



Annual Report
2022-23

Responsible Body's declaration

The Hon. Melissa Horne MP
Minister for Ports and Freight
1 Spring Street
Melbourne VIC 3000

The Hon. Tim Pallas MP
Treasurer
1 Treasury Place
East Melbourne VIC 3002

Dear Ministers,

I have much pleasure in submitting to you the Annual Report of Ports Victoria for the period 1 July 2022 to 30 June 2023, in accordance with the provisions of the *Transport Integration Act 2010* (Vic) and the *Financial Management Act 1994* (Vic).

A handwritten signature in black ink, appearing to read 'HR', with a long horizontal line extending to the right from the bottom of the signature.

Yours sincerely,
Howard Ronaldson
Chair

27 September 2023

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Section 1:

Year in review

From the Chair

In July 2022, the final step in the Victorian Government's review of the Victorian ports system was announced with the release of *Navigating our Port Futures-The Victorian Commercial Ports Strategy*. This sets out the government strategy to protect and enhance our commercial ports for the future.

Ports Victoria has been appointed as one of the lead agencies in delivering the strategy, being responsible for 10 of the initiatives and having a supporting role in others. We are already working on a number of these actions and at planning stages for others.

The document has helped further define Ports Victoria's expanded role and responsibilities and enabled us to plan with more clarity and certainty.

The Victorian port system is always changing to meet industry and economic needs and Ports Victoria is the organisation that provides advice and support to the Victorian Government in this area.

Ports must constantly plan for change, anticipating and responding to short and long-term industry and economic needs to support Victoria's prosperity. Significantly, the Victorian Government's plans to transition to renewable energy require substantial integration into the ports system development.

In March 2023, the port of Hastings was announced as the preferred location for the Victorian Renewable Energy Terminal to facilitate offshore wind power assembly, subject to planning and environmental approvals. Ports Victoria is working with the Port of Hastings Corporation on this important project, providing advice around the maritime requirements.

A visible change in the ports landscape during the year was the move of TT-Line's operations base for the *Spirit of Tasmania* ferries from Station Pier in Port Melbourne to Spirit of Tasmania Quay in the port of Geelong. Ports Victoria helped facilitate this move, working with and advising TT-Line and GeelongPort, the port operator, resulting in a smooth maritime changeover.

On behalf of the Board, I thank the people of Ports Victoria for their work over the twelve months, including the Chief Executive Officer, Brendan Webb.

I thank my fellow Board Directors for their contributions during the year. We welcomed four new Directors in October 2022, each of them adding to the collective experience and skills of the Board.

I also want to mention two Directors who departed the Board during the year.

Peter Tuohey, whose term of appointment concluded on 30 September 2022, was an experienced Director with maritime industry knowledge having previously served on the Board of Victorian Ports Corporation (Melbourne), one of our predecessor organisations.

Meg Bourke-O'Neill was appointed to the Board in October 2022, bringing ports and freight knowledge particularly in the area of Victoria's ports review. She resigned from the Board in May 2023 to take up a new role.



Howard Ronaldson

Chair

From the Chief Executive Officer

In 2022-23, Ports Victoria had a year of consolidation and continuous change.

We continued the integration and upgrading of our administrative and operational systems to set a sound basis for the organisation as we move into our expanded role.

We continued to deliver our core role of providing safe, fair, and efficient access to Victoria's commercial ports through the provision of marine navigation services. The number of vessels visiting per year continues to grow steadily with a total of 3677 vessel visits to Port Phillip and Western Port in 2022-23. These ships called at the ports of Geelong, Hastings, and Melbourne.

In terms of change, one of our key achievements for the year was the issuing of Pilotage Services Providers Licences and the development of a Pilotage Services Provider Standard, as assigned to us in the government's Commercial Ports Strategy. The standard sets a basis for best practice service provision across Victoria's commercial ports and is the first one in Australia.

We worked closely with industry to create the standard and it is a good example of the way we are working with our stakeholders in order to foster a safer port community through collaboration.

To guide us in our interactions with our stakeholders, we undertook a survey of industry and community. This has given us an insight into our relations with the various groups and how we should collaborate with them.

We worked closely with the cruise shipping industry, preparing for the post-COVID-19 return in the 2022-23 season. Cruising was back in strength with 127 visits across Victoria. Station Pier alone had a record 110 visits.

In May 2023, we introduced our Maritime Equity Program as part of our diversity, equity, and inclusion action plan. And we are delighted with its success.

From a large, high-calibre group of applicants, we employed five women from non-maritime backgrounds who are undergoing training to qualify as vessel traffic service officers.

In line with the Victorian Government's Climate Action Policy, we are working to reduce the environmental impact from our operations. For the first time, we are documenting our greenhouse gas emissions in our annual report, focusing on electricity and transport usage (motor vehicles and marine vessels).

As we continue to grow into our new role, we are working to create a solid foundation to set us on the path to commercial and operational sustainability in the medium term.

I thank the Chair and Board of Directors for their guidance during the year and the Executive Leadership Team for their work and support during this year.

And, importantly, I want to thank all the employees of Ports Victoria for their work. They continue to adapt to our new role and responsibilities, providing our services around the clock.

Our Vision is to be a maritime centre of excellence and it is our people who are making this happen.



Brendan Webb

Chief Executive Officer

Vision, Purpose and Values

Vision

A maritime centre of excellence.

Purpose

Connecting our ports with the world.

Values

- We care
- Learning and acting
- Feel trusted and be trusted
- Together we achieve

An overview of Ports Victoria

Acknowledgement of Country

We acknowledge the Traditional Aboriginal Owners of Country throughout Victoria and pay our respects to Elders past, present and emerging and to the ongoing living culture of Aboriginal people.

Department of Transport and Planning

Ports Victoria is part of Victoria's transport and planning portfolio, led by the Department of Transport and Planning (DTP).

DTP delivers an integrated approach to Victoria's transport and planning system to support inclusive, prosperous, and sustainable community outcomes. DTP enables more liveable communities across Victoria through the realisation of local economic and community opportunities.

DTP serves five Ministers and a Parliamentary Secretary and unites transport, planning, precincts, land use, property, building and heritage to support our vision of thriving places, connected communities for all Victorians.

Ports Victoria and its initiatives are key contributors to the transport and planning portfolio.

Manner of establishment

Ports Victoria is embedded in legislation including in the *Transport Integration Act 2010* (Vic) (TIA), *Marine Safety Act 2010* (Vic) (MSA), and *Port Management Act 1995* (Vic) (PMA).

Ports Victoria started operations on 1 July 2021, created from its two predecessor organisations through a Transport Restructuring Order. The *Transport Legislation Amendment (Port Reforms and Other amendments) Act 2022* (Vic) amended the TIA to incorporate Ports Victoria's functions on 1 July 2022. The TIA reformed its charter to promote and facilitate trade, undertake operational activities and provide technical and consultancy services concerning the whole of the Victorian ports system.

Other amendments incorporated Ports Victoria's role into the PMA and MSA.

Purpose and responsibilities

Ports Victoria is a Victorian Government statutory authority.

We manage maritime navigation and operational safety for Victoria's commercial ports, keeping them connected with the world.

With around 3500 commercial vessel visits each year to Port Phillip and Western Port, our 24/7 navigational safety services ensure the port waters of the ports of Melbourne, Geelong and Hastings remain safe and the marine environment is protected. Ports Victoria also has oversight of these activities for the port of Portland where the port operator carries out the services.

Ports Victoria manages Victoria's iconic, heritage-listed Station Pier in Port Melbourne, home to the state's biggest cruise shipping terminal with more than 100 cruise ship visits per year. The pier also hosts navy vessels visiting Melbourne.

We are one of the lead agencies implementing the government's framework for the port system, the *Victorian Commercial Ports Strategy*.

Ports Victoria's role includes providing technical advice to government on port development and maritime-related matters, developing licensing regimes for pilotage and towage services providers, assisting port managers with port development strategies, and developing a Victorian Cruise Shipping Strategy.

Ports Victoria's work will help ensure the state's ports complement each other and work together to provide an efficient capacity and capability to accommodate Victoria's rapidly expanding trading requirements.

An overview of Ports Victoria

Operational activities

Shipping and navigation

Ports Victoria ensures the provision of harbour masters for the ports of Melbourne, Geelong and Hastings in accordance with Chapter 6 of the *Marine Safety Act 2010* (Vic). Ports Victoria is also empowered to authorise persons to act as Assistant Harbour Masters, in accordance with section 229 of the Marine Safety Act.

Safe marine navigation is enabled by 24-hour accredited vessel traffic services (VTS) at the Port Operations Control Centre in Port Melbourne (Melbourne VTS), at the Point Lonsdale Lighthouse (Lonsdale VTS) and at the Local Port Service (LPS) office in Geelong.

Marine pollution response

Ports Victoria is the initial response and control agency for marine emergencies (non-search and rescue) within the port waters of the ports of Melbourne and Geelong and for marine pollution from Cape Schanck in the east to Cape Otway in the west, including all of Port Phillip.

Infrastructure

Ports Victoria is appointed as the Committee of Management for the heritage-listed Station Pier in Port Melbourne and the Point Lonsdale Lighthouse at the Heads.

As such, Ports Victoria is responsible for the management and upkeep of the buildings and facilities at Station Pier which include two kiosks (built in 1927), a gatehouse (built in 1930), two large passenger terminals (built in the 1920s, and significantly altered between the 1950s and 1970s) and a former railway office (the core of which dates back to 1926).

Ports Victoria is also responsible for the maintenance of the lighthouse structure in Point Lonsdale.

Channels and aids to navigation

Ports Victoria is responsible for the maintenance of the shipping channels leading to the ports of Geelong and Hastings and their associated aids to navigation.

The shipping channels leading to the port of Melbourne and their associated aids to navigation are maintained by Port of Melbourne Operations, the manager of the port of Melbourne.

Trade facilitation

The ports of Melbourne, Geelong, Hastings and Portland import and export a diverse range of cargoes, vital to the Victorian economy.

- The port of Melbourne is Australia's largest container and general port, handling more than one-third of the nation's container trade.
- The port of Geelong is Victoria's second largest port and main bulk cargo port.
- The port of Hastings provides access for major industries including a hub for oil and gas imports and a major steel product manufacturing facility.
- The port of Portland provides bulk cargo services for the agriculture, forestry and mining industries.

An overview of Ports Victoria

Functions, objects and powers

Transport Integration Act 2010 (Vic)

The *Transport Integration Act 2010* (Vic) (TIA) commenced on 1 July 2010. Its purpose was to create a new framework for the provision of an integrated and sustainable transport system in Victoria consistent with the vision statement contained in section 6 which reads:

'The Parliament recognises the aspirations of Victorians for an integrated and sustainable transport system that contributes to an inclusive, prosperous and environmentally responsible State.'

Ports Victoria was constituted by Order in Council Transport Restructuring Order (Establishment of Ports Victoria) No. 1/2021 and was continued under the TIA.

Under the TIA, the main objects of Ports Victoria are to manage, and support the management of, port of Melbourne waters, channels in port of Melbourne waters, regional port waters and channels in regional port waters for use on a fair, safe and efficient basis consistent with the vision statement and the transport system objectives. Its objects also include:

- (a) to promote and facilitate trade through commercial trading ports and local ports;
- (b) to support the strategic planning and development of the Victorian ports system;
- (c) to participate in emergency management at a State level in accordance with the state emergency management plan;
- (d) to undertake operational activities, including asset management and project management in relation to the Victorian ports system;
- (e) to provide technical and consultancy services in relation to the Victorian ports system.

Ports Victoria is a 'transport body' under the TIA and, as such, is required to have regard to the 'transport system objectives', 'decision making principles' and any applicable 'specified policy principles' when performing its functions or exercising its powers under any 'transport legislation', including the TIA, *Port Management Act 1995* (Vic) and the *Marine Safety Act 2010* (Vic).

As a 'transport corporation' under the TIA, Ports Victoria has power to do all things that are necessary or convenient to be done for or in connection with, or as incidental to, the achievement of its object and the performance of its functions.

The transport system objectives provide for:

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

The decision-making principles provide for:

- Integrated decision making
- Triple bottom line assessment
- Equity
- Transport system user perspective
- The precautionary principle
- Stakeholder engagement and community participation
- Transparency

The functions of Ports Victoria under the TIA are / include:

- (a) to establish, provide, and maintain port systems and infrastructure for port land and port waters for which Ports Victoria is responsible; and
- (b) to manage and develop, or enable and control the management and development of, port land and infrastructure for which Ports Victoria is responsible; and
- (c) to provide navigational control and safety services in State waters other than port waters; and
- (d) to establish and manage channels in the port waters of commercial trading ports; and
- (e) to dredge and maintain, in accordance with standards determined under section 199 of the *Marine Safety Act 2010*, channels in the port waters of commercial trading ports; and
- (f) to provide and maintain, in accordance with standards determined under section 199 of the *Marine Safety Act 2010*, navigation aids in connection with navigation in port land and port waters for which Ports Victoria is responsible; and
- (g) to provide and maintain marine safety infrastructure in connection with port land

An overview of Ports Victoria

and port waters for which Ports Victoria is responsible; and

- (h) to generally direct and control the movement of vessels in port of Melbourne waters and regional port waters in accordance with the Marine Safety Act 2010; and
- (i) to provide advice and information to port managers in relation to the integrated planning, development, management and promotion activities for ports; and
- (j) to provide advice, guidance and expertise in relation to port and maritime issues to local port managers and waterway managers; and
- (k) to engage harbour masters in accordance with the Marine Safety Act 2010; and
- (l) to develop standards and codes for navigational safety in relation to the Victorian ports system; and
- (la) to license pilotage services providers in accordance with the Port Management Act 1995; and
- (m) to promote the sustainable growth of trade carried out through the Victorian ports system; and
- (n) to develop and facilitate the development of the cruise ship industry in Victoria; and
- (na) to licence towage service providers in accordance with the Port Management Act 1995; and
- (o) any other function conferred on Ports Victoria by this or any other Act.

Ministerial Directions

Ports Victoria did not receive any Ministerial Directions during 2022-23.

Activities review

Key achievements

Following are notable achievements from the many projects and activities delivered by Ports Victoria during the reporting period.

- Provided safe, fair and efficient navigation in the port waters of Victoria's commercial ports.
- Issuing of licences to all pilotage service providers registered with Safe Transport Victoria.
- Successful implementation of the extension of the Lonsdale VTS sector and gaining VTS accreditation for the extension.
- Establishment of our Maritime Equity Program with the recruitment of five female trainees from non-maritime backgrounds for the Geelong Local Port Service.
- Unification of the management of vessel movements for the ports of Hastings and Geelong under the Geelong Local Port Service.
- Fostering a collaborative operational port community for closer, seamless delivery of services to the supply chain.
- Rationalisation and unification of inherited systems throughout the business as we continue to progress the integration of the two predecessor organisations into one.

Marine operations

Ports Victoria provided navigational services to vessels transiting the port waters of Melbourne, Geelong and Hastings.

VTS availability in 2022-23 was 100 per cent, exceeding the international minimum standard of 99.8 per cent.

Vessel visits

In Port Phillip, visiting vessels usually call at either the port of Melbourne or the port of Geelong but some call at both ports during their visit to the bay.

Vessels also move between berths and anchorages.

Statistics

Ports Victoria managed:

- 3677 vessel visits to Port Phillip and the 8221 movements of these vessels in the bay.

At the three ports, Ports Victoria managed:

- 2506 vessel visits to the port of Melbourne – in Port Phillip
- 1055 vessel visits to the port of Geelong – in Port Phillip
- 158 vessel visits to the port of Hastings – in Western Port

Extension of Lonsdale VTS sector

On 31 March 2023, the Lonsdale VTS sector was extended further into Bass Strait to improve navigational safety for all vessels entering Port Phillip.

The Australian Maritime Safety Authority (AMSA) issued an Instrument of Authority that extended the sector to include an arc of a circle projecting southward with a radius 10 nautical miles from Point Lonsdale Lighthouse.

AMSA's VTS accreditation audit of the new area found no non-conformances.

Activities review

Navigational services

Following the successful upgrade of the VTS system in the Melbourne and Lonsdale VTS sectors of Port Phillip, our attention has turned to navigational services in the rest of the Victorian ports system, as required by the Transport Integration Act.

Our first action in this regard is working to achieve VTS accreditation for our LPS in Geelong which manages navigational safety for the ports of Geelong and Hastings.

Senior maritime appointments

Three new Deputy Harbour Masters were appointed during the year:

- David Tilsley joined as Deputy Harbour Master Melbourne – Navigation Services
- Kylie McDonald joined as Deputy Harbour Master Geelong
- Paul Rasmussen was promoted to Deputy Harbour Master Geelong - VTS

Nick Ellul has taken over the direct duties of Harbour Master for the port of Hastings in addition to his responsibilities as General Manager Maritime and Harbour Master for the port of Geelong.

TT-Line at port of Geelong

In October 2022, TT-Line moved the Victorian operational base of its *Spirit of Tasmania* ferries from Station Pier to the Spirit of Tasmania Quay in port of Geelong

In the lead up, Ports Victoria worked closely with TT-Line and GeelongPort on the scheduling and navigational aspects of the ferries new journeys within Ports Victoria waters. The daily transits of the ferries are now smoothly integrated as part of business as usual activities.

Risk, emergency and issues management

Risk management

Ports Victoria is further strengthening its focus on risk management and has appointed a dedicated, specialist Risk Management Business Partner to work with all areas of the organisation to identify, manage and minimise risks.

Issues management

River flooding in Melbourne

In October 2022, heavy rains throughout the catchment areas of the Yarra and Maribyrnong rivers led to major flooding in both rivers, the Maribyrnong in particular.

Near the rivers' confluence, in the port of Melbourne, the strong currents and fast moving debris posed a safety risk to personnel, vessels and infrastructure. The rivers were temporarily closed for movements of commercial vessels at, or bound for, upriver berths in the port.

As the flood receded, the rivers were reopened to shipping in a staged manner

The quick response and carefully managed reopening meant there was no damage to vessels or infrastructure and no injuries to port personnel during the incident.

Activities review

Marine pollution response

Ports Victoria has delivered and participated in several large-scale emergency response exercises during the year with active participation from state and nationally based emergency and support agencies. These exercises provide a good opportunity for stakeholder engagement, relationship building and emergency preparedness in the ports' environment.

Several Ports Victoria staff who are members of the state and national response team attended planning and review meetings held by the Department of Transport and Planning and the Australian Maritime Safety Authority to update the State Maritime Emergencies (non-search and rescue) Plan.

During the year there were several emergency events within the commercial ports that were managed within the State Emergency Management Plan framework. Debriefs were conducted for all events and lessons learned have been shared and incorporated into operation doctrine.

Safety and Environment Management Plans

The Port Management Act requires Ports Victoria to prepare and implement approved and audited Safety and Environment Management Plans (SEMPs) for the port waters of each of the commercial ports of Geelong, Melbourne and Hastings. The SEMPs are publicly available on the organisation's websites.

The commercial port operators are responsible for the SEMPs for their landside operations.

Annual reports are prepared and presented to the Minister for Ports and Freight, Environment Protection Authority Victoria, WorkSafe and Safe Transport Victoria each year.

The SEMPs are prepared in accordance with Ministerial Guidelines Port Safety and Environment Management Plans (November 2012), as required by section 91G of the Port Management Act. The plans are subject to independent audit every three years and internal audit annually.

In 2021-22, the SEMPs for the ports of Melbourne and Hastings were externally audited and found to be in full conformance with the Port Management Act and Ministerial Guidelines requirements. The SEMP for the port of Geelong was audited during the previous year. All Ports Victoria SEMPs will be externally audited in 2023-24.

As required, the SEMP annual reports, including the findings and safety metrics from these internal audits, were presented to the Minister for Ports and Freight, WorkSafe Victoria and the Environment Protection Authority Victoria.

Ports Victoria achieved its objectives outlined in its SEMPs in 2022-23.

Activities review

Health and safety

Health and safety is a priority in everything we do – for our staff, our customers, our stakeholders, our contractors, our visitors and the wider port stakeholders and ports community.

We maintain a high level of maritime and workplace health and safety through continuously reviewing risks and risk mitigation strategies. This process is enhanced through good communication and liaison with our stakeholders.

Any changes to the risk profile are addressed by considering the relevant activity from a whole of organisation and whole of port perspective, revising operational procedures and providing appropriate additional treatments to mitigate the identified risks.

In all operational, safety-related, on water matters we work closely with the Australian Maritime Safety Authority and Safe Transport Victoria.

Port system development

Planning for future port developments

During the year there have been several energy-related developments proposed which affect the Victorian Ports System.

Liquid Natural Gas imports

Viva Energy Ltd and Vopak Victoria Energy Terminal Pty Ltd are each proposing Liquid Natural Gas import terminals within Port Phillip.

Viva Energy Ltd submitted an Environment Effects Statement (EES) to government for its proposed Gas Terminal Project in the port of Geelong and, on 6 March 2023, the Minister for Planning directed that a supplementary statement is required.

Vopak submitted EES referral documentation to government in December 2022 but no decision had been made on the referral before 30 June 2023.

Ports Victoria continues to engage with the proponents and the EES process in relation to the navigational safety requirements for vessels for these proposed developments.

Hydrogen fuel developments

Several proponents are investigating or undertaking hydrogen developments at Victoria's commercial ports.

Japan's Suiso Energy is looking to invest in the Liquefied Hydrogen Supply Chain Demonstration Project at the port of Hastings. Ports Victoria is working with the proponent on the navigational requirements for the vessels using, or proposed for use, at the port.

Offshore wind energy

The Victorian Government has announced the port of Hastings as the preferred port to support the development of Victoria's offshore wind projects, a key pillar of Victoria's renewable energy future. This is subject to planning and environmental approvals.

The development of the requisite port infrastructure is being managed by Port of Hastings Corporation while Ports Victoria has a key role determining the navigational requirements.

Activities review

Licensing and standards

Pilotage Services Providers licences and standard

Under the provisions of the Port Management Act related to Pilotage Services Provider (PSP) licensing, Ports Victoria is the body authorised to issue pilotage services licences. These provisions came into effect on 1 March 2023.

At that date, PSPs registered with Safe Transport Victoria were deemed to be licensed and Ports Victoria issued licences to the relevant companies.

Under the Port Management Act, Ports Victoria is also authorised to set standards for pilotage services. Through engagement with industry, the Pilotage Services Providers Standard was developed and provides a basis for best practice pilotage service provision across Victorian commercial ports.

Ports Victoria published the standard on its website www.vicports.vic.gov.au and flagged that the standard will be a condition on licences from 1 March 2024.

Towage Licensing Regime

The provisions of the Port Management Act related to towage licensing came into effect on 1 March 2023.

Under those provisions, Ports Victoria is developing a towage licensing regime for Victorian commercial ports.

Under the transitional powers of the Act, the existing Towage Requirements Definition for the port of Melbourne waters was extended to 1 March 2024.

Cruise shipping

Cruise shipping returned in strength to Victoria in the 2022-23 season with 127 visits across the state - the first season since the COVID-19 restrictions were lifted in April 2022.

Station Pier is home to the state's premier cruise shipping gateway with more than 100 ship visits per season. Cruise ships also call at the port of Geelong and at the Cowes Anchorage off Phillip Island in Western Port in Ports Victoria's waters.

Station Pier, Port Melbourne

Station Pier welcomed a record 110 visits by 26 different vessels for the season with berths occupied on 85 days between 15 September 2022 and 6 April 2023.

The visits included 68 transits and 42 turnarounds.

A turnaround is when a ship exchanges all, or most of its passengers at the end of one cruise and the start of another. For the first time, turnarounds were conducted for two ships on the same day – 10 February 2022. Arrival and departure times were staggered to cater for the high volume of passengers, crew and vehicle movements on the pier.

Seven cruise ships homeported at the pier: *Pacific Explorer*, *Grand Princess*, *Queen Elizabeth*, *Star Breeze*, *Azamara Quest*, *Coral Adventurer* and *Silver Muse*.

There were 12 overnight visits including two vessels staying three nights each during the Spring Racing Carnival and one vessel doing so during the Australian Open Tennis tournament.

Other berths in Melbourne

On two occasions when Station Pier was at capacity, a cruise ship berthed at Webb Dock West in the port of Melbourne.

Phillip Island

Phillip Island had eleven cruise ship visits during the season, with vessels anchoring in port of Hastings waters at the Cowes Anchorage and tendering passengers to the island.

Geelong

Geelong had four cruise calls, anchoring in the Ports Victoria Geelong Anchorage and tendering passengers to the city for shore excursions.

Activities review

Portland

Two cruise vessels called at Portland during the season.

The future

As detailed in the Victorian Government's *Victorian Commercial Ports Strategy*, the Station Pier precinct has been identified as still the best location for Victoria's primary cruise shipping operations.

Ports Victoria is investigating the best use of the pier and a plan for an integrated transport and land use outcome for the precinct while protecting the valued heritage of the pier.

Running in parallel with this will be Ports Victoria's development of a Victorian Cruise Shipping Strategy.

Station Pier operations

In addition to cruise shipping operations, Station Pier also welcomes naval ships visiting Melbourne and hosted TT-Line's Bass Strait ferries.

Ferry operations

Station Pier Pier was the Victorian base for TT-Line's cargo / passenger ferries for 37 years. Their first sailing from the pier was the *Abel Tasman* on 30 June 1985 and the last was the *Spirit of Tasmania* sailing on 22 October 2022.

TT-Line now operates from a purpose-built facility in the port of Geelong.

Navy visits

Three Royal Australian Navy (RAN) vessels and one Royal New Zealand Navy vessel visited the pier during the year.

In 2022 the HMAS *Warramunga* was berthed at the pier from 12 to 16 September.

Two RAN vessels visited over the ANZAC Day weekend, from 23 to 27 April 2023, with crew participating in official ANZAC Day events. The vessels were the HMAS *Adelaide* and the HMAS *Sydney*.

The HMNZS *Te Mana* visited for three days from 11 November 2022.

Assets

Asset management

Ports Victoria is responsible for a diverse set of assets in many different and challenging locations on land and water.

During 2022-23, we undertook a survey of our assets across the three ports, Melbourne, Geelong and Hastings. The results have given us a deeper understanding which is informing the planning of our future maintenance and upgrade programs.

The assets include Station Pier in Port Melbourne and the Point Lonsdale Lighthouse (both heritage listed), the shipping channels leading to the ports of Geelong and Hastings and their related aids to navigation.

The advanced navigation systems used to ensure shipping safety in Port Phillip and Western Port are also managed by Ports Victoria. These systems are located in and around the two bays, along the southern Victorian coast and in the waters of Bass Strait.

Activities review

Asset maintenance

Station Pier

During the periods before and after the cruise season, maintenance was carried out on Station Pier and its associated infrastructure.

The annual pile maintenance program continued, as did repairs and upgrades to the deck, beams and fenders on the pier structure. A comprehensive assessment of the beams was undertaken to better inform our future maintenance and upgrade program.

The two terminals and other buildings on the pier received minor maintenance and repairs and were checked for statutory compliance with essential services maintenance requirements.

East Finger Pier kiosk

Following removal of non-original extensions to return the building to its original layout, the historic structure has been stabilised and structurally upgraded. The upgrades included the frame, gutters and drainpipes, the heritage door and windows and some of the external cladding.

It is freshly painted inside and outside in heritage colours.

West Finger Pier

Maintenance work to the deck of the West Finger Pier will allow greater public access to the site.

The restored Stothert & Pitt heritage crane on the pier also had minor maintenance during the year.

Pricing

As a designated State Port Entity under section 74AB of the *Port Management Act 1995* (Vic), Ports Victoria may set fees and charges for its services.

As a designated 'channel operator' under section 75 of the same Act, it may set fees and charges for channel usage. These are set out in the Reference Tariff Schedules.

Ports Victoria made no changes to its prices, fees, charges, rates or levies during 2022-23.

Commercial terms

Ports Victoria has Standard Terms and Conditions (STC) for the hire of common user wharves and terminals at Station Pier. These detail the performance obligations of Ports Victoria and the hirers and ensures that the Ancillary Service Providers (ASP) they engage are covered by these performance standard requirements.

The STC are complemented by ASP licences that incorporate security, health and safety, and environmental management performance obligations on the licence holders.

Activities review

Community and industry engagement

Ports Victoria engages with government, maritime industry, recreational boating and community stakeholders.

We are increasing our emphasis on stakeholder relations and engagement. To understand our stakeholders' expectations better, we undertook stakeholder research during the year.

Maritime and boating stakeholders Operational stakeholder and customer engagement

The safety of all commercial port users is a priority for Ports Victoria and it is seen as a shared responsibility across all port service providers.

To foster a collaborative port community, stakeholders were actively engaged in information sharing at all levels. This strengthens bonds between parties and takes advantage of the breadth and depth of maritime expertise across Victoria's commercial ports.

The engagement included regular meetings of the Navigational Safety Committee, Ports Victoria's Joint Port Operations Simulator Training sessions and continued communications.

Keep Clear boating safety program

The aim of the *Keep Clear* boating safety campaign is to reduce the risk of interactions between large commercial ships and small recreational vessels in shipping channels.

It is directed at recreational vessel masters to make them aware of the risks of operating their small craft near large ships. We work with our partners in waterway safety to promote the safety messages.

During the year, our Transport Safety Officers (TSOs) conducted on-water patrols in the port waters of the ports of Melbourne, Geelong and Hastings.

Out on patrol, the TSOs speak directly with recreational vessel operators who are either close to commercial vessels or who are not complying with marine safety legislation or local waterway rules.

While the program is predominately educational, enforcement measures such as directions and

infringements are issued when it is necessary and appropriate to prevent unsafe behaviour.

Seafarer welfare

Ports Victoria continued its support of the seafarer welfare organisations, Mission to Seafarers and Stella Maris. These organisations offer pastoral and practical care to the seafarers who crew the vessels calling at Victoria's commercial ports.

Community

Ports Victoria has multiple operational sites around Port Phillip and Western Port, in locations ranging from residential city areas to rural environments. We are cognisant of the amenity expectations of neighbouring communities in everything we do.

Community representation

We are represented in the communities around our operational areas through participation in local organisations, face to face and other communications activities.

- **Geelong:** We are active in the community through membership of the Geelong Chamber of Commerce, the Committee for Geelong and G21 Geelong Region Alliance organisations.
- **Hastings:** We participate in the Port of Hastings Community Consultation Committee. Port operations and activities are reviewed and discussed by representatives of port stakeholders and the local community.
- **Port Melbourne:** Urban communities border our operations areas and landside links. Recognising the amenity expectations of neighbouring communities, we liaise and regularly meet with residents, businesses and local government in the Station Pier precinct of Port Melbourne.

Geelong school education program

The long-running school education program ran across two weeks in term 3 in 2022 and term 2 in 2023. Groups of secondary school students are taken on a boat tour of the port of Geelong with a guide explaining its operations, activities and importance to Victoria and the economy.

Community support

Ports Victoria provides support to the community through many of its day to day activities.

Activities review

We facilitate aquatic events which take place in or near the shipping channels and fairways in Port Phillip, for example yacht club and other boating activities. These include the high profile Festival of Sails and the Offshore Superboat Championships in Geelong as well as smaller events.

We work with the organisers of the popular Rip Swim events to coordinate vessel movements so swimmers can cross the busy Fairway Through Port Phillip Heads from Point Nepean to Point Lonsdale in safety from transiting vessels. The Fairway is the busiest shipping lane in Port Phillip, being used by every vessel entering or leaving the bay.

Foghorn decommissioned

A foghorn was first installed at Point Lonsdale in 1928 and for the following 95 years was an important part of the navigational safety system for vessels transiting the Heads at the entrance to Port Phillip.

Following a navigational risk assessment it was decided there was no longer any operational need or requirement for a foghorn at that location and, on 12 May 2023, Ports Victoria decommissioned it.

It is believed to have been the last operational foghorn in Australia, all having been superseded by modern navigational systems.

Employee engagement

Monthly all staff updates

To keep staff up to date with operations and planning within the organisation, the CEO leads a monthly online session for all staff across all work locations.

Employees from across the organisation, from different work disciplines and locations, present updates on the work being done and safety learnings in their areas. The sessions are interactive with questions and input encouraged from all attendees at each session.

Corporate values development

Our corporate values, created with staff input in 2021-22, were explored and developed in greater depth through a series of 14 staff forums during the year.

Staff can now see statements describing behaviours that demonstrate what each value looks

like in action, and, to reinforce, there are also statements describing behaviours that do not reflect the values.

The Vision, Purpose and Values have been promulgated to all staff through staff sessions and with visual reminders at each work location.

People Matter surveys

Results from the People Matter Survey conducted in June 2022 were very encouraging. There was a 68 per cent response rate which was an increase of 18 per cent on the previous year's survey. In comparison with the previous survey, the responses showed a 16 per cent increase in engagement with the organisation and a 40 per cent increase in trust in senior management.

In response to this and the results of our own Gallup survey of staff, we have seen:

- development of the new values
- introduction of wellbeing initiatives
- enhanced flexible work options
- roll out of the Adaptive Leadership Workout program, available to all staff.

White Ribbon Australia

White Ribbon Australia is part of a global social movement working to eliminate gendered violence.

Ports Victoria is working to obtain its independent White Ribbon Australia Workplace Accreditation.

Having accreditation will demonstrate to staff and stakeholders that we are committed to gender equality and creating a safe workplace for everyone; that our commitment goes beyond words and has been assessed and endorsed by experts in the field.

Reconciliation Action Plan

DTP has developed its *Transport Portfolio Aboriginal Self-Determination Plan 2020* in which Aboriginal and Torres Strait Islander peoples, their histories and cultures are acknowledged and understood. This plan also applies to all Transport Portfolio agencies.

To complement this, Ports Victoria is developing a Reconciliation Action Plan and we will enact it in our planning and activities across all areas of the business.

Financial information summary

Financial summary

The financial results for Ports Victoria are detailed as follows.

	2023 \$m	2022 \$m
Income	51.7	43.1
Expenses	42.4	40.0
Net result from transactions	9.3	3.1
Net result gain / (loss) after tax	8.5	(22.2)
Total comprehensive net income / (loss)	7.6	(6.8)
Net cash flow from operating activities	8.2	8.9
Total assets	122.1	117.0
Total liabilities	12.4	14.8

Overview

The Victorian Government considers the net result from transactions to be the appropriate measure of financial management that can be directly attributed to government policy. This measure excludes the effects of revaluations (holding gains or losses) arising from changes in market prices and other changes in the volume of assets shown under 'other economic flows' in the comprehensive operating statement.

The net result from transactions was \$9.3m, reflecting a strong rebound in cruise revenue once the COVID travel restrictions were lifted by the Australian Government, and Geelong channel fee and anchorage revenue exceeding budget expectations. Interest revenue also exceeded budget with the progressive interest rate rises from 1% at the beginning of the year to 4.1% at the end of the year.

This offset the TT-Line make good fee of \$7.5m budgeted and not received until July 2023 when the Deed of Release was finalised and signed. Actual revenue for the year of \$51.7m was in line with the Budget of \$52.5m.

The underspend in expenditure against budget is due predominantly to a delay in OPEX Projects expenditure of the year as a result of a number of compounding factors including:

- complexities in interacting with the supply chain and delays arising post COVID
- new processes including the establishment of a Project Management Office and changes to procurement process
- implementation of project accounting and merger of financial systems now established; and
- limits to management bandwidth / limited internal resources.

All non-current physical assets are required to be measured annually at fair value in accordance with Financial Reporting Directive 103. Based on the forecast cash flows from utilising Ports Victoria's assets, discounted at appropriate discount rates, this has resulted in no further impairment or revaluation of assets as at 30 June 2023.

Financial information summary

Financial performance – Comprehensive operating statement

The total comprehensive income for the year after tax of \$7.6m includes income tax expense of \$0.57m, offset with the tax effect from the movement in the reserves due to a tax rate increase from 25% (prior year) to 30%.

For the year ended 30 June 2023, Ports Victoria's turnover exceeds \$50m and is unable to utilise the reduced corporate tax rate of 25% as it does not qualify as a base rate entity ("BRE").

Balance sheet – Significant changes in financial position

Total assets of \$122.1m reflects the increase in the cash on hand over the prior year \$117.0m.

Total liabilities of \$12.4m reflects the decrease in Account Payables over the prior year \$14.8m.

Deferred tax assets (DTA) are recognised in the Balance Sheet only to the extent that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

Cash flow

Total cash on hand at the end of the 2022-23 financial year was \$48.9m. This included net cash inflows of \$8.2m from operating activities, net cash outflows of (\$1.1m) from investing activities and net cash inflows from financing activities of (\$0.6m).

Subsequent events

The Pricing Strategy and proposed Reference Tariff Schedule 2023 was approved by the Board at the Board Meeting held on 23 August and submitted to Department of Transport and Planning to co-ordinate Governor in Council approval.

In July 2023, negotiations were completed between TT-Line and Ports Victoria to vary the lease and licences to TT-Line. An amount was consequently paid to Ports Victoria for the variations totalling \$8.9m (excluding GST) including for the make good of Station Pier. This has been accounted for in FY 2023-24. TT-Line's lease over the 'freight yard' at Station Pier continues until TT-Line has completed an environmental audit and any environmental remediation required.

In September 2023, Mr. Brendan Webb resigned as the Chief Executive Officer and Ms Jacinta Mackey was appointed the Interim CEO.

Section 2:

Governance and organisational structure

Corporate governance

Board of Directors

The Ports Victoria Board of Directors is established under the *Transport Integration Act 2010* (Vic) (TIA). The Board consists of not less than three and not more than nine members, each of whom is appointed by the Governor in Council. It is the duty of the Board to act consistently with the functions and objectives of Ports Victoria, act as a sounding base for good corporate governance and to act honestly, fairly and diligently in accordance with the applicable legislation.

The role of the Board is to establish strategic direction, pursue established corporate objectives, ensure material risks to the operation of Ports Victoria are adequately considered and addressed, appoint the Chief Executive Officer (CEO) of Ports Victoria and monitor the business performance of Ports Victoria. The Board of Directors of Ports Victoria is responsible for the management of Ports Victoria's affairs and may exercise the powers of Ports Victoria. The Board delegates responsibility for management of the entity to the CEO.

Ports Victoria reported to the following Ministers during the reporting period:

- The Hon. Melissa Horne MP, Minister for Ports and Freight
- The Hon. Tim Pallas MP, Treasurer

The primary responsibilities of Ports Victoria are to manage, and support the management of, port of Melbourne waters, channels in port of Melbourne waters, regional port waters and channels in regional port waters for use on a fair, safe and efficient basis consistent with the vision statement and transport system objectives as set out in the TIA.

Conflict of interest

The Directors are governed in respect of conflicts of interest by the relevant provisions of the *Public Administration Act 2004* (Vic) and binding codes issued by the Victorian Public Sector Commission. They are required to declare any pecuniary interest in any matter being considered by the Board or in any other matter in which Ports Victoria is concerned. The Board is provided at each of its meetings a consolidated list of registered interests disclosed by Directors. Directors are also required to complete a declaration of private interests upon appointment and annually thereafter.

Directors

Howard Ronaldson Chair

Howard was appointed Chair of Ports Victoria on 1 July 2021.

He has had a lengthy career in general management, project governance and delivery, regulation management and the oversighting of large government programs.

He has held the positions of Secretary, Department of Infrastructure (VIC), Undersecretary (CEO) of Treasury (ACT) and in Victoria, Secretary of successive departments of economic development, Director of Housing and Director of Crown Lands.

Howard has participated on many boards as chair or as a member. He has been appointed as an administrator (or equivalent) on a number of occasions.

The first seven years of his working life were at Caterpillar Australia Ltd.

He holds a Bachelor of Economics (Monash University), a Graduate Diploma of Accounting and Finance (Caulfield Institute of Technology) and a Masters Degree in Business Administration (University of Melbourne).

Board Committee membership:

- Audit Committee
- People, Culture and Remuneration Committee
- Risk Committee

Elaine Carbines AM Deputy Chair

Elaine was appointed Deputy Chair of Ports Victoria on 1 July 2021.

Formerly a state MP representing Geelong, Elaine most recently held the position of CEO of G21 Geelong Region Alliance from 2010 to 2020.

Elaine is an experienced non-executive Director bringing diverse skills to the Ports Victoria board including regional development, strategic planning, community engagement, education and communication.

She holds a number of Director positions including Deputy Chair, Barwon Water; Deputy Chair, GForce Employment and Recruitment; Director, AWA Alliance Bank; Director, Northern Futures; and Director, IMPACT Institute Advisory Board.

Elaine is an Ambassador for the Peace of Mind Foundation.

Board Committee membership:

- Chair – People, Culture and Remuneration Committee
- Risk Committee

Directors

Penny Alexander

Penny was appointed as a Director of Ports Victoria on 1 October 2022.

She has broad experience and expertise in the delivery, operation and maintenance of critical assets in the resources, energy and infrastructure sectors in Australia and Asia.

Through her former role as a partner at an Australian law firm, Penny has advised on some of the Victorian Government's highest profile and strategically important projects including the establishment of Ports Victoria.

In addition, Penny has worked with Mitsubishi Corporation in Tokyo, where her role involved advising in respect of Mitsubishi's extensive portfolio of global resources and infrastructure projects.

Board Committee membership:

- Risk Committee

Meg Bourke-O'Neill

Meg Bourke-O'Neil was appointed as a Director of Ports Victoria on 1 October 2022 and resigned her position as Director on 16 May 2023.

Her career spans not for profit, private and public sectors, starting in social services and for the past 13 years in transport.

She is a past Chair of Commercial Passenger Vehicles Victoria, overseeing the taxi and ridesharing industry, and Deputy Chair of UITPANZ (now the Australia and New Zealand Public Transport Association).

Meg most recently served as a Deputy Secretary in transport for both Victoria and NSW. She is a current Director of the Suburban Rail Loop Authority.

She brings extensive transport and public sector experience and diverse skills to the board of Ports Victoria including in strategy development, policy and planning, commercial transactions, transport operations, regulatory reform and leadership.

In her past role with Victorian transport she held responsibility for ports and freight and oversaw the 2019 review of Victoria's commercial ports.

Board Committee membership:

- People, Culture and Remuneration Committee

Directors

Terry Garwood PSM

Terry was appointed as a Director of Ports Victoria on 1 October 2022.

He is the Deputy Secretary, Land Services in the Department of Transport and Planning.

Terry is a senior Aboriginal public servant in the Victorian Public Service and has been an officer of the Victorian and Australian Public Services for over 40 years.

He has held a number of executive positions, including Executive Director, Freight, Logistics and Marine Division where he was responsible for freight and logistics policy. He has also held executive positions responsible for health, aged care, disability services, child protection, public housing and Aboriginal Affairs.

He has served on executive boards of a variety of organisations including, the Aborigines Advancement League Inc, Camp Jungai Co-operative Ltd, Museum of Victoria, the Centenary of Federation Committee, the Institute of Public Administration Australia (IPAA Victoria) and is a Fellow of IPAA.

Terry was awarded the Public Service Medal in 2018 for distinguished public service and was inducted into the Victorian Aboriginal Honour Roll in the same year.

Board Committee membership:

- People, Culture and Remuneration Committee

Catherine Hopper

Catherine was appointed as a Director of Ports Victoria on 1 October 2022.

She is a skilled infrastructure professional, with experience across investment banking, funds management and Australian corporates.

Catherine brings a range of skills to the Ports Victoria board, particularly commercial and financial expertise focused on strategic planning and financial governance.

In her current role as the General Manager Commercial Optimisation at Transurban Ltd, Catherine leads the Commercial and Finance teams for Transurban's Victorian region, which comprises CityLink and the West Gate Tunnel Project. She is responsible for strategic planning, finance, commercial contracts and the optimisation of asset operations.

She currently holds a number of Director positions in the not for profit sector, focused on education and social justice.

Catherine holds a Master of Applied Finance from Macquarie University and a Bachelor of Laws (Hons) / Bachelor of Commerce from Monash University. She is also a Certified Practising Accountant (CPA) and is a graduate of the Australian Institute of Company Directors (GAICD).

Board Committee membership:

- Chair – Audit Committee

Directors

Des Powell AM

Des was appointed as a Director of Ports Victoria on 1 July 2021.

He was a Director of Victorian Regional Channels Authority from 1 June 2016 until 30 June 2021.

Des 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 currently holds appointments as Director of Barwon Water Corporation, Member of the Advisory Board for Victorian Skills Authority, Director Mercy Ministry Companions and Director, Emerging Futures Collaborative.

Board Committee membership:

- Chair – Risk Committee

Peter Tuohey

Peter Tuohey was a Director of Ports Victoria from 1 July 2021 to 30 September 2022 when his term of appointment was completed.

He was a Director of Victorian Ports Corporation (Melbourne) from 2 November 2016 until 30 June 2021.

Peter is a fifth-generation grain, wool and prime lamb producer whose experience in freight and logistics has seen him appointed to a number of advisory roles.

Peter is Chair of the Victorian Government's Rail Freight Working Group, Chairman of Melbourne Market Authority, Rural Assistance Commissioner, a member of the Ministerial Freight Advisory Council and a member of the Victorian Water Board Selection Panel.

At the Victorian Farmers Federation (VFF) he served as President from 2012 to 2016 and Vice President from 2009 to 2012. He was also Chair of the VFF's Farm Business and Regional Development Committee from 2010 to 2013.

At the national level, Peter was a Board Director of the National Farmers Federation from 2012 to 2016 and served on its Economics Committee.

Peter was also a member of the Victorian Freight and Logistics Council from 2009 to 2012.

Board Committee membership:

- Chair – Audit Committee until 30 September 2022

Board and Committee meetings

The Standing Directions under the Financial Management Act 1994 require Ports Victoria to appoint an Audit Committee to, among other responsibilities, independently review and assess the effectiveness of the Agency's systems and controls for financial management, performance and sustainability, including risk management. The Board has allocated the risk function to the Risk Committee given the complex risk environment that Ports Victoria works within.

Membership and roles

Members in 2022-23:

- Peter Tuohey, Chair until 30 September 2022
- Catherine Hopper, Chair from 26 October 2022
- Howard Ronaldson, Committee member
- Rob Hogarth, Committee member (appointed by the Committee)

The responsibilities of the Audit Committee are set out in Standing Direction 3.2.1.1. The key responsibilities of the committee are to:

- independently review and assess the effectiveness of the Agency's systems and controls for financial management, performance and sustainability, including risk management
- oversee the internal audit function under Direction 3.2.2
- review and report independently to the board on the annual report and the financial information in it
- review and monitor compliance, including with Financial Management Act the Standing Directions and Instructions
- maintain effective communication with external auditors
- consider recommendations made by internal and external auditors and review the implementation of actions to resolve issues raised
- review implementation of actions in response to internal or external audits.

People, Culture and Remuneration Committee

Members in 2022-23:

- Elaine Carbines AM, Chair
- Howard Ronaldson, Committee member until 14 December 2022
- Terry Garwood PSM, Committee member from 26 October 2022
- Meg Bourke-O'Neill, Committee member from 26 October 2022 until 12 May 2023
- Peter Tuohey, Committee member until 30 September 2022

The People, Culture and Remuneration Committee assists the Board to fulfil its governance responsibilities by ensuring that Ports Victoria has executive remuneration policies, guidelines and practices that are consistent with government policy and by reviewing policies and processes relating to the development of the corporation's people and its culture.

Risk Committee

Members in 2022-23:

- Des Powell AM, Chair
- Howard Ronaldson, Committee member
- Elaine Carbines AM, Committee member
- Penny Alexander, Committee member from 26 October 2022

The primary role of the Risk Committee is to oversee the effective operation of the risk management framework to assist the Board in fulfilling its governance responsibilities. The committee also evaluates the effectiveness of risk identification and management and ensures compliance with internal guidelines and external requirements.

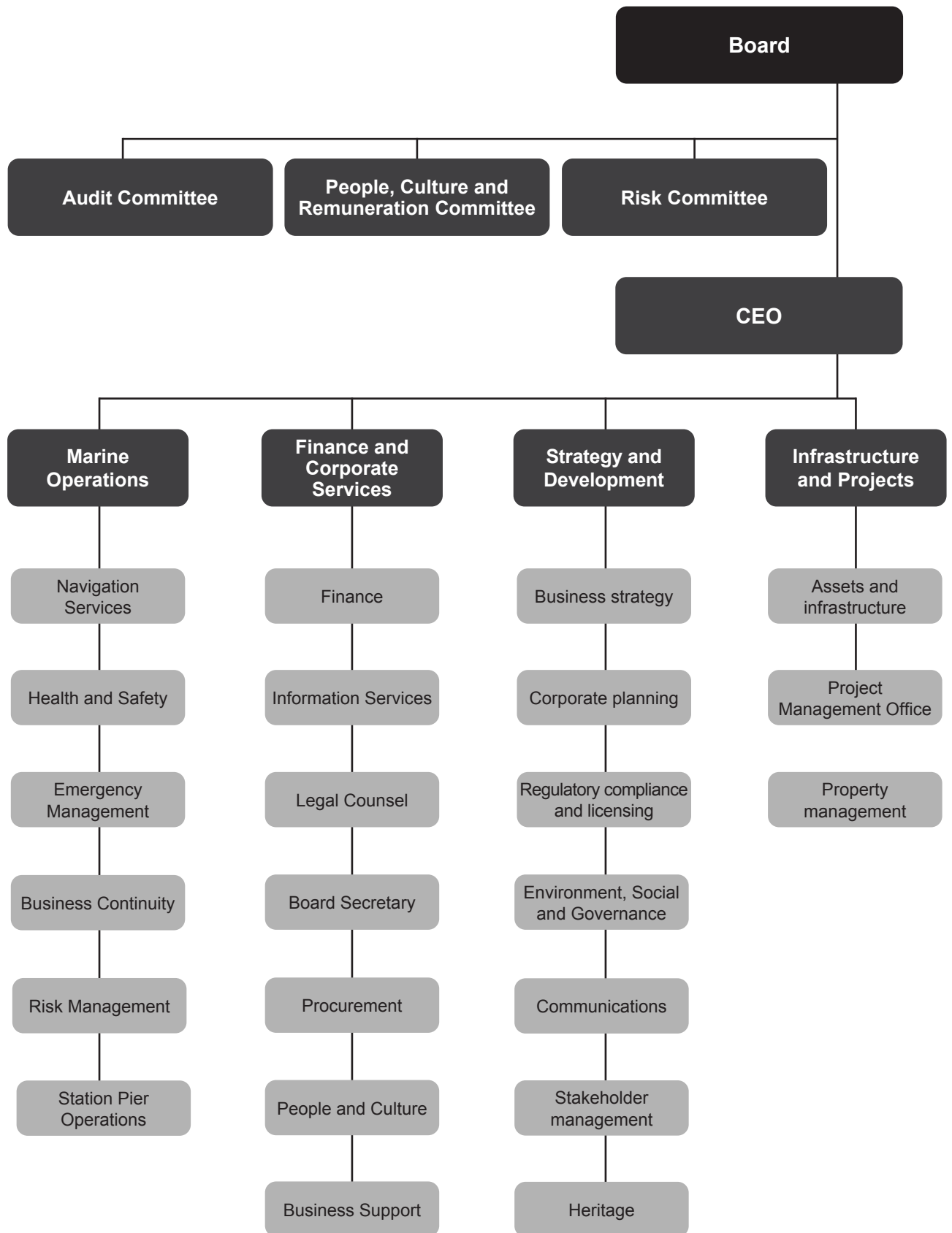
Board and Committee meetings

Attendance at Board and Committee meetings

Number attended / eligible to attend

	Board	Committee		
		Audit	People, Culture and Remuneration	Risk
Howard Ronaldson, Chair	6 / 6	5 / 5	2 / 2	4 / 4
Elaine Carbines AM, Deputy Chair	6 / 6	NA	3 / 3	4 / 4
Penny Alexander, Director	4 / 4	NA	NA	3 / 3
Meg Bourke-O'Neill, Director (Resigned, May 2023)	4 / 4	NA	1 / 1	NA
Terry Garwood PSM, Director	4 / 4	NA	2 / 2	NA
Catherine Hopper, Director	4 / 4	4 / 4	NA	NA
Des Powell AM, Director	5 / 6	NA	NA	4 / 4
Peter Tuohey, Director (Term completed, September 2022)	2 / 2	1 / 1	1 / 1	NA
Rob Hogarth, Member, Audit Committee	NA	5 / 5	NA	NA

Organisational structure



Executive Leadership Team

Brendan Webb, Chief Executive Officer

Brendan is leading the organisation into its expanded role as Victoria's centre of maritime excellence.

Jacinta Mackey, Chief Financial Officer and Head of Corporate Services

Jacinta leads the division responsible for the organisation's finance and the diverse corporate services areas of Information Services, Legal Counsel, Board Secretary, Procurement, People and Culture, and Business Support.

Peter Mannion, Chief Operating Officer – Marine Operations

Peter is responsible for navigation services and maritime safety for Victoria's four commercial ports i.e. Melbourne, Geelong, Hastings and Portland. His role also includes leading the teams responsible for health, safety and environment, risk management, emergency management, business continuity, and Station Pier operations.

Jeff Bazelmans, Head of Strategy and Development

Jeff leads the division that includes responsibility for business strategy, corporate planning, trade and port logistics, future planning for cruise ships and Station Pier, regulatory compliance and licensing as well as providing specialist advice on environmental, planning, heritage and sustainability matters.

Stuart Christie, Head of Development

Stuart leads the Development area of the Strategy and Development division and is responsible for stakeholder management, communications and port system planning.

David Henderson, Head of Infrastructure and Projects

David leads the division that covers the areas of infrastructure, assets and the Project Management Office. This includes maintenance programs, management of the organisation's major projects and property management.

Nick Ellul, General Manager Maritime - Harbour Master – Ports of Geelong and Hastings

Nick is responsible for ensuring Victorian port safety regulatory objectives are met and Ports Victoria's navigational services and marine assets operate to international standards. He is also the Harbour Master for the ports of Geelong and Hastings.

Changes after 30 June 2023

Brendan Webb resigned as Chief Executive Officer, effective 29 September 2023.

Jacinta Mackey, the Chief Financial Officer, was Acting Chief Executive Officer, effective 14 September 2023, while a recruitment process was undertaken.

OH&S and employment principles

Occupational health and safety

Ports Victoria is committed to a safety culture that promotes the health, welfare and safety of its workers. This commitment extends to ensuring that Ports Victoria's operations do not place the wider port community at unnecessary risk of injury or illness.

As an integral part of advancing the safety culture, the corporation takes a proactive approach to managing its occupational health and safety responsibilities and delivers initiatives and programs designed to prevent safety incidents and injuries.

Key services and activities provided for the health and wellbeing of all employees included:

- free medical assessments
- free influenza vaccinations
- random drug testing
- flexible working arrangements with:
 - support for staff working from home
 - strong guidelines for remote working
 - supply of appropriate workstation equipment
 - ergonomic assessments of home work set ups in accordance with all government guidelines
- promotion of the Employee Assistance Program.

Management of hazards and incidents

Ports Victoria is working to enhance its positive safety culture. To help achieve this, it has a key strategic objective to increase the reporting of hazards, near misses and incidents.

Ports Victoria started operations on 1 July 2021 so there are only two years of statistics for comparison.

Measure	KPI	2022-23	2021-22
Incidents and hazards	Number of incidents	6	9
	Number of hazards	43	20
	Number of staff injuries	3	0
	Number of staff medically treated injuries	0	0
	Lost Time Injury rate per 100 FTE*	0	0
Claims	Number of lost time standard claims	0	0
	Rate per 100 FTE*	0	0
	Average cost per standard claim	0	0
Fatalities	Fatality claims	0	0

*FTE = Full-time equivalent staff

Employment and conduct principles

Ports Victoria is committed to applying merit and equity principles when appointing staff. The selection processes ensure that applicants are assessed and evaluated fairly and equitably on the basis of the key selection criteria and other accountabilities without discrimination. Employees have been correctly classified in workforce data collections.

Section 3:

Workforce data

Our people

Public sector values and employment principles

We aspire to be an effective, sustainable, diverse and fair organisation, with a culture that creates high levels of employee engagement and performance.

Ports Victoria has developed a strong foundation with its vision, purpose and values to guide its operations and activities.

We operate in a complex external environment given our role in an industry with local, national and international customers and stakeholders.

Ports Victoria is an equal opportunities employer and embraces the benefits that diversity in our workplace brings.

Workforce inclusion policy

We introduced our first Diversity, Equity and Inclusion Action Plan in March 2022. Its preparation was guided by the gender equality principles in the *Gender Equality Act 2020* (Vic). Since then, we have sought opportunities to build on the diversity of our organisation.

We are actively engaged in supporting the Victorian Government's Women in Transport Strategy 2021-2024.

In May 2023, we started a Maritime Equity Program by recruiting five female trainees from non-maritime industry backgrounds. Over a six-month period they will have comprehensive training to enable them to undertake industry certification.

Once training is satisfactorily completed, they will be fully integrated members of Ports Victoria's LPS in Geelong, working on safe vessel movements in the ports of Geelong and Hastings.

As a result of this recruitment, Geelong LPS now has six women out of eleven employees

Ports Victoria also seeks to play a role in increasing opportunities for Aboriginal and Torres Strait Islander and culturally and linguistically diverse communities within the organisation.

Comparative workforce data

Annualised total salary, by \$20,000 for executives

Income band (salary)	Executives
< \$160,000	0
\$160,000 - \$179,999	0
\$180,000 - \$199,999	0
\$200,000 - \$219,999	3
\$220,000 - \$239,999	6
\$240,000 - \$259,999	0
\$260,000 - \$279,999	3
\$280,000 - \$299,999	0
\$300,000 - \$319,999	2
\$320,000 - \$339,999	2
\$340,000+	1
Total	17

Our people

Details of employment levels in June 2022 and 2023

The following tables disclose the headcount and full-time staff equivalent (FTE) of all Ports Victoria employees, employed in the last full pay period in June of the current reporting period and in the last full pay period in June of the previous reporting period (2022).

June 2023	All employees		Ongoing			Fixed term and casual	
	Number (headcount)	FTE	Full-time (headcount)	Part-time (headcount)	FTE	Number (headcount)	FTE
Gender							
Male	71	58.32	36	1	36.32	34	22
Female	20	19	9	0	9	11	10
Self-described	0	0	0	0	0	0	0
Age							
15-24	0	0	0	0	0	0	0
25-34	9	7	5	0	5	4	2
35-44	29	26	17	0	17	12	9
45-54	17	16	10	0	10	7	6
55-64	26	22	9	0	9	17	13
65+	10	6.32	4	1	4.32	5	2
Classification							
EBA employees	74	60.32	45	1	45.32	28	15
Executives	17	17	0	0	0	17	17
Total employees	91	77.32	45	1	45.32	45	32

Note – in the table above no FTE is assigned to casual employees. At 30 June 2022, there were 15 casual employees engaged.

June 2022	All employees		Ongoing			Fixed term and casual	
	Number (headcount)	FTE	Full-time (headcount)	Part-time (headcount)	FTE	Number (headcount)	FTE
Gender							
Male	74	59.1	39	2	40.1	33	19
Female	10	9	4	0	4	6	5
Self-described	0	0	0	0	0	0	0
Age							
15-24	0	0	0	0	0	0	0
25-34	7	4	4	0	4	0	0
35-44	19	18	12	0	12	6	6
45-54	18	14.79	9	1	9.79	5	5
55-64	27	24	14	0	14	10	10
65+	13	7.32	4	1	4.32	3	3
Classification							
EBA employees	71	55.1	30	2	31.1	39	24
Executives	13	13	13	0	13	0	0
Total employees	84	68.1	43	2	44.1	39	24

Section 4:

Other disclosures

Local jobs first

The *Local Jobs First Act 2003 (Vic)* requires public sector bodies to apply the Local Jobs First policy in all projects valued at \$3 million or more in metropolitan Melbourne or for statewide projects, or \$1 million or more for projects in regional Victoria.

Projects started – Local Jobs First Standard

During 2022-23, Ports Victoria started one Local Jobs First Standard project for \$4 million, in metropolitan Melbourne. The outcomes expected from the implementation of the Local Jobs First policy to this project where information was provided, are as follows:

- A commitment was made for 90 per cent local content.
- A total of 40 jobs (AEE*) were committed, including the creation of five new jobs and the retention of 35 existing jobs.
- One new position for apprentices, trainees and cadets was committed.
- One existing position for apprentices, trainees and cadets was retained.
- No small to medium enterprises prepared a Local Industry Development Plan (LIDP) for contracts, successfully appointed principal contractor. Fourteen small to medium-sized businesses were engaged through the supply chain on the commenced Standard Project.

Projects completed – Local Jobs First Standard

During 2022-23, Ports Victoria completed one Local Jobs First Standard project for \$3 million, in metropolitan Melbourne. The outcomes expected from the implementation of the Local Jobs First policy to these projects where information was provided, were as follows:

- A commitment for an average of 85 per cent local content.
- A total of 35 jobs (AEE*) were committed, including the creation of five new jobs and the retention of 30 existing jobs (AEE*).
- One new position for apprentices, trainees and cadets was committed.
- No existing positions for apprentices, trainees and cadets were retained.
- Ten small to medium enterprises prepared an LIDP for contracts, successfully appointed principal contractor. Ten small to medium-sized businesses were engaged through the supply chain on completed Standard Projects.

* AAE = *annualised employee equivalent*

Disclosure of government advertising expenditure

In 2022-23 Ports Victoria did not undertake any advertising campaigns with a total media spend of \$100,000 or greater (exclusive of GST).

Consultancy expenditure

Details of consultancies under \$10,000

During the period 1 July 2022 to 30 June 2023, 13 consultants were engaged where the value of the consultancy was less than \$10,000. The total expenditure was \$0.1 million excluding GST.

Details of consultancies over \$10,000

During the period 1 July 2022 to 30 June 2023, 39 consultants were engaged where the value of the consultancy was greater than \$10,000.

The total expenditure was \$2.5 million excluding GST. Details of individual consultancies can be found on the Ports Victoria website www.vicports.vic.gov.au.

Information and Communication Technology expenditure

For the 2022-23 reporting period, Ports Victoria had a total Information and Communication Technology (ICT) expenditure of \$4.3 million, with the details shown below. All amounts are ex GST.

All operational ICT expenditure	ICT expenditure related to projects to create or enhance ICT capabilities		
	Business As Usual (BAU) ICT expenditure	Non-Business As Usual (non-BAU) ICT expenditure Total = OPEX + CAPEX	Operational expenditure (OPEX)
\$3.8 million	\$0.5 million	\$0.2 million	\$0.3 million

Note:

- **ICT expenditure** refers to Ports Victoria's costs in providing business enabling ICT services within the current reporting period. It comprises Business As Usual (BAU) ICT expenditure and Non-Business As Usual (Non-BAU) ICT expenditure.
- **Non-BAU ICT** expenditure relates to extending or enhancing Ports Victoria's current ICT capabilities.
- **BAU ICT expenditure** is all remaining ICT expenditure that primarily relates to ongoing activities to operate and maintain the current ICT capability.

Freedom of information

The *Freedom of Information Act 1982 (Vic)* (the Act) allows the public a right of access to documents held by Ports Victoria. The purpose of the Act is to extend as far as possible the right of the community to access information held by government departments, local councils, Ministers and other bodies subject to the Act.

An applicant has a right to apply for access to documents held by a department. This comprises documents both created by Ports Victoria or supplied to Ports Victoria by an external organisation or individual, and may also include maps, films, microfiche, photographs, computer printouts, computer discs, tape recordings and videotapes. Information about the type of material produced by Ports Victoria is available on the Ports Victoria website www.vicports.vic.gov.au under its Part II Information Statement.

The Act allows a department to refuse access, either fully or partially, to certain documents or information. Examples of documents that may not be accessed include cabinet documents; some internal working documents; law enforcement documents; documents covered by legal professional privilege, such as legal advice; personal information about other people; and information provided to a department in-confidence and information that is confidential under another Act.

Under the Act, the FOI processing time for requests received is 30 days. However, when external consultation is required under ss29, 29A, 31, 31A, 33, 34 or 35, the processing time is 45 days. Processing time may also be extended by periods of 30 days, in consultation with the applicant. With the applicant's agreement this may occur any number of times. However, obtaining an applicant's agreement for an extension cannot occur after the expiry of the timeframe for deciding a request.

If an applicant is not satisfied by a decision made by Ports Victoria, under section 49A of the Act, they have the right to seek a review by the Office of the Victorian Information Commissioner (OVIC) within 28 days of receiving a decision letter.

Making a request

FOI requests to Ports Victoria can be lodged by emailing foi@ports.vic.gov.au.

FOI requests can also be posted to:
Freedom of Information Officer
Ports Victoria
GPO Box 1135
GEELONG VIC 3220

An application fee of \$31.80 applies. Access charges may also be payable if the document pool is large and the search for material is time consuming.

When making an FOI request, applicants should ensure requests are in writing and clearly identify what types of material/documents are being sought.

FOI statistics

Ports Victoria did not receive any FOI requests during 2022-23.

More information

More information regarding the operation and scope of FOI can be found in the FOI Act, the regulations made under the FOI Act and from the OVIC: www.ovic.vic.gov.au.

More information regarding the process for making an FOI request to Ports Victoria can be found on the Ports Victoria website: www.vicports.vic.gov.au.

Compliance with the Building Act 1993 (Vic)

Buildings were maintained in accordance with relevant building and maintenance provisions in the *Building Act 1993 (Vic)* and Building Regulations 2018.

Under Part 15 of the Building Regulations 2018, Ports Victoria is fulfilling its obligations for Essential Safety Measures for buildings in the leased areas at Station Pier.

To ensure buildings conform with building standards, Ports Victoria retains experienced building maintenance contractors who are required to be up to date with all relevant standards.

Ports Victoria uses an asset management system for recording maintenance requests, essential service inspections, reporting, scheduling, and rectification and maintenance works on existing buildings.

During the 2022-23 reporting period the following applied to buildings owned by Ports Victoria:

- There were five major works projects (greater than \$50,000). All five were completed before 30 June 2023.
- One building permit and one certificate of final inspection were issued.
- No emergency orders or building orders were issued.
- No buildings were brought into conformity with building standards.

Competitive neutrality policy

Competitive neutrality requires government businesses to ensure where services compete, or potentially compete with the private sector, any advantage arising solely from their government ownership be removed if it is not in the public interest. Government businesses are required to cost and price these services as if they were privately owned. Competitive neutrality policy supports fair competition between public and private businesses and provides government businesses with a tool to enhance decisions on resource allocation.

This policy does not override other policy objectives of government and focuses on efficiency in the provision of service.

Ports Victoria continues to comply with the requirements of the Competitive Neutrality Policy.

Emergency Procurement

Ports Victoria did not undertake any Emergency Procurement during the reporting period.

Compliance with the Public Interest Disclosures Act 2012 (Vic)

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

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

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

Reporting procedures

Disclosures of improper conduct or detrimental action by Ports Victoria or any of its members, officers or employees must be made directly to one of the following bodies:

Independent Broad-based Anti-Corruption Commission (IBAC):

Postal: GPO Box 24234, Melbourne VIC 3001

Telephone: +61 1300 735 135

Email: info@ibac.vic.gov.au

Website: www.ibac.vic.gov.au

Ombudsman:

Postal: Level 2, 570 Bourke Street, Melbourne VIC 3000

Telephone: +61 3 9613 6222

Email: vomedia@ombudsman.vic.gov.au

Website: www.ombudsman.vic.gov.au

Victorian Inspectorate:

Postal: PO Box 617 Collins Street West, Melbourne VIC 8007

Telephone: +61 3 8614 3225

Email: info@vicinspectorate.vic.gov.au

Website: www.vic.gov.au/vicinspectorate.html

More information

Ports Victoria's Public Interest Disclosures Procedures which outline the system for reporting disclosures of improper conduct or detrimental action by Ports Victoria or any of its members, employees or officers are available on the Ports Victoria website, www.vicports.vic.gov.au.

Social Procurement

Social procurement is when organisations use their buying power to generate social value above and beyond the monetary value of the goods, services, or construction being procured.

The Victorian Government has a Social Procurement Framework designed to support the expansion and standardisation of social procurement practice across all government procurement activities, to benefit all Victorians.

The creation of Ports Victoria has necessitated the review of documents from the two predecessor organisations in order to create new documents suitable for the new entity and its role. As part of this process, the current Social Procurement Strategy is under review with the purpose of drafting a document specific to Ports Victoria and its procurement activities.

To promote the best social and sustainable outcomes, Ports Victoria continues to apply the Social Procurement Framework to tenders which meet the criteria and will develop a reporting framework as part of its Social Procurement Strategy.

The Victorian Government's framework has a target of one per cent total procurement across departments from Aboriginal businesses. It encourages individual agencies to achieve this also.

Working with the Department of Transport and Planning, Ports Victoria is represented on the Transport Portfolio Aboriginal Business Engagement Working Group and the Transport Portfolio Aboriginal Employment Working Group.

Environment

Managing our impact on the environment

Ports Victoria values the environment in which we operate and are mindful that Victorians are deeply connected to the ports and waterways of which we are the custodians.

As part of our business as usual practices we consider the environmental impacts of all our works and broader port operations.

We are committed to compliance with all relevant Commonwealth and Victorian statutory environmental requirements, including our general environmental duty.

The TIA requires Ports Victoria to plan and provide infrastructure which has regard to environmentally sustainable transport system objectives and environmental, social and governance assessment decision-making principles.

We have embarked on a journey to reduce our reliance on fossil fuels for our transport and energy needs. As a start, we have monitored our energy usage in terms of tonnes of carbon emitted and this is reported in the tables following.

Our objective is to reduce our carbon emissions in line with the Victorian Government's policy of achieving net carbon zero by 2045 but we are working to achieve the net zero goal earlier than this.

Environmental reporting

2022-23 is the first year that Ports Victoria has reported on its environmental impact with respect to greenhouse gas emissions. The focus of this environmental reporting for this financial year is on direct (scope 1) and indirect (scope 2) emissions arising from electricity usage and transport usage for motor vehicles and marine vessels.

The total energy usage for 2022-23 was 2,128.36 GJ for petroleum fuels used by Ports Victoria's motor vehicles and marine vessels and 1,264.63 MWh for electricity.

The largest contributor to Ports Victoria's energy usage is the shipping operations at Station Pier in Port Melbourne.

The total direct greenhouse gas emissions (scope 1) arising from the electricity usage was 1,213.78 tonnes (as CO₂ equivalent).

The total indirect greenhouse gas emissions (scope 2) arising from the electricity usage was 1,074.92 tonnes (as CO₂ equivalent).

As a comparison, the previous (2021-22) financial year's total energy usage was 2,203.89 GJ for petroleum fuels and 1,008.264 MWh for electricity.

More detail on the breakdown of fuel and electricity consumption for both the 2021-22 and 2022-23 financial years is provided in the tables below.

The main reason for the increase in electricity consumption between 2021-22 and 2022-23 financial years was the resumption of cruise shipping operations in 2022-23. Cruise shipping operations were prohibited by the Australian Government as a measure to minimise the spread of COVID-19 during the recent coronavirus pandemic. This prohibition order was lifted in 2022 which enabled cruise shipping operations to resume for the 2022-23 cruise season.

Ports Victoria currently sources its electricity under a State Government services agreement with suppliers.

The organisation will commence preparing a Climate Action Plan to reduce its carbon emissions in line with the Victorian Government's policy of having zero carbon emissions by 2045.

The first environmental target adopted by Ports Victoria is for its electricity to be sourced from 100% renewables by 2025. This is in line with the Victorian Government's Climate Action Policy.

Electricity

Indicator		2022-23	2021-22
EL1	Total electricity consumption (MWh)		
	Ports Victoria Headquarters, Geelong	74.055	57.489
	Office, 530 Collins Street, Melbourne	29.688	22.564
	Station Pier, Port Melbourne	675.396	395.210
	Port Operations Control Centre, Port Melbourne	303.986	335.564
	Point Lonsdale Lighthouse	60.735	67.616
	Waterfront Place, Port Melbourne	0.871	0.362
	Marine beacon, Ventnor	0.239	NA
	Floyd Lodge, Williamstown	17.247	23.159
	Radio broadcast station, Drysdale	39.805	49.754
	Point Nepean Road, Portsea	14.801	16.809
	Boat berth at Pier 35, Port Melbourne	0.167	0
	TOTAL EL1 usage	1,264.614	1,008.248
EL2	On-site electricity generated (MWh)		
	On beacons at various locations in the ports of Geelong, Hastings and Melbourne	0.0161	0.0161
EL3	On-site installed generation capacity (MW)		
	Nil locations	0.000	0.000
EL4	Total electricity offsets (MWh)		
	None	0.000	0.000

Transportation

Indicator		2022-23	2021-22
T1	Total energy used in transportation (GJ)		
	Marine vessels	1,337.17	1,427.70
	Motor vehicles	791.19	776.19
T2	Number and proportion of vehicles		
	Marine vessels	3	3
	Motor vehicles (unleaded petroleum fuel)	7	7
	Motor vehicles (diesel fuel)	1	1
	Motor vehicles (hybrids)	5	5
	Motor vehicles (EV)	0	0
T3	Greenhouse gas emissions from vehicle fleet segmented by fuel type and vehicle category (t CO₂-e)		
	Diesel fuels (automotive)	18.551	17.589
	Unleaded petroleum fuels (automotive)	49.168	48.701
	Diesel fuels (marine)	117.283	125.224

Total energy use

Indicator		2022-23	2021-22
E1	Total energy usage from fuels (GJ)		
	Petroleum based fuels	2,128.36	2,203.89
E2	Total energy usage from electricity (MWh)		
	Electricity supply	1,264.614	1,008.248
	Solar panels	0.0161	0.0161
	Total	1,264.630	1,008.264
E3	Total energy usage segmented into renewable and non-renewable sources (MWh)		
	Non-renewable sources	1,264.614	1,008.248
	Renewable sources	0.0161	0.0161
E4	Units of energy used normalised by FTE*, headcount, floor area, or other entity or sector specific quantity (FTE 2021-22 = 68.1, FTE 2022-23 = 77.32)		
	Fuel (GJ) per FTE	27.53	32.36
	Electricity (MWh) per FTE	16.36	14.81

Buildings

Indicator		2022-23	2021-22
B1	Discuss how environmentally sustainable design (ESD) is incorporated into newly completed entity-owned buildings		
	Nil		
B2	Discuss how new entity leases meet the requirement to preference higher-rated office buildings and those with a Green Lease Schedule		
	Nil		
B3	NABERS Energy ratings of newly completed / occupied entity-owned office buildings and substantial tenancy fit-outs		
	Nil		
B4	Environmental performance ratings of newly completed entity-owned non-office building or infrastructure projects or upgrades with a value over \$1 million, where these ratings have been conducted		
	Nil		

Greenhouse gases

Indicator		2022-23	2021-22
G1	Total scope one (direct) greenhouse gas emissions (t CO₂-e)		
	Electricity	1,213.78	1,050.52
G2	Total scope two (indirect electricity) greenhouse gas emissions (t CO₂-e)		
	Electricity	1,074.92	857.01

* FTE = Full-time equivalent

Statement of availability of other information

Additional information available on request

In compliance with the requirements of the Standing Directions 2018 under the *Financial Management Act 1994* (Vic), details in respect of the items listed below have been retained by Ports Victoria and are available on request, subject to the provisions of the *Freedom of Information Act 1982* (Vic):

- A statement that declarations of pecuniary interests have been duly completed by all relevant officers.
- Details of publications produced by Ports Victoria about Ports Victoria and how these can be obtained.
- Details of changes in prices, fees, charges, rates and levies charged by Ports Victoria.
- Details of any major external reviews carried out on Ports Victoria.
- Details of major research and development activities undertaken by Ports Victoria.
- 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 Ports Victoria to develop community awareness of the organisation and its services.
- A general statement on industrial relations within Ports Victoria and details of time lost through industrial accidents and disputes.
- A list of major committees sponsored by Ports Victoria, the purposes of each committee and the extent to which the purposes have been achieved.
- Details of all consultancies and contractors including consultants/contractors engaged, services provided; and expenditure committed to for each engagement.

Additional information included in the report

The following details are included in the Annual Report on the pages indicated:

- Details of assessments and measures undertaken to improve the occupational health and safety of employees. See page 35.

Additional information that is not applicable to Ports Victoria

The following information is not applicable to Ports Victoria:

- Details of shares held by a senior officer as nominee or held beneficially in a statutory authority or subsidiary.

Attestation for financial management compliance with Standing Direction 5.1.4

Ports Victoria Financial Management Compliance Attestation Statement

I Howard Ronaldson, on behalf of the Responsible Body, certify that Ports Victoria has no Material Compliance Deficiency with respect to the applicable Standing Directions under the *Financial Management Act 1994* (Vic) and Instructions.

A handwritten signature in black ink, consisting of stylized initials 'HR' followed by a long horizontal line extending to the right.

Howard Ronaldson
Chair

Section 5:

Financial Statements

Ports Victoria
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For the year ended 30 June 2023

How this report is structured

Ports Victoria has presented its audited general purpose financial statements for the financial year ended 30 June 2023 in the following structure to provide users with the information about Ports Victoria's stewardship of resources entrusted to it.

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Ports Victoria
Certification of Financial Statements
30 June 2023

We certify that the attached financial statements for Ports Victoria have been prepared in accordance with the 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 notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2023 and financial position of Ports Victoria as at 30 June 2023.

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

We authorise the attached financial statements for issue on 27 September 2023.



Mr Howard Ronaldson
Chair

27 September 2023



Ms Jacinta Mackey
Interim Chief Executive Officer

27 September 2023



Ms Yin Chen
Acting Chief Financial and
Accounting Officer

27 September 2023



Independent Auditor's Report

To the Board of Ports Victoria

Opinion	<p>I have audited the financial report of Ports Victoria (the entity) which comprises the:</p> <ul style="list-style-type: none"> • balance sheet as at 30 June 2023 • 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 • certification of financial statements. <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the entity as at 30 June 2023 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the entity in accordance with the ethical requirements of the Accounting Professional and Ethical Standards Board's APES 110 <i>Code of Ethics for Professional Accountants</i> (the Code) that are relevant to my audit of the financial report in Victoria. My staff and I have also fulfilled our other ethical responsibilities in accordance with the Code.</p> <p>I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my opinion.</p>
Board's responsibilities for the financial report	<p>The Board of the entity is responsible for the preparation and fair presentation of the financial report in accordance with Australian Accounting Standards and the <i>Financial Management Act 1994</i>, and for such internal control as the Board determines is necessary to enable the preparation and fair presentation of a financial report that is free from material misstatement, whether due to fraud or error.</p> <p>In preparing the financial report, the Board is responsible for assessing the entity's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor's responsibilities for the audit of the financial report

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

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

- identify and assess the risks of material misstatement of the financial report, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board
- conclude on the appropriateness of the Board'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 entity'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 entity 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 regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.

MELBOURNE
28 September 2023



Simone Bohan
as delegate for the Auditor-General of Victoria

Ports Victoria
Comprehensive Operating Statement
For the year ended 30 June 2023

	Notes	2023 \$'000	2022 \$'000
Continuing operations			
Revenue	2.1	49,636	42,223
Finance income		1,417	114
Other income	2.2	671	780
Total revenue and income from transactions		51,724	43,117
Expenses from transactions	3.1	(42,355)	(39,968)
Finance costs	8.1.2	(81)	(73)
Total expenses from transactions		(42,436)	(40,041)
Net result from transactions		9,288	3,076
Other economic flows included in net result			
Net gain/(loss) on non-financial assets	3.4	(27)	(24,394)
Other gain/(loss) from other economic flow	3.4	(225)	(524)
Total other economic flows included in net results		(252)	(24,918)
Net result before income tax		9,036	(21,842)
Income tax (expense)/benefit	7.1	(568)	(318)
Net result after income tax		8,468	(22,160)
Other comprehensive income / (loss)			
Items that will not be reclassified to net result after income tax			
Impact of change in tax rate	9.2.2	(439)	-
Revaluation of infrastructure assets, net of tax	9.2.2	-	6,580
Employee benefits reserve movements	9.2.2	(468)	8,804
Other comprehensive income / (loss) for the year, net of tax		(907)	15,384
Total comprehensive income / (loss) for the year		7,561	(6,776)

The accompanying notes form part of these financial statements. This format is aligned to AASB 1049 Whole of Government and General Government Sector Financial Reporting.

Ports Victoria
Balance Sheet
As at 30 June 2023

	Notes	2023 \$'000	2022 \$'000
Current assets			
Cash and cash equivalents	6.2	48,943	42,450
Receivables	5.1	6,709	6,365
Current tax asset	7.1	-	470
Other non-financial assets	5.3	1,284	1,297
		56,936	50,582
Non-current assets			
Property, plant and equipment	4.1	64,821	66,296
Intangible assets	4.2	331	111
Deferred tax asset	7.2	-	-
		65,152	66,407
Total assets		122,088	116,989
Current liabilities			
Payables	5.2	1,588	4,747
Provisions - employee benefits	3.2.2	7,748	7,730
Interest bearing liabilities - leases	6.1.2	612	562
Current tax liability	7.1	449	-
Other provisions		96	91
Other liabilities		-	195
		10,493	13,325
Non-current liabilities			
Deferred tax liabilities	7.2	-	-
Provisions - employee benefits	3.2.2	317	251
Interest bearing liabilities - leases	6.1.2	1,575	1,271
		1,892	1,522
Total liabilities		12,385	14,847
NET ASSETS		109,703	102,142
Equity			
Contributed capital	9.2.1	114,882	114,882
Reserves	9.2.2	14,477	15,384
Accumulated losses		(19,656)	(28,124)
TOTAL EQUITY		109,703	102,142

The accompanying notes form part of these financial statements. This format is aligned to AASB 1049 Whole of Government and General Government Sector Financial Reporting.

Ports Victoria
Statement of Changes in Equity
For the year ended 30 June 2023

	Notes	Contributed capital \$'000	Asset revaluation reserve \$'000	Employee benefits reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2022		114,882	6,580	8,804	(28,124)	102,142
Net result after income tax		-	-	-	8,468	8,468
Other comprehensive income	9.2.2	-	(439)	(468)	-	(907)
Total comprehensive income for the year		-	(439)	(468)	8,468	7,561
Balance at 30 June 2023		114,882	6,141	8,336	(19,656)	109,703

	Notes	Contributed capital \$'000	Asset revaluation reserve \$'000	Employee benefits reserve \$'000	Accumulated losses \$'000	Total equity \$'000
Balance at 1 July 2021		-	-	-	-	-
Net result after income tax		-	-	-	(22,160)	(22,160)
Other comprehensive income	9.2.2	-	6,580	8,804	-	15,384
Total comprehensive income for the year		-	6,580	8,804	(22,160)	(6,776)

**Transactions with owners
in their capacity as owners:**

Contributions of equity at 1 July 2021, net of transaction costs	9.2.1	114,882	-	-	-	114,882
Deferred tax - de-recognised	7.2(a)	-	-	-	(5,964)	(5,964)
		114,882	-	-	(5,964)	108,918
Balance at 30 June 2022		114,882	6,580	8,804	(28,124)	102,142

The accompanying notes form part of these financial statements. This format is aligned to AASB 1049 Whole of Government and General Government Sector Financial Reporting.

Ports Victoria
Cash Flow Statement
For the year ended 30 June 2023

	Notes	2023 \$'000	2022 \$'000
Cash flows from operating activities			
Receipts from customers		53,681	46,249
Payments to suppliers and employees		(44,371)	(37,241)
Interest received		1,417	114
Interest paid on lease payments		(76)	(68)
Income tax instalments (paid)/refund	7.1(d)	(725)	788
Goods and Services Tax (paid)/refund		(2,373)	(1,688)
Other receipts		671	780
Net cash inflow/(outflow) from operating activities	6.2.1	8,224	8,934
Cash flows from investing activities			
Payments for infrastructure, plant and equipment		(1,241)	(1,093)
Proceeds from sale of infrastructure, plant and equipment		62	50
Net cash (outflow) from investing activities		(1,179)	(1,043)
Cash flows from financing activities			
Principal elements of lease payments		(552)	(421)
Capital contribution from owner		-	34,980
Net cash inflow/(outflow) from financing activities		(552)	34,559
Net increase/(decrease) in cash and cash equivalents		6,493	42,450
Cash and cash equivalents at the beginning of the financial year		42,450	-
Cash and cash equivalents at end of the financial year	6.2	48,943	42,450

The accompanying notes form part of these financial statements. This format is aligned to AASB 1049 Whole of Government and General Government Sector Financial Reporting.

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

1 ABOUT THIS REPORT

Introduction

This section provides overall information about Ports Victoria and its framework for the preparation of these financial statements.

Structure

- 1.1 Corporate information
- 1.2 Basis of preparation
- 1.3 Compliance information
- 1.4 Critical accounting estimates and judgements
- 1.5 Restructure of administrative arrangement in the prior year

1.1 Corporate information

Ports Victoria is a Government Business Enterprise established by the Victorian Government under the Transport Integration Act 2010 (Vic) (TIA). The Board of Ports Victoria is directly accountable to the Victorian Government through the Minister for Ports and Freight and the Treasurer. Ports Victoria came into existence on 1 July 2021 as a for profit entity.

The main objective of Ports Victoria is to ensure that port waters and channels are managed for access on a fair and reasonable basis. Ports Victoria is responsible for the navigation of commercial shipping in the Port Phillip, Geelong and Hastings shipping channels, together with the management and maintenance of Station Pier and West Finger Pier, the Geelong channel and the Hastings channel. Additionally, Ports Victoria is responsible for ensuring the port operator in the Port of Portland is managing and maintaining the Portland shipping channels in accordance with the port operator's contractual obligations.

These financial statements incorporate all activities of Ports Victoria as an individual reporting entity.

Ports Victoria principal address is East 1E, 13-35 Mackey Street, North Geelong, 3215.

1.2 Basis of preparation

These financial statements are in Australian dollars and the historical cost convention is used unless a different measurement basis is specifically disclosed in the note associated with the item measured on a different basis. The financial statements have been prepared on a going concern basis.

The accrual basis of accounting has been applied in preparing 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.

Consistent with the requirements of AASB 1004 Contributions, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of Ports Victoria. Additions to net assets which have been designated as contributions by owners are recognised as contributed capital. Transfers of net assets arising from administrative restructurings are treated as contributions by owners. Refer to note 1.5.

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements have been disclosed. 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.

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

1 ABOUT THIS REPORT

1.2 Basis of preparation (continued)

Judgements and assumptions made by management in applying Australian Accounting Standards (AAS) that have significant effects on the financial statements and estimates are disclosed in note 1.4 under the heading: 'Critical accounting estimates and judgements'.

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

1.3 Compliance information

These general-purpose financial statements have been prepared in accordance with the Financial Management Act 1994 (Vic) and applicable AASs, which include Interpretations, issued by the Australian Accounting Standards Board (AASB). In particular, they are presented in a manner consistent with the requirements of AASB 1049 Whole of Government and General Government Sector Financial Reporting.

The annual financial statements were authorised for issue by the Board of Ports Victoria on 27 September 2023.

1.4 Critical accounting estimates and judgements

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

(i) Recovery of deferred tax assets

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

(ii) Defined benefit superannuation plan

The value of the defined benefit superannuation plan, that applies to some employees, has been calculated using the Projected Unit Credit method, as required by AASB 119. The objective under this method is to expense each member's benefits in the Fund as they accrue, taking into consideration future salary increases and the benefit allocation formula. Thus the total benefit to which each member is expected to become entitled is broken down into units, each associated with a year of past or future credited service.

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

1 ABOUT THIS REPORT

1.4 Critical accounting estimates and judgements (continued)

(iii) 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 103.

The Valuer-General of Victoria (VGV) undertakes an independent revaluation every five years. Ports Victoria is scheduled to undertake an independent revaluation as at 30 June 2025 (unless there is an indication of an asset class having a movement of 40% or more).

In accordance with FRD 103, a fair value assessment was undertaken by management to determine if the carrying amount of all non-current physical assets reasonably approximated their fair value. Land, building, infrastructure property, plant and equipment assets were allocated to a Cash Generating Unit (CGU) and valued using a discounted cash flow method (Value in Use) or Fair Value Less Cost of Disposal (FVLCD). The Value in Use method was used where there was no market based evidence of fair value (value through sale) of these style of assets given the specialised nature of the assets in question.

In the absence of observed market inputs, future-oriented estimates are necessary to measure the recoverable amount of classes of land, buildings, infrastructure, plant and equipment. Determining the carrying amounts of the CGU requires estimation of the effects of uncertain future events on the CGU 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 disclosed in Note 8.3

Right of use assets that are allocated to the non-financial asset class 'buildings' have been measured based on AASB 16 and their carrying value approximate their fair value.

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

1 ABOUT THIS REPORT

1.5 Restructure of administrative arrangement in the prior year

On 25 February 2021, the Victorian Government announced the administrative restructure of Victorian Ports Corporation (Melbourne) (VPCM) and Victorian Regional Channels Authority (VRCA) to form Ports Victoria to lead the strategic management of commercial ports and waterways, taking effect from 1 July 2021. The formation of Ports Victoria was by way of a Transport Restructuring Order under the TIA.

The subsequent Transfer Order (TO) allowed for the transfer of staff and functions of VPCM and VRCA to Ports Victoria. It was approved by the Minister and Governor in Council, resulting in the establishment of Ports Victoria as a new sector transport agency and provided for the functions and powers of VPCM and VRCA to be transferred to Ports Victoria.

As part of the TO, all employees of VPCM and VRCA were transferred to Ports Victoria. In addition, all the commitments relating to VPCM and VRCA were novated to Ports Victoria.

In accordance with Financial Reporting Direction 119 Transfer through contributed capital (FRD 119), the transfer of the assets and liabilities from VPCM and VRCA was deemed to be a Restructure of Administrative Arrangements.

As a result, the transfer of the assets and liabilities has been accounted for as a contribution by owner, whereby the transfer was recorded as a direct adjustment to equity through contributed capital on 1 July 2021 at carrying value determined by the predecessor entities (as detailed in the below table). No fair value adjustments were made to the brought forward asset and liability balances at the date of transfer in accordance with FRD 119 (resulting in the carrying values reported in the 30 June 2021 Financial Statements of VRCA and VPCM being recognised by Ports Victoria on 1 July 2021).

	1 July 2021
	\$'000
Assets	
Cash and cash equivalents	34,980
Receivables	6,188
Other non-financial assets	1,311
Property, plant and equipment	84,954
Current tax asset	1,663
Deferred tax asset	17,384
Intangible assets	177
	<u>146,657</u>
Liabilities	
Payables	(3,843)
Provisions - employee benefits	(19,104)
Other provisions	(87)
Other liabilities	(195)
Deferred tax liabilities	(6,292)
Interest bearing liabilities	(2,254)
	<u>(31,775)</u>
Net Assets Recognised at carrying value	<u>114,882</u>

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

2 FUNDING DELIVERY OF OUR SERVICES

Introduction

This section provides additional information about how Ports Victoria is funded and the accounting policies that are relevant for an understanding of the items recognised in the financial statements.

Structure

- 2.1 Revenue from contracts with customers
- 2.2 Other income
- 2.3 Operating leases

2.1 Revenue from contracts with customers

	2023	2022
	\$'000	\$'000
Wharfage fees	3,734	13,044
Channel fees	14,392	11,275
Anchorage fees	2,136	1,067
Berth hire and Site Occupation charge	5,478	170
Port Manager contribution	17,417	16,409
Other charges for services	6,479	258
Total revenues from contracts with customers	49,636	42,223

Ports Victoria recognises revenue when or as the performance obligation is satisfied i.e. when “control” of the goods or services underlying the particular performance obligation is transferred to the customer. Revenue is recognised at a point in time or over time depending upon the satisfaction of performance obligations. Please refer below for further details.

Revenue is recognised for the major business activities as follows:

(i) Wharfage fees

Wharfage fees are charged per unit of quantity, volume or weight of cargo for all cargoes loaded on or discharged from vessels or between vessels in the port of Melbourne. Revenue is recognised after the vessel’s departure from its designated berth, at a point in time.

(ii) Channel fees

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 Ports Victoria has fulfilled its contractual obligations (generally the use of the shipping channel by a customer). Revenue is recognised after the vessel’s departure from the channel, at a point in time.

(iii) Anchorage fees

Anchorage fees are charged for the provision of an area for use by vessels seeking safe anchorage in lieu of mooring at a port berth. Fees are charged based on time spent in port waters with a minimum charge of 24 hours. Revenue is recognised over time.

(iv) Berth hire and Site Occupation Charge

Berth hire is a time-based fee charged for the provision of berths for the purpose of loading or discharging specialised cargo and lay-up or other purpose approved by Ports Victoria. Berth hire is not applicable to passenger vessels to which a Site Occupation Charge (SOC) will be levied. The SOC is a charge levied in reference to both the number of incoming passengers arriving on the cruise vessel and the amount of time for which the site was reserved or occupied by such cruise vessel. Revenue is recognised over time.

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

2 FUNDING DELIVERY OF OUR SERVICES

2.1 Revenue from contracts with customers (continued)

(v) Port Manager contribution

Contribution by the Port Manager under the Port Concession Deed and Port Operations Service Deed. Revenue is recognised on an annual basis over the term of the Deed. Revenue is recognised over time.

(vi) Other charges for services

Services recognised at the time the service to which the revenue relates, is provided or work is undertaken and the revenue is receivable, the revenue is recognised at a point in time. For services provided over a period of time, the revenue is recognised over a period of time. This includes the business case funding received from the Department of Transport and security services.

(vii) Disaggregation of revenue from contracts with customers

	2023	2022
	\$'000	\$'000
Timing of revenue recognition		
At a point in time	18,873	24,577
Over time	30,763	17,646
Total revenues from contracts with customers	49,636	42,223

2.2 Other income

	2023	2022
	\$'000	\$'000
Rent and licence fees	671	780
Total other income	671	780
Total revenue and other income	50,307	43,003

(i) Rent and licence fees

Revenue from operating leases is recognised when earned and accrued in accordance with the terms and conditions implicit in the leasing contract.

2.3 Operating leases

	2023	2022
	\$'000	\$'000
<i>Non-cancellable operating lease receivable</i>		
- within one year	-	306
	-	306

As Lessor

Ports Victoria had entered into a number of short-term leases and preferential berthing licences for land, buildings and infrastructure. The leases and licences terms range from one year to five years.

A lease with TT-Line was varied following Spirit of Tasmania's departure from Station Pier. This lease is operating on a month to month basis until the environmental audit is completed.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease agreement.

As a lessor, it classifies its leases as either operating or finance leases. An asset is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of the underlying asset and classified as an operating if it does not.

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

3 THE COST OF DELIVERING SERVICES

Introduction

This section provides additional information about how Ports Victoria's funding is applied and the accounting policies that are relevant for an understanding of the items recognised in the financial statements.

Structure

- 3.1 Summary of expenses incurred in delivery of services
- 3.2 Employee benefits
- 3.3 Other operating expenses
- 3.4 Other economic flows included in net result

3.1 Summary of expenses incurred in delivery of services

	Notes	2023 \$'000	2022 \$'000
Employee benefits expense	3.2.1	16,358	15,093
Depreciation	4.1.2	3,191	4,080
Amortisation	4.2	90	66
Other operating expenses	3.3	22,716	20,729
Total expense incurred in delivery of services		42,355	39,968

3.2 Employee benefits

3.2.1 Employee benefits in the comprehensive operating statement

	Notes	2023 \$'000	2022 \$'000
Defined contribution superannuation expense		1,348	1,870
Salaries and employee benefits expenses		15,010	13,223
Total employee expenses	3.1	16,358	15,093

Employee benefits expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments, WorkCover premiums, defined benefits superannuation plans, and defined contribution superannuation plans. Ports Victoria does not recognise any defined benefit liability in respect of the State Superannuation Scheme. Department of Treasury and Finance (DTF) recognises and discloses the defined benefit liabilities for the State Superannuation Scheme in its financial report.

The amount recognised in the comprehensive operating statement in relation to superannuation is the employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period.

Defined Benefits under the Port of Melbourne Superannuation Fund are disclosed under Note 3.2.3.

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

3 THE COST OF DELIVERING SERVICES

3.2.2 Employee benefits in the balance sheet

Provision is made for benefits accruing to employees in respect of wages and salaries, annual leave and long service leave (LSL) for services rendered to the reporting date inclusive of on-costs and recorded as an expense during the period the services are delivered.

	Notes	2023 \$'000	2022 \$'000
Current employee benefits:			
Annual leave entitlements			
<i>Unconditional and expected to wholly settle within 12 months</i>		838	865
<i>Unconditional and expected to wholly settle after 12 months</i>		241	289
Long service leave entitlements			
<i>Unconditional and expected to wholly settle within 12 months</i>		145	140
<i>Unconditional and expected to wholly settle after 12 months</i>		1,523	1,620
Defined benefits superannuation fund liability	3.2.3	4,583	4,551
Provision for on-costs			
<i>Unconditional and expected to wholly settle within 12 months</i>		140	138
<i>Unconditional and expected to wholly settle after 12 months</i>		278	127
Total current employee benefits and on-costs		7,748	7,730
Non-current employee benefits			
Long service leave entitlements		301	239
On-costs		16	12
Total non-current employee benefits and on-costs		317	251
Total employee benefits and related on-costs		8,065	7,981
Reconciliation of movement in on-cost provision			
Opening balance		277	-
Transfer in - contribution by owner via contributed capital		-	434
Provision adjustment		333	(6)
Reductions arising from payments		(176)	(151)
Closing balance		434	277
Current		418	265
Non-current		16	12
		434	277

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

3 THE COST OF DELIVERING SERVICES

3.2.2 Employee benefits in the balance sheet (continued)

Wages, salaries and sick leave

Liabilities for wages and salaries, expected to be settled within 12 months of the reporting date, are measured at their nominal amounts (including on-costs) using the remuneration rates expected to apply at the time of the settlement and are recognised as current liabilities. Ports Victoria does not have an unconditional right to defer settlement of these liabilities. No liability is recognised for non-vesting sick leave as the anticipated pattern of future sick leave taken indicates that accumulated non-vesting leave will not be used. As sick leave is non-vesting, an expense is recognised in the Comprehensive Operating Statement as it is taken.

Employment on-costs such as payroll tax, workers compensation and superannuation are not employee benefits. They are disclosed separately as a component of the provision for employee benefits when the employment to which they relate has occurred.

Annual leave

Annual leave entitlements are accrued on a pro-rata basis in respect of services provided by employees up to the reporting date, having regard to rates expected to apply when the liabilities are settled. The entire obligation has been recognised as a current liability as Ports Victoria does not have an unconditional right to defer settlement. Those liabilities which are expected to be wholly settled within 12 months of the reporting period, are measured at their undiscounted (nominal) values.

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 past experience. 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 as Ports Victoria does not have an unconditional right to defer the settlement. Those liabilities which are expected to be wholly settled within 12 months of the reporting period, are measured at their undiscounted (nominal) values. Those liabilities that are not expected to be wholly settled within 12 months are 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.

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

3 THE COST OF DELIVERING SERVICES

3.2.3 Defined benefit superannuation

Defined benefit superannuation plan

A liability in respect of the Port of Melbourne Superannuation Fund (PMSF) is recognised in the Statement of Financial Position, and is measured in accordance with AASB 119 as the present value of the Defined Benefit Obligation at year end less the fair value of the superannuation fund's assets at that date and any unrecognised past service cost. The value of the defined benefit superannuation plan has been calculated using the Projected Unit Credit method, as required by AASB 119. The objective under this method is to expense each member's benefits in the Fund as they would accrue, taking into consideration future salary increases and the benefit allocation formula. Thus the total benefit to which each member is expected to become entitled is broken down into units, each associated with a year of past or future credited service.

The PMSF was transferred into the State Superannuation Fund with the Emergency Services Superannuation Scheme (ESSS), effective 29 November 2019. Ports Victoria remains the employer responsible for meeting the accruing costs and liabilities of the transferred members of the PMSF. There were no scheme amendments, curtailments and/or settlements of which Ports Victoria is aware.

The PMSF is a legacy fund that as at 30 June 2023 has 1 active member, 0 deferred pension member and 32 members drawing on a pension (at 30 June 2022 has 1 active member, 0 deferred pension member and 32 members) . The total annual pensions was \$2.0M (2022: \$1.8M).

The Fund only has defined benefit members and is closed to new members. Members receive pension benefits on retirement, death and disablement. On withdrawal, members have a choice of receiving a lump sum benefit and/or a deferred pension benefit.

The ESSS Board, as Trustee, is responsible for the governance of the PMSF. The Trustee has the following roles:

- Administration of the Fund including payment of benefits to beneficiaries in accordance with the governing rules, the responsibility of which is outsourced to Iress (Financial Synergy Holdings Pty Ltd)
- Management and investment of the assets of the Fund, the responsibility for which is outsourced to Victorian Funds Management Corporation; and
- Compliance with superannuation law and other applicable regulations.

Future taxes, such as taxes on investment income and employer contributions, are taken into account in the actuarial assumptions used to determine the relevant components of Ports Victoria's defined benefit liability.

The Superannuation Industry Supervision (SIS) legislation governs the superannuation industry and provides the framework within which superannuation plans operate. The SIS Regulations require an actuarial valuation to be performed for each defined benefit superannuation plan every three years, or every year if the plan pays defined benefit pensions unless an exemption has been obtained. An actuarial valuation has been undertaken as at 30 June 2023 and 2022.

Contribution recommendations

Employer contributions are based on recommendations by the Plan's actuary. The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. Ports Victoria has no legal obligation to settle this liability with an immediate obligation or additional one-off contributions.

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

3 THE COST OF DELIVERING SERVICES

3.2.3 Defined benefit superannuation (continued)

Funding method

The method used to determine the employer contribution recommendations at the last actuarial review was the aggregate funding method. The method adopted affects the timing of the cost to Ports Victoria.

Nature of asset/liability

The PMSF does not impose a legal liability on Ports Victoria to cover any deficit that exists in the fund. If the fund were wound up, there would be no legal obligation on Ports Victoria to make good any shortfall. The Trust Deed of the fund states that if the fund winds up, the remaining assets are to be distributed by the Trustee of the fund in an equitable manner as it sees fit.

Ports Victoria may, at any time by notice to the Trustee, terminate its contributions. Ports Victoria has a liability to pay the contributions due before the effective date of the notice, but there is no requirement for it to pay further contributions, irrespective of the financial condition of the fund. However, Ports Victoria does have a constructive obligation for the fund and therefore has recognised a current liability in the Statement of Financial Position in respect of its defined benefit superannuation arrangements.

There are several risks to which the Fund exposes Ports Victoria to. The more significant risks relating to the defined benefits are:

Investment risk - the risk that investment returns will be lower than assumed and Ports Victoria will need to increase contributions to offset this shortfall;

Legislative risk - the risk is that legislative changes could be made which increase the cost of providing the defined benefits;

Pension risk - the risk is that pensioner mortality will be lighter than expected, resulting in pensions being paid for a longer period;

Inflation risk - the risk that inflation is higher than anticipated, increasing pension payments, and thereby requiring additional employer contributions, and

Salary growth risk - the risk that salaries or wages (on which future benefit amounts will be based) will rise more rapidly than assumed, increasing defined benefit amounts and thereby requiring additional employer contributions.

Timing of members leaving service - as the fund is a small fund (i.e. has a small number of members), if members with high benefits leave, this may impact on the financial position of the fund at the time they leave. The impact may be positive or negative depending on the circumstances and timing of withdrawal.

The defined benefit assets are invested with the Victorian Funds Management Corporation, together with the assets of the other State Superannuation Fund schemes. The percentage contribution of each major category of assets is detailed in Note 3.2.3 (g). There were no plan amendments affecting the defined benefits payable, curtailments or settlements during the year.

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

3 THE COST OF DELIVERING SERVICES

3.2.3 Defined benefit superannuation (continued)

(a) Balance sheet

	Notes	2023 \$'000	2022 \$'000
Defined Benefit Obligation		36,106	35,826
Scheme Assets		(31,523)	(31,275)
Deficit/(Surplus)		4,583	4,551
Net liability/(asset)	3.2.3 (b)	4,583	4,551

(b) Reconciliation of the Net Defined Benefit Liability/(Asset)

Movements in the net defined benefit liability/(asset) were as follows:

	Notes	2023 \$'000	2022 \$'000
Net defined benefit liability/(asset) at start of the year		4,551	-
Transfer in - contribution by owner via contributed capital		-	15,789
Current services cost		(18)	34
Net interest		242	490
Remeasurement in Other Comprehensive Income	3.2.3 (c)	(169)	(11,739)
Employer contributions		(23)	(23)
Net defined benefit liability/(asset) at end of the year	3.2.3 (a)	4,583	4,551

(c) Other Comprehensive Income

		2023 \$'000	2022 \$'000
Remeasurement in Other Comprehensive Income			
Actuarial (gain)/loss for year arising from changes in financial assumptions	9.2.2	(1,016)	(10,885)
Actuarial (gain)/loss for year arising from experience	9.2.2	1,469	(1,177)
Return on assets less interest income	9.2.2	(622)	323
Total remeasurements recognised in Other Comprehensive Income		(169)	(11,739)

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

3 THE COST OF DELIVERING SERVICES

3.2.3 Defined benefit superannuation (continued)

(d) Reconciliation of Fair Value of Fund Assets

Movements in the fair value of the Defined Benefit Fund assets were as follows:

	2023	2022
	\$'000	\$'000
Fair value of Fund assets transferred	31,274	-
Transfer in - contribution by owner via contributed capital	-	32,490
Interest income	1,615	977
Actual return on Fund assets less interest income	622	(323)
Employer contributions	23	23
Contributions by Fund participants	9	9
Benefits paid	(1,975)	(1,857)
Taxes, premiums and expenses paid	(45)	(45)
Fair value of Fund assets at end of the year	31,523	31,274

3.2.3 (f)

(e) Reconciliation of Defined Benefit Obligation

Movements in the defined benefit obligation were as follows:

	2023	2022
	\$'000	\$'000
Present value of Defined Benefit Obligation at beginning of the year	35,826	-
Transfer in - contribution by owner via contributed capital	-	48,279
Current service cost	(18)	34
Interest cost	1,856	1,468
Contributions by Fund participants	9	9
Actuarial losses/ (gain) arising from changes in financial assumptions	(1,016)	(10,885)
Actuarial gain arising from changes in liability experience	1,469	(1,177)
Benefits paid	(1,975)	(1,857)
Taxes, premiums and expenses paid	(45)	(45)
Present value of Defined Benefit Obligation at end of the year	36,106	35,826

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

3 THE COST OF DELIVERING SERVICES

3.2.3 Defined benefit superannuation (continued)

(f) Fair value of Defined Benefit Fund assets

As at 30 June 2023

Asset category	Notes	Carrying	Fair value measurement at reporting date:		
		Amount	Level 1	Level 2	Level 3
		\$'000	\$'000	\$'000	\$'000
Investment funds		31,523	-	31,523	-
Total	3.2.3 (d)	31,523	-	31,523	-

As at 30 June 2022

Asset category	Notes	Carrying	Fair value measurement at reporting date:		
		Amount	Level 1	Level 2	Level 3
		\$'000	\$'000	\$'000	\$'000
Investment funds		31,274	-	31,274	-
Total	3.2.3 (d)	31,274	-	31,274	-

We are not aware of the Fund assets including amounts relating to any of Ports Victoria's own financial instruments and any property occupied by, or other assets used by, Ports Victoria.

(g) The percentage invested in each asset class at reporting date

	2023	2022
	%	%
Australian equity	24	22
International equity	33	33
Domestic and international debt assets	16	18
Property	6	6
Alternatives/Other	12	12
Cash	9	9
	100	100

(h) Significant actuarial assumptions at the reporting date

Assumptions to determine Defined Benefit Cost	2023	2022
	%	%
Discount rate p.a.	5.7	5.3
Future salary increase p.a.	3.0	2.0
First year pension indexation	3.3	4.1
Long-term pension indexation p.a.	2.5	2.5
Mortality	As per the most recent valuation of the State's pension schemes (30 June 2023)	As per the most recent valuation of the State's pension schemes (30 June 2022)
Expected remaining lifetime at age 65		
Male	26.3	26.2
Female	27.6	27.5

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

3 THE COST OF DELIVERING SERVICES

3.2.3 Defined benefit superannuation (continued)

(i) Sensitivity Analysis

The defined benefit obligation (not including tax provisions) is presented on following scenarios for the year ended 30 June 2023 :

<i>Scenario A:</i>	0.5% per annum higher discount rate sensitivity
<i>Scenario B:</i>	0.5% per annum lower discount rate sensitivity
<i>Scenario C:</i>	0.5% per annum higher salary increase rate sensitivity
<i>Scenario D:</i>	0.5% per annum lower salary increase rate sensitivity
<i>Scenario E:</i>	90% per annum of the State Pension Scheme Standard pensioner mortality sensitivity
<i>Scenario F:</i>	110% per annum of the State Pension Scheme Standard pensioner mortality sensitivity
<i>Scenario G:</i>	0.5% per annum higher pension increase rate sensitivity
<i>Scenario H:</i>	0.5% per annum lower pension increase rate sensitivity

	\$'000
Defined Benefit Obligation - Base at 30 June 2023	35,419

30 June 2023	Base Case	Scenario A	Scenario B	Scenario C	Scenario D
Discount rate	5.7% pa	6.15%	5.15%	-	-
Salary increase rate	3.0% pa	-	-	3.50%	2.50%
Pension increase rate	2.5% pa	-	-	-	-
Defined Benefit Obligation		33,745	37,274	35,434	35,405
Change in obligation		(1,674)	1,855	14	(14)
Percentage change in obligation		(5.00%)	5.00%	0.00%	0.00%

30 June 2023	Base Case	Scenario E	Scenario F	Scenario G	Scenario H
Discount rate	5.7% pa	-	-	-	-
Salary increase rate	3.0% pa	-	-	-	-
Pension increase rate	2.5% pa	-	-	3.00%	2.00%
Defined Benefit Obligation		36,069	34,835	37,529	33,479
Change in obligation		650	(584)	2,110	(1,940)
Percentage change in obligation		2.00%	(2.00%)	6.00%	(5.00%)

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

3 THE COST OF DELIVERING SERVICES

3.2.3 Defined benefit superannuation (continued)

(i) Sensitivity Analysis (continued)

The defined benefit obligation (not including tax provisions) is presented on following scenarios for the year ended 30 June 2022 :

<i>Scenario A:</i>	0.5% per annum higher discount rate sensitivity
<i>Scenario B:</i>	0.5% per annum lower discount rate sensitivity
<i>Scenario C:</i>	0.5% per annum higher salary increase rate sensitivity
<i>Scenario D:</i>	0.5% per annum lower salary increase rate sensitivity
<i>Scenario E:</i>	90% per annum of the State Pension Scheme Standard pensioner mortality sensitivity
<i>Scenario F:</i>	110% per annum of the State Pension Scheme Standard pensioner mortality sensitivity
<i>Scenario G:</i>	0.5% per annum higher pension increase rate sensitivity
<i>Scenario H:</i>	0.5% per annum lower pension increase rate sensitivity

Defined Benefit Obligation - Base at 30 June 2022	<u>\$'000.</u>
	35,143

30 June 2022	Base Case	Scenario A	Scenario B	Scenario C	Scenario D
Discount rate	5.3% pa	5.83%	4.83%	-	-
Salary increase rate	2.0% pa	-	-	2.50%	1.50%
Pension increase rate	2.5% pa	-	-	-	-
Defined Benefit Obligation		33,400	37,082	35,165	35,121
Change in obligation		(1,743)	1,939	22	(22)
Percentage change in obligation		(4.96%)	5.52%	0.06%	(0.06%)

30 June 2022	Base Case	Scenario E	Scenario F	Scenario G	Scenario H
Discount rate	5.3% pa	-	-	-	-
Salary increase rate	2.0% pa	-	-	-	-
Pension increase rate	2.5% pa	-	-	3.00%	2.00%
Defined Benefit Obligation		34,605	35,746	37,342	33,128
Change in obligation		(538)	603	2,199	(2,015)
Percentage change in obligation		(1.53%)	1.72%	6.26%	(5.73%)

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

3 THE COST OF DELIVERING SERVICES

3.2.3 Defined benefit superannuation (continued)

(j) Funding arrangements and funding policy

Employer contributions are based on recommendations by the plan's actuary. The objective of funding is to ensure that the benefit entitlements of members and other beneficiaries are fully funded by the time they become payable. Ports Victoria has no legal obligation to settle this liability with an immediate contribution or additional one-off contributions.

For the year ended 30 June 2023, based on the actuary's recommendation, Ports Victoria contributed the following to the Fund:

- 20% (2022: 20%) of superannuation salaries, and
- Expenses were met by PMSF at a rate proposed by the Emergency Services Superannuation Fund.

(k) Expected contributions

	2024	2023
	\$'000	\$'000
Expected employer contributions	23	23

(l) Maturity profile of Defined Benefit Obligations

The weighted average duration of the defined benefit obligation as at 30 June 2023 is approximately 11 years (2022: 12 years).

	\$'000
30 June 2024	2,072
30 June 2025	2,122
30 June 2026	2,232
30 June 2027	2,274
30 June 2028	2,314
Following 5 years	12,076

(m) Asset-Liability matching strategies

The assets are invested as shown in the disclosures.

The assets chosen are not designed to match the liabilities exactly, although the nature of the liabilities is considered in setting the investment strategy.

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

3 THE COST OF DELIVERING SERVICES

3.3 Other operating expenses

	Notes	2023 \$'000	2022 \$'000
Contractors and consultant expenses		17,934	15,791
Operating lease expenses - minimum lease payments		338	257
Other expenses		4,444	4,681
Total operating expenses	3.1	22,716	20,729

Other operating expenses from transactions are recognised as they are incurred and reported in the financial year to which they relate. Operating expenses generally represent day-to-day running costs incurred in normal operations.

The following operating lease payments are recognised on a straight-line basis:

- short-term leases – leases with a term less than 12 months; and
- low value leases – leases with the underlying asset's fair value (when new, regardless of the age of the asset leased) is no more than \$10,000.

3.4 Other economic flows included in net result

	Notes	2023 \$'000	2022 \$'000
Net gain/(loss) on non-financial assets			
Loss on sale of asset		(27)	(625)
Impairment of property, infrastructure, plant & equipment	4.1.3	-	(23,769)
Total		(27)	(24,394)
Other gain/(loss) from other economic flow			
Defined benefit superannuation expense		(225)	(524)

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

Introduction

Ports Victoria controls non-current physical assets comprising land, buildings & infrastructure (includes shipping channels) and other plant & equipment that are utilised in fulfilling its objectives and conducting its activities. They represent the resources that have been entrusted to Ports Victoria for delivery of those outputs.

In determining the fair value as at 30 June 2023, key assumptions have been considered in accordance with AASB 13, AASB 136 and FRD 103. As the entity is a for profit entity, a Discounted Cash Flow (DCF) for each Cash Generating Unit (CGU) was prepared to assess fair value and consider any indicators of impairment (i.e. where the carrying value of a class of assets does not approximate its fair value). The values assigned to the key assumptions in the DCF represented management's assessment of future industry trends and incorporated historical data from both external and internal sources. The outcome of this assessment indicated no impairment was required, nor was a management revaluation required. Refer to the table in Note 4.1.2 for impairment details across asset classes and Note 8.3 regarding the fair value assessment.

Structure

- 4.1 Property, Infrastructure, plant and equipment
 - 4.1.1 Right-of-use assets: buildings, plant, equipment and vehicles
 - 4.1.2 Depreciation and impairment
 - 4.1.3 Reconciliation of movements in carrying amount
- 4.2 Intangible assets

4.1 Property, Infrastructure, plant and equipment

	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
	2023	2023	2023
	\$'000	\$'000	\$'000
As at 30 June 2023			
Land	3,457	-	3,457
Buildings	12,504	(3,408)	9,096
Plant and equipment & motor vehicles	8,017	(3,170)	4,847
Infrastructure	70,158	(24,358)	45,800
Cultural assets	817	-	817
Assets under construction, at cost	804	-	804
Net carrying amount	95,757	(30,936)	64,821
	Gross carrying amount	Accumulated depreciation and impairment	Net carrying amount
	2022	2022	2022
	\$'000	\$'000	\$'000
As at 30 June 2022			
Land	3,457	-	3,457
Buildings	11,493	(2,641)	8,852
Plant and equipment & motor vehicles	7,184	(2,462)	4,722
Infrastructure	70,061	(22,746)	47,315
Cultural assets	817	-	817
Assets under construction, at cost	1,133	-	1,133
Net carrying amount	94,145	(27,849)	66,296

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

4.1 Property, plant and equipment (continued)

All items of Property, Infrastructure, plant and equipment are allocated to the purpose group of 'Transport' under the 'classification of the functions of government' (COFOG) framework.

Initial recognition

Items of property, infrastructure, plant and equipment, are measured initially at cost (excluding assets contributed by owner under FRD 119) and subsequently revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal cost, the cost is its fair value at the date of acquisition. Assets transferred as part of a machinery of government change are transferred at their carrying amount via contributed capital (as a contribution by owner). All items with a cost or value in excess of \$1,000 and with a useful life greater than one year are recognised as assets, provided the recognition criteria of future economic benefits exists.

The cost of constructed non-financial physical assets includes the cost of all materials used in construction and an appropriate proportion of variable and fixed overheads.

The cost of a leasehold improvement is capitalised and depreciated over the shorter of the remaining term of the lease or their estimated useful lives.

Subsequent measurement

Items of property, infrastructure, plant and equipment, are subsequently measured at their fair value in accordance with FRD 103.

Revaluation and impairment adjustments are recorded in accordance with Financial Reporting Direction 103 Non-Financial Physical Assets. An independent valuation is undertaken by the Valuer General of Victoria (VGV) every 5 years. The next independent valuation is scheduled to occur for the year ending 30 June 2025. An independent valuation for a class of non-current physical assets is also obtained where a fair value assessment has indicated a movement in excess of 40% in the fair value of that asset class. Non-financial assets transferred in (via equity) under FRD 119 as a Machinery of Government (MoG) change were last valued by the VGV at 30 June 2020.

To assess fair value, items of property, infrastructure, plant and equipment assets are allocated to a CGU and a DCF calculation is performed for each CGU. A CGU is defined as the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets.

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

If an asset's carrying amount is increased as a result of a revaluation, the increase is credited directly to equity under the heading of asset revaluation reserve net of applicable tax and shown in the Comprehensive Operating Statement under "Other Comprehensive Income". However, the increase is recognised in the Comprehensive Operating Statement under "Other economic flows included in net result" to the extent that it reverses a revaluation decrease previously recognised in the net result in respect of that asset.

If an asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in the Comprehensive Operating Statement under "Other economic flows included in net result". However, the decrease is debited directly to equity under the heading of asset revaluation reserve to the extent of any credit balance existing in the revaluation reserve in respect of that asset.

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

4.1 Property, plant and equipment (continued)

Subsequent measurement (continued)

Gains and losses on disposals of assets are determined by comparing proceeds from sale with the carrying amount and selling costs. These are included in profit or loss. Upon disposal or derecognition, any revaluation reserve relating to the particular asset being sold or written off is transferred to accumulated losses.

Refer to Note 8.3 for additional information on fair value determination of land, buildings, infrastructure (including shipping channels), plant and equipment.

Initial measurement - Right-of-use asset acquired by lessees

Ports Victoria recognises a right-of-use assets 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.

Subsequent measurement - Right-of-use asset

Right-of-use assets are subsequently measured at fair value, with the exception of right-of-use assets arising from leases with significantly below market terms and conditions, which are subsequently measured at cost.

Ports Victoria depreciates the right-of-use assets (ROU) 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. In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

4.1 Property, plant and equipment (continued)

4.1.1 Right-of-use assets: buildings, plant, equipment and vehicles

At 30 June 2023	Gross carrying amount	Accumulated amortisation	Net carrying amount
	2023	2023	2023
	\$'000	\$'000	\$'000
Buildings at fair value	2,727	(909)	1,818
Plant and equipment & motor vehicles at fair value	35	(29)	6
Net carrying amount	2,762	(938)	1,824
	Buildings at fair value	Plant and equipment & motor vehicles at fair value	Total
	2023	2023	2023
	\$'000	\$'000	\$'000
Carrying amount 1 July 2022	1,386	22	1,408
Additions	906	-	906
Amortisation	(474)	(16)	(490)
Carrying amount 30 June 2023	1,818	6	1,824
At 30 June 2022	Gross carrying amount	Accumulated amortisation	Net carrying amount
	2022	2022	2022
	\$'000	\$'000	\$'000
Buildings at fair value	1,821	(435)	1,386
Plant and equipment & motor vehicles at fair value	40	(18)	22
Net carrying amount	1,861	(453)	1,408
	Buildings at fair value	Plant and equipment & motor vehicles at fair value	Total
	2022	2022	2022
	\$'000	\$'000	\$'000
Carrying amount 1 July 2021	-	-	-
Transfer in - contribution by owner via contributed capital - Note 1.5	1,821	40	1,861
Amortisation	(435)	(18)	(453)
Carrying amount 30 June 2022	1,386	22	1,408

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

4.1.2 Depreciation and impairment

	Notes	2023	2022
Depreciation (including amortisation of ROU assets)		\$'000	\$'000
Buildings		767	823
Plant and equipment & vehicles		811	831
Infrastructure		1,613	2,426
Total depreciation	3.1	3,191	4,080
Impairment			
Buildings		-	1,818
Plant and equipment & vehicles		-	1,631
Infrastructure		-	20,320
Total impairment	3.4	-	23,769
Total depreciation and impairment		3,191	27,849

Depreciation expense

Land and cultural assets held by Ports Victoria are not depreciated. All infrastructure assets, buildings, plant and equipment and other non-financial physical assets that have finite useful lives, are depreciated. Depreciation on assets is calculated using the straight-line method to allocate their cost or revalued amounts, net of their residual values, over their estimated useful lives (or, in the case of leasehold improvements and certain leased plant and equipment, the lease term if shorter) as follows:

Buildings	1 - 50 years
Infrastructure	1 - 60 years
Plant, equipment and vehicles	1 - 20 years

Assets under construction are not depreciated. At the point the asset has been constructed and is available for use, the asset is transferred to the appropriate asset class and then depreciated.

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

The estimated useful lives, residual values and depreciation method are reviewed at the end of each financial reporting period and, where revised, 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.

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

4.1.2 Depreciation and impairment (continued)

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, with the exception of all costs incurred for Station Pier which are expensed as incurred, given that currently no future economic benefit exists.

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 original depths) are expensed as incurred.

Dredging and associated costs (where the shipping channels are widened and improved) are capitalised and depreciated over its useful life (once the asset is ready for use).

Impairment and recoverable amount

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (impairment of assets). Where an asset's carrying value exceeds its recoverable amount, the difference is written off by a charge in the Comprehensive Operating Statement under "Other economic flows included in net result" except to the extent that the write-down can be debited to an asset revaluation reserve amount applicable to that specific asset. The recoverable amount for an asset 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 of disposal.

During the year ended 30 June 2023 as part of the fair value assessment process, no impairment indicators were identified, nor was a managerial revaluation required. For the year ended 30 June 2022, impairment indicators were identified for the CGUs representing Hastings, Melbourne Shipping and Station Pier. In 2022, the impairment indicators have primarily resulted from TT-Line departing Station Pier at the end of their current lease (November 2022) and the impact of forecast costs exceeding forecast revenue.

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

4.1.3 Reconciliation of movements in carrying amount

Year ended 30 June 2023	Notes	Land	Buildings	Plant and equipment & motor vehicles	Infrastructure	Cultural assets	Assets under construction	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount 1 July 2022		3,457	8,852	4,722	47,315	817	1,133	66,296
Transfer of assets under construction		-	105	991	97	-	(1,193)	-
Additions		-	906	-	-	-	864	1,770
Disposals		-	-	(54)	-	-	-	(54)
Depreciation charge		-	(767)	(812)	(1,612)	-	-	(3,191)
Carrying amount 30 June 2023		3,457	9,096	4,847	45,800	817	804	64,821

At 30 June 2023

Fair value 2022		3,457	12,504	8,017	70,158	817	-	94,953
Cost		-	-	-	-	-	804	804
Accumulated depreciation and impairment		-	(3,408)	(3,170)	(24,358)	-	-	(30,936)
Net carrying amount	8.3.1(a)	3,457	9,096	4,847	45,800	817	804	64,821

4.1.3 Reconciliation of movements in carrying amount

Year ended 30 June 2022	Notes	Land	Buildings	equipment & motor vehicles	Infrastructure	Cultural assets	construction	Total
		\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Carrying amount 1 July 2021		-	-	-	-	-	-	-
Transfer in - contribution by owner via contributed capital	1.5	3,457	11,355	7,524	61,205	817	596	84,954
Additions		-	138	335	83	-	537	1,093
Disposals		-	-	(675)	-	-	-	(675)
Revaluation - Increase		-	-	-	8,773	-	-	8,773
Revaluation - Impairment		-	(1,818)	(1,631)	(20,320)	-	-	(23,769)
Depreciation charge		-	(823)	(831)	(2,426)	-	-	(4,080)
Carrying amount 30 June 2022		3,457	8,852	4,722	47,315	817	1,133	66,296

At 30 June 2022

Fair value 2022		3,457	11,493	7,184	70,061	817	-	93,012
Cost		-	-	-	-	-	1,133	1,133
Accumulated depreciation and impairment		-	(2,641)	(2,462)	(22,746)	-	-	(27,849)
Net carrying amount	8.3.1(a)	3,457	8,852	4,722	47,315	817	1,133	66,296

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

4.2 Intangible assets

	Notes	Gross carrying amount	Accumulated depreciation	Net carrying amount
		2023	2023	2023
		\$'000	\$'000	\$'000
Software at cost		469	(138)	331
Net carrying amount		469	(138)	331

	Notes	Gross carrying amount	Accumulated depreciation	Net carrying amount
		2022	2022	2022
		\$'000	\$'000	\$'000
Software at cost		177	(66)	111
Net carrying amount		177	(66)	111

	Notes	Software 2023 \$'000	Total 2023 \$'000	Software 2022 \$'000	Total 2022 \$'000
Carrying amount 1 July		111	111	-	-
Transfer in - contribution by owner via contributed capital	1.5	-	-	177	177
Additions		375	375	-	-
Disposals		(65)	(65)	-	-
Amortisation charge		(90)	(90)	(66)	(66)
Net book value at 30 June		331	331	111	111

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.

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

5 OTHER ASSETS AND LIABILITIES

Introduction

This section sets out any other assets and liabilities that arose from Ports Victoria's operations.

Structure

- 5.1 Receivables
- 5.2 Payables
- 5.3 Other non-financial assets

5.1 Receivables

	Notes	2023 \$'000	2022 \$'000
Current			
Contractual			
Trade receivables (i)	8.1.1	6,709	6,365
		6,709	6,365
<i>(i) Ageing analysis of contractual receivables</i>			
0 - 30 days		1,403	1,653
31 - 60 days		5,300	4,608
61 - 90 days		6	59
91 - 120 days		-	45
		6,709	6,365

Receivables

Receivables consist of contractual receivables. Contractual receivables mainly include trade receivables in relation to goods and services and are classified as financial instruments in Note 8.

Trade receivables are amounts due for services rendered to customers of Ports Victoria in the ordinary course of business and generally due for settlement within 30 days and therefore are all classified as current. Trade receivables are held with the objective to collect contractual cashflows and therefore measured at amortised cost using the effective interest method, less provision for impairment.

Ports Victoria applies the AASB 9 simplified approach to measuring expected credit losses which uses a lifetime expected loss allowance for trade receivables. Details of Ports Victoria's Impairment Policy are set out in Note 8.1.

No provision for expected credit loss has been recognised given the low level of historical impairment loss and current year collection statistics.

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

5 OTHER ASSETS AND LIABILITIES

5.2 Payables

	Notes	2023 \$'000	2022 \$'000
Current			
Contractual			
Trade payables (i)		167	392
Accrued expenses (i)		1,026	3,816
	8.1.1	1,193	4,208
Statutory			
FBT payable		42	20
GST payable		353	519
		395	539
Total payables		1,588	4,747
<i>(i) Maturity analysis of contractual payables</i>			
Less than 1 month		1,166	4,204
1 - 3 months		27	4
		1,193	4,208

Payables

Payables consist of contractual payables and statutory payables. Contractual payables include mainly trade payables' creditors in relation to goods and services. Statutory payables include GST payable, fringe benefits tax and other tax payable. Contractual payables are classified as financial instruments in Note 8. Statutory payables are not classified as financial instruments as they do not arise from a contract.

Trade payables are carried at amortised cost. Due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to Ports Victoria 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.

5.3 Other non-financial assets

	2023 \$'000	2022 \$'000
Current		
Prepayments	1,255	1,164
Other assets	29	133
	1,284	1,297

Other non-financial assets

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

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

6 FINANCING OUR OPERATIONS

Introduction

This section provides information on the sources of finance utilised by Ports Victoria during its operations, along with interest expenses (the cost of borrowings) and other information related to financing activities of Ports Victoria.

Structure

- 6.1 Leases
- 6.2 Cash flow information and balances
- 6.3 Commitments for expenditure

6.1 Leases

As lessee

Ports Victoria lease properties in Geelong, Melbourne and a number of sites for radar transmitters and navigational aids. Rental contracts are typically made for fixed periods of 5 years to 10 years, but may have extension options.

Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. Leased assets may not be used as security for borrowing purposes.

6.1.2 Amounts recognised in the Balance Sheet

	Notes	2023 \$'000	2022 \$'000
Lease liabilities			
Current		612	562
Non-current		1,575	1,271
	8.1.1	2,187	1,833

Right-of-use assets are presented in note 4.1.1

Additions to the right-of use assets during the 2023 financial year were \$0.9M (2022: nil).

6.1.3 Amounts recognised in the Comprehensive Operating Statement

	Notes	2023 \$'000	2022 \$'000
Depreciation charge of right-of-use assets			
Buildings		474	435
Plant and equipment & motor vehicles		16	18
	4.1.1	490	453
Interest expense	8.1.2	76	68
Expenses relating to short term leases		338	257
The total cash outflow for leases		628	489

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

6 FINANCING OUR OPERATIONS

6.1.4 Accounting for leases

For any new contracts entered into, Ports Victoria 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 Ports Victoria 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 Ports Victoria and for which the supplier does not have substantive substitution rights;
- whether Ports Victoria 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 the department has the right to direct the use of the identified asset throughout the period of use; and
- whether Ports Victoria has the right to take decisions in respect of 'how and for what purpose' the asset is used throughout the period of use.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in Ports Victoria, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

Ports Victoria has adopted the Department of Treasury and Finance's weighted average incremental borrowing rates for discounting depending on the lease term and the nature of the underlying asset:

- non specialised building 2.37% -5.65% (2022: 2.75% - 4.61%)
- non specialised land 3.48% (2022: 3.48%)
- plant, equipment and vehicles 2.79% - 2.80% (2022: 2.79% - 4.61%)

Lease payments are allocated between principal and finance cost at initial recognition. The finance cost is charged to the Comprehensive Operating Statement over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

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.

Separation of lease and non-lease components

At inception or on reassessment of a contract that contains a lease component, the lessee is required to separate out and account separately for non-lease components within a lease contract and exclude these amounts when determining the lease liability and right-of-use asset amount.

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

6 FINANCING OUR OPERATIONS

6.1.4 Accounting for leases (continued)

Recognition and measurement of leases as a lessee

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 Ports Victoria incremental borrowing rate. 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

Ports Victoria 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.

Ports Victoria is party to low value leases for seabeds and locations where navigational equipment is maintained on crown land. These leases are generally for a period greater than 12 months and a nominal annual amount of \$1 is payable on demand. These leases are recorded at cost.

Presentation of right-of-use assets and lease liabilities

Ports Victoria presents right-of-use assets as 'Property, plant and equipment'. Lease liabilities are presented as 'Interest bearing liabilities' in the balance sheet.

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

6 HOW WE FINANCED OUR OPERATIONS

6.2 Cash flow information and balances

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

	Notes	2023 \$'000	2022 \$'000
Cash and cash equivalents			
Cash at bank and in hand (i)		48,943	42,450
	8.1.1	48,943	42,450

(i) Cash at bank earns a weighted average interest rate of 4.25% at 30 June 2023 (2022 1.0%).

6.2.1 Reconciliation of profit / (loss) after income tax to net cash inflow from operating activities

	Notes	2023 \$'000	2022 \$'000
Profit / (loss) after tax for the period		8,468	(22,160)
Non-cash movements in income and expense			
Amortisation	4.2	90	66
Depreciation and impairment	4.1.2	3,191	27,849
Defined Benefit Superannuation Scheme adjustment		168	-
Loss on sale of assets		59	625
Change in operating assets and liabilities			
(Increase) in receivables		(344)	(177)
Decrease in deferred tax assets		-	4,752
Decrease in other operating assets		13	12
(Decrease)/Increase in payables		(3,159)	904
(Increase)/Decrease in current tax asset		(158)	1,194
(Decrease) in deferred tax liabilities		-	(1,817)
Increase/(Decrease) in provisions - employee benefits		84	(2,318)
(Decrease)/Increase in other liabilities and other provisions		(188)	4
Net cash from operating activities		8,224	8,934

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

6 HOW WE FINANCED OUR OPERATIONS

6.3 Commitments for expenditure

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are recorded below at their nominal value and inclusive of GST. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

(a) Commitments for expenditure

	2023 \$'000	2022 \$'000
Capital expenditure commitments		
Commitments for the construction and acquisition of land, buildings, infrastructure, plant and equipment, contracted for at balance date but not incurred or recognised as liabilities	206	1,620
Total capital expenditure commitments (net of GST)	206	1,620
Operating expenditure commitments		
Commitments for the payments of operating expenditure excluding lease commitments contracted for at balance date but not incurred or recognised as liabilities	16,189	12,090
Total operating expenditure commitments (net of GST)	16,189	12,090
Total commitments for expenditure (net of GST)	16,395	13,710

(b) Commitments for expenditure payable

Capital expenditure commitments payable		
- within one year	206	1,620
Total capital expenditure commitments (net of GST)	206	1,620
Operating expenditure commitments payable (excluding lease commitments)		
- within one year	4,018	5,832
- later than one year but not later than five years	12,171	6,258
Total operating expenditure commitments (excluding lease commitments)	16,189	12,090
Total commitments for expenditure payable (net of GST)	16,395	13,710

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

7 TAXATION AND TRANSACTIONS WITH THE STATE

Ports Victoria is subject to the National Tax Equivalent Regime (NTER). In accordance with this legislation, Ports Victoria is required to pay to the State Government Consolidated Fund, amounts determined to be equivalent to the amounts that would be payable by Ports Victoria if it was subject to the Income Tax Assessment Act 1936 (Cwlth) and Income Tax Assessment Act 1997 (Cwlth).

Structure

- 7.1 Income tax
- 7.2 Deferred tax
- 7.3 Dividends

7.1 Income tax

	Notes	2023	2022
		\$'000	\$'000
(a) Income tax expense			
Current tax expense/(benefit)		1,644	318
Recognition of Deferred Tax Asset to offset change in tax rate		(1,076)	-
Income tax expense/(benefit) recognised in the statement of comprehensive income		568	318

The tax expenses or income represents the tax payable on the current year's taxable income or tax loss based on the prevailing income tax rate, adjusted for changes in deferred tax assets and liabilities. For 2022-23, the income tax rate is 30.0% (2021-22: 25.0%).

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

7 Taxation and transactions with the State

7.1 Income tax expense (continued)

	Notes	2023 \$'000	2022 \$'000
(b) Numerical reconciliation of income tax expense to prima facie tax payable			
Profit/(loss) before income tax expense		9,036	(21,842)
Tax/(benefit) at the Australian tax rate of 30.0% (2021-22: 25.0%)		2,711	(5,461)
Tax effect of non deductible/(taxable) and other reconciling items		(75)	(278)
Recognition of Deferred Tax Asset to offset change in tax rate		(1,076)	-
Net deferred tax not recognised (brought to account)		(992)	6,057
Income tax (benefit)/expense		568	318
(c) Tax expense/(benefit) relating to items of other comprehensive income			
Asset revaluation reserve	9.2.2	-	2,193
Employee benefits reserve	9.2.2	51	2,935
		51	5,128
(d) Movement in current tax (assets)/liabilities:			
Carrying amount 1 July		(470)	-
Charged to income tax expense	7.1(a)	1,644	318
Income tax instalment paid		(725)	(788)
Carrying amount 30 June		449	(470)

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

7 Taxation and transactions with the State

7.2 Deferred tax

(a) Deferred tax assets

Deferred tax assets relating to temporary differences and unused tax losses are recognised only to the extent that it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised.

The balance the deferred tax asset comprises of:

	2023	2022
	\$'000	\$'000
Temporary differences		
Property, Infrastructure, plant and equipment	14,464	18,710
Other assets		
Accrued expenses	30	52
Income received in advance	-	49
Lease liability	685	129
Employee entitlements	2,433	2,005
Provisions	16	13
	17,628	20,958
Unused tax losses		
Deferred tax assets offset against deferred tax liability	(3,179)	(8,485)
Deferred tax assets recognised via P/L	(2,068)	(5,964)
Deferred tax assets recognised via equity (i)	(51)	-
Deferred tax assets not recognised during the year	(12,330)	(6,509)
Total deferred tax asset	-	-

Movement in deferred tax assets:

Carrying amount 1 July		-	-
Transfer in - contribution by owner via contributed capital	1.5	-	17,384
DTA Opening balance recognised to offset DTL		5,298	-
Equity movement via Other Comprehensive Income	9.2.2	(51)	(2,935)
Deferred tax liability offset against deferred tax asset		(3,179)	(8,485)
Deferred tax assets recognised		(2,068)	(5,964)
Carrying amount 30 June		-	-

Deferred tax assets not brought to account, the benefits of which will only be recognised when it is probable that future taxable profit will be available against which the benefits of the deferred tax asset can be utilised:

Temporary differences	14,449	12,021
Tax losses - capital	2,508	2,508

(i) in accordance with paragraph 61A of AASB 112 Income Taxes

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

7 Taxation and transactions with the State

7.2 Deferred tax (continued)

(b) Deferred tax liabilities

Deferred income tax liabilities are recognised for all taxable temporary differences.

		2023	2022
	Notes	\$'000	\$'000
The balance comprises temporary differences attributable to:			
Property, Infrastructure, plant and equipment		3,179	8,650
Prepayments		-	287
		3,179	8,937
Deferred tax liability offset against deferred tax asset		(3,179)	(8,485)
Deferred tax liability not recognised during the year		-	(452)
		-	-
Movement in deferred tax liabilities:			
Carrying amount 1 July		-	-
Transfer in - contribution by owner via contributed capital	1.5	-	6,292
DTL balance recognised to offset against DTA		3,179	-
Equity movement via Other Comprehensive Income	9.2.2	-	2,193
Deferred tax assets offset against deferred tax liability		(3,179)	(8,485)
Carrying amount 30 June		-	-
Net deferred tax (asset)/liability		-	-

Deferred income tax is provided on all temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

7 Taxation and transactions with the State

7.2 Deferred tax (continued)

Where the tax costs bases of assets and liabilities transferred in under a Machinery of Government change result in a temporary difference to the carrying value recognised, the temporary difference may be recognised as a deferred tax asset and/or liability.

Deferred income tax assets are recognised for all deductible temporary differences, carry-forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry-forward of unused tax credits and unused tax losses can be utilised.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period(s) when the asset and liability giving rise to them are realised or settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the reporting date.

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

7.3 Dividends

Ports Victoria may be required to pay a dividend 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 Ports Victoria's Board, the Minister for Ports and Freight and the Treasurer of Victoria. Following this consultation process, the Treasurer may make a formal determination. Only dividends declared on or before reporting date are recognised as a liability.

For the current reporting period, the dividends declared was nil (2022: nil).

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

8 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

Introduction

Ports Victoria 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, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for Ports Victoria related mainly to fair value determination.

Structure

- 8.1 Financial instruments specific disclosures
- 8.2 Contingent assets and contingent liabilities
- 8.3 Fair value determination

8.1 Financial instruments specific disclosures

Introduction

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

Categories of financial instruments

(i) Financial assets at amortised cost

Financial assets measured at amortised cost are financial instruments which meet both of the following criteria and are not designated at fair value through profit or loss:

- it is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- its contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Ports Victoria recognises the following financial assets in this category:

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

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

8 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

8.1 Financial instruments specific disclosures (continued)

(ii) Financial liabilities at amortised cost

Financial instrument liabilities are initially recognised on the date they are originated. They are initially recognised 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 weighted average interest rate method.

Ports Victoria recognises the following financial assets in this category:

- contractual payables; and
- interest bearing liabilities.

(iii) 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
- Ports Victoria 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
- Ports Victoria 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.

(iv) Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

(v) Impairment of financial assets

Under AASB 9, loss allowances are measured on the following basis:

- lifetime ECLs: these are ECLs that result from all possible default events over the expected life of a financial instrument.

No provision for ECL has been recognised given the low level of historical impairment loss and current year collection experience.

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

8 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

	Notes	2023 \$'000	2022 \$'000
8.1.1 Financial instruments: Categorisation			
Contractual financial assets			
Current assets			
Cash and cash equivalents	6.2	48,943	42,450
Trade receivables	5.1	6,709	6,365
Total contractual financial assets		55,652	48,815
Contractual financial liabilities			
Liabilities at amortised cost			
Current liabilities			
Interest bearing liabilities	6.1.2	612	562
Payables	5.2	1,193	4,208
Non Current liabilities			
Interest bearing liabilities	6.1.2	1,575	1,271
Total contractual financial liabilities		3,380	6,041
8.1.2 Financial instruments: Net holding gain/(loss) on financial instruments by category			
Interest income on contractual financial assets (i)		1,417	114
Interest expense on contractual financial liabilities (ii)		(5)	(5)
Interest expense on Interest bearing liabilities	6.1.3	(76)	(68)
		(81)	(73)
Total		1,336	41

(i) The net holding gain/(loss) on contractual financial assets equates to the interest income on cash and cash equivalents.

(ii) The net holding gain/(loss) on contractual financial liabilities equates to the interest expense on Interest bearing liabilities.

Interest expense includes costs incurred relating to the interest component of lease repayments. Interest expense is recognised in the period in which it is incurred.

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

8 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

8.1.3 Financial risk management objectives and policies

As a whole, Ports Victoria's financial risk management program seeks to manage these risks and the associated volatility of its financial performance.

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 the relevant notes.

The main purpose in holding financial instruments is to prudentially manage Ports Victoria's financial risks within the State Government's policy parameters. Ports Victoria's main financial risk is liquidity risk. Ports Victoria manages these financial risks in accordance with various financial management policies.

Financial risk management

Ports Victoria maintains a Risk Management System which is integrated with its business planning processes. There is a formally documented Risk Management Policy, Risk Management Procedures and a framework. A Financial Risk Management Assessment is presented to the Audit and Finance Committee of the Board on an annual basis in line with the requirements of the Standing Directions of the Minister for Finance, under the Financial Management Act 1994 (Vic).

Financial instruments: Liquidity risk

Liquidity risk is the risk that Ports Victoria will be unable to meet its financial obligations as and when they fall due. Ports Victoria, cognisant of the seasonal nature of the cruise industry, 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:

- sound cash management practices;
- regular identification and monitoring of the maturity profile of liquid assets and liabilities together with regular cash flow forecasting;
- having sufficient temporary purpose financial accommodation from Treasury Corporation of Victoria; and
- investments that are limited to highly liquid and secure assets.

Ports Victoria's maximum exposure to liquidity risk is the carrying amount of financial liabilities as disclosed in Note 8.1.1.

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

8 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

8.1.3 Financial risk management objectives and policies (continued)

Financial instruments: Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a financial loss to Ports Victoria. The carrying amount of Ports Victoria's financial assets recognised in the Balance Sheet, net of any provisions for doubtful debts, represents Ports Victoria's maximum exposure to credit risk from financial assets.

Ports Victoria actively manages its credit risk using a range of processes and procedures. These include performing credit checks for new and existing customers as required, obtaining bank guarantees where considered appropriate and monitoring the performance of significant trading partners on an ongoing basis.

Ports Victoria does not engage in hedging for its contractual assets and only deals with banks with high credit ratings.

No provision for impairment of financial assets has been recognised based on past experience and current and expected changes in client's credit ratings. Ports Victoria's exposure to credit risk is low as detailed in the ageing analysis provided in Note 5.1.

Financial instruments: Market risk

Ports Victoria's exposures to market risk are limited to interest rate risk where Ports Victoria holds instrument bearing variable interest rates, which has been assessed to limited to cash & cash equivalents.

Financial instruments: Foreign currency risk

Ports Victoria's exposures to foreign currency risk are minimal as the financial transactions are generally dominated in Australian dollars.

Interest rate risk and financial liability and financial asset maturity analysis

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

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

8 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

8.1.3 Financial risk management objectives and policies (continued)

At 30 June 2023	Carrying Amount \$'000	Floating Interest \$'000	Non Interest Bearing \$'000
Financial assets			
Cash and cash equivalents (<i>Weighted average interest rate 4.25%</i>)	48,943	48,943	-
Trade receivables	6,709	-	6,709
Financial liabilities			
Interest bearing liabilities (<i>Weighted average interest rate 3.7%</i>)	(2,187)	(2,187)	-
Payables	(1,193)	-	(1,193)
Net financial assets/(liabilities)	52,272	46,756	5,516
At 30 June 2022	Carrying Amount \$'000.	Floating Interest \$'000.	Non Interest Bearing \$'000.
Financial assets			
Cash and cash equivalents (<i>Weighted average interest rate 1.0%</i>)	42,450	42,450	-
Trade receivables	6,365	-	6,365
Financial liabilities			
Interest bearing liabilities (<i>Weighted average interest rate 3.7%</i>)	(1,833)	(1,833)	-
Payables	(4,208)	-	(4,208)
Net financial assets/(liabilities)	42,774	40,617	2,157

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

8 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

8.2 Contingent assets and contingent liabilities

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

Contingent assets

Contingent assets are possible assets that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity.

These are classified as either quantifiable, where the potential economic benefit is known, or non-quantifiable.

Ports Victoria has no contingent assets as at the reporting date.

Contingent liabilities

Contingent liabilities are:

- possible obligations that arise from past events, whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the entity; or
- present obligations that arise from past events but are not recognised because:
 - it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligations; or
 - the amount of the obligations cannot be measured with sufficient reliability.

Ports Victoria has no contingent liabilities as at the reporting date.

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

8 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

8.3 Fair value determination

Ports Victoria's property, plant and equipment assets are measured and disclosed at fair value for financial reporting purposes as per Note 4.1. In order to determine fair value of an asset or a liability, Ports Victoria uses market-observable data to the extent it is available. The carrying value of all of Ports Victoria's financial assets and liabilities approximate their fair value.

8.3.1 Net fair value of non-financial physical assets

In accordance with FRD 103: Non-Financial Physical Assets requirements, as at each balance date, management assesses the fair value of non-financial physical assets and undertakes a scheduled independent valuations of all such assets every 5 years (next due in 2025). An independent valuation for a class of non-current physical assets is also obtained where a fair value assessment has indicated a movement in excess of 40% in the fair value of that asset class.

In determining fair values, a number of inputs are used. To increase consistency and comparability in the financial statements, these inputs are categorised into three levels, also known as the fair value hierarchy. The levels are as follows:

- 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.

(a) Fair value measurement hierarchy for assets

Asset class at 30 June 2023	Carrying amount \$'000	Fair value measurement at reporting period using		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Land	3,457	-	1,097	2,360
Buildings	9,096	-	1,818	7,278
Plant and equipment & motor vehicles	4,847	-	6	4,841
Infrastructure	45,800	-	-	45,800
Cultural assets	817	-	-	817
Total	64,017	-	2,921	61,096

Asset class at 30 June 2022	Carrying amount \$'000	Fair value measurement at reporting period using		
		Level 1 \$'000	Level 2 \$'000	Level 3 \$'000
Land	3,457	-	1,097	2,360
Buildings	8,852	-	1,386	7,466
Plant and equipment & motor vehicles	4,722	-	22	4,700
Infrastructure	47,315	-	-	47,315
Cultural assets	817	-	-	817
Total	65,163	-	2,505	62,658

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

8 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

8.3 Fair value determination (continued)

8.3.1 Net fair value of non-financial physical assets (continued)

(b) Reconciliation of Level 3 fair value as at 30 June 2023:

	Land	Buildings	Plant and equipment & motor vehicles	Infrastructure	Cultural assets	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance - 1 July 2022:	2,360	7,466	4,700	47,315	817	62,658
Additions	-	105	992	97	-	1,194
Disposals	-	-	(54)	-	-	(54)
Depreciation	-	(293)	(797)	(1,612)	-	(2,702)
Closing balance - 30 June 2023:	2,360	7,278	4,841	45,800	817	61,096

8.3.1 Net fair value of non-financial physical assets (continued)

(c) Reconciliation of Level 3 fair value as at 30 June 2022:

	Land	Buildings	Plant and equipment & motor vehicles	Infrastructure	Cultural assets	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Opening balance - 1 July 2021:	-	-	-	-	-	-
Transfer in - contribution by owner via contributed capital	2,360	9,534	7,484	61,205	817	81,400
Additions	-	138	335	83	-	556
Disposals	-	-	(675)	-	-	(675)
Revaluation	-	-	-	8,773	-	8,773
Impairment	-	(1,818)	(1,631)	(20,320)	-	(23,769)
Depreciation	-	(388)	(813)	(2,426)	-	(3,627)
Closing balance - 30 June 2022:	2,360	7,466	4,700	47,315	817	62,658

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

8 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

8.3 Fair value determination (continued)

8.3.1 Net fair value of non-financial physical assets (continued)

(c) Key assumption used in determining the fair value at 30 June 2023

Based on the specialised nature of Ports Victoria non-financial assets, Value in Use valuations were performed for the identified Cash Generating Units (CGUs). The Value in Use calculations were assessed against the carrying value of the non-financial assets to determine the recoverable amount.

A CGU is the smallest identifiable group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The CGUs identified are:

- Geelong Channel: representing the channel, navigational aids and Vessel Traffic Services (VTS) for access to the Port of Geelong.
- Hastings Channel: representing the channel, navigational aids and VTS for access to the Port of Hastings.
- Station Pier: representing the assets for access to Station Pier.
- Melbourne Shipping: representing the VTS and services provided to the Port of Melbourne under the Port Operation Services Deed.

	Geelong Channel	Hastings Channel	Melbourne Shipping	Station Pier
(i) CGU Allocation after impairment and revaluation	\$'000	\$'000	\$'000	\$'000
Land	-	-	1,097	2,360
Buildings	-	-	7,177	101
Plant and equipment & motor vehicles	697	47	3,705	-
Infrastructure	44,622	1,178	-	-
Assets under construction	387	255	132	30
At 30 June 2023	45,706	1,480	12,111	2,491

	Geelong	Hastings	Melbourne	Station Pier
(i) CGU Allocation after impairment and revaluation	\$'000	\$'000	\$'000	\$'000
Land	-	-	1,097	2,360
Buildings	-	-	7,466	-
Plant and equipment & motor vehicles	882	30	3,370	-
Infrastructure	46,179	1,136	-	-
Assets under construction	516	85	370	-
At 30 June 2022	47,577	1,251	12,303	2,360

The above tables does not include corporate assets.

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

8 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

8.3 Fair value determination (continued)

8.3.1 Net fair value of non-financial physical assets (continued)

(c) Key assumption used in determining the fair value at 30 June 2023 (continued)

(ii) Station Pier and Melbourne Shipping CGU - Land

Land is held at fair value. The fair value has been initially determined on the basis of comparable land sales / market-based evidence (Level 2 in nature) prior to the consideration of economic obsolescence for the land allocated to the CGU. Comparable land sales are based on an independent valuation report obtained by the predecessor entities for the year ended 30 June 2020 (being the entity that controlled the land prior to the transfer to Ports Victoria) and adjusted for indexation published by the Victorian Valuer Generals Office. The land is within a port zone and considered specialised land. To assess economic obsolescence, a discounted cash flow (DCF) model, representing a Value In Use calculation, for the CGUs has been used to cross-check for potential economic obsolescence and impairment of the carrying value. The assets carrying values approximated fair value, noting a 'minimal value' of the land approximated the land value based on comparable land sales (per the 2020 valuation) and adjusted for indexation published by the Valuer-General Victoria.

(iii) Station Pier and Melbourne Shipping CGU - Buildings, Plant and Equipment

Buildings, infrastructure and plant and equipment are held at fair value. These assets have been measured at fair value based initially on their FVLCD (considering the current replacement cost, less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset), prior to the consideration of economic obsolescence. Classification with respect to the fair value hierarchy has been determined as being Level 3 in nature. To assess economic obsolescence, a discounted cash flow (DCF) model, representing a Value In Use calculation, for the CGUs has been used to cross-check for potential economic obsolescence and impairment of the carrying value. For the Melbourne Shipping CGU, the assets carrying values of buildings approximated fair value (noting a 'minimal value' of the buildings approximated the building value based on comparable land sales (per the 2020 valuation) and adjusted for indexation published by the Valuers General Victoria.

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

8 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

8.3 Fair value determination (continued)

8.3.1 Net fair value of non-financial physical assets (continued)

(c) Key assumption used in determining the fair value at 30 June 2023 (continued)

(iv) Station Pier and Melbourne Shipping CGU - Infrastructure

Infrastructure is held at fair value. Piers and other port related assets were valued using a discounted cash flow method (value in use). This method was applied to piers and other port as there was no market based evidence of fair value (value through sale) of these type of assets given the specialised nature of the assets in question (the assets would rarely be sold (if ever), except as part of a continuing business). Carrying value approximated fair value for these assets.

(v) Geelong Channel and Hastings Channel CGU - Infrastructure

Infrastructure is held at fair value. Channel asset and navigation aids were valued using a discounted cash flow method (value in use). This method was applied to channel asset and navigational aids as there was no market based evidence of fair value (value through sale) of these type of assets given the specialised nature of the assets in question (the channel assets and navigational aids would rarely be sold (if ever), except as part of a continuing business). Carrying value approximated fair value for these assets

(vi) Geelong Channel and Hastings Channel CGU - Plant and Equipment

Plant and equipment and assets under construction are held at fair value. Fair value is determined using the current replacement cost, less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Carrying value approximated fair value for these assets.

(vii) Corporate assets not assigned to a CGU

Buildings are held at fair value and represent a right-of-use asset under AASB 16 (refer note 4.1). Management make an assessment each period of the contractual terms that support the right of use asset against current market conditions, noting carrying value approximated fair value for these assets. Vehicles are held at fair value. Fair value is determined using the current replacement cost, less, where applicable, accumulated depreciation calculated on the basis of such cost to reflect the already consumed or expired future economic benefits of the asset. Ports Victoria 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. Carrying value approximated fair value for these assets.

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

8 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

8.3 Fair value determination (continued)

8.3.1 Net fair value of non-financial physical assets (continued)

(c) Key assumption used in determining the fair value at 30 June 2023 (continued)

(viii) Value in Use assumptions 2023	Geelong Channel	Hastings Channel	Station Pier	Melbourne Shipping
Cash flows:				
Cash flow period	40 years	40 years	10 years	43 years
Growth rate - annual	2.5%	2.5%	2.5%	2.5%
Discount Rate post tax:				
Risk free rate	9.40%	9.40%	10.40%	9.80%
Equity market risk premium	3.30%	3.30%	3.30%	3.30%
Equity beta	6.00%	6.00%	6.00%	6.00%
Alpha risk	0.89	0.89	1.01	0.89
	0.88%	0.88%	1.40%	1.40%
2022				
Cash flows:				
Cash flow period	40 years	40 years	10 years	44 years
Growth rate - annual	2.5%	2.5%	2.5%	2.5%
Discount Rate post tax:				
Risk free rate	7.68%	7.68%	8.35%	8.13%
Equity market risk premium	4.26%	4.26%	4.26%	4.26%
Equity beta	6.45%	6.45%	6.45%	6.45%
Alpha risk	0.45	0.45	0.45	0.45
	0.88%	0.88%	1.65%	1.40%

Cash flows:

Cash flow projections are based on reasonable and supportable assumptions that represent management's best estimate of the range of economic conditions that will exist over the period of the cash flows. Cash flow projections are consistent with the most recent financial budgets/forecasts approved by the Board and exclude any estimated future cash inflows or outflows expected to arise from future restructurings. Estimate cash flow projections beyond the period covered by the most recent budgets/forecasts have been extrapolated by applying a using a growth rate for subsequent years and adjusting for specific planned future cash flows events.

Risk free rate:

Based on 10-year Australian Government bond rate.

Equity market risk premium:

Based on Industry valuations practices survey.

Equity beta:

Professional judgement based on Australian companies who operate Infrastructure assets or operating in the transportation industry.

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

8 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

8.3 Fair value determination (continued)

8.3.1 Net fair value of non-financial physical assets (continued)

(c) Key assumption used in determining the fair value at 30 June 2023 (continued)

(viii) Value in Use assumptions

Alpha risk:

Alpha risk represents additional risks regarding the operations and nature of the CGU. Primary Alpha applied due to the inherent uncertainty of the future of Station Pier and impact of emission reductions requirements on shipping that was not adjusted in the cash flows.

8.3.2 Description of significant unobservable inputs to level 3 valuations at 30 June 2023 and 2022

	Valuation technique	Significant unobservable inputs	Range/Weighted Average	Sensitivity of fair value measurements to change in significant
Land	Market approach adjusted for economic obsolescence (where applicable) via a Value in Use calculation.	Refer note 8.3.1(c).	N/A	Refer note 8.3.3.
Buildings	Market approach adjusted for economic obsolescence (where applicable) via a Value in Use calculation.	Refer note 8.3.1(c).	N/A	Refer note 8.3.3.
Infrastructure	Value in Use (discounted cash flow).	Refer note 8.3.1(c).	N/A	Refer note 8.3.3.
Plant & equipment - <i>Station Pier and Melbourne Shipping</i>	Current replacement cost adjusted for economic obsolescence via a Value in Use calculation.	Refer note 8.3.1(c).	N/A	Refer note 8.3.3.
Plant & equipment - <i>Non Station Pier and Melbourne Shipping</i>	Current replacement cost.	Cost per Unit	\$32,457	Refer note 8.3.3.
		Useful life of plant and equipment	Note 4.1.2.	
Vehicles	Current replacement cost.	Cost per Unit	\$52,000	Refer note 8.3.3.
		Useful life of plant and equipment	Note 4.1.2.	

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

8 RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

8.3 Fair value determination (continued)

8.3.3 Significant unobservable inputs to level 3 valuations sensitivity analysis

In the absence of observed market inputs, future-oriented estimates are necessary to measure the recoverable amount of classes of land, buildings, infrastructure, plant and equipment. Determining the carrying amounts of these assets requires estimation of the effects of uncertain future events on the 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 amount are detailed at note 8.3.1(c).

There is a relationship between cash flows assumptions and the discount rate. A significant increase in cash flows may result in an adjustment to the discount rate. The adjustment to the discount rate would consider the additional risk in achieving the increased cash flows. Conversely, a significant decrease in cash flows that represents a reduced level of risk may result in a decrease to the discount rate.

Given the unique nature of the land, buildings, infrastructure, plant and equipment, 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 land, buildings, infrastructure, plant and equipment asset classes in the future.

Sensitivity of fair value measurement to changes in significant unobservable inputs

Free cash flows	A significant increase or decrease in the free cash flows would result in a significantly higher or lower fair value.
Cash flow period	A significant increase or decrease in the period of cash flows would result in a significantly higher or lower fair value.
Growth Rate	A significant increase or decrease in the growth rate would result in a significantly higher or lower fair value.
Discount Rate	A significant increase or decrease in the discount rate would result in a significantly lower or higher fair value.

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

9 OTHER DISCLOSURES

Introduction

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

Structure

- 9.1 Ex-gratia expenses
- 9.2 Equity disclosure
- 9.3 Responsible persons
- 9.4 Remuneration of executives
- 9.5 Related parties
- 9.6 Remuneration of auditors
- 9.7 Subsequent events
- 9.8 Australian Accounting Standards issued that are not yet effective

9.1 Ex-gratia expenses

In accordance with FRD 11 Disclosure of Ex-Gratia Expenses Ports Victoria must disclose in aggregate the total amount of material (greater than \$5,000) expenses.

For 2022-23 and 2021-22, Ports Victoria incurred no ex-gratia expenses.

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

9 OTHER DISCLOSURES

9.2 Equity disclosure

9.2.1 Contributed capital

Consistent with applicable Australian reporting requirements and the Financial Management Act 1994 (Vic), transfers and appropriation for additions of net assets between Ports Victoria and State Government Departments designated as a contribution by owner (via contributed capital), are recognised as capital transactions. Transfers of net assets arising from administrative restructures and/or from all other arrangements which are deemed to be contributions by owners, where there is insufficient contributed capital for distribution, are recognised as an expense by the transferor and income by the transferee in accordance with FRD 119 - Transfers through Contributed Capital.

	Notes	2023 \$'000	2022 \$'000
Carrying amount 1 July		114,882	-
Transfer in - contribution by owner via contributed capital	1.5	-	114,882
Carrying amount 30 June		114,882	114,882

Capital management

Ports Victoria does not have any externally imposed debt-related covenants, financial ratios or any other capital requirements.

Ports Victoria's Treasury Management Policy and procedures are in compliance with the Borrowing and Investment Powers Act 1987 (Vic), the DTF's Treasury Management Guidelines and Standing Direction 4.5.6 Treasury Risk Management.

In accordance with the Borrowings and Investment Powers Act 1987 (Vic), the Treasurer granted a temporary purpose financial accommodation of \$20 million to Ports Victoria for the reporting period 1 July 2022 to 30 June 2023 (2022: \$20 million).

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

9 OTHER DISCLOSURES

9.2 Equity disclosure (continued)

9.2.2 Reserves

	Notes	2023 \$'000	2022 \$'000
Reserves			
Asset revaluation reserve		6,141	6,580
Employee benefits reserve		8,336	8,804
		14,477	15,384
Movement in asset revaluation reserve:			
		2023 \$'000	2022 \$'000
Carrying amount 1 July		6,580	-
Gain from asset revaluation	4.1.2	-	8,773
Tax effect from asset revaluation	7.1(c)	-	(2,193)
Tax effect on opening balance from change in tax rate		(439)	-
Total movement		(439)	6,580
Carrying amount 30 June		6,141	6,580

Ports Victoria has a separate asset revaluation reserve for Land, Buildings & Infrastructure and Plant & Equipment. The reserves record the increments and decrements in the fair value of the assets net of the tax effect.

		2023 \$'000	2022 \$'000
Movement in employee benefits reserve:			
Carrying amount 1 July		8,804	-
Actual return on Fund assets less interest income	3.2.3(d)	622	(323)
Actuarial losses/ (gain) arising from changes in financial assumptions	3.2.3(e)	1,016	10,885
Actuarial gain arising from changes in liability experience	3.2.3(e)	(1,469)	1,177
Deferred tax assets recognised via equity		(51)	(2,935)
Tax effect on opening balance from change in tax rate	7.1(c)	(586)	-
Total movement		(468)	8,804
Carrying amount 30 June		8,336	8,804

This reserve has been established in accordance with the revised AASB 119 *Employee Benefits* to capture the movements in the actuarial gains and losses in respect of the Port of Melbourne Superannuation Fund. Refer to Note 3.2.3 for further details.

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

9 OTHER DISCLOSURES

9.3 Responsible persons

In accordance with the Ministerial Directions issued by the Assistant Treasurer under the *Financial Management Act 1994*, the following disclosures are made regarding responsible persons for the reporting period.

(a) Names

The names of persons who held the positions of Ministers and Accountable Officers in Ports Victoria at any time during the financial year were:

Responsible Ministers:

The Hon. Melissa Horne MP	<i>Minister for Ports and Freight since December 2018</i>
The Hon. Tim Pallas MP	<i>Treasurer of Victoria since December 2014</i>

Directors

Mr H Ronaldson	<i>Chairman</i>	
Ms E Carbines	<i>Deputy Chair</i>	
Mr P Tuohey		<i>(until 30 September 2022)</i>
Mr D Powell	<i>(from 1 October 2022)</i>	
Ms P Alexander	<i>(from 1 October 2022)</i>	
Ms M Bourke-Oneil	<i>(from 1 October 2022)</i>	<i>(until 12 May 2023)</i>
Mr T Garwood	<i>(from 1 October 2022)</i>	
Ms C Hopper	<i>(from 1 October 2022)</i>	

Accountable Officer:

Mr B Webb	<i>Chief Executive Officer</i>	<i>(until 29 September 2023)</i>
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(b) Remuneration

Remuneration received or receivable by responsible persons in connection with the management of Ports Victoria during the reporting period was:

	2023	2022
Income band		
\$0 to \$9,999	2	-
\$10,000 to \$19,999	1	-
\$30,000 to \$39,999	2	-
\$50,000 to \$59,999	2	4
\$80,000 to \$89,999	1	-
\$90,000 to \$99,999	-	1
\$150,000 to \$159,999	-	1
\$170,000 to \$179,999	-	1
\$370,000 to \$379,999	1	-
Total number of responsible persons	9	7
Total remuneration (\$'000)	666	647

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

9 OTHER DISCLOSURES

9.4 Remuneration of executives

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 the entity, or on behalf of the entity, in exchange for services rendered. Accordingly, remuneration is determined on an accrual basis, and is disclosed in the following categories.

Short-term employee benefits include amounts such as wages, salaries, annual leave or sick leave that are usually paid or payable on a regular basis, as well as non-monetary benefits such as allowances and free or subsidised goods or services.

Post-employment benefits include pensions and other retirement benefits paid or payable on a discrete basis when employment has ceased.

Other long-term benefits include long service leave, other long service benefits or deferred compensation.

Termination benefits include termination of employment payments, such as severance packages.

	2023	2022
	\$'000	\$'000
Remuneration of executive officers		
(Including Key Management Personnel - see related parties note)		
Short-term employee benefits	3,140	2,467
Post-employment benefits	278	255
Termination	70	233
Total remuneration	3,488	2,955
Total number of executives (i)	17.0	16.0
Total annualised employee equivalents (ii)	13.6	14.1

(i) The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of the entity under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure.

(ii) Annualised employee equivalent is based on paid working hours of 38 ordinary hours per week over the 52 weeks for a reporting period.

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

9 OTHER DISCLOSURES

9.5 Related parties

Ports Victoria is a wholly owned and controlled entity of the State of Victoria.

Related parties of Ports Victoria include:

- all key management personnel and their close family members and personal business interests (controlled entities, joint ventures and entities they have significant influence over);
- all Cabinet Ministers and their close family members; and
- all departments and public sector entities that are controlled and consolidated into the whole of state consolidated financial statements.

All related party transactions have been entered into on an arm's length basis.

Significant transactions with government-related entities

The Victorian State Government prepares consolidated financial statements relating to its controlled entities. For the purpose of preparing the State Government's Annual Financial Report (AFR), transactions which Ports Victoria has undertaken with other State Government controlled entities will be eliminated in the State Government's AFR.

The aggregate amounts of Ports Victoria's transactions conducted during the year and its assets and liabilities at the end of the year which relate to State Government controlled entities are as follows:

	Notes	2023 \$'000	2022 \$'000
Operating revenue and (expenses)			
Albert Park College		-	5
City of Melbourne		(6)	-
Homes Victoria		(90)	-
Parks Victoria		(24)	38
Port of Hastings Development Authority		(165)	(63)
State Revenue Office		(748)	(618)
South East Water		(69)	(12)
Victorian Auditor General's Office		(53)	(81)
Victorian Government Solicitor Office		(15)	
Workers' Compensation Victoria		(60)	(52)
Other revenue and expenses		(2)	(15)
Income tax instalments			
Department of Treasury and Finance	7.1(d)	(725)	(788)
Income tax obligations for VRCA and VPCM			
Department of Treasury and Finance		-	(158)

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

9 OTHER DISCLOSURES

9.5 Related parties (continued)

Key management personnel (KMP) are those who, directly or indirectly, have authority and responsibility for planning, directing and controlling the activities of Ports Victoria. This includes responsible Ministers, Directors, Chief Executive Officer and Executive General Managers. KMP for 2023 are detailed as follows:

Mr H Ronaldson - Chair		
Ms E Carbines - Deputy Chair		
Mr P Tuohey - Director		(until 30 September 2022)
Mr D Powell - Director	(from 1 October 2022)	
Ms P Alexander - Director	(from 1 October 2022)	
Ms M Bourke-Oneil - Director	(from 1 October 2022)	(until 12 May 2023)
Mr T Garwood - Director	(from 1 October 2022)	
Ms C Hopper - Director	(from 1 October 2022)	
Mr B Webb - Chief Executive Officer		(until 29 September 2023)
Mr P Mannion - Chief Operating Officer		
Ms J Mackey - Chief Financial Officer and Head of Corporate Services		
Mr J Bazelmans - Head of Strategy and Development		
Mr S Christie - Head of Development		
Mr D Henderson - Head of Infrastructure and Programs		

The compensation detailed below excludes the salaries and benefits the Portfolio and Shareholder Ministers receive. The Ministers' remuneration and allowances are set by the *Parliamentary Salaries and Superannuation Act 1968* (Vic) and is reported within the State's Annual Financial Report.

	2023	2022
	\$'000	\$'000
Compensation of KMP (i)		
Short-term employee benefits	1,729	1,501
Post-employment benefits	177	118
Total	1,906	1,619

(i) Note that KMPs are also reported in the disclosure of remuneration of responsible persons (Note 9.3) and executive officers (Note 9.4).

Transactions and balances with key management personnel and other related parties

Given the breadth and depth of State government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment processes within the Victorian public sector occur on terms and conditions consistent with the *Public Administration Act 2004* (Vic) and Codes of Conduct and Standards issued by the Victorian Public Sector Commission. Procurement processes occur on terms and conditions consistent with the Victorian Government Procurement Board requirements.

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

9 OTHER DISCLOSURES

9.5 Related parties (continued)

The terms and conditions of transactions entered into with responsible persons' related entities occurred within a normal customer and supplier relationship on terms and conditions no more favourable than those available, or which might reasonably be expected to be available, on similar transactions to other entities on an arm's length basis.

No transactions have occurred with KMP and their related parties. There are no outstanding balances, including commitments, with such parties.

9.6 Remuneration of auditors

During the year the following fees were paid or payable for services provided by the auditors of Ports Victoria:

Victorian Auditor-General's Office	2023	2022
	\$'000	\$'000
Audit of financial reports	61	71

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

9 OTHER DISCLOSURES

9.7 Subsequent events

In July 2023 a lease and licences with TT-Line were varied following Spirit of Tasmania's departure from Station Pier. TT-Line's lease over the 'freight yard' at Station Pier continues until TT-Line has completed an environmental audit and any environmental remediation required.

In July 2023, negotiations were completed between TT Line and Ports Victoria to vary the lease and licenses to TT line. An amount was consequently paid to Ports Victoria for the variations totalling \$8.9M (excluding GST) including for the make good of Station Pier. This has been accounted for in FY2023-24.

In September 2023, Mr. Brendan Webb resigned as the Chief Executive Officer and Ms Jacinta Mackey was appointed the Interim CEO.

9.8 Australian Accounting Standards issued that are not yet effective

Certain new accounting standards and interpretations that are deemed relevant to Ports Victoria have been published, but are not mandatory for the 30 June 2023 reporting period. Ports Victoria has not adopted these standards early in accordance with DTF stating that entities must not early adopt.

Assessment of the impact of those new standards and interpretations which affect Ports Victoria is set out below:

Reference	Summary	Application date	Impact on Ports Victoria's financial statements
AASB 2022-10 Amendments to Australian Accounting Standards – Fair Value Measurement of Non-Financial Assets of Not-for-Profit Public Sector Entities.	AASB 2022-10 amends AASB 13 Fair Value Measurement by adding authoritative implementation guidance and illustrative examples for fair value measurements of non-financial assets of not-for-profit public sector entities not held primarily for their ability to generate net cash inflows.	1 Jan 2024	Not applicable to Ports Victoria.
AASB 17 Insurance Contracts; AASB 2022-8 Amendments to Australian Accounting Standards – Insurance Contracts: Consequential Amendments, and AASB 2022-9 Amendments to Australian Accounting Standards – Insurance Contracts in the Public Sector.	AASB 17 replaces AASB 4 Insurance Contracts, AASB 1023 General Insurance Contracts and AASB 1038 Life Insurance Contracts for not-for-profit public sector entities for annual reporting periods beginning on or after 1 July 2026.	1 Jul 2026	Not applicable to Ports Victoria.

Ports Victoria
Notes to the Financial Statements
For the year ended 30 June 2023

9 OTHER DISCLOSURES

9.8 Australian Accounting Standards issued that are not yet effective (continued)

<p>AASB 2020-1 Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non-Current, and AASB 2022-6 Amendments to Australian Accounting Standards – Non-current Liabilities with Covenants</p>	<p>AASB 2020-1 amended AASB 101 Presentation of Financial Statements to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current and was applicable to annual reporting periods beginning on or after 1 January 2022.</p> <p>AASB 2020-6 subsequently amended AASB 2020-1, deferring the mandatory effective date of AASB 2020-1 from 1 January 2022 to 1 January 2023.</p> <p>AASB 2022-6 was applicable for annual reporting periods beginning on or after 1 January 2022.</p> <p>AASB 2022-6 amends and clarifies the requirements contained in AASB 2020-1.</p>	<p>1 Jan 2023</p>	<p>No impact to Ports Victoria as at the reporting date. Any future financial obligations that contain a covenants will be monitored assessed against this standard.</p>
<p>AASB 2022-5 Amendments to Australian Accounting Standards – Lease Liability in a Sale and Leaseback</p>	<p>AASB 2022-5 amends AASB 16 Leases to add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements for sale in AASB 15 Revenue from Contracts with Customers.</p> <p>The amendments ensure that a seller lessee subsequently remeasures lease liabilities arising from a leaseback in a way that does not recognise any amount of gain or loss that related to the right of use it retains.</p>	<p>1 Jan 2024</p>	<p>No impact to Ports Victoria as at the reporting date. Any future Lease Liability in a Sale and Leaseback arrangement will be monitored assessed against this standard.</p>

In addition to the new standards and amendments above, the AASB has issued a number of other amending standards that are not effective for the 2022-23 reporting period. These standards are not expected to have any significant impact on public sector entities and thus have not been included in the table.

Appendix

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

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This publication is produced by Ports Victoria