PORT OF HASTINGS
DEVELOPMENT AUTHORITY

Annual Report

2015/16

PORT OF
HASTINGS
DEVELOPMENT AUTHORITY

Contents

Chairman's Report

Dear Minister,

I am pleased to submit the Annual Report together with the Financial Statements, in accordance with the *Financial Management Act 1994*, for the Port of Hastings Development Authority (the Authority) for the year ended 30 June 2016.

The 2015-16 financial year has been a year of transformation for the Authority, redirecting its activities and focussing its efforts on attracting new bulk commodity trades to the port in accordance with the Ministerial Direction signed by the Minister for Ports, the Hon Luke Donnellan MP, and the Treasurer, the Hon Tim Pallas MP on the 27th May 2015.

During the year the Authority completed a comprehensive review of its assets and created a benchmark quality Strategic Asset Plan to ensure its assets are reliably maintained in the most cost effective manner. This work will stand the Authority in good stead for the years ahead.

The Authority continues to work closely with the Department of Economic Development, Jobs, Transport and Resources (DEDJTR), the Department of Environment, Land, Water and Planning (DELWP), and existing port customers to remove existing barriers to the successful development of the Port.

I would like to acknowledge and thank the outgoing Chairman, Mr Yehudi Blacher who departed the Board on 31 December 2015, former CEO Mike Lean who departed the Authority on 23 October 2015 and interim CEO Dr Michael Kennedy for their valuable contributions to the Authority during their terms and for the leadership and guidance shown during a period of significant change experienced by the Authority.

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

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

Craig Cook
CHAIRMAN

Chief Executive Officer's Report

The Port of Hastings Development Authority redirected its focus during 2015/16 following the issuing of the Ministerial Direction on 27th May 2015. Authority staff are focussed on pursuing opportunities to attract bulk trades and managing the port via the current Port Management Agreement (PMA) with Patricks Ports Hastings (PPH).

The Authority engaged with a number of customers interested in exploiting the natural advantages of Hastings during 2015/16, and remains engaged with two significant proponents who have made substantial progress in the development of plans to use the bulk facilities of the port.

During the year the Authority's engineers completed a comprehensive review of assets and created a benchmark quality Strategic Asset Plan. This plan will ensure the Authority's assets are maintained in the most efficient manner while ensuring the safety and reliability of port infrastructure for the benefit of port users both now and for many years to come. The Authority is also continuing to work to remove a number of barriers to Port development that presently hamper the growth of the port.

The current PMA expire on 30th June 2017 and Authority staff are committed to assisting the Government to ensure the continued smooth operation of the Port during the period leading up to and following its expiration.

Following the Ministerial Direction on 27th May 2015 and subsequent change in focus of the Authority, the Authority has continued to manage changes to its organisational structure. I would like to take this opportunity to thank former CEO Mike Lean and Chairman Yehudi Blacher, who resigned during the year, for their vast contributions to the Authority during the port expansion project and during the challenging period following the change in focus of the Authority. I would also like to thank Dr.Michael Kennedy for his contribution as Chief Executive Officer prior to my appointment and take this opportunity to thank the current Chairman, Craig Cook, and the Board for their support and guidance following my appointment.

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

Malcolm Geier
CHIEF EXECUTIVE OFFICER

Annual Report

For the Period 1 July 2015 to 30 June 2016

The Annual Report of the Port of Hastings Development Authority is presented together with the Financial Statements made up to 30 June 2016 in conformity with the provisions of the *Financial Management Act 1994*.

Objectives and Functions

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 27th 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 it expires on 30th 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 the 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:

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

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

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

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

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

Objectives:
The Authority's objectives are:

- 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.

Vision Mission Objectives

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 $1.4 billion.

The 2015/16 financial year saw an increase in the number of ships visiting the port, resulting in an increase in import trade volumes, but a reduction in export trade volumes through the Port of Hastings. The Port's main trade commodities include oil, liquid petroleum gas (LPG) and unleaded petrol (ULP). 2015/16 also saw the re-commencement of steel carrying ships visiting the BlueScope wharf, which led to a movement of 160,207 tonnes of steel for the period. 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, the fishing industry, oil exploration vessels, small commercial vessels, harbour tugs and the harbour service vessel.

Export/Import (tonnes)

	2012/13	2013/14	2014/15	2015/16
Exports				
Gas	380,516	544,835	430,507	479,116
Oil	1,047,404	1,049,152	735,031	235,213
Steel				40,758
Other *			477	128
Total Exports	1,427,920	1,593,987	1,166,015	755,215
Export Ships	38	32	44	76
Imports				
Fuel	401,913	481,637	470,216	509,034
Steel				119,449
Other *			26,055	168
Total Imports	401,913	481,637	496,271	628,651
Import Ships	18	23	28	35
Total Imports/Exports	1,829,833	2,075,624	1,662,286	1,383,866
Import/Export Ships	56	55	72	111

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

Current Year Financial Summary

Five Year Financial Summary

($thousand)

Financial Summary	*2016*	*2015*	*2014*	*2013*	*2012[i]*
State government grant	2,200	3,100	2,000	4,000	-
Total income from transactions	1,100	1,151	1,415	1,177	544
Total expenses from transactions	(5,525)	(23,684)	(18,560)	(5,390)	(1,001)
Net result from transactions	(2,219)	(19,434)	(15,145)	(213)	(457)
Net result for the period	(2,902)	(19,420)	(15,145)	(213)	(457)
Net cash flow from operating activities	(52)	(22,253)	(9,614)	1,291	(29)
Total assets[ii]	37,979	40,937	17,105	17,550	17,062
Total liabilities	692	748	5,510	810	109

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

Overview

The State Government allocated operational funding of $3.08 million to the Port of Hastings Development Authority for the 2015-16 financial year of which $2.20 million was drawn down. The drawn amount is shown as State Government Grants in the financial statements.

In 2015/16, the Authority recorded a net loss from transactions of $2.22 million, which was $17.21 million less than 2014/15. Income from transactions decreased to $1.10 million during the year ended 30 June 2016 from $1.15 million for the year ended 30 June 2015. Total expenses from transactions decreased in the current year, having increased in each of the previous three and a half years the Authority has been in existence. Expenses from transactions decreased to $5.52 million in the year ended 30 June 2016 from $23.68 million for the year ended 30 June 2015, and is a direct result of the change in direction of the Authority following the November 2014 change of Government, and the reduction in staff levels that followed. Expenses were $1.32 million below budget for the year ending 30 June 2016.

Total assets decreased by $2.96 million in 2015/16 to $37.98 million following the disposal of hydrodynamic data recording equipment that was gifted to Gippsland Ports during the year. Total liabilities decreased by $0.06 million in 2015/16 to $0.69 million. Borrowings decreased by $0.10 million due to the disposal of four leased executive vehicles and the commencement of one new vehicle lease during the year.

The net cash outflow from operations of $0.05 million was below last year's $22.25 million, but above 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 for 2015-16 were lower than 2014-15 and as a direct result of a decrease in crude oil export volumes, partially offset by a 50% increase in the number of ships visiting the port. The increase in shipping included the re-commencement of BlueScope ships using the BlueScope wharf. Operational funding of $2.20 million was required during the year, which was $0.88 million below budget.

Expenses decreased in 2015/16 in line with the change in direction and were lower than budget. The main corporate expenses were employee and related costs, depreciation of assets, consulting fees in the areas of IT and legal, office rent and costs related to attracting new proponents to the port. The Authority incurred a loss on disposal of assets when hydrodynamic data recording equipment was gifted to Gippsland Ports.

The Authority incurred project costs of $0.31 million in the 2015/16 financial year, which was below budget by $1.01 million and reflected the timing of and difficulties faced in securing new proponents to the port under the current Port Management Agreement. Project costs incurred during the year were mainly consultant related in the areas of asset management, legal and technical support.

Financial Position – Balance Sheet

Net assets decreased by $2.90 million over the year to $37.29 million. There has been no major capital expenditure during the year.

Total liabilities decreased by $0.06 million to $0.69 million, with a slight increase in trade and accrued payables of $0.04 million and a decrease in borrowings of $0.10 million relating to the disposal of leased motor vehicles through Vicfleet.

Total financial assets decreased by $0.09 million to $0.44 million, which was the direct result of a corresponding decrease in cash and deposits by $0.09 million to $0.31 million at 30 June 2016. Interest received for 2015/16 was below budget due to lower than budget funding and average monthly cash holdings.

Total non-financial assets decreased by $2.86 million to $37.54 million at year end due to depreciation and the disposal of hydrodynamic data recording equipment, four executive motor vehicles, and leasehold improvements that were written off at the end of the lease at 2/34 High Street, Hastings. Capital expenditure amounted to $0.01 million for the year. There was one new motor vehicle lease that commenced in June 2016.

Cash Flows

The cash balance of $0.31 million at the 30 June 2016 was a net outflow of $0.09 million in cash movement from the prior year. Cash inflows by way of State Government grant decreased by $0.90 million from 2014/15 to $2.20 million, with no funds provided by Capital Appropriation. There was also a reduction in port management fees from the Port Management Agreement and interest from 2014/15 of $0.06 million to $1.34 million. Outflows reduced for payments to suppliers and employees by $24.90 million to $3.60 million.

Creditor activity remained lower through most of 2015/16 in line with the Authority's change of direction and the lower levels of project activity, however finished just above budget at 30 June 2016. State Government grants drawn were $2.20 million which was $0.88 million below budget. Interest on funds on deposit were negligible for the year (2014/15 $0.04 million), as the average monthly balance of funds held were lower than 2014/15 and were drawn as required during the year.

Cash flows from borrowings resulted in a net cash flow used in financing activities of $0.02 million when netted against interest (2014/15 $0.07 million).

Subsequent Events

Subsequent to the reporting period there were no events of significance occurring. Refer to Note 19 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 four independent Directors during the year; a Chairman, Deputy Chairman and two Directors.

Board of Directors

Craig Cook

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

Claire Filson

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

Jennifer Acton

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

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.

Chairman Mr Yehudi Blacher's term expired on 31 December 2015. Mr Craig Cook was appointed Chairman on 1 January 2016. Ms Claire Filson was appointed Deputy Chairman 1 July 2015.

The Port of Hastings Development Authority Directors:

Position	Name	Appointed	Term Expires
Chairman	Mr Yehudi Blacher	1/1/2012	31/12/2015
Chairman	Mr Craig Cook	1/7/2015 (Appointed Chairman 1/1/2016)	30/06/2017
Deputy Chairman	Ms Claire Filson	1/1/2012	30/06/2017
Director	Ms Jennifer Acton	1/7/2015	30/06/2017

The Board met 9 times during the year.

Table 1: Board Meeting Attendance

Director	Attended	Eligible to Attend	Total Meetings Held
Mr Blacher (Chairman)	6	6	6
Mr Cook (Chairman)	8	9	9
Ms Filson	9	9	9
Ms Acton	9	9	9

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 2016.

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.

Within this policy the Board 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, Ms Claire Filson, Director Ms Jennifer Acton, and external member Mr Peter Wickenden of Burke Bond Partners Pty Ltd (appointed 16 November 2015). 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 2016 the Audit and Risk Committee has focused on the annual audit program, corporate policy settings and risk management.

The Audit and Risk Committee recommended the annual audit program for approval by the Board.

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
Ms Filson (Chairman)	4	4
Ms Acton	4	4
Mr Wickenden	3	4

The Audit and Risk Committee met 4 times during the year.

Executive Remuneration Committee

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

The Executive Remuneration Committee comprises Ms Jennifer Acton, appointed Chair of the Committee on the 21st January 2016, Mr Craig Cook and Ms Claire Filson, non-executive directors.

Table 3: Executive Remuneration Committee Meeting & Attendance

Executive Remuneration Committee Member	Attended	Total Meetings Held
Ms Acton (Chair)	1	1
Mr Cook	1	1
Ms Filson	1	1

Senior Executives

Mike Lean
Mike was appointed Chief Executive Officer in February 2013 and resigned his position in October 2015.

Michael Kennedy
Michael was appointed Chief Executive Officer (Interim) in October 2015 and completed his term in March 2016.

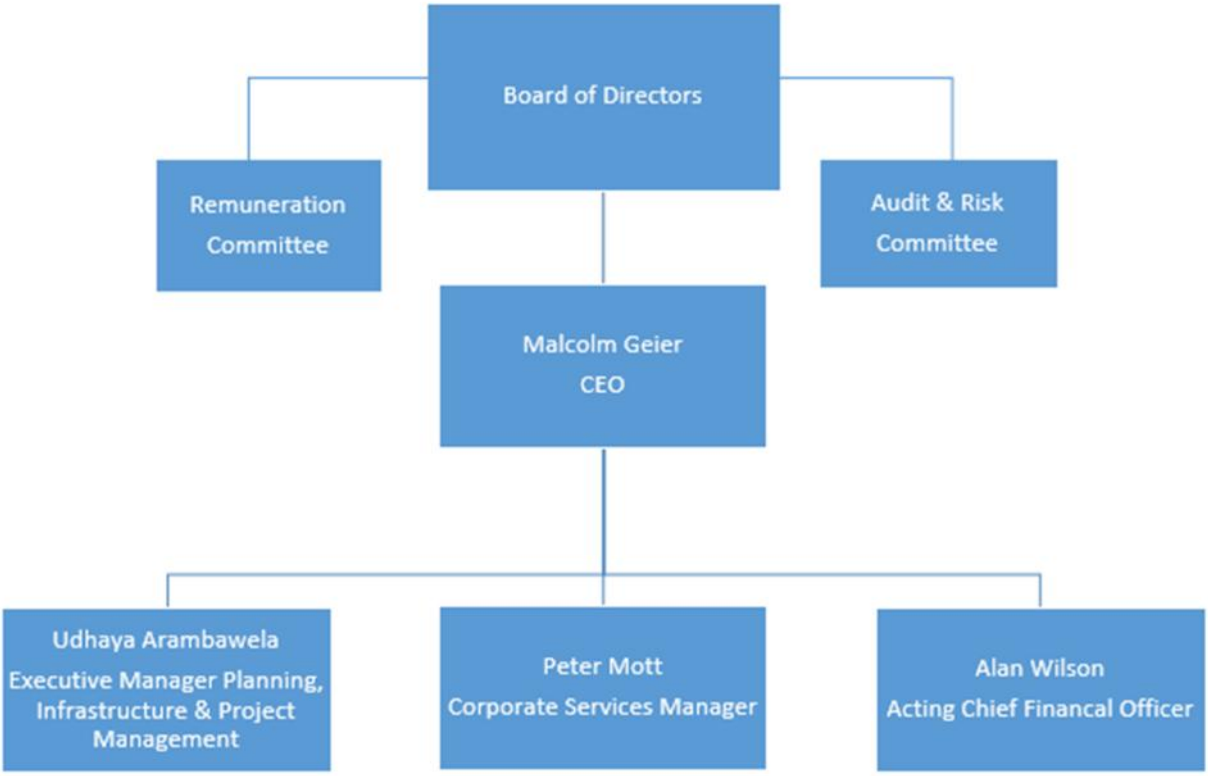
Malcolm Geier
Malcolm was appointed Chief Executive Officer in March 2016 to lead the Authority. Malcolm is responsible for the management and operations of the Authority and the business development of the port.

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.

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 responsible for all financial operations and services, people, performance and culture function 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, Freedom of Information, OH&S, and contract management activities of the Authority.

Organisational Structure



Note: The above organisational chart as at 30 June 2016.

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 2016

	2016			2015		
	Male	**Female**	**Total**	**Male**	**Female**	**Total**
Full-time permanent	9	2	11	10	3	13
Full-time temporary	-	-	-	-	-	-
Part-time	-	2	2	-	1	1
Totals	**9**	**4**	**13**	**10**	**4**	**14**

Note: During 2015/16 the Authority employed no additional full-time staff. One executive manager resigned his position during the year and was not replaced.

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 worker's compensation claims made during the 2015/16 reporting period (Nil 2014/15).

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.

The two community engagement networks, PORTicipate and the Council Advisory Group, were suspended at the end of the 2014/15 financial year following the change of direction for the Authority. The Authority continues 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 2016

Comprehensive operating statement for the financial year ended 30 June 2016

($thousand)

		Notes	*2016*	*2015*
	Continuing Operations			
	Income from transactions			
	State government grants	2(a)	2,200	3,100
	Management fees	2(b)	1,100	1,104
	Interest	2(c)	5	45
	Other Income	2(d)	1	1
	Total income from transactions		**3,306**	**4,250**
	Expenses from transactions			
	Employee expenses	3(a)	(2,395)	(7,683)
	Depreciation	3(b)	(2,087)	(1,559)
	Office expenses	3(c)	(210)	(394)
	Travel		(42)	(118)
	Interest expense		(1)	(1)
	Professional services		(247)	(451)
	Maintenance of Infrastructure		(61)	(26)
	General Insurance		(64)	(66)
	Subscriptions & Memberships		(50)	(57)
	Project expenditure		(307)	(13,134)
	Other operating expenses		(61)	(195)
	Total expenses from transactions		**(5,525)**	**(23,684)**
	Net result from transactions (net operating balance)		**(2,219)**	**(19,434)**
	Other economic flows included in net result			
(i)	Net loss on non-financial assets	4	(683)	14
	Total other economic flows included in net result		**(683)**	**14**
	Net result from continuing operations		**(2,902)**	**(19,420)**
	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**
	Comprehensive result		**(2,902)**	**5,994**

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

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

(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 2016

($thousand)	Notes	2016	2015
Assets			
Financial assets			
Cash and deposits	15(a)	312	398
Receivables	5	127	125
Other financial assets		-	11
Total financial assets		**439**	**534**
Non-financial assets			
Property, plant and equipment	6	37,394	40,178
Intangible assets	7	63	118
Other non-financial assets	8	83	107
Total non-financial assets		**37,540**	**40,403**
Total assets		**37,979**	**40,937**
Current Liabilities			
Payables	9	373	328
Borrowings	10	61	95
Provisions	11	144	149
Total Current Liabilities		**578**	**572**
Non-Current Liabilities			
Borrowings	10	33	101
Provisions	11	81	75
Total Non-Current Liabilities		**114**	**176**
Total liabilities		**692**	**748**
Net assets		**37,287**	**40,189**
Equity			
Accumulated surplus/(deficit)		(38,137)	(35,235)
Physical Asset Revaluation Reserve		25,414	25,414
Contributed capital		50,010	50,010
Net worth		**37,287**	**40,189**
Commitments for expenditure	13	93	20

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 2016

($thousand)

	Physical asset revaluation reserve	*Accumulated Surplus /(Losses)*	*Contributions by Owners*	***Total***
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**
Net result for the period	-	(2,902)	-	**(2,902)**
Balance at 30 June 2016	**25,414**	**(38,137)**	**50,010**	**37,287**

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

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.

Cash flow statement for the financial year ended 30 June 2016

($thousand)

	Notes	2016	2015
Cash flows from operating activities			
Receipts			
Receipts from government		2,200	3,100
Receipts from other entities (inclusive of GST)		1,340	1,358
Net receipt of Goods and Services Tax from the ATO		-	1,737
Interest received		5	45
Total receipts		**3,545**	**6,240**
Payments			
Payments to suppliers and employees (inclusive of GST)		(3,591)	(28,492)
Net payment of Goods and Services Tax to the ATO		(5)	-
Interest and other costs of finance paid		(1)	(1)
Total payments		**(3,597)**	**(28,493)**
Net cash flows from/(used in) operating activities	15(b)	**(52)**	**(22,253)**
Cash flows from investing activities			
Purchases of non-financial assets (inclusive of GST)		(11)	(1,847)
Net cash flows from/(used in) investing activities		**(11)**	**(1,847)**
Cash flows from financing activities			
Repayment of borrowings and finance leases		(23)	(70)
Owner Contributions by State Government		-	22,600
Net cash flows from/(used in) financing activities		**(23)**	**22,530**
Net increase/(decrease) in cash and cash equivalents		**(86)**	**(1,570)**
Cash and cash equivalents at beginning of financial year		398	1,968
Cash and cash equivalents at end of financial year	15(a)	**312**	**398**
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 2016. 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 26 August 2016.

(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.

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

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. A revaluation of land and buildings, and infrastructure assets was last completed in March 2015 for the 2014/15 financial year, in line with the five year schedule of the Department. The next scheduled revaluation will be in the 2019/20 financial year.

(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 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 are disclosed in the notes, where relevant. In general, non-current assets and liabilities are expected to be recovered or settled more than 12 months after the reporting period, except for provisions of employee benefits which are classified as current liabilities if the Authority does not have unconditional right to defer the settlement of the liabilities within 12 months after the end of the reporting period.

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 2014/15 reporting period, there have been no new or revised Standards adopted in the current period by 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.

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

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 directly related to bringing new proponents to, and expanding the bulk capacity of the Port of Hastings.

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 liabilities at amortised cost

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

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

(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.

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

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.

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 2015).

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 (2015: $1,000) and a useful life of more than one year are recognised as assets. All other assets are expenses as acquired.

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

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*.

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: 2015) 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.

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

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.

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

(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.

(O) *Commitments*

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.

(P) *Contingent assets and contingent liabilities*

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

There were no Contingent assets or liabilities as at 30 June 2016 (2015: Nil).

(Q) *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)).

(R) *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.

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

Certain new AASs have been published that are not mandatory for the 30 June 2016 reporting period. DTF assesses the impact of all these new standards and advises the Authority of their applicability and early adoption where applicable.

As at 30 June 2016, 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*	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 Jan 2018	The Authority is yet to assess its full impact however, initial indications are that it will be immaterial.
AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010)	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: • The change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and Other fair value changes are presented in profit and loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 Jan 2018	The Authority is yet to assess its full impact however, initial indications are that it will be immaterial.

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

Standard /Interpretation	***Summary***	***Applicable for annual reporting periods beginning on***	***Impact on the Authority's financial statements***
AASB 2014-1 *Amendments to Australian Accounting Standards [Part E Financial Instruments]*	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1 Jan 2018	The Authority is yet to assess its full impact however, initial indications are that it will be immaterial.
AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9*	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1 Jan 2018	The Authority is yet to assess its full impact however, initial indications are that it will be immaterial.
AASB 15 *Revenue from Contracts with Customers*	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 Jan 2018	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. Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition. Dividends are recognised in the profit and loss only when: • the entity's right to receive payment of the dividend is established; • it is probable that the economic benefits associated with the dividend will flow to the entity; and the amount can be measured reliably.	1 Jan 2017, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 1 Jan 2018	The Authority is yet to assess its full impact however, initial indications are that it will be immaterial.
AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*	This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1 Jan 2018	The Authority is yet to assess its full impact however, initial indications are that it will be immaterial.

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

Standard /Interpretation	***Summary***	***Applicable for annual reporting periods beginning on***	***Impact on the Authority's financial statements***
AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15*	This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require: • A promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation; • For items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and For licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access).	1 Jan 2018	The Authority is yet to assess its full impact however, initial indications are that it will be immaterial.
AASB 16 *Leases*	The key changes introduced by AASB 16 include the recognition of most operating leases (which are current not recognised) on balance sheet.	1 Jan 2019	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 Property, Plant and Equipment and AASB 138 Intangible Assets 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; • prohibit the use of revenue-based methods to calculate the depreciation or amortisation of an asset, tangible or intangible, because revenue generally reflects the pattern of economic benefits that are generated from operating the business, rather than the consumption through the use of the asset.	1 Jan 2016	The Authority is yet to assess its full impact however, initial indications are that it will be immaterial.
AASB 2015-1 *Amendments to Australian Accounting Standards – Annual Improvements to Australian Accounting Standards 2012-2014 Cycle* [AASB 1, AASB 2, AASB 3, AASB 5, AASB 7, AASB 11, AASB 110, AASB 119, AASB 121, AASB 133, AASB 134, AASB 137 & AASB 140]	Amends the methods of disposal in AASB 5 Non-current assets held for sale and discontinued operations. Amends AASB 7 *Financial Instruments* by including further guidance on servicing contracts.	1 Jan 2016	The Authority is yet to assess its full impact however, initial indications are that it will be immaterial.

Note 2. Income from transactions

($thousand)		2016	2015
(a)	**State Government Grants**		
	General purpose	2,200	3,100
(b)	**Management Fees**		
	Management fees	1,100	1,104
(c)	**Interest**		
	Interest on bank deposits	5	45
(d)	**Other Income**		
	Other Income	1	1
	Total Income	**3,306**	**4,250**

Note 3. Expenses from transactions

($thousand)		2016	2015
(a)	**Employee expenses**		
	Defined contribution superannuation expense	177	385
	Salaries, wages and long service leave	1,998	4,079
(i)	Allowances	10	25
	Redundancy expense	-	2,645
(ii)	Recruitment expenses	50	42
	State Government Taxes	108	335
	Professional Development	39	114
	Workcover Victoria	10	33
	Other employee expenses	3	25
	Total employee expenses	**2,395**	**7,683**
(b)	**Depreciation**		
	Buildings	77	71
	Plant, equipment and vehicles	368	534
	Infrastructure	1,585	805
	Leasehold improvements	57	149
	Total depreciation	**2,087**	**1,559**
(c)	**Office expenses**		
	Rent, rates & outgoings	104	211
	Printing, stationery & supplies	13	32
	Cleaning & waste disposal	23	36
	Data & communication expenses	16	26
	Electricity	15	26
	Office Maintenance	24	51
	Other office expense	15	12
	Total office expense	**210**	**394**

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

Note 4. Other economic flows included in net result

	($thousand)	2016	2015
	Net gain/(loss) on non-financial assets		
(i)	Net gain/(loss) on disposal of property plant and equipment	(683)	14
	Total net gain/(loss) on non-financial assets	(683)	14

Notes:

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

Note 5. Receivables

	($thousand)	2016	2015
	Current receivables		
	Contractual		
(i)	Sale of goods and services	107	54
		107	54
	Statutory		
	GST Input tax credit recoverable	15	71
	Fringe Benefits Tax Prepayment	5	-
		20	**71**
	Total current receivables	**127**	**125**
	Total receivables	**127**	**125**

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 14 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*	
	2016	*2015*	*2016*	*2015*	*2016*	*2015*
Land at fair value	4,710	4,710	-	-	4,710	4,710
Buildings at fair value	712	712	(77)	-	635	712
Plant, equipment and vehicles at fair value	656	1,848	(356)	(492)	300	1,356
Infrastructure at fair value	33,267	33,267	(1,585)	-	31,682	33,267
Leasehold improvements at fair value	155	482	(88)	(349)	67	133
	39,500	**41,019**	**(2,106)**	**(841)**	**37,394**	**40,178**

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 2015	4,710	712	1,356	33,267	133	**40,178**
Additions	-	-	49	-	-	**49**
Disposals	-	-	(792)	-	(9)	**(801)**
Revaluation of PPE	-	-	-	-	-	**-**
Depreciation	-	(77)	(313)	(1,585)	(57)	**(2,032)**
Balance at 30 June 2016	**4,710**	**635**	**300**	**31,682**	**67**	**37,394**

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

	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)**
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	1,848	33,267	482	**41,019**
Accumulated Depreciation	-	-	(492)	-	(349)	**(841)**
	4,710	**712**	**1,356**	**33,267**	**133**	**40,178**

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

Table 6.3: Fair value measurement hierarchy for assets as at 30 June 2016

($thousand)

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

($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 fair value	133	-	-	133
	40,178	**-**	**2,550**	**37,628**

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 2016.

Land and buildings

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

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

The CSO adjustment is a reflection of the valuer’s assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach is in light of the highest and best use consideration required for fair value measurement and takes into account the use of the asset that is physically possible, legally permissible and financially feasible. As adjustments of CSO are considered as significant unobservable inputs, specialised land would be classified as Level 3 assets.

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

An independent valuation of the Authority’s specialised land and specialised buildings was performed by the Valuer-General Victoria in the 2014/15 financial year. The valuation was performed using the market approach adjusted for CSO. The effective date of the last 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 2016. 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 last valuation is 30 June 2015.

Table 6.4: Description of significant unobservable inputs to Level 3 valuations 2016 and 2015

2016 and 2015	Valuation technique	Significant Unobservable Inputs (Level 3 only)	Expected fair value level	Range (weighted average)	Sensitivity of fair value measurement to changes in significant unobservable inputs
Land	Market approach	Community Service Obligation (CSO) adjustment	Level 3	$48²- $55/m²	A significant increase or decrease in the land index would result in a significantly higher or lower fair value.
Buildings	Depreciated replacement cost	Direct cost per square metre	Level 3	$500 - $2,500/m² ($1,825)	A significant increase or decrease in the direct cost per square metre of the asset would result in a significantly higher or lower valuation.
Buildings	Depreciated replacement cost	Useful life of buildings	Level 3	5-15 years (7.6 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Vehicles	Depreciated replacement cost	Useful life of vehicles	Level 3	1-3 years (based on VicFleet lease)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Plant and equipment	Depreciated replacement cost	Useful life of plant and equipment	Level 3	3-10 years (3 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Infrastructure	Depreciated replacement cost	Direct cost per square metre	Level 3	$25 - $2,372/m² ($1,307)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.
Infrastructure	Depreciated replacement cost	Useful life of infrastructure	Level 3	10-25 years (20 years)	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation.

The significant unobservable inputs have remain unchanged from 2015.

Note 7. Intangible assets

Table 7.1: Gross carrying amount and accumulated depreciation

($thousand)

	Gross carrying amount		*Accumulated amortisation*		*Net carrying amount*	
	2016	*2015*	*2016*	*2015*	*2016*	*2015*
Intangible assets:						
- Computer Software	164	164	(101)	(46)	63	118
	164	**164**	**(101)**	**(46)**	**63**	**118**

Note 7. Intangible assets *(continued)*

Table 7.2: Movements in carrying amounts

($thousand)

	2016	*2015*
Gross carrying amount		
Opening Balance	**164**	**37**
Additions	-	127
Disposals	-	
Closing Balance	**164**	**164**
Accumulated amortisation		
Opening Balance	**(46)**	**(7)**
Amortisation charged on existing intangible assets	(55)	(39)
Closing Balance	**(101)**	**(46)**
Net written down value at end of financial year	**63**	**118**

The Authority has not capitalised any additional expenditure for intangible assets for the year ended 30 June 2016. The carrying amount of the capitalised software expenditure is $63,646 (2015: $118,187). 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)

	2016	*2015*
Current other assets		
Prepayments	83	107
Total current other assets	**83**	**107**
Total other assets	**83**	**107**

Note 9. Payables

($thousand)

		2016	*2015*
	Current Payables		
	Contractual		
(i)	Supplies and services	323	137
		323	137
(ii)	***Statutory***		
	Payroll Tax - State	10	28
	FBT payable	-	11
	PAYG Withholding Tax	40	152
		50	191
	Total current payables	**373**	**328**
	Total payables	**373**	**328**

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.

Note 9. Payables *(continued)*

(a) Maturity analysis of contractual payables

Please refer to Note 14(c) for the maturity details of contractual payables.

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

Please refer to Note 14 for the nature and extent of risks arising from contractual payables.

Note 10. Borrowings

($thousand)

		2016	2015
	Current borrowings		
(i)	Lease liabilities (Note 1(M))	61	95
	Total current borrowings	61	95
	Non-current borrowings		
(i)	Lease liabilities (Note 1(M))	33	101
	Total non-current borrowings	33	101
	Total borrowings	**94**	**196**

Notes:

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

(ii) Refer Note 13 for lease commitments payable.

(a) Maturity analysis of borrowings

Please refer to Note 14(c) for the maturity analysis of borrowings.

(b) Nature and extent of risk arising from borrowings

Please refer to Note 14 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)

		2016	2015
	Current provisions		
(i)	Employee benefits (Note 11(a)) – annual leave:		
(ii)	Unconditional and expected to settle wholly within 12 months	94	111
(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	50	38
	Total current provisions	**144**	**149**
	Non-current provisions		
(i)	Employee benefits (Note 11(a)) – long service leave	81	75
	Total non-current provisions	**81**	**75**
	Total provisions	**225**	**224**

Note 11. Provisions *(continued)*

(a) Employee benefits and on-costs

($thousand)	*2016*	*2015*
Current employee benefits		
Annual leave entitlements	82	96
Long services leave entitlements	45	33
	127	**129**
Non-current employee benefits		
Long service leave entitlements	77	65
Total employee benefits	**77**	**65**
Current on-costs	17	20
Non-Current on-costs	4	10
Total on-costs	**21**	**30**
Total employee benefits and on-costs	**225**	**224**

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)	*2016*
Opening balance	**30**
Additional provisions recognised	6
Reductions resulting from settlement	(15)
Closing balance	**21**
Current	17
Non-current	4
	21

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

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*	
	2016	*2015*	*2016*	*2015*
Defined contributions plans:				
VicSuper	115	151	-	-
Other	62	234	-	-
	177	**385**	**-**	**-**

Note 13. Commitments for expenditure

($thousand)

	Nominal Values	***2016***	***2015***
(i)	**Operating lease commitments payable**		
	Less than one year	111	119
	Longer than one year but not longer than five years	95	184
	Longer than five years	-	-
	Total operating and lease commitments	**206**	**303**
(ii)	**Finance lease commitments payable**		
	Less than one year	62	100
	Longer than one year but not longer than five years	35	105
	Longer than five years	-	-
	Total finance lease commitments	**97**	**205**
	Other commitments payable		
(iii)	Less than one year	93	20
	Longer than one year but not longer than five years	-	-
	Longer than five years	-	-
	Total other commitments	**93**	**20**
	Total commitments (inclusive of GST)	**102**	**22**
	Less GST recoverable from the Australian Tax Office	9	2
	Total commitments (exclusive of GST)	**93**	**20**

Notes:

(i) Operating lease commitments relate to office premises. The office lease for 2/34 High St Hastings expired on 31 August 2015, and 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 open purchase orders on general creditors not accrued at 30 June 2016.

Note 14. 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 14.1 below.

Note 14. Financial Instruments *(continued)*

Table 14.1: Categorisation of financial instruments

($thousand)

2016	Contractual financial assets – loans and receivables	Contractual financial liabilities at amortised cost	Total
Contractual financial assets			
Cash and deposits	312	-	**312**
Receivables (sale of goods and services)	107	-	**107**
Total contractual financial assets	**419**	**-**	**419**
Contractual financial liabilities			
Payables (supplies and services)	-	323	323
Borrowings (Finance lease liabilities)	-	94	94
Total contractual financial liabilities	**-**	**417**	**417**

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**

Table 14.2: Net holding gain/(loss) on financial instruments by category

($thousand)

	2016	*2015*
Total interest income/(expense)	4	44
Total	**4**	**44**

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 14. 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 fourteen days of the end of the month and are not past due at the reporting date.

In addition, the Authority's cash assets are mainly cash at bank. 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 14.3: Categorisation of financial instruments

($thousand)

2016	*Financial institutions (AAA credit rating)*	*Other (min BBB credit rating)*	*Total*
Cash and deposits	312	-	312
Receivables (sale of goods and services)	-	107	107
Total contractual financial assets	**312**	**107**	**419**
2015			
Cash and deposits	398	-	398
Receivables (sale of goods and services)	-	54	54
Total contractual financial assets	**398**	**54**	**452**

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 14. 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 14.4: Maturity analysis of contractual financial liabilities[(i)]

($thousand)

2016	*Carrying Amount*	*Nominal Amount*	*Less than 1 month*	*1-3 months*
Payables[(ii)]:				
Payables (supplies and services)	323	323	323	-
Borrowings:				
Borrowings (Finance lease liabilities)	94	97	27	3
Total	**417**	**420**	**350**	**3**
2015				
Payables[(ii)]:				
Payables (supplies and services)	165	165	165	-
Borrowings:				
Borrowings (Finance lease liabilities)	196	205	56	8
Total contractual financial assets	**361**	**370**	**221**	**8**

2016	*3 months – 1 year*	*1 -5 years*	*5+ years*
Payables[(ii)]:			
Payables (supplies and services)	-	-	-
Borrowings:			
Borrowings (Finance lease liabilities)	32	35	-
Total	**32**	**35**	**-**
2015			
Payables[(ii)]:			
Payables (supplies and services)	-	-	-
Borrowings:			
Borrowings (Finance lease liabilities)	36	105	-
Total contractual financial assets	**36**	**105**	**-**

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 14. 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 14.5.

Table 14.5: Interest rate exposure of financial instruments

($thousand)

2016		*Variable interest rate*	*Non-interest bearing*	*Total*
Financial Assets				
Cash and deposits	*(weighted average interest rate 1.93%)*	312	-	312
Receivables (sale of goods and services)		-	107	107
Total financial assets		**312**	**107**	**419**
Financial Liabilities				
Payables (supplies and services)		-	323	323
Borrowings (Finance lease liabilities)	*(weighted average interest rate 3.81%)*	94	-	94
Total financial liabilities		**94**	**323**	**417**
2015				
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**

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 $3,118 on profit/(loss) as at the reporting date (2015: $3,980 profit/(Loss)).

(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 14.6: Comparison between carrying amount and fair value

($thousand)

	Carrying Amount		*Fair value*	
	2016	*2015*	*2016*	*2015*
Contractual financial assets				
Cash and deposits	312	398	312	398
Receivables (sale of goods and services)	107	54	107	54
Total contractual financial assets	**419**	**452**	**419**	**452**
Contractual financial liabilities				
Payables (supplies and services)	323	165	323	165
Borrowings (Finance lease liabilities)	94	196	94	196
Total contractual financial liabilities	**417**	**361**	**417**	**361**

Note 15. Cash flow information

(a) Reconciliation of cash and cash equivalents

($thousand)

	2016	***2015***
Total cash and deposits disclosed in the balance sheet	**312**	**398**
Balance as per cash flow statement	**312**	**398**

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 15. Cash flow information *(continued)*

(b) Reconciliation of net result for the period

($thousand)

	2016	2015
Net result for the period	**(2,902)**	**(19,420)**
Non-cash movements:		
Depreciation and amortisation of non-current assets	2,087	1,559
GST on non-current asset purchases	1	167
(Gain)/Loss on disposal of fixed assets	683	-
Movements in assets and liabilities:		
(Increase)/decrease in receivables	(2)	242
(increase)/decrease in other financial assets	11	-
(Increase)/decrease in other non-financial assets	24	(52)
Increase/(decrease) in payables	45	(4,776)
Increase/(decrease) in provisions	1	27
Net cash flows from/(used in) operating activities	**(52)**	**(22,253)**

(c) Non-cash financing activities

During the year, the Authority acquired one motor vehicle via finance lease to the value of $40,672 (2015: $160,014), and disposed of four vehicles to the value of $157,970 (2015: $198,455).

Note 16. Responsible persons

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

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

Title	Name	Period
Minister for Ports	Hon Mr Luke Donnellan	1 July 2015 to 30 June 2016
Treasurer	Hon Mr Tim Pallas	1 July 2015 to 30 June 2016
Chairman	Mr Yehudi Blacher	1 July 2015 to 31 December 2015
Chairman	Mr Craig Cook	1 January 2016 to 30 June 2016
Deputy Chairman	Ms Claire Filson	1 July 2015 to 30 June 2016
Director	Mr Craig Cook	1 July 2015 to 31 December 2015
Director	Ms Jennifer Acton	1 July 2015 to 30 June 2016
Chief Executive Officer	Mr Mike Lean	1 July 2014 to 23 October 2015
Chief Executive Officer	Dr Michael Kennedy	26 October 2015 to 28 March 2016
Chief Executive Officer	Mr Malcolm Geier	29 March 2016 to 30 June 2016

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

$330,000 - $339,999 full-time
(2015: $320,000 - $329,999 full time)

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

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

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	*2016*	*2015*	*2016*	*2015*
$20,000 - $29,999	2	-	3	-
$30,000 - $39,999	1	-	1	-
$40,000 - $49,999	1	4	-	4
$60,000 - $69,999	-	-	-	1
$70,000 - $79,999	-	1	-	-
Total number of directors	**4**	**5**	**4**	**5**
Total amount	**$132,411**	**$243,561**	**$118,378**	**$236,275**

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 17. 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.

Note 17. Remuneration of executives and payments to other personnel *(continued)*

The total annualised employee equivalent provides a measure of full time equivalent executive officers over the reporting period.

		Total Remuneration		*Base Remuneration*	
	Income bands	*2016*	*2015*	*2016*	*2015*
	$40,000 - $49,999	-	-	1	-
	$50,000 - $59,999	1	-	-	-
	$150,000 - $159,999	-	-	-	1
	$180,000 - $189,999	-	-	1	2
	$190,000 - $199,999	-	2	1	1
	$200,000 - $209,999	1	-	-	1
	$210,000 - $219,999	-	1	-	-
	$220,000 - $229,000	1	-	-	-
	$230,000 - $239,999	-	1	-	-
	$270,000 - $279,999	-	1	-	1
	$410,000 - $419,999	-	1	-	-
	Total number of executives	**3**	**6**	**3**	**6**
(i)	**Total annualised employee equivalents (AEE)**	**2.32**	**5.86**	**2.32**	**5.86**
	Total amount	**496,996**	**1,520,567**(ii)	**422,563**	**1,197,382**

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 18. Remuneration of auditors

($thousand)

	2016	*2015*
Victorian Auditor-General's Office		
Audit of the financial statements	15	15
	15	**15**

Note 19. 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 2016 and financial position of the Authority at 30 June 2016.

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 26 August 2016.

Alan Wilson
Acting Chief Financial Officer
Port of Hastings Development Authority

Hastings
26 August 2016

Malcolm Geier
Chief Executive Officer
Port of Hastings Development Authority

Hastings
26 August 2016

Claire Filson
Deputy Chairman
Port of Hastings Development Authority

Hastings
26 August 2016

Craig Cook
Chairman
Port of Hastings Development Authority

Hastings
26 August 2016

Independent Auditor's Report

VAGO

Victorian Auditor-General's Office

Level 24, 35 Collins Street
Melbourne VIC 3000

Telephone 61 3 8601 7000
Facsimilie 61 3 8601 7010
Website www.audit.vic.gov.au

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Port of Hastings Development Authority

The Financial Report

I have audited the accompanying financial report for the year ended 30 June 2016 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.

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.

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, I and my staff and delegates have complied with the applicable independence requirements of the Australian Auditing Standards and relevant ethical pronouncements.

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 2016 and its financial performance and its 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*.

MELBOURNE
31 August 2016

for Dr. Peter Frost
Acting Auditor-General

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 2016.

Consultancies

Details of Consultancies over $10,000

Consultant	Purpose of consultancy	Start date	End date	Total approved project fee (excluding GST)	Expenditure 2015-16 (excluding GST)	Future expenditure (excluding GST)
Infracorr Consulting Pty Ltd	Engineering Design and Supervision	01/07/2015	Ongoing	$15,530	$15,530	-
AECOM & GHD	Prime – Design Engineering / Environment & Social	01/07/2015	Ongoing	$159,026	$108,394	$50,632
Corrs Chambers Westgarth	Prime - Legal Advisory Services	01/07/2015	Ongoing	$102,455	$102,455	-
Royal Haskoning DHV	Prime - Hydrodynamics and Dredge Material Management	01/07/2015	Ongoing	$39,589	$30,905	$8,684
ISG Projects	Transition Plan Support/Risk Management	04/12/15	31/08/16	$40,487	$25,943	$14,544
KPMG	Wharf Option Analysis	05/04/16	30/06/16	$99,836	$99,836	-

Details of Consultancies under $10,000

In 2015/16, there were 8 consultancies where the total fees payable to the consultants were less than $10,000. The total expenditure incurred during 2015/16 in relation to these consultancies is $26,276 (excl. GST).

Information and Communication Technology Expenditure

In 2015/16, the Authority had a total ICT expenditure of $56,030 (2014/15: $313,690) with the details shown below.

Business As Usual (BAU) ICT expenditure	Non-Business As Usual (Non-BAU) ICT expenditure	Operational expenditure	Capital expenditure
(Total)	(Total = Operational expenditure and Capital expenditure)		
71	-	-	-

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

Disclosure of Major Contracts

There were no major contracts (contracts greater than $10 million) entered into during 2015/16.

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 2016, the Authority received four 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 $24.73.

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

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

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

The Protected Disclosure Coordinator
Port of Hastings Development Authority
P O Box 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 2016, there were no disclosures or investigation of improper conduct or detrimental action made by staff to the Authority or any referred by the IBAC, the Ombudsman or other person to the Authority.

Attestation for compliance with *Ministerial Standing Direction 4.5.5*

We certify that the Port of Hastings Development Authority has complied with the Ministerial Standing Direction 4.5.5 – Risk Management Framework and Processes. The Port of Hastings Development Authority Audit and Risk Committee has verified this.

Malcolm Geier	Claire Filson
Chief Executive Officer	Chairman Audit and Risk Committee
Port of Hastings Development Authority	Port of Hastings Development Authority
26 August 2016	26 August 2016

APPENDIX A - Ministerial Direction

Direction

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

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

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

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

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

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

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

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

....

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

Approval of Treasurer

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

....

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

Disclosure Index

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

Legislation	Requirement	Page
Ministerial Directions		
FRD 29, FRD 22E	Workforce Data disclosures	15
SD 4.5.5.1	*Ministerial Standing Direction 4.5.5 compliance attestation*	63
SD 4.2(j)	Sign-off requirements	57,58,59,63
Financial Statements		
Financial statements required under Part 7 of the FMA		
SD4.2(a)	Statement of changes in equity	20
SD4.2(b)	Operating statement	18
SD4.2(b)	Balance sheet	19
SD4.2(b)	Cash flow statement	21
Other requirements under Standing Directions 4.2		
SD4.2(c)	Compliance with Australian accounting standards and other authoritative pronouncements	23
SD4.2(c)	Compliance with Ministerial Directions	23
SD4.2(d)	Rounding of amounts	25
SD4.2(c)	Accountable Officer's and Chief Finance and Accounting Officer's declaration	57
Other disclosures as required by FRDs in notes to the financial statements		
FRD 21B	Disclosures of Responsible Persons, Executive Officers and other Personnel (Contractors with Significant Management Responsibilities) in the Financial Report	53,54,55
FRD 103E	Non-current Physical Assets	19,30,31,39,40, 41,42,43
FRD 106	Impairment of Assets	30
FRD 109	Intangible Assets	19,31,43,44
FRD 110	Cash Flow Statements	21
FRD 112D	Defined Contribution Superannuation Obligations	47
Legislation		
Freedom of Information Act 1982		61
Building Act 1983		62
Protected Disclosures Act 2012 (formerly the Whistleblowers Protection Act 2001)		63
Victorian Industry Participation Policy Act 2003		60
Financial Management Act 1994		6,23,54,57
Transport Integration Act 2010 (Vic)		11,24
Occupational Health and Safety Act (2004)		16
Equal Opportunity Act 2010 (Vic)		16
Public Administration Amendment (Public Sector Improvement) Act 2014		15
Public Administration Act 2004		15

*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*.