



Annual Report

2012/13



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Chairman's Report

Dear Minister,

I have pleasure in submitting the Annual Report together with the Financial Statements, in accordance with the *Financial Management Act 1994* for the Port of Hastings Development Authority for the year ended 30 June 2013.

With support from the State Government the Authority has been able to make rapid progress on preparing the organisational structures and base level investigations to ensure that the development of the Port of Hastings as the next international container port for Victoria is well underway.

The Authority moved into new premises in the heart of Hastings in November and has been able to recruit a number of staff including the executive management team and specialist project officers. Significantly during February a permanent CEO was appointed. Mr Mike Lean brings a wealth of skills and experience to the role and he has adapted quickly to the position.

The Board has continued to work closely with the management team to ensure that all appropriate governance structures are in place and I am confident that we are making good progress in defining the long term aspirations and obligations for the Authority.

The Authority has been pleased with the interest and support shown by the Government and we are gratified by the recent announcement of budget support for ongoing planning activity for the next phase of project development planning.

The commencement of major work packages in January means that significant effort has been directed towards the preparation for the container expansion project that includes; economic analysis and modelling, ecological research, hydrodynamic modelling and port design options. This work will come to fruition during the next financial year. Progress has also been achieved in understanding the specific legislative pathways that the Authority is required to comply with as we move towards obtaining the required project approvals.

I appreciate the commitment, support and willing contributions of my fellow Directors. On behalf of the Board, I also express our appreciation to the staff for their professionalism, dedication and continuing efforts during this initial period of operation of the Port of Hastings Development Authority. I would also like to place on record the Board's thanks and gratitude to Mr Ralph Kenyon who was acting in the CEO role from January 2012.

Finally, I would acknowledge your support and that of the previous Minister, The Hon Dr Denis Napthine MP, in assisting the Authority during its formative stage.



Yehudi Blacher
CHAIRMAN

Chief Executive Officer's Report

The last 12 months has seen significant progress in building the Authority's foundational capability to deliver on its obligations to Government and the community. The Authority is building its culture based on clear values that will guide its continued development and interaction with all parties. Our value of sustainability underlines our absolute commitment to deliver an operating port that is economically, socially and environmentally sustainable.

With the Board setting its strategy in 2012, focussed plans have been progressed for the development of Victoria's next container port and the ongoing management of the current port activities.

These plans are being delivered and it is pleasing to see the level of professional and supportive engagement being shown by the whole of Government, including Departments, Agencies and the local Councils, the Authority's staff, our contractors, and the business and industry stakeholders with whom I have engaged.

I would also like to acknowledge the many positive interactions and assistance provided by the Hastings' community. The Authority will continue to work closely with the community and interested groups to foster an open and transparent dialogue as the port expansion project continues.

The priorities for the coming year include developing stronger links and engagement with the community and interested stakeholders, commencing the detailed technical studies needed to support the approvals' processes and managing the onsite works that will inform the container expansion project.

I would like to thank the Chairman, Yehudi Blacher, Board of Directors and the previous Acting CEO Mr Ralph Kenyon for their professionalism, guidance and support since I have taken up the appointment which has served to make my transition into the role seamless. I would also like to acknowledge the professionalism and engagement shown by the staff of the Authority as we work together to deliver this significant project for the benefit of all Victorians.



Mike Lean
CHIEF EXECUTIVE OFFICER

Annual Report

For the Period 1 July 2012 to 30 June 2013

The Annual Report of Port of Hastings Development Authority is presented together with the Financial Statements made up to 30 June 2013 in conformity with the provisions of the *Financial Management Act 1994*.

Objectives and Functions

The Victorian Government established the Port of Hastings Development Authority (the Authority) on 1 January 2012 as the first key step in fast tracking the development of Hastings as a future container port with the aim of providing increased capacity and competition in the container ports sector.

The primary object of the **Port of Hastings Development Authority** is to:

- Manage the Port of Hastings through the Port Management Agreement (PMA) with Patrick Ports Hastings (PPH); and
- Facilitate the timely development of the Port of Hastings as a viable alternative to the Port of Melbourne in order to increase capacity and competition in the container ports sector to manage the expected growth in trade.

Values

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

Leadership

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

Integrity

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

Respect

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

Sustainability

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

Strategy

Vision and Objectives

Vision:

To be a world-class competitive and sustainable port with a minimum capacity of nine million TEU¹ (by 2060 or earlier as required to meet demand)

Mission:

To lead the development of the Port of Hastings as a major international container port for Victoria supported by current port trades.

Objectives:

- Lead the development of the Port of Hastings as a major container port for Victoria;
- Manage the PMA and PPH compliance with the Agreement;
- Deliver effective governance of Authority activities; and
- Manage Authority resources efficiently and effectively.

Critical Success Factors:

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

- Being attractive for our customers (port users)
- Being a viable option for Government
- The right scaling and staging of the project
- Transport corridors / links (integrated into the port)
- Port has a citizen / leadership role in the region
- Appropriate and successful community engagement.

The Authority's objectives are consistent with the Department of Transport, Planning and Local Infrastructure (DTPLI) 2013 strategic priorities.

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.

¹ Twenty Foot Container Equivalent

Core Business

As stated, there are two primary objects of the Authority: The first is to manage the port (via the PMA with PPH); the second is to facilitate the development of the Port of Hastings as a container port in order to increase capacity and competition in the container ports sector and to accommodate future growth in trade.

With the current planned capacity for containers at the Port of Melbourne forecast to reach effective capacity (including Webb Dock) around 2023-24, there is an urgent need to plan for the development of Hastings to provide the required additional capacity for this trade.

The initial stage of port expansion at Hastings, comprising capacity for international container trade of 2.5 million to 3 million TEU per year, will require channel works, construction of berths, port terminal land development, potentially including reclamation from dredged material, above ground equipment, and an upgrade of road and potential for rail access to the port. The expansion project also includes developing the logistics precinct to service the Port and to provide an integrated logistics hub to facilitate container imports and exports.

Strategic Direction

The strategic direction for the port is defined by the mission statement. The Authority will manage the operation of the current port whilst undertaking the necessary port development activities in order to develop and expand the port so that it will also handle container trades.

Current Year Financial Summary

Eighteen Month Financial Summary

	<i>(\$ thousand)</i>	
Financial Summary	2013	2012*
Income from government	4,000	-
Total income from transactions	1,177	544
Total expenses from transactions	(5,390)	(1,001)
Net result from transactions	(213)	(457)
Net result for the period	(213)	(457)
Net cash flow from operating activities	1,291	(29)
Total assets	17,550	17,062
Total liabilities	810	109

*Result for the 6 months ended 30 June 2012. The Authority was established on 1st January 2012.

Overview

In 2012-13, the Authority achieved a net loss of \$0.21 million, which was \$0.24 million better than for the six months to the end of 2011-12. Income from a full twelve months of transactions increased directly from the six months ended 30 June 2012, while total expenses from transactions increased to \$5.39 million, compared with \$1.00 million for the six months ended 30 June 2012.

Total net assets reduced by \$0.21 million in 2012-13 to \$16.74 million, as a result of depreciation, payables of \$0.59 million at year end due to the timing of payments, and a lease liability of \$0.15 million relating to leased vehicles. The increase in liabilities was partially offset by an increase in the year end cash balances of \$0.81 million to \$1.83 million.

The increase in net cash flows from operations to \$1.29 million from last year's \$0.03 million net outflow was better than expected, owing to the timing of recruitment of staff which was skewed towards the middle and second half of the financial year, and a net refund of \$0.27 million in GST over the year.

Financial Performance and Business Review

Income from transactions was related solely to Patricks Port of Hastings lease management fees. The government grant of \$4 million was received and invested in the Treasury Corporation Victoria account, and drawn down as required over the year.

Expenses increased in line with budget expectations. The main expenses related to employee and recruitment costs, as key staff were recruited in the latter half of 2012 and early 2013. Significant project costs were incurred in the areas of risk assessment, hydrodynamics, ecological studies, commercial, economic and development strategy, and project management. Other areas of note were office rent following the relocation of the Authority to new premises, assets relating to office set-up, and travel relating to training, development and conferences attended.

Financial Position – Balance Sheet

Net assets decreased by \$0.21 million over the year to \$16.74 million mainly due to an increase in total liabilities of \$0.70 million which offset the increase in total assets of \$0.49 million.

The increase in total liabilities was due partly to an increase in trade and accrued payables of \$0.51 million more than the prior year. The increase in trade payables related to the increase in activity and the timing of creditor payments, which were completed just after year end, while the increase in accruals from prior year reflected the increase in activity as at the end of June. Borrowings of \$0.15 million related to four vehicle leases that commenced during the year (2012 Nil). Employee provisions increased by \$0.04 million to \$0.06 million at year end, as nine staff, including five executive managers, were recruited during the year.

Total financial assets increased by \$0.81 million to \$1.96 million, with cash and deposits increasing by \$0.81 million to \$1.83 million. This was assisted partly by the timing of recruitment and other creditor activity during the year, which meant funds on deposit with Treasury Corporation Victoria were not required to be drawn. Interest received was also above budget at \$0.12 million for the year.

Total non-financial assets reduced by \$0.32 million to \$15.59 million at year end. The movements in non-financial assets related mainly to the relocation of the Authority to new premises during the year. Asset purchases in leasehold improvements, furniture & fittings, and computer & office equipment relating to the relocation, and the increase in staff numbers amounted to \$0.42 million for the year, while motor

vehicles on lease amounted to \$0.17 million. The increase in assets of \$0.58 million were offset by the full year of depreciation on buildings, infrastructure, and the above purchases which amounted to \$0.98 million.

Cash Flows

The net increase in cash of \$0.81 million for the 2012-13 financial year was a decrease of \$0.20 million from the prior year. While cash inflows increased in terms of the government grant, management fees, and interest, outflows also increased in terms of staffing, projects, and set-up costs for the office relocation.

The timing of recruitment and purchases meant that overall creditor activity was lower than expected, resulting in cash and deposits at 30 June 2013 of \$1.83 million (\$1.02 million 2012). Interest on funds on deposit with TCV and Westpac totalled \$0.12 million for the year (\$0.01 million 2012).

Proceeds from borrowings related to the motor vehicle leases, and resulted in a net cash flow from financing activities of \$0.15 million (Nil 2012).

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

Board of Directors

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

Corporate governance is the process by which 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.

Port of Hastings Development Authority Annual Report 2012/13

The Port of Hastings Development Authority Directors:

Position	Name	Appointed	Term Expires
Chairman	Mr Yehudi Blacher	1/1/2012	31/12/2014
Deputy Chairman	Mr Rod Chadwick	1/1/2012	31/12/2014
Director	Ms Claire Filson	1/1/2012	31/12/2014
Director	Mr Geoff Craige	1/1/2012	31/12/2014
Director	Mr Greg Martin	1/1/2012	31/12/2014

The Board met 10 times during the year.

Table 1: Board Meeting Attendance

Director	Attended	Eligible to Attend	Total Meetings Held
Mr Blacher (Chairman)	9	10	10
Mr Chadwick (Deputy)	9	10	10
Ms Filson	10	10	10
Mr Craige	9	10	10
Mr Martin	10	10	10

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 2013.

Audit and Risk Committee

An Audit and Risk Committee was established by the Authority in early 2012. The primary objective of the Audit and Risk Committee is to assist the Authority's Board in the conduct of its responsibilities for financial reporting, management of risk, maintaining a reliable system of internal controls and assisting the organisation's ethical development. The Audit and Risk Committee comprises an independent Chairman, Mr Rod Chadwick and Directors Ms Claire Filson and Mr Greg Martin. The Board 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 2013 the Audit and Risk Committee has focussed on the annual audit program, corporate policy settings and risk management.

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

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

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

Table 2: Audit Committee Meeting & Attendance

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

Senior Executives

Mike Lean

Mike is the Authority's Chief Executive Officer and was appointed in February 2013 to lead the Authority in the development and expansion of the Port of Hastings to become Victoria's second international container port.

Udahaya Arambawela

Udahaya is the Authority's Executive Manager Engineering & Project Management and was appointed in December 2012. Udahaya is responsible for the procurement and management of engineering service providers, the planning and development of the Authority's operational activities and fixed assets, and liaison with port operators, users and key stakeholders.

Emma Connell

Emma Connell is the Authority's Executive Manager Environment and was appointed in April 2013, and is responsible for managing all environmental studies related to the development of the Port of Hastings, and the environmental and planning approvals for the port development.

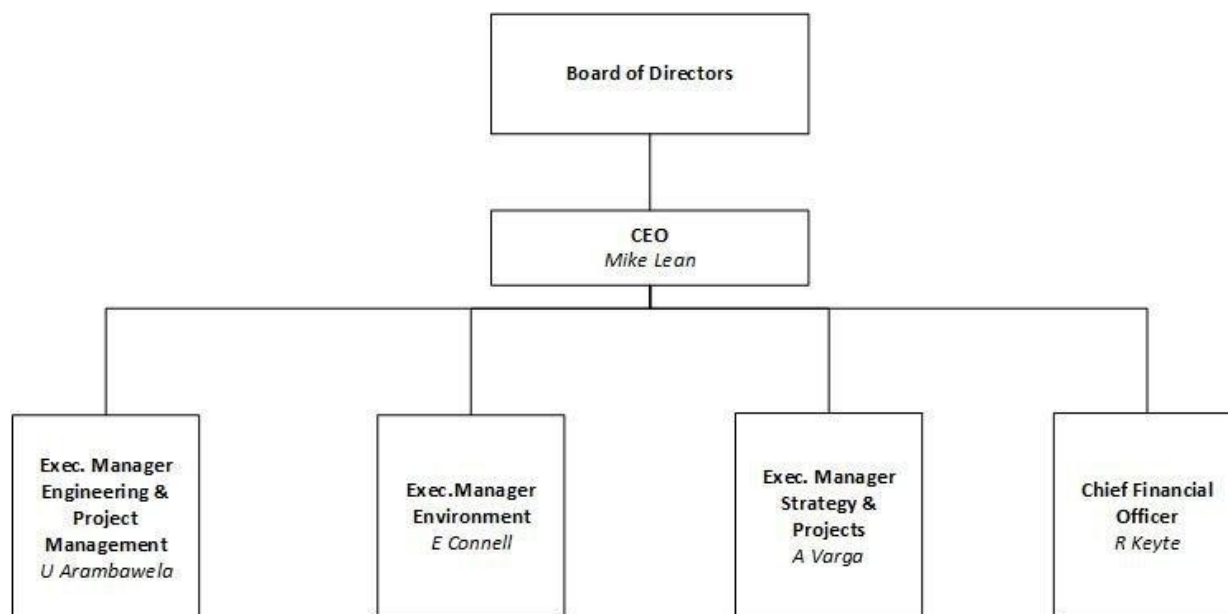
Andrew Varga

Andrew Varga is the Authority's Executive Manager Strategy & Projects and was appointed in December 2012. Andrew is responsible for the development master program and the integration of all the work streams across the development program, the integration of the road and rail corridor planning with the logistic precinct and port development planning.

Richard Keyte

Richard is the Authority's Chief Financial Officer and was appointed in November 2012. Richard is accountable for the administrative, financial, information technology and human resources operations of the Authority.

Organisational Structure



Note: The above organisational chart is as at 30 June 2013. The Authority has employed nine full-time staff, including executive, during 2012-13, and will continue the recruitment of key staff into 2013-14 as required.

Workforce Data

Public Administration Values and Employment Principles

The *Public Administration Act 2004* established 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 2013

	2013			2012		
	Male	Female	Total	Male	Female	Total
Full-time permanent	6	4	10	-	1	1
Full-time temporary	-	-	-	-	-	-
Part-time	-	1	1	-	1	1
Totals	6	5	11	-	2	2

Note: The Authority was established 1st January 2012 and in addition to two staff members, contractors filled key executive roles. During 2012-13 the Authority has employed nine full-time staff, including executives, and will continue to recruit key staff during 2013-14, as required.

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*.

No workers compensation claims were made during the 2012-2013 reporting period (Nil 2012). No other incidents were reported during the 2012-2013 period.

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.

Risk Management and the Annual Audit Program

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

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

The Board, within this policy, has delegated to management the responsibility for implementing and managing the risk management framework and has delegated to the Audit and Risk Committee the responsibility to review the adequacy and effectiveness of risk management and compliance in conjunction with Internal Audit.

The Board appreciates that in conducting its activities there are situations and circumstances that imply a certain degree of risk. It is considered appropriate that the Authority establish a means by which risk can be managed, avoided or eliminated altogether 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.

Financial Statements

For the Year ended 30 June 2013

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Comprehensive operating statement for the financial year ended 30 June 2013

(\$ thousand)

	Notes	2013	2012*
Continuing Operations			
Income from transactions			
Management fees		1,052	535
State government grants		4,000	-
Interest	2(a)	125	9
Total income from transactions		5,177	544
Expenses from transactions			
Employee expenses	3(a)	(1,297)	(221)
Depreciation	3(b)	(981)	(438)
Office expenses	3(c)	(201)	(35)
Travel		(72)	(7)
Interest expense		(4)	-
Professional services		(686)	(267)
Project expenditure		(1,784)	-
Other operating expenses		(365)	(33)
Total expenses from transactions		(5,390)	(1,001)
Net result from transactions (net operating balance) from continuing operations		(213)	(457)
Net result from continuing operations		(213)	(457)
Other comprehensive income			
Items that will not be reclassified to net result			
Changes in physical asset revaluation surplus		-	-
Items that may be reclassified subsequently to net result			
Changes in physical asset revaluation surplus		-	-
Total other comprehensive income		(213)	(457)
Comprehensive result		(213)	(457)

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

*Result for the 6 months ended 30 June 2012

Port of Hastings Development Authority Annual Report 2012/13

Balance sheet as at 30 June 2013

(\$ thousand)

	Notes	2013	2012
Assets			
Financial assets			
Cash and deposits	15(a)	1,829	1,016
Receivables	4	71	128
Other financial assets		56	2
Total financial assets		1,956	1,146
Non-financial assets			
Property, plant and equipment	5	15,485	15,901
Intangible assets	6	18	-
Other non-financial assets	7	91	15
Total non-financial assets		15,594	15,916
Total assets		17,550	17,062
Liabilities			
Payables	8	599	86
Borrowings	9	147	-
Provisions	10	64	23
Total liabilities		810	109
Net assets		16,740	16,953
Equity			
Accumulated surplus/(deficit)		(670)	(457)
Contributed capital		17,410	17,410
Net worth		16,740	16,953
Commitments for expenditure	12		
Contingent assets and contingent liabilities	13		

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 2013

(\$ thousand)

	<i>Notes</i>	<i>Accumulated Surplus /(Losses)</i>	<i>Contributions by Owners</i>	<i>Total</i>
Balance at 1 January 2012		-	-	-
Net result for the period		(457)	-	(457)
Transfer from the Port of Melbourne Corporation	20	-	17,410	17,410
Balance at 30 June 2012		(457)	17,410	16,953
Net result for the year		(213)	-	(213)
Other comprehensive income for the year		-	-	-
Balance at 30 June 2013		(670)	17,410	16,740

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

Cash flow statement for the financial year ended 30 June 2013

(\$ thousand)

<i>Notes</i>	2013	2012*
Cash flows from operating activities		
Receipts		
Receipts from government	4,000	-
Receipts from other entities (inclusive of GST)	1,216	506
Interest received	121	9
Total receipts	5,337	515
Payments		
Payments to suppliers and employees (inclusive of GST)	(4,228)	(531)
Net receipt/(payment) of Goods and Services Tax from/to the ATO	186	(13)
Interest and other costs of finance paid	(4)	-
Total payments	(4,046)	(544)
Net cash flows from/(used in) operating activities	1,291	(29)
	15(b)	
Cash flows from investing activities		
Purchases of non-financial assets (inclusive of GST)	(459)	-
Cash received from activity transferred in (PoMC)	-	1,045
Net cash flows from/(used in) investing activities	(459)	1,045
Cash flows from financing activities		
Repayment of borrowings and finance leases	(19)	-
Net cash flows from/(used in) financing activities	(19)	-
Net increase/(decrease) in cash and cash equivalents	813	1,016
Cash and cash equivalents at beginning of financial year/period	1,016	-
Cash and cash equivalents at end of financial year/period	1,829	1,016
	15(a)	
Non-cash transactions	-	-

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

*Result for the 6 months ended 30 June 2012

Notes to the financial statements

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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 2013. The purpose of the report is to provide users with information about the Authority's stewardship of resources entrusted to it. The prior period numbers are for the 6 months ended 30 June 2012.

(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 16 August 2013.

(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(I)); 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(J)).

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. Revaluations are made with sufficient regularity to ensure that the carrying amounts do not materially differ from their fair value.

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

(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 Treasury.

Its principal address is:

Port of Hastings Development Authority
2/34 High Street
Hastings Vic 3915

Objectives

The Authority's overall objective is to:

- Manage the Port of Hastings through the Port Management Agreement with Patrick Ports-Hastings; and
- Facilitate the timely development of the Port of Hastings as a viable alternative to the Port of Melbourne in order to increase capacity and competition in the container ports sector to manage the expected growth in trade in Victoria.

(D) Scope and presentation of financial statements

Comprehensive operating statement

Income and expenses in the comprehensive operating statement are classified according to whether or not they arise from 'transactions' or other economic flows. This classification is consistent with the whole of government reporting format and is allowed under AASB 101 *Presentation of Financial Statements*.

'Transactions' and other economic flows are defined by the *Australian System of Government Finance Statistics: Concepts, Sources and Methods 2005* and *Amendments to Australian System of Government Finance Statistics, 2005* (ABS Catalogue No. 5514.0) (the GFS manual).

'Transactions' are those economic flows that are considered to arise as a result of policy decisions, usually interactions between two entities by mutual agreement. Transactions also include flows in an entity, such as depreciation where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash.

Other economic flows are changes in the volume or changes arising from market remeasurements. They include:

- gains and losses from disposals;
- revaluations and impairments of non-financial physical and intangible assets;
- fair value changes of financial instruments and agricultural assets; and
- depletion of natural assets (non-produced) from their use or removal.

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

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

Balance sheet

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

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

Cash flow statement

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

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

Statement of changes in equity

The statement of changes in equity presents reconciliations of non-owner and owner changes in equity from opening balances at the beginning of the reporting period to the closing balances at the end of the reporting period. It also shows separately changes due to amounts recognised in the 'Comprehensive result' and amounts recognised in 'Other economic flows – other movements in equity' 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) Income from transactions

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

Management fees

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

Grants

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

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.

Note 1. Summary of significant accounting policies (continued)

(F) 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(J) regarding employee benefits.

These expenses include all costs related to employment including wages and salaries, superannuation (refer below), 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 (I) 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	6 to 21 years
Port infrastructure	8 to 27 years
Plant, equipment and vehicle (incl. leased assets)	3 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 incurred against board approved projects in the specific departments of Engineering, Strategy & Projects, and Environment relating to the port expansion.

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

Other expenses

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

- Office expenses;
- Communication & stakeholder engagement;
- Travel;
- Professional services;
- Interest expense; and
- Other operating expenses.

(G) 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(H)), term deposits with maturity greater than three months, trade receivables, and other receivables, but not statutory receivables.

Financial assets and liabilities at fair value through profit and loss

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

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

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

(H) Financial assets

Cash and deposits

Cash and deposits, including cash equivalents, 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 which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

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

Receivables

Receivables consist of:

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

Contractual receivables are classified as financial instruments and categorised as loans and receivables (refer to Note 1(G) 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(G).

Derecognition of financial assets

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

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

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

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

Impairment of financial assets

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

Receivables are assessed for bad and doubtful debts on a regular basis. Those bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off by mutual consent and the allowance for doubtful receivables are classified as other economic flows in the net result. There are no doubtful receivables as at the reporting date (Nil 2012).

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*.

(I) 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.

Items with a cost or value in excess of \$1,000 (\$1,000: 2012) and a useful life of more than one year are recognised as assets. All other assets are expenses as acquired.

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

The fair value of 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.

Leasehold improvements

The cost of a leasehold improvements 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.

Note 1. Summary of significant accounting policies (continued)

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.

Revaluation increases are recognised in ‘Other economic flows – other movements in equity’, and accumulated in equity under the asset revaluation surplus. However, the 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.

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

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 (Nil: 2012) 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.

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

(J) 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(G)). 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(K) 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 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. Those liabilities which are expected to be settled within 12 months of the reporting period, are measured at their nominal values. Those liabilities that are not expected to be settled within 12 months are also recognised in the provision for employee benefits as current liabilities, but are measured at present value of the amounts expected to be paid when the liabilities are settled using the remuneration rate expected to apply at the time of settlement.

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

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:

- nominal value-component that the Authority expects to settle within 12 months; and
- present value-component that the Authority does not expect to settle within 12 months.

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

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

iii. Termination benefits

Termination benefits are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for these benefits. 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, workers compensation and superannuation are recognised separately from the provision for employee benefits.

(K) 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. The lease asset is accounted for as a non-financial physical asset and depreciated over the shorter of the estimated useful life of the asset or the term of the lease.

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

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 are 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.

(L) 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.

(M) 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 11 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.

(N) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Note 12 Contingent assets and contingent liabilities) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

Note 1. Summary of significant accounting policies (continued)

(O) 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(M) and Note 1(N)).

(P) 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 conditions which arose after the end of the reporting period and which may have a material impact on the results of subsequent years.

(Q) Australian Accounting Standards issued that are not yet effective

Certain new AASs have been published that are not mandatory for the 30 June 2013 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 2013, 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 <i>Financial Instruments</i> , AASB 2009-11 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> , AASB 2010-7 <i>Amendments to Australian Accounting Standards arising from AASB 9</i> (December 2010)	AASB 9 <i>Financial Instruments</i> simplifies requirements for the classification and measurement of financial assets resulting from Phase 1 of the IASB's project to replace IAS 39 <i>Financial Instruments: Recognition and Measurement</i> (AASB 139 <i>Financial Instruments: Recognition and Measurement</i>)	1 Jan 2015	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 13 <i>Fair Value Measurement</i> , AASB 2011-8 <i>Amendments to Australian Accounting Standards arising from AASB 13</i> , 2012-1 <i>Amendments to Australian Accounting Standards – Fair Value Measurement – Reduced Disclosure Requirements</i>	This standard outlines the requirements for measuring the fair value of assets and liabilities and replaces the existing fair value definition and guidance in other Australian accounting standards. AASB 13 includes a 'fair value hierarchy' which ranks the valuation technique inputs into three levels using unadjusted quoted prices in active markets for identical assets and liabilities; other observable inputs; and unobservable inputs.	1 Jan 2013	The Authority is yet to assess its full impact. The Authority will apply amended standard from 1 July 2013.
AASB 119 <i>Employee Benefits</i> , AASB 2011-10 <i>Amendments to Australian Accounting Standards arising from AASB 119</i> (September 2011), AASB 2011-11 <i>Amendments to AASB 119</i> (September 2011) <i>arising from Reduced Disclosure Requirements</i>	In this revised Standard for defined benefit superannuation plans, there is a change to the methodology in the calculation of superannuation expenses, in particular there is now a change in the split between superannuation interest expense (classified as transactions) and actuarial gains and losses (classified as 'Other economic flows – other movements in equity') reported on the comprehensive operating statement.	1 Jan 2013	The Authority is yet to assess its full impact. The Authority will apply amended standard from 1 July 2013.
AASB 1053 <i>Application of Tiers of Australian Accounting Standards</i> , AASB 2010-2 <i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i> , 2012-7 <i>Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements</i> , 2012-11 <i>Amendments to Australian Accounting Standards – Reduced Disclosure Requirements and Other Amendments</i>	This standard establishes a differential financial reporting framework consisting of two tiers of reporting requirements for preparing general purpose financial statements	1 July 2013	The Authority is yet to assess its impact, and will await a decision by the Victorian Government regarding its implementation.
AASB 2011-4 <i>Amendments to Australian Accounting Standards to Remove Individual Key Management Personnel Disclosure Requirements</i>	These amendments arise from a decision of the AASB to remove the individual key management personnel (KMP) disclosures from AASB 124 <i>Related Party Disclosures</i>	1 July 2013	The Authority is yet to assess its full impact. The Authority will apply amended standard from 1 July 2013.

Note 1. Summary of significant accounting policies (continued)

<i>Standard / Interpretation</i>	<i>Summary</i>	<i>Applicable for annual reporting periods beginning on</i>	<i>Impact on the Authority's financial statements</i>
<i>AASB 2012-2 Amendments to Australian Accounting Standards – Disclosures – Offsetting Financial Assets and Financial Liabilities</i>	This standard amends the required disclosures in AASB 7 to include information that will enable users of an entity's financial statements to evaluate the effect or potential effect of netting arrangements, including rights of set-off associated with the entity's recognised financial assets and recognised financial liabilities on the entity's financial position. This standard also amends AASB 132 to refer to the additional disclosures added to AASB 7 by this standard.	1 Jan 2013	The Authority is yet to assess its full impact. The Authority will apply amended standard from 1 July 2013.
<i>AASB 2012-3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities</i>	This standard adds application guidance to AASB 132 to address inconsistencies identified in applying some of the offsetting criteria of AASB 132.	1 Jan 2014	The Authority is yet to assess its full impact. The Authority will apply amended standard from 1 July 2014.

Note 2. Income from transactions

(\$ thousand)

	2013	2012*
(a) Interest		
Interest from financial assets not at fair value through P/L		
Interest on bank deposits	23	9
Interest from all invested funds at call	102	-
Total interest from financial assets not at fair value through P/L	125	9
Total interest	125	9

*Result for the 6 months ended 30 June 2012

Note 3. Expenses from transactions

(\$ thousand)

	2013	2012*
(a) Employee expenses		
Defined contribution superannuation expense	77	14
Salaries, wages and long service leave	954	164
Recruitment expenses	186	38
Other employee expenses	80	5
Total employee expenses	1,297	221
(b) Depreciation		
Buildings	71	36
Plant, equipment and vehicles	32	-
Infrastructure	803	402
Leasehold improvements	75	-
Total depreciation	981	438
(c) Office expenses		
Rent, rates & outgoing	121	14
Printing, stationery & supplies	23	12
Cleaning & waste disposal	11	2
Data & communication expenses	24	5
Other office expense	22	2
Total office expense	201	35

*Result for the 6 months ended 30 June 2012

Note 4. Receivables

(\$ thousand)

	2013	2012
Current receivables		
Contractual		
(i) Sale of goods and services	71	128
	71	128
Statutory		
GST Input tax credit recoverable	-	-
Other receivables	-	-
	-	-
Total current receivables	71	128
Total receivables	71	128

Notes:

(i) The average credit period for sales of goods and services and for other receivables is 7 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 5. Property, plant and equipment

Table 5.1: Gross carrying amount and accumulated depreciation

(\$ thousand)

	Gross carrying amount		Accumulated depreciation		Net carrying amount	
	2013	2012	2013	2012	2013	2012
Land at fair value	1,920	1,920	-	-	1,920	1,920
Buildings at fair value	1,021	1,021	(107)	(36)	914	985
Plant, equipment and vehicles at cost	222	-	(32)	-	190	-
Leasehold improvements at cost	343	-	(75)	-	268	-
Infrastructure at fair value	13,398	13,398	(1,205)	(402)	12,193	12,996
	16,904	16,339	(1,419)	(438)	15,485	15,901

Table 5.2: Movements in carrying amounts

(\$ thousand)

	Land	Buildings	Plant, Equip, & Veh.	Infrastructure	Leasehold Imp	Total
Balance at 1 July 2012	1,920	985	-	12,996	-	15,901
Additions	-	-	222	-	343	565
Disposals	-	-	-	-	-	-
Trf in from POMC	-	-	-	-	-	-
Depreciation	-	(71)	(32)	(803)	(75)	(981)
Balance at 30 June 2013	1,920	914	190	12,193	268	15,485

	Land	Buildings	Plant, Equip, & Veh.	Infrastructure	Leasehold Imp	Total
Balance at 30 June 2013						
At fair value	1,920	1,021	-	13,398	-	16,339
At cost	-	-	222	-	343	565
Accumulated Depreciation	-	(107)	(32)	(1,205)	(75)	(1,419)
	1,920	914	190	12,193	268	15,485

	Land	Buildings	Plant, Equip, & Veh.	Infrastructure	Leasehold Imp	Total
Balance at 1 January 2012	-	-	-	-	-	-
Additions	-	-	-	-	-	-
Disposals	-	-	-	-	-	-
Trf in from POMC	1,920	1,021	-	13,398	-	16,339
Depreciation	-	(36)	-	(402)	-	(438)
Balance at 30 June 2012	1,920	985	-	12,996	-	15,901

Note 5. Property, plant and equipment (continued)

	Land	Buildings	Plant, Equip, & Veh.	Infrastructure	Leasehold Imp	Total
Balance at 30 June 2012						
At fair value	1,920	1,021	-	13,398	-	16,339
At cost	-	-	-	-	-	-
Accumulated Depreciation	-	(36)	-	(402)	-	(438)
	1,920	985	-	12,996	-	15,901

Freehold land and buildings carried at fair value

Carrying values for land and buildings were assessed as representing fair value based on the Building and Land Cost Indexation Factors for 30 June 2013 provided by the Valuer-General Victoria. Port Infrastructure was assessed as representing fair value based on the ABS Producer Price Index. Fair value assessments have been performed for all classes of assets and the decision was that movements were not material for a full revaluation.

The last revaluation was performed on 30 June 2010 by the Valuer-General Victoria.

Note 6. Intangible assets

	(\$ thousand)					
	Gross carrying amount		Accumulated amortisation		Net carrying amount	
	2013	2012	2013	2012	2013	2012
Intangible assets:						
- Software	18	-	-	-	18	-
	18	-	-	-	18	-

The Authority has capitalised software expenditure for the purchase of its accounting software due to be implemented from 1 July 2013. The carrying amount of the capitalised software expenditure is \$17,904 (2012: Nil). The software's useful life is three years and the cost will be amortised over its useful life.

Note 7. Other non-financial assets

	(\$ thousand)	
	2013	2012
Current other assets		
Prepayments	91	15
Total current other assets	91	15
Total other assets	91	15

Note 8. Payables

(\$ thousand)

	2013	2012
Current Payables		
Contractual		
(i) Supplies and services	581	43
Other payables	13	43
	594	86
(ii) Statutory		
FBT payable	5	-
GST payable	-	-
	5	-
Total current payables	599	86
Total payables	599	86

Notes:

- (i) The average credit period is 30 days. No interest is charged on the outstanding balances.
- (ii) Terms and conditions of amounts payable to other government agencies vary according to a particular agreement with that agency.

(a) Maturity analysis of contractual payables

Please refer to Note 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 9. Borrowings

(\$ thousand)

	2013	2012
Current borrowings		
(i) Lease liabilities (Note 1(K))	62	-
Total current borrowings		-
Non-current borrowings		
(i) Lease liabilities (Note 1(K))	85	-
Total non-current borrowings	147	-
Total borrowings	147	-

Notes:

- (i) Secured by the assets leased. Finance leases are effectively secured as the rights to the leased assets revert to the lessor in the event of default.
- (ii) Refer note 12 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 10. Provisions

(\$ thousand)

	2013	2012
Current provisions		
(i) Employee benefits (Note 10(a)) – annual leave:		
(ii) Unconditional and expected to settle within 12 months	36	9
(iii) Unconditional and expected to settle after 12 months	-	-
(i) Employee benefits (Note 10(a)) – long service leave:		
(ii) Unconditional and expected to settle within 12 months	-	-
(iii) Unconditional and expected to settle after 12 months	-	-
Total current provisions	36	9
Non-current provisions		
(i) Employee benefits (Note 10(a))	28	14
Total non-current provisions	28	14
Total provisions	64	23

(a) Employee benefits inclusive of related on-costs

(\$ thousand)

	2013	2012
Current employee benefits		
Annual leave entitlements	36	9
Long services leave entitlements	-	-
Non-current employee benefits		
Long service leave entitlements	28	14
Total employee benefits	64	23

Notes:

- (i) Provisions for employee benefits consist of amounts for annual leave and long service leave accrued by employees, not including on-costs.
- (ii) The amounts disclosed are nominal amounts.
- (iii) The amounts disclosed are discounted to present values.

Note 11. 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.

Port of Hastings Development Authority Annual Report 2012/13

Note 11. Superannuation (continued)

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	
	2013	2012*	2013	2012
Defined contributions plans:				
VicSuper	45	1	-	-
Other	32	13	-	-
	77	14	-	-

*Result for the 6 months ended 30 June 2012

Note 12. Commitments for expenditure

(\$ thousand)

Nominal Values	2013	2012
(i) Operating and lease commitments payable		
Less than 1 year	200	14
Longer than 1 year but not longer than 5 years	241	-
5 years or more	-	-
Total operating and lease commitments	441	14
Other commitments payable		
(ii) Less than 1 year	1,152	-
Longer than 1 year but not longer than 5 years	-	-
5 years or more	-	-
Total other commitments	1,152	-
Total commitments(inclusive of GST)	1,593	14
Less GST recoverable from the Australian Tax Office	145	1
Total commitments (exclusive of GST)	1,448	13

Notes:

- (i) Operating lease commitments relate to office premises and motor vehicles. The office lease expires on 31st August 2015, with two options for two years. Motor vehicle leases are for 18 months to 3 years.
- (ii) Other commitments payable relate to project expenditure approved by the board during 2013

Note 13. Contingent assets and contingent liabilities

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

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.

Table 14.1: Categorisation of financial instruments

(\$ thousand)

<i>2013</i>	<i>Contractual financial assets – loans and receivables</i>	<i>Contractual financial liabilities at amortised cost</i>	<i>Total</i>
Contractual financial assets			
Cash and deposits	1,829	-	1,829
Receivables (sale of goods and services)	71	-	71
Total contractual financial assets	1,900	-	1,900
Contractual financial liabilities			
Payables (supplies and services)	-	594	594
Borrowings (Finance lease liabilities)	-	147	147
Total contractual financial liabilities	-	741	741

Note 14. Financial instruments (continued)

Table 14.1: Categorisation of financial instruments (continued)

(\$ thousand)

2012	Contractual financial assets – loans and receivables	Contractual financial liabilities at amortised cost	Total
Contractual financial assets			
Cash and deposits	1,016	-	1,016
Receivables (sale of goods and services)	128	-	128
Total contractual financial assets	1,144	-	1,144
Contractual financial liabilities			
Payables (supplies and services)	-	86	86
Borrowings (Finance lease liabilities)	-	-	-
Total contractual financial liabilities	-	86	86

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

(\$ thousand)

	2013	2012*
Total interest income/(expense)	120	9
Total	120	9

*Result for the 6 months ended 30 June 2012

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.

(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

Note 14. Financial instruments (continued)

debtor is a party to the Port Management Agreement. Debtors' payments are received within 7 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.

Provision of impairment for contractual financial assets is recognised when there is objective evidence that the Authority will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debts which are more than 60 days overdue, and changes in debtor 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)

	Financial institutions (AAA credit rating)	Other (min BBB credit rating)	Total
<i>2013</i>			
Cash and deposits	1,829	-	1,829
Receivables (sale of goods and services)	-	71	71
Total contractual financial assets	1,829	71	1,900
<i>2012</i>			
Cash and deposits	1,016	-	1,016
Receivables (sale of goods and services)	-	128	128
Total contractual financial assets	1,016	128	1,144

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 3 years) and secured against the motor vehicle.

Table 14.4 discloses the contractual maturity analysis for the Authority's contractual financial liabilities.

Table 14.4: Maturity analysis of contractual financial liabilities

(\$ thousand)				
	Carrying Amount	Nominal Amount	Less than 1 month	1-3 months
2013				
Payables(i):				
Payables (supplies and services)	594	594	594	-
Borrowings:				
Borrowings (Finance lease liabilities)	147	159	4	9
Total	741	753	598	9
2012				
Payables(ii):				
Payables (supplies and services)	86	86	86	-
Borrowings:				
Borrowings (Finance lease liabilities)	-	-	-	-
Total contractual financial assets	86	86	86	-
		3 months- 1 year	1-5 years	5+ years
2013				
Payables(i):				
Payables (supplies and services)		-	-	-
Borrowings:				
Borrowings (Finance lease liabilities)		56	90	-
Total		56	90	-
2012				
Payables(ii):				
Payables (supplies and services)		-	-	-
Borrowings:				
Borrowings (Finance lease liabilities)		-	-	-
Total contractual financial assets		-	-	-

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)

	Variable interest rate	Non- interest bearing	Total
<i>2013</i>			
Financial Assets			
Cash and deposits	1,829	-	1,829
Receivables (sale of goods and services)	-	71	71
Total financial assets	1,829	71	1,900
Financial Liabilities			
Payables (supplies and services)	-	594	594
Borrowings (Finance lease liabilities)	147	-	147
Total financial liabilities	147	594	741
<i>2012</i>			
Financial Assets			
Cash and deposits	1,016	-	1,016
Receivables (sale of goods and services)	-	128	128
Total financial assets	1,016	128	1,144
Financial Liabilities			
Payables (supplies and services)	-	86	86
Total financial liabilities	-	86	86

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).

Note 14. Financial instruments (continued)

A 1% movement up/(down) in the floating interest rate has an annual effect of positive/negative \$18,290 on profit/(loss) as at the reporting date (2012: \$10,159 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 most 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	
	2013	2012	2013	2012
Contractual financial assets				
Cash and deposits	1,829	1,016	1,829	1,016
Receivables (sale of goods and services)	71	128	71	128
Total contractual financial assets	1,900	1,144	1,900	1,144
Contractual financial liabilities				
Payables (supplies and services)	599	86	599	86
Borrowings (Finance lease liabilities)	147	-	147	-
Total contractual financial liabilities	746	86	746	86

Note 15. Cash flow information

(a) Reconciliation of cash and cash equivalents

(\$ thousand)		
	2013	2012
Total cash and deposits disclosed in the balance sheet	1,829	1,016
Bank overdraft	-	-
Discontinued operations	-	-
Balance as per cash flow statement	1,829	1,016

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, including those in the form of cheques drawn by the Authority for the payment of goods and services to its suppliers and creditors are made via the Authority's account. Grant funding received is held in a Treasury Corporation Victoria Investment account until such time as required by the Authority. A drawdown on the investment account is made as required throughout the year.

Note 15. Cash flow information (*continued*)

(b) Reconciliation of net result for the period

	(\$ thousand)	
	2013	2012*
Net result for the period	(213)	(457)
Non-cash movements:		
Depreciation and amortisation of non-current assets	981	437
GST on non-current asset purchases	42	-
Movements in assets and liabilities:		
(Increase)/decrease in receivables	57	(127)
(increase)/decrease in other financial assets	(54)	-
(Increase)/decrease in other non-financial assets	(76)	26
Increase/(decrease) in payables	513	86
Increase/(decrease) in provisions	41	6
Net cash flows from/(used in) operating activities	1,291	(29)

*Result for the 6 months ended 30 June 2012

(c) Non-cash financing activities

During the year, the Authority acquired motor vehicles to the value of \$165,973 via finance leases (2012: Nil).

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:

Minister for Ports	Hon Dr Denis Napthine	1 July 2012 to 12 March 2013
Minister for Ports	Mr David Hodgett	13 March 2013 to 30 June 2013
Treasurer	Hon Mr Kim Wells	1 July 2012 to 12 March 2013
Treasurer	Hon Mr Michael O'Brien	13 March 2013 to 30 June 2013
Chairman	Mr Yehudi Blacher	1 July 2012 to 30 June 2013
Deputy Chairman	Mr Rod Chadwick	1 July 2012 to 30 June 2013
Director	Mr Geoff Craige	1 July 2012 to 30 June 2013
Director	Ms Claire Filson	1 July 2012 to 30 June 2013
Director	Mr Greg Martin	1 July 2012 to 30 June 2013
Acting Chief Executive Officer	Mr Ralph Kenyon*	1 July 2012 to 15 February 2013
Chief Executive Officer	Mr Mike Lean*	16 February to 30 June 2013

* Mr Ralph Kenyon was the Accountable Officer from 1 July 2012 to 15 February 2013. Mr Mike Lean was the Accountable Officer from 16 February 2013 to 30 June 2013.

Note 16. Responsible Persons *(continued)*

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:

\$220,000 - \$229,999 contractor engagement to February 2013

(\$130,000-\$139,999 for 6 months to June 2012)

\$100,000 - \$109,999 employed fulltime from February 2013

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.

<i>Income bands</i>	<i>Total Remuneration</i>		<i>Base Remuneration</i>	
	<i>2013</i>	<i>2012</i>	<i>2013</i>	<i>2012</i>
\$10,000 - \$19,999	-	4	-	4
\$20,000 - \$29,999	-	1	-	1
\$30,000 - \$39,999	4	-	4	-
\$50,000 - \$59,999	1	-	1	-
Total number of directors	5	5	5	5
Total amount	\$206,828	\$99,735	\$206,828	\$99,735

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

Port of Hastings Development Authority Annual Report 2012/13

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

Income bands	Total Remuneration		Base Remuneration	
	2013	2012	2013	2012
\$ 30,000 - \$ 39,999	1	-	1	-
\$ 80,000 - \$ 89,999	1	-	1	-
\$ 90,000 - \$ 99,999	1	-	1	-
\$100,000 - \$109,999	1	-	1	-
Total number of executives	4	-	4	-
(i) Total annualised employee equivalents (AEE)	1.95	-	1.95	-
Total amount	346,614	-	346,614	-

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.

(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. There were no transactions between the Authority and the executive officers and or their related parties during the year other than the following.

Payments were made during the year to Fiscal Fitness Pty Ltd, which are included in the Operating Statement as professional services (\$55,750), for the services of Richard Keyte in a part-time acting capacity as Chief Financial Officer for the period 1st July 2012 to 6th November 2012. This role held no significant management responsibilities. On 7th November, 2012 Richard Keyte was appointed to the permanent role of Chief Financial Officer on a full time basis and the contractual arrangement came to an 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)	
	2013	2012*
Victorian Auditor-General's Office		
Audit of the financial statements	9	9
	9	9

*Result for the 6 months ended 30 June 2012

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.

Note 20. Transfer of net assets into the authority

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

<i>(\$ thousand)</i>	
	2012
Assets	
Financial assets	
Cash and deposits	1,045
Receivables	41
Other financial assets	2
Total financial assets	1,088
Non-financial assets	
Property, plant and equipment	16,339
Total non-financial assets	16,339
Total assets	17,427
Liabilities	
Provisions	17
Total liabilities	17
Net assets	17,410

Declaration of the financial statements

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 2013 and financial position of the Authority at 30 June 2013.

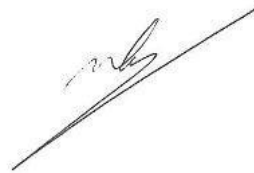
At the time of signing, we are not aware of any circumstance which would render any particulars included in the financial statements to be misleading or inaccurate.

We authorise the attached financial statements for issue on 16 August 2013.



Richard Keyte
Chief Financial Officer
Port of Hastings Development Authority

Hastings
16 August 2013



Mike Lean
Chief Executive Officer
Port of Hastings Development Authority

Hastings
16 August 2013



Rod Chadwick
Deputy Chairman
Port of Hastings Development Authority

Hastings
16 August 2013



Yehudi Blacher
Chairman
Port of Hastings Development Authority

Hastings
16 August 2013

Independent auditor's report

VAGO

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INDEPENDENT AUDITOR'S REPORT

To the Board Members, Port of Hastings Development Authority

The Financial Report

The accompanying financial report for the year ended 30 June 2013 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 declaration of the financial statements has been audited.

The Board Members' Responsibility for the Financial Report

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

Auditor's Responsibility

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

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

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

Auditing in the Public Interest

Independent auditor's report (*continued*)

Independent Auditor's Report (continued)

Independence

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

Opinion

In my opinion the financial report presents fairly, in all material respects, the financial position of the Port of Hastings Development Authority as at 30 June 2013 and of 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*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Port of Hastings Development Authority for the year ended 30 June 2013 included both in the Port of Hastings Development Authority's annual report and on the website. The Board Members of the Port of Hastings Development Authority are responsible for the integrity of the Port of Hastings Development Authority's website. I have not been engaged to report on the integrity of the Port of Hastings Development Authority's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
20 August 2013



John Doyle
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 contracts to which the Victorian Industry Participation Policy applies in the year ended 30 June 2013.

Consultancies

Details of Consultancies Over \$10 000

(\$ thousand)

<i>Consultant</i>	<i>Purpose of consultancy</i>	<i>Start date</i>	<i>End date</i>	<i>Total approved project fee (excluding GST)</i>	<i>Expenditure 2012-13 (excluding GST)</i>	<i>Future expenditure (excluding GST)</i>
Victorian Government Solicitor's Office	H.R. policy and contract implementation	5/1/2013	16/1/2013	\$11,892	\$11,892	-
Manidis Roberts Pty Ltd	Communications strategy	31/7/2012	Ongoing	\$73,111	\$73,111	-
Step FWD IT	Document Management	19/10/2012	30/6/2013	\$10,960	\$10,960	-
The Lonsdale Group	Organisational Review Services	30/5/2013	Ongoing	\$115,200	\$115,200	-
Zeal Systems Ltd	Accounting Software	31/5/2013	Ongoing	\$11,468	\$11,468	\$3,368
URS Austrlaila P/L	Risk Assessment System	11/12/2012	Ongoing	\$375,647	\$191,847	\$183,800
Cardno Victoria P/L	Hydrodynamics	11/12/2012	Ongoing	\$380,320	\$240,432	\$139,888
GHD	Ecology	11/12/2012	Ongoing	\$569,617	\$320,100	\$249,517
GHD	Port Development Strategy	11/12/2012	Ongoing	\$624,474	\$433,856	\$190,618
Deloitte Touch Thomatsu	Demand, Commercial & Economic	11/12/2012	Ongoing	\$480,448	\$174,942	\$305,506
Victorian Government Solicitor's Office	Project Management – Approvals processes	26/07/2012	Ongoing	\$70,000	\$28,668	\$41,332

Details of Consultancies Under \$10 000

In 2012-13, the total amount for the ten consultancies engaged during the year, where the total fees payable to each of the consultants was less than \$10 000, was \$25,153. All figures are excluding GST.

Disclosure of Major Contracts

There were no major contracts (contracts greater than \$10 million) entered into during 2012-13.

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 2013, the Authority received no applications.

Making a Request

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

- it should be in writing;
- it should identify as clearly as possible which document is being requested; and
- it should be accompanied by an application fee of \$22.70.

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

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

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

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

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

Compliance with the *Building Act 1993*

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

National Competition Policy

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

Compliance with the *Protected Disclosure Act 2012* (formerly, the *Whistleblowers Protection Act 2001*)

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

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

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

Reporting Procedures

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

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

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

The Protected Disclosure Coordinator
Port of Hastings Development Authority
PO 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 2013 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.

Insurance Attestation

Attestation for compliance with the Ministerial Standing Direction 4.5.5.1 – Insurance

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



Mike Lean
Chief Executive Officer
Port of Hastings Development Authority

16 August 2013

Risk Management Attestation

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

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



Mike Lean
Chief Executive Officer
Port of Hastings Development Authority

16 August 2013



Rod Chadwick
Chairman Audit and Risk Committee
Port of Hastings Development Authority

16 August 2013

Disclosure Index

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

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

**SD is a mandatory Standing Direction under *the Financial Management Act 1994*.



**PORT OF
HASTINGS**
DEVELOPMENT AUTHORITY

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