Victorian Regional Channels Authority

Annual Report 2020 – 2021

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Responsible Body's declaration

In accordance with the Financial Management Act 1994, I am pleased to present Victorian Regional Channels Authority's Annual Report for the year ending 30th June 2021.

Yours sincerely

Natalie Reiter
Chief Executive
Victorian Regional Channels Authority
29th September 2021

Chair's report

With the Victorian Regional Channels Authority (VRCA) evolving into the newly formed entity of Ports Victoria this will be both my last report as Chair of the VRCA, and in fact the final annual report for the organisation.

As of 1st July 2021, VRCA merged with Victorian Ports Corporation (Melbourne) to create Ports Victoria, a new sole entity that will take responsibility for the Geelong, Hastings, Portland and Melbourne Channels.

Since 2004, VRCA has played a crucial role in ensuring the safe transit of vessels of all shapes and sizes through the regional port channels in Geelong, Hastings and Portland. As a critical player in Victoria's shipping sector, VRCA has always prioritised the maintenance of safe channels. Once again, I am pleased to report that our unwavering commitment to safety and operational excellence has ensured no significant shipping or environmental incidents occurred in VRCA-managed port waters during the year up to 1 July 2021; the time at which the new Ports Victoria entity takes responsibility for all operations of the VRCA.

This is clear testament to the dedicated focus of the staff, the effectiveness of sound policies and procedures, and the efficiency of high-quality systems and well-maintained assets.

On behalf of the Board of Directors, it also pleases me to report that the organisation continued to be financially self-sufficient in the financial year 2020/2021 and that it met its legislated obligations throughout that period.

There is no doubt that the ongoing challenges of the COVID-19 pandemic have made life difficult for many industries and communities, and VRCA has not been immune to those challenges. VRCA's significant achievements during these difficult times are primarily the result of the dedicated and agile VRCA team who responded quickly and effectively to the many changes required in response to COVID-19, and who remain positively committed to delivering operational safety and providing safe and reliable navigational services, 365 days a year.

As I finish my time as Chair of the VRCA I would like to thank the VRCA team – past and present - for all their efforts and their dedication to protecting the safety of our regional ports and channels and their willingness to go the extra mile. It is often easy to overlook the importance of shipping in our overall transport highway, however without safe passage through our regional channels, many of the imports and exports that underpin our economic viability, and which we often take for granted, would not be possible.

I would also personally like to acknowledge and thank Michael Harvey and Peter Mannion, the two CEOs of the VRCA whom I have had the pleasure to work with. Both CEOs are people of exceptional quality who, with their own individual strengths, played significant roles in delivering for the VRCA during their tenures.

I also acknowledge and thank my fellow Directors Deputy Chair Des Powell and Chair of Audit and Risk Peter Niblett, along with Rob Hogarth, our external Audit and Risk Committee representative, for their contribution to VRCA. As the VRCA transitions to a new entity, I know that we as a Board of Governance and Executive Management team hand the organisation over in the best way possible, and on behalf of the Board I wish Ports Victoria every success for the future.

Kate Roffey
Chairman

Chief Executive Officer's report

When writing the CEO's Report this time last year, I thought that the COVID-19 pandemic which had been declared in Q1 of 2020, would be the defining feature of the year that lay ahead. Another major change for the organisation was the Minister for Ports & Freight for Victoria's announcement in February 2021 of the creation of a new ports organisation - "Ports Victoria" effective 1st July 2021.

In 2020, the Victorian Government commissioned an independent review of the Victorian Ports System. The creation of Ports Victoria is an early action in the government's response to the review's commendations. Ports Victoria, a new port entity, was created on 1 July 2021. Ports Victoria combined the roles and functions of the Victorian Regional Channels Authority (VRCA) and the Victorian Ports Corporation (Melbourne) (VPCM) and is now responsible for the State's commercial ports' waters and channels. The Legislative process is currently underway to abolish VRCA and VPCM by 2022. The new entity will be responsible for reporting on 2021-22 activities and that VRCA will no longer be required to produce an annual report.

VRCA together with VPC(M) is working on the planning for the transition of the two businesses into the merged new organisation on 1st July 2021. The Port Management Integration Plan will be handed to the newly formed Ports Victoria as a guide and options list, to assist the new business establish itself as seamlessly as possible.

I am enormously proud of VRCA's dedicated staff. In the face of the significant uncertainty surrounding protracted COVID-19 lockdowns, disruptive periods of working remotely, and then the announcement of the formation of Ports Victoria, VRCA staff have shown a resolute determination staying focused on our strategic objectives: navigational safety, managing risk, looking for efficiencies and have delivered against all of them. As a result, VRCA is in excellent condition and will be an asset, well positioned to align with and contribute to, the new Ports Victoria.

The steadfast support and guidance I have received from our Chair, Kate Roffey has been unwavering. She together with the Board members, Desmond Powell AO and Peter Niblett, has ensured that VRCA maintained its risk based strategic focus and delivered superior operational safety outcomes, throughout the reporting period.

I would also like to thank Capt. David Shennan, Harbour Master for the port of Geelong, who retired in May 2021. David has left an indelible mark in demanding the highest standards for risk based navigational safety across Victoria's commercial ports. We wish him all the very best in his retirement. VRCA can reflect on a proud history of outstanding service delivery. I wish all staff everything of the very best and encourage all to stay committed to VRCA's strategic objectives, engaged with them and invested in the business of providing superior and safe navigational services to all Victorian commercial port users.

Licence to Operate – Safety

VRCA's commitment to its strategic objectives, principal amongst which is the provision of navigational safety services, remains unwavering. We are committed as a team to zero harm, and it is pleasing therefore to report another year without major incident in the port waters of Geelong and Hastings. This is testament to our focus on delivering operational excellence, through enhanced systemic capabilities and asset maintenance; operating policies and procedures which ensure commercial efficiency and deep stakeholder engagement with not only our port users but the broader community we all serve.

Operational Delivery

The marine controllers at both Hastings and Geelong, operate within VRCA under the supervision and control of the Harbour masters and their deputies. They are delivering marine control and navigational services with additional capabilities installed at Point Henry, allowing for enhanced port procedures and protocols, that further improve our safety outcomes 'so far as is reasonably practicable'.

The installation of the extended marine traffic monitoring system at Point Henry in the port of Geelong has allowed VRCA marine control improved situational awareness of the interaction between commercial and recreational vessels operating in and around Geelong port waters.
Our community engagement remains active and high. Our presence within the Geelong Chamber of Commerce and Committee for Geelong, ensures we are well positioned to enable access to the port as and when projects arise and require it.

Our management of the contract with Port of Portland Pty Limited, has been facilitated by an excellent working relationship, open and transparent communications, and sees the port performing to its potential in these challenging economic times.

Commercial Effectiveness

While continuing to provide fair and reasonable access to channels in Geelong and Hastings the tariffs, which were not increased in 2020/2021, will be assessed by the new management of Ports Victoria for an appropriate setting in 2021/22

Total cargo traded through the Port of Geelong increased by 3% to 14 million tonnes. Cargo traded through the Port of Hastings decreased 30% to 1.3 million tonnes.

Port of Geelong		**2020/2021**		**2019/2020**	
		Tonnes/	% of total	Tonnes/	% of total
Crude oil / petroleum products		6.6	50.5%	6.8	53.8%
Fertiliser		1.7	3.3%	1.7	13.3%
Woodchips		1.1	8.8%	0.9	7.3%
Grains		2.1	16.4%	0.7	5.7%
Imports	(Mt)		8.3	9.9	
Exports	(Mt)		4.7	2.7	
Total	(Mt)		13.0	12.7	
Number of vessels			590	546	
Gross tons	(Mt)		14.0	12.7	

Port of Hastings					
		Tonnes/	% of total	Tonnes/	% of total
Gas products	(Mt)	0.4	33.3%	0.7	28.9%
Petroleum products	(Mt)	0.7	0.2%	0.5	47.1%
Steel products	(Mt)	0.3	26.5%	0.5	24.0%
Imports	(Mt)		0.7	1.0	
Exports	(Mt)		0.6	0.8	
Total	(Mt)		1.3	1.8	
Number of vessels			100	110	
Gross tons	(Mt)		1.6	2.4	

Asset Management

A bed levelling/sweeping campaign was successfully completed in the channels and berths of the port of Geelong, to ensure that declared depths were maintained within requirements.

The polyethylene buoy replacement programme, which was started in July 2019 in Hastings, will continue to into the next financial year, after initial deployment challenges, follow-up modifications and current trials indicate success with a revised design and deployment planning is underway.

An assessment of the port of Geelong channel optimisation possibilities has been completed. It is hoped this will assist to inform the assessment of the wider freight strategy for the state of Victoria, highlighting where an optimised channel in the port of Geelong may play its part.

We do not operate in a vacuum. Our relationships with all stakeholders are extremely important, productive and meaningful, in all the ports in which we operate Geelong, Hastings and Portland. I thank them all for their continued engagement and support and would encourage them to embrace Ports Victoria with the same enthusiasm.

I would like to thank everyone at VRCA for their support during my tenure as its CEO. I am particularly proud of their resilience and fortitude in facing the challenges presented by COVID-19 which has ensured that VRCA has continued to deliver against its strategic objectives. I wish them all the very best in the new Ports Victoria.

Peter Mannion
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 to facilitate the growth of import and export trade through Victoria's regional ports

Scope of operations

Victorian Regional Channels Authority (VRCA) was established under section 18 of the *Port Services Act 1995* and is continued under the *Transport Integration Act 2010* to manage channels in the port waters of Geelong and Hastings and oversee channel operations in the Port of Portland. VRCA commenced operations on 1 April 2004.

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

- establish, manage, dredge and maintain the channels in regional port waters and provide and maintain navigation aids in regional port waters in accordance with standards of the Director, Transport Safety;
- provide general direction and control of the movement of vessels within regional port waters in accordance with the Marine Safety Act 2010;
- provide technical advice and support to port managers about the management and operation of regional port waters and channels in regional 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 provides channel access, navigational aids and marine control services to vessels to ensure safe navigation.

Additional responsibilities of VRCA in relation to preparation of the Port Development Strategy for the port of Geelong are contained in Part 6B Section 91K of the *Port Management Act 1995.* This responsibility came into effect in 2012.

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

Establishment and functions

VRCA is part of Victoria's transport portfolio, led by the Department of Transport, Victoria.

The vision of the transport portfolio is to deliver an integrated and sustainable transport system that contributes to an inclusive, prosperous, and environmentally responsible state. While VRCA is an independent statutory authority, it is a key contributor of initiatives of the Department of Transport and the transport network, so Victorians can stay connected to jobs, education and each other

VRCA is a Transport Corporation for the purposes of 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; and
- Be fair to all.

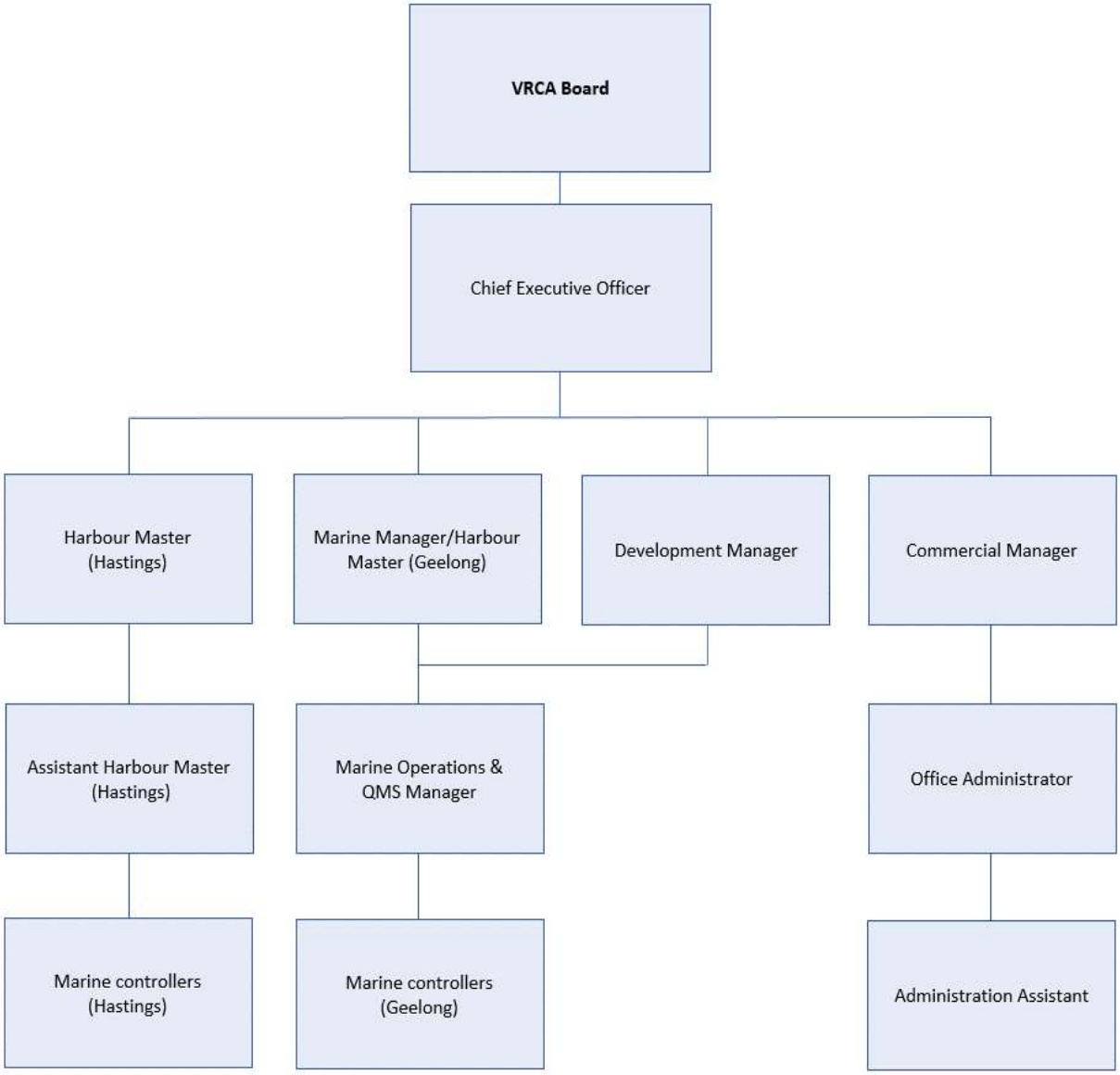
Staff establishment

VRCA has a Board of Directors of three and an establishment of fifteen staff –one less than 2019/2020 staff numbers.

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

Organisational structure

As at 30th June 2021



Trading summary

Income and pricing

VRCA is a self-funded transport corporation, obtaining income from commercial vessels visiting port waters. Charges on vessels are levied, in common with many other ports on the gross tonnage (GT) of the vessel being a measure of internal volume of the vessel. VRCA has no contracts for revenue and is vulnerable to trade conditions and in particular the seasonal variation in the agri-bulks sector. Charges are set based on port user forecasts and historical trade volume trends.

VRCA reviews charges annually and sets its prices for a year in advance. The 2020/2021 Geelong channel usage charge was 44 cents per gross ton. An additional charge is levied on deep draught users of the deepened Geelong channels.

The 2020/2021 Hastings channel usage charge was 50 cents per gross ton.

Financial performance

Total turnover for VRCA for the 12 months ended 30 June 2020, incorporating revenue from non-operating activities, was $9.5 million. This resulted in a before-tax profit of $1.9 million. The reported profit after tax was $1.4 million which included a tax expense of $0.5 million

Financial summary

	2021 $'000	2020 $'000	2019 $'000	2018 $'000	2017 $'000	2016 $'000
Total revenue	9,512	8,919	8,987	12,662	10,612	8,887
Total expenses	7,659	7,576	7,567	7,540	6,449	5,830
Net profit before income tax	1,853	1,343	1,420	5,122	4,163	3,057
Net cash flow from operating activities	3,350	2,626	3,063	5,625	4,131	3.347
Total assets	56,436	55,222	53,860	53,697	46,581	44,466
Total liabilities	3,929	4,003	3,283	3,636	1,427	1,168
Net assets	52,507	51,219	50,577	50,061	45,154	43,298

Operating expenses

Operating expenses for 20120/2021 amounted to $7.7 million. This was below budget expectations.

Dividend distribution targets

Dividend is as determined by the Treasurer in accordance with Transport Integration Act after discussion with VRCA's Board. During 2020/2021 VRCA paid a dividend of $181,000 to the State.

Operating performance

Gross tonnage handled

In 2020/2021 total gross tonnage of ships entering Geelong's port was 14.0 million gross tonnes, an overall increase of 1.3 million tonnes on the previous year. The major cargo types passing through the port of Geelong were crude oil, petroleum products, woodchips, fertiliser and wind turbines.

Grain shipments were 219 % (1.1 m tonnes) and woodchips 21 % more than last year and crude oil was 6 % (0.3 m tonnes) and wind turbines 97% (0.6 m tonnes) less than last year.

In 2020/2021 total gross tonnage of ships entering Hastings port was 1.6 million gross tonnes, 16 % (0.5 m tonnes) down on last year The major cargo types passing through the Port of Hastings were steel, LPG 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*
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
2018/2019	13.4 million	599	2.2 million	104
2019/2020	12.7 million	546	2.4 million	110
2020/2021	14.0 million	590	1.6 million	100

**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 statement of intent 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; and
- 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; and
- 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; and
- Deliver acceptable returns to 'shareholders'.

Pillar 4 - Asset management

- Ensure channel declared depths are maintained;
- Develop and invest in technology to exceed IALA (International Association of Marine Aids to Navigation and Lighthouse Authorities) requirements for aids to navigation; and
- 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 $1.9 million (2019/2020 $1.3 million) after allowing for an income tax expense of $0.6 million (2019/2020 $0.4 million).

Reporting

VRCA reports to the Minister for Ports and Freight, Hon Melissa Horne MP and to the Treasurer, Hon Tim Pallas MP.

Events subsequent to balance date

Subsequent Events

Victorian Regional Channels Authority merged with Victorian Ports Corporation (Melbourne) to form Ports Victoria on the 1st of July 2021.

In 2020, the Victorian Government commissioned an independent review of the Victorian Ports System. The creation of Ports Victoria is an early action in the government's response to the review's commendations.

Ports Victoria, a new port entity, was created on 1 July 2021. Ports Victoria combined the roles and functions of the Victorian Regional Channels Authority (VRCA) and the Victorian Ports Corporation (Melbourne) (VPCM) and is now responsible for the State's commercial ports' waters and channels.

Legislative process is currently underway to abolish VRCA and VPCM by 2022.

Ports Victoria will be responsible for reporting on 2021-22 activities and that VRCA will no longer produce an annual report.

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 and re-appointed in July 2018. 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 Council, where she has played a critical role in securing a new A League team for Melbourne's west and developing a public-private partnership deal that will see Australia's first privately owned sports stadium built in Wyndham. Prior to that, Kate was the CEO of the Committee for Melbourne where she successfully led a broad cross-section of Melbourne's most influential companies and institutions to develop initiatives that ensured Melbourne continued to grow as a prosperous globally connected city and retain 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 Championships.

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 President of the Melbourne Football Club, is the Chair of the Metro Trains Advisory Board, Member of the Ministerial Review into Planning and Essential Services Board.

Desmond Powell (Deputy Chairman) Desmond was appointed a Director of VRCA on 1 June 2016 and re-appointed in July 2018. 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, Director and Chair of TAFE Gippsland and Director of Barwon Water Corporation.

Peter Niblett (Director) Peter was appointed a Director of VRCA on 4 April 2017 and reappointed on 1 April 2020, Peter is also the Chair of the VRCA's Audit and Risk Committee. 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 a member of the Victorian Auditor-Generals Office 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	6
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 & Risk Committee membership and role

The Audit & Risk Committee consists of all the members of the Board of VRCA and Mr. Robert Hogarth (consultant advisor). Peter Niblett is the Chairman.
The main responsibilities of the Audit and Risk 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 & Risk 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	5	5
Kate Roffey	5	5
Peter Niblett	5	5
Rob Hogarth	5	5

Workforce data

On 30 June 2021:

- VRCA employed 15 staff (14.6 full time equivalent) compared to 16 staff (15.6 full time equivalent) as at 30 June 2020.
- The proportion of women is 13.3%

	2020-21		2019-20	
Classification	**Number (headcount)**	**FTE**	**Number (headcount)**	**FTE**
Executive Officers	4	4	4	4
Senior Managers	1	1	2	2
Operational	8	7.6	8	7.4
Administration Staff	2	2	2	2
TOTAL	15	14.6	16	15.6
Male	13	11.6	14	13.6
Female	2	2	2	2
TOTAL	15	14.6	16	15.6

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

Employment and conduct principles

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

Workforce inclusion policy

VRCA is working towards creating an inclusive working environment where equal opportunity and diversity are valued, and that reflects the communities we serve consistent with the Gender Equality Act 2020.

VRCA values staff with non-binary gender identities at all levels and acknowledges that due to historic and current barriers to disclosure of non-binary gender identities, staff may not choose to disclose this information. As a result, targets or quotas are not currently a useful way to promote opportunities for gender diverse staff at all levels.

Indemnification of officers

During the financial year, VRCA took out insurance 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. As a result of the merger with VPCM, VRCA has taken out a runoff D&O policy for 7 years.

Government

Department of Transport

The Department of Transport (DoT) is the lead department for VRCA.

VRCA is part of Victoria's integrated transport portfolio, led by the Department of Transport (DoT). The vision of the transport portfolio is to deliver an integrated and sustainable transport system that promotes:

- Social and economic inclusion
- Economic prosperity
- Environmental sustainability
- Integration or transport and land use
- Efficiency, coordination and reliability
- Safety and health and wellbeing

We work with the Department of Transport to drive our shared purpose of delivering simple, safe, connected journeys. We will achieve this by focussing on where people and goods need to go, rather than what mode they use. This enables us to be better equipped to respond to the changing demands on our transport network so we can stay connected to jobs and each other, whichever way we travel.

While VRCA remains an independent statutory authority, it forms part of the transport portfolio and is a key contributor and supporter of DoT initiatives.

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

Public Interest Disclosure Act (2012)

VRCA is committed to the aims and objectives of the *Public Interest 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.

Disclosure of the relevant legislative:
Freedom of Information Act 1982
Building Act 1993
Protected Disclosure Act 2012
Local Jobs Act 2003
Financial Management Act 1994

Other disclosures

Consultancy payments

During the 2020/2021 reporting period, VRCA engaged 15 consultants with a total fee of $10,000 or greater. The total cost of this advice was $ 775,723 (ex GST).
Full details are displayed at **www.vrca.vic.gov.au**
There were 11 consultants engaged during the year for a fee less than $10,000.

Advertising expenditure
VRCA's expenditure in the 2020/2021 reporting period on Government campaign expenditure did not exceed $100,000 (ex GST).

Information and communication technology (ICT) expenditure

VRCA's expenditure in the 2020/2021 reporting period on ICT amounted to $92,222 (ex GST). All ICT expenditure related to business-as-usual expenditure.

Capital projects

During 2020/2021 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)

No VIPP applicable procurement project was undertaken and completed.

Compliance with Building Act 1993

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

Social Procurement

VRCA continues to seek opportunities to increase the value of goods, services and construction procured by it where possible by procuring these items these items through entities that deliver inclusive, social and sustainable outcomes that benefit all Victorians.

Compliance with Standing Directions
The Audit & Risk Committee has attested compliance with applicable requirements in the FMA, these Directions and the Instructions, and disclose all Material Compliance Deficiencies

Shares
No shares are held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary.

Victorian Regional Channels Authority Financial Management Compliance

I, Natalie Reiter, on behalf of the Single Member Corporation, certify that Victorian Regional Channels Authority has complied with the applicable Standing Directions 2018 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;
- attestation for financial management compliance with Standing Directions;
- 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:
Ports Victoria
GPO Box 1135, Geelong, Vic 3220
Ph. (03) 5225 3500

Natalie Reiter

Chief Executive
Victorian Regional Channels Authority

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VICTORIAN REGIONAL CHANNELS AUTHORITY
COMPREHENSIVE OPERATING STATEMENT
For the year ended 30 June 2021

	Note	2021 $'000	2020 $'000
Continuing operations			
Revenue and Income			
Channel revenue	2.1	9,488	8,831
Other revenue	2.1	-	1
Profit on disposal of fixed assets	3.1	-	14
Other income	2.1	24	73
Total income		**9,512**	**8,919**
Expenses			
Employee benefits	2.2	3,035	2,929
Depreciation and amortisation	2.2	2,220	1,811
Maintenance		178	365
Short term rentals	2.2	16	16
Insurance		219	124
Interest expense		48	52
Marine services	2.2	151	200
Vessel expenses		188	56
Consultancies and contractors		501	626
Public awareness campaign		182	232
Projects		235	364
Other expenses		686	801
Total expenses		**7,659**	**7,576**
Profit for the year before income tax expense		**1,853**	**1,343**
Income tax expense	2.3	452	370
Profit for the year	6.2	**1,401**	**973**
Other economic flows – other comprehensive income			
Net changes in physical asset revaluation surplus	3.1	-	819
Deferred taxes change in taxation rates on asset revaluation	2.3	68	
Deferred taxes on asset revaluation	2.3	-	(225)
Total other economic flows – other comprehensive income		**68**	**594**
Total comprehensive result		**1,469**	**1,567**

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

VICTORIAN REGIONAL CHANNELS AUTHORITY
BALANCE SHEET
As at 30 June 2021

	Note	2021 $'000	2020 $'000
Current assets			
Cash and cash equivalents	5.1	9,338	6,499
Prepayments		315	256
Trade and other receivables	4.1	1,251	1,032
Total current assets		**10,904**	**7,787**
Non-current assets			
Infrastructure, property, plant and equipment	3.1	45,276	47,180
Intangible assets	3.2	83	113
Deferred tax asset	2.3	173	142
Total non-current assets		**45,532**	**47,435**
Total assets		**56,436**	**55,222**
Current liabilities			
Trade and other payables	4.2	646	575
Provisions	5.2	462	322
Lease liabilities	5.3	150	113
Total current liabilities		**1,258**	**1,010**
Non-current liabilities			
Provisions	5.2	38	87
Deferred tax liability	2.3	1,817	1,942
Lease liabilities	5.3	816	964
Total non-current liabilities		**2,671**	**2,993**
Total liabilities		**3,929**	**4,003**
Net assets		**52,507**	**51,219**
Equity			
Contributed capital	6.2	57,883	57,883
Reserves	6.2	4,613	4,545
Retained earnings	6.2	(9,989)	(11,209)
Total equity		**52,507**	**51,219**

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 2021

	Contributed capital $'000	Reserves $'000	Retained profit/ (accumulated losses) $'000	Total equity $'000
Balance at 30 June 2019	**57,883**	**3,951**	**(11,257)**	**50,577**
Profit for the year (refer note 6.2)	-	-	973	973
Other comprehensive income – asset revaluation	-	819	-	819
Deferred tax movement on asset revaluation	-	(225)	-	(225)
Total comprehensive income for the year	**-**	**594**	**973**	**1,567**
Transactions with owners in their capacity as owners:				
Dividends provided for or paid (refer note 6.1)	-	-	(925)	(925)
Balance at 30 June 2020	**57,883**	**4,545**	**(11,209)**	**51,219**
Profit for the year (refer note 6.2)	-	-	1,401	1,401
Adjustment for deferred taxes due to change in tax rates in revalued assets	-	68	-	68
Total comprehensive income for the year	**-**	**68**	**1,401**	**1,469**
Transactions with owners in their capacity as owners:				
Dividends provided for or paid (refer note 6.1)	-	-	(181)	(181)
Balance at 30 June 2021	**57,883**	**4,613**	**(9,989)**	**52,507**

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 2021

	Note	2021 $'000	2020 $'000
Cash flows from operating activities			
Receipts from trade and other debtors		10,204	9,577
Payments to trade creditors, other creditors and employees		(5,815)	(6,738)
Goods and services tax (paid to) / refunded from the Australian Taxation Office		(685)	(497)
Interest received		24	73
Interest paid		(48)	(52)
Income tax (paid) / received		(330)	263
Net cash inflow from operating activities	2.4	**3,350**	**2,626**
Cash flows from investing activities			
Payments for infrastructure, property, plant and equipment		(219)	(1,215)
Proceeds from sale of infrastructure, property, plant and equipment		-	54
Net cash (outflow) from investing activities		**(219)**	**(1,161)**
Cash flows from financing activities			
Lease liability		(111)	(105)
Dividends paid	6.1	(181)	(925)
Net cash (outflow) from financing activities		**(292)**	**(1,030)**
Net increase / (decrease) in cash and cash equivalents		**2,839**	**435**
Cash and cash equivalents at the beginning of the financial year		6,499	6,064
Cash and cash equivalents at the end of the financial year	5.1	**9,338**	**6,499**

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

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2021

Contents

Contents (*continued*)

SECTION 1. ABOUT THIS REPORT

Structure

1.1. Corporate information

Victorian Regional Channels Authority (VRCA) is a Government Business Enterprise established by the Victorian Government under the *Port Management Act 1995 (Vic)*. The financial statements cover VRCA as an individual reporting entity. The Board of VRCA is directly accountable to the Victorian Government through the Minister for Ports and Freight and the Treasurer. The principal address of VRCA is East 1E, 13-35 Mackey Street, North Geelong Vic 3215.

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 port of Portland is managing and maintaining the Portland shipping channels 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 ended 30 June 2021. 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.

Ports Victoria
The Victorian Government announced the establishment of Ports Victoria on 25 February 2021 with a commencement date of 1 July 2021.

Ports Victoria brings together VRCA and Victorian Ports Corporation (Melbourne) (VPC(M)) to lead strategic management and operation of all of Victoria's commercial port waters. Ports Victoria is initially created by a Transport Restructuring Order (Transfer Order) issued by the Minister for Ports and Freight.

The establishment of Ports Victoria is a key early action in the Victorian Governments initial response to the Independent Review of the Victorian Ports System. It is expected legislation will be passed subsequent to the establishment of Ports Victoria by the Transfer Order that formally names Ports Victoria to lead strategic management and operation of all of Victoria's commercial port waters.

These are the final set of annual accounts for VRCA (noting the transition to Ports Victoria on 1 July 2021).

Structured planning performed by VRCA and VPC(M) has allowed an orderly transition of VRCA's assets, liabilities, commitments, obligations and rights to Ports Victoria on 1 July 2021. (See Note 8.1- Events occurring after reporting date).

SECTION 1. ABOUT THIS REPORT *(continued)*

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 Chief Executive of VRCA on 29 September 2021.

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).p

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 2021 and the comparative information presented for the year ended 30 June 2020.

SECTION 1. ABOUT THIS REPORT *(continued)*

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 re-measurements.

They include:
- revaluations and impairments of non-financial physical and intangible assets (including deferred tax liabilities resulting from the valuation); and
- re-measurement arising from defined benefit superannuation plans.

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

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

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

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 circumstances, 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.

SECTION 1. ABOUT THIS REPORT *(continued)*

1.5. Critical accounting estimates and judgements (continued)

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 103I.

In 2021, in accordance with FRD 103I, a fair value assessment was undertaken by management and determined that the carrying amount of all non-current physical assets reasonably approximated their fair value. The fair value of channel assets was assessed using the same principles as used in the independent valuation to value the channel assets in 2020. 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). For the purpose of FRD103I channel assets and navigation aids are categorised in the infrastructure assets class.

An independent fair value valuation was conducted in 2020 of channel assets, navigation aids and all other non-current physical assets. Channel assets were valued using a discounted cash flow method (value in use). Navigation aids were valued using the current replacement cost method. In accordance with FRD 103H, an adjustment was required to the carrying amount of channel assets and navigation aids at 30 June 2020 based on the fair value of the independent valuation.

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	2021	2020
Volumes (year 1)	Management expectations based on historical data	12.7M tonnes	13.0M tonnes
Annual volumes growth rate	Management expectations based on historical data	1%	1%
CPI	10 year historical average and management expectations	1.67%	1.62%
Discount rate	Refer Section 3.1	4.9% to 6.3%	3.2% to 4.0%

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) may 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 may 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)	37.50%	10%	(43.10%)	(10%)
Annual volumes growth rate	32.90%	10%	(40.4%)	(10%)
CPI	(100%)	** 6.1%	80%	(10%)
Discount rate	(8.30%)	10%	10.7%	(10%)

* FRD 103I requires a change in carrying value of 10% to be adjusted.
** Reduction of CPI to zero would result in a decrease of carrying value to 6.1%.

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

SECTION 2. 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

2.1. Revenue and Income

	2021 $'000	2020 $'000
Revenue from Continuing Operations		
Revenue from contracts with customers:		
(a) Channel revenue		
Channel access fees	6,579	6,628
Excess draft fees	2,909	2,081
Anchorage fees	-	122
Total channel revenue	**9,488**	**8,831**
(b) Other revenue		
Sundry revenue	-	1
Total other revenue	**-**	**1**
Other income:		
(c) Other income		
Interest income	24	73
Total other income	**24**	**73**

SECTION 2. PERFORMANCE (*continued)*

2.1. Revenue and Income (continued)

	2021 $'000	2020 $'000
Disaggregation of revenue from contacts with customers		
Timing of revenue recognition		
At a point in time	9,488	8,831
Total	**9,488**	**8,831**
Type of revenue		
Provision of services	9,488	8,831
Total	**9,488**	**8,831**

Revenue recognition

Revenue arising from an enforceable contract that imposes a sufficiently specific performance obligation on VRCA to transfer goods or services is recognised upon the fulfilment of the performance obligation. A transaction price is allocated to each performance obligation in a contract and revenue is recognised only when the related obligation is satisfied.

Revenue is measured at fair value of the transaction price that is allocated to the performance obligation (generally the consideration received or receivable).

The nature of VRCA's revenue can be allocated into the following which represent contractual obligations with customers:

(i) **Channel revenue**
Channel revenue represents revenue earned from the levying of channel fees (use of shipping channels). The performance obligation allocated to the contract with the customer is when VRCA has fulfilled its contractual obligations (generally the use of the shipping channel by a customer).

(ii) **Sundry revenue**
Sundry revenue represents income from contracts with customers other than Channel Fees. The performance obligation allocated to the contract with the customer is when VRCA has fulfilled its contractual obligations.

Interest income
Interest income is primarily represented as revenue received or receivable on funds on deposit with Westpac Banking Corporation Limited (WBC). It is recognised as the interest accrues to the net carrying amount of the financial assets using the effective interest rate method. Funds on deposit are brought to account at fair value.

SECTION 2. PERFORMANCE (*continued)*

2.2. Expenses

		2021 $'000	2020 $'000
(a)	**Employee benefits**		
	Salary and wages (note 7.3)	2,480	2,530
	Superannuation	239	243
	Annual and long service leave (movements in provision)	108	70
	Other employee expenses (fringe benefits tax, payroll tax, workcover levy, etc)	208	86
	Total employee benefits	**3,035**	**2,929**
(b)	**Depreciation and amortisation**		
	Navigation aids	900	478
	Buildings	134	134
	Plant and equipment	173	113
	Channel assets	983	1,056
	Software	30	30
	Total depreciation and amortisation	**2,220**	**1,811**
(c)	**Short term rentals**		
	Building rentals	16	16
	Total rental expense	**16**	**16**
(d)	**Marine Services**		
	Channel surveys	151	188
	Marine controllers	-	12
	Total marine services expense	**151**	**200**

SECTION 2. PERFORMANCE (*continued)*

2.3. Income tax expense / (benefit)

		2021 $'000	2020 $'000
(a)	**Reconciliation of income tax expense to prima facie tax payable/(receivable)**		
	Profit for the year before income tax expense / (benefit)	1,853	1,343
	Tax at the Australian tax rate of 26.0% (2020 – 27.5%)	**482**	**369**
	Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
	Non deductible items and other reconciling items	-	1
	Adjustment to deferred tax balances due to a change in tax rates	30	-
	Income tax expense	**452**	**370**
(b)	**Income tax expense / (benefit)**		
	Current taxation	540	384
	Movement in deferred tax asset (refer 2.3 (c))	(31)	(2)
	Movement in deferred tax liability (refer 2.3 (d))	(57)	(12)
	Income tax expense recognised in the comprehensive operating statement	**452**	**370**
	Weighted average effective tax rate (before adjustment to deferred tax balances due to a change in tax rates)	*26.0%*	*27.5%*

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 and 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.

		2021 $'000	2020 $'000
(c)	**Deferred tax asset**		
	Opening balance	142	140
	Temporary differences	39	2
	Change in tax rates (2021 – 26.0%; 2020 – 27.5%)	(8)	-
	Closing balance	**173**	**142**
	Represented by:		
	Amounts allocated to comprehensive operating statement		
	Other assets (including s.40-880 deductions)	11	3
	Accrued expenses	16	17
	Leases	16	9
	Annual and long service leave provisions	130	113
		173	**142**
(d)	**Deferred tax liabilities**		
	Opening balance	1,942	1,729
	Equity movement	(68)	225
	Temporary differences	(19)	(12)
	Change in tax rates (2021 – 26.0%; 2020 – 27.5%) excluding equity movement	(38)	-
	Closing balance	**1,817**	**1,942**

SECTION 2. PERFORMANCE (*continued)*

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

	2021 $'000	2020 $'000
Represented by:		
Amounts allocated to comprehensive operating statement		
Infrastructure, property, plant and equipment	1,817	1,942
	1,817	**1,942**

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.

During the year, the taxation rate changed to 26.0% (2020: 27.5%). This resulted in an adjustment to the opening balance of the deferred tax assets and liabilities of $98,168 (in which $68,179 was recorded via other comprehensive income to the Asset Revaluation Reserve).

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

	2021 $'000	2020 $'000
Profit for the year	1,401	973
Depreciation and amortisation	2,220	1,811
(Profit) / loss on disposal of fixed assets	-	(14)
Change in operating assets and liabilities:		
(Increase) / decrease in trade & other receivables & prepayments	(280)	(245)
(Decrease) / increase in trade & other payables	(205)	(602)
(Decrease) / increase in provisions	91	70
(Increase) / decrease in deferred tax asset and tax refund	123	633
Net cash flows from operating activities	**3,350**	**2,626**

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

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

($'000)

	Transportation and Communications		*Total*	
Table disclosure reference	*Table 3.3*			
	2021	*2020*	*2021*	*2020*
Nature based classification				
Buildings at fair value[(ii)]	898	1,033	898	1,033
Plant, equipment and vehicles at fair value	850	944	850	944
Assets under construction at cost	533	330	533	330
Infrastructure at fair value[(ii)]	42,995	44,873	42,995	44,873
Net carrying amount	**45,276**	**47,180**	**45,276**	**47,180**

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.
(ii) AASB 16 Leases has been applied for the first time from 1 July 2019
(iii) Infrastructure includes channel assets and navigation aids.

Table 3.2: Gross carrying amount and accumulated depreciation

($'000)

	Gross carrying amount		*Accumulated depreciation*		*Net carrying amount*	
	2021	*2020*	*2021*	*2020*	*2021*	*2020*
Buildings at fair value	1,167	1,167	(269)	(134)	898	1,033
Plant, equipment and vehicles at fair value profit/(loss)	2,024	1,945	(1,174)	(1,001)	850	944
Assets under construction at cost	533	330	-	-	533	330
Infrastructure at fair value	54,039	54,033	(11,044)	(9,160)	42,995	44,873
Net carrying amount	**57,763**	**57,475**	**(12,487)**	**(10,295)**	**45,276**	**47,180**

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)

	Buildings at fair value		*Plant, equipment and vehicles at fair value*		*Assets under construction at cost*	
	2021	*2020*	*2021*	*2020*	*2021*	*2020*
Opening balance[(a)]	**1,033**	**1,028**	**944**	**328**	**330**	**881**
Additions	-	139	78	30	203	959
Disposals	-	-	-	(40)	-	-
Transfer of assets	-	-	-	739	-	(1,510)
Depreciation	(134)	(134)	(173)	(113)	-	-
Closing balance	**899**	**1,033**	**849**	**944**	**533**	**330**

	Infrastructure at fair value		*Total*	
	2021	*2020*	*2021*	*2020*
Opening balance[(a)]	**44,873**	**44,817**	**47,180**	**47,054**
Additions	5	-	286	1,128
Disposals	-	-	-	(40)
Transfer of assets	-	771	-	-
Revaluation	-	819	-	819
Depreciation	(1,883)	(1,534)	(2,190)	(1,781)
Closing balance	**42,995**	**44,873**	**45,276**	**47,180**

VRCA performs annual impairment testing of its assets. There were no impairment losses recognised in 2020/2021. Consistent with FRD103I, independent valuations were obtained for channel assets and navigation aids in 2019/20 that are classified in the Infrastructure asset class. The independent valuation of the channel asset resulted in a reduction to the carrying value however this was offset against a revaluation increase to navigation aids taken to the Asset Revaluation Reserve, showing an overall net increase in revaluation for the 2019/2020 financial year.

Notes:

(a) The opening balance for 2020 represents the initial recognition of right-of-use assets recorded on the balance sheet on 1 July 2019 relating to operating leases.

SECTION 3. CORE ASSETS (*continued*)

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

Table 3.4: Right-of-use assets - Gross carrying amount and accumulated depreciation at 30 June 2021

($'000)

	Gross carrying amount		*Accumulated depreciation*		*Net carrying amount*	
	2021	*2020*	*2021*	*2020*	*2021*	*2020*
Buildings at fair value	1,167	1,167	(269)	(134)	898	1,033
Plant, equipment and vehicles at fair value	15	15	(9)	(5)	6	10
Net carrying amount	**1,182**	**1,182**	**(278)**	**(139)**	**904**	**1,043**

Table 3.5: Right-of-use assets - Gross carrying amount and accumulated depreciation at 30 June 2021 - movements in carrying amounts

($'000)

	Plant, equipment and vehicles at fair value		*Buildings at fair value*	
	2021	*2020*	*2021*	*2020*
Opening balance[(a)]	**10**	**15**	**1,033**	**1,028**
Additions	-	-	-	139
Depreciation	(4)	(5)	(135)	(134)
Closing balance	**6**	**10**	**898**	**1,033**

	Total	
	2021	*2020*
Opening balance[(a)]	**1,043**	**1,043**
Additions	-	139
Depreciation	(139)	(139)
Closing balance	**904**	**1,043**

(a) The opening balance for 2020 represents the initial recognition of right-of-use assets recorded on the balance sheet on 1 July 2019 along with the transfer from finance lease assets (recognised under AASB 117 at 30 June 2020) to right-of-use assets (recognised under AASB 16 at 1 July 2019).

Right-of-use asset acquired by lessees

Initial measurement
VRCA recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use asset is initially measured at cost which comprises the initial amount of the lease liability adjusted for:

- any lease payments made at or before the commencement date less any lease incentive received; plus
- any initial direct costs incurred; and
- an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located.

SECTION 3. CORE ASSETS (*continued*)

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

Subsequent measurement
VRCA depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The right-of-use assets are also subject to revaluation. In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

Depreciation
Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term. Where the VRCA obtains ownership of the underlying leased asset or if the cost of the right-of-use asset reflects that the VRCA will exercise a purchase option, the entity depreciates the right-of-use asset over its useful life.

Table 3.6: Fair value measurement hierarchy for assets as at 30 June 2021 (iii)

($'000)

	Carrying amount as at 30 June 2021	*Fair value measurement at end of reporting period using:*		
		Level 1(i)	*Level 2(i)*	*Level 3(i)*
Plant, equipment and vehicles at fair value				
Vehicles(ii)	88	-	-	88
Plant and equipment	756	-	-	756
Total of plant, equipment and vehicles at fair value	**844**	**-**	**-**	**844**
Assets under construction				
Not yet available for use	533	-	-	533
Total of Assets under construction	**533**	**-**	**-**	**533**
Infrastructure at fair value				
Channel assets	32,677	-	-	32,677
Navigation aids	10,318	-	-	10,318
Total of infrastructure at fair value	**42,995**	**-**	**-**	**42,995**

	Carrying amount as at 30 June 2020	*Fair value measurement at end of reporting period using:*		
		Level 1(i)	*Level 2(i)*	*Level 3(i)*
Plant, equipment and vehicles at fair value				
Vehicles(ii)	125	-	-	125
Plant and equipment	809	-	-	809
Total of plant, equipment and vehicles at fair value	**934**	**-**	**-**	**934**
Assets under construction				
Not yet available for use	330	-	-	330
Total of Assets under construction	**330**	**-**	**-**	**330**
Infrastructure at fair value				
Channel assets	33,660	-	-	33,660
Navigation aids	11,213	-	-	11,213
Total of infrastructure at fair value	**44,873**	**-**	**-**	**45,203**

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.
(iii) Excludes right-of-use assets buildings

There have been no transfers between levels during the period.

SECTION 3. CORE ASSETS (*continued*)

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

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.

Infrastructure
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 2020 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.

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

Input	Input Used	2021	2020
Cashflows:			
Cashflow period	Management expectations based on historical data	40 years	40 years
Volumes (year 1)	Management expectations based on historical data	12.7M ton	13.0M ton
Annual volumes increase	Management expectations based on historical data	1%	1%
Operating cash outflows (year 1)	Management expectations based on historical data	$5,081,000	$5,542,000
CPI	Management expectations based on historical data	1.67%	1.62%
Discount rate:		**4.9% to 6.3%**	**3.2% to 4.0%**
Risk Free Rate	10yr Commonwealth bond rate	1.75%	0.9%
Equity market risk premium	Industry valuations practices survey	6% -6.90%	6% -6.50%
Equity Beta	Professional judgement based on Australian and international companies who operate Infrastructure assets or operating in the marine transportation industry	0.52 to 0.61	0.56 to 0.60
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.

SECTION 3. CORE ASSETS (*continued*)

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

The adjustments to the inputs from 2020 to 2021 are explained below:

Input	Reason for Movement
Cashflows:	
Cashflow period	No movement
Volumes (year 1)	Based on historical average and management expectations.
Annual volumes increase	Consistent.
Operating costs	Increase due to increased budgeted expenditure required to achieve future strategic goals.
CPI	Slight increase due to likely hood of inflation over the long term.
Discount rate:	
Risk Free Rate	Decrease in 10 year Commonwealth bond rate
Equity market risk premium	Slight increase noted in industry valuations survey
Equity Beta	Movement due to current industry market Beta information
Alpha Risk	No movement

The fair value assessment at 30 June 2021 does not indicate a managerial revaluation of infrastructure assets is required under FRD103I.

There were no changes in valuation techniques throughout the period to 30 June 2021.

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

The 2020 independent fair value assessment indicated that a revaluation of channel assets was required under FRD103H. In accordance with FRD103H a revaluation to reflect the fair value of the channel assets at 30 June 2020 was recorded (refer to Table 3.7). The 2020 independent fair value assessment indicated that a revaluation of navigation aids was required under FRD103H. In accordance with FRD103H a revaluation to reflect the fair value of the navigation aids at 30 June 2020 was recorded (refer to Table 3.7).

SECTION 3. CORE ASSETS (*continued*)

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

Table 3.7: Reconciliation of Level 3 fair value [(i)]

($'000)

2021	*Vehicles*	*Plant and equipment*	*Channel assets*	*Navigation aids*	*Assets under construction*	*Total*
Opening balance	**125**	**809**	**33,660**	**11,213**	**330**	**46,137**
Net purchases and disposals	-	78	-	5	203	286
Gains or losses recognised in profit/(loss)	-	-	-	-	-	-
Depreciation	(37)	(131)	(983)	(900)	-	(2,051)
Subtotal	**88**	**756**	**32,677**	**10,318**	**533**	**44,372**
Gains or losses recognised in other comprehensive income						
Revaluation	-	-	-	-	-	-
Subtotal	**-**	**-**	**-**	**-**	**-**	**-**
Closing balance	**88**	**756**	**32,677**	**10,318**	**533**	**44,372**

($'000)

2020	*Vehicles*	*Plant and equipment*	*Channel assets*	*Navigation aids*	*Assets under construction*	*Total*
Opening balance	**80**	**233**	**38,051**	**6,766**	**881**	**46,011**
Net purchases and disposals	60	655	-	771	(551)	935
Gains or losses recognised in profit/(loss)	14	-	-	-	-	14
Depreciation	(29)	(79)	(1,056)	(478)	-	(1,642)
Subtotal	**125**	**809**	**36,995**	**7,059**	**330**	**45,318**
Gains or losses recognised in other comprehensive income						
Revaluation	-	-	(3,335)	4,154	-	819
Subtotal	**-**	**-**	**(3,335)**	**4,154**	**-**	**819**
Closing balance	**125**	**809**	**33,660**	**11,213**	**330**	**46,137**

Notes:

(i) Excludes right of use assets for buildings

SECTION 3. CORE ASSETS (*continued*)

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

Table 3.8: Description of significant unobservable inputs to Level 3 valuations

	2021			
	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	$29,800 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	$19,700 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	4.9% to 6.3%	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	1.67%	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 aids	Current replacement cost	Cost per unit	$55,100 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.

SECTION 3. CORE ASSETS (*continued*)

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

Table 3.8: Description of significant unobservable inputs to Level 3 valuations *(continued)*

		2020		
	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	$29,800 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	3.2% to 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	1.62%	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 aids	Current replacement cost	Cost per unit	$55,500 per unit	A significant increase or decrease in cost per unit would result in a significantly higher or lower fair value.
		Useful life of 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.

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	2021	2020
Volumes (year 1)	Management expectations based on historical data	12.7M tonnes	13.0M tonnes
Annual volumes growth rate	Management expectations based on historical data	1%	1%
CPI	10 year historical average	1.67%	1.62%
Discount rate	Refer Section 3.1	4.9% to 6.3%	3.2% to 4.0%

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) may 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 may 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)	37.50%	10%	(43.10%)	(10%)
Annual volumes growth rate	32.90%	10%	(40.4%)	(10%)
CPI	(100%)	** 6.1%	80%	(10%)
Discount rate	(8.30%)	10%	10.7%	(10%)

* FRD 103I requires a change in carrying value of 10% to be adjusted.
** Reduction to CPI to zero would result in a decrease of carrying value to 6.1%.

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.

SECTION 3. CORE ASSETS (*continued*)

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

(i) *Revaluations of non-financial physical assets*

Non-financial physical assets are measured at fair value, in accordance with the 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 103I*.

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 asset within 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 2020, a formal valuation of VRCA's non-current physical assets were performed to determine fair value as follows:

Class	Method	Valuer
Infrastructure (Channels)	Discounted cash flows	Moore Australia
Plant, equipment and vehicles	Current replacement cost	PP&E Valuations
Infrastructure (Navigation aids)	Current replacement cost	PP&E Valuations

(ii) *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
Infrastructure (Channels)	40 years
Infrastructure (Navigation aids)	1-40 years
Office furniture, fittings and equipment	2-10 years
Vehicles	4 years

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term. Where the VRCA obtains ownership of the underlying leased asset or if the cost of the right-of-use asset reflects that the VRCA will exercise a purchase option, the entity depreciates the right-of-use asset over its useful life.

(iii) *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)

(iv) ***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).

(v) ***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 (2020: $1,000) and a useful life of more than one year are recognised as assets. All other assets are expensed as acquired.

(vi) ***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.

(vii) ***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.

(viii) ***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. Intangible assets

($'000)

	Computer Software		*Total*	
	2021	*2020*	*2021*	*2020*
Gross carrying amount				
Opening balance	148	148	148	148
Additions	-	-	-	-
Disposals	-	-	-	-
Closing balance	**148**	**148**	**148**	**148**
Accumulated depreciation, amortisation and impairment				
Opening balance	35	5	35	5
Depreciation of intangible produced assets	30	30	30	30
Closing balance	**65**	**35**	**65**	**35**
Net book value at end of financial year	**83**	**113**	**83**	**113**

The consumption of intangible produced assets is included in 'depreciation' line item on the comprehensive operating statement.

Significant intangible assets
VRCA has capitalised software development expenditure for the development of its accounting software. The gross carrying amount of the capitalised software development expenditure is $148,000 (2020: $148,000). Its useful life is five years and will be fully amortised in 2024.

Initial recognition
Purchased intangible assets are initially recognised at cost. When the recognition criteria in AASB 138 Intangible Assets is met, internally generated intangible assets are recognised at cost. Subsequently, intangible assets with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. Depreciation and amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management.

An internally generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following are demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- an intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

Subsequent measurement
Intangible produced assets with finite useful lives, are amortised as an 'expense from transactions' on a straight line basis over their useful lives. Produced intangible assets have useful lives of 5 years. Intangible non-produced assets with finite lives are amortised as an 'other economic flow' on a straight line basis over their useful lives. The amortisation period is 3 to 5 years.

Impairment of intangible assets
Intangible assets with indefinite useful lives (and intangible assets not yet available for use) are tested annually for impairment and whenever there is an indication that the asset may be impaired. Intangible assets with finite useful lives are tested for impairment whenever an indication of impairment is identified. The policy in connection with testing for impairment is outlined in section 3.3.

SECTION 3. CORE ASSETS (*continued*)

3.3. 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.

SECTION 4. WORKING CAPITAL

Introduction

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

Structure

4.1. Receivables

	2021 $'000	2020 $'000
Current		
Contractual		
Trade receivables* (section 6.3)	1,211	977
Sundry receivables	40	53
	1,251	**1,030**
Statutory		
Income tax receivable	-	2
	-	**2**
	1,251	**1,032**

** 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 financial assets at amortised costs (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.

Details about VRCA's impairment policies, exposure to credit risk and calculation of the loss allowance are set out in note 6.3.(ii).

SECTION 4. WORKING CAPITAL (*continued*)

4.2. Payables

	2021 $'000	2020 $'000
Current unsecured		
***Contractual** *		
Trade creditors (section 6.3)	235	175
Other creditors and accruals	76	256
	311	**431**
Statutory		
Provision for income tax	276	-
GST payable	53	54
Fringe benefits tax	6	6
PAYG payable	-	84
	335	**144**
	646	**575**

** 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.

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

	2021 $'000	2020 $'000
Cash at bank	9,338	6,499
	9,338	**6,499**

Cash at bank
VRCA has a facility with Westpac Banking Corporation Limited (WBC) that is part of the Central Banking System scheme introduced by the Victorian Government in 2019. The cash at bank as at 30 June 2021 represent funds on deposit with WBC.

5.2. Provisions

	2021 $'000	2020 $'000
(a) Current		
Employee benefits (section 7.1)	462	290
Employee on-costs (section 7.1)	-	32
	462	**322**
(b) Non-current		
Employee benefits (section 7.1)	34	83
Employee on-costs (section 7.1)	4	4
	38	**87**

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.

SECTION 5. OTHER ASSETS AND LIABILITIES (continued)

5.3. Leases

	2021 $'000	2020 $'000
Lease Liabilities		
Current	150	113
Non-current	816	964
	966	**1,077**

VRCA as a lessee

VRCA has leases over buildings and IT equipment.

Information relating to the leases in place and associated balances and transactions are provided below.

Terms and conditions of leases

VRCA leases land and buildings for their office premises, together with IT equipment. Leases are generally 5-year terms, with renewal options included for further periods.

As at 30 June 2021, VRCA was committed to short term leases and the total commitment at that date was $16,677.

Right-of-use Asset

Right-of-use assets are presented in note 3.1.

Amounts recognised in the Statement of Comprehensive Income

	2021 $'000	2020 $'000
Interest expense on lease liabilities	48	52
Expenses relating to short term leases	17	16
Total amount recognised in the comprehensive operating statement	**65**	**68**

Amounts recognised in the Statement of Cashflows

Amounts recognised in the Statement of Cashflows for the year ending 30 June 2021 relating to leases was $158,846 (2020: $157,123).

SECTION 5. OTHER ASSETS AND LIABILITIES

5.3. Leases *(continued)*

Recognition and measurement of leases

For any new contracts entered into, VRCA considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition VRCA assesses whether the contract meets three key evaluations:

- Whether the contract contains an identified asset, which is either explicitly identified in the contract or implicitly specified by being identified at the time the asset is made available to VRCA and for which the supplier does not have substantive substitution rights;
- Whether VRCA has the right to obtain substantially all of the economic benefits from use of the identified asset throughout the period of use, considering its rights within the defined scope of the contract and VRCA has the right to direct the use of the identified asset throughout the period of use; and
- Whether VRCA has the right to take decisions in respect of 'how and for what purpose' the asset is used throughout the period of use.

This policy is applied to contracts entered into, or changed, on or after 1 July 2019.

Recognition and measurement of leases as a lessee

Lease Liability – initial measurement
The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily determinable or VRCA's incremental borrowing rate, being 4.61% (2020: 4.16%).

Lease payments included in the measurement of the lease liability comprise the following:

- fixed payments (including in-substance fixed payments) less any lease incentive receivable;
- variable payments based on an index or rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable under a residual value guarantee; and
- payments arising from purchase and termination options reasonably certain to be exercised.

Lease Liability – subsequent measurement
Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in-substance fixed payments.
When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Short-term leases and leases of low-value assets
VRCA has elected to account for short-term leases and leases of low-value assets using the practical expedients. Instead of recognising a right-of-use asset and lease liability, the payments in relation to these are recognised as an expense in profit or loss on a straight-line basis over the lease term.

Presentation of right-of-use assets and lease liabilities
VRCA presents right-of-use assets as 'property plant equipment' unless they meet the definition of investment property, in which case they are disclosed as 'investment property' in the balance sheet. Lease liabilities are presented as 'borrowings' in the balance sheet.

SECTION 6. CAPITAL AND RISK MANAGEMENT

Introduction

VRCA 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)* and *Transport Integration Act 2010 (Vic).*

Structure

6.1. Dividend policy

VRCA pays dividends in accordance with a determination of the Treasurer of Victoria under the *Transport Integration Act 2010 (Vic)*. The obligation to pay a dividend arises after consultation between VRCA's Board, the Minister for Ports and Freight 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.

	2021 $'000	2020 $'000
Balance at the beginning of the year	57,883	57,883
Balance at the end of the year	**57,883**	**57,883**

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

There are no externally imposed capital requirements.

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

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

6.2. Equity (continued)

Reserves

	2021 $'000	2020 $'000
Asset Revaluation Reserve *		
Balance at the beginning of the year	4.545	3,951
Revaluation increments in infrastructure assets	-	819
Deferred tax liability resulting from revaluation	-	(225)
Adjustment to deferred tax liability resulting from change in tax rates	68	-
Balance at the end of the year	**4,613**	**4,545**

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)

	2021 $'000	2020 $'000
Movements in retained profits/(accumulated losses) were as follows:		
Retained profits/(accumulated losses) at the beginning of the year	**(11,209)**	**(11,257)**
Profit for the year	1,401	973
Dividends paid	(181)	(925)
Retained profits/(accumulated losses) at the end of the year	**(9,989)**	**(11,209)**

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 and cash equivalents;
- receivables (excluding statutory receivables);
- payables (excluding statutory payables); and
- Lease liabilities.

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 at amortised cost $'000	Contractual financial liabilities at amortised cost $'000	Total $'000
2021				
Contractual financial assets				
Current assets				
Cash and cash equivalents	5.1	9,338	-	9,338
Trade and other receivables	4.1	1,251	-	1,251
Total contractual financial assets		**10,589**	**-**	**10,589**
Contractual financial liabilities				
Current liabilities				
Trade and other payables	4.2	-	311	311
Lease liability	5.3	-	966	966
Total contractual financial liabilities		**-**	**1,277**	**1,277**
Net holding gain/(loss) on financial instruments by category				
Total interest income/(expense)		24	(48)	(24)
Total		**24**	**(48)**	**(24)**

	Notes	Contractual financial assets loans and receivables and cash $'000	Contractual financial liabilities at amortised cost $'000	Total $'000
2020				
Contractual financial assets				
Current assets				
Cash and cash equivalents	5.1	6,499	-	6,499
Trade and other receivables	4.1	1,030	-	1,030
Total contractual financial assets		**7,529**	**-**	**7,529**
Contractual financial liabilities				
Current liabilities				
Trade and other payables	4.2	-	431	431
Lease liability	5.3	-	1,077	1,077
Total contractual financial liabilities		**-**	**1,508**	**1,508**
Net holding gain/(loss) on financial instruments by category				
Total interest income/(expense)		73	(52)	21
Total		**73**	**(52)**	**21**

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

6.3. Financial Instruments (continued)

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

Credit risk refers to the possibility that a counterparty will default on its financial obligations as and when they fall due. VRCA's exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to VRCA. Credit risk is measured at fair value and is monitored on a regular basis.

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.

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

	Notes	Financial institutions (AAA credit rating) $'000	Other $'000	Total $'000
2021				
Contractual financial assets				
Current assets				
Cash and cash equivalents	5.1	-	9,338	9,338
Trade and other receivables	4.1	-	1,251	1,251
Total contractual financial assets		**-**	**10,589**	**10,589**
2020				
Contractual financial assets				
Current assets				
Cash and cash equivalents	5.1	-	6,499	6,499
Trade and other receivables	4.1	-	1,030	1,030
Total contractual financial assets		**-**	**7,529**	**7,529**

Impairment of financial assets under AASB 9

VRCA records the allowance for expected credit loss for the relevant financial instruments with AASB 9's Expected Credit Loss approach. Subject to AASB 9 impairment assessment include VRCA's contractual receivables and statutory receivables.

Equity instruments are not subject to impairment under AASB 9. Other financial assets mandatorily measured or designated at fair value through net result are not subject to impairment assessment under AASB 9. While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

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

6.3. Financial Instruments (continued)

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

Contractual receivables at amortised cost

VRCA applies AASB 9 simplified approach for all contractual receivables to measure expected credit losses using a lifetime expected loss allowance based on the assumptions about risk of default and expected loss rates. VRCA has grouped contractual receivables on shared credit risk characteristics and days past due and select the expected credit loss rate based on the VRCA's past history, existing market conditions, as well as forward-looking estimates at the end of the financial year.

The expected credit loss has been assessed as 0%. No loss allowance was recognised at 30 June 2021 under AASB 9 (2020: nil).

Credit loss allowance is classified as other economic flows in the net result. Contractual receivables are written off when there is no reasonable expectation of recovery and impairment losses are classified as a transaction expense. Subsequent recoveries of amounts previously written off are credited against the same line item.

In prior years, a provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected, and bad debts are written off when identified. A provision is made for estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired. Bad debts considered as written off by mutual consent.

Statutory receivables at amortised cost

VRCA's non-contractual receivables arising from statutory requirements are not financial instruments. However, they are nevertheless recognised and measured in accordance with AASB 9 requirements as if those receivables are financial instruments.

The statutory receivables are considered to have low credit risk, taking into account the counterparty's credit rating, risk of default and capacity to meet contractual cash flow obligations in the near term. As the result, the loss allowance recognised for these financial assets during the period was limited to 12 months expected losses. No loss allowance was recognised at 30 June 2021 under AASB 9 (2020: nil).

(iv) 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.

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

(v) Liquidity risk

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

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

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

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

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

6.3. Financial Instruments (continued)

(v) Liquidity risk (continued)

The Treasury Corporation of Victoria ensures adequate access to financial markets for VRCA and hence, the liquidity risk faced by VRCA is not considered significant in view of VRCA's cash holding. Contractual obligations for payables is equal to the carrying amounts disclosed in note 4.2. Payables held at 30 June 2021 mature within 30 days (2020: 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 $93,378 (2020: $64,990). 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
2021			
Financial assets:			
Cash and cash equivalents	9,338	-	9,338
Trade and other receivables	-	1,251	1,251
	9,338	**1,251**	**10,589**
Weighted average interest rate	*0.03%*		
Financial liabilities:			
Trade and other payable	-	311	311
Lease liabilities	-	966	966
	-	**1,277**	**1,277**
Net financial assets/(liabilities)	**9,338**	**(26)**	**9,312**
2020			
Financial assets:			
Cash and cash equivalents	6,499	-	6,499
Trade and other receivables	-	1,030	1,030
	6,499	**1,030**	**7,529**
Weighted average interest rate	*0.09%*		
Financial liabilities:			
Trade and other payable	-	431	431
Lease liabilities	-	1,077	1,077
	-	**1,508**	**1,508**
Net financial assets/(liabilities)	**6,499**	**(478)**	**6,021**

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 2021 $'000	Fair value 2021 $'000	Carrying amount 2020 $'000	Fair value 2020 $'000
Contractual financial assets					
Current assets					
Cash and cash equivalents	5.1	9,338	9,338	6,499	6,499
Trade and other receivables	4.1	1,251	1,251	1,030	1,030
Total contractual financial assets		**10,589**	**10,589**	**7,529**	**7,529**
Contractual financial liabilities					
Current liabilities					
Trade and other payables	4.2	311	311	431	431
Lease liabilities	5.3	966	966	1,077	1,077
Total contractual financial liabilities		**1,277**	**1,277**	**1,508**	**1,508**

Fair value measurements in the balance sheet

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

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

At 30 June 2021 and 30 June 2020, 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
2021						
Contractual financial assets						
Trade and other receivables	4.1	1,251	1,049	103	99	-
Total contractual financial assets		**1,251**	**1,049**	**-**	**99**	**-**
2020						
Contractual financial assets						
Trade and other receivables	4.1	1,030	1,025	4	1	-
Total contractual financial assets		**1,030**	**1,025**	**4**	**1**	**-**

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	1 to 3 months $'000	3 months to 1 year $'000
2021						
Contractual financial liabilities						
Trade and other payables	4.2	311	311	295	16	-
Lease liabilities	5.3	966	966	15	45	135
Total contractual financial assets		**1,277**	**1,277**	**310**	**45**	**135**
2020						
Contractual financial liabilities						
Trade and other payables	4.2	431	431	430	1	-
Lease liabilities	5.3	1,077	1,077	15	45	120
Total contractual financial assets		**1,508**	**1,508**	**445**	**46**	**120**

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

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 (for example taxes, fines and penalties). Such assets and liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*.

Guarantees issued on behalf of VRCA are financial instruments because, although authorised under statute, terms and conditions for each financial guarantee may vary and are subject to an agreement.

VRCA applies AASB 9 and classifies all of its financial assets based on the business model for managing the assets and the asset's contractual terms.

Categories of financial assets under AASB 9

(a) ***Financial assets at amortised cost***

Financial assets are measured at amortised costs if both of the following criteria are met and the assets are not designated as fair value through net result:

- the assets are held by VRCA to collect the contractual cash flows, and
- the assets' contractual terms give rise to cash flows that are solely payments of principal and interests.

These assets are initially recognised at fair value plus any directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method less any impairment.

VRCA recognises the following assets in this category:

- cash and cash equivalents; and
- receivables (excluding statutory receivables).

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

6.3. Financial Instruments (continued)

Categories of financial liabilities under AASB 9

(b) *Financial liabilities at amortised cost*

Financial liabilities at amortised cost 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. VRCA recognises the following liabilities in this category:

- payables (excluding statutory payables); and
- borrowings (including lease liabilities).

(c) *Derivative financial instruments*

Derivative financial instruments are classified as held for trading financial assets and liabilities. They are initially recognised at fair value on the date on which a derivative contract is entered into. Derivatives are carried as assets when their fair value is positive and as liabilities when their fair value is negative. Any gains or losses arising from changes in the fair value of derivatives after initial recognition are recognised in the consolidated comprehensive operating statement as an 'other economic flow' included in the net result.

(d) *Offsetting financial instruments*

Financial instrument assets and liabilities are offset and the net amount presented in the balance sheet when, and only when, VRCA has a legal right to offset the amounts and intend either to settle on a net basis or to realise the asset and settle the liability simultaneously.
Some master netting arrangements do not result in an offset of balance sheet assets and liabilities. Where VRCA does not have a legally enforceable right to offset recognised amounts, because the right to offset is enforceable only on the occurrence of future events such as default, insolvency or bankruptcy, they are reported on a gross basis.

(e) *Derecognition of financial assets*

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

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

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

(f) *Derecognition of financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised as an 'other economic flow' in the comprehensive operating statement.

(g) *Reclassification of financial instruments*

Subsequent to initial recognition reclassification of financial liabilities is not permitted. Financial assets are required to be reclassified between fair value through net result, fair value through other comprehensive income and amortised cost when and only when the VRCA's business model for managing its financial assets has changes such that its previous model would no longer apply. If under rare circumstances an asset is reclassified, the reclassification is applied prospectively from the reclassification date and previously recognised gains, losses or interest should not be restated. If the asset is reclassified to fair value, the fair value should be determined at the reclassification date and any gain or loss arising from a difference between the previous carrying amount and fair value is recognised in net result.

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

	2021 $'000	2020 $'000
(a) Employee benefits		
Current		
Annual Leave		
- Unconditional and expected to wholly settle within 12 months	149	139
- Unconditional and expected to wholly settle after 12 months	79	31
Long Service Leave		
- Unconditional and expected to wholly settle within 12 months	15	10
- Unconditional and expected to wholly settle after 12 months	175	110
	418	**290**
Non-current		
Long Service Leave		
- Conditional (representing less than 7 years of continuous service)	36	83
	36	**83**

Note:

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

(b) Employee on-costs		
Current		
Provisions for on-costs		
- Unconditional and expected to settle within 12 months	22	22
- Unconditional and expected to settle after 12 months	22	10
	44	**32**
Non-current		
Provisions for on-costs		
- Conditional and expected to settle after 12 months	2	4
	2	**4**

Note:

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

SECTION 7. PEOPLE (*continued*)

7.1. Employee benefits (continued)

	2021 $'000	2019 $'000
(c) Employee benefits and on costs		
Current employee benefits		
Annual Leave	228	170
Long Service Leave	190	120
	418	**290**
Non-current employee benefits		
Long service Leave	36	83
Total employment benefits	**454**	**373**
Current on-costs	44	32
Non-current on-costs	2	4
Total on costs	**46**	**36**
Total employment benefits and on-costs	**500**	**409**
(d) Reconciliation of on-costs		
Carrying amount at 1 July	**36**	**31**
Add: New provisions raised	40	31
Less: Reductions arising from payments	30	26
Carrying amount at 30 June	**46**	**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 and annual 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.

No provision has been made for sick leave as all sick leave is non-vesting and it is not considered probable that the average sick leave taken in the future will be greater than the benefits accrued in the future. As sick leave is non-vesting, an expense is recognised in the comprehensive operating statement as it is taken.

(ii) *Long service leave*

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

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

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

SECTION 7. PEOPLE (*continued*)

7.2. Superannuation

All 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 2021 $'000	Contributions made 2020 $'000	Contributions outstanding 2021 $'000	Contributions outstanding 2020 $'000
Asgard Super (Accumulation)	18	20	-	-
Australian Super (Accumulation)	95	114	-	-
BT SuperWrap (Accumulation)	-	6	-	-
EquipSuper (Accumulation)	22	17	-	-
Colonial First State (Accumulation)	13	15	-	-
FMC Super Fund (Accumulation)	6	7	-	-
Hesta (Accumulation)	4	5	-	-
Martime Super (Accumulation)	46	56	-	-
Mercer SmartSuper (Accumulation)	15	3	-	-
State Superannuation Scheme (Defined Benefit)*	-	1	-	-
Vic Super (Accumulation)	18	18	-	-
Various other funds (Accumulation)	2	17	-	-
Total	**239**	**279**	**-**	**-**

* 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 was a member of a defined benefit superannuation scheme in 2019 and, during the 2019 year, this member ceased employment with VRCA. A bonus payment was paid to this employee in 2020, resulting in VRCA contributing to this defined benefit superannuation scheme. These defined benefit funds are closed to new members. All employees in the 2020 year are members of accumulation schemes.

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

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

SECTION 7. PEOPLE (*continued*)

7.3. Key management personnel disclosures

In accordance with the Ministerial Directions issued by the Assistant Treasurer under the *Financial Management Act 1994 (FMA),* 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 Melissa Horne	1 July 2020 to 30 June 2021	Minister for Ports and Freight
Hon Tim Pallas	1 July 2020 to 30 June 2021	Treasurer of Victoria

(ii) Directors:

Ms Kate Roffey	1 July 2020 to 30 June 2021	Chair
Mr Desmond Powell	1 July 2020 to 30 June 2021	Deputy Chair
Mr Peter Niblett	1 July 2020 to 30 June 2021	Director

(iii) Accountable officer:

Mr Peter Mannion	1 July 2020 to 30 June 2021

The term of the Directors ceased at 30 June 2021 and the Directors have no obligations to VRCA from this date. The Minister has directed via the Transfer Order that all VRCA assets, liabilities, commitments, obligations and rights transferred to Ports Victoria on 1 July 2021. From 1 July 2021 VRCA is a corporate sole until such time the legislation is passed to remove VRCA from the relevant legislation. The Chief Executive appointed during the period the VRCA is a corporate sole is responsible for all governance and compliance matters.

	2021 $'000	2020 $'000
Responsible person's remuneration (*)		
Short-term employee benefits accountable officer	276	262
Short-term employee benefits other	122	129
Total base remuneration	**398**	**391**
Termination payments paid, payable or accrued during the year.	-	17
Total remuneration paid or payable (including bonuses and superannuation) during the year to all responsible persons by VRCA.	**398**	**408**

(*) 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.

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	
	2021	2020	2021	2020
$0 to $9,999	-	-	-	-
$20,000 to $29,999	-	-	-	1
$30,000 to $39,999	2	2	2	2
$40,000 to $49,999	-	2	-	1
$50,000 to $59,999	1	1	1	1
$190,000 to $199,999	-	1	-	1
$220,000 to $229,999	-	-	-	-
$270,000 to $279,999	1	-	1	-
$280,000 to $289,999	-	-	-	-
Total numbers	**4**	**6**	**4**	**6**
Remuneration $'000	**398**	**408**	**398**	**391**

Remuneration received or receivable by the accountable officers' in connection with the management of VRCA during the reporting period was in the range $30,000 – $279,999 ($40,000 – $199,999 in 2019/20). The remuneration range for the 2021 financial year due relates to one accountable officers throughout the period compared to three in the 2020 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.

Remuneration of executive officers	**2021 $'000**	**2020 $'000**
Short-term employee benefits	797	697
Total base remuneration	**797**	**697**
Total number of executives	**5**	**4**
Total annualised employee equivalent (AEE)	**5**	**4**
Bonuses paid, payable or accrued during the year pursuant to employment contracts excluded in the above remuneration.[1]	1	56
Payment of employee entitlements upon termination	16	-
Total remuneration paid or payable (including bonuses and superannuation) during the year to all executive officers by VRCA.	**814**	**753**

[1] *Bonuses were paid in 2020/21 financial year that were accrued in the previous year.*

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 (that were not accrued in the prior year) 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	
	2021	2020	2021	2020
$10,000 to $19,999	-	-	-	-
$20,000 to $29,999	1	-	1	-
$110,000 to $119,999	-	-	-	-
$120,000 to $129,999	-	-	-	-
$130,000 to $139,999	-	-		1
$140,000 to $149,999	-	-	-	-
$150,000 to $159,999	-	-	-	-
$160,000 to $169,999	-	1	-	-
$170,000 to $179,999	1	1	1	2
$190,000 to $199,999	-	-	-	-
$200,000 to $209,999	2	1	3	-
$210,000 to $219,999	1	1	-	1
$330,000 to $339,999	-	-	-	-
Total number of executives	**5**	**4**	**5**	**4**
Total annualised employee equivalent (AEE)	**5**	**4**	**5**	**4**
Total Remuneration $'000	**814**	**753**	**797**	**697**

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

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

(d) Contractors with significant management responsibilities

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

(e) Payments to other personnel

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

SECTION 8. OTHER INFORMATION

Introduction

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

Structure

8.1. Events occurring after reporting date

Transport Restructuring Order and the Establishment of Ports Victoria

The Minister for Ports and Freight (the Minister) announced on 25 February 2021 as part of the initial Government Response to the *Independent Review of the Victorian Ports System*, that VRCA and VPC(M) will merge as business entities, forming Ports Victoria on 1 July 2021. The restructure is the result of a Machinery of Government (MoG) change.

The Minister directed via the Transfer Order that all VRCA assets, liabilities, commitments, obligations and rights transferred to Ports Victoria on 1 July 2021. VRCA ceased operations from 1 July 2021 and at the date of this report is a corporate sole until such time the legislation is passed to remove VRCA from the relevant legislation.

The table below shows the assets and liabilities allocated to Ports Victoria on 1 July 2021 in terms of the executed Transfer Order.

	$'000
Assets	
Cash and cash equivalents	9,338
Prepayments	315
Trade and other receivables	1,251
Infrastructure, property, plant and equipment	45,276
Intangible assets	83
Deferred tax asset	173
Liabilities	
Trade and other payables	646
Provisions	500
Lease liabilities	966
Deferred tax liability	1,817
Net assets	**52,507**

SECTION 8. OTHER INFORMATION (*continued*)

8.1. Events occurring after reporting date (continued)

Transport Restructuring Order and the Establishment of Ports Victoria (continued)

In accordance with *FRD119A Transfer through contributed capital*, the transfer of the assets and liabilities are a direct adjustment to equity and are designated as contributions by owners in accordance with paragraph 5.1 of FRD119A. This transfer took effect from 1 July 2021.

The impact of the Transfer Order on VRCA's equity on 1 July 2021 is detailed below.

	$'000
Equity	
Reduction in contributed capital	57,883
Reduction in accumulated surplus	(9,989)
Reduction in reserves	4,613
	52,507

COVID-19

The impact of the coronavirus (COVID-19) pandemic is ongoing and while it did not have any significant impact for VRCA up to 30 June 2021, it is not practicable to estimate the potential impact, positive or negative, after the reporting date. The situation, while under control in Australia, can change rapidly and is dependent on measures imposed by State and Federal governments, such as maintaining social distancing requirements, quarantine, travel restrictions and border controls, government policy and any economic stimulus that may be provided.

No other 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 Freight, and the Treasurer. During the year VRCA transacted with the following Victorian Government entities:

- Dividend of $181,000 (2020: $925,000) was paid to the Department of Treasury and Finance.
- Port of Hastings Development Authority (PoHDA) received $123,400 (2020: $408,358) from VRCA during the year for provision of office space, maintenance services and repairs.

SECTION 8. OTHER INFORMATION (*continued*)

8.2. Related Party transactions (continued)

Key management personnel (KMP) of VRCA includes the Portfolio Ministers, the Hon. Melissa Horne and the Hon. Tim Pallas, Directors, Kate Roffey, Desmond Powell and Peter Niblett, Accountable officer, Peter Mannion and the executive officer team. The KMP's remuneration is detailed in Section 7.3. During the year VRCA transacted with the following KMP:

There were no related party transactions that involved KMP, their close family members and their personal business interests during the 2021 financial year.

The term of the Directors ceased on 30 June 2021

8.3. Remuneration of auditors

	2021 $'000	2020 $'000
During the year the following fees were paid or payable for services provided by the auditor of VRCA:		
Victorian Auditor-General's Office		
Audit of financial statements	31	31

8.4. Commitments

	2021 $'000	2020 $'000
(a) Short term lease commitments		
Non cancellable leases contracted for but not capitalised in the financial statements		
Commitments for minimum lease payments:		
Payable no later than 1 year	18	18
Total commitment (incl GST)	**18**	**18**
Less: GST	2	2
Net commitment (ex GST)	**16**	**16**
Long term leases are capitalised on the balance sheet under AASB 16.		
(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	321	325
Payable 1-5 years	1,165	92
Total commitment (incl GST)	**1,486**	**417**
Less: GST	135	38
Net commitment (ex GST)	**1,351**	**379**

VRCA has no capital commitments at 30 June 2021 and 30 June 2020.

SECTION 8. OTHER INFORMATION (*continued*)

8.5. 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.

8.6. Other accounting policies

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 17 *Insurance Contracts*	The new Australian standard seeks to eliminate 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. AASB 2020-5 Amendments to Australian Accounting Standards – Insurance Contracts was issued in July 2020 with the intention to reduce the costs application and easing transition by deferring its effective date to annual periods beginning on or after 1 January 2023 instead of 1 January 2021. This standard currently does not apply to the not-for-profit public sector entities.	1 Jan 2023	The assessment has indicated that there will be no significant impact for VRCA; it will continue to be monitored and assessed.
AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current	This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. A liability is classified as non-current if an entity has the right at the end of the reporting period to defer settlement of the liability for at least 12 months after the reporting period. The meaning of settlement of a liability is also clarified. AASB 2020-6 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-current – Deferral of Effective Date was issued in August 2020 and defers the effective date to annual reporting periods beginning on or after 1 January 2023 instead of 1 January 2022, with earlier application permitted.	1 Jan 2023	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)

AASB 2021-3 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions beyond 30 June 2021	This Standard amends AASB 16 to extend by one year the application period of the practical expedient added to AASB 16 by AASB 2020-4 Amendments to Australian Accounting Standards – Covid-19-Related Rent Concessions. The practical expedient permits lessees not to assess whether rent concessions that occur as a direct consequence of the covid-19 pandemic and meet specified conditions are lease modifications and, instead, to account for those rent concessions as if they were not lease modifications (e.g. account for as variable lease payment instead). This standard extends the practical expedient to rent concessions that reduce only lease payments originally due on or before 30 June 2022, provided the other conditions for applying the practical expedient are met.	1 April 2021	The assessment has indicated that there will be no significant impact for VRCA; it will continue to be monitored and assessed.

In addition to the new standards and amendments above, the AASB has issued a list of other amending standards that are not effective for the 2020-21 reporting period (as listed below). In general, these amending standards include editorial and reference changes that are expected to have insignificant impacts on public sector reporting.

- AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (Appendix C).*
- AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities.*
- AASB 2020-3 *Amendments to Australian Accounting Standards – Annual Improvements 2018-2020 and Other Amendments.*
- AASB 2020-7 *Amendments to Australian Accounting Standards – Covid-19-Rent Related Concessions: Tier 2 Disclosures.*
- AASB 2020-8 *Amendments to Australian Accounting Standards - Interest Rate Benchmark Reform – Phase 2.*
- AASB 2020-9 *Amendments to Australian Accounting Standards – Tier 2 Disclosures: Interest Rate Benchmark Reform (Phase 2) and Other Amendments.*
- *AASB 2021-1 Amendments to Australian Accounting Standards – Transition to Tier 2: Simplified Disclosures for Not-for-Profit Entities.*
- *AASB 2021-2 Amendments to Australian Accounting Standards – Disclosure of Accounting Policies and Definitions of Accounting Estimates.*

VICTORIAN REGIONAL CHANNELS AUTHORITY
DECLARATION
For the year ended 30 June 2021

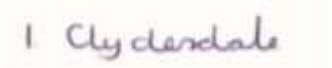
The attached financial statements for Victorian Regional Channels Authority have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including 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 2021 and financial position of VRCA at 30 June 2021.

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 29 September 2021.

Natalie Reiter
Chief Executive
Dated: 29 September 2021



Ian Clydesdale
Chief Financial Officer
Dated: 29 September 2021

VAGO
Victorian Auditor-General's Office

Independent Auditor's Report

To the Board of Directors of the Victorian Regional Channels Authority

Opinion	I have audited the financial report of the Victorian Regional Channels Authority (the authority) which comprises the: • balance sheet as at 30 June 2021 • 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 • declaration. In my opinion the financial report presents fairly, in all material respects, the financial position of the authority as at 30 June 2021 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the *Financial Management Act 1994* and applicable Australian Accounting Standards.
Basis for Opinion	I have conducted my audit in accordance with the *Audit Act 1994* which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the *Auditor's Responsibilities for the Audit of the Financial Report* section of my report. My independence is established by the *Constitution Act 1975.* My staff and I are independent of the authority in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 *Code of Ethics for Professional Accountants* (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.
Board of Directors's responsibilities for the financial report	The Board of Directors of the authority are responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the *Financial Management Act 1994*, and for such internal control as the Board 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. In preparing the financial report, the Board of Directors are 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.

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's 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
1 October 2021

Simone Bohan
as delegate for the Auditor-General of Victoria