



Victorian Regional Channels Authority



Annual Report
2017 - 2018



Victorian Regional Channels
Authority

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Chairman's report

I am pleased to report on another successful year for Victorian Regional Channels Authority (VRCA) in both operational and financial terms. VRCA continued to meet its legislative obligations in a safe, effective and efficient manner throughout the year ensuring fair and reasonable access for commercial shipping into the ports of Geelong and Hastings.

VRCA assumed direct management and responsibility for the port waters of Hastings on 1st July 2017 having worked through a transition plan with Port of Hastings Development Authority, as manager of the land side assets, to ensure that port users can operate in a safe and efficient environment. Both Port of Hastings Development Authority and VRCA are committed to explore opportunities to develop new business recognising the advantages of being Victoria's deepest port.

In Geelong, VRCA remains focused on ensuring that available draught is optimised to support the deepest draught vessels our customers require to access the Port of Geelong. Investigations to further deepen the shipping channels to improve competitiveness for port users are being undertaken with the aim of identifying the optimal future channel depth and methods to deepen the channels.

VRCA, under the Transport Integration Act, plays a leading role in producing Geelong's Port Development Strategy which is due for publication in late 2018. Trade growth projections, shipping requirements along with rail and road access and land encroachments challenges will all be considered in this document which will set out how the port will develop over the next 30 years and how the port, the port operators and the port users will continue to service the needs of Victorian business and increasingly contribute to the development of Victoria's economy.

I would like to thank the management team and the Board of Directors for their support, diligence and contribution to our successful year.

Kate Roffey
Chairman

Chief Executive Officer's report

No major incidents were reported in port waters under VRCA management during the year and this is testimony to the integrity of VRCA's navigational aids and the operating protocols and procedures that govern the movement of commercial shipping in port waters.

VRCA posted before tax profits of \$5.1 million for 2017/2018 on a turnover of \$12.7 million with expenses of \$7.5 million. The increase in turnover was attributed to increased volumes at the Port of Geelong and the commencement of operations at the Port of Hastings.

Total cargo traded through the Port of Geelong increased by 5.5% to 14.2 million tonnes. Cargo traded through the Port of Hastings fell 11% to 1.5 million tonnes.

Port of Geelong		2017/2018	2016/2017
Crude oil / petroleum products		50.2%	46.9%
Grains		15.9%	17.1%
Woodchips		11.0%	12.5%
Fertiliser		11.8%	12.2%
Imports	(Mt)	8.8	8.1
Exports	(Mt)	5.4	5.3
Total	(Mt)	14.2	13.4
Number of vessels		631	588
Gross tons		15.9	15.5
Port of Hastings			
('000 tonnes)			
Gas products		658	781
Petroleum products		458	538
Steel products		371	356
Number of vessels		94	101

VRCA has embarked on a programme to reinforce our [Licence to Operate](#) to ensure compliance with all legislative requirements, to further develop strategic relationships to optimise future port development, strengthen environmental sustainability and develop productive relationships with local and regional stakeholders and communities. VRCA relaunched the public awareness campaign, "keep clear of big ships", that aims to inform non-commercial users of port waters about the dangers of commercial shipping and the limitations that commercial vessels have when navigating shipping channels.

Improved [Operational Delivery](#) is critical to deliver safe and efficient navigation for all vessels in port waters. VRCA has overhauled the operating protocols for the port waters under direct management in order to further strengthen the safe operating regime, particularly in respect of weather conditions and the operation of ancillary services such as towage and linesboats. VRCA has embarked on a project to install a 'port and vessel' monitoring system that aims to further reduce the possibility of incidents when commercial vessels transit the shipping channel into and out of the port of Geelong. It is expected that this system will be installed and commissioned within the next few months.

A focus on VRCA's **Commercial Effectiveness** has permitted VRCA to minimise channel usage charges whilst ensuring that both Geelong and Hastings operations are financially self-sufficient and deliver normal returns to our government 'shareholders'. The role of contractors is being examined to ensure that VRCA has the appropriate in-house capabilities combined with outsourced expertise.

VRCA's **Asset Management** programme encompasses the maintenance of channels and aids to navigation. Hydrographic surveys have confirmed that channel depths in both Geelong and Hastings are being maintained at their respective declared depths. VRCA continues to invest in cost effective aids to navigation and technology to ensure that all IALA requirements are met and exceeded.

In Geelong, the dredging project to widen the Corio Channel adjacent to the Lascelles Wharf precinct was completed on time and under budget. 190,000 cubic metres of clay and sand was removed to widen the Corio Channel to provide a greater safety margin for tankers entering and departing the refinery wharves. A comprehensive community engagement plan and environmental management plan ensured minimal impact and resulted in no non-compliances. The next stage of the channel deepening project has been started with a resistivity survey of the Wilson Spit Channel to identify the extent and competency of hard rock in the area and possible means of removal. Further targeted geotechnical evaluation will take place in 2018/2019.

At Hastings, VRCA has undertaken extensive work to support the AGL Gas2020 project which will see a continuously moored floating storage and regasification unit (FSRU) at Crib Point 2 and the supply of gas from LNG tankers. VRCA is preparing to undertake some minor seabed levelling in the berth pocket to support safe under-keel clearance and has conducted an initial series of simulations to define operating parameters for safe vessel movement and to determine minimum towage requirements. Further investigation is planned once a final decision to proceed is made by AGL and all approvals are in place from the Government.

Whilst reporting on a successful year, I would like to acknowledge VRCA's many stakeholders for their support in making the ports of Geelong and Hastings more productive and efficient and ensuring the safety of all vessels in port waters. I would like to thank the VRCA team for the continued dedication and determination as we seek to meet our corporate objectives and improve the way we conduct our business.

Michael Harvey
Chief Executive Officer

Purpose

To deliver the highest quality, safest and most cost-effective services to Geelong and Hastings port users in the short, medium and long term.

Vision

Recognised as the most innovative and efficient provider of port infrastructure and maritime services.

Mission

VRCA's mission is to develop channel infrastructure and systems that provide safe navigation in order to facilitate the growth of import and export trade through Victoria's regional ports

Scope of operations

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

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

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

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

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

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

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

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

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

VRCA is part of TfV.

Establishment and functions

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

VRCA aims to:

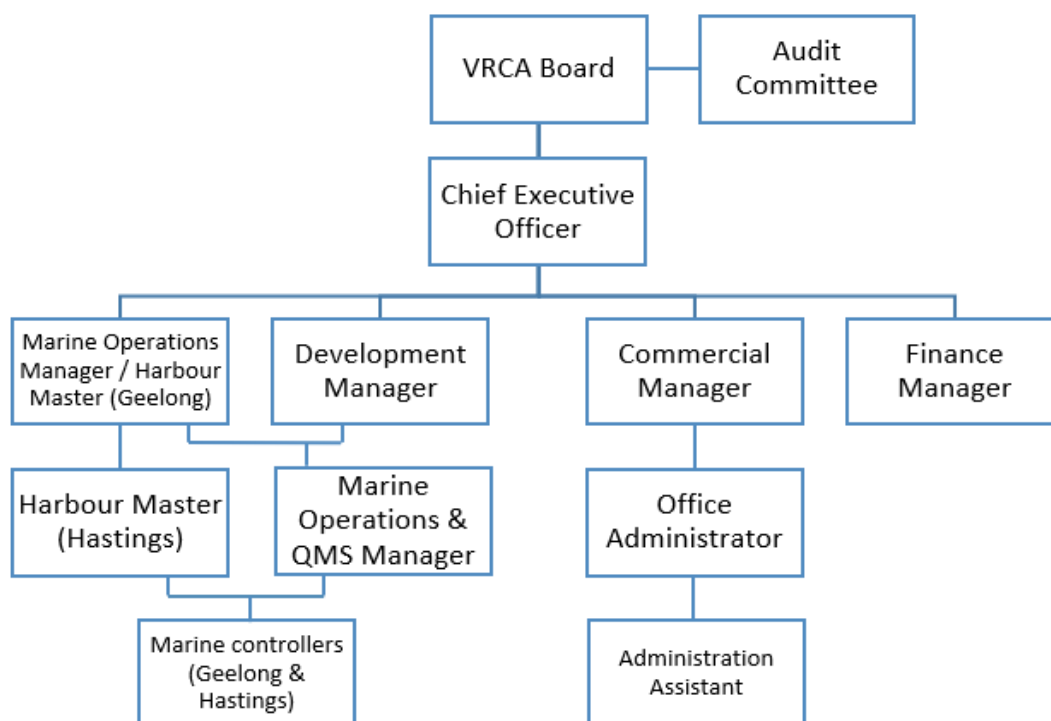
- ✓ Be efficient and effective;
- ✓ Minimise risk to people, the environment and to property;
- ✓ Innovate and improve;
- ✓ Be fair to all.

Staff establishment

VRCA has a Board of Directors of three and an establishment of nine staff while the Finance Manager is a contractor.

Given the small establishment size, key functions such as marine control, hydrographic survey, dredging, maintenance of navigation aids, IT services and payroll are outsourced and contracted to third parties.

Organisational Structure



Trading summary

Income and pricing

VRCA is a self-funded transport corporation, obtaining income from a tonnage charge and excess draught charge levied on commercial shipping using the port waters of Geelong and a tonnage charge using the port waters of Hastings.

VRCA does not gain any revenue from passenger cruise liners (as an encouragement to visit the Geelong region), naval vessels using channels or services under VRCA's control and commercial shipping using the Port of Portland.

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

VRCA reviews charges annually and sets its prices for a year in advance. The 2017/2018 Geelong channel usage charge was 44 cents per gross ton. An additional charge is levied on deep draught users of the deepened Geelong channels.

VRCA and Port of Hastings Development Authority agreed that during the 2017/2018 year of transition, the tariff structure remained largely unchanged. Port of Hastings Development Authority charged and collected wharfage fees and VRCA collected tonnage, flagfall and anchorage fees. VRCA retained 50% of these fees and passed the remaining 50% to Port of Hastings Development Authority.

From 1 July 2018 VRCA will be solely responsible for channel tariffs and revenue and Port of Hastings Development Authority will be solely responsible for shore-based tariffs and revenue.

Financial performance

Total turnover for VRCA for the 12 months ended 30 June 2018, incorporating revenue from non-operating activities, was \$12.7 million. This resulted in a before-tax profit of \$5.1 million. The reported profit after tax was \$ 3.6 million which included a tax expense of \$1.5 million

Five Year Financial Summary

	2018 \$'000	2017 \$'000	2016 \$'000	2015 \$'000	2014 \$'000
Total Revenue	12,662	10,612	8,887	8,206	9,183
Total Expenses	7,540	6,449	5,830	4,814	7,399
Net profit before income tax	5,122	4,163	3,057	3,392	1,784
Net cash flow from operating activities	5,625	4,131	3,347	5,396	2,369
Total Assets	53,697	46,581	44,466	43,249	41,279
Total Liabilities	3,636	1,427	1,168	929	832
Net Assets	50,061	45,154	43,298	42,320	40,447

Note: 2018 result includes revenues and costs for the port of Hastings

Operating expenses

Operating expenses for 2017/2018 amounted to \$7.5 million. This was in line with budget expectations.

Dividend distribution targets

Dividend is as determined by the Treasurer in accordance with Section 41 of the PSA after discussion with VRCA's Board. During 2017/2018 VRCA paid a dividend of \$1,899,000 to the State.

Operating performance

Gross tonnage handled

In 2017/2018 total gross tonnage of ships entering Geelong's port was 15.9 million gross tons, an overall increase of 0.4 million tons on the previous year. The significant cargo types passing through the port of Geelong were crude oil, petroleum products, woodchips, fertiliser and grain.

Liquid bulk imports and exports which were 26% higher than last year, grain shipments decreased by 26% from a high base and fertiliser imports were similar to previous year

In 2017/2018 total gross tonnage of ships entering Hastings port was 2.1 million gross tonnes similar to the previous year and in excess of budgeted expectations. The significant cargo types passing through the Port of Hastings were steel, LPG, crude oil and petroleum products.

Gross tonnage and number of ships

Gross tonnage and number of cargo ships visiting for the last 10 years:

	Geelong		Hastings	
Year	Gross tonnage handled	Ship visits	Gross tonnage handled	Ship visits*
2008/2009	12.1 million	522		
2009/2010	10.6 million	435		
2010/2011	14.2 million	508		
2011/2012	16.0 million	630	2.2 million	95 *
2012/2013	16.3 million	770	2.3 million	68 *
2013/2014	16.5 million	661	2.4 million	76 *
2014/2015	14.5 million	639	2.0 million	65 *
2015/2016	15.2 million	651	1.9 million	112 *
2016/2017	15.5 million	588	2.1 million	101 *
2017/2018	15.9 million	631	2.1 million	94

*Not managed by VRCA

Corporate Objectives

The corporate objectives are defined by VRCA's legislative obligations, purpose and mission and have been constructed as four pillars to provide a clear platform for employees and stakeholders.

Pillar 1 - Licence to operate

- ✓ Meet all legislative and regulatory obligations in a timely manner;
- ✓ Integrate whole of port of Geelong strategic planning to optimise port development and facilitate trade and regional economic growth;
- ✓ Manage commercial shipping in an environmentally sustainable manner;
- ✓ Meet the expectations of local and regional stakeholders;
- ✓ Continue to develop productive community relationships.

Pillar 2 - Operational delivery

- ✓ Continuously improve operational capability and effectiveness to deliver safe and efficient navigation for all vessels in port waters of Geelong and Hastings;
- ✓ Through innovation, deploy technology solutions to optimise commercial shipping opportunities in the ports of Geelong and Hastings.

Pillar 3 - Commercial effectiveness

- ✓ Continuously improve the cost effectiveness of service;
- ✓ Maintain financial self-sufficiency at each regional port;
- ✓ Ensure fair and equitable access and tariff regimes;
- ✓ Deliver acceptable returns to 'shareholders'.

Pillar 4 - Asset management

- ✓ Ensure channel declared depths are maintained;
- ✓ Develop and invest in technology to exceed IALA requirements for aids to navigation;
- ✓ Investigate, plan and implement channel improvements to meet the future shipping requirements of port users in Geelong and Hastings.

Additional information

Trading results

VRCA's profit for the year was \$3.6 million (2016/2017 \$2.9 million) after allowing for an income tax expense of \$1.5 million (2016/2017 \$1.3 million).

Reporting

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

Events subsequent to balance date

Subsequent Events

No matters or circumstances have arisen since the end of the financial year that require disclosure

Directors' benefits

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

Information on Directors

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

Kate is currently the Director of Deals, Investment and Major Projects at Wyndham City, and prior to that was the CEO of the Committee for Melbourne from 2012 to 2016. As CEO, Kate successfully led a broad cross-section of Melbourne's most influential companies and institutions to develop initiatives and deliver outcomes that ensure Melbourne continues to grow as a prosperous globally

connected city, while at the same time retaining its mantle as the 'World's most liveable city'. As an industry leader in this role, Kate led influential policy discussions around the key issues of infrastructure development, economic growth, urban optimisation and liveability.

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

In addition to her Executive roles, Kate is also an experienced non-executive director and is a graduate member of the Australian Institute of Company Directors. In addition to her role at the Victorian Regional Channels Authority, Kate is a Director on the Melbourne Football Club, Berry Street and Melbourne University Sport Boards as well as being a member of the Ministerial Freight Advisory Council.

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

He is a Sessional Commissioner for Victorian Commission for Gambling and Liquor Regulation; and Director and Chair of Federation Training, Chair of Mackillop Family Services, Director of Barwon Water Corporation and Director of Mercy Education Limited.

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

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

Peter's skill set compliments his ability to deliver quality professional advice on a diverse range of industry segments. He is a specialist in Governance, Risk and Compliance, Program Advisory Services, IT Effectiveness, Procurement and Probity Advisory Services, Risk Management, Program Assurance and new evolution issues in human resource planning.

Peter is currently a council member of Deakin University Council, member VAGO Audit and Risk Committee and patron of Encompass Community Services Inc.

Board meetings

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

Director	Number held	Number attended
Kate Roffey	6	5
Desmond Powell	6	6
Peter Niblett	6	6

Pecuniary interests

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

Audit committee membership and role

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

The main responsibilities of the Audit Committee are to:

- ✓ Determine the scope of the internal audit function and ensure that its resources are adequate and used effectively including co-ordination with the external auditors;
- ✓ Oversee the effective operation of the risk management framework;
- ✓ Review VRCA's internal control environment covering;
- ✓ Reliability of financial reporting;
- ✓ Compliance with applicable laws and regulations;
- ✓ Review risk management;
- ✓ Monitor the continuing assessment of the risk environment;
- ✓ Oversee the review of the risk register; and
- ✓ Monitor the reliable reporting of risks and operational controls.

Audit committee meetings

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

Director	Number held	Number attended
Desmond Powell	3	3
Kate Roffey	3	3
Peter Niblett	3	3

Workforce data

On 30 June 2018:

- VRCA employed 9 staff (8.8 full time equivalent) compared to 6 staff (5.2 full time equivalent) as at 30 June 2017.
- The proportion of women was 33% - same as 30 June 2017.

Classification	2017-18		2016-17	
	Number (headcount)	FTE	Number (headcount)	FTE
Executive Officers	4	4	3	3
Senior Managers	2	2	1	1
Administration Staff	3	2.8	2	1.2
TOTAL	9	5.2	6	5.2
Male	6	6	4	4
Female	3	2.8	2	1.2
TOTAL	9	8.8	6	5.2

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

Employment and conduct principles

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

Indemnification of officers

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

Statutory requirements

Freedom of Information Act

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

Competitive Neutrality

VRCA complies with Victorian Government policy on competitive neutrality.

Occupational Health and Safety (OH&S)

VRCA reported no significant incidents or lost time injuries for the year. This is consistent with previous years

Protected Disclosure Act (2012)

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

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

Disability Act

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

Multicultural awareness

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

Other disclosures

Consultancy payments

During the 2017/2018 reporting period, VRCA engaged 16 consultants with a total fee of \$10,000 or greater. The total cost of this advice was \$ 1,057,424 (ex GST).

Full details are displayed at www.vrca.vic.gov.au

There were 7 consultants engaged during the year for a fee less than \$10,000.

Advertising expenditure

VRCA's expenditure in the 2017/2018 reporting period on Government campaign expenditure did not exceed \$100,000 (ex GST).

Information and communication technology (ICT) expenditure

VRCA's expenditure in the 2017/2018 reporting period on ICT amounted to \$143,695 (ex GST). All ICT expenditure related to business as usual expenditure.

Capital projects

During 2017/2018 there were no capital projects completed with the value exceeding \$10 million or funded by the State budget.

Local jobs first – Victorian Industry Participation Policy (VIPP)

One VIPP applicable procurement project was undertaken and completed - Dredging project to widen the Corio Channel adjacent to the Lascelles Wharf precinct

Compliance with Building Act 1993

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

Victorian Regional Channels Authority Financial Management Compliance

I Kate Roffey, on behalf of the Board, certify that Victorian Regional Channels Authority has complied with the applicable Standing Directions of the Minister for Finance under the Financial Management Act 1994 and Instructions.

Additional Information available upon request

In compliance with the requirements of the Standing Directions of the Minister for Finance, details in respect of the items listed below have been retained by Victorian Regional Channels Authority and are available on request, subject to the provisions of the Freedom of Information Act 1982.

- ✓ a statement that declarations of pecuniary interests have been duly completed by all relevant officers;
- ✓ details of publications produced by the entity about itself, and how these can be obtained;
- ✓ details of changes in prices, fees, charges, rates and levies charged by the entity;
- ✓ details of any major external reviews carried out on the entity;
- ✓ details of major research and development activities undertaken by the entity;
- ✓ details of overseas visits undertaken including a summary of the objectives and outcomes of each visit;
- ✓ details of major promotional, public relations and marketing activities undertaken by the entity to develop community awareness of the entity and its services;
- ✓ details of assessments and measures undertaken to improve the occupational health and safety of employees;
- ✓ a general statement on industrial relations within the entity and details of time lost through industrial accidents and disputes;
- ✓ a list of major committees sponsored by the entity, the purposes of each committee and the extent to which the purposes have been achieved; and
- ✓ details of all consultancies and contractors including: consultants/contractors engaged, services provided and expenditure committed to for each engagement.

The information is available on request from:

Victorian Regional Channels Authority
GPO Box 1135, Geelong Vic 3220
Ph. (03) 5225 3500

For and on behalf of the Board


Kate Roffey
Chairman

Geelong


Desmond Powell

Director

Geelong



Victorian Regional Channels Authority

FINANCIAL STATEMENTS

For the year ended 30 June 2018

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VICTORIAN REGIONAL CHANNELS AUTHORITY
COMPREHENSIVE OPERATING STATEMENT
For the year ended 30 June 2018

	Note	2018 \$'000	2017 \$'000
Continuing operations			
Income			
Channel income	2.1	12,468	10,489
Profit on disposal of fixed assets		2	-
Other income	2.1	192	123
Total income		12,662	10,612
Expenses			
Employee benefits	2.2	1,529	1,151
Depreciation and amortisation	2.2	1,686	1,346
Maintenance		688	882
Rental expense	2.2	258	232
Insurance		132	166
Marine services	2.2	1,210	1,021
Vessel expenses		44	32
Consultancies and contractors		352	353
Public awareness campaign		229	189
Projects		602	370
Loss on disposal of fixed assets		-	21
Other expenses		810	686
Total expenses		7,540	6,449
Profit for the year before income tax expense		5,122	4,163
Income tax expense	2.3	1,539	1,251
Profit for the year	6.2	3,583	2,912
Other economic flows – other comprehensive income			
Changes in physical asset revaluation surplus	3.1	4,604	-
Deferred taxes on asset revaluation		(1,381)	-
Total other economic flows – other comprehensive income		3,223	-
Total comprehensive result		6,806	2,912

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

VICTORIAN REGIONAL CHANNELS AUTHORITY
BALANCE SHEET
As at 30 June 2018

	Note	2018 \$'000	2017 \$'000
Current assets			
Cash and cash equivalents	5.1	6,940	8,021
Prepayments		225	252
Trade and other receivables	4.1	1,672	1,203
Total current assets		8,837	9,476
Non-current assets			
Infrastructure, property, plant and equipment	3.1	44,662	36,934
Deferred tax asset	2.3	198	171
Total non-current assets		44,860	37,105
Total assets		53,697	46,581
Current liabilities			
Trade and other payables	4.2	1,002	259
Provisions	5.2	1,028	866
Total current liabilities		2,030	1,125
Non-current liabilities			
Provisions	5.2	21	19
Deferred tax liability	2.3	1,585	283
Total non-current liabilities		1,606	302
Total liabilities		3,636	1,427
Net assets		50,061	45,154
Equity			
Contributed capital	6.2	57,883	57,883
Reserves	6.2	3,836	613
Retained earnings	6.2	(11,658)	(13,342)
Total equity		50,061	45,154

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 2018

	Contributed capital \$'000	Reserves \$'000	Retained profit/ (accumulated losses) \$'000	Total equity \$'000
Balance at 30 June 2016	57,883	613	(15,198)	43,298
Profit for the year (refer note 6.2)	-	-	2,912	2,912
Total comprehensive income for the year	-	-	2,912	2,912
Transactions with owners in their capacity as owners:				
Dividends provided for or paid (refer note 6.1)	-	-	(1,056)	(1,056)
Balance at 30 June 2017	57,883	613	(13,342)	45,154
Profit for the year (refer note 6.2)	-	-	3,583	3,583
Other comprehensive income	-	3,223	-	3,223
Total comprehensive income for the year	-	3,223	3,583	6,806
Transactions with owners in their capacity as owners:				
Dividends provided for or paid (refer note 6.1)	-	-	(1,899)	(1,899)
Balance at 30 June 2018	57,883	3,836	(11,658)	50,061

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 2018

	Note	2018 \$'000	2017 \$'000
Cash flows from operating activities			
Receipts from trade and other debtors		13,284	11,122
Payments to trade creditors, other creditors and employees		(5,444)	(5,639)
Goods and services tax (paid to) / refunded from the Australian Taxation Office		(898)	(679)
Interest received		136	101
Income tax paid		(1,453)	(774)
Net cash inflow from operating activities	2.4	5,625	4,131
Cash flows from investing activities			
Payments for infrastructure, property, plant and equipment		(4,937)	(201)
Proceeds from sale of infrastructure, property, plant and equipment		130	70
Net cash (outflow) from investing activities		(4,807)	(131)
Cash flows from financing activities			
Dividends paid	6.1	(1,899)	(1,056)
Net cash (outflow) from financing activities		(1,899)	(1,056)
Net increase in cash and cash equivalents		(1,081)	2,944
Cash and cash equivalents at the beginning of the financial year		8,021	5,077
Cash and cash equivalents at the end of the financial year	5.1	6,940	8,021

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

VICTORIAN REGIONAL CHANNELS AUTHORITY
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SECTION 1. ABOUT THIS REPORT

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1.1. Corporate information

Victorian Regional Channels Authority (VRCA) is a Government Business Enterprise established by the Victorian Government under the *Port Management Act 1995 (Vic)*. The financial statements cover VRCA as an individual reporting entity. The Board of VRCA is directly accountable to the Victorian Government through the Minister for Ports 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 & Hastings shipping channels and direction and control of vessels within the Geelong & Hastings port waters. Additionally, VRCA is responsible for ensuring the port operator in Portland is managing and maintaining Portland shipping channel in accordance with the Channel Operating Agreement. The main objective of VRCA is to ensure that port waters and channels are managed for access 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 2018. The purpose of the report is to provide users with information about VRCA's stewardship of resources entrusted to it.

The financial statements incorporate all activities of VRCA.

1.2. Statement of compliance

These general purpose financial statements have been prepared in accordance with the *Financial Management Act 1994 (FMA)* and applicable Australian Accounting Standards (AAS) which include Interpretations, issued by the Australian Accounting Standards Board (AASB).

In particular, they are presented in a manner consistent with the requirements of the AASB 1049 *Whole of Government and General Government Sector Financial Reporting*.

The annual financial statements were authorised for issue by the Board of VRCA on 23 August 2018.

1.3. Basis of accounting preparation and measurement

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

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

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in the application of AAS that have significant effects on the financial statements and estimates relate to the fair value of the navigation aids, channel assets, plant and equipment (refer Section 3.1).

SECTION 1. ABOUT THIS REPORT *(continued)*

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

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

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

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

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

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

For the purpose of fair value disclosures, VRCA 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, VRCA 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.

VRCA 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 2018 and the comparative information presented for the year ended 30 June 2017.

1.4. Scope and presentation of financial statements

Comprehensive operating statement

The comprehensive operating statement comprises three components, being 'net result from transactions' (or termed as 'Profit for the year before income tax expense'), 'income tax expense', as well as 'other comprehensive income'. The sum of the former two, together with the net result from any 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 (including deferred tax liabilities resulting from the valuation), and
- remeasurement arising from defined benefit superannuation plans.

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

SECTION 1. ABOUT THIS REPORT *(continued)*

1.4. Scope and presentation of financial statements *(continued)*

Balance sheet

Assets and liabilities are presented as current and non current assets and liabilities (non current being those assets or liabilities expected to be recovered or settled more than 12 months after the reporting period).

Cash flow statement

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

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

Statement of changes in equity

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

Rounding

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

1.5. Critical accounting estimates and judgements

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

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

Critical accounting judgements

Critical judgements that management has made in the process of applying 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 infrastructure, property, plant and equipment

All non-current physical assets are measured initially at cost and subsequently revalued at fair value in accordance with FRD 103F.

In 2018, in accordance with FRD 103F, a fair value assessment was undertaken and determined that the carrying amount of all non-current physical assets, except for channel assets, reasonably approximated fair value.

The fair value of channel assets was assessed using the same principles as that used in the independent valuation to value the channel assets in 2015 and navigation 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 current replacement cost method. Refer to Note 3.1 for the assumptions applied in 2018 and 2017. In accordance with FRD 103F, a fair value assessment was undertaken by management and determined that an adjustment was required to the carrying amount of non-current physical assets to reasonably approximate fair value.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
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SECTION 1. ABOUT THIS REPORT *(continued)*

1.5. Critical accounting estimates and judgements

In the absence of observed market inputs, future-oriented estimates are necessary to measure the recoverable amount of classes of infrastructure, 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	2018	2017
Volumes (year 1)	Historical average	16.0M tonne	13.8M tonne
Annual volumes growth rate	Management expectations based on historical data	0% -1%	1%
CPI	10 year Historical average (2017: RBA mid point target inflation)	1.63%	1.75%
Discount rate	Refer to Note 3.1	5.3% to 6.6%	6.8% to 7.4%

There is a 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)	2%	10%	(5%)	(10%)
Annual volumes growth rate	14%	10%	(31%)	(10%)
CPI	28%	10%	(65%)	(10%)
Discount rate	(6%)	10%	13%	(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.

VICTORIAN REGIONAL CHANNELS AUTHORITY
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SECTION 2. PERFORMANCE

Introduction

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

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

Structure

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2.1. Income

	2018 \$'000	2017 \$'000
(a) Channel Income		
Channel access fees	8,469	6,223
Excess draft fees	3,958	4,266
Anchorage fees	41	-
Total channel income	12,468	10,489
(b) Other income		
Interest income	138	120
Sundry income	54	3
Total other income	192	123

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.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

SECTION 2. PERFORMANCE (*continued*)

2.2. Expenses

	2018 \$'000	2017 \$'000
(a) Employee benefits		
Salary and wages	1,349	1,111
Superannuation	104	97
Annual and long service leave (movements in provision)	(29)	(211)
Other employee expenses (fringe benefits tax, payroll tax, workcover levy, etc)	105	154
Total employee benefits	1,529	1,151
(b) Depreciation and amortisation		
Navigation aids	605	322
Plant and equipment	124	161
Channel assets	957	857
Software	0	6
Total depreciation and amortisation	1,686	1,346
(c) Operating Leases		
Building rentals	248	224
Storage rentals	6	4
Equipment rentals	4	4
Total rental expense	258	232
(d) Marine Services		
Channel surveys	200	169
Assistant harbour masters	1,010	851
Total marine services expense	1,210	1,020

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.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

SECTION 2. PERFORMANCE (continued)

2.3. Income tax expense/(benefit)

	2018 \$'000	2017 \$'000
(a) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable/(receivable)		
Profit from continuing operations before income tax expense/(benefit)	5,122	4,163
Tax at the Australian tax rate of 30% (2017 - 30%)	1,537	1,249
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Non deductible items	2	2
Income tax expense/(benefit)	1,539	1,251
(b) Income tax expense/(benefit)		
Current taxation	1,645	1,148
Movement in deferred tax asset (refer 2.3(c))	(27)	57
Movement in deferred tax liability (refer 2.3(d))	(79)	46
Income tax expense/(benefit) recognised in the statement of comprehensive income	1,539	1,251
<i>Weighted average effective tax rate</i>	<i>30.00%</i>	<i>30.00%</i>

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.

	2018 \$'000	2017 \$'000
(c) Deferred tax asset		
Opening balance	171	228
Temporary differences	27	(57)
Closing balance	198	171
Represented by:		
<i>Amounts allocated to comprehensive operating statement</i>		
Pooled assets	7	6
Accrued expenses	93	58
Annual and long service leave provisions	98	107
	198	171
(d) Deferred tax liabilities		
Opening balance	283	237
Temporary differences	(79)	46
Equity	1,381	-
Closing balance	1,585	283
Represented by:		
<i>Amounts allocated to comprehensive operating statement</i>		
Accrued revenue	7	7
Infrastructure, property, plant and equipment	1,578	276
	1,585	283

VICTORIAN REGIONAL CHANNELS AUTHORITY
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SECTION 3. PERFORMANCE (*continued*)

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

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

In principle, deferred tax liabilities are recognised for all taxable temporary differences as management considers that it is probable that future taxable profits will be available to utilise these 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 the total comprehensive result.

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

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

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

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

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

	2018 \$'000	2017 \$'000
Profit for the year	3,583	2,912
Depreciation and amortisation	1,686	1,346
Net deferred tax movement on revaluation	(1,382)	-
Loss on sale of assets	(2)	21
<i>Change in operating assets and liabilities:</i>		
(Increase) / decrease in trade & other receivables & prepayments	(440)	(445)
(Increase) / decrease in interest accrued	(2)	(19)
(Decrease) / increase in trade & other payables	743	51
(Decrease) / increase in provisions	164	162
(Increase) / decrease in deferred tax asset and tax refund	1,275	103
Net cash flows from operating activities	5,625	4,131

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

SECTION 3. CORE ASSETS

Introduction

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

Fair value measurement

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

Structure

3.1.	Infrastructure, property, plant and equipment.....	16
3.2.	Impairment of assets.....	26

3.1. Infrastructure, property, plant and equipment

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

	(\$'000)			
	Transportation and Communications		Total	
Table disclosure reference	Table 3.3			
	2018	2017	2018	2017
Nature based classification				
Plant, equipment and vehicles at fair value	167	230	167	230
Infrastructure at fair value ⁽ⁱⁱ⁾	44,495	36,704	44,495	36,704
Net carrying amount	44,662	36,934	44,662	36,934

Notes:

- (i) Infrastructure, 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.

Table 3.2: Gross carrying amount and accumulated depreciation

	(\$'000)					
	<i>Gross carrying amount</i>		<i>Accumulated depreciation</i>		<i>Net carrying amount</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Plant, equipment and vehicles at fair value	1,573	1,566	(1,406)	(1,336)	167	230
Infrastructure at fair value	50,765	38,820	(6,270)	(2,116)	44,495	36,704
Net carrying amount	52,338	40,386	(7,676)	(3,452)	44,662	36,934

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
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SECTION 3. CORE ASSETS (*continued*)

3.1. Infrastructure, property, plant and equipment (continued)

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

	(\$'000)			
	<i>Plant, equipment and vehicles at fair value</i>		<i>Assets under construction at cost</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Opening balance	230	321	-	8,089
Additions	174	180	-	-
Disposals	(111)	(96)	-	-
Transfer of assets	-	-	-	(8,089)
Depreciation	(126)	(175)	-	-
Closing balance	167	230	-	-

	<i>Infrastructure at fair value</i>		<i>Total</i>	
	<i>2018</i>	<i>2017</i>	<i>2018</i>	<i>2017</i>
Opening balance	36,704	29,760	36,934	38,170
Additions	4,763	27	4,937	207
Disposals	(16)	-	(127)	(97)
Revaluation	4,604	-	4,604	-
Transfer of assets	-	8,089	-	-
Depreciation	(1,560)	(1,172)	(1,686)	(1,346)
Closing balance	44,495	36,704	44,662	36,934

Notes:

VRCA performs annual impairment testing of its assets. Independent valuations were obtained channel assets and navigation aids in 2014/15. There were no impairment losses recognised in 2017/2018 (nil 2016/2017).

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
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SECTION 3. CORE ASSETS (*continued*)

3.1. Infrastructure, property, plant and equipment (*continued*)

Table 3.4: Fair value measurement hierarchy for assets as at 30 June 2018

	(\$'000)			
	<i>Carrying amount as at 30 June 2018</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⁾	101	-	-	101
Plant and equipment	66	-	-	66
Total of plant, equipment and vehicles at fair value	167	-	-	167
Infrastructure at fair value				
Channel assets	39,113	-	-	39,113
Navigation aids	5,382	-	-	5,383
Total of infrastructure at fair value	44,495	-	-	44,495

	<i>Carrying amount as at 30 June 2017</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⁾	130	-	-	130
Plant and equipment	100	-	-	100
Total of plant, equipment and vehicles at fair value	230	-	-	230
Infrastructure at fair value				
Channel assets	31,722	-	-	31,722
Navigation aids	4,982	-	-	4,982
Total of infrastructure at fair value	36,704	-	-	36,704

Notes:

- (i) Classified in accordance with the fair value hierarchy, see section 1.3
- (ii) Current 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 current replacement cost method. VRCA 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 current replacement cost method.

Channel assets and Navigation aids

Managerial assessments of the value of VRCA's non-current physical assets were conducted in the current year. An independent fair value valuation was conducted in 2015 for channel assets and navigation 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 current 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
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SECTION 3. CORE ASSETS (*continued*)

3.1. Infrastructure, property, plant and equipment (*continued*)

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

Input	Input Used	2018	2017
Cashflows:			
Cashflow period	Management expectations based on historical data	40 years	40 years
Volumes (year 1)	Historical average	16.0M ton	13.8M ton
Annual volumes increase	Management expectations based on historical data	0% -1%	1%
Excess draft fee (year 1)	Management expectations based on historical data	\$2,256,000	\$3,445,975
Operating costs	Management expectations based on historical data	\$4,370,952	\$4,485,800
CPI	10 year historical average (2017: RBA mid point target inflation)	1.63%	1.75%
Discount rate:		5.3% to 6.6%	6.8% to 7.4%
Risk Free Rate	10yr Commonwealth bond rate	2.63%	2.60%
Equity market risk premium	Industry valuations practices survey	6% -6.75%	6%
Equity Beta	Professional judgement based on Australian and international companies who operate Infrastructure assets or operating in the marine transportation industry	0.45 to 0.67	0.72 to 0.99
Alpha Risk	Nil rate applied	Nil	Nil

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

The adjustments to the inputs from 2017 to 2018 are explained below:

Input	Reason for Movement
Cashflows:	
Cashflow period	No movement
Channel fees (year 1)	Annual increase to channel revenue and additional tonnes from Hastings operations
Volumes (year 1)	Based on historical average and management expectations
Annual volumes increase	Separate growth rates are assigned for Geelong and Hastings
Itinerant income (year 1)	Management expectations based on itinerant income charged which replaces contract revenue from 1 July 2019
Contract Revenue (year 1)	Contract suspended from 1 July 2019 and replaced with itinerant income
Contract Revenue increase	Refer above
Operating costs	Immaterial movement
CPI	Reduction in 10 year historical average.
Discount rate:	
Risk Free Rate	Increase in 10 year Commonwealth bond rate
Equity market risk premium	Increase noted in industry valuations survey
Equity Beta	Reduction in market Beta
Alpha Risk	No movement

The latest fair value assessment has indicated that a managerial revaluation of Infrastructure assets was required under FRD103F. In accordance with FRD103F management recorded a revaluation to reflect the fair value of the channel assets and navigation aids at 30 June 2018 (refer to Table 3.5).

Navigation aids

A fair value adjustment was recorded at 30 June 2018 for the navigation aids at Hastings. Navigation aids were valued using the current replacement cost method.

There were no changes in valuation techniques throughout the period to 30 June 2018.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

SECTION 3. CORE ASSETS (*continued*)

3.1. Infrastructure, property, plant and equipment (*continued*)

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

Table 3.5: Reconciliation of Level 3 fair value

<i>2018</i>	<i>Vehicles</i>	<i>Plant and equipment</i>	<i>Channel assets</i>	<i>Navigation aids</i>	<i>Total</i>
Opening balance	130	100	31,722	4,982	36,934
Net purchases and disposals	3	59	4,623	124	4,809
Gains or losses recognised in profit/(loss)	4	(2)	-	-	2
Depreciation	(36)	(91)	(957)	(603)	(1,686)
Subtotal	101	66	35,388	4,503	40,058
Gains or losses recognised in other comprehensive income					
Revaluation	-	-	3,725	879	4,604
Subtotal	-	-	3,725	879	4,604
Closing balance	101	66	39,113	5,382	44,662

	(\$'000)				
<i>2017</i>	<i>Vehicles</i>	<i>Plant and equipment</i>	<i>Channel assets</i>	<i>Navigation aids</i>	<i>Total</i>
Opening balance	138	183	24,484	5,276	30,081
Net purchases and disposals	49	56	8,095	21	8,221
Gains or losses recognised in profit/(loss)	(19)	(3)	-	-	(22)
Depreciation	(38)	(136)	(857)	(315)	(1,346)
Subtotal	130	100	31,722	4,982	36,934
Closing balance	130	100	31,722	4,982	36,934

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

SECTION 3. CORE ASSETS (*continued*)

3.1. Infrastructure, property, plant and equipment (continued)

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

		2018		
	Valuation technique	Significant unobservable inputs	Range / weighted average	Sensitivity of fair value measurement to changes in significant unobservable inputs
Vehicles	Current replacement cost	Cost per unit	\$39,000 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	Current replacement cost	Cost per unit	\$11,900 per unit	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of plant and equipment	2-10 years	A significant increase or decrease in useful life of the asset would result in a significantly higher or lower fair value.
Channel asset	Discounted cash flow	Discount rate	5.3% to 6.6%	A significant increase or decrease in discount rate would result in a significantly higher or lower fair value.
		Useful life	40 years	A significant increase or decrease in the useful life would result in a significantly higher or lower fair value.
		CPI Rate	1.63%	A significant increase or decrease in CPI rate would result in a significantly higher or lower fair value.
		Volume growth rate	0% -1%	A significant increase or decrease in volume growth rate would result in a significantly higher or lower fair value.
Navigation aid	Current replacement cost	Cost per unit	\$90,000 per unit	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of navigation aids	1-40 years	A significant increase or decrease in useful life of the asset would result in a significantly higher or lower fair value.

The significant unobservable inputs have remained unchanged from 2017.

(1) In the current year the weighted average for navigation aids have been calculated per item.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

SECTION 3. CORE ASSETS (*continued*)

3.1. Infrastructure, property, plant and equipment (*continued*)

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

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

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
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SECTION 3. CORE ASSETS (*continued*)

3.1. Infrastructure, property, plant and equipment (*continued*)

In the absence of observed market inputs, future-oriented estimates are necessary to measure the recoverable amount of classes of infrastructure, 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	2018	2017
Volumes (year 1)	Historical average	16.0M tonnes	13.8M tonnes
Annual volumes growth rate	Management expectations based on historical data	0% -1%	1%
CPI	RBA mid point target inflation	1.63%	1.75%
Discount rate	Refer Section 3.1	5.3% to 6.6%	6.8% to 7.4%

There is a 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)	2%	10%	(5%)	(10%)
Annual volumes growth rate	14%	10%	(31%)	(10%)
CPI	28%	10%	(65%)	(10%)
Discount rate	(6%)	10%	13%	(10%)

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

SECTION 3. CORE ASSETS (*continued*)

3.1. Infrastructure, property, plant and equipment (*continued*)

All non-financial physical assets, are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment. For the 'plant, equipment and vehicles' class, current 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 infrastructure, property, plant and equipment. Otherwise, the net revaluation decrease is recognised immediately as other economic flows in the net result. The net revaluation decreases recognised in 'other comprehensive income' reduce the amount accumulated in equity under the asset revaluation surplus.

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

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

Class	Method	Valuer
Channel assets	Discounted cash flows	Pitcher Partners
Plant, equipment and vehicles	Current replacement cost	Management's Assessment
Navigation aids	Current replacement cost	AssetVal

(i) *Depreciation*

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

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

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

Asset class	Useful life
Channels	40 years
Navigation aids	1-40 years
Office furniture, fittings and equipment	2-10 years
Vehicles	4 years

(ii) *Changes in accounting estimates*

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

SECTION 3. CORE ASSETS (*continued*)

3.1. Infrastructure, property, plant and equipment (*continued*)

(iii) *Recoverable amount*

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

(iv) *Acquisition*

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

Infrastructure, property, plant and equipment represent non-current assets comprising channels, navigation aids, vehicles and plant and equipment used by VRCA in its operations. Items with a cost or value in excess of \$1,000 (2017: \$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 and capacity improvements*

Channel safety and capacity improvements that provide a future benefit to the channel asset through an increase in the fees charge to use the channel are capitalised and form part of the channel asset. Work in progress, such as survey costs, environmental and engineering studies and dredging works that relate to channel 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.

SECTION 3. CORE ASSETS (*continued*)

3.2. Impairment of assets

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

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 current 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.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

SECTION 4. WORKING CAPITAL

Introduction

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

Structure

4.1.	Receivables	27
4.2.	Payables	28

4.1. Receivables

	2018 \$'000	2017 \$'000
Current		
Contractual		
Trade receivables* (section 6.3)	1,650	1,165
Sundry receivables	-	18
Interest receivable	22	20
	1,672	1,203

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

Receivables consist of:

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

Contractual receivables are classified as financial instruments and categorised as loans and receivables (refer to section 6.3 Financial Instruments for recognition and measurement).

Statutory receivables, are recognised and measured similarly to contractual receivables (except for impairment), but are not classified as financial instruments because they do not arise from a contract.

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

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

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

SECTION 4. WORKING CAPITAL (*continued*)

4.2. Payables

	2018 \$'000	2017 \$'000
Current unsecured		
<i>Contractual*</i>		
Trade creditors (section 6.3)	604	-
Other creditors and accruals	295	130
	899	130
<i>Statutory</i>		
GST payable	63	66
Fringe benefits tax	14	25
PAYG payable	26	38
	103	129
	1,002	259

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

Payables consist of:

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

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost. Statutory payables are recognised and measured similarly to contractual payables, but are not classified as financial instruments and not included in the category of financial liabilities at amortised cost, because they do not arise from a contract.

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

Goods and Services Tax (GST)

Income, expenses and assets are recognised net of the amount of associated GST, except where GST incurred is not recoverable from the taxation authority. In this case, it is recognised as part of the cost of acquisition of the asset or as part of the expense.

Receivables and payables are stated inclusive of the amount of GST receivable or payable. The net amount of GST recoverable from, or payable to, the taxation authority is included with other receivables or payables in the balance sheet.

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

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
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SECTION 5. OTHER ASSETS AND LIABILITIES

Introduction

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

Structure

5.1.	Cash and cash equivalents.....	29
5.2	Provisions	30

5.1. Cash and cash equivalents

	2018 \$'000	2017 \$'000
Cash at bank and on hand	140	521
Short term deposits	6,800	7,500
	6,940	8,021

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 1.65% to 2.53% (2016/17 1.45% to 2.61%).

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

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

SECTION 5. OTHER ASSETS AND LIABILITIES

5.2 Provisions

	2018 \$'000	2017 \$'000
(a) Current		
Employee benefits (section 7.1)	278	302
Employee on-costs (section 7.1)	28	35
Provision for income tax	722	529
	1,028	866
(b) Non-current		
Employee benefits (section 7.1)	20	18
Employee on-costs (section 7.1)	1	1
	21	19

Provisions are recognised when VRCA 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.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
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SECTION 6. CAPITAL AND RISK MANAGEMENT

Introduction

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

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

Structure

6.1.	Dividend policy.....	31
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6.3.	Financial Instruments.....	33

6.1. Dividend policy

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

6.2. Equity

Contributed capital

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

Transfers of net assets arising from administrative restructurings are treated as distributions to or contributions by owners.

	2018 \$'000	2017 \$'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 2018

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

6.2. Equity (continued)

Reserves

	2018 \$'000	2017 \$'000
Asset Revaluation Reserve *		
Balance at the beginning of the year	613	613
Revaluation increments in infrastructure assets	4,604	-
Deferred Tax Liability resulting from revaluation	(1,381)	-
Balance at the end of the year	3,836	613

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

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

Retained profit/(accumulated losses)

	2018 \$'000	2017 \$'000
Movements in retained profits/(accumulated losses) were as follows:		
Retained profits/(accumulated losses) at the beginning of the year	(13,342)	(15,198)
Profit for the year	3,583	2,912
Dividends paid	(1,899)	(1,056)
Retained profits/(accumulated losses) at the end of the year	(11,658)	(13,342)

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

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

6.3. Financial Instruments

Financial risk management objectives and policies

VRCA's principal financial instruments comprise of:

- cash assets;
- receivables (excluding statutory receivables); and
- payables (excluding statutory payables).

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

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

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

	Notes	Contractual financial assets – loans and receivables \$'000	Contractual financial liabilities at amortised cost \$'000	Total \$'000
2018				
Contractual financial assets				
<i>Current assets</i>				
Cash and cash equivalents	5.1	6,940	-	6,940
Trade and other receivables	4.1	1,672	-	1,672
Total contractual financial assets		8,612	-	8,612
Contractual financial liabilities				
<i>Current liabilities</i>				
Trade and other payables	4.2	-	899	899
Total contractual financial liabilities		-	899	899
Net holding gain/(loss) on financial instruments by category				
Total interest income/(expense)	2.1	138	-	138
Total		138	-	138
2017				
Contractual financial assets				
<i>Current assets</i>				
Cash and cash equivalents	5.1	8,021	-	8,021
Trade and other receivables	4.1	1,203	-	1,203
Total contractual financial assets		9,224	-	9,224
Contractual financial liabilities				
<i>Current liabilities</i>				
Trade and other payables	4.2	-	130	130
Total contractual financial liabilities		-	130	130
Net holding gain/(loss) on financial instruments by category				
Total interest income/(expense)	2.1	120	-	120
Total		120	-	120

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

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

6.3 Financial Instruments (*continued*)

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

- for cash and cash equivalents, loans or receivables and available for sale financial assets, the net gain or loss is calculated by taking the movement in the fair value of the asset, the interest income, plus or minus foreign exchange gains or losses arising from revaluation of the financial assets, and minus any impairment recognised in the net result.

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

	Notes	Financial institutions (AAA credit rating)	Other	Total
2018				
Contractual financial assets				
<i>Current assets</i>				
Cash and cash equivalents	5.1	4,800	2,140	6,940
Trade and other receivables	4.1	-	1,672	1,672
Total contractual financial assets		4,800	3,812	8,612
2017				
Contractual financial assets				
<i>Current assets</i>				
Cash and cash equivalents	5.1	5,500	2,521	8,021
Trade and other receivables	4.1	-	1,203	1,203
Total contractual financial assets		5,500	3,724	9,224

(iii) Financial Risk Management

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

(iv) Credit risk

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

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

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

(v) Liquidity risk

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

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

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

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

6.3 Financial Instruments (*continued*)

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

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

The Treasury Corporation of Victoria ensures adequate access to financial markets for VRCA and hence, the liquidity risk faced by VRCA is not considered significant in view of VRCA's cash holding. Contractual obligations for payables is equal to the carrying amounts disclosed in note 4.2. Payables held at 30 June 2018 mature within 30 days (2017: 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 \$69,400 (2017: \$80,210). 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
2018			
Financial assets:			
Cash and cash equivalents	6,940	-	6,940
Trade and other receivables	-	1,672	1,672
	6,940	1,672	8,612
<i>Weighted average interest rate</i>	<i>1.59%</i>		
Financial liabilities:			
Trade and other payable	-	899	899
	-	899	899
Net financial assets/(liabilities)	6,940	773	7,713
2017			
Financial assets:			
Cash and cash equivalents	8,021	-	8,021
Trade and other receivables	-	1,203	1,203
	8,021	1,203	9,224
<i>Weighted average interest rate</i>	<i>1.85%</i>		
Financial liabilities:			
Trade and other payable	-	130	130
	-	130	130
Net financial assets/(liabilities)	8,021	1,073	9,094

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

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

6.3 Financial Instruments (*continued*)

(viii) Net fair value of financial assets and liabilities

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

Comparison between carrying amount and fair value

	Notes	Carrying amount 2018 \$'000	Fair value 2018 \$'000	Carrying amount 2017 \$'000	Fair value 2017 \$'000
Contractual financial assets					
<i>Current assets</i>					
Cash and cash equivalents	5.1	6,940	6,940	8,021	8,021
Trade and other receivables	4.1	1,672	1,672	1,203	1,203
Total contractual financial assets		8,612	8,612	9,224	9,224
Contractual financial liabilities					
<i>Current liabilities</i>					
Trade and other payables	4.2	899	899	130	130
Total contractual financial liabilities		899	899	130	130

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 2018 and 30 June 2017, no financial assets or liabilities held by VRCA required fair value measurement subsequent to initial recognition.

(ix) Ageing analysis of contractual financial assets

	Notes	Carrying amount \$'000	Not past due and not impaired \$'000	1 to 3 months \$'000	3 months to 1 year \$'000	1 to 5 years \$'000
2018						
Contractual financial assets						
Trade and other receivables	4.1	1,672	1,404	268	-	-
Total contractual financial assets		1,672	1,404	268	-	-
2017						
Contractual financial assets						
Trade and other receivables	4.1	1,203	1,091	112	-	-
Total contractual financial assets		1,203	1,091	112	-	-

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

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

6.3 Financial Instruments (continued)

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

There are no material financial assets which are individually determined to be impaired. Currently VRCA 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
2018						
Contractual financial liabilities						
Trade and other payables	4.2	899	899	885	14	-
Total contractual financial assets		899	899	885	14	-
2017						
Contractual financial liabilities						
Trade and other payables	4.2	130	130	109	21	-
Total contractual financial assets		130	130	109	21	-

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

VICTORIAN REGIONAL CHANNELS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2018

6.3 Financial Instruments (continued)

Financial instruments arise out of contractual agreements that give rise to a financial asset of one entity and a financial liability or equity instrument of another entity. Due to the nature of VRCA's activities, certain financial assets and financial liabilities arise under statute rather than a contract. Such financial assets and financial liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*.

Where relevant, for note disclosure purposes, a distinction is made between those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132 and those that do not. For those financial assets and financial liabilities that meet the definition of financial instruments in accordance with AASB 132, AASB 9 has been applied.

The following refers to financial instruments unless otherwise stated.

Categories of non-derivative financial instruments

Loans and receivables

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

Loans and receivables category includes cash and deposits (refer to section 5.1), term deposits with maturity greater than three months, trade receivables and other receivables, but not statutory receivables.

Financial assets and liabilities at fair value through profit and loss

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

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

Financial liabilities at amortised cost

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

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

Reclassification of financial instruments

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

Impairment of financial assets

At the end of each reporting period, VRCA 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 2018

SECTION 7. PEOPLE

Introduction

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

Structure

7.1.	Employee benefits	39
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7.3.	Key management personnel disclosures	42

7.1. Employee benefits

	2018 \$'000	2017 \$'000
(a) Employee benefits		
<i>Current</i>		
Annual Leave		
- Unconditional and expected to wholly settle within 12 months	44	66
- Unconditional and expected to wholly settle after 12 months	30	41
Long Service Leave		
- Unconditional and expected to wholly settle within 12 months	-	51
- Unconditional and expected to wholly settle after 12 months	204	144
	278	302
<i>Non-current</i>		
Long Service Leave		
- Conditional (representing less than 7 years of continuous service)	20	18
	20	18
<i>Note:</i>		
▪ 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.		
(b) Employee on-costs		
<i>Current</i>		
Provisions for on-costs		
- Unconditional and expected to settle within 12 months	10	18
- Unconditional and expected to settle after 12 months	18	17
	28	35
<i>Non-current</i>		
Provisions for on-costs		
- Conditional and expected to settle after 12 months	1	1
	1	1
<i>Note:</i>		
▪ 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 2018

SECTION 7. PEOPLE (continued)

7.1. Employee benefits (continued)

	2018 \$'000	2017 \$'000
(c) Employee benefits and on costs		
Current employee benefits		
Annual Leave	74	107
Long Service Leave	204	195
Non-current employee benefits	278	302
Long service Leave	20	18
Total employment benefits	298	320
Current on-costs	28	35
Non-current on-costs	1	1
Total on costs	29	36
Total employment benefits and on-costs	327	356
(d) Reconciliation of on-costs		
Carrying amount at 1 July	36	63
Add: New provisions raised	33	47
Less: Reductions arising from payments	40	74
Carrying amount at 30 June	29	36

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 VRCA 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 VRCA expects to wholly settle within 12 months; or
- present value - if VRCA 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 2018

SECTION 7. PEOPLE (*continued*)

7.2. Superannuation

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

Fund	Contributions made		Contributions outstanding	
	2018 \$'000	2017 \$'000	2018 \$'000	2017 \$'000
AMP Flexible Life (Accumulation)	-	11	-	-
Australian Super (Accumulation)	10	-	-	-
BT SuperWrap (Accumulation)	21	7	-	-
Camilo Super Fund (Accumulation)	-	17	-	-
CBus	1	2	-	-
Colonial First State (Accumulation)	13	-	-	-
Hesta (Accumulation)	5	5	-	-
SERF (Accumulation)	11	18	-	-
State Superannuation Scheme (Defined Benefit)*	12	12	-	-
Vic Super (Accumulation)	18	18	-	-
Vision Super (Accumulation)	-	2	-	-
Various other funds	13	4	-	-
Total	104	96	-	-

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

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

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

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

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

SECTION 7. PEOPLE (continued)

7.3. Key management personnel disclosures

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

In accordance with the Ministerial Directions issued by the Minister for Finance under the *Financial Management Act 1994*, VRCA has prepared the key management personnel disclosures for the year based on reasonable enquiries made by management in relation to the portfolio minister and their related parties and the information available to the organisation.

(a) Responsible persons

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

(i) Responsible ministers:

Hon Luke Donnellan	1 July 2017 to 30 June 2018	Minister for Ports
Hon Tim Pallas	1 July 2017 to 30 June 2018	Treasurer of Victoria

(ii) Directors:

Ms Kate Roffey	1 July 2017 to 30 June 2018	Chair
Mr Desmond Powell	1 July 2017 to 30 June 2018	Deputy Chair
Mr Peter Niblett	1 July 2017 to 30 June 2018	Director

(iii) Accountable officer:

Mr Michael Harvey	1 July 2017 to 30 June 2018
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	2018 \$'000	2017 \$'000
Responsible person's remuneration (*)		
Short-term employee benefits accountable officer	224	129
Short-term employee benefits other	114	114
Total base remuneration	338	243
Bonuses paid, payable or accrued during the year pursuant to employment contracts excluded in the above remuneration. ⁽¹⁾	58	36
Total remuneration paid or payable (including bonuses and superannuation) during the year to all responsible persons by VRCA.	396	279

() The minister's remuneration and allowances is set by the Parliamentary Salaries and Superannuation Act 1968. Amounts relating to ministers are reported in the financial statements of the Department of Parliamentary Services' Financial Report. For information regarding related party transactions of ministers, the register of members' interests is publicly available from [www.parliament.vic.gov.au/publications/register of interests](http://www.parliament.vic.gov.au/publications/register_of_interests).*

⁽¹⁾ Includes bonuses paid relating to the 2017 financial year and bonuses accrued for the 2018 financial year. Bonuses were not accrued in the 2017 financial year.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

SECTION 7. PEOPLE (continued)

7.3. Key management personnel disclosures (continued)

(a) Responsible persons (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	
	2018	2017	2018	2017
\$0 to \$9,999	-	1	-	1
\$20,000 to \$29,999	-	1	-	1
\$30,000 to \$39,999	2	1	2	1
\$40,000 to \$49,999	-	-	-	1
\$50,000 to \$59,999	1	1	1	1
\$80,000 to \$89,999	-	2	-	1
\$220,000 to \$229,999	-	-	1	-
\$280,000 to \$289,999	1	-	-	-
Total numbers	4	6	4	6
Remuneration \$'000	396	279	338	243

Remuneration received or receivable by the accountable officers' in connection with the management of VRCA during the reporting period was in the range \$280,000 – \$289,999 (\$160,000 - \$169,999 in 2016/17). Note there was a change in accountable officers during 2016/17. During this period an executive officer acted in the position of accountable officer and their remuneration is not included in responsible persons remuneration.

During the 2017/18 financial year, the total remuneration for accountable officers' includes bonuses paid relating to the 2017 financial year and bonuses accrued for the 2018 financial year. Bonuses were not accrued in the 2017 financial year.

(b) Executive Officers' remuneration

The number of executive officers, other than ministers and accountable officers, and their total remuneration during the reporting period are shown in the table below. Total annualised employee equivalents provides a measure of full time equivalent executive officers over the reporting period. Remuneration comprises employee benefits (as defined in AASB 119 *Employee Benefits*) in all forms of consideration paid, payable or provided by VRCA, or on behalf of VRCA, in exchange for services rendered. Accordingly, remuneration is determined on an accrual basis, and only short-term employee benefits have been paid during the reporting period. No other employee benefits were paid during the reporting period.

	2018	2017
	\$'000	\$'000
Remuneration of executive officers		
Short-term employee benefits	492	339
Total base remuneration	492	339
Total number of executives	4	2
Total annualised employee equivalent (AEE)	3	2
Bonuses paid, payable or accrued during the year pursuant to employment contracts excluded in the above remuneration. ⁽¹⁾	156	58
Total remuneration paid or payable (including bonuses and superannuation) during the year to all executive officers by VRCA.	648	397

⁽¹⁾ Includes bonuses paid relating to the 2017 financial year and bonuses accrued for the 2018 financial year. Bonuses were not accrued in the 2017 financial year.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

SECTION 7. PEOPLE (*continued*)

7.3. Key management personnel disclosures (*continued*)

(b) Executive Officers' remuneration (*continued*)

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, payable or accrued and termination and retirement type payments. Base remuneration is exclusive of bonus paid, payable or accrued and termination and retirement type payments.

	Total Remuneration		Base Remuneration	
	2018	2017	2018	2017
\$80,000 to \$89,999	-	-	1	-
\$110,000 to \$119,999	-	-	2	-
\$120,000 to \$129,999	1	-	-	-
\$130,000 to \$139,999	1	-	-	-
\$140,000 to \$149,999	1	-	-	-
\$160,000 to \$169,999	-	-	-	1
\$170,000 to \$179,999	-	-	1	1
\$190,000 to \$199,999	-	1	-	-
\$200,000 to \$209,999	-	1	-	-
\$240,000 to \$249,999	1	-	-	-
Total number of executives	4	2	4	2
Total annualised employee equivalent (AEE)	3	2	3	2
Total Remuneration \$'000	648	397	492	339

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

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

(d) Contractors with significant management responsibilities

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

(e) Payments to other personnel

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

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

SECTION 8. OTHER INFORMATION

Introduction

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

Structure

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8.1. Events occurring after reporting date

No matters or circumstances have arisen since the end of the financial year that require disclosure.

8.2. Related Party transactions

The Victorian State Government prepares consolidated financial statements relating to its controlled entities. For the purpose of preparing the State government's financial statements, transactions which VRCA has undertaken with other State Government controlled entities, have been eliminated in the State Government's statements.

As noted in Section 1, VRCA is a government business enterprise and is accountable to the Victorian government through the Minister for Ports and the Treasurer. During the year VRCA transacted with the following Victorian Government entities.

- Treasury Corporation of Victoria – deposits of \$4,800,000 (2017: \$5,500,000) are held with them and VRCA earned interest revenue of \$93,000 (2017: \$80,000) during the year.
- Dividend of \$1,899,000 (2017: \$1,056,000) was paid to the Department of Treasury and Finance.
- Port of Hastings Development Authority (PoHDA) received \$2,297,864 from VRCA during the year for provision of office space and maintenance services, and 50% of the tariff charged by VRCA for access to the channel at Port of Hastings, in accordance with revenue sharing agreement between VRCA and PoHDA for the period 1 July 2017 to 30 June 2018.

Key management personnel (KMP) of VRCA includes the Portfolio Ministers, the Hon. Luke Donnellan and the Hon. Tim Pallas, Directors, Kate Roffey, Desmond Powell and Peter Niblett, Accountable officer, Michael Harvey and the executive officer team. The KMP's remuneration is detailed in Section 7.3.

There were no related party transactions that involved KMP, their close family members and their personal business interests during the 2018 financial year.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

SECTION 8. OTHER INFORMATION (*continued*)

8.3. Remuneration of auditors

	2018 \$'000	2017 \$'000
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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	30	28

8.4. Contingencies

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

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

8.5. Commitments

	2018 \$'000	2017 \$'000
--	----------------	----------------

(a) Operating lease commitments

Non cancellable operating leases contracted for but not capitalised in the financial statements

Commitments for minimum lease payments:

Payable no later than 1 year	280	269
Payable 1-5 years	17	270
Total commitment (incl GST)	297	539
Less: GST	27	49
Net commitment (ex GST)	270	490

(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	750	1,721
Payable 1-5 years	443	252
Total commitment (incl GST)	1,193	1,973
Less: GST	108	179
Net commitment (ex GST)	1,085	1,794

VRCA has no capital commitments at 30 June 2018 and 30 June 2017.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

SECTION 8. OTHER INFORMATION (*continued*)

8.6. Other Accounting policies

New accounting standards and interpretations that are not yet effective

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

Reference	Summary	Application date (financial years beginning)	Impact on VRCA's financial statements
AASB 9 <i>Financial Instruments</i>	The key changes introduced by AASB 9 include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	1 Jan 2018	The assessment has identified that the financial impact of available for sale (AFS) assets will now be reported through other comprehensive income (OCI) and no longer recycled to the profit and loss. While the preliminary assessment has not identified any material impact arising from AASB 9, it will continue to be monitored and assessed.
AASB 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 2014-7 <i>Amendments to Australian Accounting Standards arising from AASB 9</i>	Amends various AASs to incorporate the consequential amendments arising from the issuance of AASB 9.	1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.
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. Note that amending standard AASB 2015-8 Amendments to Australian Accounting Standards – Effective Date of AASB 15 has deferred the effective date of AASB 15 to annual reporting periods beginning on or after 1 January 2018, instead of 1 January 2017.	1 Jan 2018	The changes in revenue recognition requirements in AASB 15 may result in changes to the timing and amount of revenue recorded in the financial statements. The Standard will also require additional disclosures on service revenue and contract modifications. While the preliminary assessment has not identified any material impact arising from AASB 15, it will continue to be monitored and assessed.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

SECTION 8. OTHER INFORMATION (*continued*)

8.6. Other Accounting policies (*continued*)

Reference	Summary	Application date (financial years beginning)	Impact on VRCA's financial statements
AASB 2014-5 <i>Amendments to Australian Accounting Standards arising from AASB 15</i>	Amends the measurement of trade receivables and the recognition of dividends. Trade receivables, that do not have a significant financing component, are to be measured at their transaction price, at initial recognition. Dividends are recognised in the profit and loss only when: <ul style="list-style-type: none"> the entity's right to receive payment of the dividend is established; it is probable that the economic benefits associated with the dividend will flow to the entity; and the amount can be measured reliably. 	1 Jan 2018, except amendments to AASB 9 (Dec 2009) and AASB 9 (Dec 2010) apply from 1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector.
AASB 2015-8 <i>Amendments to Australian Accounting Standards – Effective Date of AASB 15</i>	This standard defers the mandatory effective date of AASB 15 from 1 January 2017 to 1 January 2018.	1 Jan 2018	This amending standard will defer the application period of AASB 15 for for-profit entities to the 2018-19 reporting period in accordance with the transition requirements.
AASB 2016-3 <i>Amendments to Australian Accounting Standards – Clarifications to AASB 15</i>	This Standard amends AASB 15 to clarify the requirements on identifying performance obligations, principal versus agent considerations and the timing of recognising revenue from granting a licence. The amendments require: <ul style="list-style-type: none"> A promise to transfer to a customer a good or service that is 'distinct' to be recognised as a separate performance obligation; For items purchased online, the entity is a principal if it obtains control of the good or service prior to transferring to the customer; and For licences identified as being distinct from other goods or services in a contract, entities need to determine whether the licence transfers to the customer over time (right to use) or at a point in time (right to access). 	1 Jan 2018	The assessment has indicated that there will be no significant impact for the public sector, other than the impact identified for AASB 15 above.
AASB 2016-7 <i>Amendments to Australian Accounting Standards – Deferral of AASB 15 for Not-for-Profit Entities</i>	This standard defers the mandatory effective date of AASB 15 for not-for-profit entities from 1 January 2018 to 1 January 2019.	1 Jan 2019	This amending standard will defer the application period of AASB 15 for not-for-profit entities to the 2019-20 reporting period.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

SECTION 8. OTHER INFORMATION (*continued*)

8.6. Other Accounting policies (*continued*)

AASB 2016-8 <i>Amendments to Australian Accounting Standards – Australian Implementation Guidance for Not-for-Profit Entities</i>	This Standard amends AASB 9 and AASB 15 to include requirements and implementation guidance to assist not-for-profit entities in applying the respective standards to particular transactions and events.	1 Jan 2019	The assessment has indicated that there will be no significant impact for the public sector, other than the impacts identified for AASB 9 and AASB 15 above.
AASB 16 <i>Leases</i>	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet which has an impact on net debt.	1 Jan 2019	<p>The assessment has indicated that as most operating leases will come on balance sheet and will be recognised as right to use assets with a corresponding lease liability.</p> <p>Rather than expensing the lease payments, depreciation of right-of-use assets and interest on lease liabilities will be recognised in the income statement.</p> <p>VRCA has operating leases that are likely to be recognised on the balance sheet, and it will continue to monitor and assess any future contractual obligations.</p>
AASB 1058 <i>Income of Not-for-Profit Entities</i>	This standard will replace AASB 1004 Contributions and establishes principles for transactions that are not within the scope of AASB 15, where the consideration to acquire an asset is significantly less than fair value to enable not-for-profit entities to further their objectives. The restructure of administrative arrangement will remain under AASB 1004.	1 Jan 2019	The assessment has indicated that revenue from capital grants that are provided under an enforceable agreement that have sufficiently specific obligations, will now be deferred and recognised as performance obligations are satisfied. No material impact is identified for VRCA.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2018

SECTION 9. OTHER INFORMATION (*continued*)

8.6. Other Accounting policies (*continued*)

AASB 1059 <i>Service Concession Arrangements: Grantor</i>	This standard prescribes the accounting treatment of Public Private Partnership (PPP) arrangements involving a private sector operator providing public services related to a service concession asset on behalf of the State, for a specified period of time. For social infrastructure PPP arrangements, this would result in an earlier recognition of financial liabilities progressively over the construction period rather than at completion date. For economic infrastructure PPP arrangements, that were previously not on balance sheet, the standard will require recognition of these arrangements on-balance sheet.	1 Jan 2019	The assessment has indicated that there will be no significant impact for VRCA, it will continue to be monitored and assessed.
AASB 17 <i>Insurance Contracts</i>	<p>The new Australian standard eliminates inconsistencies and weaknesses in existing practices by providing a single principle-based framework to account for all types of insurance contracts, including reissuance contract that an insurer holds. It also provides requirements for presentation and disclosure to enhance comparability between entities.</p> <p>This standard does not currently apply to not-for-profit public sector entities. The AASB is undertaking further outreach to determine the applicability of this standard to the not-for-profit public sector.</p>	1 Jan 2021	The assessment has indicated that there will be no significant impact for VRCA; it will continue to be monitored and assessed.

SECTION 8. OTHER INFORMATION (*continued*)

8.6. Other Accounting policies (*continued*)

In addition to the new standards above, the AASB has issued a list of amending standards that are not effective for the 2017-18 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 2017-18 reporting period and is considered to have insignificant impacts on VRCA's reporting.

- AASB 2016-5 *Amendments to Australian Accounting Standards – Classification and Measurement of Share-based Payment Transactions*
- AASB 2016-6 *Amendments to Australian Accounting Standards – Applying AASB 9 Financial Instruments with AASB 4 Insurance Contracts*
- AASB 2017-1 *Amendments to Australian Accounting Standards – Transfers of Investment Property, Annual Improvements 2014-2016 Cycle and Other Amendments*
- AASB 2017-3 *Amendments to Australian Accounting Standards – Clarifications to AASB 4*
- AASB 2017-4 *Amendments to Australian Accounting Standards – Uncertainty over Income Tax Treatments*
- AASB 2017-5 *Amendments to Australian Accounting Standards – Effective Date of Amendments to AASB 10 and AASB 128 and Editorial Corrections*
- AASB 2017-6 *Amendments to Australian Accounting Standards – Prepayment Features with Negative Compensation*
- AASB 2017-7 *Amendments to Australian Accounting Standards – Long-term Interests in Associates and Joint Ventures*
- AASB 2018-1 *Amendments to Australian Accounting Standards – Annual Improvements 2015 – 2017 Cycle*
- AASB 2018-2 *Amendments to Australian Accounting Standards – Plan Amendments, Curtailment or Settlement*

Changes in accounting policies

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

- AASB 2016-1 *Amendments to Australian Accounting Standards – Recognition of Deferred Tax Assets for Unrealised Losses [AASB 112]*
- AASB 2016-2 *Amendments to Australian Accounting Standards – Disclosure Initiative: Amendments to AASB 107*
- AASB 2016-4 *Amendments to Australian Accounting Standards – Recoverable Amount of Non-Cash-Generating Specialised Assets of Not-for-Profit Entities*
- AASB 2017-2 *Amendments to Australian Accounting Standards – Further Annual Improvements 2014-2016 Cycle*

VICTORIAN REGIONAL CHANNELS AUTHORITY
ACCOUNTABLE OFFICER'S, CHIEF FINANCIAL OFFICER'S AND BOARD MEMBERS
DECLARATION
30 June 2018

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

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2018 and financial position of VRCA at 30 June 2018.

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

We authorise the attached financial statements for issue on 23 August 2018.



Kate Roffey
Chair

Dated: 23 August 2018



Michael Harvey
Chief Executive Officer
Dated: 23 August 2018



Ian Clydesdale
Commercial Manager (CFO)
Dated: 23 August 2018

Independent Auditor's Report

To the Board of Directors of the Victorian Regional Channels Authority

Opinion	<p>I have audited the financial report of the Victorian Regional Channels Authority (the authority) which comprises the:</p> <ul style="list-style-type: none">• balance sheet as at 30 June 2018• comprehensive operating statement for the year then ended• statement of changes in equity for the year then ended• cash flow statement for the year then ended• notes to the financial statements, including significant accounting policies• accountable officer's, chief financial officer's and board members declaration. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the authority as at 30 June 2018 and their financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the authority in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board of Directors' responsibilities for the financial report	<p>The Board of Directors of the authority is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board of Directors determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board of Directors is responsible for assessing the authority's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

**Auditor's
responsibilities
for the audit
of the financial
report**

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

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

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

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

MELBOURNE
28 August 2018



Simone Bohan
as delegate for the Auditor-General of Victoria



Victorian Regional Channels
Authority

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