



Victorian Regional Channels
Authority



2014/15

ANNUAL REPORT

Victorian Regional Channels Authority

Annual Report 2014 – 2015

Table of Contents

Our vision	2
Our mission.....	2
Scope of operations.....	2
Chairman’s report	3
Chief Executive Officer’s report.....	5
Executive summary	7
Establishment and functions	8
Staff establishment.....	10
Income and pricing	11
Financial performance	12
Operating performance	13
Key functions.....	14
Additional information	16

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

The 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.

The principal functions of the 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.

The 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.

The 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 the 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.

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

Chairman's report

It is with pleasure that I report on another successful 12 months of operations for the Victorian Regional Channels Authority (VRCA).

I would like to begin by thanking my fellow VRCA Board members, Mr Peter Dorling and Ms Merran Kelsall, for their dedicated service to the authority. They bring deep knowledge and experience to the boardroom table, which is greatly appreciated. The Authority is also well served by a committed staff group that ensures it runs smoothly and efficiently. This group, whose members are acknowledged as leaders in their various fields, is led by a talented and committed CEO in Captain Peter McGovern.

Over the past year the Port of Geelong, Victoria's most important bulk port, recorded a total of 639 ship visits. This total is up 100 from a decade ago.

At 14.5 million gross tons, the total gross tonnage of ships entering the port was a strong performance for Geelong's versatile shipping hub.

The most significant cargo types for the port remained crude oil, petroleum products, woodchips, fertiliser and grain.

It is also pleasing that the VRCA's shipping control functions and channel infrastructure continue to meet the same standards of efficiency and safety as previous years. Our shipping channels remained free of marine operation incidents for 2014/15.

The port of Geelong remains Victoria's premier bulk cargo port. It is a major transport hub for southwest Victoria, and a gateway to the world and its valuable network of trading partners. That means the port's reliability and efficiency - including its marine infrastructure - are key factors in both the region's and the state's economic performance. A productive Port of Geelong helps keep Victoria's economic heart beating strongly.

In the past year we have welcomed Viva Energy Australia, the new owner of Geelong's refinery, to the port's 'stakeholder' family. We have also farewelled Alcoa after the closing of its Point Henry operation after five decades at the site.

The VRCA is always looking to the future to ensure it can meet challenges that flow from a constantly changing shipping industry. Staff continue to assess the trend of dimension increases in the world fleet's bulk carriers, using sophisticated computer simulation modelling to determine the effect these changes will have on the Port of Geelong.

As part of its efforts to help future-proof the port, the VRCA has developed a long-term strategy of channel improvements to ensure the channel network has the capacity to cope with the next generation of bigger ships. The multi-staged blueprint of priority upgrades aims to position the port so it can retain its competitive edge and grasp trade opportunities that arise in the coming years.

The successful completion of the VRCA's \$9 million Geelong Dredging Program 2014 is another significant step towards preparing for those larger bulk carriers. Safe navigation, productivity and efficiency were driving forces behind the upgrade work, completed over the summer.

Over the past few years I have watched the VRCA take an increasingly important role in supporting the Port of Geelong and helping shape strategic plans for its future development and growth. The VRCA is the recognised lead agency in Geelong for the port-related co-ordination of safety, security and environmental issues as well as for providing a focal point for planning, stakeholder and community involvement issues. As an independent body, it is well positioned and trusted to bring stakeholders together for a co-ordinated approach to keeping the port safe, efficient and competitive.

The VRCA continues to embrace its role as facilitator for the Port-City Co-ordinator group, which focuses on helping unlock trade growth through targeted infrastructure improvements identified in the *Geelong Port-City 2050* plan. The VRCA is playing a key part in prioritising infrastructure projects and preparing preliminary business cases to support long-term growth of the port.

The VRCA has also continued to work closely with local community groups. These include the Geelong Chamber of Commerce, G21, the City of Greater Geelong, the Geelong Manufacturing Council and the Committee for Geelong as well as community service organisations and local residents.

Our Port Education Program, an important part of our commitment to improving the understanding and appreciation of the port, continued throughout the year. More than 7000 secondary school students have participated in the program since it began in 2006.

Throughout 2014/15, the VRCA has built on its strengths, with a commitment to continuously improve both its day-to-day shipping control and channel management functions and its contribution to the planning, development and operation of the port in the wider context.

I would like to congratulate my fellow directors and the VRCA staff on a successful year of operations. I am looking forward to further achievements and productive collaboration together in 2015/16.

Kenneth E Jarvis
Chair

Chief Executive Officer's report

The VRCA's financial results for 2014/15 posted a before tax profit of \$3.4 million based on a total turnover of \$8.2 million. Operating expenses for the year amounted to \$4.8 million.

The 2014/15 operating profit was achieved by the VRCA in spite of the loss of revenues resulting from the closure of the Alcoa smelter at Point Henry and a downturn in grain exports caused by reduced harvests. Grain shipments were down 53 per cent – after stronger harvests over the previous two seasons – as well as fertiliser throughput which decreased by 4 per cent, and liquid bulk imports and exports which were very similar to those in the previous year.

The port handled 639 ships for the year with a gross tonnage of 14.5 million, down 2.0 million gross tons on the previous year. The VRCA's commitment to safety, efficiency and reliability in its channel network is paramount and it is a pleasure to report that marine operations in the channels remained incident free in 2014/15.

Throughout the year we also maintained our public awareness campaign targeting recreational port users who operate small craft in the port of Geelong. This campaign promotes safe boating practices and uses the catch cry of *Keep Clear of Big Ships*. The VRCA delivered this message through print and electronic media and through staff visits to community groups and boating organisations.

The Port of Geelong is Victoria's biggest bulk cargo port and a key economic driver for the city, the region and the state. The VRCA, recognising a competitive shipping hub is vital to Geelong's future, is a leading contributor to forward planning in the port through strategies including *Geelong Port-City 2050*. This strategic plan aims to promote trade growth by focusing on priority infrastructure improvements on land and in port waters to keep the port competitive and productive in future decades.

The VRCA continues to facilitate the Geelong Port-City 2050 Co-ordinator role, which is working to prioritise infrastructure projects, prepare preliminary project business cases and liaise with governments to work towards long-term growth of the port. The role brings together port stakeholders within the Co-ordinator group.

The VRCA is also continuing its work on the 2017/18 Port of Geelong Development Strategy. This strategy, which must be completed every four years under the Port Management Act 1995, is developed in consultation with port users and the broader community. The strategy addresses specific issues faced by the port and focuses on the need for better links between parcels of port-related land.

With its detailed analysis of the economic impacts of projected future trade and port-related activity over the next 20 years, this development strategy is a valuable asset for port users and decision makers in their future planning.

As the world shipping industry looks to achieve economies of scale through larger ships, the VRCA and the port are facing the challenges these bigger vessels and greater ship numbers present to channel capacity and infrastructure. The VRCA actively uses analysis and complex computer modelling to forecast the size of bulk-trade ships in the world fleet over the coming years. Staff also regularly test the channel network's capacity to cope with bigger ships, using a full-bridge mission simulator to 'pilot' these next-generation vessels in varied weather conditions.

The VRCA's successful \$10.9 million Geelong Dredging Program 2014 is now complete, with contractors widening the inside of City Bend and deepening Corio Quay North No 4 Berth to 12.3 metres in a smooth, trouble-free operation.

The upgrade allows for safer transit of City Bend's right-angle turn for bigger ships and allows vessels to load to capacity at the dredged berth, with some ships now able to carry up to an extra 10 per cent of cargo. The upgrade is a success story on several fronts - safe navigation and port productivity and efficiency.

In another positive for port productivity, the VRCA is in the process of implementing a Dynamic Under Keel Clearance project. This sophisticated management system will allow ships to significantly and safely increase their draught and tonnes on board as they navigate Geelong's channel network, helping the port's all-important competitive edge.

The VRCA has also continued to meet its responsibilities regarding the oversight of channel operations at Portland and Hastings throughout the year.

The authority, the port owners and its users have worked closely together over the past year to keep Geelong's port safe and productive. I would like to thank our customers and stakeholders for their efforts. Their ongoing support is appreciated. That support is also critical for the successful operations of the port as a whole.

I would also like to extend my gratitude to the VRCA Board members - Chairman Kenneth Jarvis and fellow Directors Merran Kelsall and Peter Dorling - for their contribution and support over the past 12 months.

Finally, thank you to my fellow staff members for their unstinting commitment and achievements throughout the year. I look forward to working with them to achieve a safe and successful year ahead.

Captain Peter McGovern
Chief Executive Officer

Executive summary

Highlights of the year:

- Completing the VRCA's successful \$9 million Geelong Dredging Program 2014, which involved widening City Bend and dredging Corio Quay North No 4 Berth to a depth of 12.3 metres.
- Initiating installation of a Dynamic Under Keel Clearance project, to introduce a sophisticated under-keel management system that will allow significant increases in cargo for bigger ships entering Geelong's port.
- Creating a long-term blueprint of channel improvements in Corio Bay, with the acceptance of the Port-City Co-ordinator group. The prioritised upgrades in the multi-staged strategy will enable the Port of Geelong to retain its competitive edge in the face of changing dimensions of vessels.
- Facilitating the ongoing role of Port-City Co-ordinator to help unlock trade growth through targeted infrastructure improvements identified in the *Geelong Port-City 2050* plan.
- Continuing leadership and coordination of the Geelong Port Development Strategy, a major collaborative strategic planning process involving representatives from all of the major operators in the port. This includes ongoing implementation of a formal industry consultation and meeting program.
- Further development of the VRCA's Port Capacity Simulation modelling as a key tool in our long-term strategic planning.
- Ongoing collaboration with the Port Phillip Sea Pilots using Smartship Australia's full-mission bridge simulator in Queensland to continually test the capacity of the Geelong channels for ship transits under different sea conditions and vessel operating parameters. The assessments, using state-of-the-art technology, are part of the VRCA's commitment to a comprehensive risk-mitigation program.
- Detailed simulation and capacity modelling for potential berth extensions at Corio Quay South and Lascelles Wharf.
- Completion of the annual hydrographic survey to determine the maintenance of channel depths and to assess the extent of works required to improve access to the port.
- Review of risks and risk controls in the VRCA Risk Management Register
- Continuation of the awareness campaign warning small craft of risks associated with channel usage.
- Continuation of the Port Educational Program for Year 9 to 11 students from Geelong and surrounding regions.
- Continuing the VRCA education program's involvement with the 'Northern Futures' education and training program for disadvantaged adults in the region.

Ongoing provision of key services and facilities:

- 24-hour commercial shipping management service.
- Liaison with pilot services, tugs, lines boats, lines men, quarantine services and customs.
- Planning and supervision of tasks for the provision and maintenance of all navigation aids for commercial shipping.
- Oversight of channel operations at the Port of Portland and at the Port of Hastings.
- Provision of professional maritime advice about ships, cargoes and operations in port waters.
- Undertaking research and the collection of information on shipping industry trends.
- Strategic planning for future needs of commercial shipping in regional commercial channels.
- Provision of regular industry briefings.
- Provision of support for port consultative groups.

Establishment and functions

The 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 the VRCA

The principal objective of the 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, the 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
- Rippleside

Aside from the Point Wilson Explosives Pier, Cunningham Pier and the new Bulk Grain Pier, Geelong Port 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	

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 Shell Australia Ltd and Terminals Ltd for receipt 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. The channels leading to the pier are serviced by the 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

Rippleside

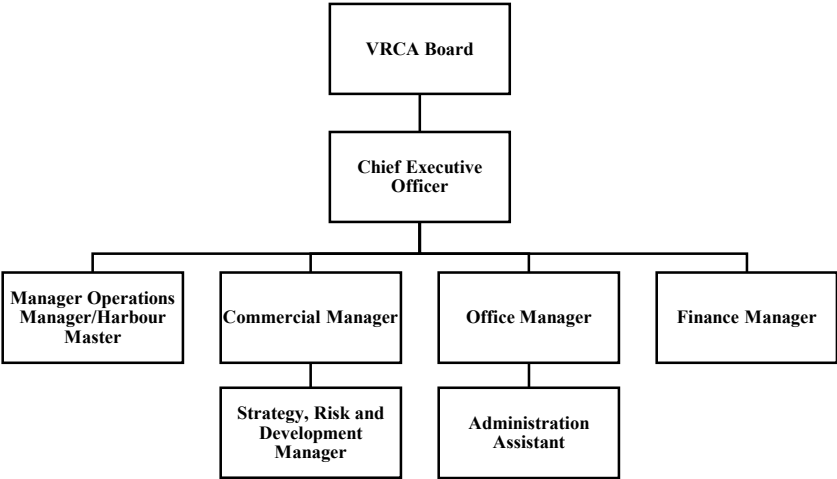
Currently not in operation pending development of the area.

Staff establishment

The VRCA has a Board of Directors of three and an establishment of seven staff. Six staff members are permanent, while the Finance Manager is on contract.

Given the small establishment size, the role of the 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



Income and pricing

The 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.

The VRCA does not gain any revenue from:

- Passenger cruise liners and naval vessels using channels or services under the VRCA's control; or
- Commercial shipping using the Ports of Hastings or Portland.

Primary revenue

The basis for shipping charges

The VRCA 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.

The VRCA reviews its pricing annually and fixes prices for a year in advance. The 2014/2015 Channel Usage Charge was 34 cents per gross ton till 1 April 2015 when it was increased to 37 cents per gross ton after completion of the 2014 dredging operations.

Details of tariffs are issued to customers annually by letter and can be downloaded from the VRCA 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.

In the past year the agreement with Shell has been novated to Viva Energy Australia, while the one with Alcoa has lapsed due to the closure of the Point Henry operation.

Viva Energy Australia, under the ongoing agreement, is required by contract to make an annual payment to the 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	\$182.00
Handymax	22,000 – 29,999	\$194.00
Panamax	> 29,999	\$230.00

Financial performance

Total turnover for VRCA for the 12 months ended 30 June 2015, incorporating revenue from non-operating activities, was \$8.2 million. This resulted in a before tax profit of \$3.4 million. The reported profit after tax was \$2.4 million which included a tax expense of \$1.0 million. Operating expenses for year amounted to \$4.8 million and were below budget expectations.

Dividend Distribution Targets

Dividend is as determined by the Treasurer in accordance with Section 41 of the PSA after discussion with the VRCA Board. During 2014/2015 the VRCA paid a dividend of \$608,000 to the State.

Operating expenses

Operating expenses for 2014/2015 amounted to \$4.8 million. This was in line with budget expectations.

Special projects costs

Additional expenditure of \$515,000 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 2014/2015 total gross tonnage of ships entering Geelong ports was 14.5 million gross tons; an overall decrease of 2.0 million tons on the previous year.

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 were down 53 per cent – after stronger harvests over the previous two seasons – as well as fertiliser throughput which decreased by 4 per cent, and liquid bulk imports and exports which were very 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
2004-2005	11.9 million	470
2005-2006	12.3 million	545
2006-2007	12.9 million	478
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

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 the 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. Accordingly, maintenance dredging will not be required before the next annual survey in 2014/2015.

Port development and capacity studies

The VRCA has been requested by the Victorian State Government to take the lead role in the preparation of the Geelong Port Development Strategy. This is a statutory requirement under the *Port Management Act 1995* and a significant ongoing commitment for the VRCA with the Strategy to be updated every four years.

The 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. The VRCA also carries out in-depth forecasts on the future sizes of ships in bulk trades.

The VRCA is also facilitating a new role of Port-City Co-ordinator, which flows from the release of the *Geelong Port-City 2050* strategic plan. The plan focuses on unlocking trade growth through targeted infrastructure improvements to keep the port productive and competitive in the long-term. As facilitator, the VRCA will co-ordinate activities including prioritising infrastructure projects, preparing preliminary project business cases and liaising with governments to work towards long-term growth of the port.

Risk management

The Risk Management Register established by the VRCA in 2004 provides a framework within which the VRCA fulfils its responsibilities under the *Port Management Act (1995)* on behalf of customers and users of regional ports. The VRCA Risk Committee of the VRCA Board met once throughout this financial year to review the register. No significant revisions were made, as all major controls have been implemented and active for a number of years.

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 the VRCA. In 2014/2015 the Authority 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 Port of Melbourne Corporation (PoMC) 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). The VRCA has a reporting and support role in relation to such incidents and cooperates with the PoMC, the EPA and emergency services organisations as required and as directed by the Director (Marine Safety) Transport Safety Victoria.

During 2014/2015 no major marine pollution incidents occurred in port waters.

Study of port environment and sediments

Department of Environment, Land, Water and Planning (DELWP) protocols require that the VRCA conduct a survey of sea bed sediments in Geelong port waters every two years, and provide it with the results. Surveys have been conducted regularly as part of the Channel Safety Adjustment Program.

The information collected from the surveys is used to inform long-term port planning and environmental assessment. Most importantly, it is incorporated into the VRCA Channel Improvement database to establish baselines for future comparison.

Port education program for local schools

In 2014/2015 the VRCA continued its Port Educational Program targeting Year 9 and 10 students 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.

The 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, the Authority resumed the 'Keep Clear of Big Ships!' education and awareness program begun in 2007/2008.

A program of presentations by senior staff to community organisations was undertaken to spread the safety message as widely as possible. As in previous years, this was supported by local radio advertisements, newspaper advertising, and distribution of promotional flyers and merchandise.

Once again the VRCA launch George Molland was used by the Harbour Master to patrol port waters during peak periods and major yachting and boating events.

Stakeholder engagement

The 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 and the Geelong Manufacturing Council, the Channel User Group (whose members include Viva Energy Australia, GeelongPort Pty. Ltd. and GrainCorp), Department of Economic Development, Jobs, Transport and Resources, Department of Treasury and Finance and the DELWP.

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

Additional information

TRADING RESULTS

The Authority's profit for the year was \$2.5 million (2013/2014 \$1.2 million) after allowing for an income tax expense of \$1.0 million (2013/2014 \$0.5 million).

REPORTING

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

EVENTS SUBSEQUENT TO BALANCE DATE

Since the end of the financial year the directors are not aware of any matter or circumstance not otherwise dealt with in this report, which has the potential to significantly affect the operations of the Authority, the results of those operations or the state of affairs of the Authority in subsequent financial years.

DIRECTORS' BENEFITS

No Director of the Authority 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 the Authority, 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

Kenneth Jarvis OAM KSJ MAICD (Chairman) was appointed Chairman of the VRCA in April 2011. He was appointed a director of GMHBA Ltd in September 2004 and appointed chairman in June 2010. He is also a director of Gordon TAFE Ltd and ADAL Ltd (the company that runs the Avalon Air Show). He has had past extensive involvement with a range of community organisations, including being a director of Geelong College Ltd, President of the Geelong College Foundation Ltd, director of the Geelong Community Foundation Ltd, Chairman of the Linton Appeal, Vice President and life member of the Geelong Hospital, Patron of Geelong Red Cross, and Patron of the Deakin Great Hall Appeal. He was also a former Mayor of the City of Greater Geelong from 1990 to 2001 and lead the revitalisation of Geelong through projects such as the upgrade of the Geelong to Melbourne Road and the upgrade of the Geelong waterfront. He has also sat on many other community boards in the Geelong area. He is currently managing Director of Aerolite Quarries Pty Ltd and has a number of other personal company interests. He has been CEO of a number of large private companies and has held senior executive roles in Alcoa Ltd and other public companies. He has qualifications in metallurgy, mathematics and engineering and has worked extensively in the mining industry across Australia. He is also a qualified commercial helicopter and fixed wing pilot.

Merran Kelsall (Deputy Chairman) began her career in Chartered Accountancy, becoming a partner in a major practice in 1987. She has worked as an independent director and consultant since 1996. Merran has considerable experience in highly regulated industries, especially financial services, health and utilities. Merran's current appointments include: Chairman Auditing and Assurance Standards Board and Australian Health Service Alliance Ltd., Director RACV Ltd. Member of International Auditing and Assurance Standards Board and Commissioner of the Taxi Services Commission.

Peter Dorling (Director) was appointed a Director of the VRCA on 23 October 2012. Peter is the Business Manager for Avalon Airport Australia. Peter's role is to explore and harness local and International business development for the airport.

Peter's previous roles have been Executive Director for the Committee for Geelong and Manager, Strategic Development for Surf Coast Shire.

Peter holds a Masters Degree in Business Management from the Royal Melbourne Institute of Technology

Peter's affiliations include : Fellow of the Local Government Professionals, Member of the Institute of Water Administration of Victoria, Deputy Chair of Regional Development Australia Committee Barwon South West, Board Member of the Geelong Performing Arts Centre, Chairman Geelong Northern Futures Program and Member of Corio Advisory Committee.

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
Kenneth E Jarvis	6	6
Merran Kelsall	6	5
Peter Dorling	6	6

PECUNIARY INTERESTS

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

FINANCE AND AUDIT COMMITTEE MEMBERSHIP AND ROLE

The Audit Committee consists of all the members of the Board of the Authority, with Merran Kelsall 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 the Authority's internal control environment covering:
 - Effectiveness and efficiency of operations;
 - Reliability of financial reporting; and
 - Compliance with applicable laws and regulations.

FINANCE AND 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
Kenneth E Jarvis	6	6
Merran Kelsall	6	5
Peter Dorling	6	6

RISK COMMITTEE MEMBERSHIP AND ROLE

Board members of the Authority constitute membership of the Committee, with Peter Dorling as Chairman. The Risk Committee sits on a half yearly basis to review the risk register and progress in risk management procedures.

The main responsibilities of the risk committee are 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
Kenneth E Jarvis	2	2
Merran Kelsall	2	1
Peter Dorling	2	2

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	2015 Number	2014 Number
\$170,000 to 179,999	-	1
\$180,000 to 189,999	1	1
\$190,000 to 199,999	1	

INDEMNIFICATION OF OFFICERS

During the financial year, the Authority 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 the Authority) 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. The Authority has complied with the Act.

Building Act

The Authority complies with the provision of the Building Act 1993.

Competitive Neutrality

The Authority complies with Victorian Government policy on competitive neutrality.

Occupational Health and Safety (OH&S)

The Authority 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 the Authority.

The Authority reported no significant incidents or lost time injuries for the year.

Whistleblowers' Protection Act

The Authority is committed to the aims and objectives of the Whistleblowers' Protection Act 2001.

Since the commencement of the Act in January 2002, no disclosures have been received or investigations made by the Authority, and it has not referred any disclosures to the Ombudsman for any reasons. Neither has the Ombudsman referred any disclosures or made any recommendations to the Authority.

Disability Act

The Authority 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

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

Risk Attestation Statement

I, Kenneth Jarvis, 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.

The VRCA has in place an internal control system which enables the management of the VRCA to understand, manage and control risk exposures. In addition, the VRCA has a Risk Management Committee comprising all of the Board members of the Authority.

The Risk Committee sits on a half yearly basis to review the risk register and the progress of risk management procedures.

Annual Report

The Authority has complied with its statutory obligations in relation to the annual report. Information in relation to the Authority'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



Kenneth E Jarvis

Chair

Geelong



Merran Kelsall

Deputy Chair

Geelong



Victorian Regional Channels Authority

FINANCIAL STATEMENTS

For the year ended 30 June 2015

CONTENTS

Comprehensive operating statement	21
Balance sheet	22
Statement of changes in equity	23
Cash flow statement	24
Notes to the financial statements	25
Certification of financial statements	64
Auditor-General's report	65

VICTORIAN REGIONAL CHANNELS AUTHORITY
COMPREHENSIVE OPERATING STATEMENT
For the year ended 30 June 2015

	Note	2015 \$'000	2014 \$'000
Continuing operations			
Income			
Channel income		7,875	8,679
Other income	3	331	504
Total income		8,206	9,183
Expenses			
Employee benefits	4(a)	1,042	965
Depreciation and amortisation	4(b)	818	833
Other maintenance		210	184
Lease	4(c)	227	218
Insurance		181	178
Marine services		865	839
Vessel expenses		61	47
Consultancies and contractors		269	114
Waterway Management		166	191
Special projects		515	2,417
Derecognition of capitalised costs	8	-	982
Loss on disposal of fixed assets		6	7
Other expenses		454	424
Total expenses		4,814	7,399
Profit for the year before income tax expense		3,392	1,784
Income tax expense	5	1,019	537
Profit for the year	13	2,373	1,247
Other comprehensive income			
Items that will not be reclassified to profit and loss:			
Changes in physical asset revaluation surplus		108	-
Total other comprehensive income		108	-
Total comprehensive income/(loss) for the year		2,481	1,247

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

VICTORIAN REGIONAL CHANNELS AUTHORITY
BALANCE SHEET
As at 30 June 2015

	Note	2015 \$'000	2014 \$'000
Current assets			
Cash and cash equivalents	6	11,249	18,147
Other non-financial assets		169	180
Trade and other receivables	7	753	894
Income tax refund		-	532
Total current assets		12,171	19,753
Non-current assets			
Infrastructure, property, plant and equipment	8	30,877	20,937
Deferred tax asset	5(c)	201	589
Total non-current assets		31,078	21,526
Total assets		43,249	41,279
Current liabilities			
Trade and other payables	9	291	369
Provisions	10(a)	582	383
Total current liabilities		873	752
Non-current liabilities			
Provisions	10(b)	49	52
Deferred tax liability	5(d)	7	28
Total non-current liabilities		56	80
Total liabilities		929	832
Net assets		42,320	40,447
Equity			
Contributed capital	11	57,883	57,883
Reserves	12	613	505
Retained profit/(accumulated losses)	13	(16,176)	(17,941)
Total equity		42,320	40,447

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 2015

	Contributed capital \$'000	Reserves \$'000	Retained profit/ (accumulated losses) \$'000	Total equity \$'000
Balance at 1 July 2013	57,883	505	(17,592)	40,796
Profit/(loss) for the year (refer note 13)	-	-	1,247	1,247
Total comprehensive income for the year	-	-	1,247	1,247
Transactions with owners in their capacity as owners:				
Dividends provided for or paid (refer note 13)	-	-	(1,596)	(1,596)
	-	-	(1,596)	(1,596)
Balance at 30 June 2014	57,883	505	(17,941)	40,447
Revaluation of assets (refer note 12)	-	108	-	108
Profit/(loss) for the year (refer note 13)	-	-	2,373	2,373
Total comprehensive income for the year		108	2,373	2,481
Transactions with owners in their capacity as owners:				
Dividends provided for or paid (refer note 13)	-	-	(608)	(608)
	-	-	(608)	(608)
Balance at 30 June 2015	57,883	613	(16,176)	42,320

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 2015

	Note	2015 \$'000	2014 \$'000
Cash flows from operating activities			
Receipts from trade and other debtors		8,734	9,477
Payments to trade creditors, other creditors and employees		(4,275)	(5,957)
Goods and services tax paid to the Australian Taxation Office		546	(426)
Interest received		401	455
Income tax paid (refer note 1(f))		(10)	(1,180)
Net cash inflow from operating activities	22	5,396	2,369
Cash flows from investing activities			
Payments for infrastructure, property, plant and equipment		(11,824)	(459)
Proceeds from sale of infrastructure, property, plant and equipment		138	101
Net cash (outflow) from investing activities		(11,686)	(358)
Cash flows from financing activities			
Dividends paid	13	(608)	(1,596)
Net cash (outflow) from financing activities		(608)	(1,596)
Net increase in cash and cash equivalents		(6,899)	415
Cash and cash equivalents at the beginning of the financial year		18,147	17,732
Cash and cash equivalents at the end of the financial year	6	11,249	18,147

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 2015

Contents

<u>Note 1.</u>	<u>Summary of significant accounting policies</u>	26
<u>Note 2.</u>	<u>Critical accounting estimates and judgements</u>	39
<u>Note 3.</u>	<u>Other revenue</u>	40
<u>Note 4.</u>	<u>Expenses</u>	40
<u>Note 5.</u>	<u>Income tax expense/(benefit)</u>	41
<u>Note 6.</u>	<u>Cash and cash equivalents</u>	42
<u>Note 7.</u>	<u>Trade and other receivables</u>	42
<u>Note 8.</u>	<u>Infrastructure, property, plant and equipment</u>	43
<u>Note 9.</u>	<u>Trade and other payables</u>	50
<u>Note 10.</u>	<u>Provisions</u>	51
<u>Note 11.</u>	<u>Contributed capital</u>	52
<u>Note 12.</u>	<u>Reserves</u>	53
<u>Note 13.</u>	<u>Retained profit/(accumulated losses)</u>	53
<u>Note 14.</u>	<u>Superannuation</u>	54
<u>Note 15.</u>	<u>Key management personnel disclosures</u>	54
<u>Note 16.</u>	<u>Remuneration of auditors</u>	56
<u>Note 17.</u>	<u>Financial instruments</u>	56
<u>Note 18.</u>	<u>Contingencies</u>	61
<u>Note 19.</u>	<u>Commitments Payable</u>	62
<u>Note 20.</u>	<u>Related party transactions</u>	62
<u>Note 21.</u>	<u>Events occurring after reporting period</u>	62
<u>Note 22.</u>	<u>Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities</u>	63

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 1. Summary of significant accounting policies

(a) 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 2015. 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.

(b) 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 13 August 2015.

(c) 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 Note 8).

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.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 1. Summary of significant accounting policies
(continued)

(c) Basis of accounting preparation and measurement (continued)

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

- Level 1 — Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 — Valuation techniques for which the lowest level input that is significant to the fair value measurement is directly or indirectly observable; 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 2015 and the comparative information presented for the year ended 30 June 2014.

(d) Scope and presentation of financial statements

Comprehensive operating statement

The comprehensive operating statement comprises three components, being 'net result from transactions' (or termed as '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;
- 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*.

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'.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 1. Summary of significant accounting policies
(continued)

(d) Scope and presentation of financial statements (continued)

Rounding

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

(e) Income

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.

(f) Income tax

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.

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.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 1. Summary of significant accounting policies
(continued)

(g) Leases

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.

(h) 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.

(i) 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

(j) Receivables

Receivables consist of:

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

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

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 1. Summary of significant accounting policies
(continued)

(j) Receivables (continued)

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.

(k) Other non-financial assets

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

(l) Infrastructure, property, plant and equipment

All non-financial physical assets, are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. 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.

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

Refer to note 8 for details of the assumptions applied in undertaking a managerial and independent valuation of the channel assets in 2015 and 2014.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 1. Summary of significant accounting policies
(continued)

(l) Infrastructure, property, plant and equipment (continued)

(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	3-10 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.

(iii) Recoverable amount

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

(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 (2014: \$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 Safety Improvements

Channel safety improvements that provide a future benefit to the channel asset through an increase in the fees charged 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 safety 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.

(m) Intangible assets

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses are capitalised to software and systems. Costs capitalised include external direct costs of materials and services. Amortisation is calculated on a straight-line basis over periods ranging from 3 to 5 years (or shorter if the useful life assessment indicates otherwise). The basis of amortisation is consistent with the prior year.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 1. Summary of significant accounting policies
(continued)

(n) 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.

(o) Provisions

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

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

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

(p) Employee benefits

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

(i) Wages and salaries, annual leave and sick leave

Liabilities for wages and salaries 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.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 1. Summary of significant accounting policies
(continued)

(p) Employee benefits (continued)

(iii) Superannuation

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. (Refer to note 14 for contribution amounts).

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.

(q) 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.

(r) 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.

(s) 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.

(t) Rounding of amounts

Unless otherwise stated, amounts in the financial report have been rounded to the nearest thousand dollars or in certain cases to the nearest dollar.

(u) Contingent assets and contingent liabilities

Contingent assets and contingent liabilities are not recognised in the balance sheet, but are disclosed by way of a note (refer to Note 18) and, if quantifiable, are measured at nominal value. Contingent assets and liabilities are presented inclusive of GST receivable or payable respectively.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 1. Summary of significant accounting policies
(continued)

(v) 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 <i>Financial Instruments</i>	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 Jan 2018	<p>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.</p> <p>While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.</p>
AASB 15 <i>Revenue from Contracts with Customers</i>	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 2017 (Exposure Draft 263 – potential deferral to 1 Jan 2018)	<p>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.</p> <p>While the preliminary assessment has not identified any material impact arising from AASB 15, it will continue to be monitored and assessed.</p>

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 1. Summary of significant accounting policies
(continued)

(v) New accounting standards and interpretations that are not yet effective (continued)

Reference	Summary	Application date (financial years beginning)	Impact on VRCA's financial statements
AASB 2014-1 <i>Amendments to Australian Accounting Standards [Part E Financial Instruments]</i>	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 4 <i>Amendments to Australian Accounting Standards – Clarification of Acceptable Methods of Depreciation and Amortisation [AASB 116 & AASB 138]</i>	Amends AASB 116 Property, Plant and Equipment and AASB 138 Intangible Assets to: <ul style="list-style-type: none"> • establish the principle for the basis of depreciation and amortisation as being the expected pattern of consumption of the future economic benefits of an asset; • prohibit the use of revenue based methods to calculate the depreciation or amortisation of an asset, tangible or intangible, because revenue generally reflects the pattern of economic benefits that are generated from operating the business, rather than the consumption through the use of the asset. 	1 Jan 2016	The assessment has indicated that there is no expected impact as the revenue-based method is not used for depreciation and amortisation.
AASB 2014 9 <i>Amendments to Australian Accounting Standards – Equity Method in Separate Financial Statements [AASB 1, 127 & 128]</i>	Amends AASB 127 Separate Financial Statements to allow entities to use the equity method of accounting for investments in subsidiaries, joint ventures and associates in their separate financial statements.	1 Jan 2016	The assessment indicates that there is no expected impact as the entity will continue to account for the investments in subsidiaries, joint ventures and associates using the cost method as mandated if separate financial statements are presented in accordance with FRD 113A.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 1. Summary of significant accounting policies
(continued)

(v) New accounting standards and interpretations that are not yet effective (continued)

AASB 2014 10 <i>Amendments to Australian Accounting Standards – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture [AASB 10 & AASB 128]</i>	AASB 2014-10 amends AASB 10 Consolidated Financial Statements and AASB 128 Investments in Associates to ensure consistent treatment in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require that: <ul style="list-style-type: none"> • a full gain or loss to be recognised by the investor when a transaction involves a business (whether it is housed in a subsidiary or not); and • a partial gain or loss to be recognised by the parent when a transaction involves assets that do not constitute a business, even if these assets are housed in a subsidiary. 	1 Jan 2016	The assessment has indicated that there is limited impact, as the revisions to AASB 10 and AASB 128 are guidance in nature.
AASB 2015 6 <i>Amendments to Australian Accounting Standards – Extending Related Party Disclosures to Not-for-Profit Public Sector Entities [AASB 10, AASB 124 & AASB 1049]</i>	The Amendments extend the scope of AASB 124 Related Party Disclosures to not-for-profit public sector entities. A guidance has been included to assist the application of the Standard by not-for-profit public sector entities.	1 Jan 2016	The amending standard will result in extended disclosures on the entity's key management personnel (KMP), and the related party transactions.

In addition to the new standards above, the AASB has issued a list of amending standards that are not effective for the 2014-15 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 2014-15 reporting period and is considered to have insignificant impacts on public sector reporting.

- AASB 2010-7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2010).
- AASB 2013-9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments
- 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 5 Amendments to Australian Accounting Standards arising from AASB 15
- 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 7 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014)
- AASB 2014 8 Amendments to Australian Accounting Standards arising from AASB 9 (December 2014) – Application of AASB 9 (December 2009) and AASB 9 (December 2010) [AASB 9 (2009 & 2010)]

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 1. Summary of significant accounting policies
(continued)

(v) New accounting standards and interpretations that are not yet effective (continued)

- AASB 2015 2 Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 101 [AASB 7, AASB 101, AASB 134 & AASB 1049]
- AASB 2015 3 Amendments to Australian Accounting Standards arising from the Withdrawal of AASB 1031 Materiality
- AASB 2015 4 Amendments to Australian Accounting Standards – Financial Reporting Requirements for Australian Groups with a Foreign Parent [AASB 127, AASB 128] #
- AASB 2015 5 Amendments to Australian Accounting Standards – Investment Entities: Applying the Consolidation Exception [AASB 10, AASB 12, AASB 128] #

(w) 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 10 Consolidated Financial Statements (not for profit)
- AASB 11 Joint Arrangements (not for profit)
- AASB 12 Disclosure of Interests in Other Entities (not for profit)
- AASB 127 Separate Financial Statements (not for profit)
- AASB 128 Investments in Associates and Joint Ventures (not for profit)
- AASB 1055 Budgetary Reporting
- AASB 2012 3 Amendments to Australian Accounting Standards – Offsetting Financial Assets and Financial Liabilities
- AASB 2013 3 Amendments to AASB 136 – Recoverable Amount Disclosures for Non Financial Assets
- AASB 2013 8 Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not for Profit Entities – Control and Structured Entities
- AASB 2013 9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments
- AASB 2013 1 Amendments to AASB 1049 – Relocation of Budgetary Reporting Requirements
- AASB 2013 4 Amendments to Australian Accounting Standards – Novation of Derivatives and Continuation of Hedge Accounting
- AASB 2013 5 Amendments to Australian Accounting Standards – Investment Entities
- AASB 2013 6 Amendments to AASB 136 arising from Reduced Disclosure Requirements;
- AASB 2013 7 Amendments to AASB 1038 arising from AASB 10 in relation to consolidation and interests of policyholders
- AASB 2013 9 Amendments to Australian Accounting Standards – Conceptual Framework, Materiality and Financial Instruments
- AASB 2014 1 Amendments to Australian Accounting Standards [Part A Annual Improvements; Part B Defined Benefit Plans: Employee Contributions and Part C Materiality];
- AASB 2014 2 Amendments to AASB 1053 – Transition to and between Tiers, and related Tier 2 Disclosure Requirements.

(x) Financial Instruments

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of 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.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 1. Summary of significant accounting policies
(continued)

(x) Financial instruments

Categories of non-derivative financial instruments

Loans and receivables

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

Loans and receivables category includes cash and deposits (refer to Note 1(i)), term deposits with maturity greater than three months, trade receivables 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*.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 2. Critical accounting estimates and judgements

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

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that may have a financial or disclosure impact on 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.

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. Refer to Note 8 for the assumptions applied in 2015 and 2014. In 2015 and 2014, 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, except for channel assets and navigational aids, reasonably approximated fair value.

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	2015	2014
Volumes (year 1)	Historical average	12.6M ton	13.4M ton
Annual volumes growth rate	Management expectations	1%	1%
CPI	RBA mid point target inflation	2.5%	2.5%
Discount rate	Refer Note 8	6.1% to 6.9%	11.0% to 13.2%

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.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 2. Critical accounting estimates and judgements
(continued)

Estimate	Percent Change in Estimate	Adjustment to Carrying Value (% increase) *	Percent Change in Estimate	Adjustment to Carrying Value (% decrease) *
Volumes (year 1)	3%	10%	(3%)	(10%)
Annual volumes growth rate	17%	10%	(26%)	(10%)
CPI	8%	10%	(10%)	(10%)
Discount rate	(10%)	10%	11%	(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.

Note 3. Other revenue

	2015 \$'000	2014 \$'000
Other revenue		
Interest revenue	331	504
Sundry revenue	-	-
Total other revenue	331	504

Note 4. Expenses

	2015 \$'000	2014 \$'000
(a) Employee benefits		
Salary and wages	780	724
Superannuation	85	58
Annual and long service leave expense	34	51
Other employee expenses (fringe benefits tax, payroll tax, workcover levy, etc)	143	132
Total employee benefits	1,042	965
(b) Depreciation and amortisation		
Navigation aids	308	305
Plant and equipment	149	165
Channel assets	357	357
Software	4	6
Total depreciation and amortisation	818	833
(c) Operating Leases		
<i>Minimum lease payments</i>		
Building rentals	219	211
Storage rentals	4	3
Equipment rentals	4	4
Total rental expense	227	218

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 5. Income tax expense/(benefit)

	2015	2014
	\$'000	\$'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)	3,392	1,784
Tax at the Australian tax rate of 30% (2014 - 30%)	1,018	535
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Under/(over) provided in prior year	-	-
Non deductible items	1	2
Income tax expense/(benefit)	1,019	537
(b) Income tax expense/(benefit)		
Current taxation	699	247
Under/(over) provided in prior year	-	-
Movement in deferred tax asset (refer 5(c))	388	275
Movement in deferred tax liability (refer 5(d))	(68)	15
Income tax expense/(benefit) recognised in the statement of comprehensive income	1,019	537
<i>Weighted average effective tax rate</i>	<i>30.00%</i>	<i>30.10%</i>
	2015	2014
	\$'000	\$'000
(c) Deferred tax asset		
Opening balance	589	864
Temporary differences	(388)	(275)
Closing balance	201	589
Represented by:		
<i>Amounts allocated to profit and loss</i>		
Fixed assets	4	373
Pooled assets	8	8
Accrued expenses	46	78
Annual and long service leave provisions	143	130
	201	589
(d) Deferred tax liabilities		
Opening balance	28	13
Temporary differences	(21)	15
Closing balance	7	28
Represented by:		
<i>Amounts allocated to profit and loss</i>		
Accrued revenue	7	28
	7	28

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 6. Cash and cash equivalents

	2015	2014
	\$'000	\$'000
Cash at bank and on hand	298	147
Short term deposits	10,951	18,000
	11,249	18,147

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 1.95% to 3.55% (2013/14 2.45% to 4.15%).

Note 7. Trade and other receivables

	2015	2014
	\$'000	\$'000
Current		
<i>Contractual</i>		
Trade receivables* (note 17)	730	801
Interest receivable	23	93
	753	894

* 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 note 17 for ageing and risk analysis.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 8. Infrastructure, property, plant and equipment

Table 8.1: Classification by ‘purpose groups’ – carrying amounts⁽ⁱ⁾

	(\$'000)			
	<i>Transportation and Communications</i>		<i>Total</i>	
<i>Table disclosure reference</i>	<i>Table 8.3</i>			
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
Nature based classification				
Plant, equipment and vehicles at fair value	286	352	286	352
Assets under construction at cost	222	699	222	699
Infrastructure at fair value ⁽ⁱⁱ⁾	30,369	19,886	30,369	19,886
Net carrying amount of PPE	30,877	20,937	30,877	20,937

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 8.2: Gross carrying amount and accumulated depreciation

	(\$'000)					
	<i>Gross carrying amount</i>		<i>Accumulated depreciation</i>		<i>Net carrying amount</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
Plant, equipment and vehicles at fair value	1,404	1,396	(1,118)	(1,044)	286	352
Assets under construction at cost	222	699	-	-	222	699
Infrastructure at fair value	30,369	21,815	-	(1,929)	30,369	19,886
Net carrying amount of PPE	31,995	23,910	(1,118)	(2,973)	30,877	20,937

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 8. Infrastructure, property, plant and equipment
(continued)

Table 8.3: Classification by ‘transportation and communications’ purpose group – movements in carrying amounts⁽ⁱ⁾

	(\$'000)			
	<i>Plant, equipment and vehicles at fair value</i>		<i>Assets under construction at cost</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
Opening balance	352	440	699	1,454
Additions	234	190	222	227
Disposals	(146)	(108)	-	-
De-recognition of assets	-	-	-	(982)
Revaluation	-	-	-	-
Transfer of assets	-	-	(699)	-
Depreciation	(154)	(170)	-	-
Closing balance	286	352	222	699

	<i>Infrastructure at fair value</i>		<i>Total</i>	
	<i>2015</i>	<i>2014</i>	<i>2015</i>	<i>2014</i>
Opening balance	19,886	20,549	20,937	22,443
Additions	10,293	-	10,749	417
Disposals	-	-	(146)	(108)
De-recognition of assets	-	-	-	(982)
Revaluation	155	-	155	-
Transfer of assets	699	-	-	-
Depreciation	(664)	(663)	(818)	(833)
Closing balance	30,369	19,886	30,877	20,937

- Notes:
- (i) VRCA performs annual impairment testing of its assets. Independent valuation were obtained channel assets and navigational aids in 2014/15. There were no impairment losses recognised in 2014/2015 (nil 2013/2014)

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 8. Infrastructure, property, plant and equipment
(continued)

Table 8.4: Fair value measurement hierarchy for assets as at 30 June 2015

	(\$'000)			
	<i>Carrying amount as at 30 June 2015</i>	<i>Fair value measurement at end of reporting period using:</i>		
		<i>Level 1⁽ⁱ⁾</i>	<i>Level 2⁽ⁱ⁾</i>	<i>Level 3⁽ⁱ⁾</i>
Plant, equipment and vehicles at fair value				
Vehicles ⁽ⁱⁱ⁾	133	-	-	133
Plant and equipment	153	-	-	153
Total of plant, equipment and vehicles at fair value	286	-	-	286
Infrastructure at fair value				
Channel assets	25,139	-	-	25,139
Navigation aids	5,230	-	-	5,230
Total of infrastructure at fair value	30,369	-	-	30,369
	<i>Carrying amount as at 30 June 2014</i>	<i>Fair value measurement at end of reporting period using:</i>		
		<i>Level 1⁽ⁱ⁾</i>	<i>Level 2⁽ⁱ⁾</i>	<i>Level 3⁽ⁱ⁾</i>
Plant, equipment and vehicles at fair value				
Vehicles ⁽ⁱⁱ⁾	123	-	-	123
Plant and equipment	229	-	-	229
Total of plant, equipment and vehicles at fair value	352	-	-	352
Infrastructure at fair value				
Channel assets	13,567	-	-	13,567
Navigation aids	6,319	-	-	6,319
Total of infrastructure at fair value	19,886	-	-	19,886

Notes:

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

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
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 8. 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	2015	2014
Cashflows:			
Cashflow period	Management expectations	40 years	40 years
Volumes (year 1)	Historical average	12.6M ton	13.4M ton
Annual volumes increase	Management expectations	1%	1%
Itinerant income (year 1)	Management expectations	\$450,000	\$500,000
Contract Revenue (year 1)	Customer contract	\$2,682,514	\$2,569,000
Operating costs	Management expectations	\$6,649,000	\$5,020,000
CPI	RBA mid point target inflation	2.5%	2.5%
Discount rate:		6.10% to 6.90%	11.0% to 13.2%
Risk Free Rate	10yr Commonwealth bond rate	2.94%	4.02%
Equity market risk premium	Industry valuations practices survey	7%	6% to 7%
Equity Beta	Professional judgement based on Australian and international companies who operate Infrastructure assets or operating in the marine transportation industry	0.47 to 0.65	0.8
Alpha Risk	Refer below	Nil	2.29% to 3.67%

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 Geelong Port capacity limitations, channel capacity limitation and single (non-diversified) operation.

The adjustments to the inputs from 2014 to 2015 are explained below:

Input	Reason for Movement
Cashflows:	
Cashflow period	No movement
Channel fees (year 1)	Annual increase to channel revenue and a one off increase to recover safety improvements to the channel.
Volumes (year 1)	Increase in historical average adjusted for decrease due to Alcoa closure
Annual volumes increase	No movement
Itinerant income (year 1)	No movement
Contract Revenue (year 1)	Contractual increases
Contract Revenue increase	No movement
Operating costs	Increase based on management's budgeted expenditure
CPI	No movement
Discount rate:	
Risk Free Rate	Decrease in 10 year Commonwealth bond rate
Equity market risk premium	No movement. Higher range applied
Equity Beta	Professional judgement exercised by the independent valuer after considering the equity beta of companies operating within the transportation and infrastructure sectors.
Alpha Risk	Decrease due to range of factors specific to the channel asset, including the removal of provisions for uncertain customer contracts and improved local economic conditions.

Navigation aids

Independent valuation of navigation aids resulted in a write down to the carrying amount to fair value as at 30 June 2015. No fair value adjustment has been recorded at 30 June 2014.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 8. Infrastructure, property, plant and equipment
(continued)

There were no changes in valuation techniques throughout the period to 30 June 2015.

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

Table 8.5: Reconciliation of Level 3 fair value

<i>2015</i>	<i>Vehicles</i>	<i>Plant and equipment</i>	<i>Channel assets</i>	<i>Navigation aids</i>	<i>Total</i>
Opening balance	123	229	13,567	6,319	20,238
Net purchases and disposals	195	37	10,947	45	11,224
Transfers in (out) of Level 3	-	-	-	-	-
Gains or losses recognised in profit/(loss)	(144)	-	-	-	(144)
Depreciation	(41)	(113)	(356)	(308)	(818)
Impairment loss	-	-	-	-	-
Subtotal	133	153	24,158	6,056	30,500
Gains or losses recognised in other comprehensive income					
Revaluation	-	-	981	(826)	155
Subtotal	-	-	981	(826)	155
Closing balance	133	153	25,139	5,230	30,655
Unrealised gains/(losses) on non-financial assets	-	-	-	-	-

	(\$'000)				
<i>2014</i>	<i>Vehicles</i>	<i>Plant and equipment</i>	<i>Channel assets</i>	<i>Navigation aids</i>	<i>Total</i>
Opening balance	118	322	13,924	6,625	20,989
Net purchases and disposals	53	37	-	-	90
Transfers in (out) of Level 3	-	-	-	-	-
Gains or losses recognised in profit/(loss)	(8)	-	-	-	(8)
Depreciation	(40)	(130)	(357)	(306)	(833)
Impairment loss	-	-	-	-	-
Subtotal	123	229	13,567	6,319	20,238
Gains or losses recognised in other comprehensive income					
Revaluation	-	-	-	-	-
Subtotal	-	-	-	-	-
Closing balance	123	229	13,567	6,319	20,238
Unrealised gains/(losses) on non-financial assets	-	-	-	-	-

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 8. Infrastructure, property, plant and equipment
(continued)

Table 8.6: Description of significant unobservable inputs to Level 3 valuations

2015				
	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	\$26,600* per unit	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of 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	\$4,600* 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	6.1% to 6.9%	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	2.5%	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	\$6,600* per unit	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of 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.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 8. Infrastructure, property, plant and equipment
(continued)

Table 8.6: Description of significant unobservable inputs to Level 3 valuations (continued)

2014				
	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	\$13,000* per unit	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of 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	\$4,500* 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	11%-13.2%	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	2.5%	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	\$6,600* per unit	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of 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.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2014

Note 8. 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	2015	2014
Volumes (year 1)	Historical average	12.6M ton	13.4M ton
Annual volumes growth rate	Management expectations	1%	1%
CPI	RBA mid point target inflation	2.5%	2.5%
Discount rate	Refer Note 8	6.1% to 6.9%	11.0% to 13.2%

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%	(3%)	(10%)
Annual volumes growth rate	17%	10%	(26%)	(10%)
CPI	8%	10%	(10%)	(10%)
Discount rate	(10%)	10%	11%	(10%)

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

Note 9. Trade and other payables

	2015 \$'000	2014 \$'000
Current unsecured		
Contractual *		
Trade creditors (note 17)	6	18
Other creditors and accruals	203	280
	209	298
Statutory		
GST payable	44	35
Fringe benefits tax	21	21
PAYG payable	17	15
	82	71
	291	369

* The average credit period is 30 days. No interest is charged on the payables. Refer to note 17 for the nature and extent of risks arising from contractual payables.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 10. Provisions

	2015 \$'000	2014 \$'000
(a) Current		
Employee benefits (note 10(c))	372	334
Employee on-costs (note 10(d))	54	49
Provision for income tax	156	-
	582	383
(b) Non-current		
Employee benefits (note 10(c))	43	45
Employee on-costs (note 10(d))	6	7
	49	52
(c) Employee benefits		
<i>Current</i>		
Annual Leave		
- Unconditional and expected to wholly settle within 12 months	63	50
- Unconditional and expected to wholly settle after 12 months	119	120
Long Service Leave		
- Unconditional and expected to wholly settle within 12 months	-	-
- Unconditional and expected to wholly settle after 12 months	190	164
	372	334
<i>Non-current</i>		
Long Service Leave		
- Conditional (representing less than 7 years of continuous service)	43	45
	43	45
(d) Employee on-costs		
<i>Current</i>		
Provisions for on-costs		
- Unconditional and expected to settle within 12 months	15	8
- Unconditional and expected to settle after 12 months	39	41
	54	49
<i>Non-current</i>		
Provisions for on-costs		
- Conditional and expected to settle after 12 months	6	7
	6	7

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.

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.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 10. Provisions
(continued)

	2015	2014
	\$'000	\$'000
(e) Employee benefits and on costs		
Current employee benefits		
Annual Leave	182	170
Long Service Leave	190	164
Non-current employee benefits	372	334
Long service Leave	43	45
Total employment benefits	415	379
Current on-costs	54	49
Non-current on-costs	6	7
Total on costs	60	56
Total employment benefits and on-costs	475	435
(f) Reconciliation of on-costs		
Carrying amount at 1 July	56	47
Add: New provisions raised	13	25
Less: Reductions arising from payments	9	16
Carrying amount at 30 June	60	56

Note 11. Contributed capital

	2015	2014
	\$'000	\$'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.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 12. Reserves

	2015	2014
	\$'000	\$'000
Asset Revaluation Reserve *		
Balance at the beginning of the year	505	505
Revaluation increments in infrastructure assets	108	-
Balance at the end of the year	613	505

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

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

Note 13. Retained profit/(accumulated losses)

	2015	2014
	\$'000	\$'000
Movements in retained profits/(accumulated losses) were as follows:		
Retained profits/(accumulated losses) at the beginning of the year	(17,941)	(17,592)
Profit/(loss) for the year	2,373	1,247
Dividends paid	(608)	(1,596)
Retained profits/(accumulated losses) at the end of the year	(16,176)	(17,941)

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 14. 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	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
AMP Flexible Life (Accumulation)	10	10	-	-
Camilo Super Fund (Accumulation)	21	19	-	-
MLC Investments (Accumulation)	0	-	-	-
SERF (Accumulation)	16	15	-	-
State Superannuation Scheme (Defined Benefit)*	12	11	-	-
Vic Super (Accumulation)	17	15	-	-
Vision Super (Accumulation)	3	2	-	-
Various other funds	6	6	-	-
Total	85	78	-	-

**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.*

Note 15. Key management personnel disclosures

(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 David Hodgett	1 July 2014 to 3 December 2014	Minister for Ports, Major Projects and Manufacturing
Hon Michael O'Brien	1 July 2014 to 3 December 2014	Treasurer of Victoria
Hon Luke Donnellan	4 December to 30 June 2015	Minister for Ports, Roads and Road Safety
Hon Tim Pallas	4 December to 30 June 2015	Treasurer of Victoria

(ii) Directors:

Mr Kenneth Jarvis	1 July 2014 to 30 June 2015	Chair
Ms Merran Kelsall	1 July 2014 to 30 June 2015	Deputy Chair
Mr Peter Dorling	1 July 2014 to 30 June 2015	Director

(iii) Accountable Officer:

Capt. Peter McGovern	1 July 2014 to 30 June 2015
----------------------	-----------------------------

	2015 \$'000	2014 \$'000
Responsible person's remuneration (*)		
Short-term employment benefits accountable officer	203	201
Short-term employment benefits other	107	92
Total base remuneration paid or payable during the year pursuant to employment contracts included in the above remuneration.	310	293
 Bonuses paid or payable during the year pursuant to employment contracts excluded in the above remuneration.	39	28
Total remuneration paid or payable (including bonuses and superannuation) during the year to all responsible persons by VRCA.	349	321

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

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 15. 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	
	2015	2014	2015	2014
\$10,000 to \$19,999	-	-	-	-
\$20,000 to \$29,999	-	2	-	2
\$30,000 to \$39,999	2	-	-	-
\$40,000 to \$49,999	1	1	1	1
Total numbers	3	3	3	3
Remuneration \$'000	107	91	107	91

(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	
	2015	2014	2015	2014
\$150,000 to \$159,999	-	-	1	1
\$160,000 to \$169,999	-	-	1	1
\$170,000 to \$179,999	-	1	-	-
\$180,000 to \$189,999	1	1	-	-
\$190,000 to \$199,999	1	-	-	-
\$200,000 to \$209,999	-	-	1	1
\$210,000 to \$219,999	-	-	-	-
\$220,000 to \$229,999	-	1	-	-
\$230,000 to \$239,999	-	-	-	-
\$240,000 to \$249,999	1	-	-	-
Total number of executives	3	3	3	3
Total annualised employee equivalent (AEE)	3	3	3	3
Total Remuneration \$'000	626	592	526	516
Bonuses paid to executive officers included above during the financial year \$'000	100	75		

Remuneration received or receivable by the Accountable Officer in connection with the management of VRCA during the reporting period was in the range \$240,000 – \$249,999 (\$220,000 – \$229,999 in 2013/14).

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 15. 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

The following disclosures are made in relation to other personnel (including contractors) of the Victorian Regional Channels Authority charged with significant management responsibilities.

	Total expenses (exclusive of GST)	
	2015	2014
\$30,000 to \$39,999	-	-
\$40,000 to \$49,999	-	-
\$50,000 to \$59,999	-	-
\$60,000 to \$69,999	-	-
Total number of other personnel	-	-
Total Remuneration \$'000	-	-

Note 16. Remuneration of auditors

	2015 \$'000	2014 \$'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	27	30

Note 17. 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 Note 1 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.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 17. Financial instruments
(continued)

(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
2015				
Contractual financial assets				
<i>Current assets</i>				
Cash and cash equivalents	6	11,249	-	11,249
Trade and other receivables	7	753	-	753
Total contractual financial assets		12,002	-	12,002
Contractual financial liabilities				
<i>Current liabilities</i>				
Trade and other payables	9	-	209	209
Total contractual financial liabilities		-	209	209
Net holding gain/(loss) on financial instruments by category				
Total interest income/(expense)	3	331	-	331
Total		331	-	331
2014				
Contractual financial assets				
<i>Current assets</i>				
Cash and cash equivalents	6	18,147	-	18,147
Trade and other receivables	7	894	-	801
Total contractual financial assets		19,041	-	19,041
Contractual financial liabilities				
<i>Current liabilities</i>				
Trade and other payables	9	-	298	298
Total contractual financial liabilities		-	298	298
Net holding gain/(loss) on financial instruments by category				
Total interest income/(expense)	3	504	-	504
Total		504	-	504

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.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 17. Financial instruments
(continued)

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

	Notes	Financial institutions (AAA credit rating)	Other	Total
2015				
Contractual financial assets				
Current assets				
Cash and cash equivalents	6	9,249	2,000	11,249
Trade and other receivables	7	23	730	753
Total contractual financial assets		9,272	2,730	12,002
2014				
Contractual financial assets				
Current assets				
Cash and cash equivalents	6	18,147	-	18,147
Trade and other receivables	7	93	801	894
Total contractual financial assets		18,240	801	19,041

(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 such 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.

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.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 17. Financial instruments
(continued)

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 9. Payables held at 30 June 2015 mature within 30 days (2014: 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 \$112,000 (2014: \$181,470). 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
2015			
Financial assets:			
Cash and cash equivalents	11,249	-	11,249
Trade and other receivables	-	753	753
	11,249	753	12,002
<i>Weighted average interest rate</i>	2.57%		
Financial liabilities:			
Trade and other payable	-	209	6
	-	290	6
Net financial assets/(liabilities)	11,249	544	11,793
2014			
Financial assets:			
Cash and cash equivalents	18,147	-	18,147
Trade and other receivables	-	894	894
	18,147	894	19,041
<i>Weighted average interest rate</i>	2.67%		
Financial liabilities:			
Trade and other payable	-	298	298
	-	298	298
Net financial assets/(liabilities)	18,147	596	18,743

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 17. 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

	Carrying amount 2015 \$'000	Fair value 2015 \$'000	Carrying amount 2014 \$'000	Fair value 2014 \$'000
Notes				
Contractual financial assets				
Current assets				
Cash and cash equivalents	11,249	11,249	18,147	18,147
Trade and other receivables	753	753	894	894
Total contractual financial assets	12,002	12,002	19,041	19,041
Contractual financial liabilities				
Current liabilities				
Trade and other payables	209	209	298	298
Total contractual financial liabilities	209	209	298	298

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 prices (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 2015 and 30 June 2014, no financial assets or liabilities held by VRCA required fair value measurement subsequent to initial recognition.

(ix) Ageing analysis of contractual financial assets

	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
Notes					
2015					
Contractual financial assets					
Trade and other receivables	753	746	7	-	-
Total contractual financial assets					
2014					
Contractual financial assets					
Trade and other receivables	894	882	12	-	-
Total contractual financial assets	801	789	12	-	-

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 17. 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	1to 3 months \$'000	3 months to 1 year \$'000
2015						
Contractual financial liabilities						
Trade and other payables		209	209	209	-	-
Total contractual financial assets		209	209	209		
2014						
Contractual financial liabilities						
Trade and other payables		298	298	298	-	-
Total contractual financial assets		298	298	298	-	-

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

Note 18. Contingencies

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

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 19. Commitments Payable

	2015 \$'000	2014 \$'000
(a) Operating lease commitments		
<i>Non cancellable operating leases contracted for but not capitalised in the financial statements</i>		
Commitments for minimum lease payments:		
Payable no later than 1 year	245	232
Payable 1-5 years	-	251
Total commitment (incl GST)	245	482
Less: GST	22	44
Net commitment (ex GST)	223	439
VRCA extended its office lease which commenced on 1 July 2013. The term is 3 years with an option of 1 further term of 3 years.		
(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	1,156	909
Payable 1-5 years	985	24
Total commitment (incl GST)	2,141	933
Less: GST	195	85
Net commitment (ex GST)	1,946	848
(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	237	7,477
Payable 1-5 years	-	-
Total commitment (incl GST)	237	7,477
Less: GST	22	679
Total commitment (ex GST)	215	6,798

Note 20. 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 1(a), VRCA is a government business enterprise and is accountable to the Victorian government through the Minister for Ports, Roads and Road Safety and the Treasurer. During the year VRCA transacted with the following Victorian Government entities.

- Treasury Corporation of Victoria – deposits of \$8,950,000 (2014: \$16,000,000) are held with them and VRCA earned interest revenue of \$260,400 (2014: \$424,400) during the year.
- Dividend of \$608,000 (2014: \$1,596,000) was paid to the Department of Treasury and Finance.

Note 21. Events occurring after reporting period

As at the reporting date there were no events requiring disclosure.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2015

Note 22. Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	2015	2014
	\$'000	\$'000
Profit/(loss) for the year	2,373	1,247
Depreciation and amortisation	818	833
De-recognition of capital costs	-	982
Net deferred tax movement on revaluation	(47)	-
Loss on sale of assets	6	7
GST included in investing activities	1,077	42
<i>Change in operating assets and liabilities:</i>		
(Increase) / decrease in trade & other receivables & prepayments	82	(75)
(Increase) / decrease in interest accrued	70	(50)
(Decrease) / increase in trade & other payables	(78)	(37)
(Decrease) / increase in provisions	196	(871)
(Increase) / decrease in deferred tax asset and tax refund	899	291
Net cash flows from operating activities	5,396	2,369

VICTORIAN REGIONAL CHANNELS AUTHORITY
CERTIFICATION OF FINANCIAL STATEMENTS AND DECLARATION BY
ACCOUNTABLE OFFICER CHIEF FINANCIAL AND ACCOUNTING OFFICER
30 June 2015

We certify that the attached financial statements for Victorian Regional Channels Authority have been prepared in accordance with the Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, statement of cash flows and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2015 and financial position of the Victorian Regional Channels Authority as at 30 June 2015. The financial statements of VRCA also comply with IFRS as issued by the International Accounting Standards Board (IASB).

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

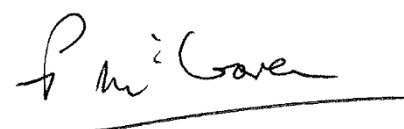
We authorise the attached financial statements for issue on 13 August 2015.



Kenneth Jarvis
Chair
Dated: 13 August 2015



Merran Kelsall
Deputy Chair
Dated: 13 August 2015



Peter McGovern
Chief Executive Officer
Dated: 13 August 2015



Kas Szakiel
Commercial Manager
Dated: 13 August 2015

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Victorian Regional Channels Authority

The Financial Report

The accompanying financial report for the year ended 30 June 2015 of the Victorian Regional Channels Authority which comprises the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement, notes comprising a summary of significant accounting policies and other explanatory information, and the certification of the financial statements has been audited.

The Board Members' Responsibility for the Financial Report

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

In Note 1(c), the Board Members also state, in accordance with Accounting Standard AASB101 *Presentation of Financial Statements*, that the financial report, comprising the financial statements and notes, complies with International Financial Reporting Standards.

Auditor's Responsibility

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

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

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

Independent Auditor's Report (continued)

Independence

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

Opinion

In my opinion:

- a. the financial report presents fairly, in all material respects, the financial position of the Victorian Regional Channels Authority as at 30 June 2015 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards, and the financial reporting requirements of the *Financial Management Act 1994*
- b. the financial report also complies with International Financial Reporting Standards as disclosed in Note 1(c).



MELBOURNE
17 August 2015

for John Doyle
Auditor-General

Channels House
Level 2, 235 Ryrie Street,
Geelong VIC 3220

GPO Box 1135,
Geelong VIC 3220

t: (03) 5225 3500
f: (03) 5225 3599

e: admin@regionalchannels.vic.gov.au
www.regionalchannels.vic.gov.au



Victorian Regional Channels
Authority

