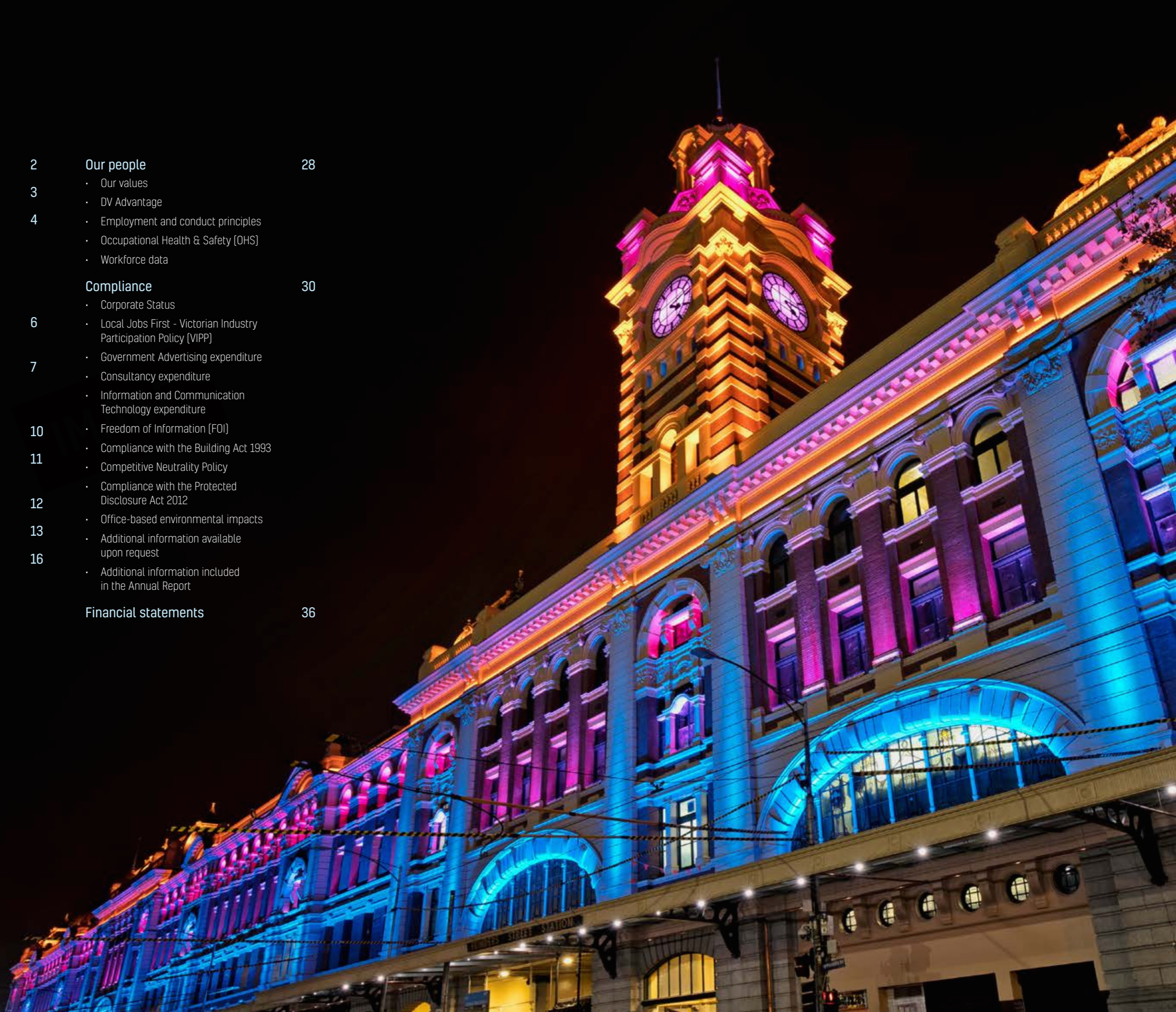


# DEVELOPMENT VICTORIA ANNUAL REPORT 2017-2018



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# CHAIRPERSON'S REPORT

I am pleased to present the first Annual Report for Development Victoria.

Development Victoria was established on 1 April 2017 as a merger between Places Victoria and Major Projects Victoria to plan and deliver urban revitalisation for the benefit of all Victorians. Our role is to lead urban renewal, property development and civic projects across the State. Development Victoria's focus on urban renewal allows us to support the Victorian Government's policy mandates to meet the challenges of population growth, housing affordability, environmental sustainability and economic development.

To respond to these challenges, Development Victoria seeks out opportunities to deliver affordable and diverse housing in places close to jobs, transport and services, as well as leading projects that create cultural, recreational and civic facilities that enrich communities, and revitalising urban precincts to stimulate economic activity.

The first 15 months has seen some significant achievements for the new organisation, including the completion of the Palais Theatre redevelopment, which won the Premier's Design Award.

We have been appointed to redevelop the State Netball and Hockey Centre and are also partnering with Regional Development Victoria, City of Ballarat and the Department of Premier and Cabinet to deliver the Ballarat GovHub. Development Victoria is also supporting the State Government, through Creative Victoria, the National Gallery Victoria and Arts Centre Melbourne, on the revitalisation of the Melbourne Arts Precinct.

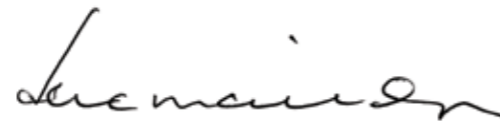
It's critical to the Board and executive that Development Victoria continues to evolve as a dynamic and engaged organisation that delivers highly successful projects for Victorians, in partnership with broader Government.

I would like to acknowledge the contribution of Gregory Anderson as Development Victoria's first Chief Executive, in particular his work successfully leading the establishment of this organisation.

I would also like to thank my colleagues on the Board for the way they have embraced the challenges of integrating two organisations and supported the Development Victoria team through the establishment phase.

The Hon Jacinta Allan MP, Minister for Major Projects, has provided passionate support to our new organisation and has been instrumental in shaping the Government's major projects program and securing new projects for Development Victoria.

Finally, the Board would like to thank Acting Chief Executive Officer, Angela Skandarajah and the team at Development Victoria for their hard work and commitment to Development Victoria's purpose. Your collective contribution has been critical to delivering the ambitious goals we have set and we look forward to continuing this exciting journey together.



**James MacKenzie**

Chairperson

21 August 2018

# CHIEF EXECUTIVE OFFICER'S REPORT

Development Victoria officially began operation on 1 April 2017 and this is our first annual report on operations, covering a 15-month period.

Development Victoria has been established to plan and deliver urban revitalisation for the benefit of Victorians and is focused on three core areas: civic infrastructure, precinct renewal and property development.

In 2017-18, Development Victoria has generated opportunities to increase housing diversity in places close to jobs, transport and services, as well as leading projects to create cultural, recreational and civic facilities that enrich communities and revitalise urban precincts to stimulate economic activity.

Civic infrastructure project highlights include the delivery of the Palais Theatre redevelopment in St Kilda; the commencement of Stage 3 of the Melbourne Park redevelopment; the refurbishment of Melbourne's iconic Flinders Street Station; and the commencement of the next stage of redevelopment at the State Library Victoria.

In May 2018, the State Government announced a new arts precinct project for Southbank. The centrepiece of the new precinct will be NGV Contemporary – a world-leading, stand-alone gallery with a focus on contemporary art and design. Given our experience in previous projects around the arts precinct, we will be playing a role in delivering this exciting project.

In 2017-18 our key precinct renewal projects in the Docklands area achieved more than \$1.4 billion in development value.

With the redevelopment of Docklands Stadium announced, Development Victoria has recommenced the master planning process for Harbour Esplanade. This exciting project will help establish Harbour Esplanade as Melbourne's prime waterfront location.

Other precinct projects also achieved significant milestones this year. The Revitalising Central Dandenong project secured a \$60 million residential development; Junction Place in Wodonga received approval for its residential development; and settlement on the GMH site at Fishermans Bend also occurred.

Promoting and delivering diverse and affordable housing is embedded in the enabling legislation for Development Victoria. In 2017-18, planning for a range of residential projects featuring affordable housing began, including in Altona North, Sunshine North and Springvale South. In addition, an Expression of Interest process commenced in May 2018 inviting community housing providers to bid for the affordable housing components of our developments.

Several of Development Victoria's projects have been recognised with industry awards and accreditation, including the Palais Theatre, Tanderrum Bridge (as part of the Melbourne Park redevelopment) and the Riverwalk residential project

I would like to acknowledge former CEO, Gregory Anderson, who stepped down in April 2018. Gregory played a pivotal role in guiding the newly-formed Development Victoria in its first 12 months. He led a diverse and capable team to secure the achievements outlined in this report.

I would also like to thank the Minister for Major Projects, the Hon, Jacinta Allan MP and the Board for their commitment to the success of the organisation.

Finally, thank you to the dedicated staff at Development Victoria who have embraced the new organisation and its vision to deliver high quality projects for the people of Victoria.

We will continue to work closely with government, community and industry stakeholders to achieve our vision of making Victoria a great place to live.



**Angela Skandarajah**

Acting Chief Executive Officer

21 August 2018

# ABOUT DEVELOPMENT VICTORIA

## STATEMENT OF CORPORATE INTENT

Development Victoria was established in April 2017 to make Victoria a great place to live. To achieve this goal, Development Victoria is a valued partner that delivers government policy through property development and urban renewal to achieve social and economic outcomes for Victorians. This mandate includes the historic roles of Major Projects Victoria and Places Victoria.

## DEVELOPMENT VICTORIA'S GOALS ARE:

- To expertly and responsibly manage the design and delivery of major civic projects, property development and urban renewal projects on behalf of the Victorian Government, in the interests of the Victorian community.
- To be respected across the Victorian Government and within the development and infrastructure sector as a centre of excellence with top tier skills, expertise and commercial acumen.
- To be recognised as an employer of choice for talented professionals across the public and private sectors.

## DEVELOPMENT VICTORIA WILL:

- Identify opportunities to increase housing diversity in places close to jobs, transport and services;
- Lead projects to create cultural, recreational and civic facilities that enrich our communities and enhance Victoria's reputation; and
- Revitalise major activity centres and urban precincts to stimulate economic activity and improve access to jobs closer to where people live.

## POLICY PILLARS

Development Victoria is shaping the way Victorians live. We develop and revitalise public buildings and land to create spaces and homes that help make Victoria a great place to live.



## CORPORATE GOVERNANCE

Development Victoria is part of the Victorian Government. It is a statutory authority governed by a Board of Directors, which reports to the Minister for Major Projects.

The Minister for Major Projects is responsible for Development Victoria under its enabling legislation, the *Development Victoria Act 2003*. All projects undertaken by Development Victoria are done so at the request of the Minister, who approves each project once it has been considered by the Board. The Minister may also direct Development Victoria to fund and deliver projects as required.

The Treasurer also has a key role, and is responsible for oversight of Development Victoria's finances, in accordance with the *Financial Management Act 1994*. This requires the Treasurer to monitor Development Victoria's financial position, including its capital structure and operating performance.

## LEGISLATION

Development Victoria was established on 1 April 2017 and operates under the *Development Victoria Act 2003*.

The functions of the organisation set out in the Act include:

- If requested to do so by the Minister, carry out or manage or co-ordinate the carrying out of property development and social and economic capital works projects;
- If requested to do by the Minister, provide advisory services in relation to property development and social and economic capital works projects and activities to government agencies;
- Develop or manage the development of declared projects; and
- Complete the development of the Docklands area.

The Act requires Development Victoria to carry out its functions using commercial disciplines.

Development Victoria also has powers under the *Docklands Act 1991* to undertake the Docklands project.

# DECLARED PROJECTS AND MINISTERIAL DIRECTIVES

One of the key purposes of Development Victoria under the *Development Victoria Act 2003* is to undertake new declared projects, and complete existing declared projects. The following projects are declared projects which were or are currently being completed by Development Victoria, as at 30 June 2018.

- Revitalising Central Dandenong
- Ballarat West Employment Zone Development
- Flinders Street Station Administration Building Project
- Melbourne Park Redevelopment
- State Library Redevelopment Project
- Commonwealth Games Village Project [completed]
- Kew Residential Services Redevelopment Project
- Palais Theatre Project [completed]
- State Library Victoria, Ballarat Off Site Store Module 2 [completed]
- Geelong Performing Arts Centre

These include the eight projects previously being completed by the former Major Projects Victoria under the *Project Development Construction Management Act 1994*, which were transferred upon creation of Development Victoria.

As at 30 June 2018, Development Victoria has also received directions from the Minister from Major Projects in relation to certain aspects of its work, including:

- Sale of part of the former General Motors Holden site located at Lot 3, 241 Salmon Street, Port Melbourne to the University of Melbourne.

# DEVELOPMENT VICTORIA'S BOARD OF DIRECTORS

## JAMES MACKENZIE (CHAIRPERSON)

James MacKenzie is an experienced Australian company director. He currently serves as President of the Victorian Arts Centre Trust and Chairman of Victorian Funds Management Corporation and Slater and Gordon Lawyers. James was previously Chairman of the Transport Accident Commission (TAC) and Worksafe Victoria, Managing Director of Funds Management and Insurance at the ANZ Banking Group, Chief Executive Officer of Norwich Union Australia, and the TAC. He has been a member of the COAG Business Advisory Forum. James has a Bachelor of Business from Swinburne University, and is a Fellow of the Australian Institute of Company Directors and the Institute of Chartered Accountants Australia and New Zealand. In 2001, he was awarded the Centenary Medal for services to Public Administration.

## TONY DE DOMENICO OAM (DEPUTY CHAIRPERSON)

Tony's 40-year career has incorporated various roles across the government and higher education sectors and international diplomacy. For the 10 years before his appointment as Places Victoria's Chairperson and then Development Victoria's Deputy Chairperson, he led the Victoria Division of the Urban Development Institute of Australia as its Executive Director where he was responsible for managing all aspects of the organisation and was a regular media commentator on industry issues. Before joining the UDIA, Tony was Deputy Chief Minister of the ACT, with ministerial responsibilities for Urban Service. He was also Industrial Relations, Economic Development, Employment and Tourism and Regulatory Reform Minister. Most recently, he has served as Deputy Chancellor of La Trobe University from 2009 and as the former President of the Italian Chamber of Commerce and Industry. He was also awarded the Medal of the Order of Australia at the Queen's Birthday 2018 Honours List. Tony is currently the Chairperson of the Australian Housing and Urban Research Institute (AHURI), Director of Common Equity Housing Limited and Chairperson of Abalone Victoria (Central Zone). He is also a Director of Prahran Market.

## TAMARA BREZZI

Tamara Brezzi is a partner in the international law firm Norton Rose Fulbright. She is based in Melbourne and has practised in planning and environment law for more than 20 years. Before entering private practice in 1998, she worked for the City of Stonnington as a town planner. She practices in all aspects of planning law including statutory and strategic planning approvals for major project developments, commercial, industrial and residential planning projects. She regularly appears on

behalf of clients in planning appeals at the Victorian Civil Administrative Tribunal and planning scheme amendments at Planning Panels Victoria. Tamara is also President of the Victorian Planning and Environmental Law Association (VPELA) which is a multi-disciplinary professional industry association focusing on education, debate and networking through seminars, thought leadership and events concerning planning and environmental issues arising in the property and development sector.

## REBECCA CASSON

Rebecca has a background in government, industry and not-for-profit sector roles, including senior responsibilities in international engagement, government relations, major projects and policy. She holds an MA by Research in Politics and Government, and has experience in economic development, inward investment, international engagement, tourism, planning and urban development. Rebecca has worked across all tiers of government, and in the UK/USA she held the position of Executive Director of the British Committee for Jamestown which was formed to strengthen UK/USA relations and facilitate economic development through the commemoration of America's 400th Anniversary. Rebecca moved to Australia in 2009 and was appointed CEO of the Committee for Geelong in January 2013. She has since become an Australian citizen. Rebecca is a Trustee of the Kardinia Park Stadium Trust and a member of the Visitor Economy Ministerial Advisory Committee.

## JUSTIN HANNEY

As the Head of the Employment, Investment and Trade Group at the Department of Economic Development, Jobs, Transport and Resources, Justin Hanney's role encompasses economy-wide work to attract and facilitate international and domestic investment, grow employment and expand Victoria's offshore trade. Within this, Justin has responsibility for development of the state's key sectors which includes: food, fibre and agriculture; resources; the creative and visitor economies; international education; medical technologies and pharmaceuticals; defence, transport, construction and manufacturing, digital technology; retail and professional services. He is also responsible for the oversight of entities including Regional Development Victoria, Visit Victoria, Development Victoria, Agriculture Victoria, Trade and Investment Victoria, Small Business Victoria as well as the delivery of Victorian Government nominated major projects. With the Group providing a primary interface between business and Government, Justin oversees a network of domestic and international Victorian Government Business Offices responsible for delivering information, advisory and referral services to Victorian businesses.

GRAEME PARTON

Graeme is a highly experienced property, construction and development adviser with over 40 years’ experience and has worked in high-rise commercial projects, publicly listed companies and development/property trust management organisations in Australia. Having retired from his position as Partner and Director at Charter Keck Cramer, he now owns Aequitas Advisory Pty Ltd, a strategic property consultancy. Graeme has provided advice to local, state and federal governments, major corporations and superannuation funds, and private family businesses on property investment and development. He is Chairperson of the RMIT University, School of Property Construction and Project Management Advisory Board, Chairperson of David Lock Associates [Australia] Pty. Ltd., a Council Member of the 52nd Anglican Diocese of Melbourne Diocesan Council (the governing body) and Adviser to the Archbishop, Director of St John’s Foundation Limited, a member of the Anglican Diocesan Corporation, and a Board Committee Member of the Australian Ballet. Graeme is a member of the Property Council of Australia’s Diversity Committee and is also a graduate of the Australian Institute of Company Directors.

CHRISTINE WYATT

Christine Wyatt is Deputy Secretary, Planning in the Department of Environment, Land, Water and Planning (DELWP). Christine is responsible for leading the State’s planning, building and heritage systems and also leads DELWP’s collaborative work with local government and other key public and private stakeholders in State and metropolitan development, strategic and statutory planning, development regulation and environmental assessment. Christine previously worked in consulting where she led planning and assessment for some of the largest infrastructure projects in Australia. Examples include the Victorian Desalination Project, Peninsula Link and the Melbourne Urban Growth Boundary Strategic Assessment.

NATALIE MACDONALD

Natalie MacDonald is the Vice-President (Administration) at La Trobe University and has responsibilities for the Infrastructure and Operations of the University, ICT, systems and process improvement, Student Services and Administration, Risk and Safety, Human Resources, Marketing, Finance, Community Engagement, Planning and Institutional Performance, and Legal and Governance. Natalie was previously Director-General of the Queensland Government’s Department of Housing and Public Works. She has also served on a number of Commonwealth and State bodies and not-for-profit, superannuation and research boards.

LOU FARINOTTI (APPOINTED ON 1 JULY 2018)

Lou is a senior partner of the national law firm Holding Redlich. Lou was, until recently, Holding Redlich’s Victoria Managing Partner for over 20 years. Lou has been practicing as a property lawyer for over 40 years. In his practice Lou has acted on behalf of a number of Australia’s biggest property owners and developers as well as Councils, Governments and individuals. He has dealt with all facets of property law, from structuring,

acquisitions, planning, sustainability, environmental, taxes and duties, leasing, disposal and succession. Over the years Lou has acted for several of Melbourne’s major property developer’s in well over 100 major apartment and property projects. Lou headed up Holding Redlich’s China/ Asia initiative for several years, which has provided Lou with valuable experience and an understanding of Chinese and Asian business attitudes and culture.

THE BOARD

The Board is responsible for the governance and oversight of Development Victoria, including its strategic direction and performance. A framework for effective management has been established through delegated authorities, control mechanisms and risk management strategies.

The Governor in Council appoints Directors for periods not exceeding five years. The Board is to consist of a Chairperson, a Deputy Chairperson and no more than seven other Directors.

Seven Directors were initially appointed to the Board of Development Victoria and one additional Director was appointed during the reporting period.

The Board ensures that the Government is informed of all major issues affecting Development Victoria. Board meetings are held monthly, or more frequently, if required. The Chief Executive Officer and the Chief Financial and Accounting Officer are invited to attend each Board meeting. Attendance by Directors at Board meetings held during the reporting period is detailed below.

Directors’ fees and related party transactions with Directors and their related entities are fully disclosed in Notes 19 and 23 of the financial statements.

DEVELOPMENT VICTORIA BOARD ATTENDANCE: 1 APRIL 2017 TO 30 JUNE 2018

BOARD MEMBER	ELIGIBLE TO ATTEND	ATTENDED
James MacKenzie	16	16
Tony De Domenico OAM	16	14
Tamara Brezzi	16	13
Rebecca Casson	16	14
Justin Hanney	16	10
Graeme Parton	16	14
Christine Wyatt	16	15
Natalie MacDonald	9	7

COMMITTEES OF THE BOARD

Development Victoria has three Board Committees. The Audit and Risk Committee, Investment Committee and People, Culture and Remuneration Committee.

AUDIT AND RISK COMMITTEE

The Audit and Risk Committee assists the Board by overseeing and advising on matters of accountability and internal control relating to financial, risk and compliance management. The Committee routinely receives reports from both internal and external auditors. Natalie MacDonald was an independent external member at the time of her appointment as Chairperson of the Committee.

The Audit and Risk Committee consists of the following members:

- Natalie MacDonald (Chairperson) – Director;
- James MacKenzie – Chairperson of the Board;
- Tony De Domenico OAM – Deputy Chairperson of the Board; and
- Tamara Brezzi – Director

INVESTMENT COMMITTEE

The Investment Committee ensures the appropriate oversight of Development Victoria’s project acquisitions and made recommendations to the Board in relation to the financial and technical viability of real estate development proposals.

The Investment Committee consists of the following members:

- Graeme Parton (Chairperson) – Director;
- James MacKenzie – Chairperson of the Board;
- Tony De Domenico OAM – Deputy Chairperson of the Board;
- Justin Hanney – Director;
- Christine Wyatt – Director; and
- Gregory Anderson – former Chief Executive Officer (member until 11 July 2017)

PEOPLE, CULTURE AND REMUNERATION COMMITTEE

The People, Culture and Remuneration Committee set the strategic direction for Development Victoria’s management of its people and determines the policy and practice for executive remuneration.

The People, Culture and Remuneration Committee consists of the following members:

- Tony De Domenico OAM (Chairperson) – Deputy Chairperson of the Board;
- James MacKenzie – Chairperson of the Board; and
- Rebecca Casson – Director

DEVELOPMENT VICTORIA COMMITTEE MEMBERSHIP AND ATTENDANCE: 1 APRIL 2017 TO 30 JUNE 2018

COMMITTEE MEMBER	AUDIT AND RISK COMMITTEE		INVESTMENT COMMITTEE		PEOPLE, CULTURE AND REMUNERATION COMMITTEE	
	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED	ELIGIBLE TO ATTEND	ATTENDED
Natalie MacDonald	7	7				
James MacKenzie	7	5	9	8	6	6
Tony De Domenico OAM	7	4	2	1	6	6
Tamara Brezzi	7	6				
Rebecca Casson					6	6
Graeme Parton			9	9		
Justin Hanney			9	6		
Christine Wyatt			9	6		
Gregory Anderson			2	2		

# EXECUTIVE LEADERSHIP TEAM

**CHIEF EXECUTIVE OFFICER,  
ANGELA SKANDARAJAH (ACTING)**

The Chief Executive Officer has overall responsibility for leading and managing the organisation, including performance excellence, financial management, workplace safety, ensuring good practice and governance, the wellbeing of staff and the health of the organisation's culture. The CEO also advises the Board on governance and performance matters. Angela Skandarajah was appointed as Acting CEO in April 2018, following the resignation of Gregory Anderson.

**GROUP HEAD, STRATEGY AND CIVIC INFRASTRUCTURE,  
TOM CONSIDINE (ACTING)**

The Strategy and Civic Infrastructure division is responsible for the delivery of civic infrastructure projects; corporate strategy; policy, cabinet, ministerial and parliamentary management; communications, stakeholder and community engagement; and business case development and project origination work for government clients.

**GROUP HEAD, OPERATIONS,  
MANNY BIKAKIS (ACTING)**

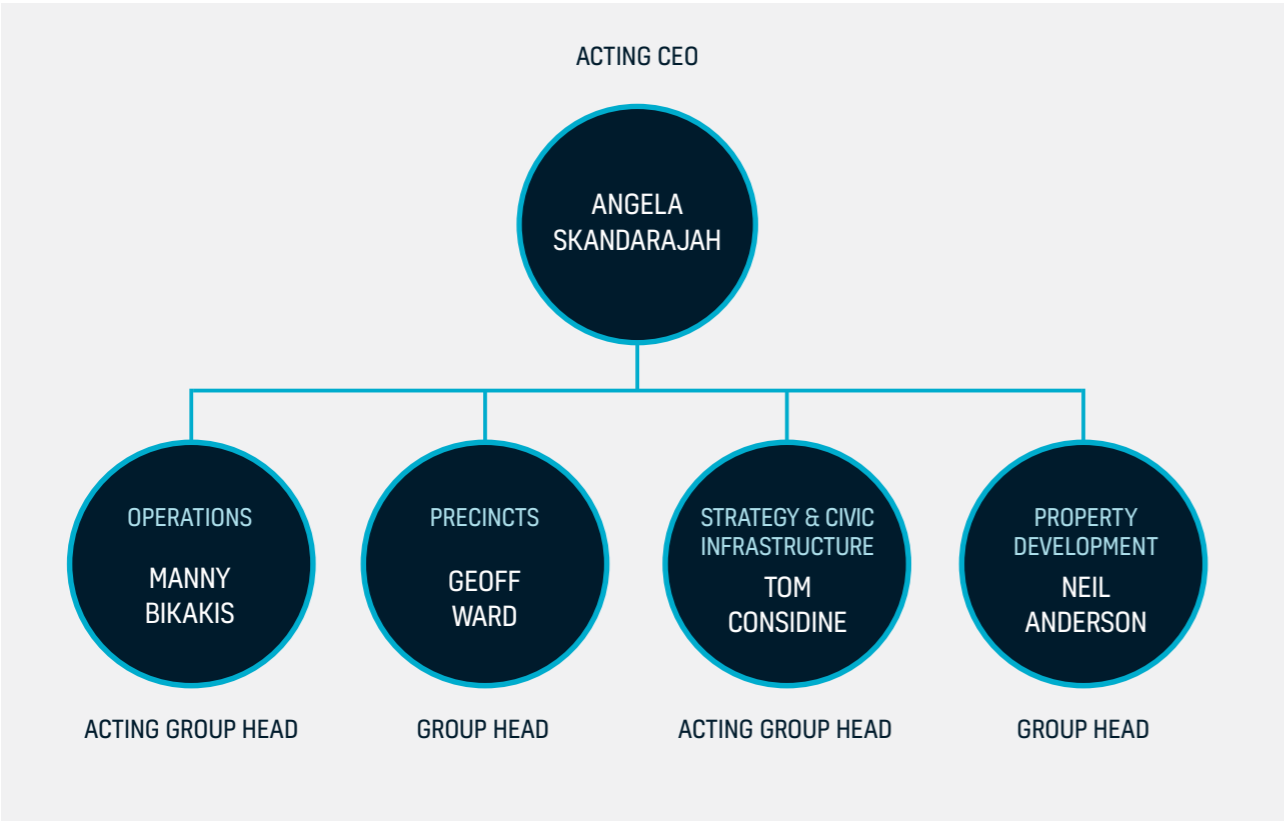
The Operations division is responsible for providing strategic and operational support across the business. The division includes legal, finance, information communications and technology.

**GROUP HEAD, PRECINCTS,  
GEOFF WARD (APPOINTED JUNE 2018)**

The Precincts division plays a significant role in the delivery of urban renewal in areas of underdeveloped or underutilised land. The division is responsible for projects such as Docklands, Revitalising Central Dandenong, Junction Place in Wodonga and the GMH site at Fishermans Bend.

**GROUP HEAD, PROPERTY DEVELOPMENT,  
NEIL ANDERSON (APPOINTED JUNE 2018)**

The Property Development division is responsible for the delivery of residential, mixed-use and commercial projects. It provides diverse and affordable housing options for Victorians, delivers commercial projects and is responsible for sourcing new business opportunities and overseeing feasibility planning for new property development projects.



# REPORT ON OPERATIONS

**FINANCIAL SUMMARY**

For the 15 months ended 30 June 2018, Development Victoria produced a comprehensive profit result of \$75.3 million. (The profit result for the 12 months 1 July 2017 - 30 June 2018 was \$57.9 million, inclusive)

Total equity of Development Victoria as at 30 June 2018 is \$161.3 million.

The net cash outflow from operating activities for the 15-month period ending 30 June 2018 was (\$290.3) million. Net cash flows after financing activities was \$81.5 million.

PERIOD ENDED 30 JUNE	2018 \$'000
Operating results	
Income	270,419
Expenses	(195,111)
Income tax equivalent	-
Comprehensive result	75,308
Financial status	
Total assets	857,212
Total liabilities	(695,955)
Total equity	161,257
Net cash from operating activities	(290,295)

YEAR IN REVIEW

CORPORATE

ESTABLISHMENT OF  
DEVELOPMENT VICTORIA ON



INTRODUCTION OF NEW  
PROJECT MANAGEMENT SYSTEM

DEVELOPMENT VICTORIA  
HOSTS EVENTS FOR  
INTERNATIONAL  
WOMEN'S DAY



DEVELOPMENT  
VICTORIA  
WELCOMES

8 NEW INTERNS  
IN 2017 & 2018



PRECINCTS

VILLAGE STREET

REDEVELOPMENT OPENS IN DOCKLANDS

DOCKLANDS



ART APP  
LAUNCHED



MORE THAN MORE THAN  
10,000 1MSQM

RESIDENTIAL APARTMENTS OF COMMERCIAL SPACE  
DELIVERED OR UNDER DELIVERED OR UNDER  
CONSTRUCTION AND CONSTRUCTION IN

DOCKLANDS

RESIDENTIAL APARTMENT DEVELOPMENT  
APPROVED AT JUNCTION PLACE, WODONGA



CIVIC INFRASTRUCTURE

PALAIS THEATRE

REDEVELOPMENT  
WINS AWARDS



RE-OPENS FOLLOWING REDEVELOPMENT



FLINDERS STREET  
CLOCK RE-STARTS  
AFTER MAKE-OVER

TANDERRUM  
BRIDGE WINS  
AWARDS

PROPERTY DEVELOPMENT



SELLS OUT  
IN LESS THAN  
12 MONTHS

COMPLETION OF FINAL STAGES  
OF ASPECT PROJECT



JACKSONS HILL  
NEW COMMUNITY  
OPEN SPACE COMPLETED

ALLAN STREET  
BRIDGE

OPENED IN DANDENONG



PROJECT LIST 2017-18

PROJECT		LOCATION
MAP No.	CIVIC	
1	Ballarat Offsite Storage Module 2	Ballarat
2	Flinders Street Station Administration Building Exterior	Melbourne
3	Geelong Performing Arts Centre - Stage 2	Geelong
4	Melbourne Arts Precinct, Arts Centre Melbourne	Southbank
5	Geelong Station Precinct Feasibility	Geelong
6	Kardinia Park Redevelopment	Geelong
7	Melbourne Park Redevelopment - Stage 2	Melbourne
8	Melbourne Park Redevelopment - Stage 3	Melbourne
9	Richmond Station VCCP	Richmond
10	State Library Victoria	Melbourne
11	State Netball and Hockey Centre	Parkville

PRECINCTS		
12	Arden	Arden
13	Docklands	Docklands
14	General Motors Holden (GMH) Precinct	Fishermans Bend
15	Junction Place	Wodonga
16	Revitalising Central Dandenong	Dandenong

PROPERTY DEVELOPMENT		
17	Alfie at Altona North	Altona North
18	Aspect	Officer
19	Aurora	Epping
20	Aurora Town Centre	Epping North

21	Avondale Heights	Avondale Heights
22	Ballarat GovHub	Ballarat
23	Ballarat West Employment Zone (BWEZ)	Ballarat
24	Bendigo GovHub	Bendigo
25	Cairnlea	Cairnlea
26	CIRQ Point Cook	Point Cook
27	Fitzroy Gasworks	Fitzroy North
28	DHHS Ascot Vale	Ascot Vale
29	DHHS Hawthorn	Hawthorn
30	DHHS Markham	Ashburton
31	Highett Gasworks	Highett
32	Ivanhoe Water Tank	Ivanhoe
33	Jacksons Hill	Sunbury
34	Keilor Park	Keilor Park
35	Kew Residential Services redevelopment	Kew
36	Knoxfield	Knox
37	Officer Town Centre	Officer
38	Parkville Gardens	Parkville
39	Riverwalk	Werribee
40	Spring Street South	Melbourne
41	Springvale South	Springvale
42	Sunshine North	Sunshine North
43	Sydney Road	Coburg
44	Taylors Lakes	Taylors Lakes
45	Valley Lake	Keilor East

## PROJECT LOCATIONS



# KEY ACHIEVEMENTS

## 1 APRIL 2017 – 30 JUNE 2018

### CIVIC INFRASTRUCTURE

Development Victoria facilitates and delivers infrastructure projects to create cultural, recreational and civic facilities that enrich our communities and enhance Victoria's reputation.



#### BALLARAT OFFSITE STORAGE MODULE 2

Development Victoria is delivering the Ballarat Off Site Storage Module 2 (BOSS2), which is a specialist facility for the storage of valuable and sensitive collection items including paintings, sculptures, costumes, film and books.

##### PROJECT OBJECTIVE:

To deliver a specialist, climate-controlled offsite storage facility for the State Library Victoria which will allow for the storage of valuable and sensitive collections.

##### POLICY OBJECTIVE:

Social and economic infrastructure

##### 2017-18 KEY ACHIEVEMENTS:

- Completion of ground works and key construction milestones met;
- All major design and procurement milestones achieved and construction is progressing in accordance with the program to successfully deliver the project by late 2018.



#### FLINDERS STREET STATION REDEVELOPMENT

Development Victoria is managing the \$100 million upgrade of Flinders Street Station on behalf of the Victorian Government. The project includes refurbishment works, platform upgrades, repainting of the station to its original heritage colours and overall upgrades to improve customer experience.

##### PROJECT OBJECTIVE:

Preservation of a key Melbourne landmark.

##### POLICY OBJECTIVE:

Social and economic infrastructure

##### 2017-18 KEY ACHIEVEMENTS:

- Restoration of the paint work of Flinders Street Station to its original colour;
- The Elizabeth Street Clock was restored for the first time in 100 years and turned on;
- Work started on the upgrade of the Degraives and Elizabeth Street subways to improve security, accessibility and comfort;
- The new Yarra River entrance to Flinders Street Station was opened, providing direct access from Southbank's Riverside Walk to Platform 10.



#### GEELONG PERFORMING ARTS CENTRE REDEVELOPMENT

The Geelong Performing Arts Centre (GPAC) is Victoria's only state-owned cultural institution outside of Melbourne. It brings a wide array of creative and cultural experiences to Geelong and the region, and has given many local artists their first taste of the stage.

##### PROJECT OBJECTIVE:

Development Victoria is responsible for the delivery of a new performing arts centre with improved creative space for the Geelong community and with the capacity to meet the city's anticipated future growth.

##### POLICY OBJECTIVE:

Social and economic infrastructure

##### 2017-18 KEY ACHIEVEMENTS:

- Early works began on the project, including demolition of existing buildings which was completed in February 2018;
- All major design and procurement milestones were achieved, with construction progressing on schedule to deliver the project by July 2019.



#### MELBOURNE ARTS PRECINCT

Development Victoria is working with stakeholders on the planned redevelopment of Melbourne's Southbank arts precinct. This will include NGV Contemporary, Australia's largest contemporary art gallery, to be built on the site of the Carlton & United Breweries building on Southbank Boulevard.

The Victorian Government has invested \$208 million over two years for the first phase of the project to kick-start planning and enable the NGV and Arts Centre Melbourne to begin raising philanthropic funds for the revitalisation.

##### PROJECT OBJECTIVE:

The project will bring 18,000 square metres of new and renewed public space and create a seamless connection between St Kilda Rd and Southbank linking the NGV and Arts Centre Melbourne with the host of other institutions on Sturt St such as the Melbourne Recital Centre, ACMI and the Victorian College of the Arts. The project will also upgrade theatres and public spaces at the Arts Centre Melbourne, and transform 1 City Road into a new creative hub in the heart of the city.

##### POLICY OBJECTIVE:

Social and economic infrastructure

##### 2017-18 KEY ACHIEVEMENTS:

- Project announced by the Premier on 3 June 2018.

# CIVIC INFRASTRUCTURE



## MELBOURNE PARK REDEVELOPMENT – STAGES TWO AND THREE

Development Victoria is working with Sport and Recreation Victoria, Melbourne and Olympic Parks and Tennis Australia to deliver stages two and three of the Melbourne Park redevelopment. In April 2017, funding was announced for stage three, which includes new public spaces such as the Central Terrace, Garden Terrace and Upper Terrace; a new 1,000-seat function and media centre; a new multi-purpose 5000-seat show court/arena; and an upgraded broadcast compound. Stage three is expected to be completed by the 2022 Australian Open.

**PROJECT OBJECTIVE:**

The creation of a world-class sports and entertainment precinct to support Melbourne's broader tourism, sporting and major events strategies, as well as ensuring the Australian Open Tennis remains in Victoria until at least 2036.

**POLICY OBJECTIVE:**

Social and economic infrastructure

**2017-18 KEY ACHIEVEMENTS:**

- Work commenced on the northern annex and level one undercroft, and the roof cladding and glazing was completed on the eastern annex;
- Work commenced on an upgraded retractable roof at Rod Laver Arena, along with an upgrade to the roof rigging to 100 tonnes;
- Completion of new loading dock at Rod Laver Arena;
- Stakeholder forums conducted on Stage Three design concepts;
- Hand-over to Tennis Australia for the 2018 Australian Open.



## STATE LIBRARY VICTORIA REDEVELOPMENT

Development Victoria is leading the delivery of the Vision 2020 redevelopment of the State Library Victoria for Creative Victoria. Staged over five years, the project will enhance the capacity of the State Library to deliver services and programs to wider audiences across Victoria.

**PROJECT OBJECTIVE:**

To deliver the highest value operational capacity and consolidate commercial opportunities for greater community access and cultural engagement while conserving the heritage qualities of State Library Victoria.

**POLICY OBJECTIVE:**

Social and economic infrastructure

**2017-18 KEY ACHIEVEMENTS:**

- The commencement of approximately \$2.3 million of early works;
- Planning approval received from the City of Melbourne for all external works;
- Progression of construction in accordance with the program to successfully deliver the project objectives by 2020.



## STATE NETBALL HOCKEY CENTRE REDEVELOPMENT

Development Victoria is delivering the redevelopment of the State Netball and Hockey Centre. The redevelopment will provide high quality national-standard sporting facilities for both netball and hockey and is a long-term investment in high-performance sporting facilities for Victorians.

**PROJECT OBJECTIVE:**

To create a national-standard combined sporting facility for improved user experience and performance. This is in line with the State's focus to increase female participation in sport.

**POLICY OBJECTIVE:**

Social and economic infrastructure

**2017-18 KEY ACHIEVEMENTS:**

- Funding for the project announced in April 2018, with a Memorandum of Understanding approved by Sport and Recreation Victoria (SRV) and the State Sports Centre Trust;
- Community engagement was undertaken in December 2017, April 2018 and June 2018, with stakeholders including the Royal Park Appreciation Society, Friends of Royal Park, Melbourne Zoo and the community.

# PRECINCT PROJECTS

Development Victoria revitalises major activity centres and urban precincts to stimulate economic activity. These are usually large, multi-stage urban renewal projects.



## DOCKLANDS

Docklands is the largest government-led urban renewal project under construction in Australia. Docklands is now more than 60 per cent complete and currently home to more than 13,000 residents and 58,000 workers. The precinct also sustains an estimated 2,500 - 3,000 construction jobs annually.

**PROJECT OBJECTIVE:**

The urban renewal of Docklands is revitalising a former industrial area to deliver housing, jobs and community open spaces, as well as reconnecting the CBD with its waterfront via the extension of the western edge of Melbourne’s CBD.

**POLICY OBJECTIVE:**

Urban renewal

**2017-18 KEY ACHIEVEMENTS:**

- More than one million square metres of commercial office space delivered or under construction;
- More than 10,000 apartments delivered or under construction, providing housing for Australia’s fastest growing city;
- Private investment now totals more than \$12 billion;
- Five new sites constructed at Docklands, with a development value of \$1.4 billion covering over 200,000 square metres of gross floor area;
- A range of community projects opened, including CLEC stage two which is one of Melbourne’s new generation smart parks offering free wi-fi and phone charging stations, upgraded courts and viewing areas and upgraded footpaths;
- Remediation of the new Docklands school site commenced;
- The proposed redevelopment of the Docklands Stadium and waterfront was announced by the Premier, which is set to transform the precinct into a world-class sporting and entertainment destination.



## GMH, FISHERMANS BEND

The Victorian Government purchased the GMH site at Fishermans Bend to develop it into Australia’s leading precinct for advanced manufacturing, design, engineering and technology excellence. Development Victoria is leading the master planning of the site and work to facilitate future development opportunities at the site.

**PROJECT OBJECTIVE:**

Redevelop the GMH precinct as a catalyst for the Fishermans Bend Employment Precinct.

**POLICY OBJECTIVE:**

Urban renewal

**2017-18 KEY ACHIEVEMENTS:**

- Progression of a partnership between Development Victoria and other government stakeholders to deliver a Precinct of Excellence with a focus on defence, research, automotive and technology industries;
- The signing of a contract between Development Victoria and the University of Melbourne to develop its new School of Engineering campus at the GMH precinct.



## JUNCTION PLACE, WODONGA

Junction Place, Wodonga is regional Australia’s largest urban renewal project. Aimed at revitalising the former historic railway station and rail yards in central Wodonga, it is a 15-to-20-year project which will double the size of Wodonga’s central business district.

**PROJECT OBJECTIVE:**

To raise the profile of Wodonga and reposition the city as a destination of choice to live, work and visit; accommodate population growth; enhance economic growth and development; attract private investment; and create employment.

**POLICY OBJECTIVES:**

Urban renewal, Economic development

**2017-18 KEY ACHIEVEMENTS:**

- \$200 million investment by the private sector in a mixed-use development that will include residential, retail and entertainment;
- The execution of a Development Agreement with local developer, Central Place, to deliver the residential component of Junction Place;
- Planning approval received from Wodonga Council for 86 residential apartments, to be known as ‘Station 73’, signalling the first stage of the development by Central Place Ltd;
- Early works as part of the ‘Station 73’ project, including an internal access road, car parks and public open spaces.



## REVITALISING CENTRAL DANDENONG

Revitalising Central Dandenong is a \$290 million project rejuvenating Dandenong’s city centre. Development Victoria is working with the City of Greater Dandenong, government agencies and the private sector to transform the project site into a vibrant, integrated mixed-use precinct, consisting of commercial, residential, retail, medical and education services, and public open spaces.

**PROJECT OBJECTIVE:**

To raise the profile of Dandenong and reposition the city as a destination of choice to live, work and visit; accommodate forecast population growth; enhance economic growth and attract private sector investment; create employment; and enhance livability, amenity and civic pride.

**POLICY OBJECTIVES:**

Urban renewal, Economic development

**2017-18 KEY ACHIEVEMENTS:**

- Development of an Indian Culture Precinct Project Taskforce to steer a community-led vision for Melbourne’s first Indian Cultural Precinct;
- Collaboration between Development Victoria and the City of Greater Dandenong to begin development of a new open space for the community to replace the previous pop-up park;
- In 2017-18 approximately 41,500 square metres of commercial office space, 15,000 square metres of retail and 6,500 square metres of serviced apartments/hotel space was achieved;
- Private sector investment of more than \$1 billion reached in 2017-18.

# PROPERTY DEVELOPMENT

Through its property development activities, Development Victoria is responsible for the delivery and facilitation of housing projects across Melbourne, with the aim of delivering and promoting housing diversity, and social and affordable housing. In addition, Development Victoria's Property Development group manages the delivery of medium and high-density development.



## ALFIE AT ALTONA NORTH

The Altona North residential project is being delivered by Development Victoria to provide 127 homes, including a mix of two, three and four-bedroom options. Ten per cent of the dwellings are earmarked to be delivered as affordable housing. The project will include a community park and multi-generational housing products.

**PROJECT OBJECTIVE:**

To deliver diverse and affordable housing in the local government area of Hobsons Bay. This includes a percentage of homes deemed as affordable housing.

**POLICY OBJECTIVES:**

Housing, Urban renewal

**2017-18 KEY ACHIEVEMENTS:**

- Development Plan approved by Council in November 2017;
- Planning permit for Stage One issued in May 2018;
- Design and construction commenced on the sales and marketing suite in early 2018.



## AURORA TOWN CENTRE

The Aurora Town Centre project involves the development of approximately 50 hectares of town centre land as part of Development Victoria's Aurora project in Melbourne's north. The first stage of the town centre is now complete, and includes a new Coles supermarket, specialty shops and car parking, along with the Galada Community Centre.

**PROJECT OBJECTIVE:**

To support a new community with infrastructure, facilities and new amenities.

**POLICY OBJECTIVE:**

Urban renewal

**2017-18 KEY ACHIEVEMENTS:**

- Northern town centre parcel sold in May 2018 to Hexa Pacific Group for future medium-density townhouses and retail/commercial development;
- Agreement with Development Victoria, VicRoads and Whittlesea Council to deliver vital infrastructure and road works, due for delivery in 2019;
- Settlement of a super lot parcel in May 2018, with future retail stores planned.



## BALLARAT GOVHUB

Development Victoria is leading the development of a new government office precinct on the Civic Hall site in Ballarat's CBD, in partnership with Regional Development Victoria, Department of Premier and Cabinet and City of Ballarat. The Ballarat GovHub will accommodate up to 1,000 government employees and will help to revitalise Ballarat's CBD and encourage economic growth.

**PROJECT OBJECTIVE:**

To encourage regional economic growth, support employment and revitalise Ballarat's CBD.

**POLICY OBJECTIVE:**

Economic development

**2017-18 KEY ACHIEVEMENTS:**

- John Wardle Architects appointed as the design agency for the Ballarat GovHub in November 2017;
- Consultation with the community on proposed concept designs in December 2017;
- Planning approval received in April 2018;
- Contractor expression of interest released in May 2018.



## BALLARAT WEST EMPLOYMENT ZONE

The Ballarat West Employment Zone (BWEZ) will become Ballarat's engine room for jobs and economic growth over the next 20 years. It is being delivered by Development Victoria, in conjunction with Regional Development Victoria and the City of Ballarat. BWEZ will be a high-quality estate of almost 440 hectares, featuring a mix of industrial, wholesale, logistics and construction businesses.

**PROJECT OBJECTIVE:**

Support industry and employment in the Ballarat region and enhance business productivity.

**POLICY OBJECTIVE:**

Economic development

**2017-18 KEY ACHIEVEMENTS:**

- Stage 1 almost 100 per cent sold;
- Construction of Stage 1 completed;
- Construction of Stage 1b commenced in June 2018;
- Purchasers within Stage 1 delivering new facilities and warehouses.

# PROPERTY DEVELOPMENT



## CIRQ POINT COOK

CIRQ Point Cook is the first medium-density housing project delivered by Development Victoria. The development features two, three and four-bedroom townhouses and has been designed to offer high-quality, affordable housing close to community services.

**PROJECT OBJECTIVE:**

To deliver high-quality, affordable housing options in an area well-serviced by existing amenities such as schools and the Point Cook Town Centre.

**POLICY OBJECTIVE:**

Housing

**2017-18 KEY ACHIEVEMENTS:**

- CIRQ achieved the Silver standard of Livable Housing Australia certification, as well as the UDIA's EnviroDevelopment certification;
- The project sold out within 12 months;
- Civil construction commenced in first half of 2018.



## FITZROY GASWORKS

The Fitzroy Gasworks site at 433 Smith Street, Fitzroy North, is owned by the State Government and has been declared surplus land. Development Victoria is investigating the potential renewal of the site. The site requires extensive remediation prior to any development. The site provides an opportunity to create an urban village with new homes, shops and community facilities including a school and sports courts are being considered.

**PROJECT OBJECTIVE:**

Remediation of the former Gasworks into a new mixed-use urban village

**POLICY OBJECTIVES:**

Housing, Urban renewal

**2017-18 KEY ACHIEVEMENTS:**

- Community engagement in Late 2017;
- Contractor engaged to deliver the remediation of the Fitzroy Gasworks site.



## KEW RESIDENTIAL SERVICES

The \$400 million Kew Residential Services redevelopment project involves the redevelopment of the former Kew Cottages facility into a high-quality housing development. The redevelopment integrates 20 community homes with more than 260 private dwellings. The project is governed by a joint venture development agreement between Development Victoria and the Kew Development Corporation Pty Ltd.

**PROJECT OBJECTIVE**

Delivery of high quality housing; along with meeting the current and future housing needs of people with a disability.

**POLICY OBJECTIVES:**

Housing, Urban renewal

**2017-18 KEY ACHIEVEMENTS:**

- Completion of heritage works on three heritage buildings.



## OFFICER TOWN CENTRE

The Officer Town Centre project is delivering a commercial centre for the growing residential population in Officer to include retail, commercial and community facilities. Development Victoria is working with the Cardinia Shire Council to encourage private sector investment in the area.

**PROJECT OBJECTIVE:**

To encourage commercial activity, private sector investment and the creation of job opportunities in Melbourne's south east.

**POLICY OBJECTIVE:**

Economic development

**2017-18 KEY ACHIEVEMENTS:**

- Completion of infrastructure, including new signalised intersections and the award-winning Gum Scrub Creek wetlands;
- Conditional contracts signed for the sale of \$24 million of land.

# PROPERTY DEVELOPMENT



## PARKVILLE GARDENS

Parkville Gardens is a housing development on a 20-hectare site that was formerly the Athletes' Village for the 2006 Commonwealth Games. The post-games phase of the project includes the staged redevelopment of the site into a residential estate. Upon completion, Parkville Gardens will include more than 1,580 dwellings, with 20 per cent dedicated to social housing; the retention of heritage buildings; the creation of wetlands and new parklands.

### PROJECT OBJECTIVE:

Delivery of a residential project featuring environmentally sustainable design, social housing, disabled access and community services.

### POLICY OBJECTIVE:

Housing

### 2017-18 KEY ACHIEVEMENTS:

- Completion of Stage 8, including 81 apartments;
- Commenced and near completion of Stage 4, comprising 172 apartments.



## RIVERWALK

Development Victoria's Riverwalk project is located on 197 hectares of land on the former Werribee treatment plant site in Melbourne's west. Upon completion, Riverwalk will feature 2,260 homes and 7,300 new residents. The development features open space, a 1.4-hectare Village Park including a basketball court, water play areas, bike trails, playground and BBQ facilities.

### PROJECT OBJECTIVE:

To create a cosmopolitan and connected village that leads the way in sustainable living and provides a range of diverse housing options.

### POLICY OBJECTIVE:

Housing

### 2017-18 KEY ACHIEVEMENTS:

- Positive sales results throughout 2017-18, with all monthly releases sold out on the day of release;
- Completion of sections one and two of Lollypop Creek;
- Completion of the Westleigh Drive intersection with new traffic signals activated;
- Trial of a virtual reality pilot program for sales and marketing;
- Urban Development Institute of Australia (UDIA) "EnviroDevelopment" certification in all six categories (water, eco-systems, community, waste, materials and energy);
- Announcement of a new primary school and early learning centre to be built within the project.



## SUNSHINE NORTH

Development Victoria has worked with the local community and council to develop a master plan for a site at 247-251 St Albans Road, Sunshine North, which was a former City West Water Administration Centre. Upon completion, the development will offer approximately 350 residential dwellings, catering for a range of family sizes and price points. Public open space, walking and cycling paths and an urban plaza will all be features of the development.

### PROJECT OBJECTIVE:

To deliver a mixed-used development featuring a diverse range of houses in an area close to jobs, transport and amenities.

### POLICY OBJECTIVE:

Housing

### 2017-18 KEY ACHIEVEMENTS:

- Development Victoria submitted its development plan for the project to Brimbank Council;
- Demolition works completed;
- Works commenced on the Upper Stony Creek transformation project (adjacent to the re-development site), which will rehabilitate more than one kilometre of creek, including the planting of 2,200 indigenous trees. Development Victoria is managing the construction of this project.



## TAYLORS LAKES

Taylors Lakes is an urban infill site that is being developed by Development Victoria. The location is close to transport and other services and will feature approximately 175 lots and will offer a diverse range of housing, as well as open space.

### PROJECT OBJECTIVE:

To deliver a mixed-used development featuring a diverse range of houses in an area close to jobs, transport and amenities.

### POLICY OBJECTIVE:

Housing

### 2017-18 KEY ACHIEVEMENTS:

- Community engagement sessions held in November 2017 to seek feedback on the sub-division and open space designs;
- A development plan submitted to Brimbank City Council.

# OUR PEOPLE

At its core, Development Victoria's workplace fosters a spirit of purposeful collaboration in pursuit of delivering the highest quality services and project outcomes. Contribution is valued from a diverse range of viewpoints and has been strengthened in the last year with the organisation achieving a gender-balanced workforce overseen by a gender-balanced Board. In striving for excellence, employees are encouraged to prioritise their continued development through a wide variety of professional experiences and learning opportunities.

Sharing knowledge and expertise is hard-wired into Development Victoria's culture and it is widely recognised that the continued growth of the organisation's strengths and capabilities are innately reflective of its people.

Enhancing leadership has been a focus over the past year, with senior leaders participating in an extended program on building resilient organisations and teams, while a cohort of emerging leaders commenced a journey to develop self-awareness and emotional intelligence.

OUR  
VALUES

COLLABORATE



WE ARE STRONG  
AS A TEAM  
WE EMBRACE  
PARTNERSHIPS  
WE ARE  
PASSIONATE

INNOVATE



WE FIND  
NEW WAYS  
WE STRIVE TO  
BE BETTER  
WE ARE EMPOWERED  
TO GROWN AND ADAPT

DELIVER



WE FIND COMPLETE  
SOLUTIONS  
WE ADD  
VALUE  
WE ARE ALL  
ACCOUNTABLE

### EMPLOYMENT AND CONDUCT PRINCIPLES

As a public agency, Development Victoria adheres to the Victorian Public Sector Employees Code of Conduct. The Victorian Public Sector Employment Principles, which provide for fair and reasonable treatment, merit in employment, equal employment opportunity, and reasonable avenues of redress, provided guidance for Development Victoria's employment policies and practices.

### OCCUPATIONAL HEALTH AND SAFETY (OHS)

Development Victoria's commitment to providing a healthy and safe working environment for employees, consultants, contractors and the wider community continued during 2017-18. This commitment was underpinned by the development and progressive implementation of the Occupational Health and Safety Framework. To foster a proactive reporting culture that demonstrated a commitment to and delivery of a no-blame approach, Development Victoria updated its Incident Management Policy and supporting procedures. A total of 58 incidents were reported for the reporting period.

An analysis of the data shows that of all incidents, 19 per cent, (N=11) resulted in an injury. Twenty-one percent, (N=12) of the reports pro-actively identified hazards, potentially eliminating the occurrence of an incident. Near misses accounted for ten per cent (N=6), while damage to property totalled 31 percent of (N=18) incidents reported. The number of environmental incidents recorded for the period amounted to three percent (N=2). Nine incidents were categorised as Other. As part of advocating and supporting workplace wellbeing, Development Victoria delivered a range of health and wellbeing programs to its employees. In addition, a range of free activities were also offered, such as pilates and boxing and fresh food delivered twice a week to the organisation. Other initiatives include ergonomic assessments and workplace inspections to identify hazards and address risks.

### WORKFORCE DATA

Figure 1 Details of employment levels as at 30 June 2018

30-JUN-18					
All employees		Ongoing			
	Headcount	FTE	Full-time Headcount	Part-time Headcount	FTE
Gender:					
Male	80	78.8	75	2	76.2
Female	83	75.5	63	12	71.07
Self-described	0	0.0	0	0	0
Total	163	154.27	138	14	147.27
Age					
Under 25	11	8.3	4	1	4.6
25-34	44	42.4	39	4	41.8
35-44	60	56.9	50	8	55.3
45-54	32	31.6	30	1	30.57
55-64	16	15.1	15	0	15
Over 64	0	0	0	0	0
Total	163	154.27	138	14	147.27
Classification					
Level 1	11	7.2	3	1	3.8
Level 2	49	47.1	42	5	45.1
Level 3	25	24.57	24	1	24.57
Level 4	9	8.8	7	1	7.8
Level 5	40	37.6	33	6	37
Executive	29	29	29	0	29
Total	163	154.27	138	14	147.27

# COMPLIANCE

## CORPORATE STATUS

### MINISTER FOR MAJOR PROJECTS

The Minister for Major Projects is responsible for Development Victoria under its enabling legislation. This means that all projects undertaken by Development Victoria are done so at the request of the Minister, who approves each individual project once it has been considered by the Development Victoria Board. The Minister may also direct Development Victoria to fund and deliver projects as required.

### TREASURER

The Treasurer is responsible for oversight of Development Victoria's finances in accordance with the Financial Management Act 1994. This role requires the Treasurer to manage and monitor Development Victoria's financial position including its capital structure and operating performance. Debt finance for projects is approved by the Treasurer on a case by case basis, and the organisation's aggregate financial assumptions and forecasts are approved annually by the Treasurer through the Corporate Plan.

### DEVELOPMENT VICTORIA BOARD

The role and function of the Development Victoria Board is established under the organisation's enabling legislation. The Board has responsibility for strategic oversight of the organisation and considers projects presented by management for approval, before they are presented to the Minister.

Development Victoria is established as a Public Non-Financial Corporation (PNFC) in accordance with guidelines established by the Australian Bureau of Statistics. These guidelines define the following business characteristics for entities classified as a PNFC:

1. All or the majority of the entity's total production costs should be covered by total sales;
2. Primary activities of the entity should involve the market production of goods at economically significant prices [economically significant prices are defined as prices that have a significant effect on the amounts that producers are willing to supply and on the amounts purchasers are willing to buy];
3. The entity should compete with other providers and the customer's choice of provider is not influenced by government interventions; and
4. The entity is controlled by government in terms of its general corporate policy (and strategic direction). This is proxied by ownership, the ability to appoint/remove board members and government provision of debt.

Statutory Authority:  
*Development Victoria*  
Governing Act:  
*Development Victoria Act 2003*

Incorporated:  
1 April 2017  
  
Registered address:  
Level 9, 8 Exhibition Street  
Melbourne 3000  
ABN: 61 868 774 623

On 1 April 2017, through legislative amendment to the Governing Act, Places Victoria was abolished and Development Victoria established as its successor in law.

### LOCAL JOBS FIRST – VICTORIA INDUSTRY PARTICIPATION POLICY (VIPP)

The Victorian Industry Participation Policy Act 2003 requires Departments and public sector bodies to report on the implementation of the Local Jobs First – Victorian Industry Participation Policy (Local Jobs First – VIPP). Departments and public sector bodies are required to apply the Local Jobs First – VIPP in all procurement activities valued at \$3 million or more in metropolitan Melbourne and for state-wide projects, or \$1 million or more for procurement activities in regional Victoria.

During 2017-18, Development Victoria commenced nine Local Jobs First – VIPP applicable procurements totalling \$131.15 million. Of those projects, four were located in regional Victoria, with an average commitment of 89 per cent of local content, and five in metropolitan Melbourne, with an average commitment of 93 per cent local content. No projects were commenced that occurred state-wide.

The outcomes expected from the implementation of the Local Jobs First – VIPP to these projects are as follows:

- An average of 92 per cent of local content commitment was made;
- A total of 567 jobs annualised employee equivalent (AEE) were committed, including the creation of 163 new jobs and the retention of 404 existing jobs (AEE);
- A total of 97 positions for apprentices/trainees were committed, including the creation of 33 new apprenticeships/traineeships, and the retention of the remaining 64 existing apprenticeships/traineeships.

During 2017-18, the Department completed two Local Jobs First – VIPP applicable projects, collectively valued at about \$60 million. Of these projects, both were located in metropolitan Melbourne representing 72 per cent average estimated local content. No projects occurred statewide.

The outcomes reported from the implementation of the policy, were as follows:

- An average of 72 per cent of local content outcome was recorded;
- A total of 54 (AEE) positions were created; and
- Seventeen new apprenticeships/traineeships were created, and 14 existing apprenticeships/traineeships retained.

The organisation commenced four contracts to which a VIPP Plan or LIDP was not required, as the procurement activity was local by nature.

### GOVERNMENT ADVERTISING CAMPAIGN EXPENDITURE

Development Victoria did not undertake government advertising campaigns with a total media spend of \$100,000 or greater (exclusive of GST) during the reporting period.

## CONSULTANCY EXPENDITURE

### DETAILS OF CONSULTANCIES VALUED AT \$10,000 OR GREATER

For the reporting period, there were seven consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during the reporting period in relation to these consultancies is \$259,575 (excluding GST). Details of individual consultancies are outlined below. All consultancies were completed within the relevant approved project fee and as at the date of this report it is not proposed to incur further expenditure on these consultancies.

CONSULTANT	PURPOSE	EXPENDITURE (Ex GST)
Aecom Australia Pty Ltd	Professional services and advice	\$15,000
CBRE Pty Ltd	Market research projects	\$68,080
Ernst & Young	Feasibility studies, professional services and advice	\$66,522
Global Art Projects Pty Ltd	Professional services and advice	\$12,000
Jones Lang Lasalle Advisory Services Pty Ltd	Market research project and advice	\$22,000
MacroPlan Holdings	Market research project and advice	\$12,500
Minter Ellison	Professional services and advice	\$63,473
TOTAL		\$259,575

DETAILS OF CONSULTANCIES UNDER \$10,000

For the 15 months reporting period from 1 April 2017 to 30 June 2018, there were 10 consultancies engaged where the total fees payable to the individual consultancies was less than \$10,000. The total expenditure incurred during the reporting period in relation to these consultancies was \$49,995 [excluding GST].

(\$ THOUSAND)

All operational ICT expenditure	ICT expenditure related projects to create or enhance ICT capabilities		
Business As Usual (BAU) ICT expenditure [Total]	Non-Business As Usual (Non-BAU) ICT expenditure	Operational expenditure	Capital expenditure
4,013	428	255	173

FREEDOM OF INFORMATION (FOI)

The Freedom of Information Act 1982 allows the public a right of access to documents held by Development 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 Development Victoria. This comprises documents both created by Development Victoria or supplied to Development 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 handled by Development Victoria is available on Development Victoria's website under its Part II Information Statement.

The Act allows Development Victoria 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 Development Victoria in-confidence.

From 1 September 2017, the Act has been amended to reduce the Freedom of Information (FOI) processing time for requests received from 45 to 30 days. In some cases, this time may be extended.

INFORMATION AND COMMUNICATION TECHNOLOGY EXPENDITURE

For the 15 months reporting period ended 30 June 2018, Development Victoria had a total ICT expenditure of \$4,440,735, with the details shown below.

If an applicant is not satisfied by a decision made by Development 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

Requests for access to documents must be made in writing to:

Freedom of Information Officer  
Development Victoria  
GPO Box 2428  
Melbourne VIC 3001

When making an FOI request, applicants should ensure requests are in writing and clearly identify what types of material/documents are being sought. An application fee of 28.90 applies (which may be waived in certain circumstances). Access charges may also be payable (for example, photocopying and search and retrieval charges).

FOI STATISTICS/TIMELINES

For the reporting period, Development Victoria received 12 requests (of which two had been transferred to Development Victoria from other Government Departments).

Of the 12 requests received by Development Victoria, two were from the media, three were from Members of Parliament and the remainder were from the general public.

One request was subsequently withdrawn after the applicant was offered access to related information.

Decision on FOI requests in 2017-18	
Access granted in full	0
Access granted in part	4
Access refused	4
Documents not located/do not exist	1
Other	2

The average time taken to finalise requests during the reporting period was 42 days. During the reporting period, two requests were subject to internal review by the OVIC and no notifications of VCAT hearings were received.

FURTHER INFORMATION

Further information regarding the operation and scope of FOI can be obtained from the Act; regulations made under the Act; and [www.foi.vic.gov.au](http://www.foi.vic.gov.au).

COMPLIANCE WITH THE BUILDING ACT 1993

The buildings occupied by the staff of Development Victoria comply with the building and maintenance provisions of the Building Act 1993. All new buildings and works to existing buildings carried out for or on behalf of Development Victoria also comply with the Building Act 1993.

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.

In accordance with its governing Act, Development Victoria carried out its functions using commercial disciplines. The National Competition Policy required Development Victoria to act within a competitively neutral framework. This means that, except in respect of declared projects, and other than by having access to the list of surplus government sites published by the Department of Treasury and Finance, Development Victoria:

- Operated in a competitive environment in an open market;
- Operated under the provisions of the Financial Management Act 1994, rather than the Corporations Act 2001;
- Was subject to state and commonwealth regulations applying to private sector organisations;
- Was subject to state and commonwealth taxes, including compliance with the National Tax Equivalent Regime; and
- Was subject to all local government rates and charges or statutory equivalents.
  - *Where the government decided that a commercial approach was not appropriate for a specific project, special provisions existed. The Development Victoria Act 2003 provided for the Governor in Council, on the recommendation of the Minister, to declare a development, or proposed development, to be a declared project.*
  - *Once established as such, Development Victoria exercised particular powers to facilitate the development of the declared projects. [page 6]*

COMPLIANCE WITH THE PROTECTED DISCLOSURE ACT 2012

The Protected Disclosures Act 2012 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 to be disclosed and rectifying action to be taken.

Development Victoria does not tolerate improper conduct by its employees or officers or the taking of reprisals against those who come forward to disclose such conduct. The organisation 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.

Development Victoria will take all reasonable steps to protect people who make such disclosures from any detrimental action in reprisal for making the disclosure. Development Victoria will 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 Development Victoria or any of its employees or officers must be made to the Independent Broad-based Anti-corruption Commission (IBAC):

Independent Broad-based Anti-corruption Commission  
Level 1, North Tower  
459 Collins Street  
Melbourne Vic 3000  
GPO Box 24234, Melbourne, VIC 3001  
Telephone: 1300 735 135  
Website: www.ibac.vic.gov.au.

The Protected Disclosures Policy and Procedures, which outline the procedures for the reporting of disclosures to the IBAC, are available on Development Victoria's website.

OFFICE BASED ENVIRONMENTAL IMPACTS

Development Victoria managed the fit-out of its new office at 8 Exhibition Street, Melbourne which achieved a 5 Star Green Star – As Built and Interiors rating. A 5 Star Green Star rating demonstrates Development Victoria's dedication to driving greater sustainability outcomes in government owned and occupied premises, reducing emissions and improving staff wellbeing.

The office fit-out included initiatives aimed at achieving reduced energy use including LED lighting and efficient heating/cooling systems. The office fit-out also implemented smart metering connected to its Business Management System which will enable future reporting on water and energy use.

Development Victoria has formed a Sustainability Working Group to develop a sustainability objectives framework for the organisation, and to implement initiatives aimed at improving staff awareness and office environmental performance.

A formal environmental framework has also been implemented to support Development Victoria's compliance with its environmental obligations.

ADDITIONAL INFORMATION AVAILABLE UPON REQUEST

In compliance with the requirements of the Standing Directions of the Minister for Finance, details in respect of the items listed below have been retained by Development Victoria and are available on request, subject to the provisions of the *Freedom of Information Act 1982*:

- A statement that declarations of pecuniary interest have been duly completed by all relevant officers;
- Details of publications produced by Development Victoria about itself, and how these can be obtained;
- Details of changes in prices, fees, charges, rates and levies charged by Development Victoria;
- Details of overseas visits undertaken;
- A general statement on industrial relations within Development Victoria and details of time lost through industrial accidents and disputes; and
- Details of all consultancies and contractors, including consultants/contractors engaged, services provided and expenditure committed to for each engagement.

The information can be requested from:  
Freedom of Information Officer  
Development Victoria  
GPO Box 2428  
Melbourne VIC 3001

ADDITIONAL INFORMATION INCLUDED IN ANNUAL REPORT

Details of the following items have been included in this annual report, on the pages indicated below:

- The occupational, health and safety of employees (page 28)
- Commitment to employment and conduct principles (page 28)
- Committees of the Board of Development Victoria (page 9).

INFORMATION THAT IS NOT APPLICABLE

The following requirements were not relevant to Development Victoria for the reasons set out below:

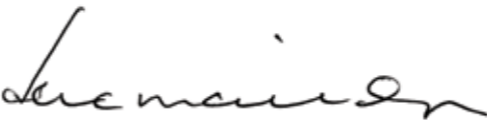
- Details of shares held by senior officers [No shares have ever been issued in Development Victoria];
- Details of major external reviews carried out on Development Victoria [There were no major external reviews carried out on Development Victoria during the reporting period];
- Details of major research and development activities undertaken by Development Victoria [No such activities were carried out during the reporting period]; and
- Details of major promotional, public relations and marketing activities undertaken by Development Victoria to develop community awareness of the organisation and its services. [No such activities were undertaken during the reporting period].

Attestation for financial management compliance with Ministerial Standing Direction 5.1.4

Development Victoria Financial Management Compliance Attestation Statement

Development Victoria is required to comply with the Standing Directions of the Minister for Finance 2016, which set the standard for financial management by Victorian Government Agencies. Development Victoria undertakes an annual internal review of its performance against these Directions, reviewed by a formal Internal Audit programme. Development Victoria has not identified any Material Compliance Deficiencies in relation to the 2017-18 compliance year.

I, James MacKenzie, Chairperson of Development Victoria, certify that Development Victoria has complied with the applicable Standing Directions of the Minister for Finance under the *Financial Management Act 1994* and Instructions. [The Audit and Risk Committee has verified this.]



James MacKenzie  
Chairperson  
Melbourne, 18 August 2018

# DEVELOPMENT VICTORIA FINANCIAL REPORT

## 15 MONTHS TO 30 JUNE 2018

Development Victoria has presented its audited general purpose financial statements for the financial period ended 30 June 2018 in the following structure to provide users with the information about the agency's stewardship of resources entrusted to it.

### FINANCIAL STATEMENTS

- Comprehensive operating statement
- Balance sheet
- Cash flow statement
- Statement of changes in equity

### NOTES TO THE FINANCIAL STATEMENTS

#### 1. ABOUT THIS REPORT

The basis on which the financial statements have been prepared and compliance with reporting regulations

#### 2. FUNDING DELIVERY OF OUR SERVICES

Income recognised from land sales, project management fees and other sources

- 2.1 Summary of income that funds the delivery of our services
- 2.2 Land sales
- 2.3 Interest income
- 2.4 Other income
- 2.5 Fair value of assets received free of charge

#### 3. THE COST OF DELIVERING GOODS AND SERVICES

Operating expenses of the agency

- 3.1 Expenses incurred in delivery of goods and services
- 3.2 Cost of sales
- 3.3 Employee benefits
- 3.4 Borrowing cost
- 3.5 Other operating expenses

#### 4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

Leasehold improvements, plant and equipment and IT software

- 4.1 Total infrastructure, property, plant and equipment
- 4.2 Intangible assets
- 4.3 Investments and other financial assets

#### 5. OTHER ASSETS AND LIABILITIES

Working capital balances, and other key assets and liabilities

- 5.1 Receivables
- 5.2 Payables
- 5.3 Inventories
- 5.4 Income and deferred tax
- 5.5 Land sale deposits
- 5.6 Provisions

#### 6. HOW WE FINANCE OUR OPERATIONS

Borrowings, cash flow information and operating leases

- 6.1 Borrowings
- 6.2 Cash flow information and balances
- 6.3 Leases and financing arrangements
- 6.4 Commitments for expenditure

#### 7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

- 7.1 Financial instruments specific disclosures
- 7.2 Fair value determination of financial assets and liabilities
- 7.3 Contingent assets and contingent liabilities

#### 8. OTHER DISCLOSURES

- 8.1 Other economic flows included in net result
- 8.2 Dividends paid
- 8.3 Joint operations
- 8.4 Responsible persons
- 8.5 Remuneration
- 8.6 Related parties
- 8.7 Remuneration of auditors
- 8.8 Subsequent events
- 8.9 Deed of support
- 8.10 Australian Accounting Standards issued that are not yet effective

### Comprehensive Operating Statement for the financial period ended 30 June 2018

	15 MONTHS TO 30 JUNE 2018	
	NOTES	\$'000
<b>Continuing operations</b>		
<b>Income from transactions</b>		
Land sales	2.2	254,661
Interest income	2.3	3,055
Other income	2.4	10,316
Fair value of assets received free of charge	2.5	2,387
<b>Total income from transactions</b>		<b>270,419</b>
<b>Expenses from transactions</b>		
Cost of sales	3.2	[202,168]
Employee benefits	3.3.1	[18,119]
Depreciation and amortisation	4.1.1	[2,209]
Borrowing costs	3.4	[1,335]
Other operating expenses	3.5	[15,953]
<b>Total expenses from transactions</b>		<b>[239,784]</b>
Net result from transactions before income tax equivalent expense		30,635
Income tax equivalent (expense)/benefit	5.4	-
<b>Net result from transactions after income tax equivalent expense</b>		<b>30,635</b>
<b>Other economic flows included in net result</b>		
Write back of previous impairments of land inventory/(Impairment of land inventory)	8.1	47,817
Net gain/(loss) on non-financial assets	8.1	[1,674]
Net gain/(loss) on financial instruments	8.1	106
Other gains/(losses) from other economic flows	8.1	[1,576]
<b>Total other economic flows included in net result</b>		<b>44,673</b>
<b>Comprehensive result</b>		<b>75,308</b>

The accompanying notes form part of these financial statements

## Balance Sheet as at 30 June 2018

		30 JUNE 2018
	NOTES	\$'000
<b>Assets</b>		
<b>Financial assets</b>		
Cash and deposits	6.2	81,500
Receivables	5.1	55,313
Investments and other financial assets	4.3	17,000
<b>Total financial assets</b>		<b>153,813</b>
<b>Non-financial assets</b>		
Prepayments		488
Land inventory	5.3	696,898
Infrastructure, property, plant and equipment	4.1	4,730
Intangible assets	4.2	1,283
<b>Total non-financial assets</b>		<b>703,399</b>
<b>Total assets</b>		<b>857,212</b>
<b>Liabilities</b>		
Payables	5.2	117,855
Land sale deposits	5.5	26,712
Borrowings	6.1	478,943
Employee related provisions	5.6	5,211
Provisions	5.6	67,234
<b>Total liabilities</b>		<b>695,955</b>
<b>Net assets</b>		<b>161,257</b>
<b>Equity</b>		
Contributed capital		85,949
Accumulated surplus/(deficit)		75,308
<b>Net worth</b>		<b>161,257</b>

The accompanying notes form part of these financial statements

## Cash Flow Statement for the financial period ended 30 June 2018

		15 MONTHS TO 30 JUNE 2018
	NOTES	\$'000
<b>Cash flows from operating activities:</b>		
<b>Receipts</b>		
Receipts from customers		262,075
Goods and Services Tax recovered from the ATO		5,395
Interest received		2,935
<b>Total receipts</b>		<b>270,405</b>
<b>Payments</b>		
Payments to suppliers and employees		(193,259)
Interest and other costs of finance paid		(11,944)
Land purchases		(355,497)
<b>Total payments</b>		<b>(560,700)</b>
<b>Net cash flows from/(used in) operating activities</b>	6.2.1	<b>(290,295)</b>
<b>Cash flows from investing activities:</b>		
Cash deposits	4.3	(17,000)
Purchases of non-financial assets		(4,988)
Cash contribution towards leasehold improvements		2,387
<b>Net cash flows from/(used in) investing activities</b>		<b>(19,601)</b>
<b>Cash flows from financing activities:</b>		
Cash received from activities transferred in		165,004
Contributed capital returned to the State Government of Victoria		(41,000)
Dividends paid	8.2	(39,816)
Borrowing costs	3.4	(1,335)
Proceeds from borrowings		308,543
<b>Net cash flows from/(used in) financing activities</b>		<b>391,396</b>
<b>Net increase/(decrease) in cash and deposits</b>		<b>81,500</b>
<b>Cash and cash equivalents at the end of financial period</b>	6.2	<b>81,500</b>

The accompanying notes form part of these financial statements

## Statement of Changes in Equity for the financial period ended 30 June 2018

	ACCUMULATED SURPLUS	CONTRIBUTIONS BY OWNER	30 JUNE 2018
NOTES			\$'000
Administrative restructure - net assets received	1	166,765	166,765
Net result for the period	75,308		75,308
Dividend paid	8.2	[39,816]	[39,816]
Return of capital to State Government of Victoria [a]		[41,000]	[41,000]
<b>Balance at 30 June 2018</b>	<b>75,308</b>	<b>85,949</b>	<b>161,257</b>

The accompanying notes form part of these financial statements

Note:

[a] Development Victoria repatriated \$41 million to the State Government of Victoria.

## 1. ABOUT THIS REPORT

Development Victoria (‘the Company’) is the Victorian government’s property development agency established under an Act of Parliament and domiciled in Australia. The Company is responsible for carrying out urban renewal projects and developing surplus government land.

The Company's registered office is at Level 9, 8 Exhibition Street, Melbourne, Victoria, Australia.

On 1 April 2017, under the Development Victoria Act 2003, Development Victoria was established as a successor in law to the Urban Renewal Authority (trading as Places Victoria) through the merger of Places Victoria (PV) and Major Projects Victoria (MPV).

This report covers the 15 month period from the establishment of Development Victoria on 01 April 2017, accordingly the financial statements do not include comparative information.

## RESTRUCTURING OF ADMINISTRATIVE ARRANGEMENTS

On 1 April 2017, 100% of Places Victoria's assets and liabilities were transferred to Development Victoria. At the same time the majority of Major Projects Victoria's activities were also transferred to Development Victoria.

The net assets assumed by Development Victoria as a result of the administrative restructure is recognised in the balance sheet at the carrying amount of those assets in the transferors balance sheet immediately before the transfer.

The net assets transferred from Places Victoria and Major Projects Victoria (by way of statement of allocation) transferred as follows:

	NOTE	PLACES VICTORIA	MAJOR PROJECTS VICTORIA	TOTAL
		\$'000	\$'000	\$'000
Assets				
Cash and deposits		94,259	70,745	165,004
Receivables		40,107	7,055	47,162
Prepayments		498	5	503
Inventories - Assets held for resale		319,084	19,248	338,332
Infrastructure, property, plant and equipment	4.1.2	2,734		2,734
Intangible assets	4.2	2,174		2,174
<b>Total Assets</b>		<b>458,856</b>	<b>97,053</b>	<b>555,909</b>
Liabilities				
Payables		[17,339]	[8,971]	[26,310]
Land sale deposits		[30,095]	-	[30,095]
Deposits repayable		-	[53,309]	[53,309]
Borrowings		[170,400]	-	[170,400]
Provisions		[105,659]	-	[105,659]
Employee benefits - current		(1,564)	[1,406]	(2,970)
Employee benefits - non current		(165)	[236]	(401)
<b>Total Liabilities</b>		<b>325,222</b>	<b>63,922</b>	<b>389,144</b>
<b>Net Assets</b>				
		<b>133,634</b>	<b>33,131</b>	<b>166,765</b>

## BASIS FOR PREPARATION

These financial statements are presented in Australian dollars, the functional and presentation currency of the company.

These financial statements have been prepared in accordance with the historical cost convention unless a different measurement basis is specifically disclosed in the notes associated with the item measured on a different basis.

These financial statements have been prepared on a going-concern basis which assumes continuity of normal business activities and the realisation of assets and the settlement of liabilities in the ordinary course of business.

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

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

These estimates and associated assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision.

Judgments and assumptions made by management in the application of Australian Accounting Standards (AAS) that have significant effect on the financial statements and estimates relate to:

- provision for employee benefits (Refer to Note 3.3.2);
- the fair value of buildings, infrastructure, prepertry, plant and equipment and leasehold improvements (Refer to Note 4.1.3);
- impairment and Net Realisable Value (NRV) assessment (Refer to Note 4.1.1) ;
- the provision for onerous contracts (Refer to Note 5.6); and
- the provision for project development costs (Refer to Note 5.6).

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

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

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

For the purpose of fair value disclosures, Development Victoria has determined classes of assets and liabilities on the basis of the nature, characteristics and risks of the asset or liability and the level of the fair value hierarchy as explained above.

In addition, Development Victoria determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Valuer General Victoria (VGV) is Development Victoria’s independent valuation agency.

All amounts in the financial statements for Development Victoria have been rounded to the nearest thousand dollars, unless otherwise stated. Figures in the financial statements may not equate due to rounding.

GOODS AND SERVICES TAX (GST)

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

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

COMPLIANCE INFORMATION

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

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

2. FUNDING DELIVERY OF OUR SERVICES

INTRODUCTION

This section presents the sources and amounts of income recognised by Development Victoria and the accounting policies that are relevant for an understanding of the items recognised in the financial statements.

Structure

2.1	Summary of income that funds the delivery of our services	43
2.2	Land sales	43
2.3	Interest income	43
2.4	Other income	43
2.5	Fair value of assets received free of charge	44

2.1 SUMMARY OF INCOME THAT FUNDS THE DELIVERY OF OUR SERVICES		2018
	NOTES	\$’000
Land sales	2.2	254,661
Interest income	2.3	3,055
Other income	2.4	10,316
Fair value of assets received free of charge	2.5	2,387
Total income from transactions		270,419

All income disclosed is net of returns, allowances, duties and taxes. Income is recognised to the extent that it is probable that the economic benefits will flow to Development Victoria and the income can be reliably measured at fair value.

2.2 LAND SALES		2018
		\$’000
Land Sales		244,136
Project management fees		10,525
Total land sales		254,661

Income from land sales is recognised by Development Victoria when:

- the risks and rewards of ownership have been transferred to the buyer, which generally occurs on settlement of the land sales contract;
- Development Victoria retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the land;
- the amount of income and the costs incurred or to be incurred in respect of the transaction can be reliably measured; and
- it is probable that the economic benefits associated with the transaction will flow to Development Victoria.

Project management fees charged for time and materials are recognised on an accrual basis and relate mainly to infrastructure projects that Development Victoria manages on behalf of government clients

2.3 INTEREST INCOME		2018
		\$’000
Interest from deposits with Treasury Corporation of Victoria		2,758
Interest from bank deposits		297
Total interest income		3,055

Interest income includes interest received on bank deposits and bank term deposits. Interest income is recognised using the effective interest method, which allocates the interest over the relevant period.

2.4 OTHER INCOME		2018
		\$’000
Property rental income		5,276
Other revenue		5,040
Total other income		10,316

Property rental income is recognised on a time proportional basis and is brought to account when Development Victoria’s right to receive the rental is established.

Other revenue includes \$4.5 million net income from the divestmt of the Fibre To The Home (FTTH) infrastructure and the National Rental Affordability Scheme (NRAS) tax offset entitlement refund of \$0.2 million.

2.5 FAIR VALUE OF ASSETS RECEIVED FREE OF CHARGE	2018
	NOTES
	\$'000
Fair value of assets received free of charge	2,387

Contributions of resources received free of charge are recognised at fair value when control is obtained over them, irrespective of whether these contributions are subject to restrictions or conditions over their use.

During this financial period, the Department of Economic Development, Jobs, Transport and Resources (DEDJTR) made a cash contribution towards Development Victoria's office fit out.

### 3. THE COST OF DELIVERING GOODS AND SERVICES

#### INTRODUCTION

This section presents the major components of expenditure incurred by Development Victoria in relation to operating activities during the reporting period, as well as any related obligations outstanding as at 30 June 2018.

Structure		
3.1	Expenses incurred in delivery of goods and services	44
3.2	Cost of sales	44
3.3	Employee benefits expenses	45
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	3.3.2 Employee benefits in the balance sheet	45
	3.3.3 Superannuation contributions	46
3.4	Borrowing cost	47
3.5	Other operating expenses	47

3.1 EXPENSES INCURRED IN DELIVERY OF GOODS AND SERVICES	2018
	NOTES
	\$'000
Cost of sales	3.2
Employee benefits expenses	3.3.1
Borrowing costs	3.4
Other operating expenses	3.5
Total expenses incurred in delivery of goods and services	237,575

3.2 COST OF SALES	2018
	\$'000
Cost of land sales	187,484
Salaries, wages, long service leave and on costs	14,684
Total cost of sales	202,168

Cost of sales consists of all the supplies and effort (including salary costs) incurred in purchasing, developing and getting land into a saleable condition. This includes the direct purchase and development of a lot, together with the stage and estate infrastructure and amenity works that support the sale of a lot.

The cost of land sales of \$187 million includes a write off of \$35 million of inventories which were costs related to stages that were either closed or removed as works were undertaken in previous years and did not carry any future economic benefit on the remaining parcels of land held at Officer.

Costs comprise both historical costs incurred to date, together with future estimated costs that relate to the land being sold such as future estate works.

Cost of sales are calculated and allocated to each individual lot at the time of stage release, with the same proportion of costs allocated to all lots within that stage release.

The stage release calculation takes into account the unique attributes of that stage and estimated future costs at that time. Therefore there may be some variance between the proportional allocations of indirect estate costs between stages.

### 3.3 EMPLOYEE BENEFITS EXPENSES

3.3.1 EMPLOYEE BENEFITS IN THE COMPREHENSIVE OPERATING STATEMENT	2018
	NOTES
	\$'000
Salaries and wages, annual and long service leave and on costs	15,335
Defined benefit superannuation expense	3.3.3
Defined contribution superannuation expense	3.3.3
Termination benefits	466
Total employee expenses	18,119

**Employee benefits expenses** include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, termination payments and WorkCover premiums. Superannuation disclosed above are employer contributions to defined benefit and defined contribution superannuation plans that are paid or payable during the 15 month reporting period.

**Termination benefits** are payable when employment is terminated before the normal retirement date, or when an employee accepts voluntary redundancy in exchange for those benefits. Development Victoria recognises termination benefits when it is demonstrably committed to either terminating the employment of current employees according to a detailed formal plan without possibility of withdrawal or providing termination benefits as a result of an offer made to encourage voluntary redundancy. Benefits falling due more than 12 months after the end of the reporting period are discounted to present value.

3.3.2 EMPLOYEE BENEFITS IN THE BALANCE SHEET	2018
	\$'000
Current Provisions	
Employee benefits - Annual leave	
Unconditional and expected to be settled within 12 months	1,200
Employee benefits - Long service leave	
Unconditional and expected to be settled within 12 months	597
Unconditional and expected to be settled after 12 months	1,892
On-costs	
Unconditional and expected to be settled within 12 months	281
Unconditional and expected to be settled after 12 months	296
Total current provisions for employee benefits (Note 5.6)	4,266
Non-current provisions:	
Employee benefits	556
On-costs	87
Total non-current provisions for employee benefits (Note 5.6)	643
Total provisions for employee benefits	4,909

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 and recorded as an expense during the period the services are delivered.

WAGES, SALARIES AND ANNUAL LEAVE

Liabilities for wages and salaries, including non-monetary benefits and annual leave are recognised in the provision for employee benefits as ‘current liabilities’, because Development Victoria does not have an unconditional right to defer settlement of these liabilities.

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

- nominal value if Development Victoria expects to wholly settle within 12 months; or
- present value if Development Victoria does not expect to wholly settle within 12 months.

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.

**Unconditional LSL** is disclosed in the notes to the financial statements as a current liability, even where Development Victoria does not expect to settle the liability within 12 months because it will not have the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months.

The components of the current LSL liability are measured at:

- nominal value - component that is expected to be wholly settled within 12 months; and
- present value - component that is not expected to be wholly settled within 12 months.

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

Any gain or loss following revaluation of the present value of non-current LSL liability is recognised as a transaction, except to the extent that a gain or loss arises due to changes in bond interest rates for which it is then recognised as an ‘other economic flow’ in the net result.

3.3.3 SUPERANNUATION CONTRIBUTIONS

Development Victoria employees are entitled to receive superannuation contributions and Development Victoria contributes to both defined benefit and defined contribution plans.

The defined benefit plan provides benefits based on years of service and final average salary. Employees under the Defined Benefit Scheme are entitled to defined lump-sum benefits on retirement, disability or death. The basis of determining the level of employer contributions is determined by the various actuaries of the defined benefit superannuation plan.

Development Victoria does not recognise any defined benefit liability in respect of the plan(s) because the company has no legal or constructive obligation to pay future benefits relating to its employees; its only obligation is to pay superannuation contributions as they fall due. The Department of Treasury and Finance recognises and discloses the State’s defined benefit liabilities in its financial statements.

However, superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the comprehensive income statement.

The superannuation contributions made by Development Victoria are as follows:

SUPERANNUATION CONTRIBUTIONS	2018
	\$’000
Paid contribution for the period	
Defined benefits plan	45
Defined contribution plans	2,111
Contribution outstanding at period end	
Defined benefit plan	2
Defined contribution plans	160
Total contribution outstanding at period end	162

3.4 BORROWING COST	2018
	\$’000
Interest on loans from Treasury Corporation of Victoria	9,041
Financial accommodation levy	4,238
	13,279
Borrowing costs capitalised to inventories	(11,944)
Total Borrowing costs	1,335

**Borrowing costs** include interest on short-term and long-term borrowings, in accordance with AASB 123 Borrowing Costs applicable to for-profit public sector entities.

Borrowing costs directly attributable to the acquisition or construction of a qualifying asset are capitalised to inventories. Other borrowing costs are recognised as expenses in the period in which they are incurred.

Financial accommodation levy is an additional interest charged by the Treasurer (Department of Treasury and Finance) for providing Development Victoria with access to borrowing. The levy is based on the level of borrowing and a percentage rate determined by the Treasury on an annual basis.

3.5 OTHER OPERATING EXPENSES	2018
	\$’000
Marketing expenses	2,178
Operating expenses	7,693
Operating lease expenses	5,033
Insurance	1,050
Total other operating expenses	15,953

**Operating, Marketing and Insurance expenses** generally represent the day to day running costs incurred in normal operations and are recognised when they are incurred and reported in the financial period to which they relate.

**Operating lease expenses** are recognised as an expense in the comprehensive operating statement on a straight line basis over the lease term. The leased asset is not recognised in the balance sheet.

4. KEY ASSETS AVAILABLE TO SUPPORT SERVICE DELIVERY

INTRODUCTION

This section presents the investments that are utilised by Development Victoria to fulfil its objectives and conduct its activities and the accounting policies that are relevant for an understanding of the items recognised in the financial statements.

Structure

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4.1 TOTAL INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT			2018
			\$'000
	GROSS CARRYING AMOUNT	ACCUMULATED DEPRECIATION	NET CARRYING AMOUNT
Infrastructure	2,115	(2,115)	-
Plant and equipment	4,614	(4,062)	552
Leasehold improvements	16,587	(12,409)	4,178
Buildings	4,859	(4,859)	-
<b>Total Infrastructure, property, plant and equipment</b>	<b>28,175</b>	<b>(23,445)</b>	<b>4,730</b>

INITIAL RECOGNITION

Items of property, plant and equipment, are measured initially at cost and subsequently, revalued at fair value less accumulated depreciation and impairment. Where an asset is acquired for no or nominal consideration, the cost is the asset’s fair value at the date of acquisition.

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

SUBSEQUENT MEASUREMENT

Property, plant and equipment are subsequently measured at fair value less accumulated depreciation and impairment. Fair value is determined with regard to the asset’s highest and best use (considering legal or physical restrictions imposed on the asset, public announcements or commitments made in relation to the intended use of the asset).

4.1.1 DEPRECIATION AND AMORTISATION	2018
Charge for the period	\$'000
Infrastructure	212
Plant and equipment	311
Leasehold improvements	477
Buildings	61
Software	1,148
Total depreciation and amortisation	2,209

Depreciation is provided on property, plant and equipment, including freehold buildings.

Depreciation is generally calculated on a straight-line basis, at rates that allocate the asset’s value, less any estimated residual value, over its estimated useful life. Leasehold improvements are depreciated over the period of the lease or estimated useful life, whichever is shorter, using the straight-line method.

Depreciation methods and rates used for each class of depreciable assets are:

Class of Assets	Useful life
Infrastructure	3 to 10 years
Buildings	4 to 40 years
Plant and equipment	2 to 10 years
Leasehold improvements	8 to 15 years
Capitalised software	5 years

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

Leasehold improvements are depreciated over the shorter of the lease term and their useful life’s.

IMPAIRMENT

Non-financial assets, including items of property, plant and equipment, are tested for impairment whenever there is an indication that the asset may be impaired.

4.1.2 RECONCILIATION OF MOVEMENTS IN CARRYING AMOUNT OF INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT					2018
					\$'000
	INFRASTRUCTURE	BUILDINGS	PLANT AND EQUIPMENT	LEASEHOLD IMPROVEMENTS	TOTAL
Transfers in from business combinations	1,304	642	280	507	2,734
Fair value of assets received free of charge				2,387	2,387
Additions	-	-	583	1,761	2,344
Disposals	(1,092)	(581)		-	(1,673)
Depreciation	(212)	(61)	(311)	(477)	(1,061)
Carrying amount at the end of the financial period	-	-	552	4,178	4,730

4.1.3 INFRASTRUCTURE, PROPERTY, PLANT AND EQUIPMENT AT FAIR VALUE

Structure

The fair values of non-financial physical assets are determined 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 input that is significant to the fair value measurement is unobservable.

	2018 \$'000	FAIR VALUE MEASUREMENT AT END OF REPORTING PERIOD USING:		
	GROSS CARRYING AMOUNT	LEVEL 1	LEVEL 2	LEVEL 3
Infrastructure	-	-	-	-
Buildings	-	-	-	-
Plant and equipment	552	-	-	552
Leasehold improvements	4,178	-	-	4,178
Total property, plant and equipment	4,730	-	-	4,730

4.1.4 RECONCILIATION OF LEVEL 3 FAIR VALUE					2018
					\$'000
	OTHER INFRASTRUCTURE	BUILDINGS	PLANT AND EQUIPMENT	LEASEHOLD IMPROVEMENTS	TOTAL
Transfers in from business combinations	1,304	642	280	507	2,734
Purchases	-	-	583	4,148	4,731
Disposals	(1,092)	(581)	-	-	(1,673)
Depreciation	(212)	(61)	(311)	(477)	(1,061)
Closing balance	-	-	552	4,178	4,730

Description of significant unobservable inputs to Level 3 valuations

Fair value measurement at end of reporting period using:

2018	VALUATION TECHNIQUE	SIGNIFICANT UNOBSERVABLE INPUTS	RANGE (WEIGHTED AVERAGE)	SENSITIVITY OF FAIR VALUE MEASUREMENT TO CHANGES IN SIGNIFICANT UNOBSERVABLE INPUTS
Plant & Equipment	Depreciated replacement cost	Useful life of plant and equipment	2 to 10 years	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation
Leasehold Improvements	Depreciated replacement cost	Useful life of leasehold improvements	8 to 15 years	A significant increase or decrease in the estimated useful life of the asset would result in a significantly higher or lower valuation

4.2 INTANGIBLE ASSETS	2018 \$'000
	SOFTWARE
Gross Carrying Amount	
Transfers in from business combinations	8,540
Additions	257
Disposals	(4,645)
Closing Balance	4,152
Accumulated depreciation and amortisation	
Transfers in from business combinations	(6,366)
Amortisation of intangible non-produced assets	(1,148)
Disposals	4,645
Closing Balance	(2,869)
Net book value at end of the financial period	1,283

INITIAL RECOGNITION

When the recognition criteria in AASB 138 Intangible Assets are 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. 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 is recognised if, and only if, all of the following is demonstrated:

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

Subsequent measurement

Intangible produced assets with finite lives are amortised on a straight line basis over their useful lives. The amortisation period and amortisation method for an intangible asset with a finite useful live are reviewed at least at the end of each annual reporting period.

Intangible non-produced assets with finite lives are amortised as an ‘other economic flow’ on a straight line basis over their useful lives or 5 years, whichever is shorter.

Impairment of intangible assets

Goodwill and 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.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying value exceeds their possible recoverable amount. Where an asset’s carrying value exceeds its recoverable amount, the difference is written off by a charge to the Comprehensive Operating Statement.

4.3 INVESTMENTS AND OTHER FINANCIAL ASSETS

CURRENT INVESTMENTS AND OTHER FINANCIAL ASSETS	2018
	\$'000
Term deposits: (a)	
Australian dollar term deposits > three months	17,000
<b>Total current investments and other financial assets</b>	<b>17,000</b>

Notes:  
(a) Term deposits under ‘investments and other financial assets’ class include only term deposits with maturity greater than 90 days.

AGEING ANALYSIS OF FINANCIAL ASSETS		\$'000				
2018		PAST DUE BUT NOT IMPAIRED				
	CARRYING AMOUNT	NOT PAST DUE AND NOT IMPAIRED	LESS THAN 1 MONTH	1 - 3 MONTHS	3 MONTHS - 1 YEAR	1 - 5 YEARS
Term deposits	17,000	17,000	-	-	-	-
<b>Total</b>	<b>17,000</b>	<b>17,000</b>	-	-	-	-

5. OTHER ASSETS AND LIABILITES

INTRODUCTION

This section sets out the assets and liabilities that arose from Development Victoria’s controlled operations.

Structure

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5.1 RECEIVABLES	2018
	\$'000
Contractual	
Trade receivables	5,121
Provision for doubtful debts	(184)
Amounts receivable under development agreements(i)	37,173
Other receivables	600
Statutory	
GST input tax credit recoverable	12,603
<b>Total receivables</b>	<b>55,313</b>
Represented by:	
Current receivables	29,754
Non-current receivables	25,559
<b>Total receivables</b>	<b>55,313</b>

Receivables consist of:

- contractual receivables, such as debtors in relation to the sale of land and services; and
- statutory receivables include amounts owing from Goods and Services Tax (GST) input tax credits recoverable.

Contractual receivables are classified as financial instruments and categorised as ‘receivables’ (refer to 7.1.1). They are initially recognised at fair value plus attributable transaction costs. Subsequent to initial measurement they are measured at amortised cost using the effective interest method, less any impairment.

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

i) Amounts receivable under development agreements relate to revenue recognised at stage release with payment terms aligned to future project milestones, and are carried at nominal amounts.

**GST input tax credit recoverable** is the gross amount of GST recoverable from the taxation authority and is included as part of receivables balance. AASB interpretation 1031 provides that revenue, expenses and assets must be recognised, net of the amount of GST, except where GST relating to the expenditure items is not recoverable from the taxation authority, in which case the item is recognised as GST inclusive.

Doubtful debts

Receivables are assessed for bad and doubtful debts on a regular basis. A provision for doubtful debts is recognised when there is objective evidence that the debts may not be collected and bad debts are written off when identified. In assessing impairment of statutory (non-contractual) financial assets, which are not financial instruments, professional judgement is applied in assessing materiality using estimates, averages and other computational methods in accordance with AASB 136 Impairment of Assets.

A provision is made for estimated irrecoverable amounts from the sale of goods when there is objective evidence that an individual receivable is impaired. The increase in the provision for the year is recognised in the net result.

Bad debts considered as written off by mutual consent are classified as a transaction expense. Bad debts not written off, but included in the provision for doubtful debts, are classified as other economic flows in the net result.

MOVEMENT IN THE PROVISION FOR DOUBTFUL DEBTS	2018
	\$'000
Transfers in from business combinations	(290)
Reversal of doubtful debts previously provided for	106
<b>Balance at end of the period</b>	<b>(184)</b>

AGEING ANALYSIS OF CONTRACTUAL RECEIVABLES			\$'000				
			PAST DUE BUT NOT IMPAIRED				
2018	CARRYING AMOUNT	NOT PAST DUE AND NOT IMPAIRED	LESS THAN 1 MONTH	1 - 3 MONTHS	3 MONTHS - 1 YEAR	GREATER THAN 1 YEAR	IMPAIRMENT
Trade receivables	5,121	2,341	1,974	250	372	-	184
Amounts receivable under development agreements	37,173	37,173	-	-	-	-	-
Other receivables	600	596	-	-	4	-	-
	<b>42,894</b>	<b>40,110</b>	<b>1,974</b>	<b>250</b>	<b>376</b>	<b>-</b>	<b>184</b>

Note: The disclosure above excludes statutory payables (e.g. amounts arising to Victorian Government and GST taxes payable).

There are no financial assets that had their terms renegotiated so as to prevent them from being past due or impaired, and they are stated at the carrying amounts as indicated.

5.2 PAYABLES	2018
	\$'000
<b>Contractual</b>	
Trade payables	1,765
Other creditors	95,967
Accrued expenses	7,620
Deferred income	2,147
<b>Total contractual payables</b>	<b>107,499</b>
<b>Statutory</b>	
Accrued expenses	4,250
Deferred income	6,106
<b>Total statutory payables</b>	<b>10,356</b>
<b>Total payables</b>	<b>117,855</b>
<i>Represented by:</i>	
Current Payables	117,830
Non-current payables	25
Total payables	117,855

**Payables** consist of:

- contractual payables, such as trade payables, accrued expenses and deferred income. Trade payables represent liabilities for goods and services provided to Development Victoria prior to the end of the financial period that are unpaid, and arise when Development Victoria becomes obliged to make future payments in respect of the purchase of those goods and services; and
- statutory payables, such as Goods and Services Tax and Fringe Benefits Tax.

Contractual payables are classified as financial instruments and categorised as financial liabilities at amortised cost.

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

- (i) Trade payables and accrued expenses

These amounts represent liabilities for goods and services provided to Development Victoria prior to the end of the financial period which remain unpaid. The amounts are unsecured and are usually paid within 30 days of recognition.

- (ii) Other creditors

These amounts relate to amounts payable to developers and others under development agreements on achievement of agreed milestones.

- (iii) Deferred income

These amounts represent income under development agreements where milestones for revenue recognition have not been met and grants received in advance for the Revitalising Central Dandenong project.

AGEING ANALYSIS OF CONTRACTUAL PAYABLES			\$'000			
			PAST DUE BUT NOT IMPAIRED			
2018	CARRYING AMOUNT	NOT PAST DUE AND NOT IMPAIRED	LESS THAN 1 MONTH	1 - 3 MONTHS	3 MONTHS - 1 YEAR	GREATER THAN 1 YEAR
Trade payables	1,765		1,765			
Other creditors	95,967	76,922		19,045		
Accrued expenses	7,620	7,620				
Deferred income	2,147	2,147				
	<b>107,499</b>	<b>86,689</b>	<b>1,765</b>	<b>19,045</b>	<b>-</b>	<b>-</b>

5.3 INVENTORIES	2018
	\$'000
<b>Current inventories</b>	
Development properties	190,843
Land under development	313,044
Undeveloped land	193,011
<b>Total current inventories</b>	<b>696,898</b>
<b>Inventories held for distribution:</b>	
At cost	
<b>Total inventories</b>	<b>696,898</b>

Inventories include development properties, land under development (including work in progress) and undeveloped land and is valued at the lower of cost or net realisable value.

Cost includes:

- (i) the cost of acquiring the land and buildings;
- (ii) land improvement costs;
- (iii) borrowing costs directly attributable to the acquisition of land or construction of a building; and
- (iv) other costs that can be directly attributed to the project.

Overhead allocations and salaries are not capitalised into inventory.

Net realisable value is determined on each individual project based on the expected net cash flows from the development and sale of land in the ordinary course of business, as determined in the Development Victoria Corporate Plan, discounted to their present values using a market-determined, risk adjusted rate.

The ordinary course of business delivery method and assumptions for each project are subject to changes in market conditions, policy or corporate strategy which would change the net realisable value. Where the net realisable value of a project is below the current inventory value, the difference is recognised as an impairment of land inventory and an expense in the Comprehensive Operating Statement.

A land inventory impairment can be reversed by either:

- the sale of inventory from the project. A proportional amount of impairment is released into the Comprehensive Operating Statement at the point of settlement, reducing the cost of goods sold; or
- an increase in the net realisable value at subsequent annual inventory assessments that may result in some or all of the impairment for a project being reversed.

Inventory cannot be valued higher than cost. A net realisable value assessment of inventory is therefore only to identify any impairment or reversals of previous impairments. If there is an indication that there has been a reversal in the estimate of an asset's recoverable amount since the last impairment loss was recognised, then the impairment loss is reversed only to the extent that the carrying amount does not exceed the carrying amount that would have been determined if no impairment loss had been previously recorded.

During the financial period, Development Victoria reversed impairment write-downs of \$48 million which had been previously taken up. The impairment reversal brought inventory back to net realisable value and recognised that land values had materially appreciated with the expected revenue now outweighing the cost. The impairment reversal is disclosed in the Other economic flows of the Comprehensive Operating Statement.

Total Inventory includes \$11.94 million borrowing costs capitalised during the period, and the write off of \$35 million relating to stage costs of the Officer project that were either closed or removed and did not carry any future economic benefit for the remaining parcels of land held.

In accordance with *AASB 101 Presentation of Financial Statements*, land held as inventory is disclosed as a current asset even though it is not expected to be realised within 12 months.

5.4 INCOME AND DEFERRED TAX

Development Victoria is exempt from income tax in accordance with section 50-25 of the Income Tax Assessment Act 1997 . Development Victoria is subject to the National Tax Equivalent Regime pursuant to section 88 of the State Owned Enterprises Act 1992 . Any activity relating to the Docklands area or the Revitalising Central Dandenong project is exempt from the National Tax Equivalent Regime in accordance with section 67 of the Urban Renewal Authority Victoria Act 2003.

Income tax expense represents the sum of the tax currently payable and deferred tax.

(i) Current tax

The tax currently payable is based on taxable profit for the period. Taxable profit differs from profit as reported in the Comprehensive Operating Statement because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

(ii) Deferred tax

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised.

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

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset realised, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which Development Victoria expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax liabilities and assets are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities when they relate to income taxes levied by the same taxation authority and Development Victoria intends to settle its current tax assets and liabilities on a net basis.

(a) Income tax equivalent (expense)/benefit		
The major components of the income tax equivalent expense are:		
Current income tax		
Current income tax charge	-	-
Deferred income tax		
Relating to origination and reversal of temporary differences	-	-
Relating to origination and reversal of temporary differences	-	-
Effect of temporary differences not recognised as deferred tax assets and liabilities	-	-
Income tax equivalent expense/(benefit) reported in the Comprehensive Operating Statement	-	-

(b) Amounts charged or credited directly to equity		
No deferred income tax related items were charged directly to equity.		

(c) Numerical reconciliation between aggregate tax expense recognised in the comprehensive operating statement and tax expense calculated per the statutory income tax rate		2018 \$'000
Accounting profit/(loss) from continuing activities before income tax equivalent expense		75,308
Accounting profit/(loss) from ordinary activities subject to income tax equivalent expense		42,763
Prima facie income tax calculated at 30%		12,829
Effect of tax losses not recognised as deferred tax assets		-
Effect of temporary differences not recognised as deferred tax assets and liabilities		(12,829)
Aggregate income tax equivalent expense/(benefit)		-

(d) Recognised deferred tax assets and liabilities			2018 \$'000	2018 \$'000
Current income tax			Deferred income tax	
Opening balance				
Charged to income				
Other payment				
Closing balance				
Tax equivalent expense in the Comprehensive Operating Statement				
Amounts recognised in the balance sheet:				
Current tax assets				
Current tax liabilities				
Deferred tax asset				
Deferred tax liability				
			-	-

(e) Unrecognised deferred tax assets		2018 \$'000
Deductible temporary differences, unused tax losses and unused tax credits for which no deferred tax assets and liabilities have been recognised are attributable to the following:		
Tax losses		33,420
Deferred tax liabilities		(9,676)
Deferred tax assets		5,998

5.5 LAND SALE DEPOSITS		2018
		\$'000
Land sale deposits		26,712
Total land sale deposits		26,712
Represented by:		
Current payables		1,486
Non-current payables		25,226
Total land sale deposits		26,712

Development Victoria has two distinct types of land sales, precinct land sales and residential land sales.

For precinct land sales, land sale deposits represent non-interest bearing deposits received for land sales and associated trunk infrastructure from developers in accordance with their relevant precinct development agreements. Upon the associated stage release of part or all of a precinct these amounts are subsequently recognised as income.

For residential land sales, these amounts represent non-interest bearing deposits and are recognised as revenue once the land is settled and when the risks and rewards of ownership no longer lie with Development Victoria and Development Victoria has no continuing managerial involvement in the land to the degree usually associated with ownership.

5.6 PROVISIONS	2018
	\$'000
<b>Current provisions</b>	
Property and development related costs (i)	33,337
Onerous contracts (ii)	469
Employee benefits	4,266
Employee restructuring	302
Other provisions	3,900
<b>Total current provisions</b>	<b>42,274</b>
<b>Non-current provisions</b>	
Property and development related costs (i)	29,005
Onerous contracts (ii)	523
Employee benefits	643
<b>Total non-current provisions</b>	<b>30,171</b>
<b>Total provisions</b>	<b>72,445</b>

(i) Property and development related costs relate to present obligations to carry out future development works under relevant planning permits or development agreements. The property and development related costs of \$62.3 million relates to Docklands infrastructure of \$45.2 million and development project portfolio of \$17.1 million.

(ii) Onerous contracts mainly relate to a present obligation by Development Victoria to deliver infrastructure to projects where meeting the contractual obligations significantly exceed the economic benefits expected to be received.

RECONCILIATION OF MOVEMENT IN PROVISIONS	2018				
	PROPERTY AND DEVELOPMENT RELATED COSTS	ONEROUS CONTRACTS	EMPLOYEE BENEFITS & RESTRUCTURING	OTHER PROVISIONS	\$'000
Transfers in from business combinations	96,264	7,895	3,371	1,500	109,030
Additional provisions recognised	2,825	622	1,943	2,400	7,790
Amounts utilised during the year	(36,747)	(7,525)	(103)	-	(44,375)
<b>Closing balance</b>	<b>62,342</b>	<b>992</b>	<b>5,211</b>	<b>3,900</b>	<b>72,445</b>
Current	33,337	469	4,568	3,900	42,274
Non-current	29,005	523	643		30,171
<b>Total</b>	<b>62,342</b>	<b>992</b>	<b>5,211</b>	<b>3,900</b>	<b>72,445</b>

## 6. HOW WE FINANCE OUR OPERATIONS

### INTRODUCTION

This section provides information on the sources of finance utilised by Development Victoria during its operations and other information related to financing activities of Development Victoria. This section also includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Notes 7.1 and 7.2 provide additional, specific financial instrument disclosures.

#### Structure

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	6.4.1 Total commitments payable	59

6.1 BORROWINGS	2018
	\$'000
<b>Current borrowings</b>	
Loans from Treasury Corporation of Victoria	187,543
<b>Total current borrowings</b>	<b>187,543</b>
<b>Non-current borrowings</b>	
Loans from Treasury Corporation of Victoria	291,400
<b>Total non-current borrowings</b>	<b>291,400</b>
<b>Total borrowings</b>	<b>478,943</b>

Borrowings' refer to interest bearing liabilities mainly raised from public borrowings raised through the Treasury Corporation of Victoria and are carried at their principal amounts.

Borrowings are classified as financial instruments. All interest bearing borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs. The measurement basis subsequent to initial recognition depends on whether Development Victoria has categorised its interest bearing liabilities as either 'financial liabilities designated at fair value through profit or loss', or financial liabilities at 'amortised cost'. The classification depends on the nature and purpose of the interest bearing liabilities. Development Victoria determines the classification of its interest bearing liabilities at initial recognition.

**Defaults and breaches:** During the financial period, there were no defaults or breaches on any of the loans.

All interest bearing liabilities are initially recognised at the fair value of the consideration received, less directly attributable transaction costs. The measurement basis subsequent to initial recognition depends on whether Development Victoria has categorised its interest-bearing liabilities as financial liabilities at amortised cost. Any difference between the initial recognised amount and the redemption value is recognised in net result over the period of the borrowing using the effective interest method.

MATURITY ANALYSIS OF BORROWINGS							
2018	MATURITY DATES						
	CARRYING AMOUNT	NOMINAL AMOUNT	LESS THAN 1 MONTH	1-3 MONTHS	3 MONTHS - 1 YEAR	1- 5 YEARS	5+ YEARS
Loans from TCV	478,943	478,943	167,543	20,000		227,900	63,500
<b>Total</b>	<b>478,943</b>	<b>478,943</b>	<b>167,543</b>	<b>20,000</b>	<b>0</b>	<b>227,900</b>	<b>63,500</b>

	2018
<b>Interest expense</b>	\$'000
Interest on government loans	13,279
<b>Total interest expense</b>	<b>13,279</b>

Interest expense' includes costs incurred in connection with the borrowing of funds which includes interest on bank overdrafts, and short term and long term borrowings.

Interest expense is recognised in the period in which it is incurred.

6.2 CASH FLOW INFORMATION AND BALANCES

Cash and deposits 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 which are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

	2018
Cash at bank and on hand	4,852
Deposits at call Treasury Corporation of Victoria	76,648
Cash and cash equivalents	81,500

6.2.1 RECONCILIATION OF NET RESULT FOR THE PERIOD TO CASH FLOW FROM OPERATING ACTIVITIES	2018
	\$'000

Net result for the period	75,308
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Non-cash movements:

[Gain]/loss on disposal of non-current assets	1,674
Depreciation and amortisation of non-current assets	2,209
Write-back of previous impairments of inventory	(47,817)
Assets provided free of charge	(2,387)
Provision for doubtful debts	(106)
[Gain]/loss arising from revaluation of long service liability	1,576
Borrowing costs expensed not relating to operating activates	1,335
Increase provision for legal costs	2,400
Increase provision on employee restructuring	199
Increase provision on property and development related costs	(33,921)
Other non-cash movements	(6,838)

Movements in assets and liabilities:

Increase/decrease in receivables	(8,045)
Increase/decrease in inventories	(310,749)
Increase/decrease in other non-financial assets	14
Increase/decrease in payables	91,545
Increase/decrease in provisions	0
Increase/decrease in other liabilities	(56,692)

Net cash flows from/(used in) operating activities	(290,295)
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For cash flow statement presentation purposes, cash and cash equivalents include bank overdrafts, which are included as current borrowings on the balance sheet, as indicated in the above reconciliation.

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

6.3 LEASES AND FINANCIAL ARRANGEMENTS

Operating leases relate to properties owned by Development Victoria with lease terms between 1 and 20 years, with an option to extend a further 6 years. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period.

	2018
	\$'000
Non-cancellable operating lease receivables	
Not longer than one year	7,308
Longer than one year but not longer than five years	26,795
Longer than five years	14,181
Total	48,284

6.4 COMMITMENTS FOR EXPENDITURE

Commitments for future expenditure include those operating and capital commitments arising from non-cancellable contractual or statutory sources and are disclosed 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.

6.4.1 TOTAL COMMITMENTS PAYABLE				\$'000
NOMINAL AMOUNTS 2018	LESS THAN 1 YEAR	1-5 YEARS	5+ YEARS	TOTAL
Operating and lease commitments payable	2,207	8,791	8,006	19,004
Total commitments (inclusive of GST)	2,207	8,791	8,006	19,004
Less GST receivable	200	799	727	1,726
Total commitments (exclusive of GST)	2,007	7,992	7,279	17,278

7. RISK, CONTINGENCIES AND JUDGEMENTS

INTRODUCTION

Development Victoria is exposed to risk from its activities and outside factors. In addition, it is 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 Development Victoria related mainly to fair value determination.

Structure

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7.1 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 Development Victoria's activities, certain financial assets and financial liabilities arise under statute rather than a contract (for example taxes). Such assets and liabilities do not meet the definition of financial instruments in AASB 132 *Financial Instruments: Presentation*.

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

7.1.1 FINANCIAL INSTRUMENTS: CATEGORISATION				\$'000
2018	NOTE	CONTRACTUAL FINANCIAL ASSETS - LOANS AND RECEIVABLES AND CASH	CONTRACTUAL FINANCIAL LIABILITIES AT AMORTISED COST	TOTAL
Contractual financial assets				
Cash and deposits	6.2	81,500		81,500
Receivables (i)				-
Sale of goods and services	5.1	42,294		42,294
Accrued investment income	5.1	259		259
Other receivables	5.1	341		341
Investments and other contractual financial assets				
Term deposits	4.3	17,000		17,000
Total contractual financial assets		141,394	-	141,394
Contractual financial liabilities				
Payables (i)				-
Trade & other payables	5.2		107,499	107,499
Land sale deposits	5.5		26,712	26,712
Borrowings				
Loans from TCV	6.1		478,943	478,943
Total contractual financial liabilities		-	613,154	613,154

Notes:

(i) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and taxes payable).

CATEGORIES OF FINANCIAL INSTRUMENTS

Receivables and cash are financial instrument assets with fixed and determinable payments that are not quoted on an active market. These assets are initially recognised at fair value plus any directly attributable transaction costs. Subsequent to initial measurement, receivables are measured at amortised cost using the effective interest method (and for assets, less any impairment). Development Victoria recognises the following assets in this category:

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

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

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

7.1.2 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

Development Victoria has mininal exposure to credit risk, liquidity risk and market risk (i.e. interest rate risk).

Development Victoria's Debt and Treasury Management policy sets out to manage these risks and the associated volatility of its financial performance. Risk management is carried out by Finance under policies approved by the Board.

Financial instruments: Credit risk

Credit risk refers to the possibility that a borrower will default on its financial obligations as and when they fall due. Credit risk arises from the contractual financial assets of Development Victoria, which comprise cash and deposits and non-statutory receivables. Development Victoria's exposure to credit risk arises from the potential default of a counter party in their contractual obligations resulting in financial loss to Development Victoria.

Credit risk is measured at fair value and is monitored monthly by the CFO and the Finance team.

Development Victoria's maximum credit risk exposure is indicated by the carrying amounts of its financial assets. Development Victoria does not have any significant concentrations of credit risk as it undertakes transactions with a large number of customers in the residential property market.

In addition, Development Victoria does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest, except for cash assets, which are mainly cash at bank. Development Victoria's policy is to only deal with banks with high credit ratings.

The carrying amount of contractual financial assets recorded in the financial statements, net of any allowances for losses, represents Development Victoria's maximum exposure to credit risk without taking account of the value of any collateral obtained.

There are no material financial assets which are individually determined to be impaired.

CREDIT QUALITY OF CONTRACTUAL FINANCIAL ASSETS THAT ARE NEITHER PASSED DUE NOR IMPAIRED				\$'000
2018	GOVERNMENT AGENCIES (AAA RATING)	OTHER (MIN BBB CREDIT RATING)		TOTAL
Cash and deposits	81,500			81,500
Trade & other receivables (i)		5,721		5,721
Amounts receivable under development agreements		37,173		37,173
Term deposits	17,000			17,000
Total contractual financial assets	98,500	42,894		141,394

Notes:

(i) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and taxes payable).

Financial instruments: Liquidity risk

Liquidity risk is the risk that Development Victoria would be unable to meet its financial obligations as and when they fall due.

Development Victoria operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of dispute, making payments within 30 days from date of resolution.

Development Victoria’s maximum exposure to liquidity risk is the carrying amounts of financial liabilities as disclosed in the face of the balance sheet.

Development Victoria manages liquidity risk by:

- maintaining an adequate short term reserves and banking facilities that can be drawn at short notice to meet its short-term obligations;
- holding investments and other contractual financial assets that are readily tradeable in the financial market; and
- careful maturity planning of its financial obligations based on forecasts of future cash flows.

Development Victoria’s exposure to liquidity risk is deemed insignificant based on current assessment of risk.

Financial instruments: Market risk

Development Victoria in its daily operations is exposed to a number of market risks. Market risks relate to the risk that market rates and prices will change and that this will have an adverse effect on the operating result and/or net worth of Development Victoria. These market risks primarily relate to foreign currency risk, equity price risk and interest rate risk. Development Victoria does not hold equity investments and is therefore not subject to related price risk. Objectives, policies and processes used to manage each of these risks are disclosed below.

Interest rate risk

Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate because of changes in market interest rates. Development Victoria does not hold any interest bearing financial instruments that are measured at fair value, and therefore has no exposure to fair value interest rate risk.

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Development Victoria has minimal exposure to cash flow interest rate risk through its cash and deposits that are at floating rates.

Development Victoria manages cash flow interest rate risk through a mixture of short term and longer term investments, and undertaking fixed rate or non-interest bearing financial instruments with relatively even maturity profiles, with only insignificant amounts of financial instruments at floating rate.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates and Development Victoria’s sensitivity to interest rate risk are set out below.

Sensitivity disclosure analysis

Taking into account past performance, future expectations, economic forecasts, and management’s knowledge and experience of the financial markets, Development Victoria believes that a movement of 100 basis points up and down in market interest rates (AUD) is ‘reasonably possible’ over the next 12 months.

INTEREST RATE RISK SENSITIVITY					
	\$'000	DECREASE BY 100 BASIS POINTS		INCREASE BY 100 BASIS POINTS	
2018	CARRYING AMOUNT	COMPREHENSIVE RESULT	EQUITY	COMPREHENSIVE RESULT	EQUITY
Contractual financial assets:					
Cash and cash deposits (a)	81,500	(815)	(815)	815	815
Receivables (c)	0	-	-	-	-
Contractual financial liabilities:					
Payables (c)	107,499	-	-	-	-
Land sale deposits	26,712	-	-	-	-
Borrowings (b)	478,943	[1,675]	[1,675]	1,675	1,675
Total impact		(2,490)	(2,490)	2,490	2,490

Notes:

(a) Sensitivity of cash and cash equivalents to a one per cent movement in market interest rate. All interest bearing balances are short term investments and subject to sensitivity: (\$81.5m x 0.01 = \$0.815m)

(b) Sensitivity of borrowings to a one per cent movement in market interest rate. Only the liabilities with a variable rate (\$167.5m) are subject to the sensitivity.

(c) The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and taxes payable).

The tables that follow show the impact on Development Victoria’s net result and equity for each category of financial instrument held at the end of the reporting period, if the above movements were to occur.

INTEREST RATE RISK EXPOSURE OF FINANCIAL INSTRUMENTS					\$'000
	WEIGHTED AVERAGE INTEREST RATE %	TOTAL CARRYING AMOUNT PER BALANCE SHEET	FIXED INTEREST RATE	FLOATING INTEREST RATE	NON-INTEREST BEARING
2018					
Financial assets					
Cash and deposits	1.45%	81,500	-	81,500	-
Receivables (i)					
Trade receivables		5,121	-	-	5,121
Amounts receivable under development agreements		37,173	-	-	37,173
Other receivables		600	-	-	600
Investments - Term deposits	2.04%	17,000	17,000	-	-
Total contractual financial assets		141,394	17,000	81,500	42,894
Financial liabilities					
Payables (i)					
Trade & other payables		107,499	-	-	107,499
Land sale deposits		26,712	-	-	26,712
Borrowings					
Loans from TCV	5.04%	478,943	311,400	167,543	-
Total contractual financial liabilities		613,154	311,400	167,543	134,211

Notes:

(i)The total amounts disclosed here exclude statutory amounts (e.g. amounts owing from Victorian Government and taxes payable).

(ii)Maturity analysis is presented using the contractual undiscounted cash flows.

7.2 FAIR VALUE DETERMINATION

Fair value determination requires judgement and the use of assumptions. This section discloses the most significant assumptions used in determining fair values. Changes to assumptions could have a material impact on the results and financial position of Development Victoria.

This section sets out information on how Development Victoria determined fair value for financial reporting purposes. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

The following assets and liabilities are carried at fair value:

- financial assets and liabilities at fair value through operating result;
- available-for-sale financial assets; and
- infrastructure, property, plant and equipment.

In addition, the fair values of other assets and liabilities that are carried at amortised cost, also need to be determined for disclosure purposes. Development Victoria determines the policies and procedures for determining fair values for both financial and non-financial assets and liabilities as required.

Fair value estimation

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.

Development Victoria determines whether transfers have occurred between levels in the hierarchy by reassessing categorisation (based on the lowest level input that is significant to the fair value measurement as a whole) at the end of each reporting period.

The Valuer-General Victoria (VGV) is Development Victoria’s independent valuation agency.

7.2.1 FAIR VALUE DETERMINATION OF FINANCIAL ASSETS AND LIABILITIES

Development Victoria currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts are a reasonable approximation of fair value, either due to their short term nature or with the expectation that they will be paid in full by the end of the 2019 reporting period.

These financial instruments include:

FINANCIAL ASSETS	FINANCIAL LIABILITIES
Cash and deposits	Payables
Receivables:	• Supplies and services
• Sales of goods and services	• Amounts payable to government and agencies
• Receivables	• Other payables
Investments and other contractual financial assets:	Borrowings:
• Term deposits	• Loans from TCV

7.3 CONTINGENT ASSETS AND CONTINGENT LIABILITIES

Contingent assets and contingent liabilities are not recognised in the balance sheet but are disclosed 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.

QUANTIFIABLE CONTINGENT ASSETS	2018
	\$'000
Contingent assets	
Bank guarantees (i)	29,102
Total	29,102

Notes:

(i) The bank guarantees provided to Development Victoria relate to stage development and performance securities.

Contingent liabilities

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;
- present obligations that arise from past events but are not recognised because the amount of the obligations cannot be measured with sufficient reliability.

Contingent liabilities are also classified as either quantifiable or non-quantifiable.

Non-quantifiable contingent liabilities are potential obligations that arise from:

- indemnities provided in relation to transactions, including financial arrangements and consultancy services; and
- performance guarantees, warranties, letters of comfort and deeds in respect of certain obligations.

QUANTIFIABLE CONTINGENT LIABILITIES	2018
	\$'000
Bank guarantees (i)	21,921
Total	21,921

Note:

(i) Bank guarantees have been issued by Development Victoria's bankers to municipalities and other government bodies for satisfactory performance of works undertaken by Development Victoria. If a body is not satisfied with Development Victoria's performance it may claim against the relevant guarantee.

8. OTHER DISCLOSURES

INTRODUCTION

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

Structure

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8.1 OTHER ECONOMIC FLOWS INCLUDED IN NET RESULT

Other economic flows' are changes arising from market remeasurments. They include:

- gains and losses from disposals of non-financial assets (refer to Note 4.1.2);
- impairments of non-financial physical and intangible assets (refer to Note 4.2);
- remeasurement arising from employee benefits (refer to Note 3.3.2); and
- fair value changes of financial instruments (refer to Note 5.1).

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

	2018
	\$'000
Net gain/(loss) on non-financial assets	
Disposal of property plant and equipment (including intangible assets)	[1,674]
Write back of previous impairments of land inventory/(Impairment of land inventory) (c)	47,817
Total net gain/(loss) on non-financial assets (a)	46,143
Net gain/(loss) on financial instruments	
Impairment of:	
Reversal of bad debt provision	106
Total net gain/(loss) on financial instruments	106
Other gains/(losses) from other economic flows	
Net gain/(loss) arising from revaluation of long service liability	[1,576]
Total other gains/(losses) from other economic flows (b)	[1,576]

Notes:

(a) Net gain/(loss) on disposal of non-financial assets is recognised at the date of disposal and is determined after deducting the proceeds from disposal from the carrying value of the asset at the time.

(b) Other gains/(losses) from other economic flows include the gains or losses from the revaluation of the present value of the long service leave liability due to changes in the bond interest rate.

(c) The reversal of the land inventory impairment was to recognise that land values at Officer had appreciated and that revenue from the sale would outweigh the cost.

8.2 DIVIDENDS PAID

An obligation to pay a dividend only arises after a formal determination is made by the Treasurer of the State of Victoria following consultation between Development Victoria's Board, the Minister for Planning and the Treasurer.

PAID	2018
	\$'000
Development Victoria paid 2015-16 and 2016-17 Declared Project Dividends on 30 November 2017, in accordance with a consultation letter from the Treasurer of the State of Victoria dated 25 October 2017.	10,041
Development Victoria paid a 2015-16 and 2016-17 Revitalising Central Dandenong Project Dividends on 30 November 2017, in accordance with a consultation letter from the Treasurer of the State of Victoria dated 25 October 2017.	4,775
Development Victoria paid a 2017-18 special dividend on 29 June 2018, in accordance with a consultation letter from the Treasurer of the State of Victoria dated 28 June 2018.	25,000
<b>Total dividends paid</b>	<b>39,816</b>

Provision for dividend

An obligation to pay a dividend only arises after a formal determination is made by the Treasurer of the State of Victoria following consultation between Development Victoria's Board, the Minister for Planning and the Treasurer.

8.3 JOINT OPERATIONS

Development Victoria has eight joint operations of which three are considered material. Two of these material joint operations are with Melbourne Water. These are:

1. Riverwalk, Werribee, Victoria

This 197 hectare site was previously the Werribee Treatment Plant. The land is owned by Melbourne Water which has entered into a Partnering Deed with Development Victoria for Development Victoria to develop the land to deliver an estimated 2,260 residual lots at the completion of the project. Development Victoria is responsible for all development costs and the profit share percentage between Development Victoria and Melbourne Water was agreed in the Partnering Deed. There is a Project Control Group with equal membership and voting rights for both Development Victoria and Melbourne Water.

2. LOGIS, Dandenong, Victoria

This 154 hectare site is owned by Melbourne Water which has entered into a Partnering Deed with Development Victoria. Development Victoria has developed Victoria's first integrated eco-industrial business park. Development Victoria is responsible for all development costs and the profit share percentage between Development Victoria and Melbourne Water was agreed in the Partnering Deed. There is a Project Control Group with equal membership and voting rights for both Development Victoria and Melbourne Water.

3. Avondale Heights, Victoria

This 4.3 hectare site was previously the Kangan Batman TAFE Avondale Heights campus. Development Victoria owns the land entered an agreement with Frasers Property Australia (formerly Australand) for Frasers Property to develop the land and deliver approximately 135 townhouses. Frasers Property is responsible for all development costs and the profit share percentage between Development Victoria and Frasers Property was agreed in the Agreement. There is a Project Control Group with equal membership and voting rights from both Development Victoria and Frasers Property.

8.4 RESPONSIBLE PERSONS

In accordance with the Ministerial Directions issued by the Minister for Finance under the Financial Management Act 1994, the following disclosures are made regarding Responsible Persons for the reporting period.

The persons who held the positions of Ministers and Accountable Officers in Development Victoria are as follows:

Position	Name	Relevant period
Minister for Major Projects	The Hon. Jacinta Allan	1 April 2017 to 30 June 2018
Chairperson	James MacKenzie	1 April 2017 to 30 June 2018
Deputy Chairperson	Tony De Domenico	1 April 2017 to 30 June 2018
Board member	Tamara Brezzi	1 April 2017 to 30 June 2018
Board member	Rebecca Casson	1 April 2017 to 30 June 2018
Board member	Justin Hanney	1 April 2017 to 30 June 2018
Board member	Natalie MacDonald	1 April 2017 to 30 June 2018
Board member	Graeme Parton	1 April 2017 to 30 June 2018
Board member	Christine Wyatt	1 April 2017 to 30 June 2018
Chief Executive Officer (Accountable Officer)	Gregory Anderson	1 April 2017 to 29 April 2018
Acting Chief Executive Officer (Accountable Officer)	Angela Skandarajah	30 April 2018 to 30 June 2018

8.5 REMUNERATION

Remuneration received or receivable by the Accountable Officers in connection with the management of Development Victoria during the 15 month reporting period is listed below. The CEO's remuneration was in the range: \$680,000 - \$689,999 for the reporting period, which includes a termination payment. The current Acting CEO's remuneration is in the range of \$60,000 - \$69,999.

During this financial period Development Victoria has paid insurance premiums in respect of directors and officers liability insurance for the Directors and Officers of the Company.

8.5.1 REMUNERATION OF RESPONSIBLE PERSONS

Remuneration received or receivable by the responsible officers, excluding the Accountable Officer and Minister, during the reporting period was in the range:

	15 month period 2018
\$0	2
\$40,000 - \$49,999	1
\$50,000 - \$59,999	3
\$60,000 - \$69,999	1
\$70,000 - \$79,999	1
\$130,000 - \$139,999	1
\$680,000 - \$689,999	1
<b>Total number of responsible persons</b>	<b>10</b>
<b>Total remuneration (\$'000)</b>	<b>1,180</b>

Remuneration of the Responsible Minister is included in the financial statements of the Department of Parliamentary Services.

8.5.2 REMUNERATION OF EXECUTIVES

The total remuneration of executive officers, other than the CEO, 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 in all forms of consideration paid, payable or provided by the entity, or on behalf of Development Victoria, in exchange for services rendered, 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 superannuation entitlements, pensions, post-employment life insurance, post-employment health care 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.

	15 MONTH PERIOD 2018
REMUNERATION OF EXECUTIVE OFFICERS	\$'000
Short-term employee benefits	8,550
Post-employment benefits	700
Other long-term benefits	195
Termination benefits	75
Total remuneration (a)	9,520
Total number of executives	37
Total annualised employee equivalent (AEE) (b)	29.23

Notes:

(a) The total number of executive officers includes persons who meet the definition of Key Management Personnel (KMP) of Development Victoria under AASB 124 Related Party Disclosures and are also reported within the related parties note disclosure (Refer to Note 8.6).

(b) Annualised employee equivalent (AEE) is based on the time fraction worked over the reporting period

8.6 RELATED PARTIES

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

Related parties of Development Victoria include:

- all key management personnel and their close family members and personal business interests;
- 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

During the financial period, the following aggregate transactions were undertaken and balances held with other Victorian Government controlled entities. These transactions were undertaken in the ordinary course of operations.

Government-related entities	Nature of Transaction	2018 \$'000
Revenue		
Department of Treasury & Finance	Rental Revenue	670
Department of Economic Development, Jobs, Transport and Resources	Rental Revenue	1,518
Major Projects Victoria	Rental Revenue	441
Department of Environment, Land Water and Planning	Cost reimbursements for staff secondments	611
Department of Economic Development, Jobs, Transport and Resources	Capital provided towards civic infrastructure projects	45,299
Melbourne & Olympic Parks Trust	Capital provided towards civic infrastructure projects	63,262
Department of Health & Human Services	Capital provided towards civic infrastructure projects	2,924
State Library Victoria	Capital provided towards civic infrastructure projects	21,798
Victorian Arts Centre Trust	Capital provided towards civic infrastructure projects	480
Kardinia Park Stadium Trust	Capital provided towards civic infrastructure projects	829
State Sport Centres Trust	Capital provided towards civic infrastructure projects	1,650
Department of Premier & Cabinet	Capital provided towards civic infrastructure projects	1,360
Melbourne Water Corporation	Land sale revenue	632
Yarra Valley Water	Authority contributions towards infrastructure costs	447
Expenditure		
Department of Economic Development, Jobs, Transport and Resources	Land acquisition payments	14,038
Department of Education and Training	Land acquisition payments	31,900
Department of Environment, Land Water and Planning	Professional fees - Land valuations	612
Department of Treasury and Finance	Dividends	39,815
Department of Treasury and Finance	Financial accomodation levy	4,239
Department of Treasury and Finance	Land acquisition payments	3,239
Department of Treasury and Finance	Local government rate related charges & other charges	858
Melbourne Water Corporation	Revenue share from development agreements	13,776
Victorian Auditor General Office	Audit Fees	134
Victorian Managed Insurance Authority	Insurances	997
Other		
Treasury Corporation of Victoria (TCV)	Cash and deposits	98,500
Treasury Corporation of Victoria (TCV)	Borrowings	478,943

Key management personnel of Development Victoria includes the named Responsible persons members of Development Victoria’s Board, the Chief Executive Officer as disclosed in Note 8.5, and members of the Senior Executive Team, which includes:

Key management personnel	Position title	
The Hon. Jacinta Allan	Minister for Major Projects	1 April 2017 to 30 June 2018
James MacKenzie	Chairperson	1 April 2017 to 30 June 2018
Tony De Domenico	Deputy Chairperson	1 April 2017 to 30 June 2018
Tamara Brezzi	Board member	1 April 2017 to 30 June 2018
Rebecca Casson	Board member	1 April 2017 to 30 June 2018
Justin Hanney	Board member	1 April 2017 to 30 June 2018
Natalie MacDonald	Board member	1 April 2017 to 30 June 2018
Graeme Parton	Board member	1 April 2017 to 30 June 2018
Christine Wyatt	Board member	1 April 2017 to 30 June 2018
Gregory Anderson	Chief Executive Officer (Accountable Officer)	1 April 2017 to 29 April 2018
Angela Skandarajah	Acting Chief Executive Officer (Accountable Officer)	30 April 2018 to 30 June 2018

Manny Bikakis	CFO & Group Head Operations (acting)	1 April 2017 to 30 June 2018
David Brown	General Manager -Business Development	1 April 2017 to 30 June 2018
Tom Considine	Group Head - Strategy & Civic Infrastructure (acting)	1 April 2017 to 30 June 2018
James Evans	General Manager - Civic Projects	19 June 2017 to 30 June 2018
Aileen Guanlao	General Counsel (acting)	8 May 2018 to 30 June 2018
Peter Hood	General Manager - Integrated Housing and Land (acting)	1 April 2017 to 30 June 2018
Ken Munro	General Manager - Development & Construction (acting)	1 April 2017 to 30 June 2018
Angela Skandarajah	General Counsel & Group Head	3 July 2017 to 30 April 2018
Simon Wilson	General Manager - Precincts	1 April 2017 to 30 June 2018
Tim Bamford	General Manager - Civic	1 April 2017 to 16 June 2017
Leo Hennessy	General Counsel	1 April 2017 to 1 July 2017
Peter Southwell	General Manager - Development & Construction	1 April 2017 to 30 November 2017
Peter Vlitas	General Manager - Integrated Housing and Land	1 April 2017 to 20 October 2017

The compensation detailed below excludes the salaries and benefits the Portfolio Minister receives. The Minister’s remuneration and allowances is set by the Parliamentary Salaries and *Superannuation Act 1968* and is reported within the Department of Parliamentary Services’ Financial Report.

	2018
COMPENSATION OF KMPS	\$’000
Short - term benefits	4,332
Post employment benefits	292
Other long term benefits	72
Termination benefits	133
Total compensation (a)	4,830

Notes:

(a) Note that KMPS (excluding the CEO) are also reported in the disclosure of remuneration of executive officers (Note 8.5).

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 of processes within the Victorian public sector occur on terms and conditions consistent with the Public Administration Act 2004 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.

Development Victoria has prepared the related party disclosures for the year based on reasonable enquiries made by management in relation to the portfolio ministers and their related parties and the information available to the organisation, with the transition to a full implementation of AASB 124 and any applicable financial reporting directions.

Outside the normal citizen type transactions with Development Victoria, there were no related party transactions that involved key management personnel, their close family members and their personal business interests. No provision has been required, nor any expense recognised, for impairment of receivables from related parties.

The following Board directors are employees of Victorian Government Departments:

**Ms Christine Wyatt:** Department of Environment, Land, Water and Planning (DELWP)  
**Mr Justin Hanney:** Department of Economic Development, Jobs, Transport and Resources (DEDJTR)  
**Mr James MacKenzie:** Director (President) of Victorian Arts Centre Trust

Transactions with these entities are reported under **Significant transactions with government-related entities above.**

8.7 REMUNERATION OF AUDITORS

	2018 \$’000
Remuneration of the Victorian Auditor's General's Office for:	
Audit of the financial statements	134
Total remuneration of Victorian Auditor-General's Office	134
Other non-audit services (a)	
Total remuneration of non-audit services	0
Total	134

(a) The Victorian Auditor-General's Office is not allowed to provide non-audit services.

8.8 SUBSEQUENT EVENTS

On 30 June 2018, Development Victoria entered into a contract with the Department of Treasury and Finance to acquire Parcel 1 at the former Fitzroy Gasworks site located at 111 Queens Parade and 433 Smith Street, Fitzroy North.

8.9 DEED OF SUPPORT

In fulfilling its objectives, Development Victoria executes development agreements from time to time and requires funding in order to carry out its rights and obligations under those development agreements.

Development Victoria also requires funding from time to time to meet other costs incurred in carrying out the functions under the *Urban Renewal Authority Victoria Act 2003*.

The Treasurer of the State of Victoria has provided a Deed of Support in favour of Development Victoria in respect of the loans for the Docklands project from Treasury Corporation of Victoria (TCV). In the event of delayed receipts from developers or other prescribed events of support, the Treasurer will provide appropriate financial support to Development Victoria to avoid Development Victoria's default under its TCV borrowing obligations.

TCV's loans to Development Victoria in respect of the General Fund have the benefit of a guarantee from the Government of Victoria under section 13(2) of the *Borrowing and Investment Powers Act 1987*.

8.10 AUSTRALIAN ACCOUNTING STANDARDS ISSUED THAT ARE NOT YET EFFECTIVE

The table below outlines the accounting pronouncements that have been issued but not effective for 2017-18, which may result in potential impacts on public sector reporting for future reporting periods.

Standard/ Interpretation	Summary	Applicable for annual reporting periods beginning on	Impact on entity financial statements
AASB 9 Financial Instruments	The key changes include the simplified requirements for the classification and measurement of financial assets, a new hedging accounting model and a revised impairment loss model to recognise impairment losses earlier, as opposed to the current approach that recognises impairment only when incurred.	01-January-2018	The assessment has identified that the amendments are likely to result in earlier recognition of impairment losses and at more regular intervals. While there will be no significant impact arising from AASB 9, there will be a change to the way financial instruments are disclosed.
AASB 15 Revenue from Contracts with Customers	The core principle of AASB 15 requires and entity to recognise revenue when the entity satisfies a performance obligation by transferring a promised good or service to a customer.	01-January-2018	The assessment of revenue streams has indicated that there is no impact on how revenue is currently being recognised.
AASB 16 Leases	The key changes introduced by AASB 16 include the recognition of most operating leases (which are currently not recognised) on balance sheet.	01-January-2019	<p>The assessment has indicated that some operating leases will come on balance sheet, recognition of the right-of-use assets and lease liabilities will cause net debt to increase. Rather than expensing the lease payments, depreciation of right-of-use assets and interest on lease liabilities will be recognised in the income statement with marginal impact in the operating surplus.</p> <p>No change for lessors.</p>

CERTIFICATION OF FINANCIAL STATEMENTS FOR THE PERIOD ENDED 30 JUNE 2018

DECLARATION IN THE FINANCIAL STATEMENTS

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

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

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

We authorise the attachments statements for issue on 21 August 2018.



James MacKenzie  
Chairperson



Angela Skandarajah  
Acting CEO



Manny Bikakis  
Acting Group Head Operations

AUDITOR GENERAL'S REPORT



Independent Auditor’s Report

To the Board of Development Victoria

Opinion	<p>I have audited the financial report of Development Victoria (the entity) which comprises the:</p> <ul style="list-style-type: none"><li>balance sheet as at 30 June 2018</li><li>comprehensive operating statement for the 15 month period then ended</li><li>statement of changes in equity for the 15 month period then ended</li><li>cash flow statement for the 15 month period then ended</li><li>notes to the financial statements, including significant accounting policies</li><li>certification of financial statements for the period ended 30 June 2018.</li></ul> <p>In my opinion the financial report presents fairly, in all material respects, the financial position of the entity as at 30 June 2018 and their financial performance and cash flows for the 15 month period 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>

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<b>Auditor’s responsibilities for the audit of the financial report</b>	<p>As required by the <i>Audit Act 1994</i>, 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.</p> <p>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:</p> <ul style="list-style-type: none"><li>• 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.</li><li>• 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</li><li>• evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Board</li><li>• 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.</li><li>• 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.</li></ul> <p>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.</p>
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MELBOURNE  
28 August 2018

  
Simone Bohan  
*as delegate for the Auditor-General of Victoria*

# DISCLOSURE INDEX

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

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With the exception of the Development Victoria Financial Statements and Additional Reporting Requirements, the information contained in this document is based on material and information collated by Development Victoria, its employees and consultants and from publicly available information.

Any interested party (including developers and their advisers) must make its own independent assessment and investigations and should not rely on the significance, adequacy or accuracy of this information.

This information does not purport to contain all the information a party may require. Development Victoria, its employees and consultants shall have no liability to any person under law of contract, tort, the principles of restitution or unjust enrichment or otherwise any loss, expense or damage which may arise from or be incurred or suffered as a result of anything contained in this document or otherwise arising in any way from the purchase of land from Development Victoria or building or development within any Development Victoria project.

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No investment opportunity or other matter referred to in this document in relation to the projects of Development Victoria considers the specific objectives, situation or needs of any other person and accordingly this report is not, and is not intended to be, advice on legal, financial, taxation or investment matters relating to any opportunities with Development Victoria.



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