Victorian Regional Channels Authority Annual Report 2016 – 2017

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Our vision

By employing the world's best practices, we aim to:

- Provide customer focussed navigation services.
- Enhance overall port performance.
- Provide safe and secure management of port waters.
- Ensure environmentally responsible marine operations.

Our mission

To provide safe, secure and environmentally responsible navigation services to the users and operators of Victoria's regional commercial ports.

Scope of operations

Victorian Regional Channels Authority (VRCA) is established under the *Transport Integration Act 2010* to manage channels in the port waters of Geelong, and oversee channel operations in the Port of Portland and Hastings. It began operations on 1 April 2004.

VRCA commenced direct management of port waters at Port of Hastings on 1 July 2017.

The principal functions of VRCA, as provided in Part 6 of Division 3B of the *Transport Integration Act 2010*, are to:

- establish, manage, dredge and maintain the channels in port waters and provide and maintain navigation aids in port waters in accordance with standards of the Director of Marine Safety;
- provide general direction and control of the movement of vessels within port waters in accordance with the *Marine Safety Act 2010*;
- provide technical advice and support to port managers about the management and operation of port waters and channels in port waters; and
- assist port managers, at their request, and with the approval of the Minister, with integrated planning, development, management and promotion activities for the port.

VRCA is directly responsible for shipping control in the port waters of Geelong and contracts the shipping control and navigation channel services for the Port of Portland and the Port of Hastings to the operators of these ports. VRCA commenced direct management of port waters at Port of Hastings on 1 July 2017.

VRCA has numerous stakeholders, including agents and owners of vessels who use its services. These owners and agents are charged according to the Gross Tonnage (GT) of their vessels for the use of channels, navigation aids, shipping control and other associated services. Income is derived almost entirely from this charge.

Additional responsibilities of VRCA in relation to preparation of the Port Development Strategy are contained in Part 6B of the *Port Management Act 1995.* This responsibility came into effect in 2012.

VRCA reports to the Minister for Ports with respect to industry policy and to the Treasurer with respect to shareholder and governance matters. VRCA has a three-member Board of Directors and an establishment of six employees.

The Transport Integration Amendment (Head, Transport for Victoria and Other Governance Reforms) Act 2017 established the Head, Transport for Victoria as a new statutory office and the lead agency in Victoria to integrate and coordinate the State's transport system.

VRCA is now part of TfV.

Chairman’s report

Victorian Regional Channels Authority (VRCA) has continued to meet its legislative obligations in a safe, effective and efficient manner during the year.

The port of Geelong, Victoria’s premier bulk cargo port, is an important trade gateway for Victorian businesses, especially those in the State’s south west. Marine infrastructure, including the Geelong channels, managed and maintained by VRCA, plays a pivotal role in keeping Geelong’s port both safe and competitive.

With the global shipping industry constantly evolving and driving to utilise larger vessels to deliver economies of scale, VRCA is facing the constant challenge to develop channel infrastructure to accommodate the larger vessels sought by port users and to ensure safe navigation and management of vessels in port waters. VRCA utilises state of the art technology to maximise the draft of vessels visiting port of Geelong whilst taking a long term and strategic view of future challenges and opportunities. In conjunction with these operational advances, VRCA is investigating a range of channel deepening and alignment options to improve the port’s long term competitive position and its potential for growth.

VRCA continues to take a leading role in ensuring the port’s future expansion options are well represented in all debates on Geelong’s future transformation. Working closely with port users and stakeholders in its role as facilitator for the Port-City Co-ordinator Group, VRCA has formed strong relationships with local community organisations to ensure that both the port, the city and the region can develop together,

I would like to acknowledge the talented people associated with VRCA – at board and management levels – who are instrumental in its ongoing success. I thank fellow board members Des Powell and Peter Niblett for their work, as well as Peter Dorling, who retired from the board during the year.

I would also like to thank Captain Peter McGovern, who retired as Chief Executive Officer in September 2016 after ten years leading VRCA and welcome his successor Michael Harvey.

Mr Harvey heads an experienced management team that ensures VRCA fulfils its operational and strategic requirements efficiently and effectively. I thank them all for the effort and commitment and look forward to VRCA’s further success over the next 12 months.

Kate Roffey
Chairman

Chief Executive Officer’s report

No major incidents were reported in port waters under VRCA management during the year and this is a credit to both the integrity of navigational aid assets and to the operating procedures and protocols deployed both in marine control and in conjunction with pilotage, towage and ancillary service providers.

VRCA’s financial results for 2016/17 posted a before-tax profit of $4.2 million based on a total turnover of $10.6 million. Operating expenses for the year amounted to $6.4 million.

Cargo volumes at port of Geelong increased by 13.5% to 13.4 million tonnes driven by a record grain season. The major cargo volumes were:-

	2016/2017	2015/2016
Crude oil / petroleum products	46.9%	54.8%
Grains	17.1%	4.3%
Woodchips	12.5%	14.8%
Fertiliser	12.2%	13.5%
Imports (million tonnes)	8.1	8.2
Exports (million tonnes)	5.3	3.6
Total (million tonnes)	13.4	11.8
Number of vessels	588	651
Gross tons (million)	15.5	15.2

It is pleasing to report an increase in both cargo volumes and gross tons (the basis on which VRCA charges the channel access tariff) and with fewer vessels visiting port of Geelong, this highlights the positive impact that VRCA’s Dynamic Under Keel Clearance (DUKC©) technology brings to the port of Geelong in permitting deeper draft vessels safe access to the port which in turns generates economies of scale for port users. VRCA is targeting further improvements in 2017/2018 to permit safe passage of vessels with sailing drafts of 12.0 metres through the Geelong channels. Record grain exports of almost 394,000 tonnes for a single month were achieved during the year. In addition there was a record consignment of almost 63,000 tonnes achieved. These were achieved directly as a result of the benefits of using DUKC.

VRCA continues to invest in its channel management assets and is carrying out further maintenance and refurbishment programmes to navigation aids. Three beacons at the entrance to the Point Richards channel have been replaced while beacon ladders and components have been upgraded along the channels as part of the beacon improvement programme.

Following the annual hydrographic survey along the length and breadth of the Geelong channels I am pleased to report that the declared depth remains 12.3 metres. As a result of the previous hydrographic survey, VRCA completed a channel sweeping programme to eliminate high spots identified within the channels.

VRCA has completed a review of future channel development to identify what options exist to increase port of Geelong’s competitiveness compared to other Victorian ports. The declared depth of Geelong’s channels is significantly lower than those for Port Phillip Bay, Melbourne and Hastings. This major strategic initiative will be further developed in 2017/2018 with the aim of informing all stakeholders of the physical and financial challenges and opportunities and the issues that will need to be addressed to in order to ensure that port of Geelong remains Victoria’s largest and most competitive bulk port.

Under channel operating agreements with the operators of the ports of Portland and Hastings, VRCA provides governance and oversight of the channels and marine operations at each port. With the expiry of the channel operating agreement at port of Hastings on 30th June 2017, VRCA will be directly managing the channel at port of Hastings and marine operations from 1st July 2017. Port of Hastings Development Authority will manage the land side infrastructure. VRCA has worked closely with Port of Hastings Development Authority during the year to ensure a smooth transition.

VRCA promotes safe usage of Corio Bay through an extensive public awareness campaign and a port education programme which introduces high school students to the bay and how recreational users can co-exist with commercial shipping. To date in excess of 8,500 students have attended this programme.

I would like to thank GeelongPort and all of the port users with whom we work closely for their support and cooperation during the past 12 months. Together we continue to make port of Geelong a safer and more productive port that is critical to the economic development of the State of Victoria.

I would like to thank my predecessor, Captain Peter McGovern, for his leadership at VRCA since 2007 and to the management and staff at VRCA for ensuring that the leadership transition was managed smoothly, efficiently and effectively.

Michael Harvey
Chief Executive Officer

Establishment and functions

VRCA is defined as a Transport Corporation under the *Transport Integration Act 2010* with the responsibility of managing the shipping channels in the Port of Geelong and overseeing the channels in the Port of Portland and the Port of Hastings.

Objectives of VRCA

The principal objective of VRCA is to ensure that port waters and channels in port waters are managed on a fair and reasonable basis.

In pursuit of this objective, VRCA aims to:

- Operate a safe and secure channel operations business;
- Exhibit a culture of sustainability including demonstrated social and environmental responsibility;
- Provide the state with a reasonable return on investment;
- Provide a quality service to its customers at a reasonable charge;
- Manage all assets and liabilities on a prudent basis; and
- Be a good employer by adopting and applying appropriate personnel policies.

Profiles of Geelong piers and wharves

Geelong is the largest regional port in Victoria, handling 25 per cent of Victoria's bulk cargoes, most of which are raw materials like petroleum products, fertiliser, grain and woodchips.

The port hosts a number of separate piers and wharves including:

- Point Henry Pier
- Bulk Grain Pier
- Corio Quay
- Lascelles Wharf
- Refinery Pier
- Point Wilson Explosives Pier
- Cunningham Pier

Aside from the Point Wilson Explosives Pier, Cunningham Pier and the Bulk Grain Pier, GeelongPort is managed by GeelongPort Pty. Ltd., which has owned most of the land-based infrastructure since the port was privatised in July 1996.

Point Henry Pier

The facility is owned by GeelongPort Pty. Ltd.

Berth	Max LOA	Max Draft	Remarks
Point Henry Pier	209m	11.4m	Previously used by Alcoa

Bulk Grain Pier

The 'old' bulk grain pier is owned by GeelongPort Pty. Ltd. It is used as a tug berth and lay-up berth. The 'new' bulk grain pier is owned and operated by GrainCorp Ltd for export of bulk grain and woodchips.

Berth	Max LOA	Max Draft	Remarks
Bulk Grain Pier 1	210m	9.9m	Berth facilities used by Svitzer for their towage operations
Bulk Grain Pier 2	192m	11.6m	Lay up berth
Bulk Grain Pier 3	225m	11.6m	GrainCorp – dedicated grain/woodchip

Corio Quay

Corio Quay comprises Corio Quay North and Corio Quay South. The facility forms the nucleus of GeelongPort Pty Ltd's operations in Geelong.

Berth	Max LOA	Max Draft	Remarks
Corio Quay 1 & 2 North	375m	10.4m	Woodchip (priority)/dry bulk/general cargo
Corio Quay 3 North	166m	10.4m	General cargo
Corio Quay 4 North	230m	11.6m	Woodchip
Corio Quay 1 South	180m	10.4m	General cargo

Lascelles Wharf

Lascelles Wharf is owned and managed by GeelongPort Pty. Ltd. for receipt and dispatch of general cargo.

Berth	Max LOA	Max Draft	Remarks
Lascelles Wharf 1, 2 & 3	621m	11.6m	Dry bulk cargo

Refinery Pier

This facility is owned by GeelongPort Pty. Ltd. but is operated by Viva Energy Australia and Terminals Pty Ltd for receival and, in some cases, the export of oil products and chemicals.

Berth	Max LOA	Max Draft	Remarks
Refinery Pier 1 & 2	185m	11.6m	Petroleum and chemical products
Refinery Pier 3	230m	11.6m	Petroleum products and VCM
Refinery Pier 4	265m	11.6m	Crude oil and VCM

Point Wilson Explosives Pier

Point Wilson is located north east of Corio Bay and is owned by Department of Defence. The channels leading to the pier are serviced by VRCA. The site was used by the Australian Defence Industries as an explosives depot. It has been closed to shipping until further notice.

Berth	Max LOA	Max Draft	Remarks
Point Wilson Jetty North	168m	8.5m	Explosives
Point Wilson Jetty South	168m	8.5m	Explosives

Cunningham Pier

This privately owned facility is included under Victoria's declared port waters. The pier provides berthing for occasional visits by naval vessels.

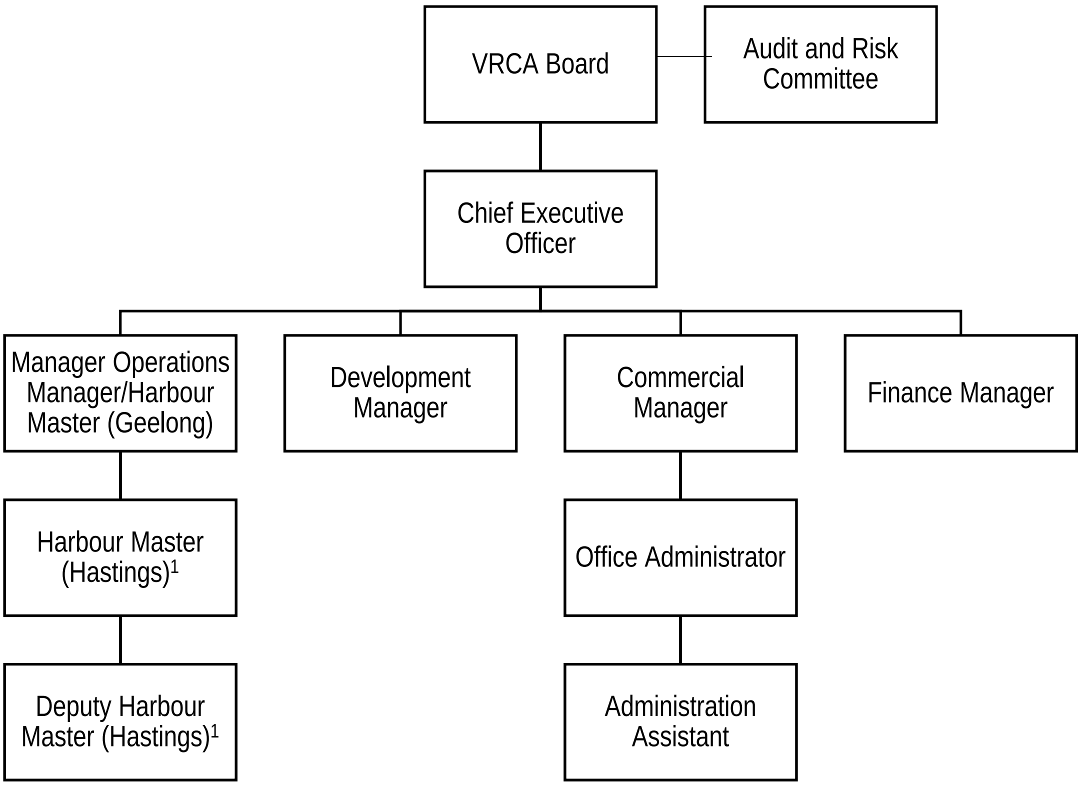
Berth	Max LOA	Max Draft	Remarks
Cunningham Pier East	186m	7.9m	Cruise and naval vessels
Cunningham Pier West	186m	7.9m	Cruise and naval vessels

Staff establishment

VRCA has a Board of Directors of three and an establishment of seven full time staff while the Finance Manager and Deputy Harbour Master are on contract.

Given the small establishment size, the role of VRCA is essentially one of oversight and management of contracts and projects. Key functions such as shipping control, hydrographic survey, dredging and maintenance of navigation aids are outsourced and contracted to third parties.

Organisational Structure



Note (1) Victorian Regional Channels Authority commenced managing Hastings port waters on 1 July 2017.

Income and pricing

VRCA is a self-funded transport corporation, obtaining income from a tonnage charge levied on commercial shipping using the port waters of Geelong. Additional revenue is derived from a contract with Viva Energy Australia arising from the underwriting of a channel deepening project and from a surcharge levied upon itinerant users of the deeper draught waters within the Geelong Channel.

VRCA does not gain any revenue from:

- Passenger cruise liners and naval vessels using channels or services under VRCA's control. Cruise ships are not charged channel fees as an encouragement to visit the Geelong region; or
- Commercial shipping using the ports of Hastings or Portland.

Primary revenue

The basis for shipping charges

VRCA reviews and sets prices for its tonnage charges on shipping based on a gross tonnage measure which is related to the internal volume of the vessel accessing the port.

VRCA reviews charges annually and sets its prices for a year in advance. The 2016/17 Channel Usage Charge was 43 cents per gross ton.

Details of tariffs are issued to customers annually by letter and can be downloaded from VRCA's website (www.regionalchannels.vic.gov.au).

Additional revenue

Geelong Channel Improvement Program

The deepening of the Geelong Channels in May 1998 was underwritten by the Shell Company of Australia Ltd and Alcoa Australia Ltd under agreements entered into in 1995 with the Victorian Channels Authority.

Viva Energy Australia, which novated Shell's agreement in 2014/15, is required by contract to make an annual payment to VRCA. The contract provides for annual increases equivalent to 75 percent of the CPI movement over the previous twelve months.

The agreement with Viva Energy Australia is for 30 years from the date of commencement.

Itinerant use

A charge is levied on itinerant users of the deepened Geelong channels for vessels other than those of Viva Energy Australia, for using water deeper than 10.5 metres. The charge is based on a scale per centimetre of draught over 10.5 metres as follows:

Vessel type	Vessel size (Gross Ton)	Rate
Handy	Up to 21,999	$192.05
Handymax	22,000 – 29,999	$204.60
Panamax	> 29,999	$242.64

Financial performance

Total turnover for VRCA for the 12 months ended 30 June 2017, incorporating revenue from non-operating activities, was $10.6 million. This resulted in a before-tax profit of $4.2 million. The reported profit after tax was $2.9 million which included a tax expense of $1.3 million. Operating expenses for year amounted to $6.4 million and were in line with budget expectations.

Five Year Financial Summary

	2017 $'000	2016 $'000	2015 $'000	2014 $'000	2013 $'000
Total Revenue	10,612	8,887	8,206	9,183	9,108
Total Expenses	6,449	5,830	4,814	7,399	4,673
Net profit before income tax	4,163	3,057	3,392	1,784	4,435
Net cash flow from operating activities	4,131	3.347	5,396	2,369	4,377
Total Assets	46,581	44,466	43,249	41,279	41,976
Total Liabilities	1,427	1,168	929	832	1,180
Net Assets	45,154	43,298	42,320	40,447	40,796

VRCA prepares annual budget which is monitored against actual performance on a regular basis. Financial results for the above periods have met budgeted expectations.

Operating expenses

Operating expenses for 2016/17 amounted to $6.4 million. This was in line with budget expectations.

Dividend distribution targets

Dividend is as determined by the Treasurer in accordance with Section 41 of the PSA after discussion with VRCA's Board. During 2016/17 VRCA paid a dividend of $1,056,000 to the State.

Special projects costs

Additional expenditure of $370,000 was incurred to fund one-off items categorised as *special projects*. These are VRCA initiatives aimed at identifying and mitigating risks associated with the present port operations and at strategic planning for the port of Geelong.

Operating performance

Gross tonnage handled

In 2016/17 total gross tonnage of ships entering Geelong's port was 15.5 million gross tons; an overall increase of 0.3 million tons on the previous year and in excess of budgeted expectations.

As in previous years the significant cargo types passing through the port of Geelong were: crude oil and petroleum products, woodchips, fertiliser, and grain.

Grain shipments increased more than four times whilst fertiliser throughput decreased by 9%. Liquid bulk imports and exports which were broadly similar to those in the previous year.

Gross tonnage and number of ships

Gross tonnage and number of ships visiting Geelong ports for the last 10 years has risen as per table below.

Year	Gross tonnage handled	Ship visits
2007/2008	13.6 million	540
2008/2009	12.1 million	522
2009/2010	10.6 million	435
2010/2011	14.2 million	508
2011/2012	16.0 million	630
2012/2013	16.3 million	770
2013/2014	16.5 million	661
2014/2015	14.5 million	639
2015/2016	15.2 million	651
2016/2017	15.5 million	588

Key functions

Hydrographic survey and dredging

A key VRCA responsibility is to maintain shipping channels to the Port of Geelong to a declared depth of 12.3 metres at all times. Knowledge about the state of the channels is obtained by conducting annual hydrographic surveys of port of Geelong channels, berths and anchorages. Since 2005 it has been established that maintenance dredging is unlikely to be needed for the foreseeable future.

Surveys conducted on behalf of VRCA over the past five years by an independent team confirm this fact, and show that no significant shoaling or other hazards are evident in Geelong berths and channels.

Port development and capacity studies

VRCA prepares the Port Development Strategy for the port of Geelong, a statutory requirement under the *Port Management Act 19995. This forms* a significant ongoing commitment for VRCA, with the strategy to be updated every five years.

VRCA's role in preparing the Port Development Strategy involves the co-ordination of multiple inputs including industry research and economic studies as well as considering advice gained directly from port operators, cargo owners and stakeholders.

Studies undertaken as part of the Port Development Strategy include those related to current and projected land use, cargo movements, ship size, channel capacity and land-side access as well as general port infrastructure. These studies include computer modelling and navigation simulation using a full-mission bridge simulator. The studies are undertaken in collaboration with port users including the Port Phillip Sea Pilots. VRCA also carries out in-depth forecasts on the future sizes of ships in bulk trades.

VRCA also facilitates the Port-City Co-ordination Group, which provides a base to engage on the interaction between development of the port and of Geelong

Risk management

The Risk Management Register established by VRCA in 2004 provides a framework within which VRCA fulfils its responsibilities under the *Port Management Act (1995)* on behalf of customers and users of regional ports. VRCA Risk Committee of the VRCA Board met once during this financial year to review the register. Following a review of Risk Management Policies and Procedures updates were made to ensure compliance with the Victorian Government Risk Management Framework.

Safety and the environment

The provision of safe and secure port waters and assurance of environmentally responsible marine operations is a key indicator of performance for VRCA. In 2016/17 VRCA reported zero marine incidents of significance and undertook a number of initiatives to maintain the standards of navigation aids and facilities in port waters.

Marine pollution

Under the *Marine Safety Act 2010*, the Director (Marine Safety) Transport Safety Victoria is responsible for ensuring that there are adequate resources to respond effectively to marine pollution events in Victorian waters. The Director has designated the Victorian Ports Corporation (Melbourne) (VPCM) as the responsible regional control agency within the Port Phillip region, including Corio Bay.

Responsibility for investigating marine pollution incidents in Victorian waters belongs to the Victorian Environmental Protection Authority (EPA). VRCA has a reporting and support role in relation to such incidents and cooperates with the VPCM, the EPA and emergency services organisations as required and as directed by the Director, Maritime Safety.

During 2016/17 no marine pollution incidents occurred in port waters.

Port education program for local schools

In 2016/17 VRCA continued its Port Educational Program targeting students from Years 9 to 11 in the Geelong region with the aim of raising public awareness of the importance of the port to the local community. Students were drawn from local, Geelong-based schools as well as schools in other regional areas near Geelong. In excess of 8,500 students have taken part in the educational program since it started in 2006.

VRCA also continued its education program's involvement with the 'Northern Futures' education and training program for disadvantaged adults in the region.

Continuation of the safety awareness campaign

In order to minimise the level of incidents involving small leisure craft in port channels, VRCA continued its education and public awareness program '*Keep Clear of Big Ships!*'. The program began in 2007/08.

Senior staff also spread the safety message to community organisations through a program of presentations. The campaign is supported by a media advertising campaign and distribution of promotional flyers and merchandise.

The Harbour Master once again used VRCA launch "George Molland" to patrol port waters during peak periods and major yachting and boating events.

Stakeholder engagement

VRCA maintains a program of regular contact with key customers and stakeholders. It actively participates in a wide variety of forums involving major stakeholders, including G21, the Geelong Chamber of Commerce, the Committee for Geelong, the City of Greater Geelong, the Geelong Manufacturing Council, Deakin University, the Port-City Co-ordinator Group (whose members include Viva Energy Australia, GeelongPort Pty. Ltd. and GrainCorp), Transport for Victoria, Department of Economic Development, Jobs, Transport and Resources, Department of Treasury and Finance and the Department of Environment, Land, Water and Planning (DELWP).

VRCA is also involved in various committees focused on port security, safety and environmental issues.

Additional information

TRADING RESULTS

VRCA's profit for the year was $2.9 million (2015/16 $2.1 million) after allowing for an income tax expense of $1.3 million (2015/16 $1.0 million).

REPORTING

VRCA reports to the Minister for Ports, The Hon Luke Donnellan MP.

EVENTS SUBSEQUENT TO BALANCE DATE

Subsequent Events

Port of Hastings

VRCA is responsible for statutory functions at the Port of Hastings under the Port Management Act 1995. During the financial year, VRCA had an existing contract with an independent third party for the provision of channel operating services at the Port of Hastings. This contract allows the independent third party to charge a fee to the port users for access to the channel at the Port of Hastings. The provision of channel operating services provided by the independent third party expired on 30 June 2017.

On 1 July 2017, VRCA resumed direct control over the channel at Port of Hastings and directly recovers tariffs for access to the channel.

Agreements with Port of Hastings Development Authority

Effective 1 July 2017, VRCA has entered into contracts with the Port of Hastings Development Authority (PoHDA) for the provision of office space and maintenance services.

A short term revenue sharing agreement has also been established between VRCA and PoHDA. Under this agreement, 50% of the tonnage fee, flagfall and anchorage fees charged by VRCA for access to the channel at Port of Hastings will be paid to PoHDA. The revenue sharing agreement is for the period 1 July 2017 to 30 June 2018.

DIRECTORS' BENEFITS

No Director of VRCA has, since the end of the previous financial period, received or become entitled to receive a benefit (other than a benefit included in the total amount of emoluments received or due and receivable by directors shown in the financial statements) by reason of a contract made by VRCA, a controlled entity or a related body corporate with a director or with a firm of which the director has a substantial financial interest.

INFORMATION ON DIRECTORS

Kate Roffey (Chairman) Kate was appointed a Director of VRCA on 1 June 2016. She has extensive experience as a CEO and Senior Executive within the commercial, government and not-for-profit sectors.

Kate was the CEO of the Committee for Melbourne from 2012 to 2016. As CEO, Kate successfully led a broad cross-section of Melbourne's most influential companies and institutions to develop initiatives and deliver outcomes that ensure Melbourne continues to grow as a prosperous globally connected city, while at the same time retaining its mantle as the 'World's most liveable city'. As an industry leader in this role, Kate led influential policy discussions around the key issues of infrastructure development, economic growth, urban optimisation and liveability.

Prior to joining the Committee, Kate held an executive position at Tennis Australia as Manager of the Melbourne Park Redevelopment, where she played a leadership role in developing the Masterplan vision of, and secured almost $1 billion in government funding for, the substantial upgrading of facilities for the Australian Open Tennis Championship.

In addition to her Executive roles, Kate is also an experienced non-executive director and is a graduate member of the Australian Institute of Company Directors. In addition to her role at the Victorian Regional Channels

Authority, Kate is a Director on the Melbourne Football Club, Berry Street and Melbourne University Sport Boards as well as being a member of the Ministerial Freight Advisory Council.

Desmond Powell (Deputy Chairman) Des was appointed a Director of VRCA on 1 June 2016. He brings extensive experience in Executive Management and Board roles in the public, private and not-for-profit sectors. In particular he has specialist expertise in the ports and freight and logistics sector in both Australia and Asia.

He is a part-time Commissioner for the Victorian Commission for Gambling and Liquor Regulation; a Director of Grampians Wimmera Mallee Water Corporation and Director and Chair of Federation Training. Des is also Chair of Mackillop Family Services.

Peter Niblett (Director) Peter was appointed a Director of VRCA on 4 April 2017. Peter is currently an independent Non-Executive Director having retired from EY (Ernst & Young) in November 2016.

At EY he was an Executive Director in Advisory Services at EY's Melbourne office, having returned from their London office in September 2006. He was the Client Service Partner (CSP) for the Emergency Services Cluster of accounts (ESTA, CFA, MFB and SES), the Victorian Auditor-General's Office, Tasmanian Government, TAC and WorkSafe.

Peter's skill set compliments his ability to deliver quality professional advice on a diverse range of industry segments. He is a specialist in Governance, Risk and Compliance, Program Advisory Services, IT Effectiveness, Procurement and Probity Advisory Services, Risk Management, Program Assurance and new evolution issues in human resource planning.
Peter is well known and highly respected within the professional services industry both in Australia and internationally, especially in the United Kingdom. He is a highly qualified individual with outstanding leadership qualities.

In December 2008, he was appointed by the Minister to the Deakin University Council and he is currently the Deputy Chair of the Audit and Risk Committee and Deputy Chair of the Investment Committee.
In 1999, Peter was appointed to the prestigious Audit and Assurance Standards Board (AuASB) of the Australian Accounting Research Foundation to give specialist information system advice on the development of Audit Standards in Australia.

Peter is the Patron of Encompass Community Services Inc. - a registered charity that provides services to People with Disabilities

In October 2015, Peter was awarded the Deakin University Alumni of the Year Award for "Outstanding achievements to the Community and Profession".

DIRECTORS' MEETINGS

The number of directors' meetings held in the period during the financial year and the number of meetings attended by each director is:

Director	Number held	Number attended
Kate Roffey	6	6
Desmond Powell	6	6
Peter Dorling	4	4
Peter Niblett	2	1

PECUNIARY INTERESTS

The directors, chief executive officer and senior managers have completed a statement of pecuniary interests.

AUDIT COMMITTEE MEMBERSHIP AND ROLE

The Audit Committee consists of all the members of the Board of VRCA, with Desmond Powell as Chair.

The main responsibilities of the Audit Committee are to:

- Determine the scope of the internal audit function and ensure that its resources are adequate and used effectively including co-ordination with the external auditors;
- Oversee the effective operation of the risk management framework; and
- Review VRCA's internal control environment covering:
    - Effectiveness and efficiency of operations;
    - Reliability of financial reporting; and
    - Compliance with applicable laws and regulations.
- The Audit Committee's responsibilities were expanded from 30 June 2017 to include risk management: these include:
    - Monitor the continuing assessment of the risk environment;
    - Oversee the review of the risk register; and
    - Monitor the reliable reporting of risks and operational controls.

AUDIT COMMITTEE MEETINGS

The number of finance and audit committee meetings held in the period during the financial year and the number of meetings attended by each director is:

Director	Number held	Number attended
Desmond Powell	6	6
Kate Roffey	6	6
Peter Dorling	4	4
Peter Niblett	2	1

RISK COMMITTEE MEMBERSHIP AND ROLE

The Risk Committee ceased on 29 June 2017 with its responsibilities being incorporated into the Audit Committee.

The main responsibilities of the risk committee were to:

- Monitor the continuing assessment of the risk environment;
- Oversee the review of the risk register; and
- Monitor the reliable reporting of risks and operational controls.

RISK COMMITTEE MEETINGS

The number of risk committee meetings held during the financial year and the number of meetings attended by each director is:

Director	Number held	Number attended
Peter Dorling	1	1
Kate Roffey	1	1
Desmond Powell	1	1

WORKFORCE DATA

On 30 June 2017:

- VRCA employed 6 staff (5.2 full time equivalent) compared to 7 staff (6 full time equivalent) as at 30 June 2016.
- The proportion of women was 33.33%, compared to 42.9% at 30 June 2016.

Refer to table below for workforce data.

	2016-17		2015-16	
Classification	Number (headcount)	FTE	Number (headcount)	FTE
Executive Officers	3	3	3	3
Senior Managers	1	1	1	1
Administration Staff	2	1.2	3	2
TOTAL	6	5.2	7	6
Male	4	4	4	4
Female	2	1.2	3	2
TOTAL	6	5.2	7	6

All figures reflect employment levels during the last full pay period of June of each year.

Employment and conduct principles

VRCA has introduced policies and procedures that are consistent with VPSC's employment standards and provide for fair treatment, career opportunities and the early resolution of workplace issues. VRCA has advised its employees on how to avoid conflicts of interest, how to respond to offers of gifts and how it deals with misconduct.

EXECUTIVE OFFICER REMUNERATION

The number of executive officers whose total remuneration is $100,000 or more is shown below in their relevant income bands:

Income bands	2017 Number	2016 Number
$140,000 to 159,999	1	2
$160,000 to 179,999	1	-
$180,000 to 199,999	-	1
$200,000 to 219,999	1	-

INDEMNIFICATION OF OFFICERS

During the financial year, VRCA took out an agreement to indemnify directors and executive officers against all costs and expenses involved in defending legal actions and any resulting payments arising from a liability to persons (other than VRCA) incurred in their position as director or executive officer unless the conduct involves a wilful breach of duty or an improper use of inside information or position to gain advantage.

STATUTORY REQUIREMENTS

Freedom of Information Act

There were no requests under the Freedom of Information Act 1982 received during the year. VRCA has complied with the Act.

Competitive Neutrality

VRCA complies with Victorian Government policy on competitive neutrality.

Occupational Health and Safety (OH&S)

VRCA had an Occupational Health and Safety (OH&S) committee in place that met on a regular basis to deal with any issues raised. The committee was made up of representatives from a cross section of VRCA.

VRCA reported no significant incidents or lost time injuries for the year. This is consistent with 2015/16 and 2014/15

Protected Disclosure Act (2012)

VRCA is committed to the aims and objectives of the *Protected Disclosure Act (2012)*

No disclosures have been received or investigations made by VRCA, and it has not referred any disclosures to the Anti-corruption Commission for any reasons. Neither has the Anti-corruption Commission referred any disclosures or made any recommendations to VRCA.

Disability Act

VRCA is committed to the aims and objectives of the Victorian Disability Act 2006 in regard to respecting the rights and needs of people with a disability.

Multicultural Awareness

VRCA is committed to promoting culturally appropriate policies, programs and strategies. With employees representing several nationalities, cultural sensitivities within the work environment is strongly encouraged.

OTHER DISCLOSURES

Consultancy and contractor payments

During the 2016/17 reporting period, VRCA engaged one consultant with a total fee of $10,000 or greater. This related to advice and recommendations obtained from The Brand Bureau for a public awareness campaign. The total cost of this advice was $15,500 (ex GST). There were no consultants engaged during the year for a fee less than $10,000.

Advertising expenditure

VRCA's expenditure in the 2016/17 reporting period on Government campaign expenditure did not exceed $100,000 (ex GST).

Information and communication technology (ICT) expenditure

VRCA's expenditure in the 2016/17 reporting period on ICT amounted to $113,906 (ex GST). All ICT expenditure related to Business As Usual expenditure.

Capital projects

During 2016/17 there were no capital projects completed with the value exceeding $10 million or funded by the State budget.

Local jobs first – Victorian Industry Participation Policy (VIPP)

During 2016/17 no new VIPP applicable procurements were undertaken or completed.

Compliance with Building Act 1993

VRCA does not own or control any government buildings and consequently is exempt from notifying its compliance with the building and maintenance provisions of the *Building* Act 1993 (for publicly owned buildings controlled by VRCA).

Risk Attestation Statement

I, Kate Roffey, certify that the Victorian Regional Channels Authority (VRCA) has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard AS/NZS 31000:2009 and comply with Ministerial Direction 3.7.1 – Risk management framework and processes.

VRCA has in place an internal control system which enables the management of the VRCA to understand, manage and control risk exposures. In addition, VRCA had a Risk Management Committee comprising all of the Board members of the authority. The Risk Committee met once during the financial year and ceased on 29 June 2017 with its responsibilities being incorporated into the Audit Committee.

The Risk Committee sat as required review the risk register and the progress of risk management procedures.

Annual Report

VRCA has complied with its statutory obligations in relation to the annual report. Information in relation to VRCA's following activities has been complied with and is available upon request:

- Declarations of pecuniary interests;
- Publications produced by the authority;
- Changes in prices, fees, charges, rates and levies;
- Major external reviews carried out;
- Overseas visits;
- Occupational health and safety; and
- Industrial accidents and disputes.

For and on behalf of the Board

Kate Roffey
Chairman
Geelong

Desmond Powell
Director
Geelong

Victorian Regional Channels Authority

FINANCIAL STATEMENTS

For the year ended 30 June 2017

CONTENTS

VICTORIAN REGIONAL CHANNELS AUTHORITY
COMPREHENSIVE OPERATING STATEMENT
For the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Continuing operations			
Income			
Channel income		10,489	8,725
Other income	2.1	123	162
Total income		10,612	8,887
Expenses			
Employee benefits	2.2	1,151	1,151
Depreciation and amortisation	2.2	1,346	1,056
Other maintenance		882	478
Rental expense	2.2	232	228
Insurance		166	172
Marine services		1,021	971
Vessel expenses		32	46
Consultancies and contractors		353	267
Waterway Management		189	194
Special projects		370	785
Loss on disposal of fixed assets		21	9
Other expenses		686	473
Total expenses		6,449	5,830
Profit for the year before income tax expense		4,163	3,057
Income tax expense	2.3	1,251	918
Profit for the year	6.2	2,912	2,139
Other economic flows – other comprehensive income			
Items that will not be reclassified to net result:			
Changes in physical asset revaluation surplus		-	-
Total other economic flows – other comprehensive income		-	-
Total comprehensive result		2,912	2,139

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

VICTORIAN REGIONAL CHANNELS AUTHORITY
BALANCE SHEET
As at 30 June 2017

	Note	2017 $'000	2016 $'000
Current assets			
Cash and cash equivalents	5.1	8,021	5,077
Other non-financial assets		252	243
Trade and other receivables	4.1	1,203	748
Total current assets		9,476	6,068
Non-current assets			
Infrastructure, property, plant and equipment	3.1	36,934	38,170
Deferred tax asset	2.3	171	228
Total non-current assets		37,105	38,398
Total assets		46,581	44,466
Current liabilities			
Trade and other payables	4.2	259	208
Provisions	5.2	866	659
Total current liabilities		1,125	867
Non-current liabilities			
Provisions	5.2	19	64
Deferred tax liability	2.3	283	237
Total non-current liabilities		302	301
Total liabilities		1,427	1,168
Net assets		45,154	43,298
Equity			
Contributed capital	6.2	57,883	57,883
Reserves	6.2	613	613
Retained earnings	6.2	(13,342)	(15,198)
Total equity		45,154	43,298

The above balance sheet should be read in conjunction with the accompanying notes.

VICTORIAN REGIONAL CHANNELS AUTHORITY
STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2017

	Contributed capital $'000	Reserves $'000	Retained profit/ (accumulated losses) $'000	Total equity $'000
Balance at 30 June 2015	57,883	613	(16,176)	42,320
Profit for the year (refer note 6.2)	-	-	2,139	2,139
Total comprehensive income for the year	-	-	2,139	2,139
Transactions with owners in their capacity as owners:				
Dividends provided for or paid (refer note 6.1)	-	-	(1,161)	(1,161)
	-	-	(1,161)	(1,161)
Balance at 30 June 2016	57,883	613	(15,198)	43,298
Profit for the (refer note 6.2)	-	-	2,912	2,912
Total comprehensive income for the year	-	-	2,912	2,912
Transactions with owners in their capacity as owners:				
Dividends provided for or paid (refer note 6.1)	-	-	(1,056)	(1,056)
Balance at 30 June 2017	57,883	613	(13,342)	45,154

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

VICTORIAN REGIONAL CHANNELS AUTHORITY
CASH FLOW STATEMENT
For the year ended 30 June 2017

	Note	2017 $'000	2016 $'000
Cash flows from operating activities			
Receipts from trade and other debtors		11,122	9,581
Payments to trade creditors, other creditors and employees		(5,639)	(5,121)
Goods and services tax paid to / (refunded from) the Australian Taxation Office		(679)	(581)
Interest received		101	184
Income tax paid (refer note 2.3)		(774)	(716)
Net cash inflow from operating activities	2.4	4,131	3,347
Cash flows from investing activities			
Payments for infrastructure, property, plant and equipment		(201)	(8,461)
Proceeds from sale of infrastructure, property, plant and equipment		70	103
Net cash (outflow) from investing activities		(131)	(8,358)
Cash flows from financing activities			
Dividends paid	6.1	(1,056)	(1,161)
Net cash (outflow) from financing activities		(1,056)	(1,161)
Net increase in cash and cash equivalents		2,944	(6,172)
Cash and cash equivalents at the beginning of the financial year		5,077	11,249
Cash and cash equivalents at the end of the financial year	5.1	8,021	5,077

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

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2017

Contents

SECTION 1. ABOUT THIS REPORT

Structure

1.1. Corporate information

Victorian Regional Channels Authority (VRCA) is a Government Business Enterprise established by the Victorian Government under the *Port Management Act 1995 (Vic)*. The financial statements cover VRCA as an individual reporting entity. The Board of VRCA is directly accountable to the Victorian Government through the Minister for Ports Minister for Ports and the Treasurer. The principal address of VRCA is Level 2, 235 Ryrie St Geelong, Vic 3220.

The principal activities of VRCA are outlined under Section 21 of the *Port Management Act 1995 (Vic)* and cover the management and maintenance of the Geelong shipping channels and direction and control of vessels within the Geelong port waters. The main objective of VRCA is to ensure that port waters and channels in port waters are managed for use on a fair and reasonable basis.

These annual financial statements represent the audited general purpose financial statements for VRCA for the period ending 30 June 2017. The purpose of the report is to provide users with information about the VRCA's stewardship of resources entrusted to it.

The financial statements incorporate all activities of VRCA.

1.2. 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.*

The annual financial statements were authorised for issue by the VRCA Board on 31 August 2017.

1.3. 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.

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 AAS that have significant effects on the financial statements and estimates relate to the fair value of the navigation aids, channel assets, plant and equipment (refer Section 3.1).

SECTION 1. ABOUT THIS REPORT *(continued)*

1.3. Basis of accounting preparation and measurement (continued*)*

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.

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

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.

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

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; and
- Level 3 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For the purpose of fair value disclosures, the Authority has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.
In addition, the Authority determines whether transfers have occurred between levels in the hierarchy by re-assessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Authority, monitors changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required.

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

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2017 and the comparative information presented for the year ended 30 June 2016.

1.4. Scope and presentation of financial statements

Comprehensive operating statement

The comprehensive operating statement comprises three components, being 'net result from transactions' (or termed as 'Profit for the year before income tax expense'), 'income tax expense', as well as 'other comprehensive income'. The sum of the former two, together with the net result from discontinued operations, represents the net profit.

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

'Other comprehensive income' are changes arising from market remeasurements.
They include:

- revaluations and impairments of non-financial physical and intangible assets, and
- remeasurement arising from defined benefit superannuation plans.

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

SECTION 1. ABOUT THIS REPORT *(continued)*

1.4. Scope and presentation of financial statements (continued)

Balance sheet
Assets and liabilities are presented as 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).

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

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

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

Rounding
Amounts in the financial statements have been rounded to the nearest thousand dollars or in certain cases to the nearest dollar, unless otherwise stated. Figures in the financial statements may not equate due to rounding.

1.5. Critical accounting estimates and judgements

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

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

Critical accounting judgements

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

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

Fair value of property, plant and equipment
All non-current physical assets are measured initially at cost and subsequently revalued at fair value in accordance with FRD 103F.

In 2017, in accordance with FRD 103F, a fair value assessment was undertaken and determined that the carrying amount of all non-current physical assets, except for channel assets, reasonably approximated fair value.

The fair value of channel assets was assessed using the same principles as that used in the independent valuation to value the channel assets in 2015 and navigational aids. Channel assets were valued using a discounted cash flow method (value in use). This method was used as there was no market based evidence of fair value (value through sale) of the channel assets given the specialised nature of the assets in question (the channel assets would rarely be sold (if ever), except as part of a continuing business). Navigation aids were valued using the depreciated replacement cost method. Refer to Note 3.1 for the assumptions applied in 2017 and 2016. In 2017 and 2016, in accordance with FRD 103F, a fair value assessment was undertaken by management and determined that the carrying amount of all non-current physical assets reasonably approximated fair value.

SECTION 1. ABOUT THIS REPORT *(continued)*

1.5. Critical accounting estimates and judgements

In the absence of observed market inputs, future-oriented estimates are necessary to measure the recoverable amount of classes of property, plant and equipment. Determining the carrying amounts of the channel assets requires estimation of the effects of uncertain future events on the channel assets at the end of the reporting period. The major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of the channel asset within the next financial year are as follows:

Estimate	Assumption	2017	2016
Volumes (year 1)	Historical average	13.8M ton	13.7M ton
Annual volumes growth rate	Management expectations	1%	1%
CPI	10 year Historical average (2016: RBA midpoint target inflation)	1.75%	1.7%
Discount rate	Refer to Note 3.1	6.8% to 7.4%	5.8% to 6.2%

There is an inherent relationship between CPI, volumes and the discount rate. A significant increase in CPI, volumes (ie: the year 1 volume or the volume growth rate) would result in an adjustment to the discount rate. The adjustment to the discount rate would consider the additional risk in achieving the increased volumes or CPI. Conversely, a significant decrease in volumes or CPI would result in an adjustment to the discount rate.

Given the unique nature of the channel assets, it is impracticable to disclose the extent of the possible effects a change of an estimate would have on the other assumed estimate at the end of the reporting period. It is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumption could require a material adjustment to the carrying amount of the channel assets.

As it is impracticable to disclose the extent of the possible effects a change of an estimate would have on the other assumed estimate, the below table details the percentage change of one specific estimate before resulting in a material adjustment to the carrying amount of the channel assets.

Estimate	Percent Change in Estimate	Adjustment to Carrying Value *(% increase)* *	Percent Change in Estimate	Adjustment to Carrying Value *(% decrease)* *
Volumes (year 1)	3%	10%	(5%)	(10%)
Annual volumes growth rate	20%	10%	(40%)	(10%)
CPI	26%	10%	(57%)	(10%)
Discount rate	(7%)	10%	15%	(10%)

* FRD 103F requires a change in carrying value of 10% to be adjusted.

Recovery of deferred tax asset
Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise these temporary differences.

SECTION 2. OUR PERFORMANCE

Introduction

The Victorian Regional Channels Authority's overall mission is to provide safe, secure and environmentally responsible navigational services to users and operators of Victoria's regional commercial ports.

To enable the agency to fulfil its mission, it receives income from commercial use of the channel. Section 2.2 in this note discloses the costs associated with delivery of the services.

Structure

2.1. Other income

	2017 $'000	2016 $'000
Other income		
Interest income	120	162
Sundry income	3	-
Total other income	123	162

Income is measured at fair value of the consideration received or receivable.

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

Income is recognised for each of VRCA's major activities as follows:

(i) Channel fees
Channel fees represents income earned from the levying of channel fees (use of shipping channels). These fees are recognised as income in the period in which the service has been consumed by the users.

(ii) Interest income
Interest income represents income received or receivable on at-call and short-term deposits invested by VRCA. It is recognised as the interest accrues to the net carrying amount of the financial assets using the effective interest rate method. At-call and short-term deposits are brought to account at fair value.

(iii) Sundry income
Sundry income is all other income earned by VRCA not dealt with above. Sundry income is recognised as income in the period in which the service has been provided.

SECTION 2. OUR PERFORMANCE (*continued)*

2.2. Expenses

		2017 $'000	2016 $'000
(a)	**Employee benefits**		
	Salary and wages	1,111	810
	Superannuation	97	89
	Annual and long service leave expense	(211)	93
	Other employee expenses (fringe benefits tax, payroll tax, workcover levy, etc)	154	159
	Total employee benefits	1,151	1,151
(b)	**Depreciation and amortisation**		
	Navigation aids	322	291
	Plant and equipment	161	110
	Channel assets	857	655
	Software	6	-
	Total depreciation and amortisation	1,346	1,056
(c)	**Operating Leases**		
	Minimum lease payments		
	Building rentals	224	220
	Storage rentals	4	4
	Equipment rentals	4	4
	Total rental expense	232	228

Operating lease
Operating lease payments, including any contingent rentals, are recognised as an expense in the comprehensive operating statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern 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 nature of incentive 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

SECTION 2. OUR PERFORMANCE (*continued)*

2.3. Income tax expense/(benefit)

		2017 $'000	2016 $'000
(a)	**Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable/(receivable)**		
	Profit/(loss) from continuing operations before income tax expense/(benefit)	4,163	3,057
	Tax at the Australian tax rate of 30% (2016 - 30%)	1,249	917
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
	Under/(over) provided in prior year	-	-
	Non deductible items	2	1
	Income tax expense/(benefit)	1,251	918
(b)	**Income tax expense/(benefit)**		
	Current taxation	1,148	715
	Movement in deferred tax asset (refer 5(c))	57	(27)
	Movement in deferred tax liability (refer 5(d))	46	230
	Income tax expense/(benefit) recognised in the statement of comprehensive income	1,251	918
	Weighted average effective tax rate	*30.00%*	*30.00%*

By direction of the Treasurer of Victoria under the *State Owned Enterprises Act 1992*, VRCA is subject to the National Tax Equivalent Regime (NTER).

The amount recognised for current tax is based on the profit or loss for the year as adjusted for non-assessable and non-deductible items. It is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

		2017 $'000	2016 $'000
(c)	**Deferred tax asset**		
	Opening balance	228	201
	Temporary differences	(57)	27
	Closing balance	171	228
	Represented by:		
	Amounts allocated to profit and loss		
	Pooled assets	6	7
	Accrued expenses	58	46
	Annual and long service leave provisions	107	175
		171	228
(d)	**Deferred tax liabilities**		
	Opening balance	237	7
	Temporary differences	46	230
	Closing balance	283	237
	Represented by:		
	Amounts allocated to profit and loss		
	Accrued revenue	7	-
	Fixed assets	276	237
		283	237

SECTION 2. OUR PERFORMANCE (*continued)*

2.3. Income tax expense/(benefit) (continued)

Deferred tax is accounted for using the balance sheet liability method in respect of temporary differences arising from differences between the carrying amount of assets and liabilities in the financial statements and the corresponding tax base of assets and liabilities as determined under income tax legislation.

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities (other than as a result of the acquisition of an entity or operation) which affects neither taxable income nor net profit or loss.

Deferred tax is calculated at the tax rates that are expected to apply to the period when the carrying amount of the asset or liability is recovered or settled. Deferred tax is recognised as an expense or benefit in the profit or loss, except when it relates to items credited or debited directly to equity, in which case the deferred tax is also recognised directly in equity.

The NTER is administered by the Australian Taxation Office on behalf of the States and Territories. Income tax is paid or payable to the State.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised.

Deferred tax assets and liabilities are offset when they relate to income taxes levied by the same taxation authority and VRCA intends to settle its current tax assets and liabilities on a net basis.

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

	2017 $'000	2016 $'000
Profit/(loss) for the year	2,912	2,139
Depreciation and amortisation	1,346	1,056
Net deferred tax movement on revaluation	-	-
Loss on sale of assets	21	9
GST included in investing activities	-	-
Change in operating assets and liabilities:		
(Increase) / decrease in trade & other receivables & prepayments	(445)	(91)
(Increase) / decrease in interest accrued	(19)	22
(Decrease) / increase in trade & other payables	51	(83)
(Decrease) / increase in provisions	162	92
(Increase) / decrease in deferred tax asset and tax refund	103	202
Net cash flows from operating activities	4,131	3,347

SECTION 3. OUR CORE ASSETS

Introduction

The Victorian Regional Channels Authority controls infrastructure that is utilised in fulfilling its objectives and conducting its activities. They represent the resources that have been entrusted to the agency to be utilised for delivery its responsibilities.

Fair value measurement
Where the assets included in this section are carried at fair value, additional information is disclosed in Section 3.1 in connection with how those fair values were determined.

Structure

3.1. Infrastructure, Property, Plant and equipment

Table 3.1: Classification by 'purpose groups' – carrying amounts[(i)]

($'000)	*Transportation and Communications*		*Total*	
Table disclosure reference	*Table 3.3*			
	2017	*2016*	*2017*	*2016*
Nature based classification				
Plant, equipment and vehicles at fair value	230	321	230	321
Assets under construction at cost	-	8,089	-	8,089
Infrastructure at fair value[(ii)]	36,704	29,760	36,704	29,760
Net carrying amount of PPE	36,934	38,170	36,934	38,170

Notes:
(i) Property, plant and equipment are classified primarily by the 'purpose' for which the assets are used, according to one of six purpose groups based upon government purpose classifications. All assets in a purpose group are further sub categorised according to the asset's 'nature' (i.e. buildings, plant and equipment, etc.), with each sub category being classified as a separate class of asset for financial reporting purposes.
(ii) Of the balance in 'infrastructure at fair value', there is no amount attributable to assets contracted under PPP arrangements.

Table 3.2: Gross carrying amount and accumulated depreciation

($'000)	*Gross carrying amount*		*Accumulated depreciation*		*Net carrying amount*	
	2017	*2016*	*2017*	*2016*	*2017*	*2016*
Plant, equipment and vehicles at fair value	1,566	1,525	(1,336)	(1,204)	230	321
Assets under construction at cost	-	8,089	-	-	-	8,089
Infrastructure at fair value	38,820	30,704	(2,116)	(944)	36,704	29,760
Net carrying amount of PPE	40,386	40,318	(3,452)	(2,148)	36,934	38,170

SECTION 3. OUR CORE ASSETS (*continued*)

3.1. Infrastructure, Property, Plant and equipment (continued)

Table 3.3: Classification by 'transportation and communications' purpose group – movements in carrying amounts(i)

($'000)

	Plant, equipment and vehicles at fair value		*Assets under construction at cost (ii)*	
	2017	*2016*	*2017*	*2016*
Opening balance	321	286	8,089	222
Additions	180	259	-	7,867
Disposals	(96)	(112)	-	-
Transfer of assets	-	-	(8,089)	-
Revaluation	-	-	-	-
Depreciation	(175)	(112)	-	-
Closing balance	230	321	-	8,089

	Infrastructure at fair value		*Total*	
	2017	*2016*	*2017*	*2016*
Opening balance	29,760	30,369	38,170	30,877
Additions	27	335	207	8,461
Disposals	-	-	(97)	(112)
Revaluation	-	-	-	-
Transfer of assets	8,089	-	-	-
Depreciation	(1,172)	(944)	(1,346)	(1,056)
Closing balance	36,704	29,760	36,934	38,170

Notes:

(i) VRCA performs annual impairment testing of its assets. Independent valuations were obtained channel assets and navigational aids in 2014/15. There were no impairment losses recognised in 2016/2017 (nil 2015/2016)

SECTION 3. OUR CORE ASSETS (*continued*)

3.1. Infrastructure, Property, Plant and equipment (continued)

Table 3.4: Fair value measurement hierarchy for assets as at 30 June 2017

($'000)

	Carrying amount as at 30 June 2017	*Fair value measurement at end of reporting period using:*		
		Level 1(i)	*Level 2*(i)	*Level 3*(i)
Plant, equipment and vehicles at fair value				
Vehicles(ii)	130	-	-	130
Plant and equipment	100	-	-	100
Total of plant, equipment and vehicles at fair value	230	-	-	230
Infrastructure at fair value				
Channel assets	31,722	-	-	31,722
Navigation aids	4,982	-	-	4,982
Total of infrastructure at fair value	36,704	-	-	36,704

	Carrying amount as at 30 June 2016	*Fair value measurement at end of reporting period using:*		
		Level 1(i)	*Level 2*(i)	*Level 3*(i)
Plant, equipment and vehicles at fair value				
Vehicles(ii)	138	-	-	138
Plant and equipment	183	-	-	183
Total of plant, equipment and vehicles at fair value	321	-	-	321
Infrastructure at fair value				
Channel assets	24,484	-	-	24,484
Navigation aids	5,276	-	-	5,276
Total of infrastructure at fair value	29,760	-	-	29,760

Notes:
(i) Classified in accordance with the fair value hierarchy, see section 1.3
(ii) Depreciated replacement cost is used in estimating the fair value.

There have been no transfers between levels during the period.

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

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

Channel assets and Navigational aids
Managerial assessments of the value of VRCA's non-current physical assets were conducted in the current year. An independent fair value valuation was conducted in 2015 for channel assets and navigational aids. Channel assets were valued using a discounted cash flow method (value in use). This method was used as there was no market based evidence of fair value (value through sale) of the channel assets given the specialised nature of the assets in question (the channel assets would rarely be sold (if ever), except as part of a continuing business). Navigation aids were valued using the depreciated replacement cost method.

As there is no active or secondary market for channel assets, the fair value measurements for the channel assets (in its entirety) fall within level 3 of the fair value hierarchy.

VICTORIAN REGIONAL CHANNELS AUTHORITY

SECTION 3. OUR CORE ASSETS (*continued*)

3.1. Infrastructure, Property, Plant and equipment (continued)

The following inputs have been applied in the discounted cashflow used to assess the fair value of the channel asset:

Input	Input Used	2017	2016
Cashflows:			
Cashflow period	Management expectations	40 years	40 years
Volumes (year 1)	Historical average	13.8M ton	13.2M ton
Annual volumes increase	Management expectations	1%	1%
Itinerant income (year 1)	Management expectations	$564,000	$500,000
Contract Revenue (year 1)	Customer contract	$2,880,975	$2,869,500
Operating costs	Management expectations	$4,485,800	$4,844,300
CPI	10 year historical average (2016: RBA mid point target inflation)	1.75%	1.7%
Discount rate:		6.8% to 7.4%	5.8% to 6.2%
Risk Free Rate	10yr Commonwealth bond rate	2.60%	2.12%
Equity market risk premium	Industry valuations practices survey	6%	6%
Equity Beta	Professional judgement based on Australian and international companies who operate Infrastructure assets or operating in the marine transportation industry	0.72 to 0.99	0.64 to 0.82
Alpha Risk	Nil rate applied	Nil	Nil

Alpha risk represents additional risks regarding the operations, nature and ownership of the channel in accordance with the revised strategic plan. These risks include the lack of an active market, single use asset, potential GeelongPort capacity limitations, channel capacity limitation and single (non-diversified) operation.

The adjustments to the inputs from 2016 to 2017 are explained below:

Input	Reason for Movement
Cashflows:	
Cashflow period	No movement
Channel fees (year 1)	Annual increase to channel revenue
Volumes (year 1)	Increase in historical average
Annual volumes increase	No movement
Itinerant income (year 1)	Immaterial movement based on management expectations
Contract Revenue (year 1)	No movement
Contract Revenue increase	Changes in CPI rates
Operating costs	No movement
CPI	Reduction due to use of 10 year historical average.
Discount rate:	
Risk Free Rate	Increase in 10 year Commonwealth bond rate
Equity market risk premium	No movement
Equity Beta	Increase in market Beta
Alpha Risk	No movement

Navigation aids
No fair value adjustment has been recorded at 30 June 2017 or 30 June 2016.

There were no changes in valuation techniques throughout the period to 30 June 2017.

SECTION 3. OUR CORE ASSETS (*continued*)

3.1. Infrastructure, Property, Plant and equipment (continued)

For all assets measured at fair value, the current use is considered the highest and best use.

Table 3.5: Reconciliation of Level 3 fair value

2017	*Vehicles*	*Plant and equipment*	*Channel assets*	*Navigation aids*	*Total*
Opening balance	138	183	24,484	5,276	30,081
Net purchases and disposals	49	56	8,095	21	8,221
Gains or losses recognised in profit/(loss)	(19)	(3)	-	-	(22)
Depreciation	(38)	(136)	(857)	(315)	(1,346)
Subtotal	130	100	31,722	4,982	36,934
Gains or losses recognised in other comprehensive income					
Revaluation	-	-	-	-	-
Subtotal	130	100	31,722	4,982	36,934
Closing balance	130	100	31,722	4,982	36,934
Unrealised gains/(losses) on non-financial assets	-	-	-	-	-

($'000)

2016	*Vehicles*	*Plant and equipment*	*Channel assets*	*Navigation aids*	*Total*
Opening balance	133	153	25,139	5,230	30,655
Net purchases and disposals	150	111	-	335	549
Gains or losses recognised in profit/(loss)	(112)	-	-	-	(112)
Depreciation	(33)	(81)	(655)	(289)	(1,056)
Subtotal	138	183	24,484	5,276	30,081
Gains or losses recognised in other comprehensive income					
Revaluation	-	-	-	-	-
Subtotal	138	183	24,484	5,276	30,081
Closing balance	138	183	24,484	5,276	30,081
Unrealised gains/(losses) on non-financial assets	-	-	-	-	-

SECTION 3. OUR CORE ASSETS (*continued*)

3.1. Infrastructure, Property, Plant and equipment (continued)

Table 3.6: Description of significant unobservable inputs to Level 3 valuations

		2017		
	Valuation technique	Significant unobservable inputs	Range / weighted average*	Sensitivity of fair value measurement to changes in significant unobservable inputs
Vehicles	Depreciated replacement cost	Cost per unit	$14,400 * per unit	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of vehicles	4 years	A significant increase or decrease in useful life of the asset would result in a significantly higher or lower fair value.
Plant and equipment	Depreciated replacement cost	Cost per unit	$6,200 * per unit	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of plant and equipment	2-10 years	A significant increase or decrease in useful life of the asset would result in a significantly higher or lower fair value.
Channel asset	Discounted cash flow	Discount rate	6.8% to 7.4%	A significant increase or decrease in discount rate would result in a significantly higher or lower fair value.
		Useful life	40 years	A significant increase or decrease in the useful life would result in a significantly higher or lower fair value.
		CPI Rate	1.75%	A significant increase or decrease in CPI rate would result in a significantly higher or lower fair value.
		Volume growth rate	1%	A significant increase or decrease in volume growth rate would result in a significantly higher or lower fair value.
Navigation aid	Depreciated replacement cost	Cost per unit	$355,000 * per unit	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of navigation aids	5-40 years	A significant increase or decrease in useful life of the asset would result in a significantly higher or lower fair value.

The significant unobservable inputs have remain unchanged from 2016.

(1) In the current year the weighted average for Navigations aids have been calculated per item. In prior years it was calculated per component.

SECTION 3. OUR CORE ASSETS (*continued*)

3.1. Infrastructure, Property, Plant and equipment (continued)

Table 3.6: Description of significant unobservable inputs to Level 3 valuations *(continued)*

2016				
	Valuation technique	Significant unobservable inputs	Range / weighted average*	Sensitivity of fair value measurement to changes in significant unobservable inputs
Vehicles	Depreciated replacement cost	Cost per unit	$19,200 * per unit	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of vehicles	4 years	A significant increase or decrease in useful life of the asset would result in a significantly higher or lower fair value.
Plant and equipment	Depreciated replacement cost	Cost per unit	$11,600 * per unit	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of plant and equipment	3-10 years	A significant increase or decrease in useful life of the asset would result in a significantly higher or lower fair value.
Channel asset	Discounted cash flow	Discount rate	5.8% to 6.2%	A significant increase or decrease in discount rate would result in a significantly higher or lower fair value.
		Useful life	40 years	A significant increase or decrease in the useful life would result in a significantly higher or lower fair value.
		CPI Rate	1.7%	A significant increase or decrease in CPI rate would result in a significantly higher or lower fair value.
		Volume growth rate	1%	A significant increase or decrease in volume growth rate would result in a significantly higher or lower fair value.
Navigation aid	Depreciated replacement cost	Cost per unit	$354,000 * per unit	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of navigation aids	5-40 years	A significant increase or decrease in useful life of the asset would result in a significantly higher or lower fair value.

SECTION 3. OUR CORE ASSETS (*continued*)

3.1. Infrastructure, Property, Plant and equipment (continued)

In the absence of observed market inputs, future-oriented estimates are necessary to measure the recoverable amount of classes of property, plant and equipment. Determining the carrying amounts of the channel assets requires estimation of the effects of uncertain future events on the channel assets at the end of the reporting period. The major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of the channel asset within the next financial year are as follows:

Estimate	Assumption	2017	2016
Volumes (year 1)	Historical average	13.8M ton	13.2M ton
Annual volumes growth rate	Management expectations	1%	1%
CPI	RBA mid point target inflation	1.75%	1.7%
Discount rate	Refer Section 3.1	6.8% to 7.4%	5.8% to 6.2%

There is an inherent relationship between CPI, volumes and the discount rate. A significant increase in CPI, volumes (ie: the year 1 volume or the volume growth rate) would result in an adjustment to the discount rate. The adjustment to the discount rate would consider the additional risk in achieving the increased volumes or CPI. Conversely, a significant decrease in volumes or CPI would result in an adjustment to the discount rate.

Given the unique nature of the channel assets, it is impracticable to disclose the extent of the possible effects a change of an estimate would have on the other assumed estimate at the end of the reporting period. It is reasonably possible, on the basis of existing knowledge, that outcomes within the next financial year that are different from the assumption could require a material adjustment to the carrying amount of the channel assets.

As it is impracticable to disclose the extent of the possible effects a change of an estimate would have on the other assumed estimate, the below table details the percentage change of one specific estimate before resulting in a material adjustment to the carrying amount of the channel assets.

Estimate	Percent Change in Estimate	Adjustment to Carrying Value *(% increase)* *	Percent Change in Estimate	Adjustment to Carrying Value *(% decrease)* *
Volumes (year 1)	3%	10%	(5%)	(10%)
Annual volumes growth rate	20%	10%	(40%)	(10%)
CPI	26%	10%	(57%)	(10%)
Discount rate	(7%)	10%	15%	(10%)

* FRD 103F requires a change in carrying value of 10% to be adjusted.

SECTION 3. OUR CORE ASSETS (*continued*)

3.1. Infrastructure, Property, Plant and equipment (continued)

All non-financial physical assets, are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. For the 'plant, equipment and vehicles' class, depreciated replacement cost is used as a reasonable approximation of fair value. The level of the fair value hierarchy in which the fair value has been measured is Level 3.

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

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

Net revaluation increases (where the carrying amount is increased as a result of a revaluation) are recognised in the other comprehensive income as a credit in equity under the asset revaluation reserve net of tax effect. However, the net revaluation increase is recognised in the net result to the extent that it reverses a net revaluation decrease in respect of the same asset previously recognised as an expense in the net result.

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

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

Managerial assessments of the value of VRCA's non-current physical assets were conducted in the current year. In 2015, a formal valuation of VRCA's non-current physical assets were performed to determine fair value as follows:

Class	Method	Valuer
Channel assets	Discounted cash flows	Pitcher Partners
Plant, Equipment and Vehicles	Depreciated replacement cost	Management's Assessment
Navigation aids	Depreciated replacement cost	AssetVal

(i) *Depreciation*
All infrastructure assets, channels, plant and equipment and other non-financial physical assets (excluding items under operating leases) that have finite useful lives are depreciated. Depreciation is calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life.

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

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

Asset class	Useful life
Channels	40 years
Navigation aids	5-40 years
Office furniture, fittings and equipment	2-10 years
Vehicles	4 years

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

SECTION 3. OUR CORE ASSETS (*continued*)

3.1. Infrastructure, Property, Plant and equipment (continued)

(iii) *Recoverable amount*
An asset's carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount (refer to Section 3.2).

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

Infrastructure, property, plant and equipment represent non-current assets comprising channels, navigation aids, vehicles and plant and equipment used by VRCA in its operations. Items with a cost or value in excess of $1,000 (2016: $1,000) and a useful life of more than one year are recognised as assets. All other assets are expensed as acquired.

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

(vi) *Major maintenance dredging costs*
The shipping channels in port waters are subject to deterioration through siltation, which reduces the depth of water available to commercial shipping. The channels are restored to proper depths by routine maintenance dredging. Dredging and associated costs (including all costs incurred under the dredging contract to restore the channels to proper depths) are capitalised and will be amortised once the asset is ready for use.

(vii) *Channel Safely Improvements*
Channel safely improvements that provide a future benefit to the channel asset through an increase in the fees charge to use the Channel are capitalised and form part of the Channel Asset. Work in progress, such as survey costs, environmental and engineering studies and dredging works that relate to channel safely improvements are capitalised in accordance with *AASB116* and tested for impairment annually. Where work in progress has been capitalised and the safety improvement project are not probable to proceed, the work in progress is derecognised in accordance with *AASB116*. Derecognised work in progress is expensed to the comprehensive operating statement.

SECTION 3. OUR CORE ASSETS (*continued*)

3.2. Impairment of assets

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

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written off by a charge to profit or loss except to the extent that the write-down can be debited to an asset revaluation surplus amount applicable to that asset.

If there is an indication that there has been a change in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. This reversal of the impairment loss occurs only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

It is deemed that, in the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

SECTION 4. WORKING CAPITAL

Introduction

This section sets out those assets and liabilities that arose from the agency's controlled operations.

Structure

4.1. Receivables

	2017 $'000	2016 $'000
Current		
Contractual		
Trade receivables* (section 6.3)	1,165	747
Sundry receivables	18	-
Interest receivable	20	1
	1,203	748

** The average credit period for trade receivables is 30 days. Interest may be charged on arrears in accordance with Section 79 of the Port Management Act 1995. Refer to section 6.3 for ageing and risk analysis.*

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 section 6.3 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.

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

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

SECTION 4. WORKING CAPITAL (*continued*)

4.2. Payables

	2017 $'000	2016 $'000
Current unsecured		
Contractual *		
Trade creditors (section 6.3)	-	16
Other creditors and accruals	130	127
	130	143
Statutory		
GST payable	66	21
Fringe benefits tax	25	26
PAYG payable	38	18
	129	65
	259	208

** The average credit period is 30 days. No interest is charged on the payables. Refer to section 6.3 for the nature and extent of risks arising from contractual payables.*

Payables consist of:

- contractual payables, such as accounts payable, and unearned 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. 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.

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

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, it 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.

SECTION 5. OTHER ASSETS AND LIABILITIES

Introduction

This section sets out those other assets and liabilities that arose from the agency's controlled operations.

Structure

5.1. Cash and cash equivalents

	2017 $'000	2016 $'000
Cash at bank and on hand	521	477
Short term deposits	7,500	4,600
	8,021	5,077

Cash at bank

Due to VRCA's investment policy, generally only small amounts of cash are held in the bank account. These amounts are kept at a level to sufficiently cover the current liabilities of VRCA.

Short term deposits

All deposits of VRCA are limited instruments directly accepted by an authorised bank or issued by a Government Treasury or Authority and guaranteed by a state or Commonwealth government. These deposits had a floating interest rate of 1.45% to 2.61% (2015/16 1.70% to 3.05%).

Cash and cash equivalents

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

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

SECTION 5. OTHER ASSETS AND LIABILITIES

5.2 Provisions

	2017 $'000	2016 $'000
(a) Current		
Employee benefits (section 7.1)	302	444
Employee on-costs (section 7.1)	35	60
Provision for income tax	529	155
	866	659
(b) Non-current		
Employee benefits (section 7.1)	18	61
Employee on-costs (section 7.1)	1	3
	19	64

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.

SECTION 6. OUR CAPITAL AND RISK MANAGEMENT

Introduction

The Victorian Regional Channels Authority is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information.

This section also outlines disclosures relating to equity and dividend policy in accordance with *Port Management Act 1995 (Vic).*

Structure

6.1. Dividend policy

VRCA pays dividends in accordance with a determination of the Treasurer of Victoria under the *Port Management Act 1995 (Vic)*. The obligation to pay a dividend arises after consultation between VRCA's Board, the Minister for Ports and the Treasurer of Victoria. Following this consultation process, the Treasurer makes a formal determination. Dividends declared on or before the reporting date are recognised as a liability.

6.2. Equity

Contributed capital

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.

	2017 $'000	2016 $'000
Balance at the beginning of the year	57,883	57,883
Balance at the end of the year	57,883	57,883

Capital management

Management controls the capital of VRCA in order to maintain a good debt to equity ratio and ensure that it can fund its operations and continue as a going concern. VRCA's debt and capital includes contributed capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

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

SECTION 6. OUR CAPITAL AND RISK MANAGEMENT (*continued*)

6.2. Equity (continued)

Reserves

	2017 $'000	2016 $'000
Asset Revaluation Reserve *		
Balance at the beginning of the year	613	613
Revaluation increments in infrastructure assets	-	-
Balance at the end of the year	613	613

The revaluation reserve records revaluations of non-current assets net of tax effect.

** The Asset Revaluation reserve relates to the infrastructure asset class.*

Retained profit/(accumulated losses)

	2017 $'000	2016 $'000
Movements in retained profits/(accumulated losses) were as follows:		
Retained profits/(accumulated losses) at the beginning of the year	(15,198)	(16,176)
Profit for the year	2,912	2,139
Dividends paid	(1,056)	(1,161)
Retained profits/(accumulated losses) at the end of the year	(13,342)	(15,198)

SECTION 6. OUR CAPITAL AND RISK MANAGEMENT (*continued*)

6.3. Financial Instruments

Financial risk management objectives and policies
VRCA's principal financial instruments comprise of:
- cash assets;
- receivables (excluding statutory receivables); and
- payables (excluding statutory payables).

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

The main purpose in holding financial instruments is to prudentially manage VRCA's financial risks within the Government policy parameters. VRCA's main financial risks include credit risk, liquidity risk, market risk and interest rate risk. VRCA manages these financial risks in accordance with its financial risk management policy

(i) Categorisation of financial instruments and net holding gain/(loss) on financial instruments by category

	Notes	Contractual financial assets – loans and receivables $'000	Contractual financial liabilities at amortised cost $'000	Total $'000
2017				
Contractual financial assets				
Current assets				
Cash and cash equivalents	5.1	8,021	-	8,021
Trade and other receivables	4.1	1,165	-	1,165
Total contractual financial assets		9,186	-	9,186
Contractual financial liabilities				
Current liabilities				
Trade and other payables	4.2	-	130	130
Total contractual financial liabilities		-	130	130
Net holding gain/(loss) on financial instruments by category				
Total interest income/(expense)	2.1	120	-	120
Total		120	-	120
2016				
Contractual financial assets				
Current assets				
Cash and cash equivalents	5.1	5,077	-	5,077
Trade and other receivables	4.1	748	-	748
Total contractual financial assets		5,825	-	5,825
Contractual financial liabilities				
Current liabilities				
Trade and other payables	4.2	-	143	143
Total contractual financial liabilities		-	143	143
Net holding gain/(loss) on financial instruments by category				
Total interest income/(expense)	2.1	162	-	162
Total		162	-	162

SECTION 6. OUR CAPITAL AND RISK MANAGEMENT (*continued*)

6.3 Financial Instruments (continued)

The net holding gains or losses disclosed above are determined as follows:

- for cash and cash equivalents, loans or 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, plus or minus foreign exchange gains or losses arising from revaluation of the financial assets, and minus any impairment recognised in the net result.

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

	Notes	Financial institutions (AAA credit rating)	Other	Total
2017				
Contractual financial assets				
Current assets				
Cash and cash equivalents	5.1	5,500	2,521	8,021
Trade and other receivables	4.1	-	1,165	1,165
Total contractual financial assets		5,500	3,686	9,186
2016				
Contractual financial assets				
Current assets				
Cash and cash equivalents	5.1	3,000	2,077	5,077
Trade and other receivables	4.1	1	747	748
Total contractual financial assets		3,001	2,824	5,825

(iii) *Financial Risk Management*

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

(iv) *Credit risk*

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

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

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

(v) *Liquidity risk*

Liquidity risk is the risk that VRCA would be unable to meet its financial obligations as and when they fall due. VRCA operates under the Government's fair payment policy of settling financial obligation within 30 days and in the event of a dispute making payments within 30 days of resolution.

VRCA's maximum exposure to liquidity risk is the carrying amount of financial liabilities as disclosed on the face of the balance sheet.

SECTION 6. OUR CAPITAL AND RISK MANAGEMENT (*continued*)

6.3 Financial Instruments (continued)

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

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

The Treasury Corporation of Victoria ensures adequate access to financial markets for VRCA and hence, the liquidity risk faced by VRCA is not considered significant in view of VRCA's cash holding. Contractual obligations for payables is equal to the carrying amounts disclosed in note 4.2. Payables held at 30 June 2017 mature within 30 days (2016: 30 days).

(vi) Market risk

Market risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

VRCA's exposure to market risk is primarily through interest rate movements in respect of cash and cash equivalents with a variable interest rate. An increase in interest rates by 1% will have a favourable impact of $80,210 (2016: $50,770). A decrease in interest rates will have an equal and opposite effect.

(vii) Interest rate risk analysis

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

	Floating Interest $'000	Non-interest bearing $'000	Total $'000
2017			
Financial assets:			
Cash and cash equivalents	8,021	-	8,021
Trade and other receivables	-	1,165	1,165
	8,021	1,165	9,186
Weighted average interest rate	*1.85%*		
Financial liabilities:			
Trade and other payable	-	130	130
	-	130	130
Net financial assets/(liabilities)	8,021	1,035	9,056
2016			
Financial assets:			
Cash and cash equivalents	5,077	-	5,077
Trade and other receivables	-	748	748
	5,077	748	5,825
Weighted average interest rate	*2.21%*		
Financial liabilities:			
Trade and other payable	-	143	143
	-	143	143
Net financial assets/(liabilities)	5,077	605	5,682

SECTION 6. OUR CAPITAL AND RISK MANAGEMENT (*continued*)

6.3 Financial Instruments (continued)

(viii) *Net fair value of financial assets and liabilities*

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

Comparison between carrying amount and fair value

	Notes	Carrying amount 2017 $'000	Fair value 2017 $'000	Carrying amount 2016 $'000	Fair value 2016 $'000
Contractual financial assets					
Current assets					
Cash and cash equivalents	5.1	8,021	8,021	5,077	5,077
Trade and other receivables	4.1	1,165	1,165	748	748
Total contractual financial assets		9,186	9,186	5,825	5,825
Contractual financial liabilities					
Current liabilities					
Trade and other payables	4.2	130	130	143	143
Total contractual financial liabilities		130	130	143	143

Fair value measurements in the balance sheet

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

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

At 30 June 2017 and 30 June 2016, no financial assets or liabilities held by VRCA required fair value measurement subsequent to initial recognition.

(ix) *Ageing analysis of contractual financial assets*

	Notes	Carrying amount $'000	Not past due and not impaired $'000	1 to 3 months $'000	3 months to 1 year $'000	1 to 5 years $'000
2017						
Contractual financial assets						
Trade and other receivables	4.1	1,165	1,053	112	-	-
Total contractual financial assets						
2016						
Contractual financial assets						
Trade and other receivables		748	748	-	-	-
Total contractual financial assets		748	748	-	-	-

SECTION 6. OUR CAPITAL AND RISK MANAGEMENT (*continued*)

6.3 Financial Instruments (continued)

(x) Nature and extent of risk arising from investments and other financial assets

There are no material financial assets which are individually determined to be impaired. Currently the Authority does not hold any collateral as security nor credit enhancements relating to any of its financial assets. There are no financial assets that have had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

(xi) Maturity analysis of contractual financial liabilities

	Notes	Carrying amount $'000	Nominal amount $'000	Less than 1 month $'000	1 to 3 months $'000	3 months to 1 year $'000
2017						
Contractual financial liabilities						
Trade and other payables	4.2	130	130	109	21	-
Total contractual financial assets						
2016						
Contractual financial liabilities						
Trade and other payables		143	143	143	-	-
Total contractual financial assets		143	143	143	-	-

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

6.3 Financial Instruments (continued)

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

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

The following refers to financial instruments unless otherwise stated.

Categories of non-derivative financial instruments

Loans and receivables
Loans and receivables are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, loans and receivables are measured at amortised cost using the effective interest method, less any impairment.

Loans and receivables category includes cash and deposits (refer to section 5.1), 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 entity concerned 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.

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

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

Reclassification of financial instruments
Subsequent to initial recognition and under rare circumstances, non derivative financial instruments assets that have not been designated at fair value through profit or loss upon recognition, may be reclassified out of the fair value through profit or loss category, if they are no longer held for the purpose of selling or repurchasing in the near term.

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.

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*.

SECTION 7. OUR PEOPLE

Introduction

This section provides an account of the expenses incurred by the Victorian Regional Channels Authority in relation to its employees and key management personnel.

Structure

7.1. Employee benefits

	2017 $'000	2016 $'000
(a) Employee benefits		
Current		
Annual Leave		
- Unconditional and expected to wholly settle within 12 months	66	55
- Unconditional and expected to wholly settle after 12 months	41	151
Long Service Leave		
- Unconditional and expected to wholly settle within 12 months	51	-
- Unconditional and expected to wholly settle after 12 months	144	238
	302	444
Non-current		
Long Service Leave		
- Conditional (representing less than 7 years of continuous service)	18	61
	18	61

Note:

- *Employee benefits consist of annual leave and long service leave accrued by employees inclusive of leave loading. On costs such as payroll tax, superannuation and workers' compensation insurance are not employee benefits and are reflected as a separate provision.*
- *Amounts are measured at present values.*

	2017 $'000	2016 $'000
(b) Employee on-costs		
Current		
Provisions for on-costs		
- Unconditional and expected to settle within 12 months	18	13
- Unconditional and expected to settle after 12 months	17	47
	35	60
Non-current		
Provisions for on-costs		
- Conditional and expected to settle after 12 months	1	3
	1	3

Note:

- *Employee benefits consist of annual leave and long service leave accrued by employees inclusive of leave loading. On costs such as payroll tax, superannuation and workers' compensation insurance are not employee benefits and are reflected as a separate provision.*
- *Amounts are measured at present values.*

SECTION 7. OUR PEOPLE (*continued*)

7.1. Employee benefits (continued)

	2017 $'000	2016 $'000
(c) Employee benefits and on costs		
Current employee benefits		
Annual Leave	107	206
Long Service Leave	195	238
Non-current employee benefits	302	444
Long service Leave	18	61
Total employment benefits	320	505
Current on-costs	35	60
Non-current on-costs	1	3
Total on costs	36	63
Total employment benefits and on-costs	356	568
(d) Reconciliation of on-costs		
Carrying amount at 1 July	63	60
Add: New provisions raised	47	16
Less: Reductions arising from payments	74	13
Carrying amount at 30 June	36	63

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 are all recognised in the provision for employee benefits as 'current liabilities', because the Authority does not have an unconditional right to defer settlements of these liabilities.

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

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

(ii) *Long service leave*

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

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

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

SECTION 7. OUR PEOPLE (*continued*)

7.2. Superannuation

One VRCA employee is a member of a defined benefit superannuation scheme. All other employees are members of accumulation schemes. Expenses recognised by VRCA in relation to contributions made during the year to defined contribution and benefits superannuation plans of which VRCA's employees are members are as follows:

Fund	Contributions made		Contributions outstanding	
	2017 $'000	2016 $'000	2017 $'000	2016 $'000
AMP Flexible Life (Accumulation)	11	10	-	-
BT SuperWrap (Accumulation)	7	-	-	-
Camilo Super Fund (Accumulation)	17	22	-	-
CBus	2	1	-	-
Hesta (Accumulation)	5	-	-	-
SERF (Accumulation)	18	17	-	-
State Superannuation Scheme (Defined Benefit)*	12	12	-	-
Vic Super (Accumulation)	18	18	-	-
Vision Super (Accumulation)	2	3	-	-
Various other funds	4	5	-	-
Total	96	88	-	-

**The Authority does not recognise any defined benefit liability in respect of the defined benefit plan because it has no legal or constructive obligation to pay future benefits relating to its employees. Its only obligation is to pay superannuation contributions as they fall due.*

One VRCA employee is a member of a defined benefit superannuation scheme. These defined benefit funds are closed to new members. All other employees are members of accumulation schemes.

The amount recognised in the comprehensive operating statement in relation to employer contributions for members of defined benefit superannuation plans is simply the employer contributions that are paid or payable to these plans during the reporting period. The level of these contributions will vary depending upon the relevant rules of each plan, and is based upon actuarial advice.

The Department of Treasury and Finance (DTF) in its Annual Financial Statements, disclose on behalf of the State as the sponsoring employer, the net defined benefit cost related to the members of these plans as an administered liability. Refer to DTF's Annual Financial Statements for more detailed disclosures in relation to these plans.

SECTION 7. OUR PEOPLE (*continued*)

7.3. Key management personnel disclosures

The Australian Accounting Standards Board has extended the scope of AASB 124 Related Party Disclosures to include not-for-profit public sector entities from 1 July 2017. The amendments made to AASB 124 provided clarification of key management personnel (KMP) in the public sector context and this has resulted in the identification of the portfolio minister as a KMP and the remaining Cabinet ministers as related parties for for-profit public sector entities which is a change from previous disclosures.

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

(a) Responsible persons

The names of persons who were responsible persons of VRCA at any time during the financial year were:

(i) Responsible Ministers:

Hon Luke Donnellan	1 July 2016 to 30 June 2017	Minister for Ports, Roads and Road Safety
Hon Tim Pallas	1 July 2016 to 30 June 2017	Treasurer of Victoria

(ii) Directors:

Ms Kate Roffey	1 July 2016 to 30 June 2017	Chair
Mr Desmond Powell	1 July 2016 to 30 June 2017	Deputy Chair
Mr Peter Dorling	1 July 2016 to 4 April 2017	Director
Mr Peter Niblett	4 April 2017 to 30 June 2017	Director

(iii) Accountable Officer:

Capt. Peter McGovern	1 July 2016 to 16 September 2016
Mr Kas Szakiel	17 September 2016 to 12 February 2017
Mr Michael Harvey	13 February 2017 to 30 June 2017

	2017 $'000	2016 $'000
Responsible person's remuneration (*)		
Short-term employment benefits accountable officer	129	208
Short-term employment benefits other	114	108
Total base remuneration paid or payable during the year pursuant to employment contracts included in the above remuneration.	243	316
Bonuses paid or payable during the year pursuant to employment contracts excluded in the above remuneration.	36	42
Total remuneration paid or payable (including bonuses and superannuation) during the year to all responsible persons by VRCA.	279	358

(*) Amounts relating to ministers are reported in the financial statements of the Department of Premier and Cabinet. For information regarding related party transactions of ministers, the register of members' interests is publicly available from www.parliament.vic.gov.au/publications/register of interests.

SECTION 7. OUR PEOPLE (*continued*)

7.3. Key management personnel disclosures *(*continued*)*

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

	Total Remuneration		Base Remuneration	
	2017	2016	2017	2016
$0 to $9,999	1	2	1	2
$10,000 to $19,999	-	-	-	-
$20,000 to $29,999	1	1	1	-
$30,000 to $39,999	1	1	1	2
$40,000 to $49,999	-	1	-	1
$50,000 to $59,999	1	-	1	-
Total numbers	4	5	4	5
Remuneration $'000	114	107	114	107

(b) Executive Officers' remuneration

The number of executive officers, other than responsible persons, and their base and total remuneration during the financial year are shown in the table below in their relevant income bands. Total remuneration includes base remuneration, bonus paid or payable and termination and retirement type payments. Base remuneration is exclusive of bonus paid or payable and termination and retirement type payments.

	Total Remuneration		Base Remuneration	
	2017	2016	2017	2016
$40,000 to $49,999	-	-	1	-
$80,000 to $89,999	2	-	1	-
$160,000 to $169,999	-	-	1	2
$170,000 to $179,999	-	-	1	-
$190,000 to $199,999	1	1	-	-
$200,000 to $209,999	1	1	-	1
$240,000 to $249,999	-	1	-	-
Total number of executives	4	3	4	3
Total annualised employee equivalent (AEE)	3	3	3	3
Total Remuneration $'000	562	647	468	539
Bonuses paid to executive officers included above during the financial year $'000	94	108		

Remuneration received or receivable by the Accountable Officers' in connection with the management of VRCA during the reporting period was in the range $160,000 – $169,999 ($240,000 – $249,999 in 2015/16).

SECTION 7. OUR PEOPLE (*continued*)

7.3. Key management personnel disclosures (continued)

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

There were no related party transactions between VRCA and any of the responsible persons or their related entities.

(d) Contractors with significant management responsibilities

There were no contractors with significant management responsibilities engaged during the period.

(e) Payments to other personnel

There were no payments to other personnel (including contractors) charged with significant management responsibilities.

SECTION 8. OTHER INFORMATION

Introduction

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

Structure

8.1. Events occurring after reporting date

Port of Hastings

VRCA is responsible for statutory functions at the Port of Hastings under the Ports Management Act 1995. During the financial year, VRCA had an existing contract with an independent third party for the provision of channel operating services at the Port of Hastings. This contract allows the independent third party to charge a fee to the port users for access to the channel at the Port of Hastings. The provision of channel operating services provided by the independent third party was terminated on 30 June 2017.

On 1 July 2017, VRCA assumed direct control over the channel at Port of Hastings and directly recovers tariffs for access to the channel at Port of Hastings. The channel and navigational aids at the Port of Hastings have been recorded at fair value through comprehensive income on 1 July 2017.

Agreements with Port of Hastings Development Authority

Effective 1 July 2017, VRCA has entered into contracts with the Port of Hastings Development Authority (PoHDA) for the provision of office space and maintenance services.

A short term revenue sharing agreement has also been established between VRCA and PoHDA. Under this agreement, 50% of the tariff charged by VRCA for access to the channel at Port of Hastings will be paid to PoHDA. The revenue sharing agreement is for the period 1 July 2017 to 30 June 2018.

8.2. Related Party transactions

The Victorian State Government prepares consolidated financial statements relating to its controlled entities. For the purpose of preparing the State government's financial statements, transactions which VRCA has undertaken with other State Government controlled entities, have been eliminated in the State Government's statements.
As noted in Section 1, VRCA is a government business enterprise and is accountable to the Victorian government through the Minister for Ports and the Treasurer. During the year VRCA transacted with the following Victorian Government entities.

- Treasury Corporation of Victoria – deposits of $5,500,000 (2016: $3,000,000) are held with them and VRCA earned interest revenue of $80,000 (2016: $111,200) during the year.
- Dividend of $1,056,000 (2016: $1,161,000) was paid to the Department of Treasury and Finance.

SECTION 8. OTHER INFORMATION (*continued*)

8.3. Remuneration of auditors

	2017 $'000	2016 $'000
During the year the following fees were paid or payable for services provided by the auditor of VRCA:		
Victorian Auditor-General's Office		
Audit of financial statements	28	28

8.4. Contingencies

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

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

8.5. Commitments

	2017 $'000	2016 $'000
(a) Operating lease commitments		
Non cancellable operating leases contracted for but not capitalised in the financial statements		
Commitments for minimum lease payments:		
Payable no later than 1 year	269	246
Payable 1-5 years	270	508
Total commitment (incl GST)	539	754
Less: GST	49	68
Net commitment (ex GST)	490	686

VRCA has received lease documents to for office lease at Crib Point, Hastings for a one year term ending 30 June 2018. The lease documents were signed on 28 June 2017.

	2017 $'000	2016 $'000
(b) Operating commitments		
Total expenditure contracted for operating expenditure at balance date but not incurred or recognised as liabilities:		
Payable no later than 1 year	1,721	1,192
Payable 1-5 years	252	757
Total commitment (incl GST)	1,973	1,949
Less: GST	179	177
Net commitment (ex GST)	1,794	1,772
(c) Capital commitments		
During the current financial year the authority entered into contracts for Safety Improvements to the channel:		
Payable no later than 1 year	-	-
Payable 1-5 years	-	-
Total commitment (incl GST)	-	-
Less: GST	-	-
Total commitment (ex GST)	-	-

SECTION 8. OTHER INFORMATION (*continued*)

8.6. Other Accounting policies

New accounting standards and interpretations that are not yet effective

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

Reference	Summary	Application date (financial years beginning)	Impact on VRCA's financial statements
AASB 9 *Financial Instruments*	The key changes introduced by AASB 9 include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 Jan 2018	The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss. While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.
AASB 15 *Revenue from Contracts with Customers*	The core principle of AASB 15 requires an entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	1 Jan 2018	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications. While the preliminary assessment has not identified any material impact arising from AASB 15, it will continue to be monitored and assessed.
AASB 2014-1 *Amendments to Australian Accounting Standards [Part E Financial Instruments]*	Amends various AASs to reflect the AASB's decision to defer the mandatory application date of AASB 9 to annual reporting periods beginning on or after 1 January 2018 as a consequence of Chapter 6 Hedge Accounting, and to amend reduced disclosure requirements.	1 Jan 2018	This amending standard will defer the application period of AASB 9 to the 2018-19 reporting period in accordance with the transition requirements.
AASB 2014-7 *Amendments to Australian Accounting Standards arising from AASB 9*	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.

SECTION 8. OTHER INFORMATION (*continued*)

8.6. Other Accounting policies (continued)

Reference	Summary	Application date (financial years beginning)	Impact on VRCA's financial statements
AASB 16 Leases	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	1 Jan 2019	The assessment has indicated that as most operating leases will come on balance sheet, recognition of the right-of-use assets and lease liabilities will cause net debt to increase. Rather than expensing the lease payments, depreciation of right-of-use assets and interest on lease liabilities will be recognised in the income statement with marginal impact on the operating surplus. VRCA has operating leases that are likely to be recognised on the balance sheet, and it will continue to monitor and assess any future contractual obligations.
AASB 2010-7 *Amendments to Australian Accounting Standards arising from AASB 9* (December 2010)	The requirements for classifying and measuring financial liabilities were added to AASB 9. The existing requirements for the classification of financial liabilities and the ability to use the fair value option have been retained. However, where the fair value option is used for financial liabilities the change in fair value is accounted for as follows: The change in fair value attributable to changes in credit risk is presented in other comprehensive income (OCI); and Other fair value changes are presented in profit and loss. If this approach creates or enlarges an accounting mismatch in the profit or loss, the effect of the changes in credit risk are also presented in profit or loss.	1 Jan 2018	The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss. Changes in own credit risk in respect of liabilities designated at fair value through profit and loss will now be presented within other comprehensive income (OCI). Hedge accounting will be more closely aligned with common risk management practices making it easier to have an effective hedge.

SECTION 8. OTHER INFORMATION (*continued*)

8.6. Other Accounting policies (continued)

AASB 2014-5 *Amendments to Australian Accounting Standards arising from AASB 15*	Amends the measurement of trade receivables and the recognition of dividends. Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition. Dividends are recognised in the profit and loss only when: the entity's right to receive payment of the dividend is established; it is probable that the economic benefits associated with the dividend will flow to the entity; and the amount can be measured reliably.	1 Jan 2017, except amendments to AASB 9 apply from 1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.
AASB 2015-8 *Amendments to Australian Accounting Standards – Effective Date of AASB 15*	This Standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1 Jan 2018	This amending standard will defer the application period of AASB 15 for for-profit entities to the 2018-19 reporting period in accordance with the transition requirements.
AASB 2016-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 15*	This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require: A promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation; For items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and For licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access).	1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector, other than the impact identified for AASB 15 above.

SECTION 8. OTHER INFORMATION (*continued*)

8.6. Other Accounting policies (continued)

In addition to the new standards above, the AASB has issued a list of amending standards that are not effective for the 2015-16 reporting period (as listed below). In general, these amending standards include editorial and references changes that are expected to have insignificant impacts on public sector reporting. The AASB Interpretation in the list below is also not effective for the 2015-16 reporting period and is considered to have insignificant impacts on VRCA's reporting.

- AASB 2016-1 Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]
- AASB 2016-2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107
- AASB 2016-5 Amendments to Australian Accounting Standards – Classification and Measurements of Share-based Payment Transactions
- AASB 2016-6 Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts
- AASB 2017-1 Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-16 Cycle and Other Amendments
- AASB 2017-2 Amendments to Australian Accounting Standards – Further Annual Improvements 2014-16 Cycle
- AASB 2016-7 Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities
- AASB 2016-8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities
- AASB 2016-4 Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities
- AASB 1058 Income of Not-for-Profit Entities

Changes in accounting policies

The following standards have been adopted during the financial year. The adoption of these standards did not materially affect the Authority's financial report.

- AASB 1057 Application of Australian Accounting Standards
- AASB 2014 1 Amendments to Australian Accounting Standards [PART D – Consequential Amendments arising from AASB 14 Regulatory Deferral Accounts only
- AASB 2014 3 Amendments to Australian Accounting Standards – Accounting for Acquisitions of Interests in Joint Operations [AASB 1 & AASB 11]
- AASB 2014 6 Amendments to Australian Accounting Standards – Agriculture: Bearer Plants [AASB 101, AASB 116, AASB 117, AASB 123, AASB 136, AASB 140 & AASB 141]
- AASB 2014 5 Amendments to Australian Accounting Standards arising from AASB 15
- AASB 2015 5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception [AASB 10, AASB 12, AASB 128]
- AASB 2015-9 Amendments to Australian Accounting Standards – Scope and Application Paragraphs [AASB 8, AASB 133 & AASB 1057]
- AASB 2015-10 Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128

VICTORIAN REGIONAL CHANNELS AUTHORITY
ACCOUNTABLE OFFICER'S, CHIEF FINANCIAL AND ACCOUNTING OFFICER'S AND BOARD MEMBERS DECLARATION
30 June 2017

The attached financial statements for the Victorian Regional Channels Authority have been prepared in accordance with Direction 5.2 of the Standing Directions of the Minister for Finance under the Financial Management Act 1994, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2017 and financial position of the Authority at 30 June 2017.

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 31 August 2017.

Kate Roffey
Chair
Dated: 31 August 2017

Michael Harvey
Michael Harvey
Chief Executive Officer
Dated: 31 August 2017

Kas Szakiel
Commercial Manager (CFO)
Dated: 31 August 2017

Independent Auditor's Report

VAGO
Victorian Auditor-General's Office

To the Board Members of the Victorian Regional Channels Authority

Opinion	I have audited the financial report of the Victorian Regional Channels Authority (VRCA) which comprises the: • balance sheet as at 30 June 2017 • comprehensive operating statement for the year then ended • statement of changes in equity for the year then ended • cash flow statement for the year then ended • notes to the financial statements, including a summary of significant accounting policies • accountable officer's, chief financial and accounting officer's and board members declaration. In my opinion the financial report presents fairly, in all material respects, the financial position of VRCA as at 30 June 2017 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.
Basis for Opinion	I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. My responsibilities under the Act are further described in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. My independence is established by the *Constitution Act 1975.* My staff and I are independent of VRCA in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Australia. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.
Board Members' responsibilities for the financial report	The Board Members of VRCA are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Board Members determine is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error. In preparing the financial report, the Board Members are responsible for assessing VRCA's ability to continue as a going concern, and using the going concern basis of accounting unless it is inappropriate to do so.

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Auditor's responsibilities for the audit of the financial report

As required by the *Audit Act 1994,* my responsibility is to express an opinion on the financial report based on the audit. My objectives for the audit are to obtain reasonable assurance about whether the financial report as a whole is free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the Australian Auditing Standards will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of this financial report.

As part of an audit in accordance with the Australian Auditing Standards, I exercise professional judgement and maintain professional scepticism throughout the audit. I also:

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of VRCA's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board Members
- conclude on the appropriateness of the Board Members' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on VRCA's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial report or, if such disclosures are inadequate, to modify my opinion. My conclusions are based on the audit evidence obtained up to the date of my auditor's report. However, future events or conditions may cause VRCA to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial report, including the disclosures, and whether the financial report represents the underlying transactions and events in a manner that achieves fair presentation.

I communicate with the Board Members regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE
3 September 2017

Anna Higgs
as delegate for the Auditor-General of Victoria