PORT OF HASTINGS
DEVELOPMENT AUTHORITY

Annual Report

2018/19

PORT OF
HASTINGS
DEVELOPMENT AUTHORITY

Contents

SECTION 1: Year in Review

Chairperson's Report

Dear Minister,

The Port of Hastings (the Port) is in an enviable position in 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 hectares of appropriately zoned land to support port related activities. Although, only six hectares of this land is owned by the Port of Hastings Development Authority (PoHDA).

PoHDA assumed responsibility for the direct management of the operations of the Port from 1 July 2017 following the expiry of a 20-year port management agreement under which Port management was outsourced. PoHDA has since put in place an experienced management team and with its governance structure is well placed to pursue its key strategic objectives.

While the Port ably caters for bulk liquid and gas developments, PoHDA faces challenges in accommodating dry-bulk and break-bulk trades and is striving to remove these barriers to Port development. In particular, PoHDA is focused on addressing the lack of port land actually owned by PoHDA and the lack of access to a flexible berth suitable for dry bulk and break-bulk cargoes.

During the year PoHDA progressed work with AGL on its Gas Import Jetty project. If it proceeds this project will see natural gas imported via PoHDA's jetty located at Crib Point and will help secure Victoria's gas supply needs while bringing competition to the domestic market. Detailed engineering and design work are being undertaken now to ensure the currently under-utilised bulk liquid and gas berth is ready in time for the AGL Gas Import Jetty project, should the project proceed to final investment decision by AGL.

PoHDA published its 30-year Port Development Strategy in June, articulating PoHDA's port development strategy and priorities for the coming years. In the years since the Port was last managed by the State Government the population of Melbourne has increased by approximately 50% and it is now time to revisit the role the Port can play in the State's freight network.

The Board is pleased to announce that the CEO, Malcolm Geier, has been re-appointed for a further five-year term and we are looking forward to continuing to work with him.

I would like to thank the CEO, Malcolm Geier and his team for continuing to deliver on the strategy of the Port during the year and thank the Board and the independent, non-Director member of our Audit and Risk Committee for their commitment to the sound governance of PoHDA.

All at PoHDA remain committed to ensuring the Port of Hastings grows as a vital, commercial, deep-water bulk port, and a critical link in the State's infrastructure network.

Jennifer Acton
CHAIR

Chief Executive Officer's Report

Dear Minister,

The Port of Hastings Development Authority (PoHDA) has continued to evolve as an organisation since it assumed responsibility for the management of landside port operations on 1 July 2017 and became a self-funded operationally focused entity. The health and safety of our people is, and will always be, our highest priority. Over the past 12 months PoHDA has achieved its target of zero harm, with no lost time injuries.

PoHDA has continued to build the operational capability required to support its long and short-term maintenance program to ensure that work on each asset occurs at the optimum times in its life cycle. In 2019 works commenced on the refurbishment of the Stony Point jetty and PoHDA commenced deployment of 31 new plastic navigation buoys on behalf of the Victorian Regional Channels Authority (VRCA).

PoHDA has also been heavily involved with work on the proposed AGL natural Gas Import Jetty Project. PoHDA has received regulatory approval for the Crib Point jetty refurbishment works required to facilitate the project, has completed most of the engineering design work required and undertaken an Early Contractor Involvement process for the jetty works. Should AGL receive the required project approvals and make a decision to proceed with the project, PoHDA will be in a position to quickly commence the required jetty works. The cost of the work undertaken has been underwritten by AGL.

Crib Point berth No.3 hosted an offshore pipe-laying vessel during the year. Following completion of the project, PoHDA was pleased to negotiate the transfer of two new berthing dolphins installed by the project proponent to PoHDA so that these assets can be used for other projects in the future.

From a commercial perspective, PoHDA revised its fee structure to be more aligned with comparable ports. PoHDA's port fees remain competitive with other Victorian ports despite lower volumes. In 2019 Port operating revenue was 14% above 2018 levels with earnings before interest, depreciation and amortisation up 29% to $3.8 million. This is a particularly pleasing result given prior to assuming responsibility for directly managing port operations PoHDA required $2.4 million in Government funding each year.

The approval of PoHDA's 30-year Port Development Strategy (PDS) during the year followed a great deal of work and consultation with a wide variety of stakeholders. A major finding of this work was that a portion of land presently reserved for port development purposes should be investigated for general industrial use and that the industrial use of this land use can occur without hampering the ability of the Port to be developed in the future. The PDS also underscored the importance of work undertaken with the Department of Environment, Land, Water and Planning (DELWP) over a number of years to make the Old Tyabb Reclamation Area available for Port development. This process is still ongoing but has recently made significant progress.

I would like to thank the team at PoHDA who have successfully and safely delivered the ongoing port management functions while making significant progress on PoHDA's strategic development objectives. I would also like to thank PoHDA's Chair Jennifer Acton, and PoHDA's Board for their ongoing guidance and good governance during this period.

I look forward to seeing the Port of Hastings playing an increasingly important role in Victoria's transport network by capitalising on its advantages of natural deep channels, substantial areas of appropriately zoned land and close proximity to Melbourne and Gippsland.

Malcolm Geier
CHIEF EXECUTIVE OFFICER

1 Annual Report

For the Period 1 July 2018 to 30 June 2019

The Annual Report of the Port of Hastings Development Authority (PoHDA) is presented together with the Financial Statements for the year to 30 June 2019 in conformity with the provisions of the *Financial Management Act 1994*.

1.1 Objectives and Functions

The Port of Hastings Development Authority (PoHDA) is a public entity that was established under the Transport Integration Act 2010 (Vic), and is responsible for the management and operations of the Port of Hastings. The channels in Western Port fall within the jurisdiction of the Victorian Regional Channel Authority (VRCA) who is the manager of the Port waters.

PoHDA exercises its functions and powers consistently with the Victorian 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 directive, PoHDA's focus is to:

- Directly manage the safe and efficient operation of its infrastructure and the landside port operations;
- Develop, or enable and control the development by others of, the whole or any part of the Port of Hastings;
- Encourage new bulk and non-containerised trade proponents to use and/or develop facilities within the Port of Hastings; and
- Ensure Port developments are consistent with the whole of Government objectives and do not constrain future options for development of the port.

1.2 Authority Values

We operate according to Victorian government public sector values, which are:

- Responsiveness;
- Integrity;
- Impartiality;
- Accountability;
- Respect;
- Leadership; and
- Human Rights.

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

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.

1.3 Vision, Purpose and Role

Vision Purpose Role

Vision:

To be a safe, environmentally responsible, competitive deep-water port operator facilitating the growth and development of bulk and non-containerised trades.

Purpose:

To assist the Victorian Government in addressing the freight and logistics needs of the Victoria, with particular emphasis on bulk and non-containerised capacity development opportunities.

Role:

PoHDA manages the Port of Hastings. Our role is to enable trade growth, create employment opportunities and to optimise the net worth of the State's investment in the Port by:

- Maintaining and developing its port infrastructure;
- Promoting and facilitating bulk and non-containerised trade through the port;
- Ensuring the port operates in a commercial and environmentally responsible manner;
- Ensuring that all port related activities are safe; and
- Promoting efficiencies in the supply chain of bulk and non-containerised goods.

1.4 Port of Hastings Trade Summary

The Port of Hastings is located approximately 70 kilometres south east of Melbourne on the shores of Western Port and provides a major gateway and supporting role for Victoria, Melbourne and south east Australia. The Port provides access to major industries including a hub for oil and gas imports and a major steel product manufacturing facility.

Industries located at the Port provide connection to offshore oil and gas platforms, import and processing facilities and connection to Victoria's two oil refineries via pipeline. Oil, gas and petroleum products are distributed from Hastings across southeast Australia supporting the energy needs of the region.

Steel product manufacturing is linked to major interstate facilities and supports local and export demand. The Port provides a major gateway to domestic supply chains and industries that provide significant economic activity and jobs for the region.

Overall, each year 1.5 million tonnes of petroleum products, steel, oil and gas are handled across all wharves and significant additional outputs of an equivalent scope are despatched from the Port in pipelines and via transport corridors to Melbourne and south east Australia.

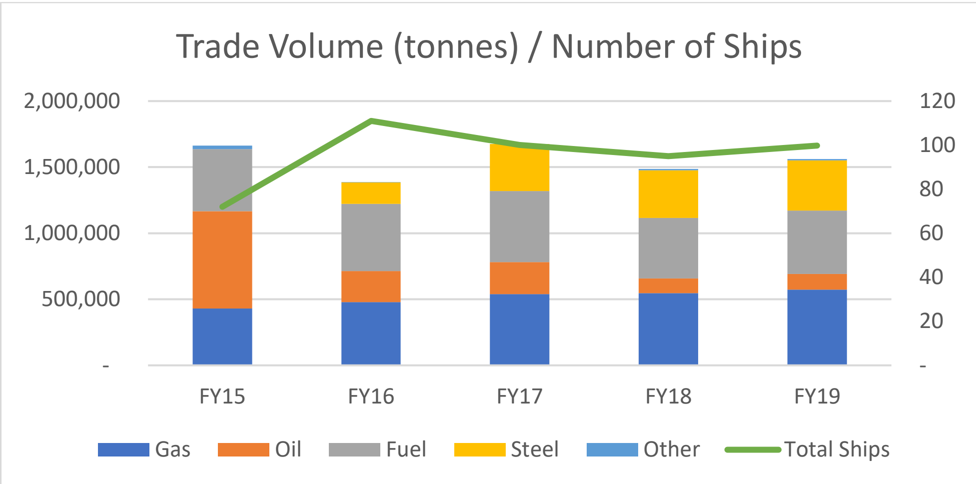
The Port is responsible for a significant share of the State's bulk liquid trade and offers the deepest shipping channel in Victoria. There are four established jetty complexes, the BlueScope Wharves, Long Island Point Jetty, Crib Point Jetty, and the Stony Point Port Services Complex.

The Western Port-Altona-Gippsland (WAG) pipeline links the Bass Strait oil and gas fields with port processing facilities at Hastings and refineries in Altona and Geelong. This pipeline provides an important link in the State economy.

Major industry facilities at Hastings include:

- BlueScope's Western Port steelworks;
- The Esso fractionation plant; and
- The United Petroleum fuels storage and distribution facility.

The 2018/19 financial year saw an increase in ships visiting the port from 95 in FY18 to 109 in FY19. Total volumes (import and export) increased by 1.5% to 1.5 million tonnes.



1.5 Financial Summary

($thousand)

Financial Summary	*2019*	*2018*	*2017*	*2016*	*2015*
State government grant	-	-	2,870	2,200	3,100
Total income from transactions	6,126	5,739	1,531	1,100	1,151
Total expenses from transactions	(9,449)	(5,394)	(4,632)	(5,525)	(23,684)
Net result from transactions	(2,461)	1,120	(231)	(2,219)	(19,434)
Net result for the period	(2,466)	98,730	522	(2,902)	(19,420)
Net cash flow from operating activities	3,168	1,667	1,359	(52)	(22,253)
Total assets[(i)]	136,203	137,119	38,240	37,979	40,937
Total liabilities	2,133	580	431	692	748

(i) Valuer-General Victoria (VGV) revaluation of the PoHDA's berth infrastructure assets was completed in June 2018.

Overview

The Port of Hastings Development Authority (PoHDA) assumed responsibility for the direct management of the operations of the Port from 1 July 2017. This change to direct management has resulted in the removal of the requirement to draw down State Government funding since 1 July 2017. Income from transactions are now generating a positive cash flow without reliance on Government funds for normal operations.

In 2018/2019 PoHDA recorded a net loss from transactions of $2.5M compare to a net profit of $1.1M in the previous financial year. The key reason for this movement is the additional depreciation charge of $3.9M due to a VGV revaluation of Ports Infrastructure assets completed in June 2018.

Income from transactions including port operating fees, interest and other income increased by $387K.

Total expenses from transactions increased to $9.5M compared to $5.4M the previous year. The main contributor to this increase was the depreciation charges due to revaluation as mentioned above. Offsetting the increase in depreciation charges were favourable variances in office expenses, professional services and maintenance costs. Maintenance expenditure is expected to increase in 2019/20 in line with the roll-out of PoHDA's long-term maintenance plan.

Total assets decreased by $0.9M in 2018/19 to $136.2M. Total liabilities increased by $1.5M due to accrued capital expenditure.

Net cash flow from operating activities was $3.2M compared to $1.7M the previous year.

Financial Performance and Business Review

PoHDA's income from transactions arises mainly from the provision of Port services, which principally involves providing berthing and wharfage rights to our customers. Other revenue includes property rental and maintenance services as well as interest earned. The main corporate expenses were employee related costs, depreciation of assets, professional services and maintenance costs.

PoHDA has managed its costs within its FY19 budget. Maintenance costs were lower than budget mainly due to PoHDA building up its operational capability during the year in conjunction with developing a comprehensive maintenance program.

Financial Position – Balance Sheet

Net assets decreased by $2.4M in 2018/19 to $134.1M, the primary reason for the movement was depreciation of $6.4M, offset by increases in Financial assets of $4.0M (Cash and deposits increased by $335K, project related expenditure funded by PoHDA of $3.9M and receivables decreased by $227K). Capital expenditure was $552K for the year.

Total liabilities increased by $1.5M to $2.1M, with an increase in payables of $1.5M. The payables increase relates predominantly to accrued project expenditure of $1.7M.

Cash Flows

Net cash flow from operating activities was $3.2M compared to $1.7M the previous year. No State Government grants were received. There was an increase in receipts from port customers of $1.3M. Outflows decreased for payments to suppliers and employees by $152K. PoHDA also funded capital expenditure of $552K and a further cash outlay of $2.3M for projects. Net cash at the end of the financial year was $3.4M compared to $3.1M the previous year.

Subsequent Events

There have been no subsequent events to the reporting period of PoHDA post 30 June 2019. Refer to Note 8.6 of the Financial Statements.

SECTION 2: Governance and Organisational Structure

2.1 Board of Directors

PoHDA is governed by its Board of Directors. PoHDA's Board was appointed by the Minister for Ports and Freight and commenced on 1 January 2012. The Board comprised three independent Directors during the year - a Chair, Deputy Chair and one Director.

The Board has overall responsibility for the corporate governance of PoHDA 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 Freight and the Treasurer.

Corporate governance is the process by which PoHDA 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 PoHDA was established, the role of the Board, the Chief Executive Officer and the Chief Financial Officer.

Directors

Jennifer Acton

Jennifer was appointed a non-executive Director of PoHDA on the 1st July 2015 and was appointed Chair of the Remuneration Committee on 21st January 2016. Jennifer was appointed Chair of the Board on 1st October 2017. Jennifer has many years of experience in strategic development, continuous improvement, stakeholder engagement, collaborative conflict resolution, workplace relations, and sound governance. Currently Jennifer is Chair of State Trustees Ltd and Chair of STL Financial Services Ltd. She is also an adjunct Professor of Law at Monash University. Furthermore, she has more than twenty years' experience as a Presidential member of industrial tribunals and is a member of the Victorian Independent Remuneration Tribunal.

Claire Filson

Claire was appointed non-executive Director of PoHDA on the 1st January 2012, and appointed non-executive Deputy Chair on 1st July 2015. Claire is also the Chair of the Audit & Risk Committee. Claire has an extensive background in financial services, superannuation, insurance, funds management and infrastructure and property. She is currently a Director with TT Line Pty Ltd and Western Region Water Corporation, Deputy Chair of Murray Irrigation Limited and the Portable Long Service Benefits Authority, Chair of the Audit Committee for Hume City Council as well as a member of the Audit Committees for Kingston and Boroondara City Councils, and the Department of Premier and Cabinet.

Arthur Apted

Arthur was appointed as a non-executive Director of PoHDA on the 1st October 2017. Arthur has many years' experience as Chief Executive Officer and at Director level in superannuation funds management and property and farm investment management. Currently Arthur is Chair of the Major Transport Infrastructure Authority Procurement Oversight Committee (MTIP POC) and an independent member of the BlackRock Investment Management (Australia Limited) Compliance Committee and the Non-Government Schools (NGS) Super Fund Investment Committee, Chair of the Melbourne Fire and Emergency Services Board Classification Committee.

The Board met 10 times during the year.

Table 1: Board Members and Attendance

Position	Name	Appointed	Term Expires	Attended	Eligible to Attend	Total Meetings Held
Chair	Ms Jennifer Acton	1/07/2015 (Appointed Chair 1/10/2017)	30/06/2022	10	10	10
Deputy Chair	Ms Claire Filson	1/07/2012	30/06/2022	10	10	10
Director	Mr Arthur Apted	1/10/2017	30/06/2022	10	10	10

PoHDA 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. PoHDA was fully compliant as at 30 June 2019.

2.2 Audit and Risk Committee

The Audit and Risk Committee consists of the following members:

- Ms Claire Filson, Chair (independent member);
- Mr Arthur Apted (independent member); and
- Mr Peter Wickenden (external independent member).

Peter Wickenden was appointed as an external independent member of the Audit and Risk Committee on the 16th November 2015. Peter is a fellow of the Certified Practicing Accountants, company auditor and principal in the accounting firm Burke Bond Partners. He is also a member of several boards and committees and is currently the Chair of Toorak College, Mount Eliza and Deputy Chair of the Bays Hospital Mornington.

Audit and Risk Committee Responsibilities

The main responsibilities of the Audit and Risk 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 PoHDA'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;
- maintain effective communication with external auditors;
- consider recommendations made by internal and external auditors and review the implementation of actions to resolve issues raised; and
- oversee the effective operation of the risk management framework.

The Audit and Risk Committee met 5 times during the year.

Table 2: Audit Committee Meeting & Attendance

Audit Committee Member	Attended	Eligible to Attend	Total Meetings Held
Ms Filson (Chair)	5	5	5
Mr Wickenden	5	5	5
Mr Apted	5	5	5

2.3 Executive Remuneration Committee

The Executive Remuneration Committee comprises:

- Ms Jennifer Acton, Chair (independent member);
- Mr Arthur Apted (independent member); and
- Ms Claire Filson (independent member).

Executive Remuneration Committee Responsibilities

The Executive Remuneration Committee undertakes and makes recommendations to the Board on matters pertaining to senior executive remuneration and succession planning issues facing PoHDA. The Executive Remuneration Committee Charter applies in respect of PoHDA Executive Officers employed under the Office of Public Sector Executive Remuneration (OPSER) framework.

The Executive Remuneration Committee met 3 times during the year.

Table 3: Executive Remuneration Committee Meeting & Attendance

Executive Remuneration Committee Member	Attended	Eligible to Attend	Total Meetings Held
Ms Acton (Chair)	3	3	3
Mr Apted	3	3	3
Ms Filson	3	3	3

2.4 Senior Executives

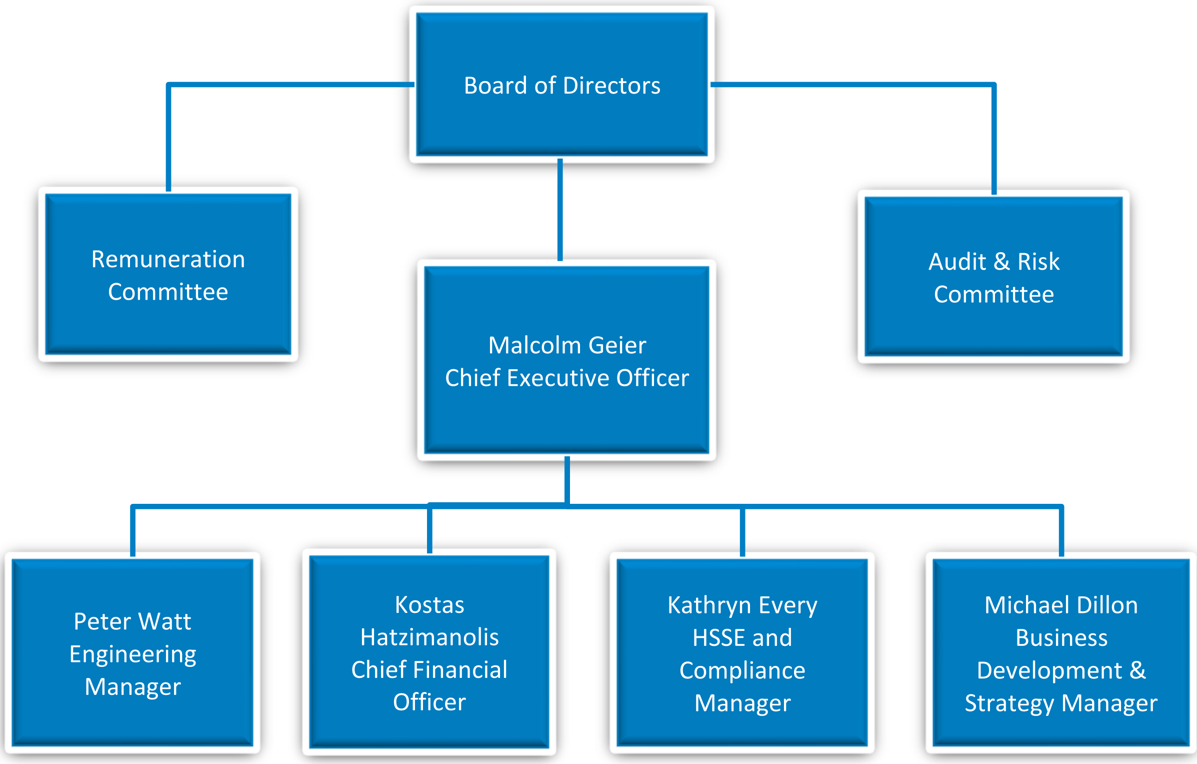
Malcolm Geier

Malcolm was appointed Chief Executive Officer in March 2016; on 1 June 2019 his tenure was extended for a further term of five years. Malcolm is responsible for the management and operations of PoHDA and the development of the Port in line with Government policy.

Kostas Hatzimanolis

Kostas is the Chief Financial Officer and was appointed to the role in February 2019 Kostas, is responsible for all financial operations and services, IT, and the people, performance and culture function of PoHDA.

2.5 Organisational Structure as at 30 June 2019



2.6 Occupational Health and Safety

Health and Safety is, and will always be, our highest priority. Over the past 12 months PoHDA has achieved its target of zero harm, with no lost time injuries.

Our commitment to providing and maintaining a safe work environment is evidenced through our focus on safety in everything we do, our investment in the training of our team, as well as the work we do on our systems that support our team.

Part of our ongoing focus is the culture within our organisation. PoHDA believes it is important that everyone understands the risks our work entails, the control measures in place to mitigate these risks and each person's role in contributing to achieving a high standard of safety. Through supportive leadership, we continue to build on our team engagement, capabilities and our performance.

2.7 Consultation and Engagement

PoHDA is proud of its efforts to build and maintain relationships that are mutually beneficial. Engagement strategies include regular dialogue with internal and external stakeholders, from Board members to our various consultative committees and the community. A number of communication mechanisms have been established, with a noted increase in attendance and participation over the past year. These include:

- Health and Safety Committee;
- Audit and Risk Committee;
- Port User Group;

- Emergency Management & Oil Spill Committee;
- Port Security Committee; and
- Community Consultative Committee.

The Audit and Risk Committee members monitor PoHDA's health, safety and environmental performance and risk programs to certify delivery of effective governance relating to PoHDA's activities.

2.8 Environment

Our operating environment sits within a Ramsar wetland area which is highly valued for its important habitat for migratory birds. The importance of the ecosystems, wetlands and natural resources is considered when undertaking our daily activities and when considering projects for potential growth within the Port. We understand that environmental incidents have the potential to affect our employees, communities, assets and reputation. To date, there have been no breaches of environmental laws or permit conditions by PoHDA.

Our planning ensures that we have the capability to respond to potential environmental incidents, such as oil spills. Established emergency management procedures, regular training and exercises are designed to ensure a timely and effective response to minimise the potential severity of an environmental event, in accordance with State Government arrangements for emergency management in Victoria.

PoHDA continues to work with its major tenants, licensees and service providers to communicate an awareness of our collective environmental responsibilities. In accordance with PoHDA's Safety Environmental Management Plan (SEMP), an annual review is conducted of the SEMP documentation and activities, with annual reporting to the Minister for Ports and Freight and prescribed bodies. PoHDA has demonstrated its commitment to ensure the safe and efficient operation of its infrastructure and landside port operations as well as its core values of leadership, integrity, respect and sustainability.

3

SECTION 3: Workforce Data

3.1 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.

3.2 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.

PoHDA has 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. PoHDA advises its employees on how to avoid conflicts of interest, how to respond to offers of gifts, benefits and hospitality and how it deals with misconduct.
The following table discloses the head count and full-time staff equivalents (FTE) of all active employees of PoHDA, employed in the last full pay period in June 2019 and the last full pay period of the previous reporting period June 2018.

Staff at 30 June 2019

	2019				2018			
	Male	**Female**	**Self-Described**	**Total**	**Male**	**Female**	**Self-Described**	**Total**
Full-time permanent	8	2	0	10	6	2	0	8
Part-time	0	1	0	1	0	1	0	1
Totals	**8**	**3**	**0**	**11**	**6**	**3**	**0**	**9**

PoHDA has a balanced working environment where equal opportunity and diversity are valued.

PoHDA values staff with non-binary gender identities at all levels. PoHDA acknowledges that due to historic and current barriers to disclosure of non-binary gender identities, staff may not choose to disclose this information. As a result, targets or quotas are not currently a useful way to promote opportunities for gender diverse staff at all levels.

SECTION 4: 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 Assistant Treasurer under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

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

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

We authorise the attached financial statements for issue on 29 October 2019

SIGNATURE

Kostas Hatzimanolis
Chief Financial Officer
Port of Hastings Development Authority
Crib Point

SIGNATURE

Malcolm Geier
Chief Executive Officer
Port of Hastings Development Authority
Crib Point

SIGNATURE

Jennifer Acton
Board Chair
Port of Hastings Development Authority
Crib Point

The Port of Hastings Development Authority (PoHDA) has pleasure in presenting its audited general-purpose financial statements for the financial year ended 30 June 2019 and provides users with the information about PoHDA'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 2019

			($thousand)	
		Notes	*2019*	*2018*
	Continuing Operations			
	Income from transactions			
	Port Operating income	2.1 (a)	6,009	5,266
	Management fees	2.1 (b)	0	8
	Interest	2.1 (c)	64	32
(i)	Assets received Free of Charge	2.1 (d)	862	775
	Other Income	2.1 (e)	53	433
	Total income from transactions		**6,988**	**6,514**
	Expenses from transactions			
	Employee expenses	3.1	(2,004)	(1,919)
	Depreciation and amortisation	3.2(a)	(6,369)	(1,891)
	Office expenses	3.2(b)	(202)	(389)
	Travel		(27)	(24)
	Interest expense		(2)	(1)
	Professional services	3.2 (c)	(357)	(546)
	Maintenance of Infrastructure		(245)	(388)
	General Insurance		(154)	(154)
	Subscriptions and Memberships		(33)	(40)
	Other operating expenses		(56)	(42)
	Total expenses from transactions		**(9,449)**	**(5,394)**
	Net result from transactions (net operating balance)		**(2,461)**	**1,120**
	Other economic flows included in net result			
(ii)	Net loss on non-financial assets		**(5)**	(2)
	Total other economic flows included in net result		**(5)**	**(2)**
	Net result from continuing operations		**(2,466)**	**1,118**
	Items that may be reclassified subsequently to net result			
	Revaluation of Infrastructure	4.2	0	97,612
	Total other economic flow - other comprehensive income		**0**	**97,612**
	Comprehensive result		**(2,466)**	**98,730**

The accompanying notes form part of these financial statements.

(i) 'Assets received free of charge' includes assets that were transferred to PoHDA from a project proponent. These assets were constructed in April 2018 and paid for by the proponent, upon completion of the project they were transferred to PoHDA at no cost. The assets have been taken up at fair value as ascertained by PoHDA management, taking into account the actual cost to construct and our expert engineering advice.

(ii) 'Net loss on non-financial assets' includes net realised losses from the disposal of a motor vehicle. This represents the net disposal of leased motor vehicles via VicFleet in 2018/2019.

Balance sheet as at 30 June 2019

	Notes	2,019	2018
		($thousand)	
Assets			
Financial assets			
Cash and deposits	6.3	3,401	3,066
Receivables	5.1	608	835
Other financial assets	5.2	3,927	-
Total financial assets		**7,936**	**3,901**
Non-financial assets			
Property, plant and equipment	4.1	128,063	133,000
Intangible assets	4.6	15	27
Prepayments		190	190
Total non-financial assets		**128,268**	**133,217**
Total assets		**136,204**	**137,118**
Liabilities			
Payables	5.3	1,960	416
Borrowings	6.1	39	48
Provisions		133	116
Total Liabilities		**2,132**	**580**
Net assets		**134,072**	**136,538**
Equity			
Accumulated surplus/(deficit)		(39,722)	(37,256)
Physical Asset Revaluation Reserve		123,784	123,784
Contributed capital		50,010	50,010
Net worth		**134,072**	**136,538**
Commitments for expenditure	6.6	177	245

Statement of changes in equity for the financial year ended 30 June 2019

	Physical asset revaluation reserve	*Accumulated Surplus /(Losses)*	*Contributions by Owners*	***Total***
		($thousand)		
Balance at 30 June 2017	26,172	**(38,375)**	**50,010**	**37,807**
Revaluation of Infrastructure	97,612	-	-	**97,612**
Net result for the year	-	1,118	-	**1,118**
Balance at 30 June 2018	**123,784**	**(37,257)**	**50,010**	**136,537**
Revaluation of Infrastructure	-	-	-	**0**
Net result for the year	-	(2,466)	-	**(2,466)**
Balance at 30 June 2019	**123,784**	**(39,723)**	**50,010**	**134,071**

The accompanying notes form part of these financial statements.

Cash flow statement for the financial year ended 30 June 2019

		($thousand)	
	Notes	*2019*	*2018*
Cash flows from operating activities			
Receipts			
Receipts from other entities (inclusive of GST)		6,935	5,617
Interest received		63	32
Total receipts		**6,998**	**5,649**
Payments			
Payments to suppliers and employees (inclusive of GST)		(3,573)	(3,643)
Net payment of Goods and Services Tax to the ATO		(255)	(339)
Interest and other costs of finance paid		(2)	-
Total payments		**(3,830)**	**(3,982)**
Net cash flows from/(used in) operating activities	6.4	**3,168**	**1,667**
Cash flows from investing activities			
Other financial assets (inclusive of GST)		(2,267)	-
Purchases of non-financial assets (inclusive of GST)		(552)	(235)
Net cash flows from/(used in) investing activities		**(2,819)**	**(235)**
Cash flows from financing activities			
Repayment of borrowings and finance leases		(14)	(7)
Net cash flows used in financing activities		**(14)**	**(7)**
Net increase/(decrease) in cash and cash equivalents		**335**	**1,425**
Cash and cash equivalents at beginning of financial year		3,066	1,641
Cash and cash equivalents at end of financial year	6.3	**3,401**	**3,066**

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 (PoHDA) 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 but does not form part of these financial statements.

These annual financial statements represent the audited general-purpose financial statements for PoHDA for the year ended 30 June 2019. The purpose of the report is to provide users with information about PoHDA's stewardship of resources entrusted to it.

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.

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.

PoHDA 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 the Board and 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:

- 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, PoHDA 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, PoHDA 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 PoHDA's independent valuation agency. A revaluation of land and buildings was last completed in March 2015 for the 2014/15 financial year, in line with the five-year schedule of PoHDA. A management revaluation of land was completed in June 2017. An out-of-cycle revaluation of infrastructure assets was completed as at June 2018 for the 2017/18 financial year. The next scheduled VGV revaluation will be in the 2019/20 financial year.

Income Tax

The Port of Hastings Development Authority is not subject to income tax under the *Income tax Assessment Act 1997* and not an entity under National Tax Equivalent Regime in 2018-2019.

2 *Funding delivery of our services*

PoHDA's overall objective is to provide oversight to and develop, promote and support the use of the Port of Hastings.

To enable PoHDA to fulfil its objectives it receives income, predominantly port operating revenue.

2.1 Summary of revenue that funds the delivery of our services

		($thousand)	
		2019	*2018*
(a)	**Port Operating Revenue**		
	Wharfage Fees	3,295	2,910
	Berth Hire	2,488	1,821
	Maintenance Charges	131	436
	Recharge and Recoveries	95	99
(b)	**Management Fees**		
	Management fees	-	8
(c)	**Interest**		
	Interest on bank deposits	64	32
(d)	**Fair value of assets and services received free of charge or for nominal consideration**		
	Assets received Free of Charge	862	775
(e)	**Other Income**		
	Other Income	53	433
	Total Income	**6,988**	**6,514**

Income is recognised under the principles of AASB 15 and is brought into account when a service obligation is satisfied and that it is probable that the economic benefits will flow to PoHDA and the income can be reliably measured at fair value. There is no change in revenue recognition by the adoption of AASB 15.

PoHDA's revenue arises mainly from the provision of Port services, principally this involves providing berthing and wharfage rights to our customers. Other revenue includes property rental, and maintenance services.

To determine whether to recognise revenue, PoHDA follows a 5-step process:

1. Identify the contacts with a customer
2. Identify the performance obligations of the contract
3. Determine the transaction price
4. Allocate the transaction price to the performance obligations in the contract
5. Recognise revenue when or as the entity satisfies a performance obligation

Per the requirements of AASB 15 revenue is recognized when performance obligations are satisfied, i.e. after a ship has used the PoHDA facilities to Berth and upon completion of their loading and unloading tasks.

- All revenue is collectible within 30 days of invoice / performance of service obligation
- Berthing Licenses are invoiced yearly in advance, payment is received 30 days from date of invoice, current practice is for revenue to be recognised monthly, unrecognised revenue is shown in the balance sheets a deferred income.
- Rates are fixed based on contract or published tariffs, no discounts are offered for volume or early settlement.
- PoHDA Services are not bundled.
- There are implicit performance obligations i.e.:
    - PoHDA must ensure that the Berth is in good working order and fit for purpose when a ship arrives.
    - PoHDA must provide ongoing Port safety:
        - Implementation of OHS rules and procedures
        - Oversight of contractors/consultants on the site
        - Inductions, supervision of contractors
        - Regulation of port users
        - Compliance and development of Safety and Environmental Management Plan
        - Emergency Management
    - PoHDA must provide ongoing Port safety:
        - Oversee security compliance of port users
        - Provide secure facilities in accordance with International Ship Port Security (ISPS) code
        - Manage port security response in respect to Maritime Security (MarSec) levels and MTOFS Act
        - Management of business response to security incidents
        - Provision of facilities for Customs and Biosecurity
    - Ongoing Environmental monitoring
        - PoHDA monitor tides, waves, wind, humidity and rainfall at different locations around the port.

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.

Port Operating revenue

Income from port operating revenue streams are recognised when PoHDA provides the service.

Fair value of assets and services received free of charge or for nominal consideration

Contributions of resources provided free of charge or for nominal consideration are recognised at their fair value when the recipient obtains control over the resources, irrespective of whether restrictions or conditions are imposed over the use of the contributions.

3 The cost of delivering services

This section provides an account of the expenses incurred by PoHDA in delivering services and outputs.

3.1 Employee expenses

		($thousand)	
		2019	*2018*
	Employee expenses		
	Defined contribution superannuation expense	150	139
	Salaries, wages and long service leave	1,676	1,540
(i)	Allowances	5	5
(ii)	Recruitment expenses	12	73
	State Government Taxes	89	83
	Training and Professional Development	43	45
	Workcover Victoria	6	4
	Other employee expenses	23	30
	Total Employee expenses	**2,004**	**1,919**

(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 where applicable.

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

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

3.1.1 Employee benefits in the balance sheet

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

	($thousand)	
	2019	*2018*
Current employee benefits		
Annual leave entitlements	33	33
Long services leave entitlements	5	3
	38	**36**
Non-current employee benefits		
Annual leave entitlements	24	16
Long service leave entitlements	53	46
Total non-current provisions for employee benefits	**77**	**62**
Current on-costs	6	6
Non-Current on-costs	11	12
Total on-costs	**17**	**18**
Total provisions for employee benefits	**132**	**116**

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

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

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

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

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

Unconditional LSL is disclosed as a current liability; even where PoHDA 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 PoHDA expects to wholly settle within 12 months; or
- present value – if the PoHDA does not expect to wholly settle within 12 months.

3.1.2 Superannuation Contributions

Employees of PoHDA are entitled to receive superannuation benefits and PoHDA contributes to defined contribution plans. PoHDA has no employees who 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*	
	2019	*2018*	*2019*	*2018*
Defined contributions plans:				
VicSuper	12	45	0	-
Other	135	94	1	-
	147	**139**	**1**	**0**

3.2 Other operating expenses

		($thousand)	
		2019	*2018*
(a)	**Depreciation and amortisation**		
	Buildings	111	98
	Plant, equipment, vehicles and intangibles	150	182
	Infrastructure	6,108	1,580
	Leasehold improvements	-	32
	Total Depreciation	**6,369**	**1,892**
(b)	**Office expenses**		
	Rent, rates and outgoings	12	167
	Printing, stationery and supplies	6	7
	Cleaning and waste disposal	21	33
	Data and communication expenses	10	16
	Electricity	124	132
	Office Maintenance	4	20
	Other office expense	25	14
	Total Office expenses	**202**	**389**
(c)	**Professional services**		
	Consultants	60	279
	Audit Services	42	45
	Legal Services	32	127
	IT Services	41	32
	Other Professional Services	182	63
	Total Professional services	**357**	**546**

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.

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 5 years

Office expenses

Represent the day-to-day running costs incurred in normal operations.

Professional services

Are recognised as an expense in the reporting period in which they are incurred.

4 Assets available to support output delivery

PoHDA 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 PoHDA to be utilised for delivery of those outputs.

Infrastructure, Property, plant and equipment

4.1 Gross carrying amount and accumulated depreciation

	($thousand)					
	Gross carrying amount		*Accumulated depreciation*		*Net carrying amount*	
	2019	*2018*	*2019*	*2018*	*2019*	*2018*
Land at fair value	5,468	5,468		-	5,468	5,468
Buildings at fair value	1,051	914	(386)	(275)	665	639
Plant, equipment and vehicles at fair value	1,619	1,424	(745)	(608)	875	816
Infrastructure at fair value	127,163	126,077	(6,108)	-	121,055	126,077
Leasehold improvements at fair value	1	1	(1)	(1)	-	-
	135,302	**133,884**	**(7,240)**	**(884)**	**128,063**	**133,000**

4.2 Movements in carrying amounts

($thousand)

	Land	Buildings	Plant, Equip, & Veh.	Infrastructure	Leasehold Imp	Total
Balance at 1 July 2018	5,468	639	816	126,077	-	**133,000**
Additions	-	137	227	1,086	-	**1,450**
Disposals	-	-	(32)	-	-	**(32)**
Depreciation	-	(111)	(137)	(6,108)	-	**(6,356)**
Balance at 30 June 2019	**5,468**	**665**	**874**	**121,055**	-	**128,062**

	Land	Buildings	Plant, Equip, & Veh.	Infrastructure	Leasehold Imp	Total
Balance at 1 July 2017	5,468	613	107	30,102	32	**36,322**
Additions	-	66	900	-	-	**966**
Disposals	-	-	(32)	-	-	**(32)**
Transfer to/(from)	-	57	-	(57)	-	**0**
Revaluation of Infrastructure	-	-	-	97,612	-	**97,612**
Depreciation	**-**	**(97)**	**(159)**	**(1,580)**	**(32)**	**(1,868)**
Balance at 30 June 2018	**5,468**	**639**	**816**	**126,077**	-	**133,000**

4.3 Fair value measurement hierarchy for assets as at 30 June 2019

($thousand)

	Carrying amount as at 30 June 2019	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	665	-	-	665
Plant, equipment and vehicles at fair value	874	-	-	874
Infrastructure at fair value	121,055	-	-	121,055
	128,062	**-**	**2,550**	**125,512**

($thousand)

	Carrying amount as at 30 June 2018	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	639	-	-	639
Plant, equipment and vehicles at fair value	816	-	-	816
Infrastructure at fair value	126,077	-	-	126,077
	133,000	**-**	**2,550**	**130,450**

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 2019.

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.

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 (2018: $1,000) and a useful life of more than one year are recognised as assets. All other assets are expensed as acquired.

The fair value of infrastructure, plant, equipment and vehicles, is normally determined by reference to the asset's current replacement cost. This cost generally represents the replacement cost of the building/component after applying depreciation rates on a useful life basis. For plant, equipment and vehicles, existing depreciated historical cost is generally a reasonable proxy for current replacement cost because of the short lives of the assets concerned.

The initial cost for non-financial physical assets under a finance lease 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.

Impairment testing is conducted through annual reviews. Where indicators of impairment are evident, the recoverable amount of the asset is estimated and an impairment loss is recognised where the recoverable amount is less than the carrying amount.

4.4 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 Assistant Treasurer. A full revaluation normally occurs every five years based upon the asset's 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 and are engaged through the Valuer General Victoria. 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 PoHDA's specialised buildings, the Current Replacement cost method is used, adjusting for the associated depreciation. As depreciation adjustments are considered as significant unobservable inputs, specialised buildings are classified as Level 3 fair value measurements.

A managerial revaluation was performed in 2017 with an effective date of 30 June 2017. PoHDA management have considered the use of its land and buildings which is unchanged and considered the Valuer General Victoria (VGV) land and building indexation factors for the 2018 and 2019 financial years. PoHDA Management has concluded that a fair value adjustment is not required for the 2019 financial year.

Vehicles

Vehicles are valued using the Current Replacement cost method. PoHDA 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 are 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 2019. For all assets measured at fair value, the current use is considered the highest and best use.

Infrastructure

Infrastructure assets are valued using the Current 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.

The valuation was performed using the Current Replacement Cost approach. An independent valuation of PoHDA's infrastructure assets was performed by the Valuer-General Victoria as at 30 June 2018. The valuation was performed using the Current Replacement Cost approach.

Management have reviewed the carrying values of its infrastructure considering their ongoing use and changes in construction cost indices. Management has concluded that no fair value adjustment is required for the 2019 financial year.

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.

4.5 Description of significant unobservable inputs to Level 3 valuations 2019

2018 and 2017	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	$48^{2}- $55/m^{2}	A significant increase or decrease in the land index would result in a significantly higher or lower fair value.
Buildings	Current replacement cost	Direct cost per square metre	Level 3	$500 - $2,500/m^{2} ($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	Current replacement cost	Useful life of buildings	Level 3	5-15 years (10.5 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Vehicles	Current replacement cost	Useful life of vehicles	Level 3	5-10 years (6.17years)	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	Current replacement cost	Useful life of plant and equipment	Level 3	3-10 years (8.73 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Infrastructure	Current replacement cost	Direct cost per square metre	Level 3	$25 - $2,372/m^{2} ($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	Current replacement cost	Useful life of infrastructure	Level 3	10-25 years (21.73 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 remained unchanged since 2018.

Intangible assets

4.6 Gross carrying amount and accumulated depreciation

	Gross carrying amount		Accumulated amortisation		Net carrying amount	
	($thousand)					
	2019	*2018*	*2019*	*2018*	*2019*	*2018*
Intangible assets:						
- Computer Software	150	150	(135)	(123)	15	27
	150	**150**	**(135)**	**(123)**	**15**	**27**

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

4.7 Movements in carrying amounts

	($thousand)	
	2019	*2018*
Gross carrying amount		
Opening Balance	**201**	**185**
Additions	-	16
Disposals	-	-
Closing Balance	**201**	**201**
Accumulated amortisation		
Opening Balance	**(173)**	**(150)**
Amortisation charged on existing intangible assets	(13)	(23)
Closing Balance	**(186)**	**(173)**
Net written down value at end of financial year	**15**	**28**

PoHDA has not capitalised any additional expenditure for intangible assets for the year ended 30 June 2019. The carrying amount of the capitalised software expenditure is $15K (2018: $28K). 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 PoHDA's controlled operations.

Receivables

Receivables consist of:

- Contractual receivables, such as debtors in relation to goods and services, 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
- PoHDA 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
- PoHDA 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 PoHDA has neither transferred nor retained substantially all the risks and rewards or transferred control, the asset is recognised to the extent of PoHDA's continuing involvement in the asset.

Impairment of financial assets

At the end of each reporting period, PoHDA 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 2018).

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*.

5.1 Current Receivables

		($thousand)	
		2019	*2018*
	Current receivables		
	Contractual		
(i)	Sale of goods and services	566	809
		566	**809**
	Statutory		
	GST Input tax credit recoverable	42	28
	Fringe Benefits Tax Prepayment	-	(2)
		42	**26**
	Total current receivables	**608**	**835**

Notes:

(i) The average credit period for sales of goods and services and for other receivables is thirty-three days. 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 0 for the nature and extent of risks arising from contractual receivables.

5.2 Other Financial Assets

	($thousand)	
	2019	**2018**
Contractual		
Project Costs	3,927	-
	3,927	-

Port of Hastings Development Authority (PoHDA) entered into a Works Agreement on 12 June 2018. The agreement enables the Port to procure the design and construction of works at Berth 2 at Crib Point. The works are subject to further approvals, project expenditure to date of $3.9M will be recovered from proponent if the project does not proceed.

5.3 Payables

	($thousand)	
	2019	2018
Current Payables		
Contractual		
Deffered Income	42	26
Supplies and services	1,828	291
	1,870	317
Statutory		
Payroll Tax - State	8	5
GST Input tax payable	49	66
PAYG Withholding Tax	33	28
	90	99
Total current payables	**1,960**	**416**
Total payables	**1,960**	**416**

Payables consist of:

- Contractual payables, such as accounts payable. Accounts payable represent liabilities for goods and services provided to PoHDA prior to the end of the financial year that are unpaid, and arise when PoHDA 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.

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 7.5 for the maturity details of contractual payables.

(b) Nature and extent of risk arising from contractual payables
Please refer to Note 0 for the nature and extent of risks arising from contractual payables.

6 Financing our operations

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

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

6.1 Borrowings and leases

		($thousand)	
		2019	2018
	Current borrowings		
(i)	Lease liabilities	9	9
	Total current borrowings	9	9
	Non-current borrowings		
(i)	Lease liabilities	30	39
	Total non-current borrowings	30	39
	Total borrowings	**39**	**48**

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.

All interest-bearing liabilities are initially recognised at the fair value of the consideration received, less directly attributable transaction costs (refer also to Note 6.5 Commitments for expenditure). The measurement basis subsequent to initial recognition depends on whether PoHDA 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

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank and are subject to an insignificant risk of changes in value.

6.3 Reconciliation of cash and cash equivalents

		($thousand)	
		2019	***2018***
(i)	Total cash and deposits disclosed in the balance sheet	**3,401**	**3,066**
	Balance as per cash flow statement	**3,401**	**3,066**

(i) Cash received by PoHDA from the generation of income is paid into PoHDA's bank account. Similarly, any PoHDA expenditure for the payment of goods and services to its suppliers and creditors are made via PoHDA's bank account.

6.4 Reconciliation of net result for the period

	($thousand)	
	2019	**2018**
Net result for the period	**(2,466)**	**1,118**
Non-cash movements:		
Depreciation and amortisation of non-current assets	6,369	1,891
Assets received Free of Charge	(862)	(775)
GST on non-current asset purchases	55	24
(Gain)/Loss on disposal of fixed assets	(5)	2
Movements in assets and liabilities:		
(Increase)/decrease in receivables	227	(687)
(Increase)/decrease in other non-financial assets	-	(39)
Increase/(decrease) in payables	(167)	130
Increase/(decrease) in provisions	17	3
Net cash flows from/(used in) operating activities	**3,168**	**1,667**

6.5 Commitments for expenditure

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

6.6 Total Commitments

		($thousand)	
	Nominal Values	**2019**	**2018**
(i)	**Finance lease commitments payable**		
	Less than one year	10	11
	Longer than one year but not longer than five years	33	43
	Total finance lease commitments	**43**	**54**
	Other commitments payable		
(ii)	Less than one year	152	216
	Total other commitments	152	**216**
	Total commitments (inclusive of GST)	***195***	***270***
	Less GST recoverable from the Australian Tax Office	18	25
	Total commitments (exclusive of GST)	**177**	**245**

Notes:

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

(iii) Other commitments payable relate to open purchase orders on general creditors not accrued at 30 June 2019.

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

PoHDA 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 PoHDA related mainly to fair value determination.

7.1 Financial instruments specific disclosures

Introduction

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

Categories of financial instruments

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

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

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

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

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

- the rights to receive cash flows from the asset have expired; or
- PoHDA 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
- PoHDA has transferred its rights to receive cash flows from the asset and either:

– has transferred substantially all the risks and rewards of the asset; or
– has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

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

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

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

Derecognition of financial liabilities: A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an 'other economic flow' in the comprehensive operating statement.

7.2 Categorisation of financial instruments

($thousand)

2019	Contractual financial assets – loans and receivables	Contractual financial liabilities at amortised cost	Total
Contractual financial assets			
Cash and deposits	3,401	-	**3,401**
Receivables (sale of goods and services) *	566	-	**566**
Other Finacial Assets (Project Costs)	3,927	-	**3,927**
Total contractual financial assets	**7,894**	**-**	**7,894**
Contractual financial liabilities			
Payables (supplies and services)	-	1,828	**1,828**
Borrowings (Finance lease liabilities)	-	39	**39**
Total contractual financial liabilities	**0**	**1,867**	**1,867**
2018	*Contractual financial assets – loans and receivables*	*Contractual financial liabilities at amortised cost*	*Total*
Contractual financial assets			
Cash and deposits	3,066	-	**3,066**
Receivables (sale of goods and services)	809	-	**809**
Total contractual financial assets	**3,875**	**-**	**3,875**
Contractual financial liabilities			
Payables (supplies and services)	-	291	**291**
Borrowings (Finance lease liabilities)	-	48	**48**
Total contractual financial liabilities	**0**	**339**	**339**

**The carrying amounts disclosed here exclude stautory amounts*

7.3 Net holding gain/(loss) on financial instruments by category

($thousand)

	2019	**2018**
Total interest income/(expense)	64	32
Total	**64**	**32**

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.

Credit risk

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

Credit risk associated with PoHDA's contractual financial assets is minimal. Trade Debtors payments terms are 30 days from invoice date.

In addition, PoHDA'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 PoHDA's maximum exposure to credit risk without taking account of the value of any collateral obtained.

7.4 Categorisation of financial instruments

	($thousand)		
2019	*Financial institutions (AAA credit rating)*	*Other (min BBB credit rating)*	*Total*
Cash and deposits	3,401	-	3,401
Receivables (sale of goods and services)	-	566	566
Project Costs	-	3,927	3,927
Total contractual financial assets	**3,401**	**4,493**	**7,894**
2018			
Cash and deposits	3,066	-	3,066
Receivables (sale of goods and services)	-	809	809
Total contractual financial assets	**3,066**	**809**	**3,875**

Liquidity risk

Liquidity risk is the risk that PoHDA would be unable to meet its financial obligations as and when they fall due. PoHDA operates under the Victorian 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.

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

- Close monitoring of its short-term and long-term borrowings by senior management and the Board, 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;
- 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).

PoHDA'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.

7.5 Maturity analysis of contractual financial liabilities[i]

Notes:

		($thousand)			
	2019	*Carrying Amount*	*Nominal Amount*	*Less than 1 month*	*1-3 months*
(ii)	**Payables:**				
	Payables (supplies and services)	1,828	1828	1828	-
	Borrowings:				
	Borrowings (Finance lease liabilities)	39	41	1	2
	Total	**1867**	**1869**	**1829**	**2**
	2018				
(ii)	**Payables:**				
	Payables (supplies and services)	291	291	291	-
	Borrowings:				
	Borrowings (Finance lease liabilities)	48	51	1	2
	Total contractual financial assets	**339**	**342**	**292**	**2**

	2019	*3 months – 1 year*	*1 -5 years*	*5+ years*
(ii)	**Payables:**			
	Payables (supplies and services)	-	-	-
	Borrowings:			
	Borrowings (Finance lease liabilities)	9	30	-
	Total	**9**	**30**	**-**
	2018			
(ii)	**Payables:**			
	Payables (supplies and services)	-	-	-
	Borrowings:			
	Borrowings (Finance lease liabilities)	8	41	-
	Total contractual financial assets	**8**	**41**	**-**

(i) Maturity analysis is presented using the contractual undiscounted cash flows.
(ii) The carrying amounts disclosed exclude statutory amounts (e.g. GST payables).

(a) Market risk

PoHDA'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. PoHDA 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.

PoHDA has minimal exposure to cash flow interest rate risks through as cash and deposits 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 7.6.

7.6 Interest rate exposure of financial instruments

	($thousand)		
2019	*Variable interest rate*	*Non-interest bearing*	*Total*
Financial Assets			
Cash and deposits *(weighted average interest rate 1.62%)*	3,401	-	3,401
Receivables (sale of goods and services)	-	566	566
Project Costs	-	3,927	3,927
Total financial assets	**3,401**	**4,493**	**7,894**
Financial Liabilities			
Payables (supplies and services)	-	1,828	1,828
Borrowings (Finance lease liabilities)*(weighted average interest rate 3.25%)*	39	-	39
Total financial liabilities	**39**	**1,828**	**1,867**
2018			
Financial Assets			
Cash and deposits *(weighted average interest rate 1.41%)*	3,066	-	3,066
Receivables (sale of goods and services)	-	809	809
Total financial assets	**3,066**	**809**	**3,875**
Financial Liabilities			
Payables (supplies and services)	-	291	291
Borrowings (Finance lease liabilities *(weighted average interest rate 3.25%)*	48	-	48
Total financial liabilities	**48**	**291**	**339**

Sensitivity disclosure analysis and assumptions

PoHDA's sensitivity to market risk is limited to interest earned on cash and deposits. Cash flow interest rate risk is the risk that future cash flows of PoHDA's interest earned from Cash and Deposits will fluctuate due to changes in market interest rates.

The table below provides a sensitivity analysis on interest rate movements + - 100 basis points.

	Carrying Amount	-100 basis points Net Result	+100 basis points Net Result
2019			
Cash and Deposits	3,401	-34	34
Total Impact		-34	34
2018			
Cash and Deposits	3,066	-31	31
Total Impact		-31	31

7.7 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.

8 Other Disclosures

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

Other economic flows included in net result

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 4.4 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 4.4 in relation to the recognition and measurement of non-financial assets.

8.1 Responsible persons

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

The persons who held the positions of Ministers, Directors and Accountable Officers in PoHDA are as follows:

Title	Name	Period
Minister for Ports	Hon Mr Luke Donnellan	1 July 2018 to 30 November 2018
Minister for Ports and Freight	Hon Ms Melissa Horne	29 November 2018 to 30 June 2019
Treasurer	Hon Mr Tim Pallas	1 July 2018 to 30 June 2019
Chair	Ms Jennifer Acton	1 July 2018 to 30 June 2019
Deputy Chair	Ms Claire Filson	1 July 2018 to 30 June 2019
Director	Mr Arthur Apted	1 July 2018 to 30 June 2019
Chief Executive Officer	Mr Malcolm Geier	1 July 2018 to 30 June 2019

Remuneration

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

$260,000 - $279,999 full-time

(2018: $260,000 - $279,999 full time)

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.

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

8.2 Directors Income Bands

Income bands	*Total Remuneration*		*Base Remuneration*	
	2019	*2018*	*2019*	*2018*
$10,000 - $19,999		1		2
$20,000 - $29,999	2	2	2	1
$30,000 - $39,999	-	-	-	-
$40,000 - $49,999	-	-	1	-
$50,000 - $59,999	1	-	-	1
$60,000 - $69,999	0	1	-	-
Total number of directors	**3**	**4**	**3**	**4**
Total amount	**118,845**	**116,560**	**108,534**	**106,447**

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

8.3 Remuneration of executives and payments to other personnel

Remuneration of executives

Remuneration under FRD 21C (Disclosures of responsible persons and executive officers in the financial report) is disaggregated and separately disclosed according to the nature of the payment, consistent with the requirements of AASB 124 (Related Party Disclosures)

Remuneration	*2019*	*2018*
Short Term benefits	353,156	550,038
Post-employment benefits	35,439	42,792
Other long term benefits	-	7,738
Termination Benefits	72,549	-
Total remuneration	**461,144**	**600,568**
Total number of executives	**3**	**4**
Total annualised employee equivalent (AEE)	**1.60**	**2.79**

Note:

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

(b) 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.

(c) 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).

8.4 Key Management Personnel:

The persons who held the positions of Key Management Personnel during the reporting period are as follows:

Title	Name	Period
Chief Executive Officer	Mr Malcolm Geier	1 July 2018 to 30 June 2019
Chief Financial Officer	Mr Mark O'Donnell	1 July 2018 to 4 September 2018
Chief Financial Officer	Mr Kostas Hatzimanolis	4 February 2019 to 30 June 2019

The CFO position was filled by an external contractor (Mathew Beale) between September 2018 and January 2019.

(a) 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.

(b) 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.

8.5 Remuneration of auditors

	($thousand)	
	2019	***2018***
Victorian Auditor-General's Office		
Audit of the financial statements	17	17
	17	**17**

8.6 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 PoHDA, the results of those operations or the state of affairs of PoHDA in subsequent financial years.

Change in accounting policies

PoHDA has elected to apply the limited exemption in AASB 9 paragraph 7.2.15 relating to transition for classification and measurement and impairment, and accordingly has not restated comparative periods in the year of initial application. As a result:

(a) any adjustments to carrying amounts of financial assets or liabilities are recognised at beginning of the current reporting period with difference recognised in opening retained earnings; and

(b) financial assets and provision for impairment have not been reclassified and/or restated in the comparative period.

AASB 9 introduces a major change to hedge accounting. However, it is PoHDA's policy not to apply hedge accounting.

This note explains the impact of the adoption of AASB 9 Financial Instruments on the Department's financial statements.

(a) Term deposits and debt securities previously classified as held to maturity under AASB 139 are now reclassified as financial assts at amortised cost under AASB 9. There was no difference between the previous carrying amount and the revised carrying amount at 1 July 2018 to be recognised in opening retained earnings.

(b) Contractual receivables previously classified as other loans and receivables under AASB 139 are now reclassified as financial assets at amortised cost under AASB 9. There was no difference between the previous carrying amount and the revised carrying amount at 1 July 2018 to be recognised in opening retained earnings.

The accounting for financial liabilities remains the same as it was under AASB 139

Under AASB 9, all loans and receivables as well as other debt instruments not carried at fair value through net result are subject to AASB 9's new expected credit loss (ECL) impairment model, which replaces AASB 139's incurred loss approach.
For other loans and receivables, PoHDA applies the AASB 9 simplified approach to measure expected credit losses based on the change in the ECLs over the life of the asset. There was no difference between the previous carrying amount and the revised carrying amounts to be recognised.

PoHDA has adopted AASB 15 for revenue recognition. There was no adjustment required to the Comprehensive Operating statement or the Balance Sheet by the adoption of AASB15. Refer to note 2.1

Future reporting periods

The table below outlines the accounting pronouncements that have been issued but are not effective for 2018-19, PoHDA's review suggest they will have insignificant impacts on future reporting with the exception of AASB 16 which recognises leases, PoHDA has a thirty year lease of seabed at Crib Point, the adoption of AASB 16 during the 2018-19 financial year would result in the following adjustments:

	($thousand)
Balance Sheet	*2019*
Increase in Right of Use Assets	398
Increase in Lease Liability	(408)
Profit and Loss	
Increase in related depreciation	14
Increase in Interest	14
Decrease in rental expenses	(17)

Topic[(a)]	*Key requirements*	*Effective date*
AASB 16 *Leases*	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet, which has an impact on net debt as disclosed on the table above.	1 January 2019

The following accounting pronouncements are also issued but not effective for the 2018-19 reporting period.

- AASB 2017-4 Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments
- AASB 2017-6 *Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation*
- AASB 2017-7 *Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures*
- AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015 – 2017 Cycle*
- AASB 2018-2 *Amendments to Australian Accounting Standards – Plan Amendments, Curtailment or Settlement*
- AASB 2018-3 *Amendments to Australian Accounting Standards – Reduced Disclosure Requirements*

Independent Auditor's Report

Victorian Auditor-General's Office

To the Board 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 2019 • 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 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 2019 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *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. I further describe my responsibilities under that Act and those standards 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 Victoria. 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.
Other Information	The Board of the authority is responsible for the Other Information, which comprises the information in the authority's annual report for the year ended 30 June 2019, but does not include the financial report and my auditor's report thereon. My opinion on the financial report does not cover the Other Information and accordingly, I do not express any form of assurance conclusion on the Other Information. However, in connection with my audit of the financial report, my responsibility is to read the Other Information and in doing so, consider whether it is materially inconsistent with the financial report or the knowledge I obtained during the audit, or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude there is a material misstatement of the Other Information, I am required to report that fact. I have nothing to report in this regard.

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

Board's responsibilities for the financial report	The Board of the authority is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error. In preparing the financial report, the Board is responsible for assessing the authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.
Auditor's responsibilities for the audit of the financial report	As required by the *Audit Act 1994,* my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report. As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also: • identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. • obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the authority's internal control • evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board • conclude on the appropriateness of the Board's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.

Auditor's responsibilities for the audit of the financial report (continued)	• evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation. I communicate with the Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE
29 October 2019

Simone Bohan
as delegate for the Auditor-General of Victoria

SECTION 5: Other Disclosures

Local Jobs First – Victorian Industry Participation Policy

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

PoHDA did not enter into any new contracts to which the Local Jobs First – VIPP Policy applied in the year ended 30 June 2019.

For more information on the policy requirements.

Contact: The Victorian Industry Participation Policy -
Sector Development and Programs Division,
Department of Transport

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 2018-19, there were nine consultancies where the total fees payable to the consultants were $10 000 or greater. The total expenditure incurred during 2018-19 in relation to these consultancies is $0.26 million (excluding GST). Details of individual consultancies are outlined below:

Consultant	Purpose of Consultancy	$
Aecom Australia Pty Ltd	Crib Point Jetty Durability Review	10,110
Aegir Divers Pty Ltd	Diving Inspection & Reporting	16,156
AW Maritime Pty Ltd	Stony Point Jetty Engineering Services	19,580
GHD Pty Ltd	Port Development Strategy	138,405
Haskoning Australia	Field Servicing, ACDP Recovery, Deployment & Reporting	16,123
Hazcon Pty Ltd	Lighting Assessments & OHS Support	11,710
Maintenance Experts Pty Ltd	Setting Up MEX Assest Maintenance System	14,709
O'Donnell Salzano Lawyers	Tender / Contract Legal Assistance	22,749
Oil Response Company of Australia	Oil Spill Response Maintenance Service	11,000

Information and communication technology expenditure

Details of information and communication technology (ICT) expenditure

In 2018/19, PoHDA had a total ICT expenditure of $48K (2017/18: $48K) 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)		
48	0	41	7

ICT expenditure refers to PoHDA'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 PoHDA'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 2018/19.

Freedom of information (FOI)

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

An applicant has a right to apply for access to documents held by PoHDA. This comprises documents both created by PoHDA or supplied to PoHDA by an external organisation or individual, and may also include maps, films, microfiche, photographs, computer printouts, computer discs, tape recordings and videotapes.

The Act allows PoHDA to refuse access, either fully or partially, to certain documents or information. Examples of documents that may not be accessed include: cabinet documents; some internal working documents; law enforcement documents; documents covered by legal professional privilege, such as legal advice; personal information about other people; and information provided to PoHDA in-confidence.

From 1 September 2017, the Act has been amended to reduce the Freedom of Information (FOI) processing time for requests received from 45 to 30 days. In some cases, this time may be extended.

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

Making a request

FOI requests can be lodged online at www.foi.vic.gov.au An application fee of $28.40 applies. Access charges may also be payable if the document pool is large, and the search for material is time consuming.

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

Further information regarding the operation and scope of FOI can be obtained from the Act; regulations made under the Act; and www.foi.vic.gov.au.

The Port of Hastings Development Authority received one request during the 12 months ending 30 June 2019.

Government advertising expenditure

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

For the 2018-19 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

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

PoHDA completed building renovations to update the administration area at Stony Point in the reporting period. These works cost $62k.

There were no permits issued during the reporting period. There were no emergency orders or building orders issued to PoHDA during the reporting period.

PoHDA undertakes internal inspections and performs operational maintenance. PoHDA has engaged external consultants to assess the building's infrastructure, electrical, and fire safety systems. PoHDA also engaged a consultant to perform an audit of its building's hazardous materials.

Competitive Neutrality Policy

Competitive neutrality requires government businesses to ensure where services compete, or potentially compete with the private sector, any advantage arising solely from their government ownership be removed if it is not in the public interest. Government businesses are required to cost and price these services as if they were privately owned. Competitive neutrality policy supports fair competition between public and private businesses and provides government businesses with a tool to enhance decisions on resource allocation. This policy does not override other policy objectives of government and focuses on efficiency in the provision of service.

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.

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

PoHDA will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. PoHDA 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 PoHDA or its employees may be made to any one of the following Authority personnel:

- The Protected Disclosure Coordinator (the Chief financial Officer);
- The Responsible Body, a member of the Board, or the Chief Executive Officer of PoHDA;
- A manager or supervisor of a person from PoHDA who chooses to make a disclosure; or
- A manager or supervisor of a person from PoHDA 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
PO Box 249
CRIB POINT VIC 3919

Alternatively, disclosures of improper conduct or detrimental action by PoHDA 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
Phone: 1300 735 135
Internet www.ibac.vic.gov.au

During the year ended 30 June 2019, there were no disclosures made by an individual to PoHDA and is not aware of any disclosures being notified to the Independent Broad-based Anti-corruption Commission.

Attestation for financial management compliance with Ministerial Standing Direction 5.1.4

Port of Hastings Development Authority Financial Management Compliance Attestation Statement

I, Malcolm Geier, on behalf of the Responsible Body, certify that the Port of Hasting Development Authority has complied with the applicable Standing Directions of the Assistant Treasurer under the Financial Management Act 1994 and Instructions.

Malcolm Geier
Chief Executive Officer
29/10/2019

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

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Other disclosures as required by FRDs in notes to the financial statements

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*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

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