the expiration of the Port Management Agreement the Authority undertook three important streams of work during the year. First, the Authority prepared and submitted to Government a detailed plan and financial models outlining how day to day port operations could be self-funded and managed by the Authority. The plan also detailed a process for the transition of responsibilities from Linx to the Authority. Second, the Authority underwent an organisational restructure, reducing the number of administrative staff and ensuring the organisation's structure was sustainable and aligned with that required for management of day to day port operations. Third, following confirmation from Government that Authority would assume responsibility for the day to day port operations the Authority built the systems and capability required to safely and effectively manage the port from 1 July and to ensure a smooth transition of responsibilities.

The commencement of direct management of port operations on 1 July 2017 presents an opportunity for the Authority and the Victorian Regional Channels Authority (VRCA) who manage the Hastings channels, to exploit and promote the natural advantages of the Port of Hastings for the benefit of the State. Direct management also allows the Authority to take a whole of lifecycle approach to asset management and to pursue port development opportunities consistent with Government's ports and freight strategy.

In addition to preparing for direct management of the port, the Authority has continued pursuing the Authority's objective of marketing and developing the port for bulk trades. To this end the Authority has been working with a number of proponents during the year. On 10 August 2017, the Authority welcomed an announcement by AGL Ltd that the Authority's jetty located at Crib Point was the preferred location for AGL's gas import project. With the transition to direct management of port operations completed, the focus of the Authority will return to the removal of impediments to trade in Western Port in 2017-2018.

I would like to thank the team at the Authority who have worked throughout the year on the three major workstreams described above as well as continuing to deliver the ongoing port oversight, port development and governance functions. I would also like to thank the Authority's Chair Craig Cook and the Authority's Board for their ongoing support and guidance during this period of transformation.

I look forward to working with the Board, Authority staff, Government, business and community stakeholders in further promoting and developing the Port, capitalising on its advantages of natural deep channels, 3,500 hectares of appropriately zoned land and good transport links to the south-east of Melbourne and Gippsland.

Malcolm Geier
CHIEF EXECUTIVE OFFICER

Annual Report

For the Period 1 July 2016 to 30 June 2017

The Annual Report of the Port of Hastings Development Authority (Authority) is presented together with the Financial Statements made up to 30 June 2017 in conformity with the provisions of the *Financial Management Act 1994*.

Objectives and Functions

The Authority exercises its functions and powers consistently with Government policy and strategies and in accordance with both the Transport Integration Act 2010 and a Ministerial directive dated 27 May 2015.

In accordance with these Directions, the Authority's focus is on the following:

- Management of the day to day operations of the Port of Hastings from 1 July 2017;
- Ensuring that essential Port services are available and cost effective;
- Collaborating with responsible bodies to effectively integrate the Port within the State transport network;
- Marketing and developing of the Port of Hastings for bulk trades;
- Ensuring that port developments are consistent with State freight and port policies and strategies; and
- Ensuring that port developments do not constrain future options for the future development of the port.
- Supporting existing port tenants and customers

The Transport Integration Amendment (Head, Transport for Victoria and Other Governance Reforms) Act 2017 established the Head, Transport for Victoria as a new statutory office and the lead transport agency in Victoria to integrate and coordinate the State's transport system. The Port of Hastings Development Authority is now part of TfV.

Government policy in relation to Victoria's second container port is that the development of a second container port will be demand driven and the Port of Melbourne's capacity should be fully utilised before a second container port commences operation. Infrastructure Victoria provided independent expert advice to Government on the preferred location of Victoria's second container port concluding that Victoria's second container port should be located at Bay West between Melbourne and Geelong.

Authority Values

In order to foster the development of its culture, the Authority has adopted four values. These are:

Our Values

Leadership

We will lead with vigour and ensure we demonstrate exemplar behaviours in all aspects of our interaction with others. Presenting clear and actionable solutions, our performance will be to the highest possible standard, setting benchmarks for industry and government. Our performance will be monitored against the standards we set. We will engage positively with all, taking responsibility for our conduct, by setting clear accountabilities, upholding our values and by our commitment to achieving the best possible outcomes for all Victorians.

Integrity

We will be open, honest and transparent in all our dealings, using our powers responsibly and ensuring that any improper conduct is reported and dealt with appropriately. We will avoid any real or apparent conflicts of interest and seek to drive value for money outcomes for all Victorians.

Respect

Respecting others we will treat everyone fairly and objectively, ensuring all our interactions are free from discrimination, harassment and bullying. We will engage proactively when presenting our own views while listening to others to collaboratively improve outcomes for all Victorians.

Sustainability

We will put safety and health first in our ongoing operations and the decisions we make. Aware of our responsibilities to the environment and the Victorian community, we will seek to deliver lasting economic, social and environmental benefits for all Victorians.

Strategy

Vision:

To be a vibrant and growing port facilitating continued growth and development of existing and new bulk trades in a sustainable manner.

The following factors have been determined to be critical to the Authority's future success:

- Being attractive for our customers (port users);
- Port has a citizen / leadership role in the region;
- Removing barriers to development within the Port; and
- Increasing utilisation of existing assets.

Mission:

To manage and operate the Port of Hastings and to continue to respond to requests from bulk proponents who are seeking to use and/or develop facilities within the Post of Hastings.

The Government is seeking to grow employment and create the necessary conditions to sustainably develop the Victorian economy. Development opportunities will be assessed to ensure that as far as possible these two goals can be met.

Objectives:

The Authority's objectives are:

- Safely and efficiently manage the Port operations;
- Market the port and respond to requests from bulk proponents who are seeking to use and/or develop facilities within the Port of Hastings;
- Ensure Port developments do not constrain the future options for development of the port;
- Assist the State's consideration of future ports policy development;
- Deliver effective governance of Authority activities; and
- Manage Authority resources efficiently and effectively.

Principles

Principles:

In achieving its vision, mission and objectives, the Authority commits to the following principles:

- Integrating sustainability considerations in our planning, management and operations;
- Engaging with the community and stakeholders;
- Ensuring a safe, competitive, economic and financially viable port;
- Complying with relevant legislation and regulation;
- Transparent reporting of our performance; and
- Striving to continuously improve.

Port of Hastings Trade Summary

The Port of Hastings is one of Victoria's four commercial trading ports. Its channels offer the deepest navigable commercial waters in Victoria with an annual capacity of over 2000 vessel movements per annum. To date development has focussed on bulk commodities with the majority of the trade being liquid bulk commodities. The value of trade each year is approximately $1.4 billion.

The Port's main trade commodities include crude oil, liquified petroleum gas (LPG), unleaded petrol, diesel and steel. The Port's facilities include the Stony Point jetty and depot, Crib Point liquid berths 1 and 2, Long Island Point bulk liquid and gas berth and the BlueScope Steel jetty, owned by BlueScope. Stony Point is used by passenger ferries, the Royal Australian Navy, the fishing industry, small commercial vessels and harbour tugs.

The 2016/17 financial year saw a decrease in the number of ships visiting the port, however overall Port trade volumes increased due to larger average trade volumes per vessel. The primary driver of the increased trade was an increase in steel products of 195k tonnes.

Export/Import (tonnes)

	2016/2017	2015/16	2014/15	2013/14
Exports				
Gas	538,083	479,116	430,507	544,835
Oil	243,285	235,213	735,031	1,049,152
Steel	140,580	40,758		
Other *	0	128	477	
Total Exports	921,948	755,215	1,166,015	1,593,987
Export Ships	63	76	44	32
Imports				
Fuel	538,115	509,034	470,216	481,637
Steel	92,382	119,449		
Other *	0	168	26,055	
Total Imports	630,497	628,651	496,271	481,637
Import Ships	32	35	28	23
Import & Export Ships				
Steel	123,208	0	0	0
Total Import and Export	**123,208**	**0**	**0**	**0**
Import / Export Ships	5			
Total Imports/Exports	1,675,653	1,383,866	1,662,286	2,075,624
Import/Export Ships	100	111	72	55

*Other includes rig tenders, project cargo and bulk cargo.

Current Year Financial Summary

Five Year Financial Summary

($thousand)

Financial Summary	*2017*	*2016*	*2015*	*2014*	*2013*
State government grant	2,870	2,200	3,100	2,000	4000
Total income from transactions	1,521	1,100	1,151	1,415	1177
Total expenses from transactions	-4,632	-5,525	-23,684	-18,560	-5,390
Net result from transactions	-231	-2,219	-19,434	-15145	-213
Net result for the period	522	-2,902	-19,420	-15145	-213
Net cash flow from operating activities	1,501	-52	-22,253	-9,614	1291
Total assets(i)	38,240	37,979	40,937	17,105	17,550
Total liabilities	431	692	748	5510	810

(i) A VGV revaluation of fixed assets completed March 2015. A managerial revaluation was completed in June 2017

Overview

The State Government allocated operational funding of $2.40 million and a redundancy provision of $0.47 million to the Port of Hastings Development Authority for the 2016-17 financial year which was fully drawn down. The drawn amount is shown as State Government Grants in the financial statements.

In 2016/17, the Authority recorded a net loss from transactions of $0.23 million, which was $1.99 million less than 2015/16. Income from management fees, interest and other income increased to $1.53 million during the year ended 30 June 2017 from $1.11 million for the year ended 30 June 2016. Total expenses from transactions decreased to $4.63 million in the year ended 30 June 2017 from $5.53 million for the year ended 30 June 2016. There were three main drivers:- a reduction in depreciation year on year of $0.18 million, a reduction in staffing costs of $0.50 million and a reduction of project expenditure of $0.31 million. Expenses were $0.65 million below budget for the year ending 30 June 2017.

Total assets increased by $0.26 million in 2016/17 to $38.24 million driven primarily through a managerial revaluation of land assets of $0.76 million which was offset by annual depreciation of $1.91 million. Cash and deposits increased by $1.33 million. Total liabilities decreased by $0.26 million in 2016/17 to $0.43 million.

The net cash inflow from operations was $1.50 million

Financial Performance and Business Review

Income from transactions is related to Linx management fees, bank interest, and other income. Management fees for 2016-17 were higher than 2015-16 and as a result of an increase in trade volumes across all product lines. There was a significant increase year on year in steel volumes with the re-commencement in 2015/2016 of BlueScope ships using the BlueScope wharf.

Expenses decreased in 2016/17 in line with the change in focus of the Authority and were 12% lower than budget. The main corporate expenses were employee and related costs, depreciation of assets, consulting fees in the areas of IT and legal, office rent and costs related to both the transition to Direct Management and attracting new proponents to the port.

Financial Position – Balance Sheet

Net assets increased by $0.52 million over the year to $37.81 million. There has been no major capital expenditure during the year. A managerial revaluation of fixed assets was undertaken in June 2017 resulting in an upwards revaluation of land assets of $0.76 million.

Total liabilities decreased by $0.26 million to $0.43 million, with a decrease in trade and accrued payables of $0.11 million and a decrease in borrowings of $0.06 million relating to the disposal of leased motor vehicles through Vicfleet. Provisions, which primarily relate to employee benefits decreased by $0.09 million.

Total financial assets increased by $1.35 million, primarily through cash and deposits in preparation for the transition to direct management on 1 July 2017.

Capital expenditure amounted to $0.10 million for the year.

Cash Flows

The cash balance of $1.64 million at the 30 June 2017 was a net inflow of $1.33 million in cash movement from the prior year. Cash inflows by way of State Government grant increased by $0.68 million from 2015/16 to $2.88 million, with no funds provided by Capital Appropriation. There was also an increase in receipts from port management fees under the Port Management Agreement and interest from 2015/16 of $0.31 million to $1.65 million. Outflows reduced for payments to suppliers and employees by $0.46 million to $3.13 million.

Cash flows from borrowings resulted in a net cash flow used in financing activities of $0.01 million when netted against interest (2015/16 $0.02 million).

Capital Project / Asset Investment Programs

The Port of Hastings Development Authority has declared a nil report for Capital Projects and Asset Investment Programs for the financial year. The Port of Hastings Development Authority did not complete any capital projects during the financial year.

Subsequent Events

Subsequent to the reporting period the Port of Hastings Development Authority assumed responsibility for direct management of port operations following the expiry of the Port Management Agreement on 30 June 2017. There were no other events of significance occurring. Refer to Note 8.5 of the Financial Statements.

SECTION 2: Governance and Organisational Structure

Governance and Organisational Structure

The Port of Hastings Development Authority's Board was appointed by the Minister for Ports and commenced responsibilities on 1 January 2012. The Board comprised three independent Directors during the year; a Chair, Deputy Chair and one Director.

Board of Directors

The Port of Hastings Development Authority is governed by its Board of Directors. The Board has overall responsibility for the corporate governance of the Authority and may exercise powers as set out in the Transport Integration Act 2010. The Board is directly accountable to the Victorian Government through the Minister for Ports and the Treasurer.

Corporate governance is the process by which the Authority is directed, controlled and held to account. It encompasses authority, accountability, stewardship, leadership, direction and control exercised in the organisation. Governance includes the legislative framework under which the Authority was established, the role of the Board and the authority formally delegated to the Chief Executive Officer to carry out the functions of the Authority.

Directors

Craig Cook
Craig was appointed a non-executive Director of the Authority on the 1st July 2015, and appointed non-executive Chair on 1st January 2016. Craig has extensive experience in policy and corporate relations, and has held a number of advisory and governance roles. Craig is currently a Director with VLIne Pty Ltd, and was a former Chief of Staff in the Victorian Government.

Claire Filson
Claire was appointed a non-executive Director of the Authority on the 1st January 2012, and appointed as non-executive Deputy Chair on 1st July 2015. Claire was also appointed as Chair of the Audit & Risk Committee on 1st July 2015. Claire has an extensive background in financial services, superannuation, insurance, funds management and infrastructure and property. Claire is currently a Director with TT Line Pty Ltd, Moorebank Intermodal Company and Box Hill Institute. Claire is currently Chair of the Audit Committee for Boroondara City Council as well as a member of the Audit Committees for Hume City Council, Kingston City Council and the Department of Premier and Cabinet

Jennifer Acton
Jennifer was appointed a non-executive Director of the Authority on 1st July 2015 and Chair of the Remuneration Committee on 21st January 2016. Jennifer has many years of experience in strategic development, continuous improvement, stakeholder engagement, collaborative conflict resolution, workplace relations, and sound governance. She has been a leader in many areas. Currently Jennifer is Chair of State Trustees Ltd, Chair of STL Financial Services Ltd and a Director of Westernport Region Water Corporation. She is also an adjunct Professor of Law at Monash University. Further she has more than twenty years' experience as a Presidential member of industrial tribunals.

Mr Craig Cook was appointed Chair on 1 January 2016. Ms Claire Filson was appointed Deputy Chair 1 July 2015.

The Board met 8 times during the year.

Table 1: Board Members and Attendance

Position	Name	Appointed	Term Expires	Attended	Eligible to Attend	Total Meetings Held
Chair	Mr Craig Cook	1/07/2015 (Appointed Chair 1/1/2016)	30/06/2017	8	8	8
Deputy Chair	Ms Claire Filson	1/01/2012	30/06/2017	8	8	8
Director	Ms Jennifer Acton	1/07/2015	30/06/2017	8	8	8

The Authority is committed to meeting its governance requirements and has been active in its policy and procedure development program to ensure compliance with the Government's Financial Management Compliance Framework. The Authority was fully compliant as at 30 June 2017.

Audit and Risk Committee

The Audit and Risk Committee consists of the following members

- Ms Claire Filson, Chair (independent member)
- Ms Jennifer Acton (independent member), and
- Mr Peter Wickenden (independent member)

The main responsibilities of the audit committee are to:

- review and report independently to the Board of Directors on the annual report and all other financial information published by the Port of Hastings Development Authority;
- assist the Board of Directors in reviewing the effectiveness of the Department's internal control environment covering:
  - effectiveness and efficiency of operations;
  - reliability of financial reporting; and
  - compliance with applicable laws and regulations;
- determine the scope of the internal audit function and ensure its resources are adequate and used effectively, including coordination with the external auditors; and
- oversee the effective operation of the risk management framework.

Table 2: Audit Committee Meeting & Attendance

Audit Committee Member	Attended	Total Meetings Held
Ms Filson (Chair)	6	6
Ms Acton	6	6
Mr Wickenden	6	6

The Audit and Risk Committee met 6 times during the year.

Executive Remuneration Committee

The Executive Remuneration Committee comprises

- Ms Jennifer Acton, Chair (independent member)
- Mr Craig Cook (independent member), and
- Ms Claire Filson (independent member)

The Executive Committee undertakes and make recommendations to the Board on matters pertaining to senior executive remuneration and succession planning issues facing the Authority. The Executive Remuneration Committee Charter applies in respect of Authority Executive Officers employed under the GSERP framework.

Table 3: Executive Remuneration Committee Meeting & Attendance

Executive Remuneration Committee Member	Attended	Total Meetings Held
Ms Acton (Chair)	5	5
Mr Cook	5	5
Ms Filson	5	5

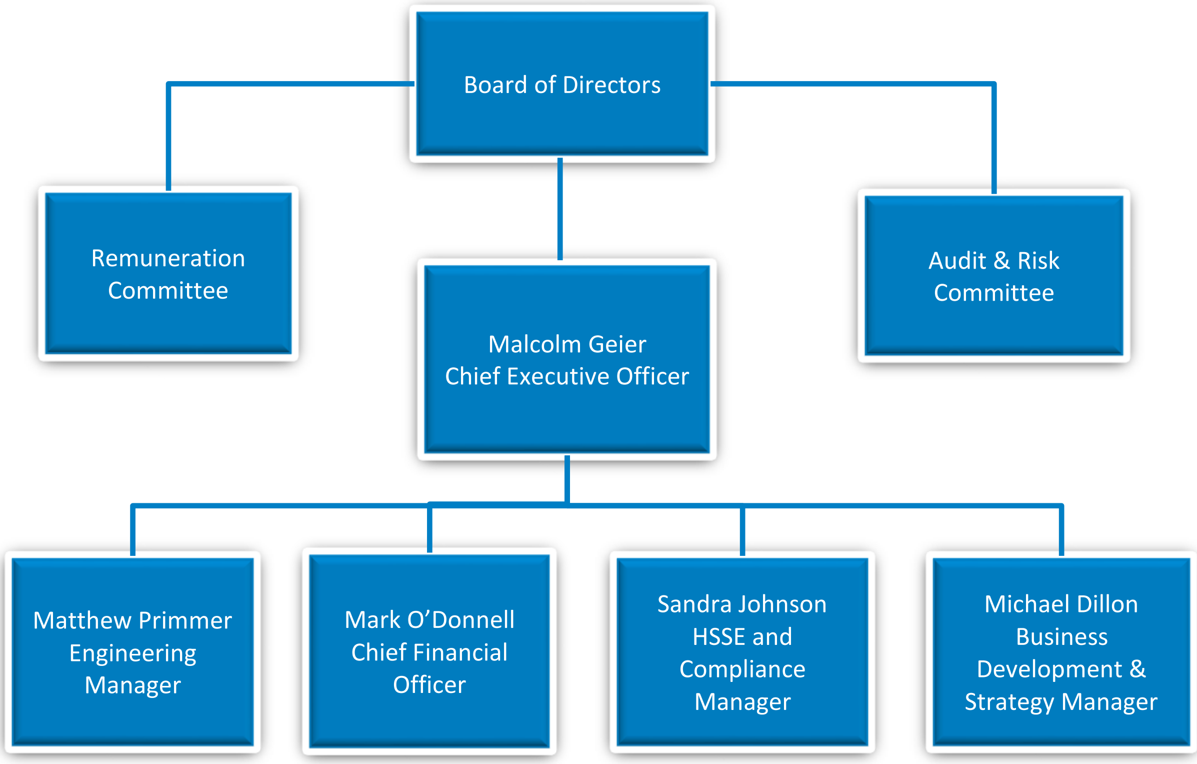
Senior Executives

Malcolm Geier
Malcolm was appointed Chief Executive Officer in March 2016 to lead the Authority. Malcolm is responsible for the management and operations of the Authority and the business development of the port.

Mark O'Donnell
Mark is the Chief Financial Officer and was appointed to the role in November 2016. Mark is responsible for all financial operations and services, IT, people, performance and culture function of the Authority.

Alan Wilson
Alan was the Acting Chief Financial Officer who was appointed to the role in May 2014. Alan departed the organisation in November 2016.

Organisational Structure



Note: The above organisational chart as at 30 June 2017.

Occupational Health and Safety

The goal of the Port of Hastings Development Authority's occupational health and safety (OH&S) strategy is to ensure all staff remain safe and healthy at work. An OH&S management system has been put in place and OH&S local action plans have been implemented aimed at enhancing safety performance and ensuring safe systems of work.

During the 2016-17 financial year, the Port of Hastings Development Authority developed a number of initiatives to improve the health and safety of staff as the Port of Hastings Authority Development Authority prepared for direct management of the port. These initiatives included the development of a comprehensive Health, Safety and Environment Management System in preparation for the transition to direct management of the operations at the Port of Hastings, the provision of HSE awareness training to all PoHDA managers and the development of a 'whole of port' Safety and Environment Management Plan.

Incident Management

There were no lost time injuries and there were no worker's compensation claims made during the 2016/17 reporting period (Nil 2015/16).

SECTION 3: Workforce Data

Employment and Conduct and Principles

The Port of Hastings Development Authority is committed to applying merit and equity principles when appointing staff. The selection processes ensure that applicants are assessed and evaluated fairly and equitably on the basis of the key selection criteria and other accountabilities without discrimination. Employees have been correctly classified in workforce data collections

Workforce Data

The *Public Administration Act 2004* established the Victorian Public Sector Commission (VPSC). The VPSC's role is to strengthen public sector efficiency, effectiveness and capability, and advocate for public sector professionalism and integrity.

The Department introduced policies and practices that are consistent with the VPSC's employment standards and provide for fair treatment, career opportunities and the early resolution of workplace issues. The Department advised its employees on how to avoid conflicts of interest, how to respond to offers of gifts and how it deals with misconduct.

Staff at 30 June 2017

	2017			2016		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Full-time permanent	5	1	6	9	2	11
Part-time	0	2	2	0	2	2
Totals	**5**	**3**	**8**	**9**	**4**	**13**

In August 2016 the port of Hastings Development Authority completed a restructuring program reducing the number of employees from 13 to 8 employees.

Financial Statements

Financial Statements Declaration

The attached financial statements for the Port of Hastings development Authority have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister for Finance under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2017 and financial position of the Department at 30 June 2017.

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

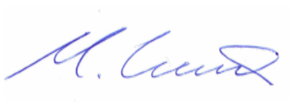
We authorise the attached financial statements for issue on 28 August 2017

SIGNATURE

Mark O'Donnell
Chief Financial Officer
Port of Hastings Development Authority

Crib Point
28 August 2017

SIGNATURE



Malcolm Geier
Chief Executive Officer
Port of Hastings Development Authority

Hastings
28 August 2017

Financial Statements

The Port of Hastings Development Authority (the "**Authority"**) has pleasure in presenting its audited general purpose financial statements for the financial year ended 30 June 2017 and provides users with the information about the Authority's stewardship of resource entrusted to it. It is presented in the following structure

Financial Statements

Notes to the Financial Statements

Comprehensive operating statement for the financial year ended 30 June 2017

	Notes	2017 ($thousand)	2016 ($thousand)
Continuing Operations			
Income from transactions			
State government grants	2(a)	2,870	2,200
Management fees	2(b)	1,460	1,100
Interest	2(c)	10	5
Other Income	2(d)	61	1
Total income from transactions		**4,401**	**3,306**
Expenses from transactions			
Employee expenses	3.1	-1,894	-2,395
Depreciation	3.2(a)	-1,907	-2,087
Office expenses	3.2(b)	-183	-210
Travel		-19	-42
Interest expense		0	-1
Professional services	3.2 (c)	-467	-247
Maintenance of Infrastructure		-27	-61
General Insurance		-60	-64
Subscriptions & Memberships		-49	-50
Project expenditure		0	-307
Other operating expenses		-26	-61
Total expenses from transactions		**-4,632**	**-5,525**
Net result from transactions (net operating balance)		**-231**	**-2,219**
Other economic flows included in net result			
(i) Net loss on non-financial assets	8.1	-5	-683
Total other economic flows included in net result		**-5**	**-683**
Net result from continuing operations		**-236**	**-2,902**
Other comprehensive income			
Items that will not be reclassified to net result			
Changes in physical asset revaluation reserve	4.2	758	0
Total other comprehensive income		**758**	**0**
Comprehensive result		**522**	**-2,902**

The accompanying notes form part of these financial statements.

(i) 'Net loss on non-financial assets' includes net realised losses from the disposal of physical assets. Hydrodynamic data recording equipment was gifted to Gippsland Ports at a written down value of $679k during the 2015-16 financial year. Further write-offs included small balances on some Leasehold Improvements at the end of the lease in August 2015 that were installed at the leased premises at 2/34 High Street Hastings.

Balance sheet as at 30 June 2017

	Notes	2017 ($thousand)	2016 ($thousand)
Assets			
Financial assets			
Cash and deposits	6.2	1,641	312
Receivables	5.1	148	127
Total financial assets		**1,789**	**439**
Non-financial assets			
Property, plant and equipment	4.1	36,322	37,394
Intangible assets	4.2	35	63
Other non-financial assets	5.3	94	83
Total non-financial assets		**36,451**	**37,540**
Total assets		**38,240**	**37,979**
Liabilities			
Payables	5.2	260	373
Borrowings	6.1	33	94
Provisions	5.4	138	225
Total Liabilities		**431**	**692**
Net assets		**37,809**	**37,287**
Equity			
Accumulated surplus/(deficit)		-38,373	-38,137
(i) Physical Asset Revaluation Reserve		26,172	25,414
Contributed capital		50,010	50,010
Net worth		**37,809**	**37,287**
Commitments for expenditure	6.3	185	93

The accompanying notes form part of these financial statements.

(i) A managerial revaluation of Land was completed on 30 June 2017 resulting in a net increase of $757,740.

Statement of changes in equity for the financial year ended 30 June 2017

	Physical asset revaluation reserve	*Accumulated Surplus /(Losses)*	*Contributions by Owners*	***Total***
			($thousand)	
Balance at 30 June 2015	25,414	**-35,235**	**50,010**	**40,189**
Net result for the period	-	-2,902	-	**-2,902**
Balance at 30 June 2016	**25,414**	**-38,137**	**50,010**	**37,287**
Revaluation of Land	758	0	0	**758**
Net result for the period	0	-236	0	**-236**
Balance at 30 June 2017	**26,172**	**-38,373**	**50,010**	**37,051**

The accompanying notes form part of these financial statements.

Cash flow statement for the financial year ended 30 June 2017

	Notes	2017 ($thousand)	2016 ($thousand)
Cash flows from operating activities			
Receipts			
Receipts from government		2,877	2,200
Receipts from other entities (inclusive of GST)		1,650	1,340
Interest received		10	5
Total receipts		**4,537**	**3,545**
Payments			
Payments to suppliers and employees (inclusive of GST)		-3131	-3,591
(i) Net payment of Goods and Services Tax to the ATO		-48	-5
Interest and other costs of finance paid		0	-1
Total payments		**-3,179**	**-3,597**
Net cash flows from/(used in) operating activities	6.2(b)	**1,358**	**-52**
Cash flows from investing activities			
Purchases of non-financial assets (inclusive of GST)		-21	-11
Net cash flows from/(used in) investing activities		**-21**	**-11**
Cash flows from financing activities			
Repayment of borrowings and finance leases		-9	-23
Owner Contributions by State Government			-
Net cash flows used in financing activities		**-9**	**-23**
Net increase/(decrease) in cash and cash equivalents		**1,328**	**-86**
Cash and cash equivalents at beginning of financial year		312	398
Cash and cash equivalents at end of financial year	6.2(a)	**1,640**	**312**
Non-cash transactions		-	-

The accompanying notes form part of these financial statements.

(i) Goods and Services Tax paid to the ATO is presented on a net basis.

1 About these Financial Statements

The Port of Hastings Development Authority ("the Authority") is a government agency of the State of Victoria. A description of the nature of its operation and its principal activities is included in the Report of Operations, which does not form part of these financial statements.
These annual financial statements represent the audited general purpose financial statements for the Port of Hastings Development Authority for the year ended 30 June 2017. The purpose of the report is to provide users with information about the Authority's stewardship of resources entrusted to it.

(A) *Statement of compliance*

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

Accounting policies are selected and applied in a manner which ensures 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.

(B) *Basis of accounting preparation and measurement*

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 the preparation of these financial statements whereby assets, liabilities, equity, income and expenses are recognised in the reporting period to which they relate, regardless of when cash is received or paid.

The Authority has been assessed as a for profit entity under *Financial Reporting Direction 108*.

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 the application of AASs that have significant effects on the financial statements and estimates relate to:

- The fair value of land, buildings, infrastructure, plant and equipment,; and
- Employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates.

These financial statements are presented in Australian dollars, and prepared in accordance with the historical cost convention except for:

- Non-financial physical assets which, subsequent to acquisition, are measured at a revalued amount being their fair value at the date of the revaluation less any subsequent accumulated depreciation and subsequent impairment losses.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

1. About these financial statements *(continued)*

- 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.

For the purpose of fair value disclosures, the Authority has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, the Authority determines whether transfers have occurred between levels in the hierarchy by re-assessing 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 Authority's independent valuation agency. A revaluation of land and buildings, and infrastructure assets was last completed in March 2015 for the 2014/15 financial year, in line with the five year schedule of the Department. A management re valuation of land was completed in June 2017. The next scheduled VGV revaluation will be in the 2019/20 financial year.

2 Funding delivery of our services

The Authority's overall objective provide oversight to and develop, promote and support the use of the Port of Hastings
To enable the Authority to fulfil its objectives it receives income, predominantly government grants and a management fee under a Port Management Agreement.

		($thousand)	
		2017	*2016*
(a)	**State Government Grants**		
	General purpose	2,870	2,200
(b)	**Management Fees**		
	Management fees	1,460	1,100
(c)	**Interest**		
	Interest on bank deposits	10	5
(d)	**Other Income**		
	Other Income	61	1
	Total Income	**4,401**	**3,306**

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

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

Grants
Income from grants (other than contribution by owners) is recognised when the Authority obtains control over the contribution.

3 The cost of delivering services

This section provides an account of the expenses incurred by the Authority 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. Section 4 discloses aggregated information in relation to the income and expenses by output.

3.1 Employee Benefits expenses

		($thousand)	
		2017	*2016*
(a)	**Employee expenses**		
	Defined contribution superannuation expense	130	177
	Salaries, wages and long service leave	1,268	1,998
(i)	Allowances	7	10
	Redundancy expense	318	-
(ii)	Recruitment expenses	47	50
	State Government Taxes	85	108
	Professional Development	26	39
	Workcover Victoria	11	10
	Other employee expenses	2	3
	Total employee expenses	**1,894**	**2,395**

(i) Allowances paid to employees relate to telephone usage.
(ii) Recruitment expenses include the reimbursement to staff of re-location costs incurred during the recruitment process.

Employee expenses

These expenses include all costs related to employment (other than superannuation which is accounted for separately) including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments and WorkCover premiums.

Superannuation

The amount recognised in the notes to the comprehensive operating statement is the employer contributions for members of defined contribution superannuation plans that are paid or payable during the reporting period.

3. The cost of delivering services *(continued)*

3.2 Other operating expenses

		($thousand)	
		2017	*2016*
(a)	**Depreciation**		
	Buildings	76	77
	Plant, equipment and vehicles	216	368
	Infrastructure	1,580	1585
	Leasehold improvements	35	57
	Total depreciation	**1,907**	**2,087**
(b)	**Office expenses**		
	Rent, rates & outgoings	115	104
	Printing, stationery & supplies	5	13
	Cleaning & waste disposal	16	23
	Data & communication expenses	11	16
	Electricity	14	15
	Office Maintenance	14	24
	Other office expense	8	15
	Total office expense	**183**	**210**
(c)	**Professional Services**		
	Consultants	214	10
	Audit Services	34	35
	Legal Services	102	107
	IT Services	56	71
	Other Professional Services	61	24
	Total Professional Services	**467**	**247**

Depreciation

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets (excluding items under operating leases, assets held for sale, land and investment properties) that have finite useful lives are depreciated. Depreciation is generally calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Refer to Note 4 for the depreciation policy for leasehold improvements.

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

The following are typical estimated useful lives for the different asset classes for current and prior years.

Asset	*Useful life*
Buildings	5 to 15 years
Port infrastructure	10 to 25 years
Plant, equipment and vehicle (incl. leased assets)	1 to 10 years
Leasehold improvements	2 to 3 years

Interest expense

Interest expense represents costs incurred in connection with borrowings. It includes interest components of finance lease repayments. Interest expense is recognised in the period it is incurred.

4 Assets available to support output delivery

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

4.1 Property, plant and equipment

Table 4.1: Gross carrying amount and accumulated depreciation [(i)]

($thousand)

	Gross carrying amount		*Accumulated depreciation*		*Net carrying amount*	
	2017	*2016*	*2017*	*2016*	*2017*	*2016*
Land at fair value	5,468	4,710	0	0	5,468	4,710
Buildings at fair value	766	712	-153	-77	613	635
Plant, equipment and vehicles at fair value	593	656	-486	-356	107	300
Infrastructure at fair value	33,267	33,267	-3,165	-1,585	30,102	31,682
Leasehold improvements at fair value	155	155	-123	-88	32	67
	40,249	**39,500**	**-3,927**	**-2,106**	**36,322**	**37,394**

Notes:
(i) Classification by purpose group – transportation and communication.

4. Assets available to support output delivery *(continued)*

Table 4.2: Movements in carrying amounts

($thousand)

	Land	*Buildings*	*Plant, Equip, & Veh.*	*Infrastructure*	*Leasehold Imp*	*Total*
Balance at 1 July 2016	4,710	635	300	31,682	67	**37,394**
Additions	-	54	27	-	-	**81**
Disposals	-	-	-53	-	-	**-53**
Revaluation of PPE	758	-	-	-	-	**758**
Depreciation	-	-76	-167	-1,580	-35	**-1,858**
Balance at 30 June 2017	**5,468**	**613**	**107**	**30,102**	**32**	**36,322**

	Land	*Buildings*	*Plant, Equip, & Veh.*	*Infrastructure*	*Leasehold Imp*	*Total*
Balance at 30 June 2017						
At fair value	5,468	766	593	33,267	155	**40,249**
Accumulated Depreciation	0	-153	-486	-3,165	-123	**-3,927**
	5,468	**613**	**107**	**30,102**	**32**	**36,322**

	Land	*Buildings*	*Plant, Equip, & Veh.*	*Infrastructure*	*Leasehold Imp*	*Total*
Balance at 1 July 2015	4,710	712	1356	33,267	133	**40,178**
Additions	-	-	49	-	-	**49**
Disposals	-	-	-792	-	-9	**-801**
Revaluation of PPE	-	-	-	-	-	**0**
Depreciation	-	-77	-313	-1585	-57	**-2,032**
Balance at 30 June 2016	**4,710**	**635**	**300**	**31,682**	**67**	**37,394**

	Land	*Buildings*	*Plant, Equip, & Veh.*	*Infrastructure*	*Leasehold Imp*	*Total*
Balance at 30 June 2016						
At fair value	4,710	712	656	33,267	155	**39,500**
Accumulated Depreciation	0	-77	-356	-1,585	-88	**-2,106**
	4,710	**635**	**300**	**31,682**	**67**	**37,394**

4. Assets available to support output delivery *(continued)*

Table 4.3: Fair value measurement hierarchy for assets as at 30 June 2017

($thousand)	*Carrying amount as at 30 June 2017*	*Fair value measurement at end of reporting period using:*		
		Level 1 (i)	*Level 2 (i)*	*Level 3 (i)(ii)*
Land at fair value	5,468		2,550	2,918
Buildings at fair value	613			613
Plant, equipment and vehicles at fair value	107			107
Infrastructure at fair value	30,102			30,102
Leasehold improvements at fair value	32			32
	36,322	**0**	**2,550**	**33,772**

($thousand)	*Carrying amount as at 30 June 2016*	*Fair value measurement at end of reporting period using:*		
		Level 1 (i)	*Level 2 (i)*	*Level 3 (i)(ii)*
Land at fair value	4,710	-	2,550	2,160
Buildings at fair value	635	-	-	635
Plant, equipment and vehicles at fair value	300	-	-	300
Infrastructure at fair value	31,682	-	-	31,682
Leasehold improvements at fair value	67	-	-	67
	37,394	**0**	**2,550**	**34,844**

Notes:

(i) Classified in accordance with the fair value hierarchy.

(ii) Reconciliation of Level 3 fair value not performed as carrying amount is deemed fair value as at 30 June 2017.

All non-financial physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a machinery of government change are transferred at their carrying amount.

Non-financial physical assets such as Crown land are measured at fair value with regard to the property's highest and best use after due consideration is made for any legal or constructive restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset. Theoretical opportunities that may be available in relation to the asset are not taken into account until it is virtually certain that the restrictions will no longer apply. Therefore, unless otherwise disclosed, the current use of these non-financial physical assets will be their highest and best uses.

Items with a cost or value in excess of $1,000 (2016: $1,000) and a useful life of more than one year are recognised as assets. All other assets are expenses as acquired.

The fair value of infrastructure, plant, equipment and vehicles, is normally determined by reference to the asset's depreciated replacement cost. For plant, equipment and vehicles, existing depreciated historical cost is generally a reasonable proxy for depreciated replacement cost because of the short lives of the assets concerned.

4. Assets available to support output delivery *(continued)*

The initial cost for non-financial physical assets under a finance lease (refer to Note 6.3) is measured at amounts equal to the fair value of the leased asset or, if lower, the present value of the minimum lease payments, each determined at the inception of the lease.

For the accounting policy on impairment of non-financial physical assets, refer to impairment of non-financial assets under Note 4 *Impairment of non-financial assets*.

Revaluations of non-financial physical assets

Non-financial physical assets are measured at fair value on a cyclical basis, in accordance with the Financial Reporting Directions (FRDs) issued by the Minister for Finance. A full revaluation normally occurs every five years based upon the asset's government purpose classification but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are generally used to conduct these scheduled revaluations. Certain infrastructure assets are revalued using specialised advisors. Any interim revaluations are determined in accordance with the requirements of the FRDs.

Revaluation increases or decreases arise from differences between an asset's carrying value and fair value. Net revaluation increases (where the carrying amount of a class of asset is increased as a result of a revaluation) are recognised in 'Other economic flows – other comprehensive income', and accumulated in equity under the asset revaluation surplus. However, the net revaluation increase is recognised in the net result to the extent that it reverses a revaluation decrease in respect of the same asset previously recognised as an expense (other economic flows) in the net result.

Net revaluation decrease is recognised in 'Other economic flows – other comprehensive income' to the extent that a credit balance exists in the asset revaluation surplus in respect of the same asset. Otherwise, net revaluation decreases are recognised immediately as other economic flows in the net result. The net revaluation decrease recognised in 'Other economic flows – other comprehensive income' reduces the amount accumulated in equity under the asset revaluation surplus.

Revaluation increases and decreases relating to individual assets in a class of property, plant and equipment, are offset against one another in that class but are not offset in respect of assets in different classes. The asset revaluation surplus is not transferred to accumulated funds on derecognition of the relevant asset.

Land and buildings

Non-specialised land is valued using the market approach. Under this valuation method, the assets are compared to recent comparable sales or sales of comparable assets which are considered to have nominal or no added improvement value.

The market approach is also used for specialised land, although 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. This approach is in light of the highest and best use consideration required for fair value measurement and takes into account the use of the asset that is physically possible, legally permissible and financially feasible. As adjustments of CSO are considered as significant unobservable inputs, specialised land would be classified as Level 3 assets.

For the majority of Authority's 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.

4. Assets available to support output delivery *(continued)*

An independent valuation of the Authority's specialised land and specialised buildings was performed by the Valuer-General Victoria in the 2014/15 financial year. The valuation was performed using the market approach adjusted for CSO. A managerial evaluation was performed during the year with an effective date of 30 June 2017.

Vehicles

Vehicles are valued using the depreciated replacement cost method. The Authority acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by experienced fleet managers in the Department of Treasury and Finance who set relevant depreciation rates during use to reflect the utilisation of the vehicles.

Plant and equipment

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

There were no changes in valuation techniques throughout the period to 30 June 2017. For all assets measured at fair value, the current use is considered the highest and best use.

Infrastructure

Infrastructure assets are valued using the depreciated replacement cost method. This cost represents the replacement cost of the component after applying depreciation rates on a useful life basis. Replacement costs relate to costs to replace the current service capacity of the asset.

An independent valuation of the Authority's infrastructure assets was performed by the Valuer-General Victoria in May 2015. The valuation was performed using the Depreciated Replacement Cost approach. A managerial evaluation was performed during the year with an effective date of 30 June 2017.

Leasehold improvements

The cost of a leasehold improvement is capitalised as an asset and depreciated over the shorter of the remaining term of the lease or the estimated useful life of the improvements.

Table 4.4: Description of significant unobservable inputs to Level 3 valuations 2017 and 2016

2017 and 2016	Valuation technique	Significant Unobservable Inputs (Level 3 only)	Expected fair value level	Range (weighted average)	Sensitivity of fair value measurement to changes in significant unobservable inputs
Land	Market approach	Community Service Obligation (CSO) adjustment	Level 3	$48²- $55/m²	A significant increase or decrease in the land index would result in a significantly higher or lower fair value.
Buildings	Depreciated replacement cost	Direct cost per square metre	Level 3	$500 - $2,500/m² ($1,825)	A significant increase or decrease in the direct cost per square metre of the asset would result in a significantly higher or lower valuation.
Buildings	Depreciated replacement cost	Useful life of buildings	Level 3	5-15 years (7.6 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Vehicles	Depreciated replacement cost	Useful life of vehicles	Level 3	1-3 years (based on VicFleet lease)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Plant and equipment	Depreciated replacement cost	Useful life of plant and equipment	Level 3	3-10 years (3 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Infrastructure	Depreciated replacement cost	Direct cost per square metre	Level 3	$25 - $2,372/m² ($1,307)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Infrastructure	Depreciated replacement cost	Useful life of infrastructure	Level 3	10-25 years (20 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.

The significant unobservable inputs have remain unchanged from 2016.

4.2 Intangible assets

Table 4.5: Gross carrying amount and accumulated depreciation

	Gross carrying amount		Accumulated amortisation		Net carrying amount	
	2017	*2016*	*2017*	*2016*	*2017*	*2016*
Intangible assets:						
- Computer Software	185	164	-150	-101	35	63
	185	**164**	**-150**	**-101**	**35**	**63**

($thousand)

Intangible assets are initially recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses.

When the recognition criteria in AASB 138 *Intangible Assets* are met, internally generated intangible assets are recognised and measured at cost less accumulated amortisation and impairment.

Asset	*Useful life*
Intangible assets (software)	3 to 5 years

Table 4.6: Movements in carrying amounts

	2017	*2016*
Gross carrying amount		
Opening Balance	**164**	**164**
Additions	21	0
Disposals	0	0
Closing Balance	**185**	**164**
Accumulated amortisation		
Opening Balance	**-101**	**-46**
Amortisation charged on existing intangible assets	-49	-55
Closing Balance	**-150**	**-101**
Net written down value at end of financial year	**35**	**63**

($thousand)

The Authority has capitalised $20,654 of additional expenditure for intangible assets for the year ended 30 June 2017. The carrying amount of the capitalised software expenditure is $34,812 (2016: $63,646). The software's useful life is three years and the cost will be amortised over its useful life.

5 Other assets and liabilities

This section sets out those assets and liabilities that arose from the Authority's controlled operations

5.1 Receivables

Receivables consist of:

- Contractual receivables, such as debtors in relation to goods and services, loans to third parties, and accrued investment income; and
- Statutory receivables, such as amounts owing from the Victorian Government and Goods and Services Tax (GST) input tax credits recoverable.

Contractual receivables are classified as financial instruments and categorised as loans and receivables. Statutory receivables are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

Receivables are subject to impairment testing as described below. A provision for doubtful receivables is recognised when there is objective evidence that the debts may not be collected, and bad debts are written off when identified.

Derecognition of financial assets

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

- The rights to receive cash flows from the asset have expired; or
- The Authority retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- The Authority has transferred its rights to receive cash flows from the asset and either:
    a) has transferred substantially all the risks and rewards of the asset; or
    b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

Impairment of financial assets

At the end of each reporting period, the Authority assesses whether there is objective evidence that a financial asset or group of financial assets is impaired. All financial instrument assets, except those measured at fair value through profit or loss, are subject to annual review for impairment.

Receivables are assessed for bad and doubtful debts on a regular basis. Bad debts not written off by mutual consent and the allowance for doubtful receivables are classified as other economic flows in the net result. There are no doubtful receivables as at the reporting date (Nil 2016).

The amount of the allowance is the difference between the financial asset's carrying amount and the present value of estimated future cash flows, discounted at the effective interest rate.

In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 *Impairment of Assets*.

5. Other assets and liabilities *(continued)*

		($thousand)	
		2017	*2016*
	Current receivables		
	Contractual		
(i)	Sale of goods and services	130	107
		130	**107**
	Statutory		
	GST Input tax credit recoverable	20	15
	Fringe Benefits Tax Prepayment	-2	5
		18	**20**
	Total current receivables	**148**	**127**

Notes:

(i) The average credit period for sales of goods and services and for other receivables is seven days. Payments are made by the Port Operator in accordance with the Port Management Agreement. No interest is charged on outstanding balances.

(a) Ageing analysis of contractual receivables

All contractual receivables fall due within 30 days of the reporting date and are therefore all categorised as not past due and not impaired.

(b) Nature and extent of risk arising from contractual receivables

Please refer to Note 7 for the nature and extent of risks arising from contractual receivables.

5.2 Payables

	($thousand)	
	2017	*2016*
Current Payables		
Contractual		
Supplies and services	216	323
	216	323
Statutory		
Payroll Tax - State	6	10
GST Input tax payable	12	0
PAYG Withholding Tax	26	40
	44	50
Total current payables	**260**	**373**
Total payables	**260**	**373**

Payables consist of:

- Contractual payables, such as accounts payable, and unearned income including deferred income. Accounts payable represent liabilities for goods and services provided to the Authority prior to the end of the financial year that are unpaid, and arise when the Authority becomes obliged to make future payments in respect of the purchase of those goods and services; and
- Statutory payables, such as goods and services tax and fringe benefits tax payables.

5. Other assets and liabilities *(continued)*

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost. Statutory payables 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 a contract.

(a) Maturity analysis of contractual payables
Please refer to Note 7.1(c) for the maturity details of contractual payables.

(b) Nature and extent of risk arising from contractual payables
Please refer to Note 7 for the nature and extent of risks arising from contractual payables.

5.3 Other non-financial assets

	($thousand)	
	2017	*2016*
Current other assets		
Prepayments	94	83
Total current other assets	**94**	**83**
Total other assets	**94**	**83**

Other non-financial assets include prepayments which represent payments in advance of receipt of goods or services or that part of expenditure made in one accounting period covering a term extending beyond that period

5.4 Provisions

		($thousand)	
		2017	*2016*
	Current provisions		
(i)	Employee benefits (Note 11(a)) – annual leave:		
(ii)	Unconditional and expected to settle wholly within 12 months	38	94
(i)	Employee benefits (Note 11(a)) – long service leave:		
(iii)	Unconditional and expected to settle after 12 months	29	50
	Other Provisions		
(ii)	Unconditional and expected to settle wholly within 12 months	25	
	Total current provisions	**92**	**144**
	Non-current provisions		
(i)	Employee benefits (Note 11(a)) – Annual Leave	8	
(i)	Employee benefits (Note 11(a)) – long service leave	38	81
	Total non-current provisions	**46**	**81**
	Total provisions	**138**	**225**

Provisions are recognised when the Authority has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows, using a discount rate that reflects the time value of money and risks specific to the provision.

When some or all of the economic benefits required to settle a provision are expected to be received from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

i. Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries, including non-monetary benefits, annual leave and accumulating sick leave are recognised in the provision for employee benefits, classified as current liabilities, because the Authority does not have an unconditional right to defer settlements of these liabilities.

Depending on the expectation of the timing of settlement, liabilities for wages and salaries, annual leave and sick leave are measured at:

- Undiscounted value - if the Authority expects to wholly settle within 12 months; or
- Present value - if the Authority does not expect to wholly settle within 12 months.

ii. Long service leave

Liability for long service leave (LSL) is recognised in the provision for employee benefits.

Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where the Authority 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 Authority expects to wholly settle within 12 months; and
- Present value - if the Authority does not expect to wholly settle within 12 months.

Conditional LSL 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 liability is measured at present value.

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction.

iii. Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee decides to accept an offer of benefits in exchange for the termination of employment. The Authority recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

5. Other assets and liabilities *(continued)*

(a) Employee benefits and on-costs

	($thousand)	
	2017	*2016*
Current employee benefits		
Annual leave entitlements	33	82
Long services leave entitlements	25	45
	58	**127**
Non-current employee benefits		
Annual leave entitlements	7	0
Long service leave entitlements	33	77
Total employee benefits	**40**	**77**
Current on-costs	9	17
Non-Current on-costs	6	4
Total on-costs	**15**	**21**
Total employee benefits and on-costs	**113**	**225**

Notes:

(i) Employee benefits consist of amounts for annual leave and long service leave accrued by employees. On-costs such as payroll tax and workers' compensation insurance are not employee benefits and are recognised as a separate provision.

(ii) The amounts disclosed are nominal amounts.

(iii) The amounts disclosed are discounted to present values.

(b) Movements in employee benefits and on-costs

	($thousand)
	2017
Opening balance	**225**
Additional provisions recognised	62
Reductions resulting from settlement	-174
Closing balance	**113**
Current	67
Non-current	46
	113

Restated	*($thousand)*
	2016
Opening balance	**224**
Additional provisions recognised	134
Reductions resulting from settlement	-133
Closing balance	**225**
Current	144
Non-current	81
	225

5.5 Superannuation

Employees of the Authority are entitled to receive superannuation benefits and the Authority contributes to defined contribution plans. The Authority has no employees that are members of a defined benefit plan. Superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the Comprehensive Operating Statement.

	($thousand)			
Fund	*Paid contribution for the year*		*Contribution outstanding at Year End*	
	2017	*2016*	*2017*	*2016*
Defined contributions plans:				
VicSuper	60	115	-	-
Other	70	62	-	-
	130	**177**	**0**	**0**

6 Financing our operations

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

This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances).

6.1 Borrowings and leases

		($thousand)	
		2017	*2016*
	Current borrowings		
(i)	Lease liabilities	7	61
	Total current borrowings	7	61
	Non-current borrowings		
(i)	Lease liabilities	26	33
	Total non-current borrowings	26	33
	Total borrowings	**33**	**94**

Notes:

(i) Secured by the assets leased. Finance leases are effectively secured as the rights to the leased assets revert to the lessor (Vicfleet) in the event of default.

(ii) Refer Note 6.3 for lease commitments payable.

All interest bearing liabilities are initially recognised at the fair value of the consideration received, less directly attributable transaction costs (refer also to Note 6.3 Commitments for Expenditure). The measurement basis subsequent to initial recognition depends on whether the Authority has categorised its interest-bearing liabilities as either financial liabilities designated at fair value through profit or loss, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in net result over the period of the borrowing using the effective interest method.

6.2 Cash flow information

(a) Reconciliation of cash and cash equivalents

	($thousand)	
	2017	***2016***
Total cash and deposits disclosed in the balance sheet	**1,641**	**312**
Balance as per cash flow statement	**1,641**	**312**

Note:

(i) Due to the State of Victoria's investment policy and government funding arrangements, the Authority does not hold a large cash reserve in its bank accounts. Cash received by the Authority from the generation of income is paid into the Authority's bank account. Similarly, any Authority expenditure for the payment of goods and services to its suppliers and creditors are made via the Authority's account.

6. Financing our operations *(continued)*

(b) Reconciliation of net result for the period

	($thousand)	
	2017	***2016***
Net result for the period	**-236**	**-2,902**
Non-cash movements:		
Depreciation and amortisation of non-current assets	1,907	2,087
GST on non-current asset purchases	2	1
(Gain)/Loss on disposal of fixed assets	5	683
Movements in assets and liabilities:		
(Increase)/decrease in receivables	-21	-2
(increase)/decrease in other financial assets	0	11
(Increase)/decrease in other non-financial assets	-99	24
Increase/(decrease) in payables	-113	45
Increase/(decrease) in provisions	-87	1
Net cash flows from/(used in) operating activities	**1,358**	**-52**

(c) Non-cash financing activities

During the year, the Authority disposed of two vehicles to the value of $52,072 (2016: $157,970).

6.3 Commitments for expenditure

		($thousand)	
	Nominal Values	***2017***	***2016***
(i)	**Operating lease commitments payable**		
	Less than one year	72	111
	Longer than one year but not longer than five years	-	95
	Total operating and lease commitments	**72**	**206**
(ii)	**Finance lease commitments payable**		
	Less than one year	7	62
	Longer than one year but not longer than five years	26	35
	Longer than five years		-
	Total finance lease commitments	**33**	**97**
	Other commitments payable		
(iii)	Less than one year	80	93
	Total other commitments	**80**	**93**
	Total commitments (inclusive of GST)	**204**	**102**
	Less GST recoverable from the Australian Tax Office	19	9
	Total commitments (exclusive of GST)	**185**	**93**

Notes:

(i) The office lease for 32 High St Hastings expires on 30 April 2018, with two options for two years.

(ii) Finance lease commitments relate to motor vehicle leases which are for 18 months to three years.

(iii) Other commitments payable relate to open purchase orders on general creditors not accrued at 30 June 2017.

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

Leases

A lease is a right to use an asset for an agreed period of time in exchange for payment.

Leases are classified at their inception as either operating or finance leases based on the economic substance of the agreement so as to reflect the risks and rewards incidental to ownership. Leases of infrastructure, property, plant and equipment are classified as finance infrastructure leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership from the lessor to the lessee. All other leases are classified as operating leases.

7 Risks, contingencies and valuation judgements

The Authority 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 Authority related mainly to fair value determination.

7.1 Financial instruments specific disclosures

Table 7.1: Categorisation of financial instruments

	($thousand)		
2017	*Contractual financial assets – loans and receivables*	*Contractual financial liabilities at amortised cost*	*Total*
Contractual financial assets			
Cash and deposits	1,641	-	**1,641**
Receivables (sale of goods and services)	130	-	**130**
Total contractual financial assets	**1,771**	**0**	**1,771**
Contractual financial liabilities			
Payables (supplies and services)	-	216	**216**
Borrowings (Finance lease liabilities)	-	33	**33**
Total contractual financial liabilities	**0**	**249**	**249**
2016	*Contractual financial assets – loans and receivables*	*Contractual financial liabilities at amortised cost*	*Total*
Contractual financial assets			
Cash and deposits	312	-	**312**
Receivables (sale of goods and services)	107	-	**107**
Total contractual financial assets	**419**	**0**	**419**
Contractual financial liabilities			
Payables (supplies and services)	-	323	**323**
Borrowings (Finance lease liabilities)	-	94	**94**
Total contractual financial liabilities	**0**	**417**	**417**

Table 7.2: Net holding gain/(loss) on financial instruments by category

	($thousand)	
	2017	***2016***
Total interest income/(expense)	10	4
Total	**10**	**4**

The net holding gains or losses disclosed above are determined as follows:

- For cash and cash equivalents, receivables and available-for-sale financial assets, the net gain or loss is calculated by taking the movement in the fair value of the asset, the interest income, and minus any impairment recognised in the net result;
- For financial liabilities measured at amortised cost, the net gain or loss is calculated by taking the interest expense; and
- For financial asset and liabilities that are held for trading or designated at fair value through profit or loss, the net gain or loss is calculated by taking the movement in the fair value of the financial asset or liability.

(a) Credit risk

Credit risk arises from the contractual financial assets of the Authority, which comprise cash and deposits and non-statutory receivables. The Authority's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the Authority. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the Authority's contractual financial assets is minimal because the main debtor is a party to the Port Management Agreement. Debtors' payments are received within fourteen days of the end of the month and are not past due at the reporting date.

In addition, the Authority's cash assets are mainly cash at bank.

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

Table 7.3: Categorisation of financial instruments

($thousand)

2017	*Financial institutions (AAA credit rating)*	*Other (min BBB credit rating)*	*Total*
Cash and deposits	1,641	-	1,641
Receivables (sale of goods and services)	-	130	130
Total contractual financial assets	**1,641**	**130**	**1,771**
2016			
Cash and deposits	312	-	312
Receivables (sale of goods and services)	-	107	107
Total contractual financial assets	**312**	**107**	**419**

Notes:

(i) The total amounts disclosed here exclude statutory amounts.

(b) Liquidity risk

Liquidity risk is the risk that the Authority would be unable to meet its financial obligations as and when they fall due. The Authority operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution.

7. Risk, contingencies and valuation judgements *(continued)*

The Authority's maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet. The Authority manages its liquidity risk by:

- Close monitoring of its short-term and long-term borrowings by senior management, including monthly reviews on current and future borrowing levels and requirements;
- Maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligations;
- Holding investments and other contractual financial assets that are readily tradeable in the financial markets;
- Careful maturity planning of its financial obligations based on forecasts of future cash flows; and
- A high credit rating for the State of Victoria (Moody's Investor Services & Standard & Poor's Triple-A, which assists in accessing debt market at a lower interest rate).

The Authority's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk. Cash for unexpected events is generally sourced from liquidation of financial investments.

7. Risk, contingencies and valuation judgements *(continued)*

Table 7.4: Maturity analysis of contractual financial liabilities[(i)]

($thousand)

2017	*Carrying Amount*	*Nominal Amount*	*Less than 1 month*	*1-3 months*
Payables[(ii)]:				
Payables (supplies and services)	216	216	216	0
Borrowings:				
Borrowings (Finance lease liabilities)	33	35	1	1
Total	**249**	**251**	**217**	**1**
2016				
Payables[(ii)]:				
Payables (supplies and services)	323	323	323	-
Borrowings:				
Borrowings (Finance lease liabilities)	94	97	27	3
Total contractual financial assets	**417**	**420**	**350**	**3**

2017	*3 months – 1 year*	*1 -5 years*	*5+ years*
Payables[(ii)]:			
Payables (supplies and services)	-	-	-
Borrowings:			
Borrowings (Finance lease liabilities)	6	27	-
Total	**6**	**27**	**-**
2016			
Payables[(ii)]:			
Payables (supplies and services)	-	-	-
Borrowings:			
Borrowings (Finance lease liabilities)	32	35	-
Total contractual financial assets	**32**	**35**	**-**

Notes:

(i) Maturity analysis is presented using the contractual undiscounted cash flows.

(ii) The carrying amounts disclosed exclude statutory amounts (e.g. GST payables).

(c) Market risk

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

Interest rate risk

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

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

The Authority has minimal exposure to cash flow interest rate risks through its cash and deposits that are at floating rate. Refer sensitivity analysis below.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates are set out in Table 7.5.

Table 7.5: Interest rate exposure of financial instruments

($thousand)

2017	*Variable interest rate*	*Non-interest bearing*	*Total*
Financial Assets			
Cash and deposits *(weighted average interest rate 2.36%)*	1,641	-	1,641
Receivables (sale of goods and services)	-	130	130
Total financial assets	**1,641**	**130**	**1,771**
Financial Liabilities			
Payables (supplies and services)	-	216	216
Borrowings (Finance lease liabilities)*(weighted average interest rate 4.40%)*	33	-	33
Total financial liabilities	**33**	**216**	**249**
2016			
Financial Assets			
Cash and deposits *(weighted average interest rate 2.36%)*	312	-	312
Receivables (sale of goods and services)	-	107	107
Total financial assets	**312**	**107**	**419**
Financial Liabilities			
Payables (supplies and services)	-	323	323
Borrowings (Finance lease liabilities *(weighted average interest rate 4.40%)*	94	-	94
Total financial liabilities	**94**	**323**	**417**

Sensitivity disclosure analysis and assumptions

The Authority's sensitivity to market risk is determined based on the observed range of actual historical data for the preceding five year period (including with former Port of Hastings Corporation).

Table 7.6: Comparison between carrying amount and fair value

($thousand)

	Carrying Amount		*Fair value*	
	2017	*2016*	*2017*	*2016*
Contractual financial assets				
Cash and deposits	1,641	312	1,641	312
Receivables (sale of goods and services)	130	107	130	107
Total contractual financial assets	**1,771**	**419**	**1,771**	**419**
Contractual financial liabilities				
Payables (supplies and services)	216	323	216	323
Borrowings (Finance lease liabilities)	33	94	33	94
Total contractual financial liabilities	**249**	**417**	**249**	**417**

7.2 Contingent assets and contingent liabilities

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

As at the reporting date, there were no events that would give rise to a contingency.

8 Other Disclosures

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

8.1 Other economic flows included in net result

		($thousand)	
		2017	2016
	Net gain/(loss) on non-financial assets		
(i)	Net gain/(loss) on disposal of property plant and equipment	-5	-683
	Total net gain/(loss) on non-financial assets	-5	-683

Notes:

(i) Denotes net disposal of leased motor vehicles via Vicfleet in 2016/2017 and 2015/2016. In 2015/2016 also recorded was a net disposal of leasehold improvements to the premises at 2/34 High Street, Hastings at the end of the lease, and Hydrodynamic data recording equipment that was gifted to Gippsland Ports.

Other economic flows are changes in the volume or value an asset or liability that does not result from transactions.

Net gain/(loss) on non-financial assets

Net gain/(loss) on non-financial assets and liabilities includes realised and unrealised gains and losses as follows:

Revaluation gains/(losses) of non-financial physical assets

Refer to Note 4 Revaluations of non-financial physical assets.

Net gain/(loss) on disposal of non-financial assets

Any gain or loss on the disposal of non-financial assets is recognised at the date of disposal and is determined after deducting the proceeds from the carrying value of the asset at the time.

Impairment of non-financial assets

Intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment (as described below) and whenever there is an indication that the asset may be impaired.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off as another economic flow, except to the extent that the write-down can be debited to an asset revaluation surplus amount applicable to that class of asset.
If there is an indication that there has been a reversal in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. The impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

It is deemed that, in the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

Refer to Note 4 in relation to the recognition and measurement of non-financial assets.

8.2 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.

Names
The persons who held the positions of ministers, directors and accountable officers in the Authority are as follows:

Title	Name	Period
Minister for Ports	Hon Mr Luke Donnellan	1 July 2016 to 30 June 2017
Treasurer	Hon Mr Tim Pallas	1 July 2016 to 30 June 2017
Chair	Mr Craig Cook	1 July 2016 to 30 June 2017
Deputy Chair	Ms Claire Filson	1 July 2016 to 30 June 2017
Director	Ms Jennifer Acton	1 July 2016 to 30 June 2017
Chief Executive Officer	Mr Malcolm Geier	1 July 2016 to 30 June 2017

Remuneration
Remuneration received or receivable by the Accountable Officers in connection with the management of the Authority during the reporting period was in the range:

$240,000 - $259,999 full-time
(2016: $350,000 - $360,999 full time)

The Australian Accounting Standards Board has extended the scope of AASB 124 Related Party Disclosures to include not-for-profit public sector entities from 1 July 2016. The amendments made to AASB 124 provided clarification of key management personnel (KMP) in the public sector context and this has resulted in the identification of the portfolio minister(s) as a KMP and the remaining Cabinet ministers as related parties for for-profit public sector entities which is a change from previous disclosures.

The Authority has prepared the related party disclosures for the year based on reasonable enquiries made by management in relation to the portfolio minister(s) and their related parties and the information available to the organisation, with the transition to a full implementation of AASB 124 and any applicable financial reporting directions from 2016-17 onwards.

Amounts relating to Ministers are reported in the financial statements of the Department of Premier and Cabinet.

The number of responsible persons, other than Ministers and accountable officers, and their total remuneration during the reporting period are shown in the first two columns in the table below in their relevant income bands. The base remuneration of responsible persons is shown in the third and fourth columns. Base remuneration is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits.

Income bands	*Total Remuneration*		*Base Remuneration*	
	2017	*2016*	*2017*	*2016*
$20,000 - $29,999	2	2	2	3
$30,000 - $39,999	-	1	-	1
$40,000 - $49,999	-	1	-	-
$50,000 - $59,999	-	-	1	-
$60,000 - $69,999	1	-	-	-
Total number of directors	**3**	**4**	**3**	**4**
Total amount	**115,648**	**132,411**	**105,615**	**118,378**

There were no loans in existence between the Authority and the responsible persons and/or their related parties during the year and as at year end. There were no transactions between the Authority and the responsible persons and/or their related parties during the year.

During the year the Authority had related party transaction with DEDJT (Note 2(a)) from whom it received grant funding of $2,870k. The Authority also had related party transactions with VIC Fleet during the year with the current outstanding balance as at 30thJune of $33k related to one executive motor vehicle.

8.3 Remuneration of executives and payments to other personnel

(a) Remuneration of executives

Remuneration under FRD 21C is disaggregated and separately disclosed according to the nature of the payment, consistent with the requirements of AASB 124

Remuneration	*2017*
Short Term benefits	523,839
Post-employment benefits	54,306
Other long term benefits	14,606
Termination Benefits	103,656
Total remuneration	**696,407**
Total number of executives	**4**
Total annualised employee equivalent (AEE)	**2.76**

Note:

(a) Note that for the first year of implementation (2016-17), no comparatives will be required to be disclosed. *[No comparatives have been reported because remuneration in the prior year was determined in line with the basis and definition under FRD 21B. Remuneration previously excluded non-monetary benefits and comprised any money, consideration or benefit received or receivable, excluding reimbursement of out-of-pocket expenses, including any amount received or receivable from a related party transaction. Refer to prior year's financial statements for executive remuneration for the 2015-16 reporting period.]*

(b) Remuneration represents the expenses incurred by the entity in the current reporting period for the employee, in accordance with AASB 119 Employee Benefits.

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

(d) Annualised employee equivalent is based on the time fraction worked during the reporting period. This is calculated as the total number of days the employee is engaged to work during the week by the total number of full -time working days per week (this is generally five full working days per week).

8. Other Disclosures *(continued)*

Income bands	*Total Remuneration*		*Base Remuneration*	
	2017	*2016*	*2017*	*2016*
$30,000 - $39,999	-	-	1	-
$40,000 - $49,999	-	-	-	1
$50,000 - $59,999	-	-	-	1
$60,000 - $69,999	-	2	-	-
$90,000 - $99,999	-	-	-	1
$100,000 - $109,999	-	-	1	-
$110,000 - $119,999	1	-	-	-
$130,000 - $139,999	-	-	-	1
$140,000 - $149,999	-	1	-	-
$150,000 - $159,999	1	1	1	-
$160,000 - $169,999	1	-	-	-
$190,000 - $199,999	-	-	-	1
$210,000 - $219,999	-	-	1	-
$220,000 - $229,999	-	1	-	-
$230,000 - $239,999	1	-	-	-
Total number of executives	**4**	**5**	**4**	**5**
(i) **Total annualised employee equivalents (AEE)**	**2.76**	**2.24**	**2.76**	**2.24**
Total amount	**676,480**	**654,395**	**500,933**	**533,912**

(b) Loans to and transactions with executives

There were no loans in existence with any executive officers and/or their related parties during the year and as at year end.

(c) Payments to other personnel (i.e. contractors with significant management responsibilities)

There were no payments to contractors with significant management responsibilities during the current or previous reporting periods.

8.4 Remuneration of auditors

	($thousand)	
	2017	***2016***
Victorian Auditor-General's Office		
Audit of the financial statements	17	15
	17	**15**

8.5 Subsequent events

Since the end of the reporting period there was not any matter or circumstance not otherwise dealt with in these statements, which has the potential to significantly affect the operations of the Authority, the results of those operations or the state of affairs of the Authority in subsequent financial years.

The Authority assumed responsibility for directly managing the Port of Hastings operations following the expiration of the Port Management Agreement on 30 June 2017.

8. Other Disclosures *(continued)*

On 1 July 2017, the Port of Hastings Development Authority entered into contracts with the Victorian Regional Channels Authority (VRCA) for the provision of office space and to maintain their navigational aids.

A short-term revenue sharing agreement has been established between VRCA and the Authority whereby 50% of the tariffs charged by VRCA for access to the channel at Port of Hastings will be paid to the Authority. The agreement is for the period 1 July 2017 to 30 June 2018.

Independent Auditor's Report

VAGO
Victorian Auditor-General's Office

To the Board Members of the Port of Hastings Development Authority

Opinion	I have audited the financial report of the Port of Hastings Development Authority (the authority) which comprises the: • balance sheet as at 30 June 2017 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including a summary of significant accounting policies • financial statements declaration. In my opinion the financial report presents fairly, in all material respects, the financial position of the authority as at 30 June 2017 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.
Basis for Opinion	I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. My responsibilities under the Act are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. My independence is established by the *Constitution Act 1975*. My staff and I are independent of the authority in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.
Board Members' responsibilities for the financial report	The Board Members of the authority are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Board Members determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error. In preparing the financial report, the Board Members are responsible for assessing the authority's ability to continue as a going concern, and using the going concern basis of accounting unless it is inappropriate to do so.

Level 31 / 35 Collins Street, Melbourne Vic 3000
T 03 8601 7000 enquiries@audit.vic.gov.au www.audit.vic.gov.au

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 our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control • obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the authority's internal control • evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board Members • conclude on the appropriateness of the Board Members' 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 authority's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause the authority 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 Members 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
6 September 2017

Anna Higgs
as delegate for the Auditor-General of Victoria

2

SECTION 4: Other Disclosures

Local Jobs First – Victorian Industry Participation Policy

The Victorian Industry Participation Policy Act 2003 requires Departments and public sector bodies to report on the implementation of the Victorian Industry Participation Policy (VIPP). Departments and public sector bodies are required to apply VIPP in all procurement activities valued at $3 million or more in metropolitan Melbourne and for statewide projects, or $1 million or more for procurement activities in regional Victoria.

The Authority did not enter into any new contracts to which the Victorian Industry Participation Policy applied in the year ended 30 June 2017.

For more information on the policy requirements.

Contact: The Victorian Industry Participation Policy -

Sector Development and Programs Division,

DEDJTR

Email: vipp@ecodev.vic.gov.au

Web link: http://www.vic.gov.au/vipp

Consultancy Expenditure

Details of consultancies (valued at $10 000 or greater)

In 2016-17, there were six consultancies where the total fees payable to the consultants were $10 000 or greater. The total expenditure incurred during 2016-17 in relation to these consultancies is $0.19 million (excluding GST). Details of individual consultancies are outlined below

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (excluding GST)	Expenditure 2016-17 (excluding GST)	Future expenditure (excluding GST)
Thompson Clarke Shipping Pty Ltd	Navigation Management Review	1/12/2016	28/02/2017	$32,500	$32,500	$0
Wallbridge Gilbert Aztec	Structural Assessment	21/02/2017	27/04/2017	$30,000	$30,000	$0
HR Advice Online	HR Policy and Procedures	1/05/2017	Ongoing	$23,200	$21,600	$1,600
HAZCON Pty Ltd	Health and Safety Systems Development	22/09/2016	Ongoing	$55,655	$42,975	$12,680
Jacobs Group (Australia) Pty Ltd	Site Investigations	9/01/2017	29/05/2017	$53,671	$53,671	$0
Ubique Consulting Services	Security Risk Planning	1/04/2017	Ongoing	$11,000	$9,900	$1,100

In 2016/17, there were 5 consultancies where the total fees payable to the consultants were less than $10,000. The total expenditure incurred during 2016/17 in relation to these consultancies was $23,712 (excl. GST).

Information and communication technology expenditure

Details of information and communication technology (ICT) expenditure

In 2016/17, the Authority had a total ICT expenditure of $102,901 (2015/16: $71,186) with the details shown below.

All operational ICT expenditure	ICT expenditure related to projects to create or enhance ICT capabilities		
Business As Usual (BAU) ICT expenditure	Non-Business As Usual (Non-BAU) ICT expenditure	Operational expenditure	Capital expenditure
(Total)	(Total = Operational expenditure and Capital expenditure)		
103	0	56	47

ICT expenditure refers to the Authority's 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 Authority's 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.

Disclosure of Major Contracts

There were no major contracts (contracts greater than $10 million) entered into during financial year 2016/17.

Freedom of information

The *Freedom of Information Act 1982* allows the public a right of access to documents held by the Port of Hastings Development Authority. The Port of Hastings Development Authority received no requests during the 12 months ending 30 June 2017.

Making a request

Access to documents may be obtained through written request to the Chief Executive Officer, as detailed in s17 of the *Freedom of Information Act 1982*. In summary, the requirements for making a request are:

- it should be in writing;
- it should identify as clearly as possible which document is being requested; and
- it should be accompanied by the appropriate application fee (the fee may be waived in certain circumstances).

Requests for documents in the possession of the Port of Hastings Development Authority should be addressed to:

Mr Malcolm Geier
Chief Executive Officer
Port of Hastings Development Authority
PO Box 249
CRIB POINT VIC 3919

Requests can also be lodged online at 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 (FOI) can be found at www.foi.vic.gov.au

Government advertising expenditure

Details of government advertising expenditure (campaigns with a media spend of $100 000 or greater)

For the 2016-17 reporting period, the Port of Hastings Development Authority has declared a “nil report” on government advertising expenditure as no spend was incurred greater than $100,000.

Compliance with the Building Act 1993

The Authority complies with the building and maintenance provisions of the *Building Act 1993,* the Buildings Regulation 2006 for publicly-owned buildings controlled by the Authority.

National Competition Policy

Under the National Competition Policy (NCP), the guiding legislative principle is that legislation, including future legislative proposals, should not restrict competition unless it can be demonstrated that:

- the benefits of the restriction to the community as a whole outweigh the costs; and
- the objectives of the legislation can only be achieved by restricting competition.

The Department continues to comply with the requirements of the NCP.

The Victorian Government requires that an assessment of proposed legislation or regulation against the NCP requirements be included in Legislative Impact Assessments (LIA), which are prepared for primary legislation) and Regulatory Impact Statements (RIS), which are prepared for regulations and other instruments.

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 completion 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.

The Authority continues to ensure that its significant business activities comply with the Victorian Government’s Competitive Neutrality Policy (CNP). In 2016-17, there were no complaints made to the Commissioner for Better Regulation about the activities of the Authority’s with respect to the CNP.

In addition, the Authority is working to ensure that Victoria fulfils its requirements on competitive neutrality reporting for technological based businesses against the enhanced principles as required under the Competition and Infrastructure Reform Agreement

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 Authority does not tolerate improper conduct by employees, nor the taking of reprisals against those who come forward to disclose such conduct. It 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 Authority 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.

Reporting Procedures

Disclosures of improper conduct or detrimental action by the Authority or its employees may be made to any one of the following Authority personnel:

- The Protected Disclosure Coordinator (The CFO);
- The Responsible Body, a member of the Board, or the Chief Executive Officer of the Authority;
- A Protected Disclosure Officer of the Authority;
- A manager or supervisor of a person from the Authority who chooses to make a disclosure; or
- A manager or supervisor of a person from the Authority about whom a disclosure has been made.

Any disclosure can be made by letter, telephone, facsimile or email. The postal address is:

The Protected Disclosure Coordinator
Port of Hastings Development Authority
P O Box 249
CRIB POINT VIC 3919

Alternatively, disclosures of improper conduct or detrimental action by the Authority or any of its employees may also be made directly to the Independent Broad-based Anti-corruption Commission (IBAC). The postal address is:

The Independent Broad-based Anti-corruption Commission
Level 1, North Tower
459 Collins Street
Melbourne VIC 3000
www.ibac.vic.gov.au

During the year ended 30 June 2017, there were no disclosures or investigation of improper conduct or detrimental action made by staff to the Authority or any referred by the IBAC, the Ombudsman or other person to the Authority.

Attestation for compliance with Ministerial Standing Direction 3.7.1

I, Malcolm Geier certify that the Port of Hastings Development Authority has complied with the Ministerial Standing Direction 3.7.1– Risk management framework and processes. The Port of Hastings Development Authority has verified this.

Malcolm Geier
Chief Executive Officer

APPENDIX A - Ministerial Direction

Direction

I, the Hon Luke Donnellan, Minister for Ports, with the approval of the Treasurer, give the following direction under section 141V(1) of the **Transport Integration Act 2010**.

I direct the Authority to perform the following functions in the public interest:

a) cease as soon as practicable all current activities relating to development of the port of Hastings as a viable alternative to the port of Melbourne as a container port;

b) provide, by a date to be agreed between the Department of Economic Development, Jobs, Transport and Resources (the Department) and the Authority, in electronic form in an agreed structure, all reports, data and information collected for, or in respect of, development of the port of Hastings as a viable alternative to the port of Melbourne as a container port;

c) cooperate with any request from the Department or, following its establishment, Infrastructure Victoria, to contribute information and relevant studies to inform the assessment of options for Victoria's second container port;

d) provide to the Department and/or the Department of Treasury and Finance, such further reports, data and information collected by the Authority as requested by the Department and/or the Department of Treasury and Finance in writing from time to time;

e) without constraining future options for the development of a container port, continue to respond to requests from bulk proponents who are seeking to use and/or develop facilities within the port of Hastings, ensuring that responses to these requests are consistent with whole of Government objectives including the Port of Melbourne lease transaction and the State's future ports strategy; and

f) In consultation with the Department, implement a revised organisational structure consistent with this Direction and the 2015-16 Budget decision.

....

The Hon Luke Donnellan
Minister for Ports
Date: 27/5/ 2015

Approval of Treasurer

I, the Hon Tim Pallas, MP, Treasurer of the State of Victoria, approve the Direction under section 141V(1) of the **Transport Integration Act 2010**.

....

Tim Pallas MP
Treasurer of the State of Victoria
Date: 17/5/ 2015

Disclosure Index

The annual report of the Authority is prepared in accordance with all relevant Victorian legislations and pronouncements. This index has been prepared to facilitate identification of the Authority's compliance with statutory disclosure requirements.

Legislation	Requirement	Page

Ministerial Directions

FRD 13	Disclosure of Parliamentary Appropriations	Page 20
FRD 21C	Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report	Page 54
FRD 103G	Non-Financial Physical Assets	Page 26
FRD 110A	Cash Flow Statements	Page 25

*Note: References to FRDs have been removed from the Disclosure Index if the specific FRDs do not contain requirements that are of the nature of disclosure

Legislation

Freedom of Information Act 1982	Page 62
Building Act 1993	Page 63
Protected Disclosure Act 2012	Page 63
Victorian Industry Participation Policy Act 2003	Page 61
Financial Management Act 1994	Page 20