

**PORT OF
HASTINGS**
DEVELOPMENT AUTHORITY



ANNUAL REPORT 2012

(FOR THE PERIOD 1 JANUARY 2012 – 30 JUNE 2012)



ANNUAL REPORT

2011-12 (01/01/12 TO 30 /06/12)

Port of Hastings Development Authority
Annual Report 2011-12

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Chairman's Message

PORT OF HASTINGS DEVELOPMENT AUTHORITY (PoHDA) ANNUAL REPORT FOR THE YEAR ENDED 30 JUNE 2012

The Hon Dr Denis Napthine MP
Minister for Ports
PO Box 2797
MELBOURNE VICTORIA 3001

Dear Minister

I have pleasure in presenting the first Annual Report of the Port of Hastings Development Authority (PoHDA) together with the Financial Statements made up to 30 June 2012 in step with the provisions of the *Financial Management Act 1994*. As the PoHDA was established on 1 January 2012 this Annual Report covers a period of six months.

The first six months of PoHDA's operation has presented an exciting period for the Board with significant information being provided from the Department of Transport to assist the Board with an understanding of the issues, opportunities and challenges that lie ahead for the development of the Port of Hastings as the second container port for Victoria.

The Board has worked closely with staff to develop an appropriate governance framework with a series of Board meetings providing Directors with the opportunity to contribute to the initial PoHDA Corporate Plan, establish an Audit and Risk Committee, oversee the extension of the Port Management Agreement-Port of Hastings with Patrick Ports-Hastings and identify a series of activities which will, over time, form the basis of a long term plan for the development of the port.

During the reporting period the PoHDA commenced the process of securing additional premises and staff to ensure that it has the organisational capability to deliver the objectives set out for the organisation.

As PoHDA has taken over responsibilities previously administered by the Port of Melbourne Corporation, particular attention was paid to the allocation of assets and resources and the provision of Due Diligence reports prepared by the Department of Transport. This process has ensured that PoHDA has been able to commence operations quickly with minimal disruption to daily operations.

Significant challenges lie ahead to ensure that the port development planning process is comprehensive and able to meet the expected planning and development approvals requirements and the Board and staff of PoHDA will continue to meet these challenges. The Board welcomes the decision during the year to establish a Port of Hastings Development Taskforce to provide whole-of-Government input to port development planning.

I appreciate the commitment, support and willing contributions of my fellow Directors. On behalf of the Board, I also express our appreciation to the staff for their professionalism, dedication and continuing efforts during this initial period of operation for the Port of Hastings Development Authority.

Finally, I would acknowledge your support over the past six months in assisting the Authority in its establishment phase.



Yehudi Blacher
CHAIRMAN

CEO's Message

The first six months of this new organisation have presented a number of challenges that have been more than offset by the opportunity to participate in establishing an organisation that will have the responsibility for the planning and development of the expanded Port of Hastings.

In order to meet this objective the first six months have focussed on reviewing the background and scoping information available and preparing an appropriate work program to commence the preparation of economic, social and environmental analysis that will form the basis of a project development plan.

The transition from the Port of Melbourne Corporation has been achieved with no disruption to the daily activities of the entity or its staff. This smooth transition has been assisted by the contribution of the Department of Transport to prepare for the incoming Board that has contributed to the Corporate Plan which was prepared during the planning period.

Support has also been provided by Major Projects Victoria which has project managed a number of scoping projects that have provided the Board with advice on issues which may affect the establishment of a major container terminal at Hastings

During the year PoHDA successfully negotiated the extension of the Port Management Agreement with Patrick Ports-Hastings (Asciano) to allow for the port operations to continue for the next five years. An amendment to the Agreement has resulted in securing a comprehensive maintenance program that will ensure that port assets are maintained to prolong their useful life beyond the period of the Agreement. In addition PoHDA has secured a commitment from Patrick to meet quarterly to discuss new business development opportunities for the port.

It is pleasing to note that revenues from port operations exceeded budget forecast by \$135,000 or 35%.

I would like to express my appreciation for the continued support of the Board and from the staff who continue to provide a professional approach and input to the ongoing activity required by the Authority.



Ralph Kenyon
ACTING CHIEF EXECUTIVE OFFICER

ANNUAL REPORT

For the period 1 January 2012 to 30 June 2012

The Annual Report of Port of Hastings Development Authority is presented together with the Financial Statements made up to 30 June 2012 in conformity with the provisions of the *Financial Management Act 1994*.

Port of Hastings Development Authority

The Authority was established on 1 January 2012 in accordance with the *Transport Integration Act 2010*. This Annual Report represents the first six months of operations for the Authority.

Statement of Corporate Intent

Context

Port of Hastings Development Authority (PoHDA) is a statutory authority established pursuant to the *Transport Integration Act 2010*. Legislation enacted in the Victorian Parliament during 2011 provided for the establishment of the Port of Hastings Development Authority which commenced operations on 1 January 2012.

Hastings is a relatively small commercial port which has naturally deep channels that can allow the passage of large ships with only minimal maintenance dredging required. The Port of Hastings is conveniently located approximately one hour by road from Melbourne and only half an hour by road from the rapidly developing south eastern growth corridor areas commencing at the City of Greater Dandenong and passing through the City of Casey to the Cardinia Shire.

The Victorian Government has identified the Port of Hastings as the suitable site for additional capacity for international container trades as the Port of Melbourne reaches capacity, expected by early to mid 2020's. The Port of Hastings will initially complement the Port of Melbourne and ultimately compete with the Port of Melbourne for container related business.

Primary Objectives

- To manage and operate the Port of Hastings; and
- To facilitate the timely development of the Port of Hastings as a viable alternative to the Port of Melbourne in order to increase capacity and competition in the container ports sector to manage the expected growth in trade.

Business Objective

- To establish the Port of Hastings as a major Victorian container port that contributes to the economic, social and environmental vitality of Victoria.

Scope of Activities

PoHDA administers the **Port Management Agreement (Port of Hastings)** through which daily operation of the port is carried out by Patrick Ports-Hastings (Patrick), a Division of Asciano Limited. The Port Management Agreement (PMA) commenced in June 1997 for a period of 10 years with two further options of 5 years each available to the operator. With the exercise of the last of these options, Patrick retains responsibility for port operations until 30 June 2017.

The channels within Western Port are within the control of the Victorian Regional Channels Authority (VRCA) and Patrick has a "**Channel Operating Agreement**" in place that allows them to access and maintain the channels. The Channel Operating Agreement is included as a schedule to the PMA.

Under the terms of the PMA, Patrick is required to maintain the condition of the property and infrastructure assets within the Port of Hastings. Amendments to the PMA for this final period include additional commitments by Patrick to a comprehensive asset maintenance program and regular discussions with PoHDA regarding shared marketing and promotion of the Port of Hastings.

Patrick derives port revenues from their management of the port and is able to charge wharfage and tonnage fees for ships entering the port. Revenues received by PoHDA are a sub-set of total port revenues and are directly related to the success of the Port Operator and its revenue stream. PoHDA is working collaboratively with Patrick and other stakeholders with a view to maximising the opportunities for the successful operation of the Port of Hastings.

The Port of Hastings comprises jetties and land within Western Port including Stony Point jetty and depot, Crib Point liquid berths 1 and 2 and Long Island Point liquid berth. The port serves major shipping movements to the BlueScope Steel manufacturing plant (via BlueScope Steel Wharves) and the Esso Fractionation Plant at Long Island Point. State legislation protects provision of these services and the Authority is required to ensure that port operations are maintained, either directly or through other arrangements. (*Western Port (Steelworks) Act 1970* and *the Western Port Development Act 1967*).

The Port of Hastings' main trade groups include import and export of oil, LPG, ULP and steel. Trade comprises over two million tonnes of petroleum products (oil, LPG and ULP) and up to one million tonnes of steel product per year. More than 80 vessel visits are recorded each year with vessels ranging in size up to 100,000 tonnes.

During the year BlueScope Steel Pty Ltd announced the closure of its hot strip mill at Hastings with a result that shipping movements to transfer slab steel via the port will cease during 2012-2013. Instead, BlueScope will import steel coil via the rail network.

Patrick, as Port Operator, undertook a review of port pricing during 2011-2012 resulting in increases to the prices charged for wharfage and tonnage. This has resulted in revenues being maintained despite the imminent withdrawal of BlueScope ships.

A typical range of vessels currently using the port include:

- medium-range tankers 170 metres in length, drawing 11 metres
- long-range tankers 300 metres in length, drawing 14+ metres
- dry-cargo RoRo vessels 179 metres in length, drawing 11 metres
- dry-cargo dry-bulk vessels 200 metres in length, drawing 11 metres

Operational Activity 2012

Governance & Administration

The PoHDA Board was appointed by the Minister for Ports and commenced responsibilities on 1 January 2012. The Board comprises five independent Directors; a Chairman, Deputy Chairman and three Directors.

Board of Directors

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

Corporate governance is the process by which 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 the Authority was established, the role of the Board and the authority formally delegated to the Chief Executive Officer to carry out the functions of the Authority.

The Port of Hastings Development Authority Directors:

Chairman	Mr Yehudi Blacher (Term expires 31 December 2014)
Deputy Chairman	Mr Rod Chadwick (Term expires 31 December 2014)
Director	Ms Claire Filson (Term expires 31 December 2014)
Director	Mr Geoff Craige (Term expires 31 December 2014)
Director	Mr Greg Martin (Term expires 31 December 2014)

The Board met five times during the year.

Table 1: Board Meeting and Attendance

Director	Attended	Eligible to Attend	Total Meetings Held
Mr Blacher	5	5	5
Mr Chadwick	5	5	5
Ms Filson	5	5	5
Mr Craige	5	5	5
Mr Martin	4	5	5

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. The Authority was fully compliant as at 30 June 2012.

Audit and Risk Committee

An Audit and Risk Committee was established by PoHDA during the first 6 months of operation. The primary objective of the Audit and Risk Committee is to assist the PoHDA Board in the conduct of its responsibilities for financial reporting, management of risk, maintaining a reliable system of internal controls and assisting the organisation's ethical development. The Audit and Risk Committee comprises an independent Chairman, Mr Rod Chadwick and Directors Ms Claire Filson and Mr Greg Martin. The Board Chairman is not a member of the Audit Committee. An annual internal audit program is in place.

A key role of the Audit and Risk Committee is to provide advice to the Board and make recommendations on matters relevant to its charter in order to facilitate decision making by the Board in relation to the discharge of its responsibilities.

During 2012 the Audit and Risk Committee has focused on the annual audit program, corporate policy settings and risk management.

One Audit and Risk Committee meeting was held during the reporting period. The Audit and Risk Committee approved the annual audit program for recommendation to the Board.

Mr Rob Wernli, Partner-DFK Collins has been appointed as Internal Auditor.

External Audits are conducted by the Victorian Auditor General through contracted auditors. This year HLB Mann Judd was appointed to audit PoHDA.

As there has only been one Committee Meeting there has been no formal assessment of Committee performance at this stage. An assessment will be completed during the next period of operation (2012-13).

Table 2: Audit Committee Meeting & Attendance

Audit Committee Member	Attended	Total Meetings Held
Mr Chadwick (Chairman)	1	1
Ms Filson	1	1
Mr Martin	0	1

Risk Management and the Annual Audit Program

The purpose of the Risk Management & Compliance Policy is to ensure the Port of Hastings Development Authority maintains adequate risk management processes and complies with all relevant legislation, risk management standards (AS/NZS 31000-2009) and the Victorian Government Risk Management Framework in pursuing the Authority's business objectives.

The Board is responsible for establishing a Risk Management & Compliance Policy that provides a comprehensive and systematic framework to analyse and manage key risks to the business.

The Board, within this policy, has delegated to management the responsibility for implementing and managing the risk management framework.

The Board has delegated to the Audit and Risk Committee the responsibility to review the adequacy and effectiveness of risk management and compliance in conjunction with Internal Audit.

The Board appreciates that in conducting its activities there are situations and circumstances that imply a certain degree of risk. It is considered appropriate that the Authority establish a means by which risk can be managed, avoided or eliminated altogether. The Risk Management Framework aims to provide a means by which the Authority can identify, analyse and treat risks.

The Risk Management Framework covers the key structural elements of the business: Governance, Contracts, Finance, Assets & Infrastructure, Staff & Consultants, Port Development and Community & Stakeholder Management. Risk reviews are appraised through internal audit during the year to ensure completeness and compliance with organisational responsibilities and best practice. The Audit Committee oversees this process.

Management & Staff

Two staff were transferred from the Port of Melbourne Corporation on 1 January 2012. PoHDA has also engaged two contractors to fill the positions of CEO and CFO pending the recruitment of permanent staff.

The selection process for staff ensures that all applicants are assessed and evaluated fairly and equitably on the basis of the key selection criteria and other accountabilities without discrimination.

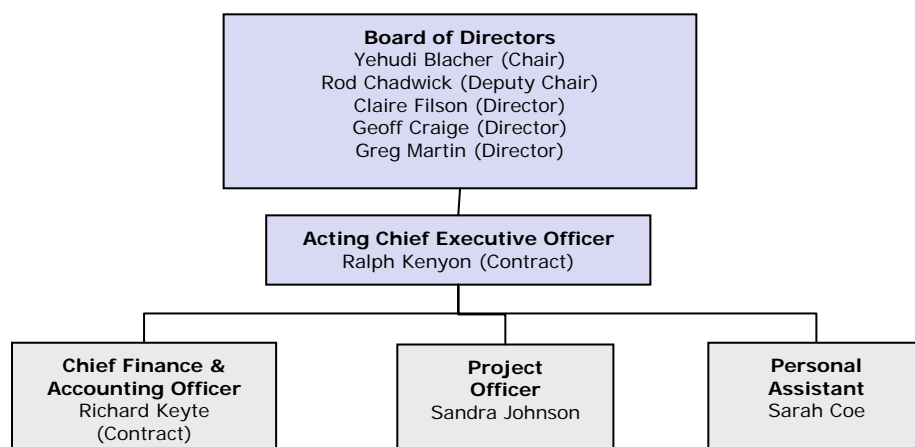
PoHDA is committed to providing a working environment that encourages maximum efficiency and effectiveness whilst providing working/life balance to ensure that it has sufficient ongoing access to commercially astute, competent and knowledgeable personnel.

The above broad objective is met by employing persons with appropriate skills and expertise and ensuring their development of expertise and industry knowledge by attendance at appropriate market forums, seminars and formal training courses.

Table 3: Number of Staff as at 30 June 2012

	Male	Female	Total
Full-time	0	2	2
Part-time	0	0	0
Contract	1	0	1
Contract P/T	1	0	1
Total Staff	2	2	4

Port of Hastings Development Authority Organisation Chart



In addition to the staff identified within the organisational chart, PoHDA has outsourced the following work to assist with ongoing activity;

- Engineering Advice – URS Australia
- Legal Advice – Middletons and White Cleland

Ministerial Directives

There were no Ministerial Directions received during the period.

Committees

An Audit and Risk Committee is in place as discussed above.

The full Board also functions as the Remuneration & Employment Committee.

Victorian Industry Participation Policy (VIPP)

During the period, PoHDA did not commence any contracts to which VIPP applies.

Consultancies

Details of individual consultancies

<i>Consultant</i>	<i>Purpose of consultancy</i>	<i>Start date</i>	<i>End date</i>	<i>Total approved project fee (excluding GST)</i>	<i>Expenditure 2012 (excluding GST)</i>	<i>Future expenditure (excluding GST)</i>
Middleton's	Legal advice on PMA	1/1/12	30/6/12	\$26,433	\$26,433	-
URS	Engineering advice on PMA	1/1/12	30/6/12	\$18,164	\$18,164	-
Horton International	Executive Search for CEO	1/1/12	30/6/12	\$38,238	\$38,238	-

In 2012, PoHDA engaged two consultancies where the total fees payable to the consultants were less than \$10,000, with a total expenditure of \$5,657 (excl. GST).

Occupational Health & Safety Act 1985

PoHDA is subject to and has complied with the employer obligations contained in the *Occupational Health & Safety Act 1985*. A staff member is nominated OH&S Officer and has participated in appropriate training through Victorian WorkCover Authority.

No workers compensation claims were made during the reporting period.

Whistleblowers Protection Act 2001

The *Whistleblowers Protection Act 2001* provides for the protection of people who make disclosures about improper conduct by public bodies or public officers. PoHDA has established procedures for managing any such disclosure about PoHDA or any of its officers. The procedures provide for appropriate receipt, assessment and investigation of disclosures and appropriate action to be taken after investigation. They also provide for managing the welfare of the whistleblower and the person against whom a disclosure had been made.

Any disclosure about PoHDA can be made by letter, telephone, facsimile or email to PoHDA delegated Protected Disclosure Coordinator. The Protected Disclosure Coordinator is required to liaise with the Chairman on these matters.

During the year ended 30 June 2012 there were no disclosures or investigations of improper conduct or detrimental action made by staff to PoHDA or any referred by the Ombudsman or other person to PoHDA.

Table 4: Reporting under Whistleblowers Protection Act 2001

Subject	2011-12 Report
Number of disclosures made to Authority	Nil
Number of disclosures referred by Ombudsman for determination of public interest	Nil
Number of disclosures referred by Ombudsman	Nil
Number of disclosures referred to Ombudsman for investigation	Nil
Number of investigations taken over by the Ombudsman	Nil
Number of requests made under Section 74	Nil
Number of disclosures which the Authority has declined to investigate	Nil
Number of disclosed matters which were substantiated on investigation	Nil
Any recommendations of the Ombudsman which relate to the Authority	Nil

Freedom of Information

There were no requests received during the year.

Information Requested	Organisation	Date
Nil		

Applications for access to documents pursuant to the *Freedom of Information Act 1982* should be in writing, detailed and as specific as possible and accompanied by a \$22.70 application fee and must be made to:

Mr Ralph Kenyon
Acting Chief Executive Officer
Port of Hastings Development Authority
PO Box 129
HASTINGS VIC 3915

Declarations of Pecuniary Interests

Declarations of Pecuniary Interests have been lodged by all Directors and Senior Officers as required. A record of Directors Interests has been provided to Government. Pecuniary Interest is a standing agenda item at each Board Meeting for Directors to provide advice of any changes or potential conflicts that may emerge at any stage. Senior Officer Interest Declarations have been provided to the Chairperson and held for safe keeping.

Overseas Travel

There was no overseas travel undertaken on behalf of PoHDA during the reporting period.

**PORT OF HASTINGS
DEVELOPMENT AUTHORITY**

**STATUTORY FINANCIAL STATEMENTS
FOR THE PERIOD ENDED 30 JUNE 2012**

STATUTORY FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2012

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Port of Hastings Development Authority
Comprehensive operating statement
For the period ended 30 June 2012

	Notes	2012 (6 Mths) \$
Continuing operations		
Revenue	3	544,526
Expenses	4	<u>(1,001,457)</u>
Loss for the period	12	<u>(456,931)</u>
Total comprehensive loss for the period		<u>(456,931)</u>

The above comprehensive operating statement should be read in conjunction with the accompanying notes.

Port of Hastings Development Authority
Statement of financial position
As at 30 June 2012

	Notes	2012 \$
Current assets		
Cash and cash equivalents	5	1,015,886
Trade and other receivables	6	128,444
Other current assets	7	<u>16,058</u>
		1,160,388
Non-current assets		
Infrastructure, property, plant and equipment	8	<u>15,901,400</u>
		15,901,400
Total assets		<u>17,061,788</u>
Current liabilities		
Trade and other payables	9	86,383
Provisions	10	<u>8,248</u>
		94,631
Non-current liabilities		
Provisions	10	<u>14,355</u>
		14,355
Total liabilities		<u>108,986</u>
NET ASSETS		<u>16,952,802</u>
EQUITY		
Contributed capital	11	17,409,733
Accumulated losses	12	<u>(456,931)</u>
TOTAL EQUITY		<u>16,952,802</u>

The above statements of financial position should be read in conjunction with the accompanying notes.

Port of Hastings Development Authority
Statement of changes in equity
For the period ended 30 June 2012

	Note	Contributed capital \$	Accumulated losses \$	Total equity \$
Balance at 1 January 2012		-	-	-
Profit/(loss) for the period		-	(456,931)	(456,931)
Total comprehensive income for the period		-	(456,931)	(456,931)
Transfer from Port of Melbourne Corporation	22	17,409,733	-	17,409,733
Balance at 30 June 2012		<u>17,409,733</u>	<u>(456,931)</u>	<u>16,952,802</u>

The above statement of changes in equity should be read in conjunction with the accompanying notes.

Port of Hastings Development Authority
Statement of cash flows
For the period ended 30 June 2012

	Notes	2012 (6 Mths) \$
Cash flows from operating activities		
Receipts from customers (incl. of goods and services tax)		506,410
Payments of goods and services tax to the Australian Taxation Office		(12,656)
Payments to suppliers and employees (incl. of goods and services tax)		(531,613)
Interest received		<u>9,034</u>
Net cash inflow/(outflow) from operating activities	21	<u>(28,825)</u>
Cash flows from financing activities		
Transfers from Port of Melbourne Corporation		<u>1,044,711</u>
Net cash inflow/(outflow) from investing activities		1,044,711
Net increase in cash and cash equivalents for the period		
Cash and cash equivalents at the beginning of the financial period		<u>-</u>
Cash and cash equivalents at end of period	5	<u>1,015,886</u>

The above statement of cash flows should be read in conjunction with the accompanying notes.

Port of Hastings Development Authority
Notes to the financial statements
For the period ended 30 June 2012

1 Summary of significant accounting policies

(a) Corporate information

Port of Hastings Development Authority (PoHDA) is a Government Business Enterprise established by the Victorian Government under the *Port Management Act 1995 (Vic)* and *Transport Legislation Amendment (Port of Hastings Development Authority) Act 2011*. The financial statements cover PoHDA as an individual reporting entity. The Board of PoHDA is directly accountable to the Victorian Government through the Minister for Ports and the Treasurer.

The principal activity of PoHDA is the administration of the Port Management Agreement (Port of Hastings) through which the daily operation of the port is undertaken by Patrick Ports-Hastings, a division of Asciano Limited. The main objective of PoHDA is to manage and operate the Port of Hastings and to facilitate the timely development of the Port of Hastings as a viable alternative to the Port of Melbourne in order to increase capacity and competition in the container ports sector to manage the expected growth in trade.

PoHDA assumed the assets and liabilities as outlined in note 22 on 1 January 2012.

PoHDA commenced operations on 1 January 2012. The financial statements incorporate all activities of PoHDA for the six months to 30 June 2012 and no comparatives have been disclosed in the financial statements.

(b) Statement of compliance

The financial statements of PoHDA are a set of general purpose financial statements which have been prepared on an accrual basis in accordance with the *Financial Management Act 1994* and applicable Australian Accounting Standards and Interpretations (AAS).

The annual financial statements were authorised for issue by the Board of PoHDA on 17 August 2012.

(c) Basis of preparation

The financial statements have been prepared on a historical cost basis, except for the revaluation of non-financial assets. Cost is based on the fair values of the consideration given in exchange for assets. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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.

These financial statements are presented in Australian dollars, the functional and presentation currency of PoHDA.

PoHDA has been assessed as a for profit entity under *Financial Reporting Direction (FRD) 108*.

Compliance with IFRS

The financial statements of PoHDA also comply with International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board (IASB).

Port of Hastings Development Authority
Notes to the financial statements
For the period ended 30 June 2012
(continued)

1 Summary of significant accounting policies (continued)

(d) Revenue

Revenue is measured at the fair value of the consideration received or receivable. PoHDA recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to PoHDA and specific criteria have been met for each of PoHDA's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the income have been resolved. PoHDA bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for the major business activities as follows:

(i) Management fees

Port management fees are received from the port operator under a Port Management Agreement (PMA) and are recognised as revenue when earned, in accordance with the PMA.

(ii) Interest revenue

Interest revenue is recognised as the interest accrues to the net carrying amount of the financial asset using the effective interest rate method.

(e) Income tax

PoHDA is not subject to the National Tax Equivalent Regime.

(f) Leases

(i) Finance lease

Leases are classified as finance leases when the terms of the lease transfer substantially all the risks and rewards incidental to ownership of the leased property to the lessee. All other leases are classified as operating leases. PoHDA has no finance leases.

(ii) Operating lease

Operating lease payments, including any contingent rentals, are recognised as an expense in the Comprehensive Operating Statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. The leased asset is not recognised in the statement of financial position.

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of a leased asset, irrespective of the incentive's nature or form or the timing of payments.

In the event that lease incentives are received to enter into operating leases, the aggregate cost of incentives are recognised as a reduction of rental expense over the lease term of a straight-line basis, unless another systematic basis is more representative of the time pattern in which economic benefits from the lease asset are consumed.

Port of Hastings Development Authority
Notes to the financial statements
For the period ended 30 June 2012
(continued)

1 Summary of significant accounting policies (continued)

(g) Impairment of assets

All of PoHDA's assets, except financial assets, are assessed annually for indications of impairment (i.e. as to whether their carrying value exceeds their recoverable amount).

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 by a charge to profit or loss except to the extent that the write-down can be debited to an asset revaluation surplus amount applicable to that specific asset. The recoverable amount for an asset 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.

If there is an indication that there has been a change 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. This reversal of the impairment loss occurs 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.

(h) Cash and cash equivalents

Cash and cash equivalents includes cash on hand, cash at bank, deposits held at call with financial institutions, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(i) Trade and other receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 7 to 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that PoHDA may not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 120 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

(j) Other financial assets

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

Port of Hastings Development Authority

Notes to the financial statements

For the period ended 30 June 2012

(continued)

1 Summary of significant accounting policies (continued)

(k) Infrastructure, property, plant and equipment

All non-current physical assets are initially measured at cost and subsequently revalued at fair value in accordance with FRD103D, which was issued by the Minister for Finance.

(i) *Revaluations of non-financial physical assets*

Non-financial physical assets are measured at fair value, in accordance with the Financial Reporting Directions (FRDs) issued by the Minister for Finance. A full revaluation occurs every five years, based upon the asset's government purpose classification but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are used to conduct these scheduled revaluations. Certain infrastructure assets are revalued using specialised advisors. Any interim revaluations are determined in accordance with the requirements of FRD 103D.

Revaluation increments or decrements arise from differences between an asset's carrying value and fair value.

Net revaluation increments (where the carrying amount is increased as a result of a revaluation) will be recognised as a credit in equity under an asset revaluation reserve.

Net revaluation decrements will be recognised immediately in the net result.

The written down value of plant and equipment was assess as approximating fair value.

Gains and losses on disposals of assets are determined by comparing proceeds from sale with the carrying amount and selling costs. These are included in the net result.

(ii) *Depreciation*

Land held by PoHDA is not depreciated. Depreciation on other assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives (or, in the case of leasehold improvements and certain leased plant and equipment, the lease term if shorter) as follows:

	2012
- Port infrastructure	8 - 27 years
- Buildings	6 - 21 years

(iii) *Change in accounting estimates*

The estimated useful lives, residual values and depreciation method are reviewed at the end of each financial reporting period and, where changed, are accounted for as a change in accounting estimate. Where depreciation rates or methods are changed, the net written down value of the asset is depreciated from the date of the change in accordance with the new depreciation rate or method.

Port of Hastings Development Authority
Notes to the financial statements
For the period ended 30 June 2012
(continued)

1 Summary of significant accounting policies (continued)

(iv) Acquisition

The purchase method of accounting is used for all acquisitions of assets, being the fair value of the assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition.

Infrastructure, property, plant and equipment represent non-current assets comprising land, buildings and improvements, and plant and equipment used by PoHDA in its operations. Items with a cost or value in excess of \$1,000 and a useful life of more than one year are recognised as assets. All other assets are expensed as acquired.

(v) Recoverable amount

An asset's carrying amount is written down immediately to its recoverable amount if the assets carrying amount is greater than its estimated recoverable amount (refer to note 1(g)).

(vi) Repairs and maintenance

Routine maintenance, repair costs and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold, the cost is capitalised and depreciated.

(l) Trade and other payables

Trade and other payables are carried at amortised cost. Due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to PoHDA prior to the end of the financial year that are unpaid as at period end. The amounts are unsecured and are usually paid within 30 days of recognition.

(m) Employee benefits

(i) Wages, salaries and sick leave

Liabilities for wages and salaries, expected to be settled within 12 months of the reporting date, are measured at their nominal amounts (including on-costs) using the remuneration rates expected to apply at the time of the settlement and are recognised as current liabilities. No liability is recognised for non-vesting sick leave as the anticipated pattern of future sick leave taken indicates that accumulated non-vesting leave will not be used.

(ii) Annual leave

Annual leave entitlements are accrued on a pro-rata basis in respect of services provided by employees up to the reporting date, having regard to rates expected to apply when the liabilities are settled. The entire obligation has been recognised as a current liability as PoHDA does not have an unconditional right to defer settlement.

Those liabilities expected to be settled within 12 months of reporting date are measured at their nominal values plus oncosts.

Port of Hastings Development Authority

Notes to the financial statements

For the period ended 30 June 2012

(continued)

(iii) Long service leave

Long service leave entitlements are assessed at balance date having regard to expected employees' remuneration rates on settlement, employment related on-costs and other factors including expected accumulated years of employment on settlement and experience of employees' departure per year of service. Commonwealth bond rates are used for discounting future cash flows.

Unconditional long service leave is disclosed as a current liability even when the liability is not expected to settle within 12 months because there is not the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months. The component of leave expected to be settled within 12 months is measured at nominal value and the component expected to be settled beyond 12 months is measured at present value.

Conditional long service leave is disclosed as a non-current liability as there is an unconditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. Conditional long service leave is disclosed as a non-current liability measured at present value.

(iv) Superannuation

No PoHDA employees are members of defined benefit superannuation schemes.

The amount recognised in the comprehensive operating statement in respect of superannuation represents the contributions made by PoHDA to the superannuation fund in respect to the current service of employees. Superannuation contributions are made to funds based on the relevant rules of each fund.

(n) Contributed capital

Additions to net assets between PoHDA and State government departments have been designated as contributed capital, in accordance with FRD 119.

(o) Goods and Services Tax (GST)

Revenues, expenses and assets are recognised net of GST except where the amount of GST incurred is not recoverable from the taxation authority, in which case it is recognised as part of the cost of acquisition of an asset or part of an item of expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the Australian Taxation Office is included as part of receivables or payables in the statement of financial position. The GST component of a receipt or payment is recognised on a gross basis in the statement of cash flows.

(p) Rounding of amounts

Unless otherwise stated, amounts in the financial report have been rounded to the nearest dollar.

(q) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the statement of financial position, but are disclosed by way of a note (refer to Note 17) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

Port of Hastings Development Authority
Notes to the financial statements
For the period ended 30 June 2012
(continued)

1 Summary of significant accounting policies (continued)

(r) New accounting standards and interpretations issued but not yet effective

At the date of this financial report the following standards and interpretations, which are applicable to PoHDA, which may have been issued but are not yet operative. A discussion of their future requirements and their impact on PoHDA follows:

Reference	Summary	Application date (financial years beginning)	Impact on PoHDA's financial statements
AASB 9 Financial Instruments, AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010)	AASB 9 Financial Instruments addresses the classification, measurement and derecognition of financial assets and financial liabilities. The standard is not applicable until 1 January 2013 but is available for early adoption. The derecognition rules have been transferred from AASB 139 Financial Instruments: Recognition and Measurement have not been changed. The Authority has not yet decided when to adopt AASB 9.	1 Jan 2013	The Authority is yet to assess its full impact. However, initial indications are that it will be an immaterial.
AASB 13 <i>Fair Value Measurement</i> , AASB 2011-8 <i>Amendments to Australian Accounting Standards arising from AASB 13</i> and AASB 2012-1 <i>Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements</i>	The standard explains how to measure fair value and aims to enhance fair value disclosures. It includes a fair value hierarchy which ranks the valuation technique inputs into 3 levels.	1 Jul 2013	The Authority is yet to assess its full impact. The Authority will apply amended standard from 1 January 2013.
AASB 119 <i>Employee Benefits</i> , AASB 2011-10 <i>Amendments to Australian Accounting Standards arising from AASB 119</i> and AASB 2011-11 <i>Amendments to AASB 119 (September 2011) arising from Reduced Disclosure Requirements</i> .	These standards require the recognition of all remeasurements of defined benefit liabilities/assets immediately in other comprehensive income (removed of the so-called 'corridor' method) and the calculation of a net interest expense or income by applying the discount rate to the net defined benefit liability or asset.	1 Jul 2013	The Authority is yet to assess its full impact. The Authority will apply amended standard from 1 January 2013.

Port of Hastings Development Authority

Notes to the financial statements

For the period ended 30 June 2012

(continued)

1 Summary of significant accounting policies (continued)

(r) New accounting standards and interpretations issued but not yet effective (continued)

<p>AASB 1053 Application of Tiers of Australian Accounting Standards, AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements, AASB 2011-2 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project – Reduced Disclosure Requirements and AASB 2011-6 Amendments to Australian Accounting Standards – Extending Relief from Consolidation, the Equity Method and Proportionate Consolidation – Reduced Disclosure Requirements</p>	<p>On 30 June 2010 the AASB officially introduced a revised differential reporting framework in Australia. Under this framework, a two-tier differential reporting regime applies to all entities that prepare general purpose financial statements. Tier 1 are the Australian Accounting Standards as currently applied and Tier 2 is the reduced disclosure regime which retains the recognition and measurement requirements of Australian Accounting Standards but with reduced disclosure requirements. AASB 2011-6 extends the relief for intermediate parent entities from consolidation, equity accounting and proportionate consolidation to parent entities that report under tier 2, where the parent higher up the group is reporting either under tier 1 or tier 2.</p>	<p>1 Jul 2013</p>	<p>The impact of this standard will depend on instructions provided by DTF on its applicability to the Authority. The Authority will assess its impact once DTF has provided guidance on this standard.</p>
<p>AASB 2010-10 Further Amendments to Australian Accounting Standards – Removal of Fixed Dates for First-time Adopters [AASB 2009-11 & AASB 2010-7]</p>	<p>AASB 1 First-time Adoption of Australian Accounting Standards was amended in December 2010 by eliminating references to fixed dates for one exemption and one exception dealing with financial assets and liabilities.</p>	<p>1 Jan 2013</p>	<p>This amendment will not affect the financial statements of the Authority.</p>
<p>AASB 2011-3 Amendments to Australian Accounting Standards – Orderly Adoption of Changes to the ABS GFS Manual and Related Amendments</p>	<p>The amendments clarify the definition of the ABS GFS Manual, facilitate the orderly adoption of changed to the Manual and improve related disclosures. Applicable only to not-for-profit entities and/or public sector entities.</p>	<p>1 Jul 2012</p>	<p>The Authority will apply the amended standard from 1 July 2012. When the amendments are applied, the Authority will need to disclose (in the note containing the summary of accounting policies) a statement of compliance to this standard, a reference to the version of the ABS GFS Manual used or that the last version has not been used and the impact of this.</p>

Port of Hastings Development Authority

Notes to the financial statements

For the period ended 30 June 2012

(continued)

1 Summary of significant accounting policies (continued)

(r) New accounting standards and interpretations issued but not yet effective (continued)

AASB 2011-4 Amendments to Australian Accounting Standards to remove Individual Key Management Personnel Disclosure Requirements	Removes the individual key management personnel disclosure requirements from AASB 124 Related Party Disclosures, to achieve consistency with the international equivalent standard and remove a duplication of the requirements with the Corporation Act 2001. The amendments cannot be adopted early.	1 Jul 2013	This amendment is expected to have a limited impact.
AASB 2011-9 Amendments to Australian Accounting Standards – Presentation of Items of Other Comprehensive Income	Requirement for entities to group items presented in other comprehensive income on the basis of whether they may be recycled to profit or loss in the future.	1 Jul 2012	The Authority will apply this amendment from 1 July 2012. This will only have an impact on disclosure and presentation.
AASB 2011-13 Amendments to Australian Accounting Standards – Improvements to AASB 1049	The amendments clarify some of the requirements in AASB 1049 Whole of Government and General Government Sector Financial Reporting and will improve the harmonisation of the financial reporting requirements of the Commonwealth, State and Territory Governments. Applicable only to not-for-profit entities and/or public sector entities.	1 Jul 2012	This amendment is expected to have a limited impact.

(s) New accounting standards and interpretations that became operative during the year

None of the new standards and amendments to standards that are mandatory for the first time for the financial year beginning 1 January 2012 affected any of the amounts recognised in the current period or any prior period and are not likely to affect future periods. However, the adoption of the revised AASB 124 Related Party Disclosures resulted in the disclosure of additional related party transactions and the adoption of AASB 1054 Australian Additional Disclosures and AASB 2011-1 Amendments to Australian Accounting Standards arising from the Trans-Tasman Convergence Project enabled the removal of certain disclosures in relation to commitments.

The adoption of these standards did not have a material impact on the current period and is not likely to affect future periods.

Port of Hastings Development Authority

Notes to the financial statements

For the period ended 30 June 2012

(continued)

1 Summary of significant accounting policies (continued)

(t) Financial instruments

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 PoHDA's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*.

Where relevant, for note disclosure purposes, a distinction is made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 and those that do not.

The following refers to financial instruments unless otherwise stated.

Categories of non-derivative financial instruments

Loans and receivables

Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets 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, less any impairment.

Loans and receivables category includes cash and deposits (refer to Note 1(i)), term deposits with maturity greater than three months, trade receivables, loans and other receivables, but not statutory receivables.

Financial liabilities at amortised cost

Financial instrument liabilities 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.

Financial instrument liabilities measured at amortised cost include all of PoHDA's contractual payables, deposits held and advances received, and interest-bearing arrangements other than those designated at fair value through profit or loss.

Port of Hastings Development Authority
Notes to the financial statements
For the period ended 30 June 2012
(continued)

2 Critical accounting estimates and judgements

In the application of AAS, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that may have a financial or disclosure impact on PoHDA and are believed to be reasonable under the circumstances.

Critical accounting judgements

Critical judgements that management has made in the process of applying the PoHDA's accounting policies and that have the most significant effect on the amounts recognised in the financial statements are:

Fair value of port infrastructure, land and building assets

In 2012, in accordance with FRD 103D, a fair value assessment was undertaken and management determined that the carrying amount of all non-current physical assets, except for channel assets, reasonably approximated fair value.

In this assessment management made reference to the ABS Producer Price Index for infrastructure and indices issued by the Valuer-General Victoria for both land and buildings.

Impairment of non-financial assets

PoHDA assesses impairment of all assets at each reporting date by evaluating conditions specific to PoHDA and to the particular asset that may lead to impairment. These include obsolescence or physical damage, technology, economic and political environments and future product expectations. If an impairment trigger exists, the recoverable amount of the asset is determined.

3 Revenue

	2012 (6 Mths) \$
Revenues from continuing operations	
Management fees	<u>535,341</u>
Total revenues from continuing operations	<u>535,341</u>
Other income	
Interest received	9,034
Sundry income	<u>151</u>
Total other income	<u>9,185</u>
Total revenue	<u>544,526</u>

Port of Hastings Development Authority
Notes to the financial statements
For the period ended 30 June 2012
(continued)

4 Expenses

2012
\$

From continuing operations

Audit fees - VAGO	8,898
Audit fees - Internal	33,852
Board fees (including superannuation)	99,735
Insurance	30,899
Professional contractor fees	178,597
Professional consulting fees	18,164
Lease expense	26,840
Salaries and employee benefits expenses	82,914
Depreciation and amortisation expenses	437,459
Other expenses	84,099
Total expenses	<u>1,001,457</u>

5 Cash and cash equivalents

2012
\$

Cash at bank and in hand	<u>1,015,886</u>
	<u>1,015,886</u>

6 Trade and other receivables

2012
\$

<i>Current</i>	
<i>Contractual</i>	
Trade receivables*	<u>128,444</u>
	<u>128,444</u>

* The average credit period for trade receivables is 7 days. Payments are made by the Port Operator in accordance with the Port Management Agreement.

7 Other assets

2012
\$

<i>Current</i>	
Deposits paid and prepayment	<u>16,058</u>
	<u>16,058</u>

Port of Hastings Development Authority
Notes to the financial statements
For the period ended 30 June 2012
(continued)

8 Infrastructure, property, plant and equipment

	Land \$	Buildings \$	Port infrastructure \$	Total \$
Carrying amount 1 January 2012	-	-	-	-
Transfer from Port of Melbourne Corporation (note 22)	1,920,000	1,020,483	13,398,376	16,338,859
Disposals	-	-	-	-
Depreciation charge	-	(35,583)	(401,876)	(437,459)
Carrying amount 30 June 2012	1,920,000	984,900	12,996,500	15,901,400
At 30 June 2012				
At fair value	1,920,000	1,020,483	13,398,376	16,338,859
Accumulated depreciation	-	(35,583)	(401,876)	(437,459)
Net book amount	1,920,000	984,900	12,996,500	15,901,400

Impairment of asset

PoHDA performs annual impairment testing of its assets. There were no impairments losses recognised in the 6 months ended 30 June 2012.

Carry values for land and buildings were assessed as representing fair value based on the Building and Land Cost Indexation Factors for 30 June 2012 provided by the Valuer-General Victoria. Port infrastructure was assessed as representing fair value based on the ABS Producer Price Index.

Port of Hastings Development Authority
Notes to the financial statements
For the period ended 30 June 2012
(continued)

9 Trade and other payables

	2012
	\$
Current unsecured	
<i>Contractual</i> *	
Trade payables	42,776
Other creditors and accruals	<u>43,607</u>
	86,383

* The average credit period is 30 days. No interest is charged on the payables.

10 Provisions

	2012
	\$
<i>Current</i>	
Employee benefits - annual leave	<u>8,248</u>
<i>Non-current</i>	
Employee benefits – long service leave that does not fall due within 12 months after the end of the period measured at present value	<u>14,355</u>
Total provisions	<u>22,603</u>

11 Contributed capital

	2012
	\$
Details	
Balance at the beginning of the period	-
Transfer from Port of Melbourne Corporation – see note 22	<u>17,409,733</u>
Balance at the end of the year	<u>17,409,733</u>

Capital Management

Management controls the capital of PoHDA in order to maintain a good debt to equity ratio and ensure that it can fund its operations and continue as a going concern.

PoHDA's debt and capital includes contributed capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages PoHDA's capital by assessing its financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels.

Port of Hastings Development Authority

Notes to the financial statements

For the period ended 30 June 2012

(continued)

12 Accumulated losses

2012
\$

Movements in accumulated losses were as follows:

Accumulated losses at the beginning of the period	-
Profit/(loss)	<u>(456,931)</u>
Accumulated losses at the end of the year	<u>(456,931)</u>

13 Superannuation

None of PoHDA employees are members of defined benefit superannuation schemes. Expenses recognised by PoHDA in relation to contributions during the period to defined contribution superannuation plans of which PoHDA's employees are members are as follows:

	Contributions made 2012 \$	Contributions outstanding 2012 \$
Various contribution schemes	<u>14,459</u>	<u>-</u>
	<u>14,459</u>	<u>-</u>

Port of Hastings Development Authority
Notes to the financial statements
For the period ended 30 June 2012
(continued)

14 Key management personnel disclosures

(a) Responsible persons

The names of persons who were responsible persons of PoHDA at any time during the financial period were:

(i) Responsible Ministers:

Dr Denis Naphthine MLA	<i>Minister for Ports, Major Projects, Racing and Regional Cities</i>
Mr Kim Wells MP	<i>Treasurer of Victoria</i>

(ii) Directors:

Mr Y Blacher	(01/01/12 – 30/06/12)	<i>Chairman</i>
Mr R Chadwick	(01/01/12 – 30/06/12)	<i>Deputy Chairman</i>
Mr G Craige	(01/01/12 – 30/06/12)	<i>Director</i>
Mr G Martin	(01/01/12 – 30/06/12)	<i>Director</i>
Ms C Filson	(01/01/12 – 30/06/12)	<i>Director</i>

(iii) Accountable Officer:

Mr R Kenyon (Engaged as a contractor in the capacity of acting Chief Executive Officer from 01/01/12 - 30/06/12)

2012
\$

Responsible persons' remuneration (*)

Short-term employment benefits accountable officer	136,500
Short-term employment benefits other	<u>99,735</u>
Total base remuneration paid or payable during the period pursuant to employment contracts included in the above remuneration.	<u>236,235</u>

Bonuses paid or payable during the period pursuant to employment contracts not included in the above remuneration.

-

Total remuneration paid or payable (including bonuses and superannuation) during the period to all responsible persons by PoHDA.

236,235

Responsible person's retirement benefits

The superannuation paid by PoHDA in connection with the retirement of responsible persons amounted to:

8,235

(*) The responsible Ministers' remuneration is reported separately in the financial statements of the Department of Premier and Cabinet.

Port of Hastings Development Authority
Notes to the financial statements
For the period ended 30 June 2012
(continued)

14 Key management personnel disclosures (continued)

The number of responsible persons and their total and base remuneration during the reporting period are shown below in their relevant income bands. Base remuneration includes superannuation and other benefits but is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits.

	Total Remuneration 2012	Base Remuneration 2012
\$10,000 to \$19,999	4	4
\$20,000 to \$29,999	1	1
\$130,000 to \$139,999	<u>1</u>	<u>1</u>
Total number	<u>6</u>	<u>6</u>
Total remuneration	<u>\$236,235</u>	<u>\$236,235</u>

For the period ended 30 June 2012, the accountable officer was engaged as a contractor in the capacity of acting Chief Executive Officer and was paid a remuneration package in the range of \$130,000 - \$139,999.

(b) Executive Officer's remuneration

There were no executive officers other than those included above as responsible persons.

(c) Loans and other transactions with responsible persons and their related entities

There were no loans or other transactions with responsible persons or related parties during the financial period.

15 Remuneration of auditors

During the period the following fees were paid or payable for services provided by the auditor of PoHDA:

	2012 \$
(a) Victorian Auditor General's Office	
Audit of financial report	<u>8,898</u>

Port of Hastings Development Authority
Notes to the financial statements
For the period ended 30 June 2012
(continued)

16 Financial instruments

Financial risk management objectives and policies

PoHDA's principal financial instruments comprise of:

- cash assets;
- receivables (excluding statutory receivables); and
- payables (excluding statutory payables).

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument above are disclosed in Note 1 to the financial statements.

The main purpose in holding financial instruments is to prudentially manage PoHDA's financial risks within the Government policy parameters. PoHDA's main financial risks include credit risk, liquidity risk, market risk and interest rate risk.

(i) Categorisation of financial instruments

2012	Notes	Contractual financial assets – loans and receivables	Contractual financial liabilities at amortised cost	Total
Contractual financial assets				
<i>Current assets</i>				
Cash and cash equivalents	5	1,015,886	-	1,015,886
Trade and other receivables	6	<u>128,444</u>	-	<u>128,444</u>
Total contractual financial assets		<u>1,144,330</u>	-	<u>1,144,330</u>
Contractual financial liabilities				
<i>Current liabilities</i>				
Trade and other payables	9	-	<u>86,383</u>	<u>86,383</u>
Total contractual financial liabilities		-	<u>86,383</u>	<u>86,383</u>
Net holding gain/(loss) on financial instruments by category				
Total interest income/(expense)	3	<u>9,034</u>	-	<u>9,034</u>
Total		<u>9,034</u>	-	<u>9,034</u>

Port of Hastings Development Authority
Notes to the financial statements
For the period ended 30 June 2012
(continued)

16 Financial instruments (continued)

(ii) Credit quality of contractual financial assets that are neither past due nor impaired

2012	Notes	Financial institutions (AAA credit rating)	Other (min BBB credit rating)	Total
Contractual financial assets				
<i>Current assets</i>				
Cash and cash equivalents	5	1,015,886	-	1,015,886
Trade and other receivables	6	-	128,444	128,444
Total contractual financial assets		1,015,886	128,444	1,144,330

(iii) Financial Risk Management

PoHDA is developing a comprehensive Risk Management System, which is integrated with its business planning processes. There is a formally documented Risk Management Policy, guidelines and a framework, which is consistently applied across the business. Risk assessment reports are presented to the Audit Committee and the Board regularly, which outline all corporate risks including financial risks. Each risk is assessed regularly against the risk matrix to ensure the level of risk is appropriate and the treatment and controls are adequate.

(iv) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a financial loss to PoHDA. The credit risk relating to PoHDA's financial assets, which are recognised in the statement of financial position is the carrying amount of such assets, net of any provisions for doubtful debts.

PoHDA manages credit risk by obtaining credit checks for new counterparties prior to establishing credit facilities and by conducting checks for existing customers on a regular basis. Receivables are monitored on an ongoing basis, resulting in minimal exposure to bad debts. Receivables are 30 day, or less, accounts and paid within the trading terms. Credit risk is also minimised by investing surplus funds with financial institutions that maintain a high credit rating.

There are no material financial assets which are individually determined to be impaired. PoHDA does not hold collateral as security or credit enhancements relating to any of its financial assets. PoHDA does not engage in hedging for its contractual assets. PoHDA only deals with banks with high credit ratings.

(vi) Market risk

Market risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises currency risk, interest risk and other price risk. PoHDA's policy is to continuously monitor exposure to market risk arising from existing and future transactions.

PoHDA's exposure to market risk is primarily through interest rate movements in respect of cash and cash equivalents.

Sensitivity disclosure analysis

PoHDA's sensitivity to interest rate risk is determined based on the observed range of historical data. Based on reasonably possible movements in the interest rate over the next 12 months of 100 basis points up or down, PoHDA's result and equity would increase by \$10,159 with an increase of 100 basis points. A decrease would have the exact opposite effect on PoHDA's result and equity.

Port of Hastings Development Authority
Notes to the financial statements
For the period ended 30 June 2012
(continued)

16 Financial instruments (continued)

(vii) Interest rate risk analysis

The exposure to interest rate risks and the effective weighted average interest rates for financial assets and financial liabilities at the reporting date are as follows:

	Floating interest \$'000	Non- interest bearing \$'000	Total \$'000
2012			
Financial assets:			
Cash and cash equivalents	1,015,886	-	1,015,886
Trade and other receivables	-	128,444	128,444
	<u>1,015,886</u>	<u>128,444</u>	<u>1,144,330</u>
 <i>Weighted average interest rate</i>	 3.6%		
 Financial liabilities:			
Trade and other payables	-	86,383	86,383
	<u>-</u>	<u>86,383</u>	<u>86,383</u>
 Net financial assets/(liabilities)	 <u>1,015,886</u>	 <u>42,601</u>	 <u>1,058,487</u>

(viii) 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 Government's fair payment policy of settling financial obligation within 30 days and in the event of a dispute making payments within 30 days of resolution.

PoHDA's maximum exposure to liquidity risk is the carrying amount of financial liabilities as disclosed on the face of the statement of financial position.

PoHDA manages its liquidity risk to ensure that adequate cash funds are available at all times to meet its commitments as they arise. This objective is met through:

- an efficient and effective banking structure;
- sound cash management practices;
- regular identification and monitoring of the maturity profile of liquid assets and liabilities together with regular cash flow forecasting; and
- investments that are limited to highly liquid and secure assets.

Port of Hastings Development Authority
Notes to the financial statements
For the period ended 30 June 2012
(continued)

16 Financial instruments (continued)

(viii) Net fair value of financial assets and liabilities

The net fair value of PoHDA's cash and deposits and non-interest bearing financial assets and liabilities is equal to their carrying value.

Comparison between carrying amount and fair value

	Notes	Carrying amount 2012	Fair value 2012
Contractual financial assets			
Current assets			
Cash and cash equivalents	5	1,015,886	1,015,886
Trade and other receivables	6	<u>128,444</u>	<u>128,444</u>
Total contractual financial assets		<u>1,144,330</u>	<u>1,144,330</u>
Contractual financial liabilities			
Current liabilities			
Trade and other payables	9	<u>86,383</u>	<u>86,383</u>
Total contractual financial liabilities		<u>86,383</u>	<u>86,383</u>

Fair value measurements in the statement of financial position

Certain financial statements that are measured subsequent to initial recognition at fair value are grouped into levels 1, 2 or 3 based on the degree to which fair value is observable.

- Level 1 fair value measurements are those derived from quoted priced (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included with level 1 that are observable for the asset or liability either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 30 June 2012, no financial assets or liabilities held by PoHDA required fair value measurement subsequent to initial recognition.

Port of Hastings Development Authority
Notes to the financial statements
For the period ended 30 June 2012
 (continued)

17 Contingencies

As at the reporting date there were no events that would give rise to a contingent liability or contingent asset.

18 Commitments

Operating lease commitments

2012
\$

Commitments for the payment of operating leases contracted for at balance date but not incurred or recognised as liabilities:

Within one year	13,400
Later than one year and not later than five years	-
	<u>13,400</u>

The above commitment is for a non-cancellable term lease which commenced on 1st December 2010. The term is for two years with an option of two further terms of three years.

19 Related party transactions

The Victorian State Government prepares consolidated financial statements relating to its controlled entities. For the purpose of preparing the State government's financial statements, transactions which PoHDA has undertaken with other State Government controlled entities will be eliminated in the State Government's statements.

As noted in 1(a), PoHDA is a government business enterprise and is accountable to the Victorian government through the Minister for Ports and the Treasurer. During the year PoHDA transacted with the following Victorian Government entities:

- Port of Melbourne Corporation – transfer of net assets of \$17,409,732.62 to Port of Hastings Development Authority as approved by the minister for Ports, Major Projects, Racing and Regional Cities. Refer to note 22 for further detail of the transfer.

20 Events occurring after the reporting period

Since the end of the financial 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.

Port of Hastings Development Authority
Notes to the financial statements
For the period ended 30 June 2012
(continued)

21 Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	2012
	\$
Loss for the period	(456,931)
Non-cash movements in income and expense	
Depreciation and amortisation	437,459
Revaluation adjustments on assets	-
Change in operating assets and liabilities	
(Increase)/decrease in trade and other receivables	(127,067)
(Increase)/decrease in other operating assets	25,590
(Decrease)/increase in trade and other payables	86,383
(Decrease)/increase in provisions	<u>5,741</u>
Net cash inflow/(outflows) from operating activities	<u>(28,825)</u>

22 Transfer of net assets into PoHDA

On 1 January 2012, the *Transport Legislation Amendment (Port of Hastings Development Authority) Act 2011* (VIC) became effective, amending the *Transport Legislation Act 2010* (VIC) to establish the Port of Hastings Development Authority and provided for the transfer of property, rights and liabilities related to PoHDA from the Port of Melbourne to PoHDA. The details of the assets and liabilities transferred are as follows and have been treated as a capital contribution.

	2012
	\$
Current assets	
Cash and cash equivalents	1,044,711
Other assets	<u>43,025</u>
	<u>1,087,736</u>
Non-current assets	
Property, plant and Equipment	<u>16,338,859</u>
Total assets	<u>17,426,595</u>
Current liabilities	
Provisions	5,306
Non-current liabilities	
Provisions	<u>11,556</u>
Total liabilities	<u>16,862</u>
Net assets	<u>17,409,733</u>

Port of Hastings Development Authority
Certification of financial report
30 June 2012

We certify that the attached financial report for Port of Hastings Development Authority has been prepared in accordance with the Standing Direction 4.2 of 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, statement of financial position, statement of changes in equity, statement of cash flows and notes to and forming part of the financial statements, presents fairly the financial transactions during the period ended 30 June 2012 and financial position of the Port of Hastings Development Authority as at 30 June 2012. The financial statements comply with International Financial Report Standards as issued by the International Financial Reporting Standards Board.

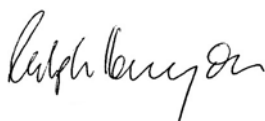
We are not aware of any circumstances, which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 17 August 2012.



Mr Rodney Chadwick
Deputy Chairman

Date: 17 August 2012



Mr Ralph Kenyon
Acting Chief Executive Officer

Date: 17 August 2012



Mr Richard Keyte
Chief Finance and Accounting Officer

Date: 17 August 2012

VAGO

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INDEPENDENT AUDITOR'S REPORT

To the Members of the Port of Hastings Development Authority

The Financial Report

The accompanying financial report for the period ended 30 June 2012 of the Port of Hastings Development Authority which comprises the comprehensive operating statement, statement of financial position, statement of changes in equity, statement of cash flows, notes comprising a summary of significant accounting policies and other explanatory information, and the certification of the financial report has been audited.

The Board Members' Responsibility for the Financial Report

The Board Members of the Port of Hastings Development Authority are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*, and for such internal control as the Board Members determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

In Note 1(c), the Board Members also state, in accordance with Accounting Standard AASB 101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. Those standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to the internal control relevant to the entity's preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial report.

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

Auditing in the Public Interest

Independent Auditor's Report (continued)

Independence

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. In conducting the audit, the Auditor-General, his staff and delegates complied with all applicable independence requirements of the Australian accounting profession.

Opinion

In my opinion:

1. the financial report presents fairly, in all material respects, the financial position of the Port of Hastings Development Authority as at 30 June 2012 and of its financial performance and its cash flows for the period then ended in accordance with applicable Australian Accounting Standards and the financial reporting requirements of the *Financial Management Act 1994*
2. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(c).

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Port of Hastings Development Authority for the period ended 30 June 2012 included both in the Port of Hastings Development Authority's annual report and on the website. The Board Members of the Port of Hastings Development Authority are responsible for the integrity of the Port of Hastings Development Authority's website. I have not been engaged to report on the integrity of the Port of Hastings Development Authority's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
21 August 2012



D D R Pearson
Auditor-General

Risk Management Attestation

In accordance with Standing Direction 4.5.5 of the Minister for Finance:

I, Yehudi Blacher, certify that the Port of Hastings Development Authority has risk management process in place consistent with AS/NZS 31000:1009 and an internal control system is in place that enables the executive to understand and appropriately manage risk exposures.

Information provided to the Board and the Audit & Risk Committee in support of Risk Attestation Statement included:

1. Risk Management & Compliance Policy
2. Board Agenda Plan
3. Board Minutes
4. Audit & Risk Committee Agenda Plan
5. Audit & Risk Committee Minutes
6. Audit Reports from DFK Collins

The independent Audit & Risk Committee verifies this assurance and that the risk profile of the Port of Hastings Development has been reviewed during the period.



Mr Rodney Chadwick
Chairman Audit & Risk Committee
Deputy Chair PoHDA

Date: 17 August 2012



Ms Claire Filson
Member Audit & Risk Committee
Director PoHDA

Date: 17 August 2012

DISCLOSURE INDEX

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

Legislation	Requirement	Page Reference
Ministerial Directions		
Report of operations – FRD Guidance		
Charter and purpose		
FRD 22C	Manner of establishment and the relevant Ministers	Page 6 & 7
FRD 22C	Objectives, functions, powers and duties	Page 6
FRD 22C	Nature and range of services provided	Page 6 & 7
Management and structure		
FRD 22C	Organisational structure	Page 10
Financial and other information		
FRD 10	Disclosure index	Page 46
FRD 12A	Disclosure of major contracts	Page 6
FRD 15B	Executive officer disclosures	Page 9
FRD 22C	Employment and conduct principles	Page 9
FRD 22C	Occupational health and safety policy	Page 11
FRD 22C	Summary of the financial results for the year	Page 15
FRD 22C	Significant changes in financial position during the year	NA
FRD 22C	Major changes or factors affecting performance	NA
FRD 22C	Subsequent events	NA
FRD 22C	Application and operation of <i>Freedom of Information Act 1982</i>	Page 11
FRD 22C	Compliance with building and maintenance provisions of <i>Building Act 1993</i>	NA
FRD 22C	Statement on National Competition Policy	NA
FRD 22C	Application and operation of the <i>Whistleblowers Protection Act 2001</i>	Page 11
FRD 22C	Details of consultancies over \$10,000	Page 10
FRD 22C	Details of consultancies under \$10,000	Page 10
FRD 25A	Victorian Industry Participation Policy disclosures	Page 10
FRD 29	Workforce Data disclosures	Page 9
SD 4.5.5	Risk management compliance attestation	Page 45
SD 4.2(j)	Sign-off requirements	Page 42

Disclosure index (continued)

Legislation	Requirement	Page Reference
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Ministerial Directions (continued)**Financial Report**

Financial statements required under Part 7 of the FMA

SD4.2(a)	Statement of changes in equity	Page 17
SD4.2(b)	Operating statement	Page 15
SD4.2(b)	Balance sheet	Page 16
SD4.2(b)	Cash flow statement	Page 18

Other requirements under Standing Directions 4.2

SD4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	Page 19
SD4.2(c)	Compliance with Ministerial Directions	Page 19
SD4.2(d)	Rounding of amounts	Page 24
SD4.2(f)	Compliance with Model Financial Report	Pages 13 to 42

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

FRD 11	Disclosure of ex gratia payments	NA
FRD 13	Disclosure of parliamentary appropriations	NA
FRD 21B	Disclosures of Responsible Persons, Executive Officers and Other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report	Page 34 & 35
FRD 102	Inventories	NA
FRD 103D	Non-current physical assets	Page 31
FRD 104	Foreign currency	NA
FRD 106	Impairment of assets	Page 21
FRD 109	Intangible assets	NA
FRD 107	Investment properties	NA
FRD 110	Cash flow statements	Page 18
FRD 112C	Defined benefit superannuation obligations	NA
FRD 113	Investments in subsidiaries, jointly controlled entities and associates	NA
FRD 114A	Financial Instruments – General Government Entities and public non-financial corporations	Page 28
FRD 119	Contributions by owners	Page 24

Legislation

<i>Freedom of Information Act 1982</i>	Page 12
<i>Building Act 1983</i>	NA
<i>Whistleblowers Protection Act 2001</i>	Page 11
<i>Victorian Industry Participation Policy Act 2003</i>	Page 10
<i>Financial Management Act 1994</i>	Page 19



**PORT OF
HASTINGS**
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