PORT OF HASTINGS
DEVELOPMENT AUTHORITY

Annual Report

2014/15

PORT OF
HASTINGS
DEVELOPMENT AUTHORITY

Contents

Chairman's Report

Dear Minister,

Significant progress was achieved during calendar year 2014 with the Authority achieving key milestones to support the previous Government's policy that the state's second container port be located in Hastings.

With the election of a new Government in November 2014, and the Government implementing its Ports policy agenda, the Authority has moved quickly and professionally to support the Government's new policy objectives and priorities.

To this end all work on the previous container expansion project has ceased with the Authority working to implement the Government's new focus and direction for the Authority. This is outlined in the Ministerial Direction included in this Annual Report. The Authority is well placed to manage and operate the current port as well as work with proponents to facilitate any opportunities for further development of bulk trades at Hastings.

The Authority has worked through a process to implement a revised organisational structure to fit the new direction and budget. The Authority now has the right mix of personnel with the necessary capabilities and competencies to implement and support the Government's Ports policies.

I would like to formally acknowledge the work of three members of the Board whose terms expired; Deputy Chairman Rod Chadwick and Directors Geoff Craige and Greg Martin. All three members made a significant contribution to the Authority in its start-up phase and the commencement of the container expansion business case. I also welcome two new members to the Board, Directors, Jennifer Acton and Craig Cook and I congratulate current Director Claire Filson who has been appointed as the Deputy Chairperson.

The year ahead looks equally challenging and exciting for the Authority and the Board who remain committed to working closely with government to ensure that this vital commercial port remains a critical link in the State's infrastructure network.

Yehudi Blacher
CHAIRMAN

Chief Executive Officer's Report

The last 12 months was a period of significant change for the Authority. Successfully building on its previous years of operation, the Authority commenced implementation of the detailed program of activities needed to develop the business case for expansion of the port to be able to handle containers. Whilst this was occurring, the Authority was in discussions with other potential users of the bulk facilities at the port.

With the change in Government and the shift in the focus of the port to developing its bulk capabilities and facilities, the Authority has developed and implemented a work program to ensure that the assets of the port and the issues around its potential for future bulk development are well understood. The Authority remains engaged with, and is progressing a number of potential customers regarding business opportunities in relation to the current facilities.

The Authority has finalised all work relating to the container development project and has provided this to the State. The Authority is well positioned to support the Government's development of its Ports Plan and to support Infrastructure Victoria in its assessment of the location for Victoria's second container port.

The Port of Hastings as one of Victoria's four commercial ports has many natural advantages for customers, including wide unobstructed heads and an anchorage that provides well sheltered waters for Victoria's deepest port. The deep water channels do not require regular maintenance. Parts of the channel and the Cowes anchorage exceed 20 metres in depth. Additionally the large areas of vacant zoned industrial land make the Port of Hastings attractive to industry for a variety of purposes. In 2014 the Port also received increased support for development with locations in the SUZ1 area being rezoned to the new port zone.

Whilst the Authority has been through a difficult period of change it is pleasing to see the level of professional and supportive engagement being shown by the whole of Government, including Departments, Agencies and the local Councils, the Authority's staff, our contractors, and the business and industry stakeholders with whom I have engaged as the Authority has moved through this process.

I would also like to acknowledge the many positive interactions and assistance provided by the Hastings community. The Authority will continue to work closely with the community and interested groups to foster an open and transparent dialogue as the port enters its next phase of development.

The priorities for the coming year include developing stronger links with potential customers and assisting Government in its development of options for the future commercial management arrangements for the port.

I would like to thank the Chairman, Yehudi Blacher, and the Board of Directors. I would also like to acknowledge the professionalism and engagement shown by the staff of the Authority over the past year in what has been a difficult environment.

The future for the Port of Hastings is a positive one, combined with its natural advantages, a supportive community and its dedicated staff, the port remains a critical State asset and will continue to be a "vibrant and growing port."

Mike Lean
CHIEF EXECUTIVE OFFICER

Annual Report

For the Period 1 July 2014 to 30 June 2015

The Annual Report of the Port of Hastings Development Authority is presented together with the Financial Statements made up to 30 June 2015 in conformity with the provisions of the *Financial Management Act 1994*.

Objectives and Functions

The Victorian Government established the Port of Hastings Development Authority (the Authority) on 1 January 2012 as the first key step in the development of Hastings as a future container port with the aim of providing increased capacity and competition in the container ports sector. With the change of Government in November 2014 the role of the Authority has changed in accordance with Government policy. The Government's policy relating to Victoria's second container port is that the development of a second container port will be demand driven and the Port of Melbourne's capacity will be fully utilised before a second container port commences operation. Infrastructure Victoria will have responsibility for providing independent expert advice to Government on the preferred location of Victoria's second container port. The Port of Hastings shall be one of the options considered. This change is reflected in the Ministerial Direction dated 27 May 2015 (attached as Appendix A). The Ministerial Direction ensures that the Authority exercises its functions and powers consistently with Government policy and strategies.

In accordance with the Direction, the Authority's focus will be on the following:

- Manage the Port of Hastings via the Port Management Agreement with Patrick Ports Hastings until 30 June 2017; and
- 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, and without constraining future options for the development of a container port.

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

Our Values

Leadership

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

Integrity

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

Respect

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

Sustainability

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

STRATEGY

Vision Mission Objectives

Vision:

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

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

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

Mission:

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

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

Objectives:

The Authority's objectives are:

- Manage the Port, the Port Management Agreement and Patrick Ports Hastings in compliance with the Agreement;
- Continue to respond to requests from bulk proponents who are seeking to use and/or develop facilities within the Port of Hastings, without constraining future options for the development of a container port, ensuring that such developments are consistent with the whole of Government objectives;
- Assist the State's consideration of future ports policy development;
- Deliver effective governance of Authority activities; and
- Manage Authority resources efficiently and effectively.

Principles:

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

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

Core Business

The core business of the Authority is to manage and operate the Port of Hastings and to continue to respond to requests from bulk proponents who are seeking to use and/or develop facilities within the Port of Hastings.

Port of Hastings Trade Figures

The Port of Hastings is one of Victoria's four commercial trading ports. Its channels offer the deepest navigable commercial waters in Victoria with an annual capacity of over 2000 vessel movements. To date development has focussed on bulk commodities with the majority of the trade being liquid bulk commodities. The value of trade each year is approximately $2 billion.

The 2014/15 financial year saw an increase in the number of export ships, but a reduction in both import and export trade volumes through the Port of Hastings. The Port's main trade commodities include oil, liquid petroleum gas (LPG) and unleaded petrol (ULP). The Port's facilities include the Stony Point jetty and depot, Crib Point liquid berths 1 and 2, Long Island Point liquid berth and BlueScope Steel jetty.

Stony Point is used by passenger ferries, the Royal Australian Navy, fishing industry, oil exploration vessels, small commercial vessels, harbour tugs and the harbour service vessel.

Exports (tonnes) 2014/15

Year	Oil	LPG	Combined Total	% Increase/(decrease)	Ships	Other Ships*
2014/2015	735,031	430,507	1,165,538	(26.88)	42	4
**2013/2014	1,049,152	544,835	1,593,988	11.63	32	
2012/2013	1,047,404	380,516	1,427,920		38	

*Other Ships includes 2 rig tenders and 2 project cargo ships not included in reported tonnes.

**A correction has been made in the oil export and combined total carry forward figures from the Annual Report 2013-14.

Imports (tonnes) 2014/15

Year	ULP	% Increase/(decrease)	Ships	Other Ships*
2014/2015	470,216	(2.37)	23	5
2013/2014	481,637	19.84	23	
2012/2013	401,913		18	

*Other Ships includes 3 rig tenders, 1 project cargo, and 1 bulk cargo not included in reported tonnes.

Current Year Financial Summary

Thirty Month Financial Summary

($thousand)				
Financial Summary	*2015*	*2014*	*2013*	*2012**
State government grant	3,100	2,000	4,000	-
Total income from transactions	1,151	1,415	1,177	544
Total expenses from transactions	(23,684)	(18,560)	(5,390)	(1,001)
Net result from transactions	(19,381)	(15,145)	(213)	(457)
Net result for the period	(19,420)	(15,145)	(213)	(457)
Net cash flow from operating activities	(22,253)	(9,614)	1,291	(29)
Total assets[(i)]	40,937	17,105	17,550	17,062
Total liabilities	748	5,510	810	109

*Result for the six months ended 30 June 2012. The Authority was established on 1 January 2012.
(i) Scheduled revaluation of fixed assets completed 2015.

Overview

The State Government announced an allocation of funding of $110 million to the Port of Hastings Development Authority in the 2013-14 Budget. An amount of $22.60 million of the allocation was drawn in the financial year ending 30 June 2015, taking the total drawn over 2013/14 and 2014/15 to $32.60 million, and is shown as contributed capital in the financial statements. The change of Government in November 2014 saw the port development project cease, with a new direction being implemented in the second half of the financial year. As a result of the change 17 full-time staff were paid redundancies in 2014/15, which was funded out of operational funding, and is shown as a State Government Grant in the financial statements.

In 2014/15, the Authority recorded a net loss from transactions of $19.42 million, which was $4.27 million above 2013/14. Income from transactions decreased to $1.15 million in the year ended 30 June 2015 from $1.42 million for the year ended 30 June 2014. Total expenses from transactions have increased each year over the three and a half years the Authority has been in existence. Expenses from transactions increased to $23.68 million in the year ended 30 June 2015 from $18.56 million for the year ended 30 June 2014, which was $22.29 million under budget.

Total assets increased by $23.83 million in 2014/15 to $40.94 million following the purchase of hydrodynamic equipment during the year, and the revaluation of property, plant and equipment in line with the Victorian Government's scheduled revaluation of fixed assets as at 30 June 2015. Total liabilities decreased by $4.76 million in 2014/15 to $0.75 million due to a decrease in payables as the port development project was closed out in the second half of the year.

The net cash outflow from operations of $22.25 million was above last year's $9.61 million, but lower than budget.

Financial Performance and Business Review

Income from transactions is related to Patrick Ports Hastings lease management fees, bank interest, and other income. Lease management fees were lower in the year ended 30 June 2015 as a result of less import and export product moving through the port, part of which was the result of a cyclical maintenance shut-down at ESSO in March and April 2015. Operational funding of $3.10 million was required in May and June 2015 to cover the redundancy costs of 17 full-time staff and to close the container project.

Expenses increased in 2014/15 but were lower than budget expectations as the port development project came to a close. The main corporate expenses were employee and related costs including redundancies, depreciation of assets, consulting fees in the area of IT, and office rent with additional premises taken up in May 2014.

The Authority incurred costs on 2014/15 approved projects of $13.13 million which were managed within environment, strategy, engineering, and community and stakeholder engagement. The most significant of the costs incurred during the year related to site investigation, port planning and engineering services, environmental studies including hydrodynamics, commercial and economic studies, transport, project management, and legal.

Financial Position – Balance Sheet

Net assets increased by $28.59 million over the year to $40.19 million due to a decrease in total liabilities of $4.76 million and an increase in total assets of $23.83 million.

The decrease in total liabilities was due to a decrease in trade and accrued payables of $4.78 million, a small decrease in borrowings and an increase in employee provisions. The decrease in trade payables and accruals from prior year reflects the closure of the port development project, with all project related accounts being settled prior to 30 June 2015. The lower borrowings of $0.19 million was a result of a change in vehicles held through VicFleet during the year. Employee provisions increased by $0.03 million to $0.22 million at year end.

Total financial assets decreased by $1.81 million to $0.53 million, with cash and deposits decreasing by $1.57 million to $0.39 million, and trade receivables decreasing by $0.24 million to $0.12 million at 30 June 2015. Other Receivables relate to a bond on the office premises to be returned on surrender of lease. Interest received for 2014/15 was above budget at $0.04 million. This was $0.02 million below 2013/14.

Total non-financial assets increased by $25.64 million to $40.40 million at year end which included the scheduled revaluation of land, buildings and infrastructure of $25.41 million. Asset purchases in leasehold improvements and computer and office equipment amounted to $0.21 million for the year. New motor vehicles on lease which replaced existing leases, amounted to $0.16 million. Other equipment purchases were for hydrodynamic data recording equipment in and around Western Port and amounted to $1.43 million. The total purchase of non-financial assets of $1.89 million was offset by depreciation on buildings, infrastructure and equipment which amounted to $1.56 million.

Cash Flows

The cash balance of $0.39 million at the end of the 2014/15 financial year was a net outflow of $1.57 million in cash movement from the prior year. Cash inflows increased in grants and drawings from Capital Appropriation from the State Government, but there was a reduction in port management fees and interest from 2013/14. Outflows increased for employee expenses, which included the cost of redundancy of 17 staff, office expenses, professional services and project costs.

Creditor activity was higher than 2013/14, but remained below budget through the year in line with project activity. Following the change of direction of the Authority, creditor activity reduced further in the second half of the year. Final accounts relating to the development project were settled in full prior to the end of the financial year. Drawings to Contributed Capital of $22.60 million was lower than budget by $21.40 million for the year. Interest on funds on deposit totalled $0.05 million for the year ($0.06 million 2013/14), as funds held during the year were generally lower than 2013/14, and were drawn from Capital Appropriations as required.

Cash flows from borrowings resulted in a net cash flow used in financing activities of $0.69 million when netted against interest ($0.48 million 2014).

Subsequent Events

Subsequent to the reporting period there were no events of significance occurring. Refer to Note 21 of the Financial Statements.

Governance and Organisational Structure

The Port of Hastings Development Authority's Board was appointed by the Minister for Ports and commenced responsibilities on 1 January 2012. The Board comprised 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 the Authority is directed, controlled and held to account. It encompasses authority, accountability, stewardship, leadership, direction and control exercised in the organisation. Governance includes the legislative framework under which the Authority was established, the role of the Board and the authority formally delegated to the Chief Executive Officer to carry out the functions of the Authority.

Deputy Chairman Mr Rod Chadwick, and Directors Mr Geoff Craige and Mr Greg Martin's terms expired on 30 June 2015. Two new Directors were appointed on 1 July 2015, Ms Jennifer Acton and Mr Craig Cook.

The Port of Hastings Development Authority Directors:

Position	Name	Appointed	Term Expires
Chairman	Mr Yehudi Blacher	1/1/2012	31/12/2015
Deputy Chairman	Mr Rod Chadwick	1/1/2012	30/06/2015
Director	Mr Geoff Craige	1/1/2012	30/06/2015
Director	Ms Claire Filson	1/1/2012	30/06/2017
Director	Mr Greg Martin	1/1/2012	30/06/2015
Director	Ms Jennifer Acton	1/7/2015	30/06/2017
Director	Mr Craig Cook	1/7/2015	30/06/2017

The Board met 13 times during the year.

Table 1: Board Meeting Attendance

Director	Attended	Eligible to Attend	Total Meetings Held
Mr Blacher (Chairman)	12	13	13
Mr Chadwick (Deputy)	13	13	13
Mr Craige	13	13	13
Ms Filson	12	13	13
Mr Martin	12	13	13

The Authority is committed to meeting its governance requirements and has been active in its policy and procedure development program to ensure compliance with the Government's Financial Management Compliance Framework. The Authority was fully compliant as at 30 June 2015.

Risk Management and the Annual Audit Program

The purpose of the Risk Management and Compliance Policy is to ensure that the 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 and 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 and has delegated to the Audit and Risk Committee the responsibility to review the adequacy and effectiveness of risk management and compliance in conjunction with the Internal Auditor.

The Board appreciates that in conducting its activities, there are situations and circumstances that imply a certain degree of risk. The Authority established a system by which risk can be managed, avoided or eliminated altogether as appropriate. 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 and Risk Committee oversees this process.

Audit and Risk Committee

The primary objective of the Audit and Risk Committee is to assist the Authority's 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's Chairman is not a member of the Audit and Risk 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 2015 the Audit and Risk Committee has focused on the annual audit program, corporate policy settings and risk management.

The Audit and Risk Committee approved the annual audit program for recommendation to the Board.

The Chairman, Mr Rod Chadwick, and Director Mr Greg Martin's terms expired on the 30 June 2015. Ms Claire Filson has been appointed as Chair of the Audit & Risk Committee from 1st July 2015 to 30th June 2017, and Ms Jennifer Acton has been appointed to the Audit & Risk Committee from 1st July 2015 to 30th June 2017. One additional member will be appointed early in the 2015-16 financial year.

Mr Rob Wernli, Partner-DFK Kidson (formerly DFK Collins) has been retained as Internal Auditor.

External Audits are conducted by the Victorian-Auditor General's Office (VAGO) through contracted auditors. This year HLB Mann Judd was confirmed as auditor on behalf of the VAGO.

Table 2: Audit Committee Meeting & Attendance

Audit Committee Member	Attended	Total Meetings Held
Mr Chadwick (Chairman)	3	4
Ms Filson	3	4
Mr Martin	4	4

Senior Executives

Mike Lean
Mike is the Chief Executive Officer and was appointed in February 2013 to lead the Authority. Mike is responsible for the management and operations of the Authority and business development of the port.

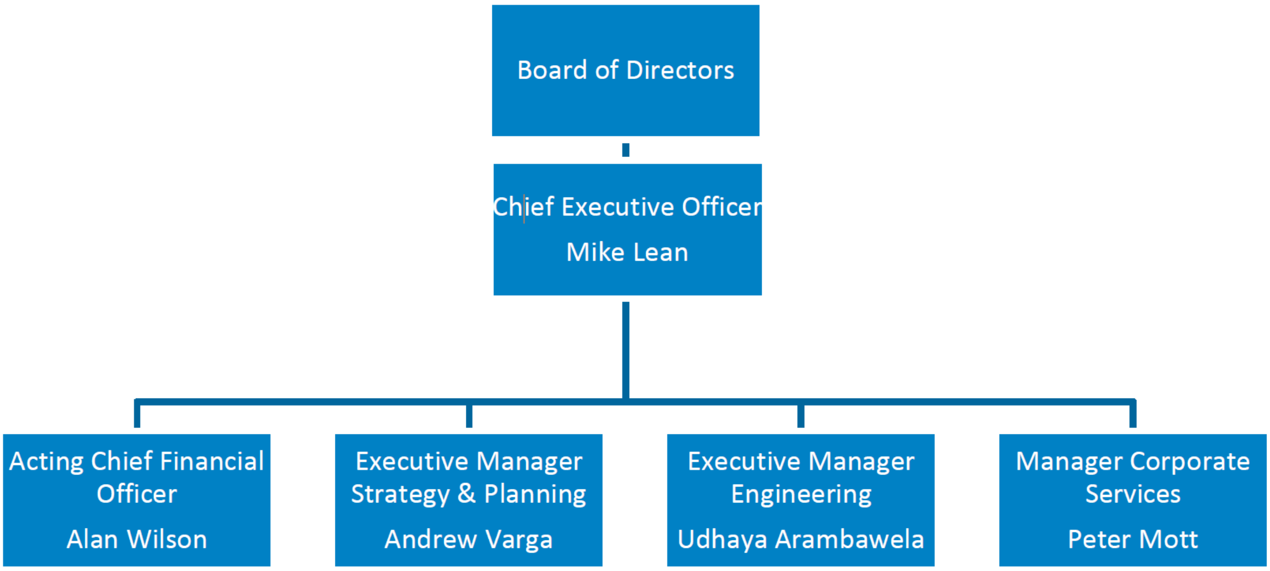
Udhaya Arambawela
Udhaya is the Executive Manager Engineering and was appointed in December 2012. Udhaya is responsible for the approval of engineering plans and designs, procurement and management of engineering service providers and development of the Authority's Strategic Asset Management Plans. He is also responsible for Patrick Ports Hastings compliance with the Port Management Agreement requirements for maintenance, operational and environmental activities.

Andrew Varga
Andrew is the Executive Manager Strategy & Planning and was appointed in December 2012. Andrew is responsible for commercial planning and the commercial arrangements for new customers. This includes port master planning, port development strategies, demand assessment and implementing the next port management framework provided by Government. He is also responsible for working with new customers to enable their successful commencement of operations at Hastings.

Alan Wilson
Alan is the Acting Chief Financial Officer and was appointed to the role in May 2014 following his previous appointment as Manager Accounting and Finance in September 2013. Alan is accountable for the financial operations of the Authority.

Peter Mott
Peter is the Manager Corporate Services and assumed the role in July 2015 following his previous appointment as Procurement Manager in 2013. He is responsible for managing Procurement, IT, Legal, Facilities, Risk, FOI, OH&S, and contract management activities of the Authority.

Organisational Structure



Note: The above organisational chart as at 30 June 2015.

Workforce Data

Public Administration Values and Employment Principles

The *Public Administration Amendment (Public Sector Improvement) Act 2014* amended the *Public Administration Act 2004* to provide for the establishment of the Victorian Public Sector Commission to replace the State Services Authority. The Authority upholds public sector conduct, managing and valuing diversity, managing underperformance, reviewing personal grievances and selecting on merit.

Staff at 30 June 2015

	2015			2014		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Full-time permanent	10	3	13	15	12	27
Full-time temporary	-	-	-	-	-	-
Part-time	-	1	1	-	1	1
Totals	**10**	**4**	**14**	**15**	**13**	**28**

Note: During 2014/15 the Authority employed an additional 3 full-time staff. Following the change of Government in November 2014, and the resulting change of direction by the Authority, 17 full-time staff were made redundant in May and June 2015.

Human Resource Management

Occupational Health & Safety

The Port of Hastings Development Authority is committed to and recognises its responsibilities as an employer to maintain and support a safe working environment for its employees. The Authority is committed to and has complied with the provisions of the *Occupational Health and Safety Act 2004*.

There were no lost time injuries, and there were no workers compensation claims made during the 2014/15 reporting period (Nil 2013/14).

Employment and Conduct Principles

The Authority is committed to applying merit and equity principles when appointing staff. The selection processes ensure that applicants are assessed without discrimination and evaluated fairly and equitably on the basis of the key selection criteria and other accountabilities.

The Authority acts in accordance with equal opportunity, anti-discrimination, harassment and vilification legislation, and complies with the *Equal Opportunity Act 2010* (Vic), and other relevant Victorian and Commonwealth legislation.

Community & Stakeholder Engagement

The Authority recognises that community and stakeholder engagement is a critical component of fulfilling its objectives. To this end, the Authority has developed a stakeholder engagement strategy that covers local government, industry, environment, community and media.

The Authority's engagement principles are based on inclusivity, transparency, integration and responsiveness with the key objectives of strengthening relationships, building capacity and informing decisions.

During the 2014/15 financial year, the Authority continued its two community and engagement networks – PORTicipate, which includes representatives from Western Port communities, businesses and other interested parties. Two meetings were held during the year with members provided information on the latest project developments while also being given the opportunity to raise their own questions and provide input into the development.

The other network known as the Council Advisory Group (CAG) is comprised of CEOs, Mayors and Councillors from the shires of Mornington Peninsula, Bass Coast, and Cardinia, and the city councils of Frankston, Casey, Latrobe, and Greater Dandenong. The purpose of the CAG is for Councils to obtain updates on the project as well as to discuss Council views, concerns and offer advice regarding the project. There was one CAG meeting held during the past financial year.

Both PORTicipate and the Council Advisory Group have been suspended following the change of direction for the Authority, however, the Authority will continue to provide the local community with updates and encourage interested parties to visit the Port of Hastings Development Authority's office in Hastings.

Financial Statements

For the Year ended 30 June 2015

Comprehensive operating statement for the financial year ended 30 June 2015

($thousand)

	Notes	2015	2014
Continuing Operations			
Income from transactions			
State government grants	2(a)	3,100	2,000
Management fees	2(b)	1,104	1,356
Interest	2(c)	45	59
Other Income	2(d)	1	-
Total income from transactions		**4,250**	**3,415**
Expenses from transactions			
Employee expenses	3(a)	(7,683)	(4,300)
Depreciation	3(b)	(1,559)	(1,091)
Office expenses	3(c)	(394)	(283)
Travel		(118)	(106)
Interest expense		(1)	(10)
Professional services		(451)	(229)
Maintenance of Infrastructure		(26)	(88)
Project expenditure		(13,134)	(12,124)
Other operating expenses		(318)	(329)
Total expenses from transactions		**(23,684)**	**(18,560)**
Net result from transactions (net operating balance)		**(19,434)**	**(15,145)**
Other economic flows included in net result			
(i) Net gain on non-financial assets	4	14	-
Total other economic flows included in net result		**14**	**-**
Net result from continuing operations		**(19,420)**	**(15,145)**
Other comprehensive income			
Items that will not be reclassified to net result			
(ii) Changes in physical asset revaluation surplus		25,414	-
Total other comprehensive income		**25,414**	**(15,145)**
Comprehensive result		**5,994**	**(15,145)**

The comprehensive operating statement should be read in conjunction with the notes to the financial statements.

(i) 'Net gain on non-financial assets' includes realised gains from disposal of physical assets.

(ii) 'Changes in physical asset revaluation surplus' relates to the scheduled revaluation of non-financial assets completed by the Valuer-General Victoria for the year ending 30th June 2015. Non-financial assets revalued include infrastructure ($22.68m), land ($2.79m), and buildings (-$0.06m). Infrastructure asset valuations were affected by the increase in useful life, and the increase in replacement cost per square metre. Land valuations were affected by the remaining life of the Port Management Agreement, and the re-zoning of land at Stony Point and Long Island from SUZ1 to Port Zone. Only the freehold land at Crib Point land is affected by the Community Service Obligation (CSO) discount.

Balance sheet as at 30 June 2015

($thousand)

	Notes	*2015*	*2014*
Assets			
Financial assets			
Cash and deposits	15(a)	398	1,968
Receivables	5	125	367
Other financial assets		11	11
Total financial assets		**534**	**2,346**
Non-financial assets			
Property, plant and equipment	6	40,178	14,667
Intangible assets	7	118	37
Other non-financial assets	8	107	55
Total non-financial assets		**40,403**	**14,759**
Total assets		**40,937**	**17,105**
Liabilities			
Payables	9	328	5,104
Borrowings	10	196	209
Provisions	11	224	197
Total liabilities		**748**	**5,510**
Net assets		**40,189**	**11,595**
Equity			
Accumulated surplus/(deficit)		(35,235)	(15,815)
Physical Asset Revaluation Reserve		25,414	-
Contributed capital		50,010	27,410
Net worth		**40,189**	**11,595**
Commitments for expenditure	13	20	7,238
Contingent liabilities	14	-	300

The balance sheet should be read in conjunction with the notes to the financial statements.

Statement of changes in equity for the financial year ended 30 June 2015

	Physical asset revaluation reserve	*Accumulated Surplus /(Losses)*	*Contributions by Owners*	***Total***
		($thousand)		
Balance at 30 June 2013	-	**(670)**	**17,410**	**16,740**
Net result for the period		(15,145)	-	**(15,145)**
Transfer to contributed capital (i)		-	10,000	**10,000**
Balance at 30 June 2014	-	**(15,815)**	**27,410**	**11,595**
Net result for the period		(19,420)		**(19,420)**
Transfer to contributed capital (i)		-	22,600	**22,600**
Other comprehensive income	25,414	-	-	**25,414**
Balance at 30 June 2015	**25,414**	**(35,235)**	**50,010**	**40,189**

Note:

(i) These are amounts transferred by request from the Department of Economic Development, Jobs, Transport and Resources to contributed capital for the port expansion project.

The statement of changes in equity should be read in conjunction with the notes to the financial statements.

Cash flow statement for the financial year ended 30 June 2015

($thousand)

	Notes	2015	2014
Cash flows from operating activities			
Receipts			
Receipts from government		3,100	2,000
Receipts from other entities (inclusive of GST)		1,358	1,561
Net receipt of Goods and Services Tax from the ATO		1,737	1,015
Interest received		45	62
Total receipts		**6,240**	**4,638**
Payments			
Payments to suppliers and employees (inclusive of GST)		(28,492)	(14,242)
Interest and other costs of finance paid		(1)	(10)
Total payments		**(28,493)**	**(14,252)**
Net cash flows from/(used in) operating activities	16(b)	**(22,253)**	**(9,614)**
Cash flows from investing activities			
Purchases of non-financial assets (inclusive of GST)		(1,847)	(189)
Net cash flows from/(used in) investing activities		**(1,847)**	**(189)**
Cash flows from financing activities			
Repayment of borrowings and finance leases		(70)	(58)
Owner Contributions by State Government		22,600	10,000
Net cash flows from/(used in) financing activities		**22,530**	**9,942**
Net increase/(decrease) in cash and cash equivalents		**(1,570)**	**139**
Cash and cash equivalents at beginning of financial year/period		1,968	1,829
Cash and cash equivalents at end of financial year/period	16(a)	**398**	**1,968**
Non-cash transactions		-	-

The above cash flow statement should be read in conjunction with the notes to the financial statements.

Notes to the financial statements

Note 1. Summary of significant accounting policies

These annual financial statements represent the audited general purpose financial statements for the Port of Hastings Development Authority (the Authority) for the year ended 30 June 2015. The purpose of the report is to provide users with information about the Authority's stewardship of resources entrusted to it.

(A) *Statement of compliance*

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

Accounting policies are selected and applied in a manner which ensures that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

These annual financial statements were authorised for issue by the Board of the Authority on 14 August 2015.

(B) *Basis of accounting preparation and measurement*

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

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

Judgements, estimates and assumptions are required to be made about the carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in 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, (refer to Note 1(K)); and
- Employee benefit provisions based on likely tenure of existing staff, patterns of leave claims, future salary movements and future discount rates (refer to Note 1(L)).

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.

Consistent with AASB 13 *Fair Value Measurement*, the Authority determines the policies and procedures for both recurring fair value measurements such as property, plant and equipment, and financial instruments and for non-recurring fair value measurements such as non-financial physical assets held for sale, in accordance with the requirements of AASB 13 and the relevant Financial Reporting Directions.

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
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

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

In addition, the Authority determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Valuer-General Victoria (VGV) is the Authority's independent valuation agency and in conjunction with Napier & Blakely Pty Ltd has completed a revaluation of land and buildings, and infrastructure assets in March 2015 for the 2014/15 financial year, in line with the five year schedule of the Department.

(C) *Reporting entity*

The financial statements cover the Authority as an individual reporting entity.

The Authority is a government business enterprise established by the Victorian Government under the *Transport Integration Act 2010* (Vic). The Board of the Authority is directly accountable to the Victorian Government through the Minister for Ports and the Treasurer.

Its principal address is:
Port of Hastings Development Authority
32 High Street
Hastings Vic 3915

Objectives

In accordance with the Direction, the Authority's focus will be on the following:

- Manage the Port of Hastings via the Port Management Agreement with Patrick Ports Hastings until 30 June 2017; and
- To continue to respond to requests from bulk proponents who are seeking to use and/or develop facilities within the Port of Hastings, and ensuring that responses to these requests are consistent with the whole of Government objectives, and without constraining future options for the development of a container port.

(D) *Scope and presentation of financial statements*

Comprehensive operating statement

The comprehensive operating statement comprises three components, being 'net result from transactions' (or termed as 'net operating balance'), 'other economic flows included in net result', as well as 'other economic flows – other comprehensive income'. The sum of the former two, together with the net result from discontinued operations, represents the net result.

The net result is equivalent to profit or loss derived in accordance with AASs.

'Other economic flows' are changes arising from market remeasurements. They include:

- Gains and losses from disposals of non-financial assets;
- Revaluations and impairments of non-financial physical and intangible assets; and
- Fair value changes of financial instruments.

This classification is consistent with the whole of government reporting format and is allowed under AASB 101 *Presentation of Financial Statements*.

Balance sheet

Assets and liabilities are presented in liquidity order with assets aggregated into financial assets and non-financial assets.

Current and non-current assets and liabilities (non-current being those assets or liabilities expected to be recovered or settled more than 12 months after the reporting period) are disclosed in the notes, where relevant.

Cash flow statement

Cash flows are classified according to whether or not they arise from operating, investing, or financing activities. This classification is consistent with requirements under AASB 107 *Statement of Cash Flows*.

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

Statement of changes in equity

The statement of changes in equity presents reconciliations of non-owner and owner changes in equity from opening balances at the beginning of the reporting period to the closing balances at the end of the reporting period. It also shows separately changes due to amounts recognised in the 'Comprehensive result' and amounts related to 'Transactions with owner in its capacity as owner'.

Rounding

Amounts in the financial statements have been rounded to the nearest $1,000, unless otherwise stated. Figures in the financial statements may not equate due to rounding.

(E) *Changes in Accounting Policies*

Subsequent to the 2013/14 reporting period, there have been no new or revised Standards adopted in the current period by the **Authority**. New accounting standards AASB10, AASB11, and AASB12 issued in the 2014-15 financial year have no impact on the **Authority**.

(F) *Income from transactions*

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

Management fees

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

Interest

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

Grants

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

(G) *Expenses from transactions*

Expenses from transactions are recognised as they are incurred, and reported in the financial year to which they relate.

Employee expenses

Refer to the section in Note 1(L) regarding employee benefits.

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

Superannuation

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

The Authority does not have any employees who are members of a defined benefit superannuation fund.

Depreciation

All infrastructure assets, buildings, plant and equipment and other non-financial physical assets (excluding items under operating leases, assets held for sale, land and investment properties) that have finite useful lives are depreciated. Depreciation is generally calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life. Refer to Note 1 (K) for the depreciation policy for leasehold improvements.

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

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

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

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

Project expenditure
Project expenditure is the expenditure relating to the port expansion incurred against Board-approved projects in the specific departments of Engineering, Strategy & Projects, Community Engagement & Stakeholder Relations, and Environment.

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

Other expenses
Other expenses, not defined above, generally represent the day-to-day running costs incurred in normal operations and include:

- Office expenses;
- Travel;
- Professional services; and
- Other operating expenses.

(H) *Other economic flows included in the 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 1(K) 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 1(K) in relation to the recognition and measurement of non-financial assets.

(I) *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 the Authority'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.* For example, statutory receivables arising from taxes, fines and penalties do not meet the definition of financial instruments as they do not arise under contract.

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

Receivables

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, receivables are measured at amortised cost using the effective interest method, less any impairment.

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

Financial assets and liabilities at fair value through profit and loss

Financial assets are categorised as fair value through profit or loss at trade date if they are classified as held for trading or designated as such upon initial recognition. Financial instrument assets are designated at fair value through profit or loss on the basis that the financial assets form part of a group of financial assets that are managed by the Authority based on their fair values, and have their performance evaluated in accordance with documented risk management and investment strategies.

Financial instruments at fair value through profit or loss are initially measured at fair value and attributable transaction costs are expensed as incurred. Subsequently, any changes in fair value are recognised in the net result as other economic flows. Any dividend or interest on a financial asset is recognised in the net result from transactions.

(J) *Financial assets*

Cash and deposits

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

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

Receivables

Receivables consist of:

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

Contractual receivables are classified as financial instruments and categorised as loans and receivables (refer to Note 1(I) Financial Instruments for recognition and measurement). 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.

For the measurement principle of receivables, refer to Note 1(I).

Derecognition of financial assets

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

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

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

Note 1. Summary of significant accounting policies *(continued)*

Impairment of financial assets

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

Receivables are assessed for bad and doubtful debts on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. 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 2014).

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*.

(K) ***Non-financial assets***

Property, plant and equipment

All non-financial physical assets are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a machinery of government change are transferred at their carrying amount. More details about the valuation techniques and inputs used in determining the fair value of non-financial physical assets are discussed in Note 6.

The initial cost for non-financial physical assets under a finance lease (refer to Note 1(M)) 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.

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 ($1,000: 2014) and a useful life of more than one year are recognised as assets. All other assets are expenses as acquired.

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

For the accounting policy on impairment of non-financial physical assets, refer to impairment of non-financial assets under Note 1(H) *Impairment of non-financial assets*.

Note 1. Summary of significant accounting policies *(continued)*

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.

Revaluations of non-financial physical assets

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

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

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

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

Intangible assets

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. Costs incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to the Authority.

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.

Items with a cost or value in excess of $1,000 ($1,000: 2014) and a useful life of more than one year are recognised as assets. All other assets are expenses as acquired.

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

Other non-financial assets

Prepayments

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.

(L) *Liabilities*

Payables

Payables consist of:

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

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost (refer to Note 1(I)). 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.

Borrowings

All interest bearing liabilities are initially recognised at the fair value of the consideration received, less directly attributable transaction costs (refer also to Note 1(M) Leases). The measurement basis subsequent to initial recognition depends on whether the Authority has categorised its interest-bearing liabilities as either financial liabilities designated at fair value through profit or loss, or financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in net result over the period of the borrowing using the effective interest method.

Provisions

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

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

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

Employee benefits

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave for services rendered to the reporting date.

i. Wages and salaries, annual leave and sick leave

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

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

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

ii. Long service leave

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

Unconditional LSL is disclosed in the notes to the financial statements as a current liability, even where the Authority does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of this current LSL liability are measured at:

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

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

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

iii. Termination benefits

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

Employee benefits on costs

Employee benefits on-costs such as payroll tax and workers compensation are recognised separately from the provision for employee benefits.

(M) ***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.

Finance leases

Authority as lessee

At the commencement of the lease term, finance leases are initially recognised as assets and liabilities at amounts equal to the fair value of the lease property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. If there is certainty that the Authority will obtain the ownership of the lease asset by the end of the lease term, the asset shall be depreciated over the useful life of the asset. If there is no reasonable certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

Minimum finance lease payments are apportioned between reduction of the outstanding lease liability, and periodic finance expense which is calculated using the interest rate implicit in the lease and charged directly to the comprehensive operating statement. Contingent rentals associated with finance leases are recognised as an expense in the period in which they are incurred.

Operating leases

Authority as lessee

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 of the benefits derived from the use of the leased asset. The leased asset is not recognised in the balance sheet.

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 the 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 is recognised as a reduction of rental expense over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(N) ***Equity***

Contributions by owners

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

Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners. Transfers of net liabilities arising from administrative restructurings are treated as distributions to owners. Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are disclosed by way of a note (refer to Note 13 Commitments for expenditure) 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.

(O) ***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 (refer to Note 14 Contingent assets and contingent liabilities) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

(P) ***Accounting for the goods and services tax (GST)***

Income, expenses and assets are recognised net of the amount of associated GST, except where GST incurred is not recoverable from the taxation authority. In this case, the GST payable is recognised as part of the cost of acquisition of the asset or as part of the 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 taxation authority is included with other receivables or payables in the balance sheet.

Cash flows are presented on a gross basis. The GST components of cash flows arising from investing or financing activities which are recoverable from, or payable to the taxation authority, are presented as operating cash flow.

Commitments and contingent assets and liabilities are also stated inclusive of GST (refer to Note 1(O) and Note 1(P)).

(Q) ***Events after the reporting period***

Assets, liabilities, income or expenses arise from past transactions or other past events. Where the transactions result from an agreement between the Authority and other parties, the transactions are only recognised when the agreement is irrevocable at or before the end of the reporting period. Adjustments are made to amounts recognised in the financial statements for events which occur after the reporting period and before the date the financial statements are authorised for issue, where those events provide information about conditions which existed in the reporting period. Note disclosure is made about events between the end of the reporting period and the date the financial statements are authorised for issue where the events relate to conditions which arose after the end of the reporting period that are considered to be of material interest.

(R) ***Australian Accounting Standards issued that are not yet effective***

Certain new AASs have been published that are not mandatory for the 30 June 2015 reporting period. DTF assesses the impact of all these new standards and advises the Authority of their applicability and early adoption where applicable.

Note 1. Summary of significant accounting policies *(continued)*

As at 30 June 2015, the following AASs have been issued by the AASB but not yet effective. They become effective for the first financial statements for reporting periods commencing after the stated operative dates as follows:

Standard /Interpretation	***Summary***	***Applicable for annual reporting periods beginning on***	***Impact on the Authority's financial statements***
AASB 9 *Financial Instruments*, AASB 2013-9 Amendments to Australian Accounting Standards (Part C Financial Instruments), AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9, AASB 2014-1 Amendments to Australian Accounting Standards (Part E Financial Instruments), AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)*	This standard simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 *Financial Instruments: Recognition and Measurement* (AASB 139 *Financial Instruments: Recognition and Measurement*).	1 Jan 2018	The Authority is yet to assess its full impact however, initial indications are that it will be immaterial.
AASB 2014-4 Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & AASB 138]	Amends AASB 116 and AASB 138 to: • establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset; • clarify that the use of revenue-based methods to calculate the depreciation of an asset is not appropriate because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset; and • clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption, however, can be rebutted in certain limited circumstances.	1 January 2016	The Authority is yet to assess its full impact however, initial indications are that it will be immaterial.
AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*	Amends the measurement of trade receivables and the recognition of dividends.	1 January 2018	The Authority is yet to assess its full impact however, initial indications are that it will be immaterial.

Note 2. Income from transactions

($thousand)	2015	2014
(a) State Government Grants		
General purpose	3,100	2,000
(b) Management Fees		
Management fees	1,104	1,356
(c) Interest		
Interest on bank deposits	45	59
(d) Other Income		
Other Income	1	-
Total Income	**4,250**	**3,415**

Note 3. Expenses from transactions

($thousand)	2015	2014
(a) Employee expenses		
Defined contribution superannuation expense	385	294
Salaries, wages and long service leave	4,079	3,595
(i) Redundancy expense	2,645	-
(ii) Recruitment expenses	42	113
State Government Taxes	335	200
Professional Development	114	55
Other employee expenses	83	43
Total employee expenses	**7,683**	**4,300**
(b) Depreciation		
Buildings	71	71
Plant, equipment and vehicles	534	90
Infrastructure	805	805
Leasehold improvements	149	125
Total depreciation	**1,559**	**1,091**
(c) Office expenses		
Rent, rates & outgoings	211	145
Printing, stationery & supplies	32	36
Cleaning & waste disposal	36	24
Data & communication expenses	26	22
Electricity	26	14
Office Maintenance	51	24
Other office expense	12	18
Total office expense	**394**	**283**

Notes:

(i) Redundancy expense includes the total cost of the redundancy (including on-costs and leave) of 17 staff including 3 Executive Managers in May and June 2015.

(ii) Recruitment expenses include the reimbursement to staff of re-location costs incurred during the recruitment process.

Note 4. Other economic flows included in net result

($thousand)			
		2015	*2014*
	Net gain/(loss) on non-financial assets		
(i)	Net gain/(loss) on disposal of property plant and equipment	14	-
	Total net gain/(loss) on non-financial assets	14	-

Notes:
(i) Denotes disposal of leased motor vehicles via Vicfleet.

Note 5. Receivables

($thousand)			
		2015	*2014*
	Current receivables		
	Contractual		
(i)	Sale of goods and services	54	189
		54	189
	Statutory		
	GST Input tax credit recoverable	71	178
		71	**178**
	Total current receivables	**125**	**367**
	Total receivables	**125**	**367**

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

(a) Ageing analysis of contractual receivables

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

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

Please refer to Note 15 for the nature and extent of risks arising from contractual receivables.

Note 6. Property, plant and equipment

Table 6.1: Gross carrying amount and accumulated depreciation (i)

($thousand)	*Gross carrying amount*		*Accumulated depreciation*		*Net carrying amount*	
	2015	*2014*	*2015*	*2014*	*2015*	*2014*
Land at fair value	4,710	1,920	-	-	4,710	1,920
Buildings at fair value	712	1,021	-	(178)	712	843
Plant, equipment and vehicles at cost	1,848	395	(492)	(115)	1,356	280
Infrastructure at fair value	33,267	13,398	-	(2,010)	33,267	11,388
Leasehold improvements at cost	482	436	(349)	(200)	133	236
	41,019	**17,170**	**(841)**	**(2,503)**	**40,178**	**14,667**

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

Note 6. Property, plant and equipment *(continued)*

Table 6.2: Movements in carrying amounts

($thousand)

	Land	*Buildings*	*Plant, Equip, & Veh.*	*Infrastructure*	*Leasehold Imp*	*Total*
Balance at 1 July 2014	1,920	843	280	11,388	236	**14,667**
Additions	-	-	1,743	-	46	**1,789**
Disposals	-	-	(289)	-	-	**(289)**
Trf in from PoMC	-	-	-	-	-	**-**
Revaluation of PPE	2,790	(60)	-	22,684	-	**25,414**
Depreciation	-	(71)	(378)	(805)	(149)	**(1,403)**
Balance at 30 June 2015	**4,710**	**712**	**1,356**	**33,267**	**133**	**40,178**

	Land	*Buildings*	*Plant, Equip, & Veh.*	*Infrastructure*	*Leasehold Imp*	*Total*
Balance at 30 June 2015						
At fair value	4,710	712	-	33,267	-	**38,689**
At cost	-	-	1,848	-	482	**2,330**
Accumulated Depreciation	-	-	(492)	-	(349)	**(841)**
	4,710	**712**	**1,356**	**33,267**	**133**	**40,178**

	Land	*Buildings*	*Plant, Equip, & Veh.*	*Infrastructure*	*Leasehold Imp*	*Total*
Balance at 1 July 2013	1920	914	190	12,193	268	15,485
Additions	-	-	173	-	93	266
Disposals	-	-	-	-	-	-
Trf in from PoMC	-	-	-	-	-	-
Revaluation of PPE	-	-	-	-	-	-
Depreciation	-	(71)	(83)	(805)	(125)	(1,084)
Balance at 30 June 2014	**1,920**	**843**	**280**	**11,388**	**236**	**14,667**

	Land	*Buildings*	*Plant, Equip, & Veh.*	*Infrastructure*	*Leasehold Imp*	*Total*
Balance at 30 June 2013						
At fair value	1,920	1,021	-	13,398		**16,339**
At cost	-	-	395	-	436	**831**
Accumulated Depreciation	-	(178)	(115)	(2,010)	(200)	**(2,503)**
	1,920	**843**	**280**	**11,388**	**236**	**14,667**

Note 6. Property, plant and equipment *(continued)*

Table 6.3: Fair value measurement hierarchy for assets as at 30 June 2015

($thousand)

	Carrying amount as at 30 June 2015	*Fair value measurement at end of reporting period using:*		
		Level 1[(i)]	*Level 2[(i)]*	*Level 3[(i)(ii)]*
Land at fair value	4,710	-	2,550	2,160
Buildings at fair value	712	-	-	712
Plant, equipment and vehicles at fair value	1,356	-	-	1,356
Infrastructure at fair value	33,267	-	-	33,267
Leasehold improvements at cost	133	-	-	133
	40,178	**-**	**2,550**	**37,628**

($thousand)

	Carrying amount as at 30 June 2014	*Fair value measurement at end of reporting period using:*		
		Level 1[(i)]	*Level 2[(i)]*	*Level 3[(i)(ii)]*
Land at fair value	1,920	-	-	1,920
Buildings at fair value	843	-	-	843
Plant, equipment and vehicles at fair value	280	-	-	280
Infrastructure at fair value	11,388	-	-	11,388
Leasehold improvements at cost	236	-	-	236
	14,667	**-**	**-**	**14,667**

Notes:

(i) Classified in accordance with the fair value hierarchy, see Note 1(B).

(ii) Reconciliation of Level 3 fair value not performed as carrying amount is deemed fair value as at 30 June 2015.

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 is adjusted for the community service obligation (CSO) to reflect the specialised nature of the land being valued.

The CSO adjustment is a reflection of the valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. 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.

A change in zoning since the previous valuation has meant that only one area of land in Crib Point is affected by the CSO adjustment, and categorised as a Level 3 asset.

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

An independent valuation of the **Authority's** specialised land and specialised buildings was performed by the Valuer-General Victoria. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation is 30 June 2015.

Note 6. Property, plant and equipment *(continued)*

Vehicles

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

Plant and equipment

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

There were no changes in valuation techniques throughout the period to 30 June 2015. For all assets measured at fair value, the current use is considered the highest and best use.

Infrastructure

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

An independent valuation of the **Authority's** infrastructure assets was performed by the Valuer-General Victoria. The valuation was performed using the Depreciated Replacement Cost approach. The effective date of the valuation is 30 June 2015.

Note 6. Property, plant and equipment *(continued)*

Table 6.4: Description of significant unobservable inputs to Level 3 valuations 2014-15

	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	Depreciated 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.
		Useful life of buildings	Level 3	5-15 years (7.6 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Vehicles	Depreciated replacement cost	Useful life of vehicles	Level 3	1-3 years (based on VicFleet lease)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Plant and equipment	Depreciated replacement cost	Useful life of plant and equipment	Level 3	3-10 years (3 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Infrastructure	Depreciated replacement cost	Direct cost per square metre	Level 3	$\$45$ - $\$2,454/m^{2}$ ($\$1,358$)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
		Useful life of infrastructure	Level 3	10-25 years (20 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.

Table 6.5: Description of significant unobservable inputs to Level 3 valuations 2013-14

	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		Level 2		A significant increase or decrease in the land index would result in a significantly higher or lower fair value.
Buildings	Depreciated replacement cost	Direct cost per square metre	Level 3	$30 - $670/m^2 ($370)	A significant increase or decrease in the direct cost per square metre of the asset would result in a significantly higher or lower valuation.
		Useful life of buildings	Level 3	6-21 years (9 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Vehicles	Depreciated replacement cost	Useful life of vehicles	Level 3	1-3 years (based on VicFleet lease)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Plant and equipment	Depreciated replacement cost	Useful life of plant and equipment	Level 3	3-10 years (3 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Infrastructure	Depreciated replacement cost	Direct cost per square metre	Level 3	$13 - $1,681/m^2 ($405)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
		Useful life of infrastructure	Level 3	8-27 years (8 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.

Note 7. Intangible assets

Table 7.1: Gross carrying amount and accumulated depreciation

	($thousand)					
	Gross carrying amount		*Accumulated amortisation*		*Net carrying amount*	
	2015	*2014*	*2015*	*2014*	*2015*	*2014*
Intangible assets:						
- Computer Software	164	44	(46)	(7)	118	37
	164	**44**	**(46)**	**(7)**	**118**	**37**

Note 7. Intangible assets *(continued)*

Table 7.2: Movements in carrying amounts

	Computer Software
Balance at 1 July 2014	37
Additions	127
Disposals	-
Trf in from PoMC	-
Accumulated Depreciation	(46)
Balance at 30 June 2015	**118**

The Authority has capitalised software expenditure for further development of its Accredo Accounting and Business software, its SharePoint document management system, and software relating to the migration of servers to a new IT provider. The carrying amount of the capitalised software expenditure is $118,187 (2014: $37,098). The software's useful life is three years and the cost will be amortised over its useful life.

Note 8. Other non-financial assets

($thousand)

	2015	2014
Current other assets		
Prepayments	107	55
Total current other assets	**107**	**55**
Total other assets	**107**	**55**

Note 9. Payables

($thousand)

		2015	2014
	Current Payables		
	Contractual		
(i)	Supplies and services	165	5,101
	Other payables	-	-
		165	5,101
(ii)	***Statutory***		
	FBT payable	11	2
	PAYG Withholding Tax	152	1
		163	3
	Total current payables	**328**	**5,104**
	Total payables	**328**	**5,104**

Notes:

(i) The average credit period is 30 days. No interest is charged on the outstanding balances.

(ii) Terms and conditions of amounts payable to other government agencies vary according to a particular agreement with that agency.

(a) Maturity analysis of contractual payables

Please refer to Note 15(c) for the maturity details of contractual payables.

Note 9. Payables *(continued)*

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

Please refer to Note 15 for the nature and extent of risks arising from contractual payables.

Note 10. Borrowings

($thousand)

		2015	2014
	Current borrowings		
(i)	Lease liabilities (Note 1(M))	95	153
	Total current borrowings	95	153
	Non-current borrowings		
(i)	Lease liabilities (Note 1(M))	101	56
	Total non-current borrowings	101	56
	Total borrowings	**196**	**209**

Notes:

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

(ii) Refer Note 13 for lease commitments payable.

(a) Maturity analysis of borrowings

Please refer to Note 15(c) for the maturity analysis of borrowings.

(b) Nature and extent of risk arising from borrowings

Please refer to Note 15 for the nature and extent of risks arising from borrowings.

(c) Defaults and breaches

During the current and prior year, there were no defaults and breaches of any of the loans.

Note 11. Provisions

($thousand)

		2015	2014
	Current provisions		
(i)	Employee benefits (Note 11(a)) – annual leave:		
(ii)	Unconditional and expected to settle wholly within 12 months	111	118
(iii)	Unconditional and expected to settle after 12 months	-	-
(i)	Employee benefits (Note 11(a)) – long service leave:		
(ii)	Unconditional and expected to settle wholly within 12 months	-	-
(iii)	Unconditional and expected to settle after 12 months	38	13
	Total current provisions	**149**	**131**
	Non-current provisions		
(i)	Employee benefits (Note 11(a)) – long service leave	75	66
	Total non-current provisions	**75**	**66**
	Total provisions	**224**	**197**

Note 11. Provisions (continued)

(a) Employee benefits and on-costs

($thousand)

	2015	*2014*
Current employee benefits		
Annual leave entitlements	96	105
Long services leave entitlements	33	11
	129	**116**
Non-current employee benefits		
Long service leave entitlements	65	54
Total employee benefits	**65**	**170**
Current on-costs	20	15
Non-Current on-costs	10	12
Total on-costs	**30**	**27**
Total employee benefits and on-costs	**224**	**197**

Notes:

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

(ii) The amounts disclosed are nominal amounts.

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

(b) Movements in employee benefits and on-costs

($thousand)

	2015
Opening balance	**27**
Additional provisions recognised	24
Reductions resulting from settlement	(21)
Closing balance	**30**
Current	20
Non-current	10
	30

($thousand)

	2014
Opening balance	**9**
Additional provisions recognised	27
Reductions resulting from settlement	(9)
Closing balance	**27**
Current	15
Non-current	12
	27

Note 12. Superannuation

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

The name, details and amounts expensed in relation to the major employee superannuation funds and contributions made by the Authority are as follows:

($thousand)

Fund	*Paid contribution for the year*		*Contribution outstanding at Year End*	
	2015	*2014*	*2015*	*2014*
Defined contributions plans:				
VicSuper	151	121	-	-
Other	234	173	-	-
	385	**294**	**-**	**-**

Note 13. Commitments for expenditure

($thousand)

	Nominal Values	***2015***	***2014***
(i)	**Operating lease commitments payable**		
	Less than one year	119	221
	Longer than one year but not longer than five years	184	286
	Longer than five years	-	-
	Total operating and lease commitments	**303**	**507**
(ii)	**Finance lease commitments payable**		
	Less than one year	100	159
	Longer than one year but not longer than five years	105	58
	Longer than five years	-	-
	Total finance lease commitments	**205**	**217**
	Other commitments payable		
(iii)	Less than one year	20	7,238
	Longer than one year but not longer than five years	-	-
	Longer than five years	-	-
	Total other commitments	**20**	**7,238**
	Total commitments (inclusive of GST)	**22**	**7,962**
	Less GST recoverable from the Australian Tax Office	2	724
	Total commitments (exclusive of GST)	**20**	**7,238**

Notes:

(i) Operating lease commitments relate to office premises. The office lease for 34 High St Hastings expires on 31 August 2015, and will be terminated on this date. The office lease for 32 High St Hastings expires on 30 April 2018, with two options for two years.

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

(iii) Other commitments payable relate to general creditors.

Note 14. Contingent assets and contingent liabilities

	($thousand)		
	Nominal Values	***2015***	***2014***
(i)	**Contingent liabilities**		
	Legal proceedings and disputes	-	300
		-	**300**

Notes:
(i) The contingent liability relates to a project contract which was finalised during the 2014-15 financial year.

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

Note 15. Financial instruments

(a) Financial risk management objectives and policies

The Authority's principal financial instruments comprise:
- Cash assets (including at call deposits);
- Receivables (excluding statutory receivables);
- Payables (excluding statutory payables); and
- Finance lease liabilities payable.

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 and financial liability above are disclosed in Note 1 to the financial statements.

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

The Authority's main financial risks include credit risk, liquidity risk and interest rate risk. The Authority manages these financial risks in accordance with its financial risk management policy.

The Authority uses different methods to measure and manage the different risks to which it is exposed.

Primary responsibility for the identification and management of financial risks rests with the Chief Financial Officer and the Audit and Risk Committee of the Authority.

The carrying amounts of the Authority's contractual financial assets and financial liabilities by category are disclosed in Table 15.1 below.

Note 15. Financial Instruments *(continued)*

Table 15.1: Categorisation of financial instruments

($thousand)

2015	*Contractual financial assets – loans and receivables*	*Contractual financial liabilities at amortised cost*	*Total*
Contractual financial assets			
Cash and deposits	398	-	**398**
Receivables (sale of goods and services)	54	-	**54**
Total contractual financial assets	**452**	**-**	**452**
Contractual financial liabilities			
Payables (supplies and services)	-	165	165
Borrowings (Finance lease liabilities)	-	196	196
Total contractual financial liabilities	**-**	**361**	**361**

2014	*Contractual financial assets – loans and receivables*	*Contractual financial liabilities at amortised cost*	*Total*
Contractual financial assets			
Cash and deposits	1,968	-	1,968
Receivables (sale of goods and services)	189	-	189
Total contractual financial assets	**2,157**	**-**	**2,157**
Contractual financial liabilities			
Payables (supplies and services)	-	5,101	5,101
Borrowings (Finance lease liabilities)	-	209	209
Total contractual financial liabilities	**-**	**5,310**	**5,310**

Table 15.2: Net holding gain/(loss) on financial instruments by category

($thousand)

	2015	***2014***
Total interest income/(expense)	44	49
Total	**44**	**49**

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.

Note 15. Financial Instruments *(continued)*

(b) Credit risk

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

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

In addition, the Authority's cash assets are mainly cash at bank. The Authority's policy is to only deal with banks with high credit ratings.

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

Table 15.3: Categorisation of financial instruments

($thousand)

2015	*Financial institutions (AAA credit rating)*	*Other (min BBB credit rating)*	*Total*
Cash and deposits	398	-	398
Receivables (sale of goods and services)	-	54	54
Total contractual financial assets	**398**	**54**	**452**
2014			
Cash and deposits	1,968	-	1,968
Receivables (sale of goods and services)	-	189	189
Total contractual financial assets	**1,968**	**189**	**2,157**

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

(c) Liquidity risk

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

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

- Close monitoring of its short-term and long-term borrowings by senior management, including monthly reviews on current and future borrowing levels and requirements;
- Maintaining an adequate level of uncommitted funds that can be drawn at short notice to meet its short-term obligations;
- Holding investments and other contractual financial assets that are readily tradeable in the financial markets;
- Careful maturity planning of its financial obligations based on forecasts of future cash flows; and

Note 15. Financial instruments *(continued)*

- A high credit rating for the State of Victoria (Moody's Investor Services & Standard & Poor's Triple-A, which assists in accessing debt market at a lower interest rate).

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

The Authority's contractual financial liabilities for payables fall due within 30 days of the reporting date. The Authority's contractual financial liabilities for borrowings relate to motor vehicle finance leases with VicFleet and fall due evenly over the term of the lease (up to three years) and secured against the motor vehicle.

The Authority has minimal exposure to doubtful or bad debts, as receivables are settled within 14 days of the date of the invoice as per the Port Management Agreement. All receivables are therefore current (less than 30 days).

Table 15.4 discloses the contractual maturity analysis for the Authority's contractual financial liabilities.

Table 15.4: Maturity analysis of contractual financial liabilities[(i)]

($thousand)

2015	*Carrying Amount*	*Nominal Amount*	*Less than 1 month*	*1-3 months*
Payables[(ii)]:				
Payables (supplies and services)	165	165	165	-
Borrowings:				
Borrowings (Finance lease liabilities)	196	205	56	8
Total	**361**	**370**	**221**	**8**
2014				
Payables[(ii)]:				
Payables (supplies and services)	5,101	5,101	5,101	-
Borrowings:				
Borrowings (Finance lease liabilities)	209	217	34	13
Total contractual financial assets	**5,310**	**5,318**	**5,135**	**13**

2015	*3 months – 1 year*	*1 -5 years*	*5+ years*
Payables[(ii)]:			
Payables (supplies and services)	-	-	-
Borrowings:			
Borrowings (Finance lease liabilities)	36	105	-
Total	**36**	**105**	**-**
2014			
Payables[(ii)]:			
Payables (supplies and services)	-	-	-
Borrowings:			
Borrowings (Finance lease liabilities)	112	58	-
Total contractual financial assets	**112**	**58**	**-**

Notes:

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

Note 15. Financial instruments *(continued)*

(d) Market risk

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

Interest rate risk

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

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

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

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates are set out in Table 15.5.

Table 15.5: Interest rate exposure of financial instruments

($thousand)

2015		*Variable interest rate*	*Non-interest bearing*	*Total*
Financial Assets				
Cash and deposits	*(weighted average interest rate 2.36%)*	398	-	398
Receivables (sale of goods and services)		-	54	54
Total financial assets		**398**	**54**	**452**
Financial Liabilities				
Payables (supplies and services)		-	165	165
Borrowings (Finance lease liabilities)	*(weighted average interest rate 4.40%)*	196	-	196
Total financial liabilities		**196**	**165**	**361**
2014				
Financial Assets				
Cash and deposits	*(weighted average interest rate 2.54%)*	1,968	-	1,968
Receivables (sale of goods and services)		-	189	189
Total financial assets		**1,968**	**71**	**2,157**
Financial Liabilities				
Payables (supplies and services)		-	5,101	5,101
Borrowings (Finance lease liabilities)	*(weighted average interest rate 5.37%)*	209	-	209
Total financial liabilities		**209**	**5,101**	**5,310**

Sensitivity disclosure analysis and assumptions

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

A 1% movement up/(down) in the floating interest rate has an annual effect of positive/negative $3,980 on profit/(loss) as at the reporting date (2014: $19,680 profit/(Loss)).

Note 15. Financial instruments *(continued)*

(e) Fair value

The Authority considers that the carrying amount of financial instrument assets and liabilities recorded in the financial statements to be a fair approximation of their fair values, because of the short-term nature of the financial instruments and the expectation that they will be paid in full.

The following table shows that the fair values of the contractual financial assets and liabilities are the same as the carrying amounts.

Table 15.6: Comparison between carrying amount and fair value

($thousand)

	Carrying Amount		*Fair value*	
	2015	*2014*	*2015*	*2014*
Contractual financial assets				
Cash and deposits	398	1,968	398	1,968
Receivables (sale of goods and services)	54	189	54	189
Total contractual financial assets	**452**	**2,157**	**452**	**2,157**
Contractual financial liabilities				
Payables (supplies and services)	165	5,101	165	5,101
Borrowings (Finance lease liabilities)	196	209	196	209
Total contractual financial liabilities	**361**	**5,310**	**361**	**5,310**

Note 16. Cash flow information

(a) Reconciliation of cash and cash equivalents

($thousand)

	2015	***2014***
Total cash and deposits disclosed in the balance sheet	**398**	**1,968**
Balance as per cash flow statement	**398**	**1,968**

Note:

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

Note 16. Cash flow information *(continued)*

(b) Reconciliation of net result for the period

($thousand)	2015	2014
Net result for the period	**(19,420)**	**(15,145)**
Non-cash movements:		
Depreciation and amortisation of non-current assets	1,559	1,091
GST on non-current asset purchases	167	17
Movements in assets and liabilities:		
(Increase)/decrease in receivables	242	(296)
(increase)/decrease in other financial assets	-	45
(Increase)/decrease in other non-financial assets	(52)	36
Increase/(decrease) in payables	(4,776)	4,505
Increase/(decrease) in provisions	27	133
Net cash flows from/(used in) operating activities	**(22,253)**	**(9,614)**

(c) Non-cash financing activities

During the year, the Authority acquired motor vehicles to the value of $160,014 via finance leases (2014: $119,455), and disposed of vehicles to the value of $198,455 (2014: Nil).

Note 17. Ex-gratia expenses (i)(ii)

($thousand)	2015	2014
(iii) Employee Expenses	-	20
Total Ex-gratia expenses	**-**	**20**

Note:

(i) Includes ex-gratia expenses greater than or equal to $5,000 or those considered material in nature.

(ii) These ex-gratia expenses have been recognised in the Comprehensive Operating Statement under Employee expenses.

(iii) Payment to an Authority member of staff in lieu of notice on resignation.

Note 18. Responsible persons

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

Names

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

Title	Name	Period
Minister for Ports	Hon Mr David Hodgett	1 July 2014 to 3 December 2014
Minister for Ports	Hon Mr Luke Donnellan	4 December 2014 to 30 June 2015
Treasurer	Hon Mr Michael O'Brien	1 July 2014 to 3 December 2014
Treasurer	Hon Mr Tim Pallas	4 December 2014 to 30 June 2015
Chairman	Mr Yehudi Blacher	1 July 2014 to 30 June 2015
Deputy Chairman	Mr Rod Chadwick	1 July 2014 to 30 June 2015
Director	Mr Geoff Craige	1 July 2014 to 30 June 2015
Director	Ms Claire Filson	1 July 2014 to 30 June 2015
Director	Mr Greg Martin	1 July 2014 to 30 June 2015
Chief Executive Officer	Mr Mike Lean	1 July 2014 to 30 June 2015

Remuneration

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

$320,000 - $329,999 full-time
(2014: $340,000 - $349,999 full time)

There were no related party transactions during the current or previous reporting periods.

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

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

	Total Remuneration		*Base Remuneration*	
Income bands	*2015*	*2014*	*2015*	*2014*
$30,399 - $39,999	-	4	-	4
$40,000 - $49,999	4	-	4	-
$60,000 - $69,999	-	1	1	1
$70,000 - $79,999	1	-	-	-
Total number of directors	**5**	**5**	**5**	**5**
Total amount	**$243,561**	**$210,989**	**$236,275**	**$210,989**

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

Note 19. Remuneration of executives and payments to other personnel

(a) Remuneration of executives

The number of executive officers, other than responsible persons, 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 executive officers 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 total annualised employee equivalent provides a measure of full time equivalent executive officers over the reporting period.

	Total Remuneration		*Base Remuneration*	
Income bands	*2015*	*2014*	*2015*	*2014*
$ 10,000 - $ 19,999	-	1	-	1
$130,000 - $139,999	-	1	-	1
$150,000 - $159,999	-	1	1	1
$170,000 - $179,999	-	-	-	3
$180,000 - $189,999	-	-	2	1
$190,000 - $199,999	2	3	1	-
$200,000 - $209,999	-	-	1	-
$210,000 - $219,999	1	-	-	-
$220,000 - $229,999	-	1	-	-
$230,000 - $239,999	1	-	-	-
$270,000 - $279,999	1	-	1	-
$410,000 - $419,999	1	-	-	-
Total number of executives	**6**	**7**	**6**	**7**
(i) **Total annualised employee equivalents (AEE)**	**5.86**	**5.46**	**5.86**	**5.46**
Total amount	**1,520,567**(ii)	**1,104,943**	**1,197,382**	**1,008,930**

Note:

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

(ii) Three Executive Managers received redundancy payments in May and June 2015.

(b) Loans to and transactions with executives

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

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

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

Note 20. Remuneration of auditors

($thousand)	**2015**	**2014**
Victorian Auditor-General's Office		
Audit of the financial statements	15	15
	15	**15**

Note 21. Subsequent events

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

Accountable Officer's and Chief Finance and Accounting Officer's Declaration

The attached financial statements for the Port of Hastings Development Authority have been prepared in accordance with Standing Directions 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, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2015 and financial position of the Authority at 30 June 2015.

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 14 August 2015.

Alan Wilson
Acting Chief Financial Officer
Port of Hastings Development Authority

Hastings
14 August 2015

Mike Lean
Chief Executive Officer
Port of Hastings Development Authority

Hastings
14 August 2015

Claire Filson
Deputy Chairman
Port of Hastings Development Authority

Hastings
14 August 2015

Yehudi Blacher
Chairman
Port of Hastings Development Authority

Hastings
14 August 2015

Independent Auditor's Report

VAGO

Victorian Auditor-General's Office

Level 24, 35 Collins Street
Melbourne VIC 3000
Telephone 61 3 8601 7000
Facsimile 61 3 8601 7010
Email comments@audit.vic.gov.au
Website www.audit.vic.gov.au

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Port of Hastings Development Authority

The Financial Report

The accompanying financial report for the year ended 30 June 2015 of the Port of Hastings Development Authority which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the accountable officer's and chief finance and accounting officer's declaration 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 and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error.

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, the financial report presents fairly, in all material respects, the financial position of the Port of Hastings Development Authority as at 30 June 2015 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*.

T McQ..

MELBOURNE
26 August 2015

for John Doyle
Auditor-General

Auditing in the Public Interest

Other Disclosures

Implementation of the Victorian Industry Participation Policy

The *Victorian Industry Participation Policy Act 2003* requires public bodies and departments to report on the implementation of the Victorian Industry Participation Policy (VIPP). The Authority is required to apply VIPP in all tenders over $3 million.

The Authority did not enter into any new contracts to which the Victorian Industry Participation Policy applied in the year ended 30 June 2015.

Consultancies

Details of Consultancies Over $10,000

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (excluding GST)	Expenditure 2014-15 (excluding GST)	Future expenditure (excluding GST)
Beyond Technology Consulting Pty Ltd	IT Services	01/07/2014	31/10/2014	$10,500	$10,500	-
Evers Consulting	Dredge Management	01/11/2014	30/06/2015	$11,200	$11,200	-
Mercer Consulting	Executive Remuneration Services	01/09/2014	30/09/2014	$11,550	$11,550	-
Infracorr Consulting Pty Ltd	Engineering Design and Supervision	01/07/2014	Ongoing	$18,100	$18,100	-
Terry Healy Consulting	Document Review	01/07/2014	31/12/2014	$22,562	$22,562	-
Depart of Transport, Planning & Local Infrastructure	Asset Valuations	01/07/2014	Ongoing	$28,500	$28,500	-
Raylink Consulting Pty Ltd	Rail Adviser	01/07/2014	30/11/2014	$16,812	$16,812	-
Baird Australia	Engineering Review	01/11/2014	31/03/2015	$91,000	$91,000	-
Infrastructure Services Group P/L	Project Management Support	01/07/2014	Ongoing	$299,202	$299,202	-
VicRoads	Transport Corridor Project Team	01/07/2014	30/04/2015	$314,614	$314,614	-
AECOM & GHD	Prime – Design Engineering / Environment & Social	01/07/2014	Ongoing	$5,565,573	$5,565,573	-
Corrs Chambers Westgarth	Prime - Legal Advisory Services	01/07/2014	Ongoing	$896,597	$896,597	-
URS Australia P/L	Prime - Risk Assessment	01/07/2014	30/09/2014	$78,855	$78,855	-
KPMG Australia	Prime - Commercial and Economic	01/07/2014	Ongoing	$3,244,195	$3,244,195	-
Royal Haskoning DHV	Prime - Hydrodynamics and Dredge Material Management	01/07/2014	Ongoing	$4,594,553	$4,594,553	-

Details of Consultancies under $10,000

In 2014/15, there were 15 consultancies where the total fees payable to the consultants were less than $10,000. The total expenditure incurred during 2014/15 in relation to these consultancies is $38,254 (excl. GST).

Disclosure of Major Contracts

There were no major contracts (contracts greater than $10 million) entered into during 2014/15.

Freedom of information

The *Freedom of Information Act 1982* allows the public a right of access to documents held by the Authority. For the 12 months ended 30 June 2015, the Authority received no applications.

Making a Request

Access to documents may be obtained through written request to the Freedom of Information Manager, 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 an application fee of $22.70.

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

Mr Mike Lean
Chief Executive Officer
Port of Hastings Development Authority
PO Box 129
HASTINGS VIC 3915

Requests can also be lodged online at www.foi.vic.gov.au

Access charges may also apply once documents have been processed and a decision on access is made; for example photocopying and search and retrieval charges.

Further information regarding Freedom of Information can be found at www.foi.vic.gov.au

Compliance with the *Building Act 1993*

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

National Competition Policy

The Authority continues to comply with the requirements of the National Competition Policy, including compliance with the requirements of the policy statement *Competitive Neutrality: A Statement of Victorian Government Policy, the Victorian Government Timetable for the Review of Legislative Restrictions on Competition* and any subsequent reforms.

Compliance with the *Protected Disclosure* Act 2012

The *Protected Disclosure Act 2012* encourages and assists people in making disclosures of improper conduct by public officers and public bodies. The Act provides protection to people who make disclosures in accordance with the Act and establishes a system for the matters disclosed to be investigated and rectifying action to be taken.

The Authority does not tolerate improper conduct by employees, nor the taking of reprisals against those who come forward to disclose such conduct. It is committed to ensuring transparency and accountability in its administrative and management practices and supports the making of disclosures that reveal corrupt conduct, conduct involving a substantial mismanagement of public resources, or conduct involving a substantial risk to public health and safety or the environment.

The Authority will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. It will also afford natural justice to the person who is the subject of the disclosure to the extent it is legally possible.

Reporting Procedures

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

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

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

The Protected Disclosure Coordinator
Port of Hastings Development Authority
P O Box 129
HASTINGS VIC 3915.

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

The Independent Broad-based Anti-corruption Commission
Level 1, North Tower
459 Collins Street
Melbourne VIC 3000

During the year ended 30 June 2015, there were no disclosures or investigation of improper conduct or detrimental action made by staff to the Authority or any referred by the IBAC, the Ombudsman or other person to the Authority.

Risk Management Attestation

Attestation for compliance with the *Australian/New Zealand Risk Management Standard*

I, Mike Lean certify that the Authority has risk management processes in place consistent with AS/NZS ISO 31000:2009 (or an equivalent designated standard) and an internal control system is in place that enables the executive to understand, manage and satisfactorily control risk exposures. The audit and risk committee verifies this assurance and that the risk profile of the Authority has been critically reviewed within the last 12 months.

Mike Lean
Chief Executive Officer
Port of Hastings Development Authority

14 August 2015

Claire Filson
Chairman Audit and Risk Committee
Port of Hastings Development Authority

14 August 2015

Insurance Attestation

Attestation for compliance with the *Ministerial Standing Direction 4.5.5.1 – Insurance*

I, Mike Lean certify that the Authority has complied with *Ministerial Standing Direction 4.5.5.1 – Insurance.*

Mike Lean
Chief Executive Officer
Port of Hastings Development Authority

14 August 2015

APPENDIX A - Ministerial Direction

Direction

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

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

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

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

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

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

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

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

....

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

Approval of Treasurer

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

....

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

Disclosure Index

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

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*FRD is a mandatory Financial Reporting Disclosure issued by the Minister for Finance pursuant to Section 8 of the *Financial Management Act 1994*, and Regulation 16 of the *Financial Management Act 2004.*
**SD is a mandatory Standing Direction under *the Financial Management Act 1994*.