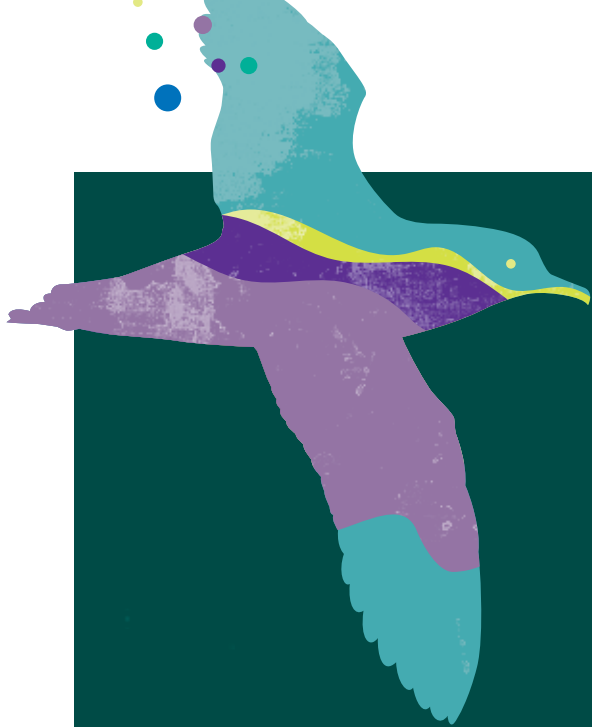


A stylized illustration of a penguin, primarily in shades of blue, with a yellow neck and a dark green wing. The penguin is set against a black background with various colorful abstract shapes and patterns, including a pink circle on its head, a yellow band on its neck, and a dark green wing with several colored dots. The overall style is modern and graphic.

ANNUAL REPORT 2019-20

Phillip Island
**NATURE
PARKS**

penguins.org.au



*We acknowledge the Traditional Custodians of the land on which we live, work and learn, the *Bunurong people and pay our respects to Elders past, present and emerging. We recognise their role in caring for Country over thousands of years and acknowledge the true history and their continued connection to place as we work and walk together.*

*We acknowledge that there are over 60 different spellings of this Aboriginal group found in the literature, including "Bunurong", "Boonwurrung", "Boonerwung", "Bunwurrung" and more.

CONTENTS



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This report is available at www.penguins.org.au

Some images in this document were taken before COVID-19 social distancing and mandatory wearing of face coverings.

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ABOUT US

OUR BUSINESS

Phillip Island Nature Parks (the Nature Parks) is a unique conservation organisation that provides ecotourism experiences on Phillip Island. We acknowledge that the Crown Land we are privileged to manage forms part of the traditional lands of the Bunurong People and that the Land, Waters and Sea are of spiritual, cultural and economic importance to Aboriginal and Torres Strait Islander Peoples. We are an organisation committed to recognition and reconciliation.

The Nature Parks was created by the State Government in 1996 for the conservation of areas of natural interest or beauty or of scientific, historic or archaeological interest. Since this time Phillip Island's wildlife and environment have flourished. The Summerland Peninsula is restored, securing habitat for Little Penguins and creating a majestic canvas for a truly world-class visitor experience.

We manage an important iconic attraction for Victoria and Australia. The visitor experience across our Island home offers unique opportunities to interact with nature and wildlife. This includes five main visitor attractions: the world-renowned Penguin Parade, Koala Conservation Reserve, Churchill Island, EcoBoat Tours to Seal Rocks and the Antarctic Journey at the Nobbies Centre. Each attraction allows memorable experiences that bring our visitors closer to the natural and cultural environment and Phillip Island's unique wildlife.

Our model of funding conservation through quality tourism and education experiences is the key to our success, enabling us to invest in programs to ensure Phillip Island's landscape, habitats and wildlife are protected for future generations.

Our conservation programs on Phillip Island and beyond are research led and our visitor experience programs are developed to echo key messages for environmental change and to inspire action. Our Little Penguin, seabird and seal research programs continue to provide a model of conservation excellence and contribute to our understanding of key global issues such as climate change impacts and marine food security.





OUR PURPOSE AND VISION

OUR PURPOSE: THIS IS WHY WE ARE HERE:

To protect nature for wildlife and inspire people to act.

OUR VISION: THIS IS WHAT WE WANT TO BE:

A place where conservation and ecotourism excellence inspire people to actively protect the environment.

Guiding Principles

THESE ARE THE CHOICES WE MAKE:

Our organisation is underpinned by three principles which are all integral to our success and guide our decision making.

- Nature conservation is paramount.
- Visitor experiences should be authentic and inspire action.
- Financial sustainability is key to our continued success.

OUR KEY ASPIRATIONS

- Phillip Island is a safe haven for the protection of native threatened species.
- We are leaders in research and make a significant contribution to the global protection of penguins and seabirds.
- Visitors to all sites are inspired to act for conservation.
- Our ecotourism experiences are world leading and Phillip Island is a premier ecotourism destination.
- We are committed to sustainable initiatives to become carbon, water and waste neutral.
- Reconciliation with Aboriginal and Torres Strait Islander Peoples is embedded in our values and daily action.
- Our volunteer program includes a diverse range of opportunities and is central to our visitor experience.

Programs

CONSERVATION EXCELLENCE

We support the conservation of native wildlife and healthy ecosystems by demonstrating best practice on Phillip Island and sharing our knowledge globally.

EXTRAORDINARY VISITOR EXPERIENCES

All attractions and natural assets tell a story that increases the conservation knowledge of our visitors and inspires action.

COMMUNITY PARTNERSHIPS

Our success starts with our local community. We build upon our strong relationships through genuine engagement and proactive communications.

SUSTAINABLE FUTURE

Our conservation values are reflected in all aspects of our operations as we strive for financial and environmental sustainability.

AGILE ORGANISATION, INSPIRED PEOPLE

We harness the passion and values of our team to deliver extraordinary outcomes. Our organisation is resilient and agile in responding to challenges and meeting best practice.

OUR LOCATION

PHILLIP ISLAND NATURE PARKS 2019-2020

757,846 visitors



ECOBOAT ADVENTURES

High-speed tours to Seal Rocks colony.

7,414 visitors



WESTERN PORT (Warnmarin) (RAMSAR WETLAND)



KOALA CONSERVATION RESERVE

Close koala viewing in natural habitat.

118,253 visitors

RHYLL INLET

CHURCHILL ISLAND

Heritage-listed working farm and events.

83,979 visitors



PHILLIP ISLAND (Mollw)

CHURCHILL ISLAND MARINE NATIONAL PARK

PYRAMID ROCK

PENGUIN PARADE

Wild penguin viewing at sunset.

485,030 visitors



BASS STRAIT

'WILD' SANDSCULPTING
12,205 visitors

CAPE WOOLAMAI

ANTARCTIC JOURNEY

Immersive exhibition and boardwalks.

50,965 visitors



PARKS AND RESERVES

Over 1,805 hectares of Crown Land for the conservation of areas of natural interest or beauty or of scientific, historic or archaeological interest.

■ Phillip Island Nature Parks

..... Route from Melbourne

Maps not to scale



For a more detailed map refer to map LEGL./10-005 via our website www.penguins.org.au



CHAIR AND CEO'S REPORT

This was a year of conservation achievements, celebrating successes, resilience and realising a new future vision amidst the challenges of a global pandemic.

The year commenced with the launch of our new Penguin Parade visitor centre which was a wonderful team effort and marked a new era for penguins, people and Millowl (Phillip Island). The centre opened four months ahead of schedule and on budget thanks to the combined efforts of the project team, which included Terroir Architects, Kane Constructions and AECOM project managers. The State Government contributed \$48.2M in funding to this \$58.2M project which will have positive outcomes for visitors, the environment and Victorian economy.

Premier Daniel Andrews MP officially opened the centre and we also celebrated with stakeholders, our team and community with a series of special events including the inaugural Phillip Island Running Festival and a Party at the Parade.

Our impressive Penguin Parade visitor centre delighted visitors and was recognised for its spectacular design in the 2019 International Architecture Awards, winning the Parks and Gardens category and two prestigious categories at the 2020 Victorian Architecture Awards, winning the William Wardell Award for Public Architecture, along with the Regional Prize.

We are especially proud of the project's contribution to conservation through the creation of over six hectares of penguin and wildlife habitat along with the initiative to transfer our food and beverage operations to single use plastic free.

The year also began with substantial change as our team adapted to an activity based style of working in new workspaces in Cowes and at the Koala Conservation Reserve in time for the demolition of the former Penguin Parade building. This change later supported a seamless transition to remote working in response to the coronavirus pandemic (COVID-19).

Visitation was strong, yet down on the previous year as we moved into 2020 amidst the challenges of bushfires in East Gippsland and the emerging situation of a global pandemic. Our team mobilised in support of bushfire affected koalas with the Koala Conservation Reserve offering rehabilitation and care as well as raising much needed funds for the relief effort.

In March, we adopted our Pandemic Plan and temporarily closed our attractions to help slow the spread of COVID-19. We formed a Critical Incident Team to manage our response to ensure a safe workplace and ongoing communications with staff, visitors and the local community.

On the way to Pyramid Rock.

CHAIR AND CEO'S REPORT

As a tourism funded organisation, the Nature Parks initially relied on cash reserves to maintain support for our people and continue our commitments to conservation. On 3 May 2020, we gratefully received the State Government's commitment to support the Nature Parks throughout the crisis and a commitment of funding of \$8.8M.

With our financial confidence reassured through this support, we refocussed our workforce towards conservation outcomes, transforming the landscape by putting thousands of plants in the ground and removing weeds across the entire coastline. We reviewed and prioritised expenditure to support our team and essential conservation operations including counting the penguins each night and caring for bushfire affected koalas and Phillip Island's wildlife and habitat.

In June we re-opened the Penguin Parade, Koala Conservation Reserve and Churchill Island to visitors in line with guidelines and extended free entry to locals and Victoria's regional community.

Despite the challenges this year has brought, it has also reinforced the Nature Parks' important role in the conservation of Phillip Island's wildlife and our role as an iconic tourism attraction for Victoria and Australia – both of which we will continue to treasure and nurture.

We would like to acknowledge the tremendous support of the Victorian Government and the exceptional work of our colleagues in the public sector for guiding our community and our organisation through the immense health and financial challenges of this unprecedented year.

We sincerely thank the Nature Parks Board members for their agility, counsel and dedication through an extraordinary time, as well as all of our stakeholders and community for their ongoing support.

It has been a monumental year of change for our team of dedicated staff and volunteers and we acknowledge the personal impact on each and every one of them. We are incredibly proud to be leading a supportive and resilient group of people committed to achieving our purpose to continue 'to protect nature for wildlife and inspire people to act'.

In accordance with the *Financial Management Act 1994*, we are pleased to present Phillip Island Nature Parks' Annual Report for the year ending 30 June 2020.



Liz Stinson
Board Chair



Catherine Basterfield
CEO

OUR ACHIEVEMENTS OUR YEAR IN REVIEW

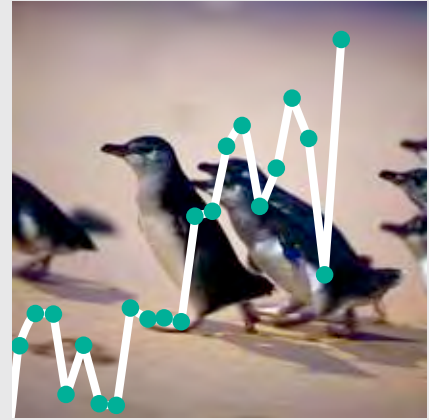
Conservation Excellence



We were proud to have **provided critical care and recovery for 13 bushfire affected koalas.**



A significant milestone was reached in bringing Eastern Barred Bandicoots back from the brink of extinction by providing animals for **the release of 56 bandicoots onto neighbouring French Island.**



We are pleased to report positive penguin numbers with a nightly average of **1,250 Little Penguins crossing at the Penguin Parade** and an **above average 1.4 chicks per pair.**



Our team **rehabilitated 26.4 hectares of habitat** with **36,246 plants** in the ground and removed Sea-spurge across the entire Nature Parks coastline.

Extraordinary Visitor Experiences



We **launched our new Penguin Parade visitor centre** in July 2019 including the installation of new interpretive exhibits.



A voiceover video of the Penguin Parade by Andrew Cotter reached a global audience in excess of 550 million and Little Penguins streamed into living rooms around the world as part of Tourism Australia's virtual travel experience – Live from AUS.



CEO Catherine Basterfield visited China in November to celebrate our partnership with Chengdu Research Base and their Giant Panda breeding program.

OUR ACHIEVEMENTS OUR YEAR IN REVIEW

Community Partnerships



Contributed to our community living with wildlife through the **Hoodies and Hounds program** and assisted with development of the draft **Phillip Island (Millow!) Wildlife Plan**.



Completed all actions for the year from our Reconciliation Action Plan 2019-2022 and maintained an MOU with Bunurong Land Council Aboriginal Corporation.



Supported **303** volunteers to contribute **13,310** hours in conservation and visitor experience outcomes and our program was short-listed for two State Volunteering Awards.



Successfully re-launched our Locals Pass in December resulting in year on year **growth of 41.5%**.

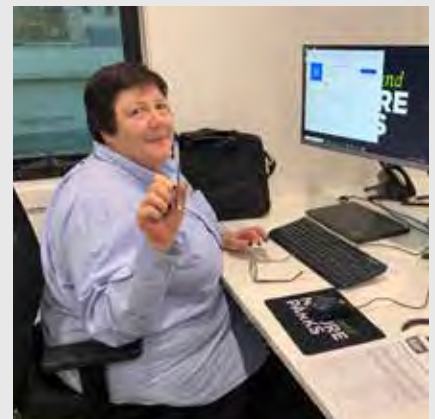
Agile Organisation, Inspired People



We remained **Phillip Island's largest employer with a team of 184** (122.4 Full Time Equivalent).



We delivered **Aboriginal Cultural Awareness training to over 90%** of our team.



Our team transitioned into new office facilities and adopted an activity-based working model. Staff survey results showed **89% of staff did not want to return to the old way of working**.



Report of operations

OUR YEAR IN REVIEW



FINANCIAL SUMMARY

Paramount to our success is ensuring that our conservation values are reflected in all aspects of our operations as we strive for financial and environmental sustainability. We rely on the success of our tourism attractions to deliver ongoing funding for our conservation, environmental, community, research and education outcomes.

The Nature Parks acknowledges the significant contribution of the State Government of \$4.4M this year in funding support during COVID-19. This follows its contribution in previous years of \$48.2M towards the Penguin Parade visitor centre.

SUMMARY OF FINANCIAL RESULTS

The Nature Parks' tourism operations commenced the year strongly, with consistent visitor numbers and the opening of the award-winning Penguin Parade visitor centre. This world class ecotourism attraction remains the backbone of our operations and emphasises the Nature Parks commitment to conservation and supporting the regional Victorian economy.

For the first half of 2019-20, the Penguin Parade recorded revenue growth of 1.7% despite a slight decrease in visitation. Premium visitor experiences remained strong with 21.9% of visitors enjoying these products – an increase of 1.4% over the same period in 2018-19 and driving revenue growth.

In December 2019, we celebrated the opening of a new family attraction at the Penguin Parade with Sandstorm Events presenting 'Wild' sand sculpting. The world class sand sculptures provided a truly unique family experience that promoted and shared our important conservation values.

Expenses from transactions for the first half of the financial year remained consistent with 2018-19 and included vital ongoing parkwide maintenance and a strong commitment to conservation programs through funding of research, education and on ground conservation activities.

COVID-19 created unprecedented economic uncertainty and continues to have wide ranging impacts for the Nature Parks as well as the broader

community on Phillip Island. It resulted in immediate and material impacts to the Nature Parks and a direct loss of revenue. Management took operational steps to mitigate the adverse impact on the business, whilst supporting our workforce throughout this challenging time. In the second half of the reporting period, the Nature Parks realised \$4.1M in revenue, \$5.8M less than the same period the prior year.

To ensure the Nature Parks' ongoing financial sustainability, immediate and direct action to limit and defer all non-critical expenditure was enacted. Expenditure in the second half of the reporting period was reduced by 28.1% versus the same period the prior year.

The Nature Parks considers the operating result ('net result from transactions') to be the appropriate measure of financial performance that can be directly attributable to operations. This measure excludes the effects of asset revaluations which are outside of the organisation's control. The Nature Parks' net cash from operations was \$2.5M, (\$2.3M less than prior year) and \$4.4M was contributed from the State Government by way of funding support in relation to COVID-19 financial impacts.

Despite the challenges faced by the organisation this financial year, the Nature Parks continues to plan for the future, setting aside funds for future possible defined benefit superannuation fund shortfalls, meeting our ongoing commitment to our staff and the important conservation work completed by the organisation.

As COVID-19 continues to evolve, we recognise that it is difficult to reliably estimate, with any degree of certainty, the potential impacts after the reporting date on the Nature Parks, its operations, its future results and financial position.

Based on the commitment by the government to support the Nature Parks in meeting its current and future obligations as and when they fall due, the Board has formed the view that the Nature Parks can continue to meet its commitments as a going concern for the foreseeable future.

This year has challenged our business, and we thank the State Government for their ongoing support to allow us to continue working to make the future of wildlife and nature conservation on Phillip Island a better one for all.

TOURISM OPERATIONS

The Nature Parks' tourism operations were significantly impacted as a result of COVID-19 and subsequent travel restrictions. Total tourism revenue was 30% less than the prior year and there was a 33.5% decrease in visitors to the Nature Parks' ticketed attractions. The site restrictions and subsequent closures had a direct impact on retail and food and beverage services, with a further 27.5% reduction in revenue from those sources compared with the prior year.

Revenue growth from admissions in the first half of the financial year was driven through an increase in demand for our premium tours and experiences.

CONSERVATION, RESEARCH AND EDUCATION PROGRAMS

The Nature Parks invested \$3.9M across 2019-20 into conservation, research and investment activities, partially funded by \$0.3M in grants from government bodies and other organisations.

SIGNIFICANT CHANGES IN FINANCIAL POSITION

A managerial revaluation of land and buildings was performed in accordance with the requirements of Financial Reporting Direction (FRD) 103H *Non-Financial Physical Assets*. This resulted in an increase in asset revaluation reserve of \$7.9M.

The Nature Parks received \$4.4M funding support from the Victorian State Government in the form of cash during the year. In addition, a letter of comfort was received, committing further funding and underwriting liabilities until November 2021. The Nature Parks' revenue was \$7.6M less than the prior year excluding Government funding support, and expenditure reduced in immediate response to COVID-19.

The Nature Parks' sites have been impacted by visitor restrictions and closures; however, we continue to work with the Victorian Government in managing the evolving circumstances and subsequent credit, liquidity and market risks.

No other matters or circumstances have arisen since the end of the financial year which significantly affected or may affect the operations of the Nature Parks, the results of the operations or the state of affairs of the Nature Parks in future financial years.

COMPREHENSIVE OPERATING STATEMENT

For the financial year ended 30 June 2020

(\$ thousand)

	NOTES	2020	2019
Continuing operations		\$	\$
Income from transactions			
Supply of services and sale of goods	2.1	17,793	24,821
Grants, Donation and Sponsorship	2.1.2	4,917	706
Other income	2.1.4	646	1481
Total income from transactions		23,356	27,008
Expenses from transactions			
Employee expenses	3.1	(12,721)	(12,286)
Cost of sales	3.2	(1,711)	(2,148)
Depreciation and amortisation	4.1.1	(3,996)	(6,865)
Other operating expenses	3.3	(5,851)	(7,010)
Total expenses from transactions		(24,279)	(28,309)
Net result from transactions (net operating balance)		(923)	(1,300)
Other economic flows included in net result			
Net (loss)/gain on non-financial assets		16	(125)
Total other economic flows included in net result		16	(125)
Net result from continuing operations			
Net result		(907)	(1,425)
Other economic flows – other comprehensive income:			
Items that will not be reclassified to net result			
Changes in physical asset revaluation surplus	8.2	7,949	(28)
Total other economic flows - other comprehensive income		7,949	(28)
Comprehensive result		7,042	(1,452)

The accompanying notes form part of these financial statements.

CONSERVATION EXCELLENCE

We support the conservation of native wildlife and healthy ecosystems by demonstrating best practice on Phillip Island and sharing our knowledge globally.

Our long-term vision for this is outlined in our *30-Year Conservation Vision – Beyond the Horizon* and implemented through our *5-Year Conservation Plan 2019-2023*.

KEY GOAL	MEASURE	RESULT
Work with key partners to develop a plan for the management of native threatened wildlife with priority given to the strategic re-introduction of species to Phillip Island.	<ul style="list-style-type: none"> Continue ongoing Threatened Species program for Eastern Barred Bandicoots Eastern Barred Bandicoot participation via specialist research committee and operation committee on French Island 	Achieved ○○●
Work with Parks Victoria and other key agencies to help establish Victorian Island Arks.	<ul style="list-style-type: none"> Develop flora plans to guide future management strategies of threatened flora. 	Achieved ○○●
Invest in habitat restoration and developing innovative wildlife protection solutions	<ul style="list-style-type: none"> Prioritise the replacement of Marram grass and Sea wheat grass on key coastal beaches with native grass species to improve Little Penguin and Hooded Plover access. 	Achieved ○○●
Enhance Phillip Island as a safe haven for wildlife through identifying and controlling threats.	<ul style="list-style-type: none"> Strengthen the resilience of fox free Phillip Island by focusing on San Remo buffer zone and continue to monitor the impact of feral cats. 	Achieved ○○●

Main image this page: Conservation Manager Jess McKelson at the release of Mallacoota bushfire Koalas at the Koala Conservation Reserve.

Below top: Fairy Terns have rebounded under our land management efforts.

Below bottom: Eastern Barred Bandicoots were released onto French Island.

BUSHFIRE KOALAS

- We cared for 13 bushfire affected Koalas at the Koala Conservation Reserve. The Koalas underwent initial intensive care at Healesville Sanctuary Wildlife Hospital in partnership with Zoos Victoria and DELWP.
- WWF-Australia supported the construction of two, large, semi-wild recovery facilities to be used for the final stage of rehabilitation prior to a release back into the wild. Westernport Water also generously supported us in securing high quality eucalyptus leaves.

BACK FROM THE BRINK

Fairy Terns

- Fairy Terns were found nesting at Rhyll Inlet in late 2019. This is the first time this species has nested on Phillip Island in decades. More than 31 pairs bred at the site and a minimum of 49 chicks are confirmed to have fledged which is a testament to our ongoing management efforts.

Eastern Barred Bandicoots

- We released 56 bandicoots onto neighbouring French Island in a joint project with Zoos Victoria, Parks Victoria, Traditional Custodians and the French Island community. Churchill Island provided 40 of the 56 bandicoots and ongoing monitoring indicates the population has successfully compensated for this removal.



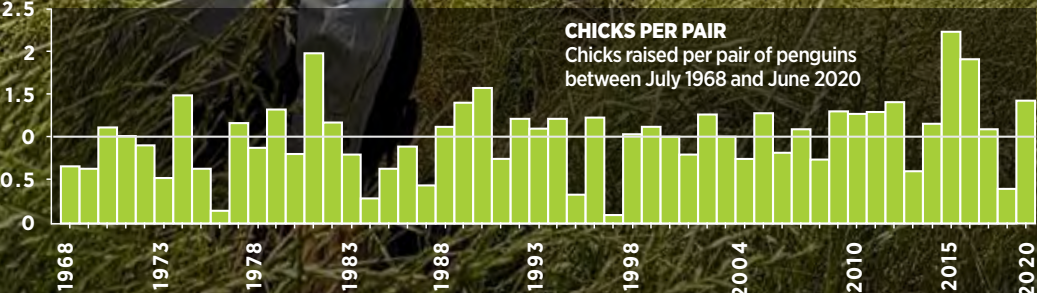
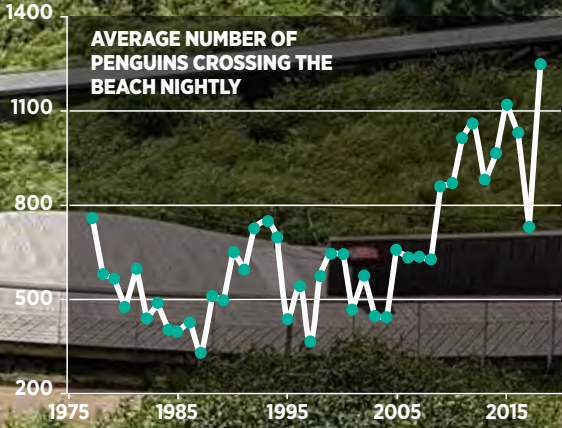
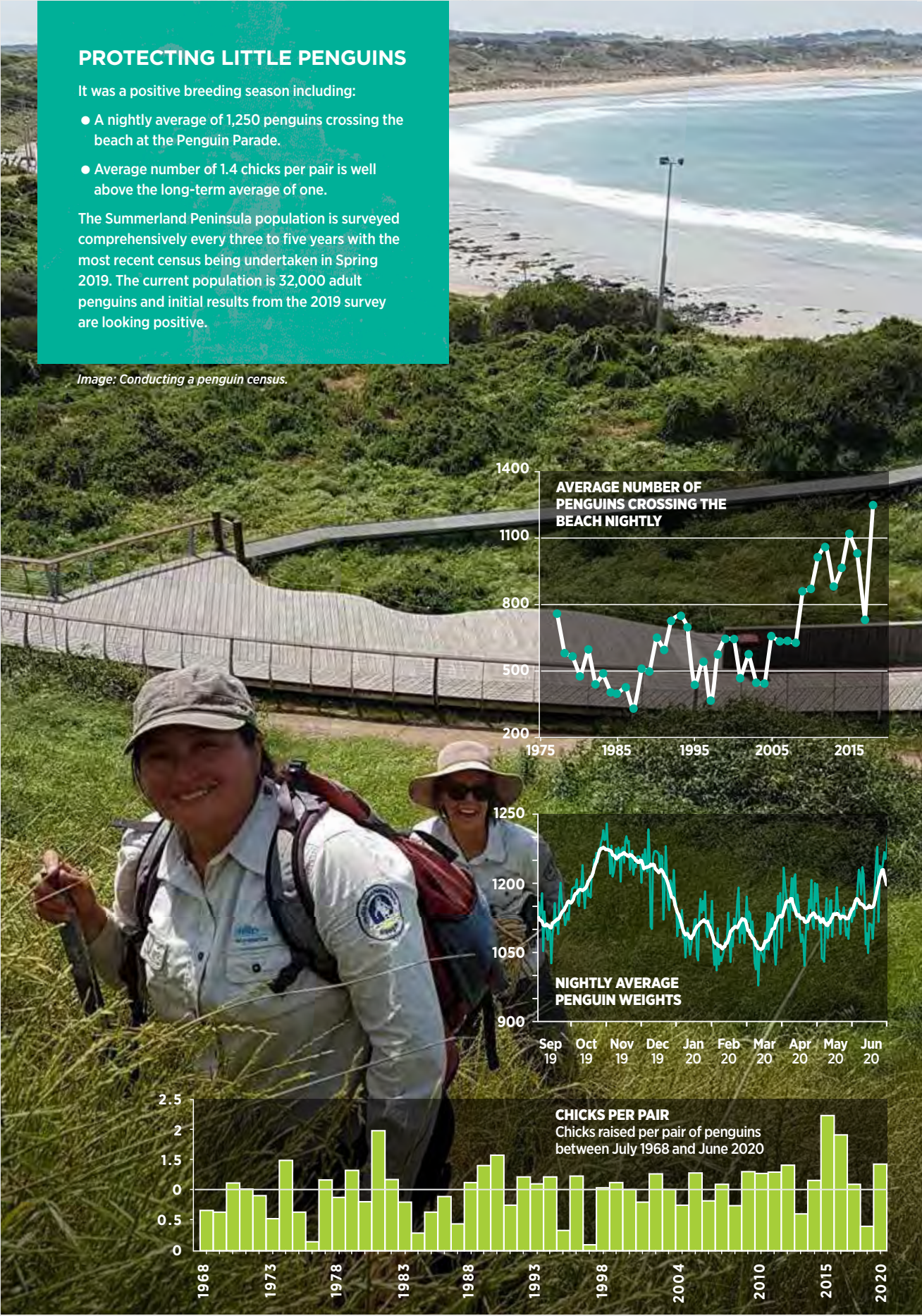
PROTECTING LITTLE PENGUINS

It was a positive breeding season including:

- A nightly average of 1,250 penguins crossing the beach at the Penguin Parade.
- Average number of 1.4 chicks per pair is well above the long-term average of one.

The Summerland Peninsula population is surveyed comprehensively every three to five years with the most recent census being undertaken in Spring 2019. The current population is 32,000 adult penguins and initial results from the 2019 survey are looking positive.

Image: Conducting a penguin census.



TRANSFORMING LANDSCAPES

Due to COVID-19, many of our team were redeployed to assist with conservation works. This 'super-team' achieved incredible results.

REVEGETATION

We rehabilitated 26.4 Hectares of habitat putting 36,246 plants into the ground.

36,246
Plants installed
26.4
Hectares planted

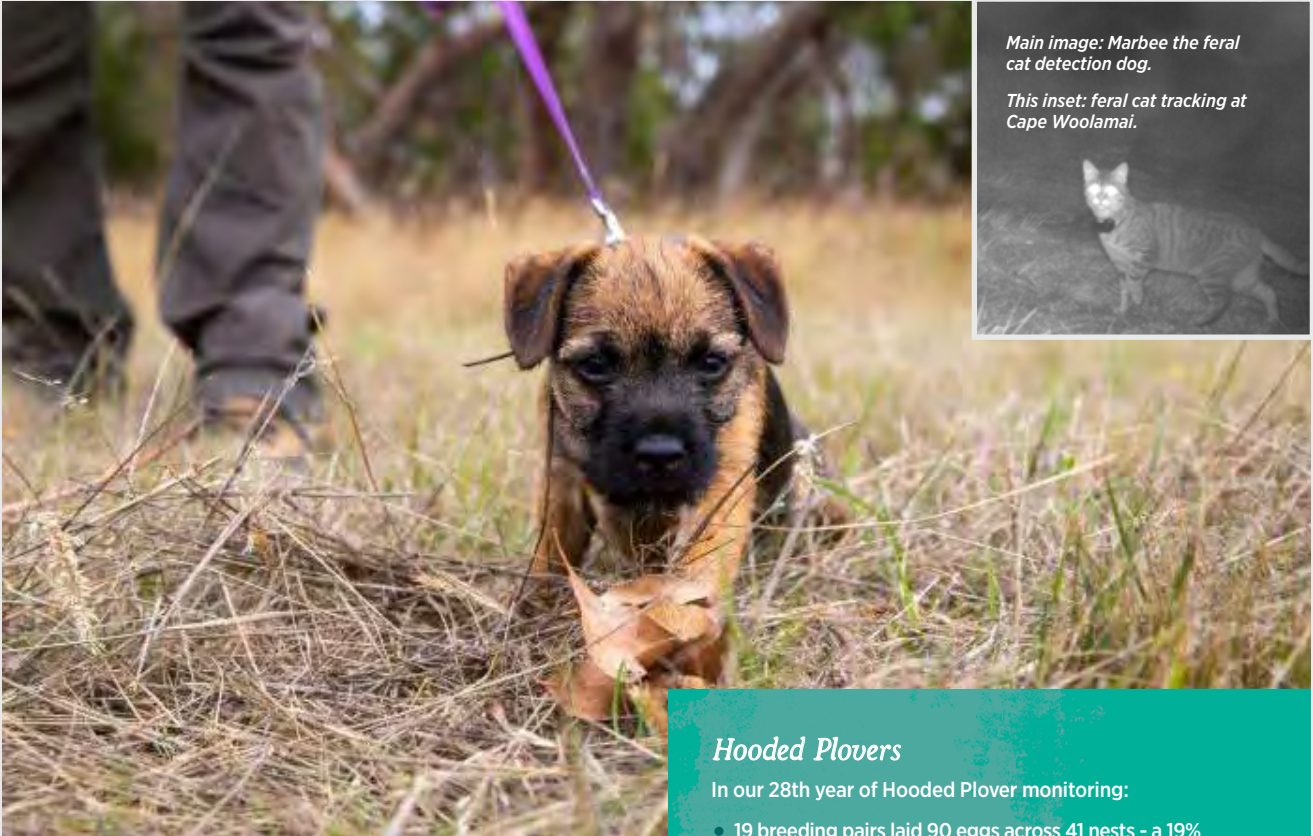


WEED CONTROL

We removed the invasive plant, sea-spurge, across the entire coastline managed by the Nature Parks greatly improving habitat for beach nesting birds.

678.3
Hectares of weed control work
(includes follow up of the same area)
505.3
Hectares of weed control footprint
(non-overlapping areas)
216.1
Hectares of woody weed control
8.1
Hectares of vine/creeper control
294.4
Hectares of herb/succulent control
151.8
Hectares of grass/sedge control
7.9
Hectares of bulb control





Main image: Marbee the feral cat detection dog.

This inset: feral cat tracking at Cape Woolamai.

CREATING AN ISLAND HAVEN

Our 30-Year Conservation Vision - *Beyond the Horizon* supports our commitment to create safe havens so that we can bring threatened species back from the brink including achieving a feral-cat-free Phillip Island.

- Australia's Threatened Species Commissioner, Dr Sally Box endorsed our first Threatened Species Plan in July 2019. The plan outlines our approach to protecting resident threatened fauna and flora species. It also details the species prioritisation for future reintroductions of regionally threatened species, including Bush Stone-curlews and Long-nosed Potoroos to a fox-free Phillip Island.

Fighting feral cats and foxes

- Two feral cat detection dogs *Marbee* and *Milly* joined the team.
- We undertook a feral cat tracking research project on Cape Woolamai in May 2020. Nine feral cats were fitted with GPS collars and released to allow us to learn more to inform improved feral cat management on Phillip Island.
- Ten reports of foxes were investigated using our detection dogs, camera monitoring and night-time surveillance. No physical evidence was found.
- Our fox detection dogs covered 274 km surveying Phillip Island for evidence of foxes.
- Three mainland fox baiting programs removed an estimated 98 foxes to ensure a 'buffer-zone' was maintained.

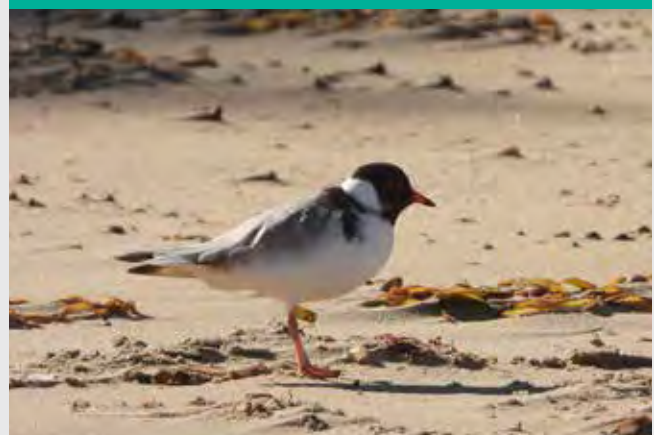
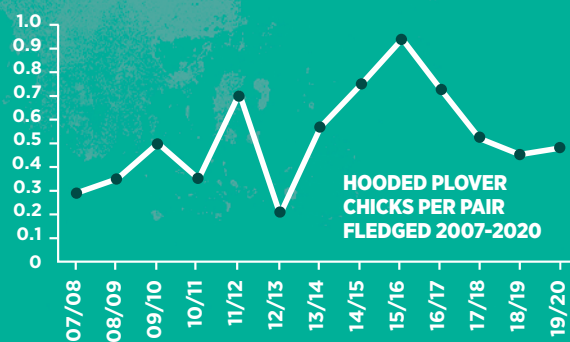
Threatened flora

- Recovery Action Plans for Slender Pink Fingers, One-flower Early Nancy, Currant Wood and Crimson Berry were prepared to aid the recovery of the threatened flora communities they represent.

Hooded Plovers

In our 28th year of Hooded Plover monitoring:

- 19 breeding pairs laid 90 eggs across 41 nests - a 19% decrease in nesting effort from the previous year.
- A total of 24 chicks hatched from 11 nests.
- Nine chicks survived to successfully fledge from six nests - a 13.8% increase in fledging productivity.
- The fledged-per-pair rate was 0.47 which is within range (0.45–0.50) for maintaining a sustainable population.



RESEARCH LED CONSERVATION

Little Penguins

- **Food security:** Understanding how to future-proof the penguins' food supply is essential for their long-term survival. We concluded a major project on Little Penguins' core feeding zones at each breeding stage and at different years of breeding success. Funded by the Australian Research Council, the study developed a single but robust index of prey availability to help in designing measures to ensure a sustainable future penguin food supply.

Australian Fur Seals

The Annual 'SealSpotter' Challenge is an online Citizen Science project to count images of Australian Fur Seals on Seal Rocks and The Skerries, captured in drone surveys during the breeding season.

- In April 2020, 289 citizen scientists from 37 countries spent 655 hours counting 281,197 seals from 14,289 images - a 40% increase on 2018-19.



Above: The Annual SealSpotter Challenge was a great success (right), pups and adults are marked via an online portal to monitor the size of the population (right).





CONSERVATION VOLUNTEER HOURS 2019-20

WILDLIFE CLINIC

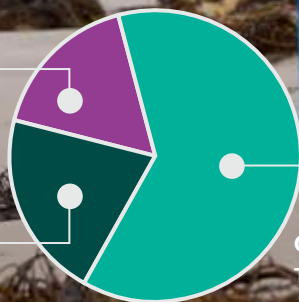
Assisting with wildlife rescue and clinic hygiene over summer.

208 hours

THREATENED SPECIES INTERNS

113 Surveys for a social research project.

261 hours



CONSERVATION INTERNS

Thousands of camera images sorted.

779 hours

ACADEMIC CONTRIBUTION

We congratulate four PhD and four Masters candidates and one Honours student for completing their degrees and celebrate the publication of 12 scientific papers – A full listing of publications can be found on page 93.

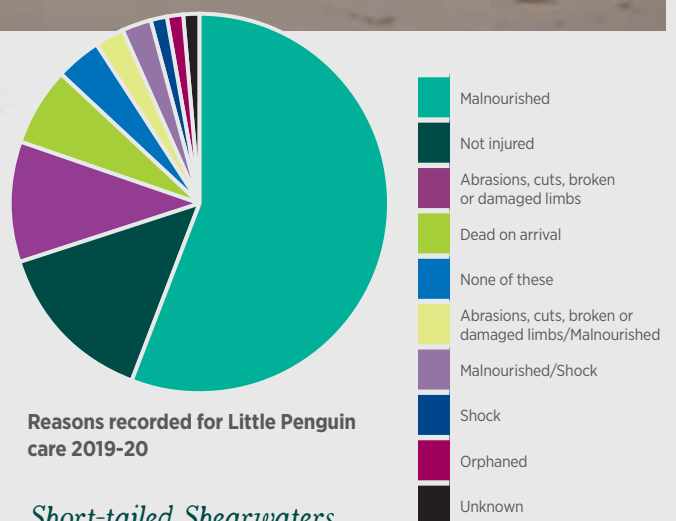
Seven interns and tertiary students contributed 1,248 hours to conservation projects including analysing images, social research and assisting in the Wildlife Clinic.

WILDLIFE RESCUE AND REHABILITATION

We operate a clinic and rescue and advice service for seabirds and other native local wildlife during office hours and maintained our partnership with Wildlife Victoria who coordinated after-hours wildlife rescues on Phillip Island.

The Wildlife Clinic team:

- Cared for 77 penguins (119 in 2018-19) and 468 other native animals from 60 different species (419 in 2018-19).
- Responded to over 970 calls (1,320 in 2018-19) for wildlife rescues and advice.



Reasons recorded for Little Penguin care 2019-20

Short-tailed Shearwaters

After an unusually late start, 2019-20 ended up being a successful breeding season.

The annual Shearwater Rescue Program which rescues and relocates fledglings attracted by lights and landing on roads, was undertaken at a reduced capacity with 41 birds being rescued and relocated (256:2018).

EXTRAORDINARY VISITOR EXPERIENCES

All of our attractions and natural assets tell a story that increases the conservation knowledge of our visitors and inspires action.

KEY GOAL	MEASURE	RESULT
Build a Penguin Parade visitor centre that represents a world class ecotourism attraction.	<ul style="list-style-type: none"> Complete the interpretive story for the new site with reference to the Nature Parks Interpretation Plan and with an emphasis on stories from the Bunurong people. 	Achieved ○○●
Manage and interpret the natural and cultural history of each of our sites.	<ul style="list-style-type: none"> Roll out new branding as per rebranding implementation plan. Implement launch plan activities 	Achieved ○○●
Establish penguin viewing experiences that complement the new world class Penguin Parade visitor centre.	<ul style="list-style-type: none"> Prepare, present and design a business and investment plan for delivery of new boardwalks at the Penguin Parade. 	Achieved ○○●
Maintain financial stability through growth in premium visitor experiences and improved visitation throughout shoulder periods.	<ul style="list-style-type: none"> Execute Sand Sculpting attraction, with a key emphasis on increasing day-time visitation and providing a quality experience with strong conservation message linkage. 	In progress ○●○

OUR VISITOR EXPERIENCE

Penguin Parade

This remained our premier venue and major source of revenue. There was a continued increase in uptake of premium products and tours indicating our visitors' desire for a more personalised visitor experience.

- The launch of our new visitor centre marked a new era for our visitors including installation of interpretive exhibits including Bunurong Culture and sustainability messages.
- A restructure of the Visitor Experience and Engagement team ensured a seamless move of visitor experiences from the old visitor centre to the new building.
- The continued success of premium penguin viewing products led to the implementation of a second Underground viewing experience being offered and investigation into the development of a second Ultimate Penguin Tour.
- Consultation and planning commenced for the delivery of new boardwalks and viewing experiences.

Koala Conservation Reserve

- This site's purpose was reinvigorated with a name change from Koala Reserve to reflect its conservation purpose. Contributing to the rehabilitation of bushfire affected koalas also added to this location's story. In February 2020, we donated \$1 for every visitor to Wildlife Victoria.

Churchill Island

The island farm remained a popular attraction with daily farm activities and a series of Sunday Sessions featuring live, local music. New signage telling the story of the history of Churchill Island was installed.

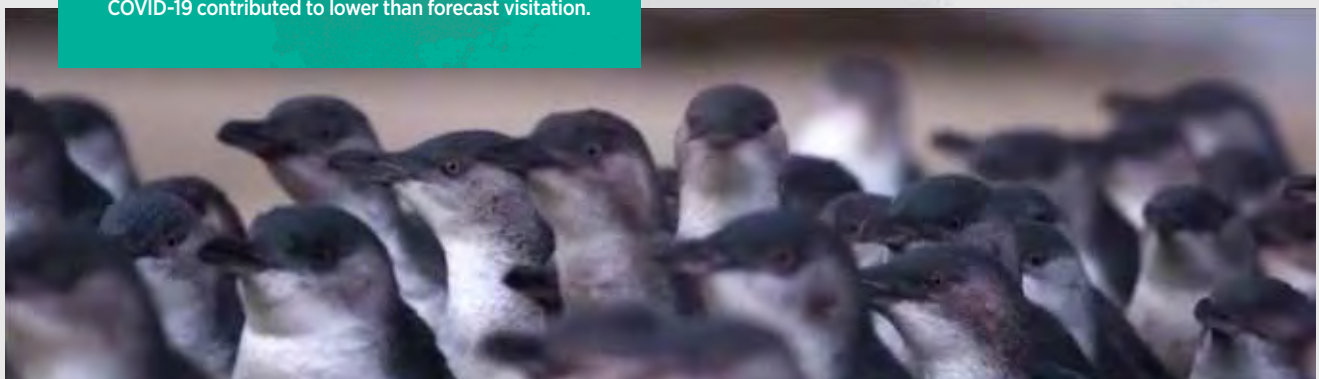
Ecoboat tours

This tour to view Australian Fur Seals at Seal Rocks continued in partnership with Wildlife Coast Cruises until ceasing in March in line with attraction closures. The current agreement concluded on 30 April 2020.



'Wild' Sand Sculpting

The Nature Parks entered into an agreement with Sandstorm Events to establish and operate a sand sculpting event at the Penguin Parade site from December 2019 - April 2020. Although well received, poor air-quality from bushfires, adverse weather and COVID-19 contributed to lower than forecast visitation.





OUR VISITORS

From January 2020, the Nature Parks began to experience and manage the effects of the Victorian bushfires and emerging impact of COVID-19. Up until that time, international visitation remained a significant portion of the Nature Parks' customer base with the highest percentage from China.

In March 2020, like many other tourism businesses in Australia and abroad, the Nature Parks temporarily closed its attractions to visitors and shifted focus to recovery and resilience. The Nature Parks remains committed to supporting the local tourism community to re-establish domestic and international tourism as soon as the time is right.

Paid visitation by attraction	2019-2020	2018-2019
Penguin Parade	485,030	719,617
Koala Conservation Reserve	118,253	182,745
Antarctic Journey	50,965	72,868
Churchill Island	83,979	134,560
EcoBoat Tours	7,414	11,484
Sand Sculpting	12,205	-
Total Paid	757,846	1,121,274

- Overall there were 989,706 visitors including the Nobbies Centre where entry is free.
- A total of 48,131 (81,756 in 2018-19) Multi Parks Passes were sold. These incorporate discounted entry into any combination of our five main visitor attractions and extend visitor stay.

Optimising our visitor markets

- The main focus of the Nature Parks' marketing activities was launching the Penguin Parade visitor centre to the tourism industry, visitors and community including media, communications, packages and events.
- A key marketing strategy is to raise awareness of the Nature Parks' conservation and ecotourism achievements. The Nature Parks achieved global media coverage with an effective circulation reach of over 685 million people, translating to an Advertising Value Equivalent (AVE) of over \$10.5M.
- PR and media activities ceased in China from February due to the impacts of COVID-19, so the reach and AVE figures are lower than the Nature Parks would expect in a normal year.
- The Nature Parks continued to champion and support Tourism Australia, Visit Victoria and Destination Phillip Island on destination campaigns and events.

OUR VISITOR EXPERIENCE (CONTINUED)

International visitation

GREATER CHINA

We implemented our three-year China strategy further developing Chinese website and social media channels.

- In 2019, market penetration increased significantly with activities in Shanghai, Beijing and Guangzhou, Chengdu, Shenzhen, Chongqing, Nanjing, Tianjin, Hangzhou and Taiwan.
- We conducted sales calls to inbound operators in Sydney, Melbourne, Brisbane and Gold Coast and presented at ATEC Vicbound and Meeting Place in Melbourne and Brisbane and attended Tourism Australia Business Events' Great China Showcase in Wuzhen and Tourism Australia's Great China mission in Chengdu.
- CEO Catherine Basterfield and Research Director, Dr Peter Dann visited China in November 2019 meeting with our in-market agency and Visit Victoria China based team and joined sales calls in Shanghai. A media interview resulted in \$497,800 in publicity value, with a flow-on effect of \$1,493,400 in coverage and readership value.
- In 2020, we started with a busy summer and successful start to the Chinese New Year, before the impacts of COVID-19 commenced. We then focussed on working with Tourism Australia and Visit Victoria on a recovery plan including joint product training, social media campaigns and Penguin Parade live stream opportunities.

INDIA

- This continued to be our fastest growing market and we maintained in-market representation, resulting in increased visitors at all venues.
- We were represented at Tourism Australia's India Travel Mission in Kochi meeting with over 160 agents and also attended Visit Victoria's Destination Showcase in Mumbai and Delhi.
- We conducted sales calls in the cities of Mumbai and Delhi and delivered industry webinar training to over 400 Indian agents in May 2020.

WESTERN & SOUTH-EAST ASIA MARKETS

- We attended trade missions in the USA, UK and Europe in conjunction with Visit Victoria and Tourism Australia, meeting with over 1,000 agents.
- Partnerships were maintained with Flight Centre, Austravel, Urlaubsguru (Germany) and Qantas.
- Industry webinar training was delivered to over 500 agents based in Singapore, Malaysia and Indonesia in conjunction with Tourism Australia and Visit Victoria.



EDUCATION FOR CONSERVATION

- We implemented 379 school learning programs across the Nature Parks with 13,512 students participating in these programs (45% decrease from 2018-19).
- We proudly transitioned our learning programs to digital learning.
- Other activities in line with our strategic objectives included:
 - Completing a school program review to maximise financial sustainability and ensure alignment with conservation objectives.
 - Meeting our grant-funded learning program targets and reporting commitments through transitioning to digital modes of delivery.
 - Producing a Field Guide to Phillip Island's Rocky Shores written and illustrated by our team.

Acting for conservation

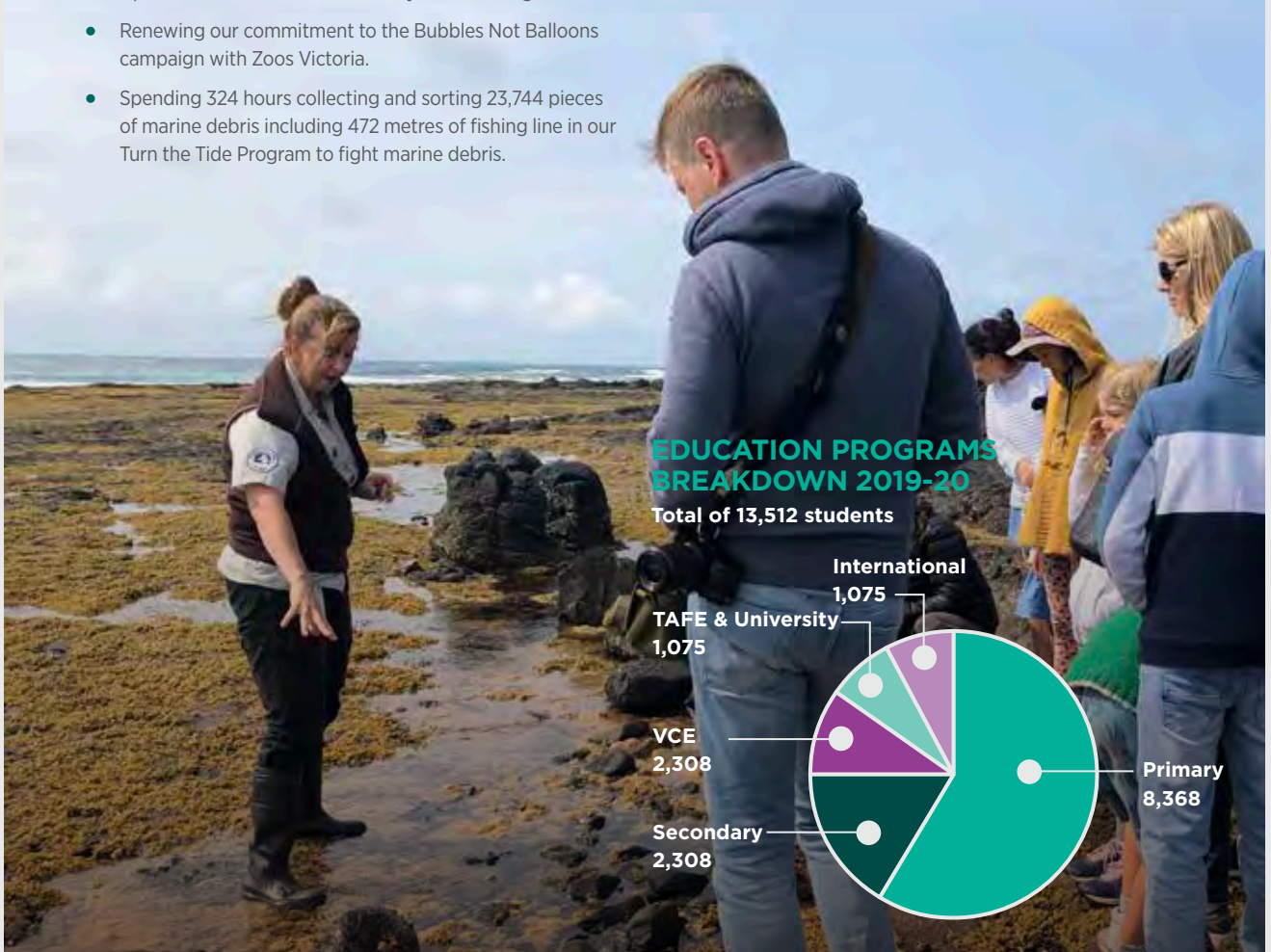
- An Interpretation Guide providing key themes, storylines, topics and ambassador wildlife species was completed for all sites.
- Visitor engagement was enhanced with the completion of Zoos Victoria's Connect Understand Act model (CUA) training for our team.
- We inspired our visitors and community to act through:
 - Renewing our commitment to the Bubbles Not Balloons campaign with Zoos Victoria.
 - Spending 324 hours collecting and sorting 23,744 pieces of marine debris including 472 metres of fishing line in our Turn the Tide Program to fight marine debris.

TOWARDS 2020-21

Our focus will be on continuing to adapt our visitor experience and contributing to continued recovery efforts with national and international tourism industry bodies. This will involve an initial shift in focus to the domestic market through building opportunities for local visitation before expanding to international markets when travel confidence improves.

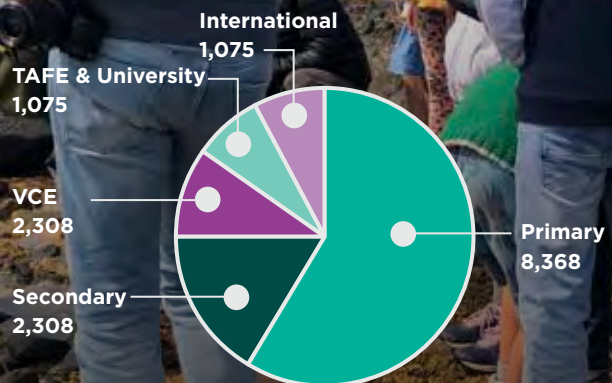
We will:

- Continue to improve the domestic market appeal of Koala Conservation Reserve and Churchill Island through new visitor experiences.
- Undertake the Visitor Research Strategy Project to underpin our future product and marketing strategy, including augmentation of visitor profiles.
- Launch a second Ultimate Penguin Tour increasing our premium product offering in line with visitor feedback.
- Complete the final stage of exhibition installation at the Penguin Parade visitor centre.
- Launch Penguin Parade live stream.



EDUCATION PROGRAMS BREAKDOWN 2019-20

Total of 13,512 students



COMMUNITY CONNECTIONS

Our local community plays a vital role in supporting the Nature Parks. We are committed to community engagement and partnerships through strong relationships, genuine engagement and proactive communications.

KEY GOAL	MEASURE	RESULT
Enable opportunities for community engagement.	<ul style="list-style-type: none"> Support the development of a Community Engagement Strategy Continue to conduct Community and Environment Advisory Committee meetings. Manage the National Surfing Reserve Working Group. Hold the 10th Community Open Day. 	In progress ○ ● ○
Create new and diverse volunteer opportunities	<ul style="list-style-type: none"> Increase in volunteer participation across the Nature Parks. 	Achieved ○ ○ ●
Promote how to live with wildlife throughout our community to build a greater affiliation with nature.	<ul style="list-style-type: none"> Contribute to the Island-wide campaign to promote Living with Wildlife. 	Achieved ○ ○ ●
Develop respectful partnerships and embed a deep respect and understanding with Phillip Island's Traditional Custodians and wider Aboriginal and Torres Strait Islander community.	<ul style="list-style-type: none"> Continue to support Reconciliation Advisory Committee meetings and Bass Coast Reconciliation Network. Implement Year One of actions outlined in the Nature Parks' Reconciliation Action Plan 2019-2022. 	Achieved ○ ○ ●
Align our commercial activities to our renewed commitment to environmental sustainability whilst maintaining overall financial return.	<ul style="list-style-type: none"> Implement sustainable procurement agreements with suppliers. Encourage sustainable product and packaging in line with Nature Parks commitment to reducing waste. 	Achieved ○ ○ ●

ENGAGEMENT STRATEGY

Across the year workshops were held with our team and community to inform the development of our first Community Engagement Strategy which will guide our ongoing community initiatives and engagement programs.

LOCALS PASS

We re-launched our Locals Pass in December with an updated offer, increased engagement and exclusive member events. This new initiative resulted in year on year growth in sales of 41.5%.

COMMUNITY CELEBRATIONS

- Our team and community celebrated our new Penguin Parade visitor centre with a pre-launch event in July 2019.
- The 10th Community Open Day scheduled for March 2020 was postponed due to COVID-19. This one-day community event is being planned for 2021.

INVOLVING OUR COMMUNITY

- We acknowledge and thank our community for their input through the Community and Environment Advisory Committee and Reconciliation Advisory Committee. Each committee contributed to informing and implementing plans and initiatives and providing feedback and input to our Board. Meeting minutes are posted in Our Community at www.penguins.org.au/community.



SURFING COMMUNITY

Victoria's first and only National Surfing Reserve was established in March 2013 and is made up of four sites along Phillip Island's coast including Cape Woolamai, Smiths Beach, Summerland and Cat Bay. It is overseen by a community working group supported by the Nature Parks and Bass Coast Shire Council with representatives from Phillip Island Boardriders Club, Woolamai Beach Surf Life Saving Club and surfing community.

- The group met regularly to promote surfing culture and environmental protection of the Reserves under the themes of: *Share, protect, preserve* and maintained an archive of surfing history.
- The annual Surfing Tag Team Challenge event planned for February was well supported through sponsors and partners but was postponed.

We proudly manage many areas you live near or visit including:

25% of the Island's natural areas.

115 kilometres of the total **141** kilometres of Phillip Island's coast and islands.

42 kilometres of walking paths and tracks for our community and visitors to enjoy.

4.7 kilometres of boardwalks, **38** viewing areas and **22** shoreline access points.

Volunteers

Our volunteer program includes a diverse range of opportunities.

- This year 303 volunteers made up of 177 regular/ongoing volunteers and 126 short term volunteers contributed 13,310 hours (14,667 in 2018-2019) to conservation and visitor experience outcomes.
- National Volunteer Week in May was celebrated online with several virtual get togethers.
- Volunteering was suspended on 17 March 2020 and we look forward to welcoming our valued volunteers back when safe.

Volunteer contributions 2019-2020

Volunteer contribution (hours) across the Nature Parks in 2019-20.



INFORMING OUR COMMUNITY

A key action of our strategy is to share more communications through digital platforms.

- We increased the frequency of messaging for our community, including regular updates on social media, website, local newspapers, radio, activities, forums and newsletters and presented our first *Nature Parks Podcast* series.

COMMUNITY PLANNING

Living with wildlife on Phillip Island is a whole of community responsibility. Across the year, we supported the development of the place-based draft *Phillip Island (Mollw) Wildlife Plan* with key partners in preparation for the community consultation phase proposed for late 2020.

SUSTAINABLE COMMUNITY

Our Sustainability Procurement Procedure promotes sustainability for our suppliers, clients, team and community. We achieved:

- 70% of products having sustainable packaging and removal of single use plastics in all retail spaces and packaging.
- Plastic bottle free and single-use plastic free in all food and beverage outlets.
- Increased Aboriginal and Torres Strait Islander product ranges through authentic suppliers where royalties go to the artist and membership of the Aboriginal Art Code.



INCLUSIVE COMMUNITY

Reconciliation

This was another significant year for reconciliation and recognition of Aboriginal and Torres Strait Islander Peoples across the Nature Parks.

- The Reconciliation Advisory Committee implemented 100% of actions for the year from our organisation's third Reconciliation Action Plan (RAP) 2019-2022. The RAP, endorsed by national body Reconciliation Australia, includes 25 actions under the key headings of *Relationships, Respect and Opportunities*.
- We continued our relationship with the Bunurong Land Council Aboriginal Corporation, the Registered Aboriginal Party for Phillip Island, through working together in line with our MOU.
- As founding members of Bass Coast Reconciliation Network, we jointly presented events for NAIDOC Week in July 2019 and celebrated National Sorry Day and National Reconciliation Week in May 2020 online.
- Bunurong culture is featured at the Penguin Parade visitor centre including a Welcome to Country sculpture. A further sculpture was installed at Cape Woolamai. We are proud to have completed cultural awareness training to over 90% of our team.
- Our third annual Board meeting on Country was held at Cape Woolamai in March.
- We incorporated Traditional Ecological Knowledge and guidelines into conservation plans and programs and developed a Style Guide and Welcome to Country Protocols.
- Our RAP 2019-2022 and updates are available at www.penguins.org.au/reconciliation

COMMUNITY GIVING

The Nature Parks continued to support community events and organisations. We contributed over \$17,518 in donations to local groups and assisted with events through providing complimentary tickets, staffing and materials. These included Change for Sam, International Ranger Federation, Phillip Island and District Basketball Association, Artists Society of Phillip Island, Phillip Island District Cricket Club, Channel Challenge, Cowes Classic, Woolamai Beach Surf Lifesaving Club, Surf Life Saving Victoria, Phillip Island Pro World Surf League event and Phillip Island Festival of Stories.

Following the devastating Victorian bushfires, we contributed to the State's bushfire recovery efforts by giving \$1 from every purchased ticket to the Koala Conservation Reserve in February 2020 to Wildlife Victoria Inc. to assist with its wildlife recovery programs. Over \$11,900 was donated which included generous donations made by Nature Parks staff.

TOWARDS 2020-21

We will continue to deepen our connection with our community through:

- Further developing and implementing our Community Engagement Strategy initiatives including online communications, Phillip Island (Millowl) Wildlife Plan and Community Giving Program.
- Holding our Community Open Day and Community Surf Team Challenge.
- Supporting the Community and Environment and Reconciliation Board Advisory Committees.
- Completing actions within our RAP 2019-2022.
- Strengthening our sustainable procurement policies and outcomes to achieve our goal of 90+% sustainable products and packaging within all retail outlets by 2023.
- Supporting our volunteers and further developing programs and activities including the *Wildlife Youth Ambassadors Program*.



PEOPLE & CULTURE

We harness the passion and values of our team to deliver extraordinary outcomes. Our organisational goal of being resilient and agile in responding to challenges and meeting best practice was certainly a focus across this year of change.

The Nature Parks continued to be Phillip Island's largest employer. Our diverse team is made up of members working in conservation, education, visitor services, marketing and communications, retail, administration and facilities management. Our structures and processes support our team and underpin activities to prepare us for the future while creating a positive culture to reflect our values.

KEY GOAL	MEASURE	RESULT
Develop our passionate, empowered and valued team.	<ul style="list-style-type: none"> Assess organisational culture through diagnostic tools and develop strategically aligned change solutions 	In progress ○ ● ○
Maintain sound governance practices and lead the way in responding to changes in our risk and compliance environment	<ul style="list-style-type: none"> Facilitate review and revision of organisational values that align with our conservation and sustainability ambitions 	In progress ○ ● ○
	<ul style="list-style-type: none"> Implement Leadership Development Program 	Achieved ○ ○ ●
Use technology to ensure business efficiencies, improve environmental outcomes, and build collaborations.	<ul style="list-style-type: none"> Human Resources Information System (HRIS) implemented and managers, supervisors and employees trained to use the system to its best capacity 	In progress ○ ● ○
	<ul style="list-style-type: none"> Complete ADP Payroll System Integrity review 	Achieved ○ ○ ●
Foster a safe and inclusive culture for our team, volunteers, contractors, community and visitors	<ul style="list-style-type: none"> Embed Activity Based Working and Change Management into 'the way we work' 	Achieved ○ ○ ●
	<ul style="list-style-type: none"> Review and analyse baseline labour requirements and associated contractual arrangements to promote employment security/stability and support agile business outcomes 	In progress ○ ● ○



ORGANISATION CULTURE

We are committed to fostering a positive and inclusive culture to reflect the values and objectives of the business, public sector, our employees and the broader community.

- We invested in understanding our organisational culture and developing our leadership capability. This included a review of labour and employment arrangements and support in defining and working within the new workspaces.
- We transitioned into new facilities and adopted an activity-based working model. After a settling-in period, staff survey results showed 89% of staff did not want to return to the old way of working. The success of this transition to our new way of working was achieved through a substantial investment in change management and staff support to ease the impacts of transitioning to an agile work environment.
- A Leadership Development Program commenced with the management team with a focus on building trust. The program will be rolled out over time for all our people leaders to enhance our leadership capability to drive our strategy and improve our organisation's performance.

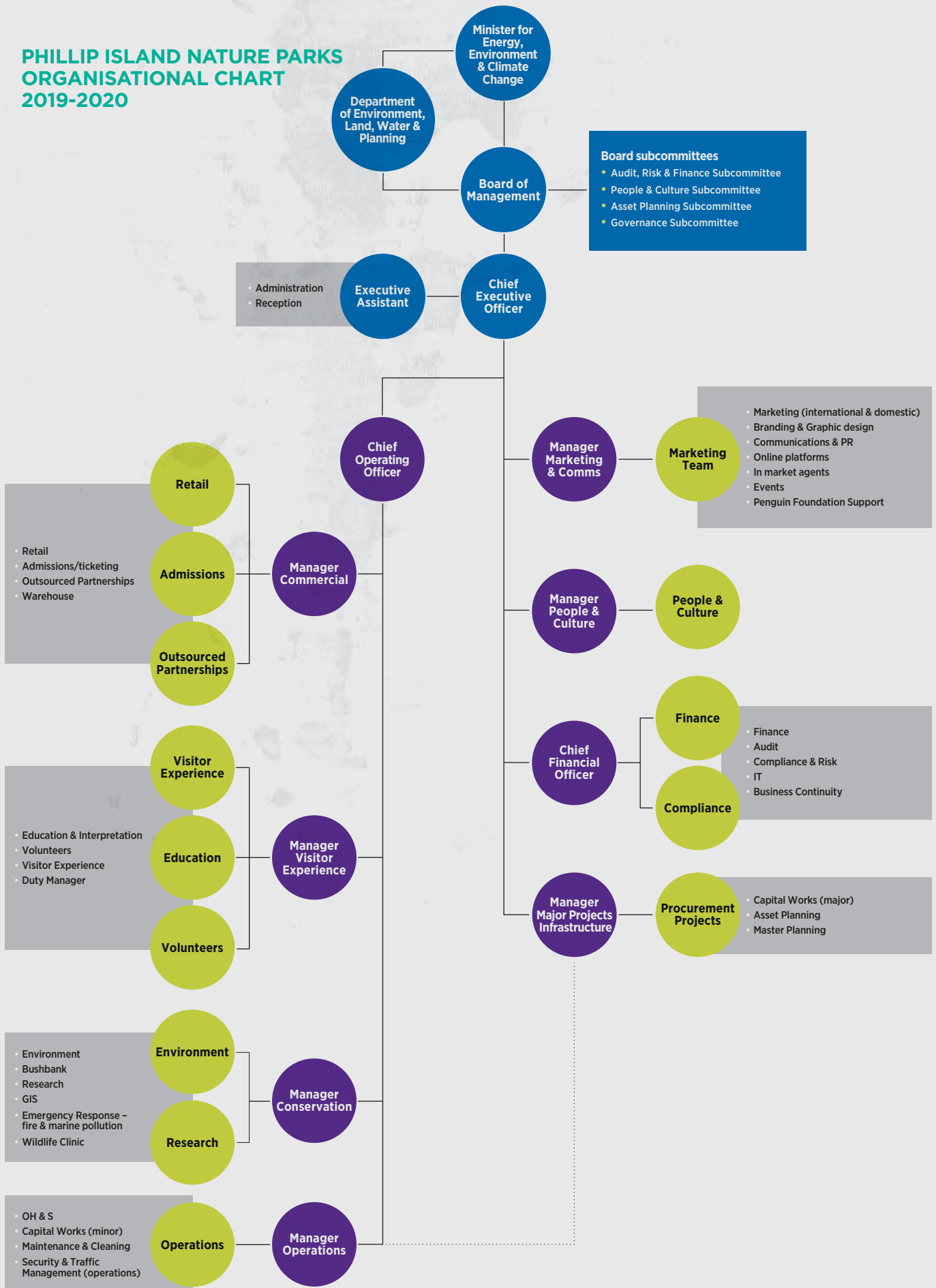
WORKFORCE PLANNING AND DATA

- An employment review and comprehensive analysis of labour were completed. This allowed us to offer more secure employment arrangements and support agile business outcomes. The analysis provided valuable information to assist with future workforce planning and resulted in a 42% increase in more secure employment arrangements.
- We implemented a Human Resource Management System to enhance compliance and business efficiencies. The initial module, involving time and labour management processes delivered in September 2019, achieved efficiencies by reducing manual intervention and duplication in activities such as rostering, timesheet approval and leave management.

Phillip Island Nature Parks' Workforce Profile

Staff	2019/20	2018/19
Executive roles	5	6
Senior managers	4	4
Tourism	113	155
Conservation	46	44
Business Services	16	16
Total	184 (122.4 FTE)	225 (145 FTE)
Male	73	83
Female	111	142
Self-described	0	0

PHILLIP ISLAND NATURE PARKS ORGANISATIONAL CHART 2019-2020



OCCUPATIONAL HEALTH AND SAFETY (OH&S)

Continuous improvement and compliance against our Safety Management System remained a focus.

- We continued to develop, review and refine safety documentation to reflect our new workplace arrangements and to improve workplace safety.
- The second half of the year focused on the development and implementation of the Nature Parks *COVID Safe Plan*, which required regular review and adjustment to work practices to ensure the safety of our staff and visitors was maintained in accordance with public health directions.
- Our OH&S Committee met monthly to provide a forum for robust, two-way consultation on safety-related matters between the designated work groups and organisational leadership.

Managing risks

- Risk mitigation remained a high priority. We worked towards eliminating or controlling risks through policy, procedure, process and ongoing risk assessment reviews.
- Thorough and transparent consultation with all levels of employees and management provided an informed assessment of our risks and enabled effective communication of safe work practices to our team.

Safety management system

- We focussed on entrenching and communicating our recently completed Safety Management System. This resulted in improved real time reporting of incidents and hazards and enabled refined data analysis of trends.

Incident management

- Wider access to the hazard and incident report tool and the implementation of a mobile reporting application enabled real time reporting to provide an accurate reflection of the hazards and incidents occurring across the organisation.
- Year on year incident numbers remained stable and similar to 2018-19 with both data sets having incident records in the low to mid 300s. Elimination of the risk is our most desirable outcome, but where this is not possible, we employ the most effective control available.

Injury management

- The Total Injury Frequency Rate (TIFR) remained under 1.0 for the entire year and finished at 0.97. As a result of the continuing decline, and dipping as low as 0.62 in October 2019, we lowered the target rate from 1.5 to 1.0 per 1,000,000 hours worked in January 2020.
- There were eight staff who were supported through work related injuries or illnesses with five being Premium Sensitive WorkCover claims.

TOWARDS 2020-21

Over the coming year we will:

- Continue to evolve the Nature Parks COVID Safe Plan as restrictions are eased.
- Develop further modules for our Human Resource Management System.
- Support employees through the pandemic and associated anxiety caused.
- Launch a Contractor Management and Prequalification System.
- Participate in the Victorian Public Sector Commission (VPSC) Leading the Way initiative.





GOVERNANCE

Phillip Island Nature Park Board of Management Inc. (known as Phillip Island Nature Parks) was created by the State Government in 1996 and is the only 'Nature Park' in Victoria. The term means that all conservation areas are managed under the *Crown Land (Reserves) Act 1978*.

The Nature Parks is governed by a Board of Management established under the *Crown Land (Reserves) Act 1978*. The responsible Minister for the period from 1 July 2019 to 30 June 2020 was the Hon Lily D'Ambrosio MP, Minister for Energy, Environment and Climate Change.

OUR BOARD

Objectives, functions, powers and duties

Board members are appointed by the Responsible Minister under the *Crown Land (Reserves) Act 1978* Section 15 Powers of Committees of Management (1). 'A Committee of Management of any land appointed under Section 14-(a) shall manage, improve, maintain and control the land for the purposes for which it is reserved.'

Board member attendance

Our Board met for eight regular Board meetings during the year to provide governance and strategic direction. In addition, the Board met a further eight times during the period of 30 January 2020 - 30 June 2020 to provide governance and leadership during the coronavirus (COVID-19) pandemic.

BOARD MEMBER	ATTENDANCE (regular meeting)	ATTENDANCE (irregular meeting)
LIZ STINSON (Chair)	8	8
ANDREW PAXTON	8	7
DR DANIELLE AULDIST	8	7
DR DAVID COCHRANE	8	8
JANE FOLEY	6	7
KAY SPIERINGS	7	8
KEVIN LOVE	8	8
MICHAELA SALVATO	8	8
SHELLEY LAVENDER	8	7



Board Members

LIZ STINSON (CHAIR)

Liz Stinson brings to her role on the Board many years of experience at operational and management levels in teaching, community services and environmental education in Canada and Australia, and more recently in international business development in Australian universities, including Deakin and La Trobe. Liz holds postgraduate qualifications in zoology, teaching, educational management and business administration (MBA) and is a Fellow of the Australian Institute of Company Directors (FAICD). In addition to her responsibilities with the Phillip Island Nature Parks Board, Liz's other board commitments include Chair of the University of Canberra College Pty Ltd, and Community Housing (Victoria) Ltd, where she chairs the Audit and Risk Committee.

Liz has been a Board Member since 5 September 2015 and has been the Chair since July 2018.

ANDREW PAXTON

Andrew Paxton brings extensive experience and qualifications in landscape architecture and business and organisational leadership. His MBA thesis explored the application of triple bottom line principles to park management. Andrew has led a diverse range of portfolios within local government including planning, strategic planning, economic development, tourism, compliance, sustainability, urban design, park management, capital programs and conservation programs. His previous roles include Chief Ranger and Business Manager at Parks Victoria.

Andrew has been a Board Member since 5 September 2012.

DR DANIELLE AULDIST

Dr Danielle Auldism brings experience in project management, science and governance. After 15 years of research in Australia and New Zealand, she was the CEO of a Gippsland not-for-profit dairy organisation that developed projects adopted by the national industry. Her time with an agricultural consultancy group focused on assignments for water catchment authorities, local governments and primary producers as well as drafting practice planning notes for the state government.

Danielle currently lectures to science students at Federation University and co-manages its research group, Animal Health, Ecology and Diagnostics (AHEaD).

Danielle has been a Board Member since 5 September 2015.

DR DAVID COCHRANE

Dr David Cochrane currently provides private economic, strategic and financial consulting services (predominantly to government) through Cloudstreet Economics. He is a Director of VicForests, a Director and Deputy Chair of Guide Dogs Victoria and an independent member of the Department of Transport Audit, Risk and Integrity Committee. David was previously a partner at Ernst & Young, where he was the leader of the Australasian economics practice.

Over his extensive professional career David has also been a director of World Urban Parks, Chair of the Parks Forum Economic Research Project, a member of the Dandenong Ranges Gardens Advisory Board, Chair of Destination Docklands and a member of the Commonwealth Government's Tourism Investment and Regulatory Reform Working Group.

David is a Chartered Accountant and an Economist and has a Bachelor of Economics, a Master of Business Administration and a Doctor of Business Administration.

David has been a Board Member since 1 July 2018.

JANE FOLEY

Jane Foley brings to the Board extensive experience in tourism having worked with Tourism Tasmania as an executive for over 15 years. During this time, she was responsible for developing strategy, visitor experiences and regional tourism in partnership with industry, community and land management agencies. In more recent times she has held the position as Manager for Tourism Melbourne.

Jane has held several board positions including Tasmanian Tourism Industry Council and 10 Days on the Island. Jane has a keen interest in sustainable tourism and regional development as well as health and wellbeing with a focus on community engagement, change management and systems innovation with the state government.

Jane has been a Board Member since 1 July 2018.

KAY SPIERINGS

Kay is an experienced company director with extensive business management and corporate administration experience, specifically in the areas of strategy, national competition policy, governance, policy formulation, financial management and administration. She has held board positions in the water, environment and agriculture sectors.

Kay is a primary producer with a keen interest in natural resource management, environment and sustainable agriculture. She is the Independent Chair, Australian Seed Potato Industry Certification Authority (AuSPICA) and Chair, Australian Seed Potato Council.

Kay has a Bachelor of Business (Accounting) degree, is a Certified Practising Accountant (CPA) and Graduate of the Australian Institute of Company Directors (GAICD).

Kay has been a Board Member since 5 September 2015.



KEVIN LOVE

Kevin Love operates his own advisory business, specialising in project management, policy advice and governance. For over 20 years Kevin worked at the Department of Agriculture in regional Victoria, including 12 years at Leongatha. He also worked with the Department of Premier and Cabinet as the executive with principal responsibility for advising Premiers Kennett and Bracks on policies, programs and major projects related to resources and infrastructure.

He then moved to the Department of Sustainability and Environment as Deputy Secretary, and led significant institutional and organisational reform, had responsibility for the State's public land estate and assets and established himself as a national leader in natural resource and marine and coastal management policy.

Kevin has been a Board Member since 9 August 2013.

MICHAELA SALVATO

Michaela is the owner and operator of a local accounting and financial services firm where she has provided accounting, taxation and business advisory services for over 20 years. She is also the Treasurer of Destination Phillip Island, the Regional Tourism Board for Phillip Island. Previously, she held positions as National Taxation Manager for SmithKline Beecham; Treasurer of Bass Coast Landcare Network (BCLN), Chair of the BCLN Public Fund and is a Founding Member of the Three Creeks Landcare Group Inc.

Her involvement with Landcare over the past 20 years has fuelled a strong passion for the environment, particularly the impact that can be made at a grassroots and community level. Michaela has a Bachelor of Business (Banking and Finance) and is a Chartered Accountant and Registered Tax Agent.

Michaela has been a Board Member since 1 July 2018.

SHELLEY LAVENDER

Shelley brings strong ecotourism credentials and over 20 years' experience working in not-for-profit companies at both board and CEO level. These include a directorship of Ecotourism Australia, past employment as CEO in the education and tourism sectors and directorship of a large credit union. Consequently, she has a strong grasp of both operational and governance issues in the sector.

Shelley now works as a Lead Auditor of tourism operators which have Ecotourism certification. This gives her a unique perspective of the challenges facing the industry and an understanding of the need to balance tourism growth with environmental and community issues.

Shelley has been a Board Member since 5 September 2015.



Board Subcommittees

The Nature Parks' committees and members listed below provided advice to the Board throughout the reporting period.

ASSET PLANNING SUBCOMMITTEE

This subcommittee provides recommendations to the Board regarding key decision making and assists Management with risks and technical expertise on strategic projects and asset management. The subcommittee fulfilled this role during the year on a variety of projects including the new Penguin Parade boardwalks and stands project and by conducting an acquittal of the Penguin Parade visitor centre redevelopment.

- Kevin Love (Chair)
- Andrew Paxton
- Dr Danielle Auld
- Kay Spierings

AUDIT RISK AND FINANCE SUBCOMMITTEE

This subcommittee was established in accordance with the *Financial Management Act 1994* to fulfil the Board's governance and oversight responsibilities in relation to financial reporting, internal control systems, processes for legal and regulatory compliance, internal and external audit functions and risk management systems. The subcommittee fulfilled its role this year through oversight of internal and external audits and further development of the Nature Parks' risk management and compliance systems.

- Kay Spierings (Chair)
- Andrew Paxton
- Dr David Cochrane
- Helen Adair (independent member)
- Michaela Salvato

GOVERNANCE SUBCOMMITTEE

This subcommittee provides advice regarding the effective governance of the organisation through overseeing and monitoring the Nature Parks' key governance frameworks and Charters. It develops the program for Board performance and reviews the effectiveness of reporting, ensuring that systems are consistent with best practise governance standards. This year the subcommittee achieved this aim across a variety of areas by reviewing key policy changes in an evolving compliance environment.

- Dr David Cochrane (Chair)
- Kevin Love
- Liz Stinson
- Michaela Salvato
- Shelley Lavender

PEOPLE AND CULTURE SUBCOMMITTEE

This subcommittee monitors, advises and makes recommendations to the Board in regard to recruitment and retention, performance management, remuneration and succession planning. It advises on strategic workforce planning and implements and monitors organisational culture. The subcommittee fulfilled its role this year through recruitment of new managers, review of key policies, revising our organisational structure and implementing new workforce planning and payroll systems.

- Jane Foley (Chair)
- Dr Danielle Auld
- Shelley Lavender



Advisory Committees

The Nature Parks has established several advisory committees to provide a channel for two-way communication between the Board, key stakeholders and our community. We are grateful for their time, expertise and support over the year.

ANIMAL ETHICS COMMITTEE

This statutory committee is required to be convened by the Nature Parks to oversee the conduct of activities with regards to the care and use of animals for scientific purposes and provides oversight of animal welfare in the Nature Parks. The committee fulfilled its function this year through overseeing the Nature Parks' wildlife research program, activities in the wildlife clinic, endorsing the Nature Parks' Little Penguins field protocol and husbandry of the Koala population at the Koala Conservation Reserve to ensure that the current Australian Code for the Care and Use of Animals for Scientific Purposes (8th Edition 2013), the *Victorian Prevention of Cruelty to Animals Act 1986* and the *Victorian Prevention of Cruelty to Animals Act 2008* were maintained.

We thank these professionals for contributing their valuable time to assist the Nature Parks in ensuring the delivery of our conservation programs.

The Committee is Chaired by Dr Jenny Hibble.

COMMUNITY AND ENVIRONMENT ADVISORY COMMITTEE

Includes members with interest or expertise from community and environment organisations, key stakeholders, volunteers and local community groups. It acts in a consultative capacity to enable a two-way flow of information between the community, stakeholders and the Board to keep the Board informed on community issues and, inform the community as to the thinking and direction of the Board.

The committee fulfilled its role this year in advising on Living with Wildlife; specifically, abundant wildlife issues across Phillip Island and collaborating with DELWP on its Phillip Island Wildlife Plan and we sincerely thank them for their time and input. The Committee held a total of three meetings: two in person (September and December 2019) and the June 2020 meeting was held online. The March 2020 meeting was postponed due to COVID-19.

The committee is chaired by Michaela Salvato (Board).

Updates and Community and Environment Advisory Committee meeting minutes can be found at: www.penguins.org.au/about/local-community

RECONCILIATION ADVISORY COMMITTEE

This Advisory Committee was established in October 2017 to further the Nature Parks' commitment to reconciliation and recognition in line with our Reconciliation Action Plan (RAP) 2019- 2022. We are indebted to the Community members who contribute their time and knowledge and provide the Nature Parks with significant understanding and delivery of outcomes around issues affecting Traditional Custodians and the Aboriginal and Torres Strait Islander Community and ways of working together. The committee fulfilled its function this year through implementing RAP actions, holding events to further reconciliation, hosting a Board Meeting on Country, contributing to interpretation and art projects, developing protocols and supporting employment, business and procurement opportunities. The Committee held a total of four meetings in August and November 2019 and February 2020, with the May 2020 meeting being held online due to COVID-19. The Committee is chaired by Kevin Love (Board).

Updates and Reconciliation Advisory Committee meeting minutes can be found at: www.penguins.org.au/about/local-community

SCIENTIFIC AND RESEARCH ADVISORY COMMITTEE

This advisory committee guides the Board on all aspects of scientific research and research-led management into the Nature Parks' key species and ecosystems and highlights issues for the attention of the Board on which the members have expertise. The committee fulfilled its function this year by advising staff and furthering the implementation of the draft 30-Year Conservation Strategy – *Beyond the Horizon*, releasing the Threatened Species Plan and planning for the Nature Parks Science and Research Symposium (cancelled due to COVID-19 and initiating the Island Arks Project. Two meetings were held in September 2019 and March 2020.

The Committee is chaired by Dr Danielle Auld (Board) and boasts the technical expertise of six independent members.


We thank these experts for donating their time to assist the Nature Parks in improving the effectiveness and impact of our conservation work.

COMPLIANCE

ATTESTATION FOR FINANCIAL MANAGEMENT COMPLIANCE WITH MINISTERIAL STANDING DIRECTION 5.1.4

Phillip Island Nature Parks Committee of Management, Financial Management Compliance Attestation Statement.

I, Liz Stinson, on behalf of the Responsible Body, certify that the Nature Parks Committee of Management has no Material Compliance Deficiency with respect to the applicable Standing Directions under the *Financial Management Act 1994* and Instructions.



Board Chair
15 October 2020

EMPLOYMENT AND CONDUCT PRINCIPLES

Nature Parks staff are employed under the Phillip Island Nature Parks Agreement 2017-2021 and the applicable union is the Australian Services Union.

Nature Parks staff work in accordance with the Nature Parks' Code of Conduct and employment policies that include recruitment, equal opportunity, anti-discrimination, anti-harassment and bullying, gifts, benefits and hospitality, social media, conflict of interest and occupational health and safety.

Building capacity of our workforce is augmented by our recruitment frameworks and learning and development strategy enabling us to continue to grow within the changing environment into the future.

LOCAL JOBS FIRST

The *Local Jobs First Act 2003* introduced in August 2018 brings together the Victorian Industry Participation Policy (VIPP) and Major Project Skills Guarantee (MPSG) policy which were previously administered separately.

Departments and public sector bodies are required to apply the Local Jobs First policy in all projects valued at \$3M or more in Metropolitan Melbourne or for statewide projects, or \$1M or more for projects in regional Victoria.

MPSG applies to all construction projects valued at \$20M or more.

The MPSG guidelines and VIPP guidelines will continue to apply to MPSG-applicable and VIPP applicable projects respectively where contracts have been entered prior to 15 August 2018.

During 2019-20, the Nature Parks did not commence or complete any projects valued at \$1M or more.

GOVERNMENT ADVERTISING EXPENDITURE

In accordance with paragraph 6.16 of FRD 22H Government policy requires disclosure of all government advertising expenditure with a total media spend of \$100,000 or greater (exclusive of GST).

No government advertising expenditure was incurred by the Nature Parks during the reporting period.

CONSULTANCY EXPENDITURE

Details of consultancies (valued at \$10 000 or greater)

In 2019-20, there were six consultancies where the total fees payable to the consultants were \$10,000 or greater. The total expenditure incurred during the year in relation to these consultancies is \$0.1M (excluding GST). Details of individual consultancies are outlined below:

(\$ thousand)

Consultant	Purpose of consultancy	Total approved project fee (excl. GST)	Expenditure 2019-20 (excl. GST)	Future expenditure (excl. GST)
		\$	\$	\$
Brett Cheatley Consulting	Threatened Species Community Plan	20	20	-
Goodwolf Partners	Strategic Planning	21	21	-
Survey Matters Pty Ltd	Boardwalk Design Project	40	15	-
International Resilience Group Pty Ltd	Security Assessment Consultant	10	10	-
Indigenous Design Environmental Services	Vegetation Condition Consulting	13	13	-
AW Maritime Pty Ltd	Forrest Caves Engineering Assessment	33	23	10

Details of consultancies under \$10 000

In 2019-20, there were 30 consultancies engaged, where the total fees payable to the individual consultancies were less than \$10,000. The total expenditure incurred during 2019-20 in relation to these consultancies was \$71,000 (excl. GST).

INFORMATION AND COMMUNICATION TECHNOLOGY EXPENDITURE

Details of information and communication technology (ICT) expenditure

For the 2019-20 reporting period, the Nature Parks had a total ICT expenditure of \$2M with the details shown below.

(\$ thousand)

All operational ICT expenditure	ICT expenditure related to projects to create or enhance ICT capabilities			
	Business as Usual (BAU) ICT expenditure	Non Business as Usual (non BAU) ICT expenditure	Operational expenditure	Capital expenditure
(Total)		(Total = Operational expenditure and capital expenditure)		
1,396	641	1,390	647	

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

DISCLOSURE OF MAJOR CONTRACTS

During the year ended 30 June 2020 the Nature Parks did not enter into any contracts greater than \$10M in value.

FREEDOM OF INFORMATION ACT 1982

The Act allows the public a right of access to documents held by the Nature Parks. 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 the Nature Parks. This comprises documents both created by the Nature Parks or supplied to the Nature Parks by an external organisation or individual, and may also include maps, films, microfiche, photographs, computer printouts, computer discs, tape recordings and videotapes. Information about the type of material produced by the Nature Parks is available on the Nature Parks' website under its Part II Information Statement.

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

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

Making a request

FOI requests can be lodged online at www.foi.vic.gov.au. An application fee of \$29.60 applies. Access charges may also be payable if the document pool is large, and the search for material time consuming.

Access to documents can also be obtained through a written request to the Nature Parks' Freedom of Information Officer, as detailed in s17 of the Act.

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

Requests for documents in the possession of the Nature Parks should be addressed to:

Freedom of Information Officer
Phillip Island Nature Parks
PO Box 97
Cowes, Victoria 3922

FOI statistics/timelines

During 2019-2020, the Nature Parks did not receive any FOI requests. The Nature Parks did not make any FOI decisions during the 12 months ended 30 June 2020.

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.

COMPLIANCE WITH THE BUILDING ACT 1993

The Nature Parks complies with building management provisions of the *Building Act 1993*. Management ensures that all works requiring building approval have certified plans, works in progress inspected and occupancy permits issued by independent building surveyors engaged on a local job-by-job basis. The Nature Parks requires all building practitioners engaged on building works to be registered and to maintain this registration throughout the course of the works.

The Nature Parks carries out detailed building condition audits for all major infrastructure and prioritises maintenance in line with the audit recommendations. A maintenance reporting system is also in place to identify and address any urgent or ad-hoc maintenance issues. Maintenance jobs are prioritised wherever safety implications are identified. The Nature Parks recently completed its annual Essential Safety Measures report in accordance with the Building Regulations 2006 and was compliant in all areas.

In 2019-20 there were two major works projects undertaken by the Nature Parks with a value of greater than \$50,000:

- Penguin Parade visitor centre development
- Forest Caves public amenities
- New administration office interior build and fit out, Cowes and Koala Conservation Reserve.

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.

COMPLIANCE WITH THE PUBLIC INTEREST DISCLOSURES ACT 2012

The *Public Interest 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 disclosed to be investigated and rectifying action to be taken.

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

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

Reporting procedures

Disclosures of improper conduct or detrimental action by the Nature Parks or any of its employees may be made directly to the Independent Board-based Anti-corruption Commission:

Address: Level 1, North Tower, 459 Collins Street
Melbourne, VIC 3000

Phone: 1300 735 135

Web: www.ibac.vic.gov.au

Email: See the website above for the secure email disclosure process, which also provides for anonymous disclosures.

Further information

The Public Interest Disclosure Policy and Procedures, which outline the system for reporting disclosures of improper conduct or detrimental action by the Nature Parks or any of its employees and/or officers, are available on the Nature Parks website www.penguins.org.au.

DISCLOSURES UNDER THE PUBLIC INTEREST DISCLOSURES ACT 2012

	2019-20 number	2018-19 number
The number of disclosures made by an individual to the Nature Parks and notified to the Independent Broad based Anti corruption Commission		
Assessable disclosures	0	n.a.

COMPLIANCE WITH THE DISABILITY ACT 2006

The *Disability Act 2006* reaffirms and strengthens the rights of people with a disability and recognises that this requires support across the government sector and within the community.

Absolutely everyone: State disability plan for 2017-2020 is the Victorian Government's framework for enabling people with disability to participate and contribute to the social, economic and civic life of their community. Over time the government will consider ways to align disability action plans to the state plan.

The *Disability Act 2006* requires Phillip Island Nature Parks to prepare a disability action plan and report on its implementation in their annual report. In 2018 Phillip Island Nature Parks finalised its Strategic Plan 2018-2023 which lists a key measurable as:

Disability access review conducted across all sites. Phillip Island Nature Parks' is currently scoping out the preparation of its disability action plan and will be completed in 2020-21.

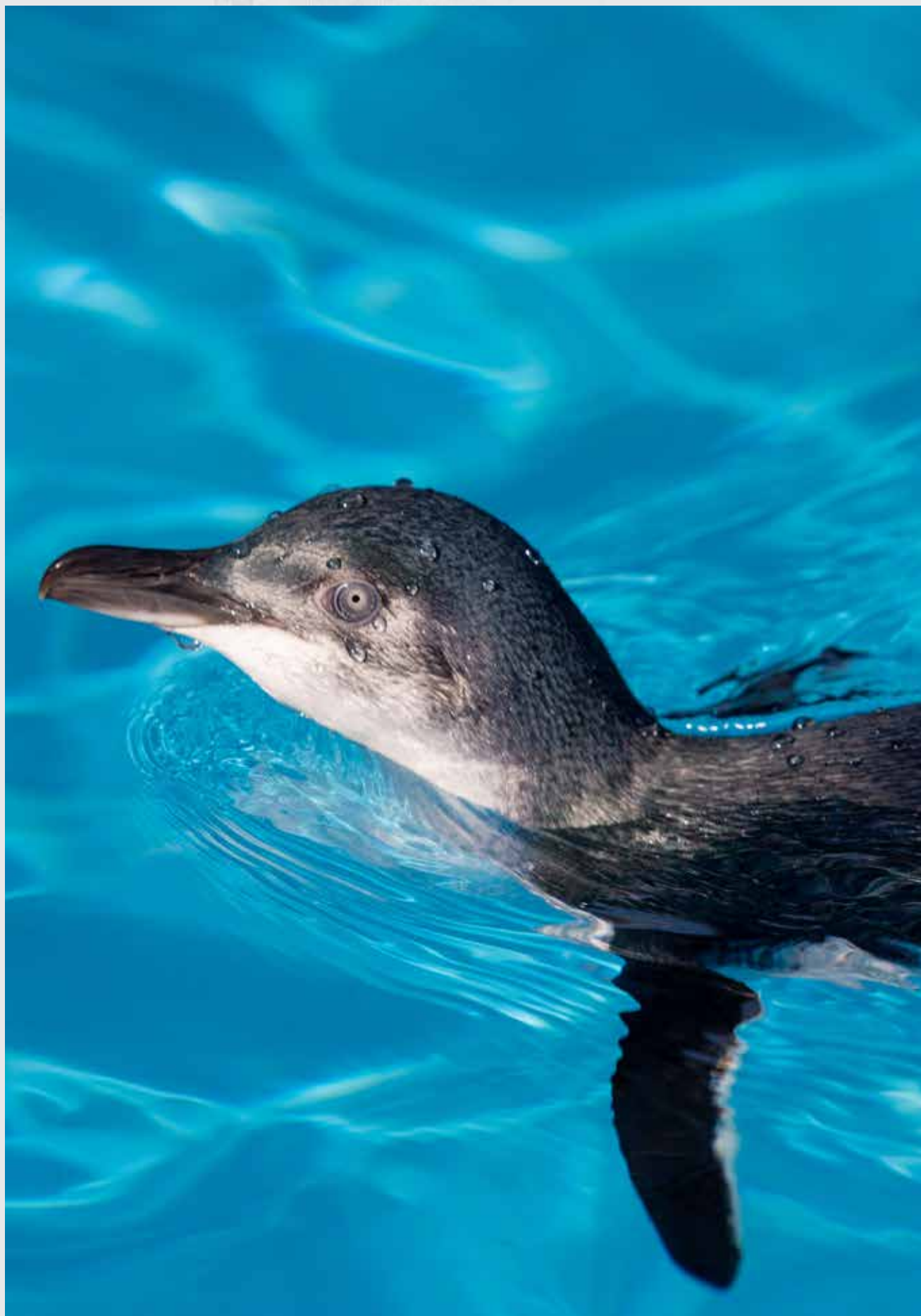
- In 2019-20, compliance with the Act was incorporated into construction of the new Penguin Parade visitor centre. This included compliant parking, access, toilet and changing places room.
- The Cowes office included a lift, toilets and handrails to comply with the Act.
- The Koala Conservation Reserve office included compliant toilets, access ramps and handrails.
- One beach toilet facility within the Nature Parks was replaced and made accessible.

Additional information available on request

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

- a) details of publications produced by the Nature Parks about itself
- b) details of any major external reviews carried out on the Nature Parks.
- c) details of major research and development activities undertaken by the Nature Parks.
- d) details of major promotional, public relations and marketing.
- e) details of changes in prices, fees, charges, rates and levies charged.

The information is available on request from info@penguins.org.au



Financial review





PHILLIP ISLAND NATURE PARKS - FINANCIAL STATEMENTS

The Phillip Island Nature Parks Board of Management (the Nature Parks) has presented its audited general-purpose financial statements for the financial year ended 30 June 2020 in the following structure to provide users with the information about the Nature Parks' stewardship of resources entrusted to it.

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DECLARATION IN THE FINANCIAL STATEMENTS

The attached financial statements for Phillip Island Nature Parks have been prepared in accordance with Direction 5.2 of the Standing Directions of the Assistant Treasurer under the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, balance sheet, statement of changes in equity, cash flow statement and accompanying notes, presents fairly the financial transactions during the year ended 30 June 2020 and financial position of Phillip Island Nature Parks at 30 June 2020.

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

We authorise the attached financial statements for issue on 15 October 2020.

On behalf of the Phillip Island Nature Parks Board of Management Inc:



Catherine Basterfield

Chief Executive Officer (Accountable Officer)
Phillip Island
15 October 2020



Carolyn Simonds

Chief Financial Officer
Phillip Island
15 October 2020



Liz Stinson

Chair
Phillip Island Nature Park Board of Management
Phillip Island
15 October 2020

Independent Auditor's Report

To the Board of the Phillip Island Nature Parks

Opinion	<p>I have audited the financial report of the Phillip Island Nature Parks (the nature parks) which comprises the:</p> <ul style="list-style-type: none">• balance sheet as at 30 June 2020• comprehensive operating statement for the year then ended• statement of changes in equity for the year then ended• cash flow statement for the year then ended• notes to the financial statements, including significant accounting policies• declaration in the financial statements. <p>In my opinion, the financial report presents fairly, in all material respects, the financial position of the nature parks as at 30 June 2020 and its financial performance and cash flows for the year then ended in accordance with the financial reporting requirements of Part 7 of the <i>Financial Management Act 1994</i> and applicable Australian Accounting Standards.</p>
Basis for Opinion	<p>I have conducted my audit in accordance with the <i>Audit Act 1994</i> which incorporates the Australian Auditing Standards. I further describe my responsibilities under that Act and those standards in the <i>Auditor's Responsibilities for the Audit of the Financial Report</i> section of my report.</p> <p>My independence is established by the <i>Constitution Act 1975</i>. My staff and I are independent of the nature parks 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>
Other Information	<p>The Board is responsible for the "other information" included in the nature parks' Annual Report for the year ended 30 June 2020. The other information in the Annual Report does not include the financial report and my auditor's report thereon. My opinion on the financial report does not cover the other information included in the Annual Report. Accordingly, I do not express any form of assurance conclusion thereon. In connection with my audit of the financial report, my responsibility is to read the other information when it becomes available and, in doing so, consider whether the other information is materially inconsistent with the financial report or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work I have performed, I conclude that there is a materially misstatement of this other information, I am required to report that fact. I have nothing to report in this regard.</p>
Board's responsibilities for the financial report	<p>The Board of the nature parks 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. In preparing the financial report, the Board is responsible for assessing the nature parks' ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless it is inappropriate to do so.</p>

Auditor's responsibilities for the audit of the financial report

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

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

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

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

MELBOURNE
6 November 2020



Paul Martin
as delegate for the Auditor-General of Victoria

COMPREHENSIVE OPERATING STATEMENT

For the financial year ended 30 June 2020

(\$ thousand)

	NOTES	2020	2019
Continuing operations		\$	\$
Income from transactions			
Supply of services and sale of goods	2.1.1	17,793	24,821
Grants, Donation and Sponsorship	2.1.2	4,917	706
Other income	2.1.4	646	1481
Total income from transactions		23,356	27,008
Expenses from transactions			
Employee expenses	3.1	(12,721)	(12,286)
Cost of sales	3.2	(1,711)	(2,148)
Depreciation and amortisation	4.1.2	(3,996)	(6,865)
Other operating expenses	3.3	(5,851)	(7,010)
Total expenses from transactions		(24,279)	(28,309)
Net result from transactions (net operating balance)		(923)	(1,300)
Other economic flows included in net result			
Net gain/(loss) on non-financial assets		16	(125)
Total other economic flows included in net result		16	(125)
Net result from continuing operations			
Net result		(907)	(1,425)
Other economic flows - other comprehensive income:			
Items that will not be reclassified to net result			
Changes in physical asset revaluation surplus	8.2	7,949	(28)
Total other economic flows - other comprehensive income		7,949	(28)
Comprehensive result		7,042	(1,452)

The accompanying notes form part of these financial statements.

BALANCE SHEET

As at 30 June 2020

(\$ thousand)

	NOTES	2020	2019
Assets		\$	\$
Financial assets			
Cash and deposits	6.3	15,471	18,659
Receivables	5.1	158	1,539
Investments	7.1.1	-	250
Total financial assets		15,628	20,447
Non financial assets			
Inventories	5.3	828	776
Property, plant and equipment	4.1	151,860	141,508
Intangibles	4.2	243	690
Other non-financial assets		193	393
Total non-financial assets		153,123	143,368
Total assets		168,752	163,815
Liabilities			
Payables	5.2	597	3,800
Lease Liability	6.2	1,101	-
Employee related provisions	3.1.2	1,922	1,925
Total liabilities		3,620	5,725
Net assets		165,132	158,090
Equity			
Accumulated surplus		19,321	20,228
Physical asset revaluation surplus	8.2	67,818	59,869
Contributed capital	8.10	77,993	77,993
Net worth		165,132	158,090

The accompanying notes form part of these financial statements.

CASH FLOW STATEMENT

For the financial year ended 30 June 2020

(\$ thousand)

	NOTES	2020	2019
Cash flows from operating activities		\$	\$
Receipts from customers and other entities		22,550	30,811
Receipts from Government		4,400	-
Interest received		104	591
Payments to suppliers and other expenses		(11,511)	(16,225)
Payments to employees		(12,719)	(12,779)
Goods and services tax received from the ATO		(327)	2,449
Net cash flows from operating activities	6.3.1	2,497	4,847
Cash flows from investing activities			
Payments for property, plant and equipment		(5,950)	(45,573)
Payments for intangibles		(27)	-
Proceeds from property, plant and equipment		42	-
Proceeds from Investments		250	-
Net cash flows used in investing activities		(5,685)	(45,573)
Cash flows from financing activities			
Owner Contribution by State Government		-	17,364
Net cash flows from financing activities		-	17,364
Net decrease in cash and cash equivalents		(3,188)	(23,362)
Cash and cash equivalents at beginning of financial year		18,659	42,020
Cash and cash equivalents at end of financial year	6.3	15,471	18,659

The accompanying notes form part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2020

(\$ thousand)

	NOTES	PHYSICAL ASSET REVALUATION SURPLUS	ACCUMULATED SURPLUS	CONTRIBUTIONS BY OWNER	TOTAL
Balance at 1 July 2018		59,897	21,653	60,629	142,178
Net result from continuing operations		-	(1,425)	-	(1,425)
Other comprehensive loss for the year		(28)	-	-	(28)
Capital contributions by State		-	-	17,364	17,364
Balance at 30 June 2019		59,869	20,228	77,993	158,090
Net result from continuing operations		-	(907)	-	(907)
Other comprehensive income for the year		7,949	-	-	7,949
Balance at 30 June 2020		67,818	19,321	77,993	165,132

The accompanying notes form part of these financial statements.

1. ABOUT THIS REPORT

The financial statements cover the Phillip Island Nature Parks Board of Management (the Nature Parks) as an individual reporting entity.

The Nature Parks is a government entity of the State of Victoria, established by government gazette under the *Crown Lands (Reserves) Act 1978*.

Its principal address is:

Phillip Island Nature Parks
154-156 Thompson Avenue
Cowes Victoria 3922

A description of the nature of the Nature Parks' operations and its principal activities is included in the **Report of operations**, which does not form a part of these financial statements.

BASIS OF PREPARATION

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

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

Consistent with the requirements of AASB 1004 *Contributions*, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of the Nature Parks.

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

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

Judgements, estimates and assumptions are required to be made about financial information being presented. The significant judgements made in the preparation of these financial statements are disclosed in the notes where amounts affected by those judgements are disclosed. Estimates and associated assumptions are based on professional judgements derived from historical experience and various other factors that are believed to be reasonable under the circumstances. Actual results may differ from these estimates.

Revisions to accounting estimates are recognised in the period in which the estimate is revised and also in future periods that are affected by the revision. Judgements and assumptions made by management in applying Australian Accounting Standard (AAS) that have significant effects on the financial statements and estimates are disclosed in the notes under the heading: Significant judgement or estimates.

COVID-19 created unprecedented economic uncertainty and continues to have wide ranging impacts for the Nature Parks as well as the broader community on Phillip Island. Site attractions were closed as of March 2020, which has resulted in immediate and material impacts to the Nature Parks and a direct loss of revenue. Management took operational steps to mitigate the adverse impact on the business whilst supporting the workforce throughout this challenging time. In the second half of the reporting period, the Nature Parks realised \$4.1M in revenue, \$5.8M less than the same period the prior year. Expenditure in the second half of the reporting period was reduced by 28.1% versus the same period the prior year.

The Nature Parks has received a letter from the Victorian State Government guaranteeing that the Nature Parks will be able to meet its financial liabilities until November 2021, and a current commitment of \$8.8M in funding support, \$4.4M of which was received in June 2020, with remaining balance received September 2020. This support ensures the Nature Parks can continue to meet its current and future obligations as and when they fall due. The Board has formed the view that the Nature Parks can continue to meet its commitments as a going concern for the foreseeable future.

1. ABOUT THIS REPORT (CONTINUED)

The Nature Parks has identified the following account balances that have been impacted by COVID-19 due to management's judgement and assumptions about the future and a source of estimate uncertainty, including:

Supply of services and sale of goods

Disclosure regarding the impact of the site attraction closures because of COVID-19 on the supply of services and sale of goods are detailed in note 2.1.1

Grants from government

Disclosure of the funding support provided by the Victorian State Government in response to COVID-19 as detailed in note 2.1.2

Cost of sales

Disclosure of the impact of site closures due to COVID-19 and the impact to cost of sales is detailed in note 3.2

Operating expenses

Disclosure regarding the impact of COVID-19 on the Nature Parks operating expenditure is detailed in note 3.3.

Receivables and expected credit loss provision

Disclosure relating to managerial judgment and assumption on the receivables and expected credit loss provision is detailed in note 5.1.

Payables

Disclosure to the changes to payment term conditions in response to COVID-19 are detailed in note 5.2.

Going concern

The Department of Environment, Land, Water and Planning has provided confirmation that it will continue to provide the Nature Parks adequate cash flow support to meet its current and future obligations as and when they fall due for a period up to November 2021 by way of a Letter of Comfort. On that basis, the financial statements have been prepared on a going concern basis, detailed in note 8.10.

Subsequent events

Management's judgements and assumptions relating to subsequent events are disclosed in note 8.9.

All amounts in the financial statements have been rounded to the nearest \$1,000 unless otherwise stated.

COMPLIANCE INFORMATION

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

Where appropriate, those AASs paragraphs applicable to not-for-profit entities have been applied. Accounting policies selected and applied in these financial statements ensure that the resulting financial information satisfies the concepts of relevance and reliability, thereby ensuring that the substance of the underlying transactions or other events is reported.

2. FUNDING DELIVERY OF OUR SERVICES

Introduction

Phillip Island Nature Parks' (the Nature Parks') overall objective is to conserve and enhance the Nature Parks' environment for current and future generations, whilst achieving a balanced environmental, economic and social outcome.

To enable the Nature Parks to fulfil its objective and provide outputs, the Nature Parks operates five main visitor attractions for which it receives revenue from admissions and commercial sales.

Where applicable, amounts disclosed as income are net of returns, allowances, duties and taxes.

Structure

2.1	Income from transactions	54
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Significant judgement: Grants revenue

The Nature Parks has made judgement on the recognition of grant revenue as income of not-for-profit entities where they do not contain sufficiently specific performance obligations. Income from grants that are enforceable and with sufficiently specific performance obligations and accounted for as revenue from contracts with customers is recognised when the Nature Parks satisfies the performance obligation by providing the relevant delivery or services to the relevant grantor. Income from grants to construct the capital assets that are controlled by the Nature Parks are recognised progressively as the asset is constructed. The progressive percentage costs incurred is used to recognise income because this most closely reflects the progress to completion as costs are incurred as the works are done.

2.1 INCOME FROM TRANSACTIONS

2.1.1 Supply of services and sale of goods

(\$ thousand)

	NOTES	2020	2019
		\$	\$
Supply of services - Admissions		13,836	19,675
Sale of goods - Retail and souvenirs		3,957	5,147
Total supply of services and sale of goods		17,793	24,821

The sale of goods and services included in the table above are transactions that the Nature Parks has determined to be classified as revenue from contracts with customers in accordance with AASB 15. The impact of initially applying AASB 15 on the Nature Parks' revenue from contracts with customers is described in Note 8.3. Due to the modified retrospective transition method chosen in applying AASB 15, comparative information has not been restated to reflect the new requirements.

The Nature Parks' tourism operations were significantly impacted as a result of COVID-19 and subsequent travel restrictions. Total tourism revenue was 30% less than prior year and there was a 34% decrease in visitors to the Nature Parks' ticketed attractions. The site restrictions and subsequent closures had a direct impact on the supply of services – admissions and sale of goods – retail and souvenirs. This is also reflected in reduction in cost of sales as per note 3.2.

Performance obligations and revenue recognition policies

Revenue is measured based on the consideration specified in the contract with the customer. The Nature Parks recognises revenue when it transfers control of a good or service to the customer, i.e. when, or as, the performance obligations for the sale of goods and services to the customer are satisfied.

- Customers obtain control of the supplies and consumables at a point in time when the goods are transferred to and accepted by the customer.
- Revenue from the sale of goods is recognised when the goods are transferred to, and have been accepted by, the customer.
- Revenue from the rendering of services is recognised at a point in time when the performance obligation is satisfied when the service is completed; and over time when the customer simultaneously receives and consumes the services as it is provided.

Customers are invoiced and revenue is recognised when the goods are transferred to, and accepted by, customers. For services rendered, where customers simultaneously receive and consume the services as it is provided, the customer is subsequently invoiced in accordance with the terms of the service agreement. For other customers that are only able to consume the services when they have been completed, revenue is only recognised upon completion and delivery

2. FUNDING DELIVERY OF OUR SERVICES (CONTINUED)

2.1.1 Supply of services and sale of goods (continued)

of the services. In rare circumstance where there may be a change in the scope of services provided, the customer will be provided with a new contract for the additional services to be rendered and revenue is recognised consistent with accounting policy above.

For contracts that permit the customer to return an item, revenue is recognised to the extent it is highly probable that a significant cumulative reversal will not occur. Therefore, the amount of revenue recognised is adjusted for the expected returns, which are estimated based on the historical data. In these circumstances, a refund liability and a right to recover returned goods asset are recognised. The right to recover the returned goods asset is measured at the former carrying amount of the inventory less any expected costs to recover goods. The refund liability is included in other payables (Note 5.2) and the right to recover returned goods is included in inventory (Note 5.3). The Nature Parks reviews its estimate of expected returns at each reporting date and updates the amount of the asset and liability accordingly. As the sales are made with a short credit term, there is no financing element present. There has been no change in the recognition of revenue from the sale of goods as a result of the adoption of AASB 15.

For the financial year ending 30 June 2020, the Nature Parks did not record an adjustment of recognition of revenue relating to AASB 15. This is primarily due to the fact that, as a result of pandemic restrictions, there were no existing customer contracts where performance was yet to be completed for the delivery of services.

Previous accounting policy for 30 June 2019

Revenue from the sale of goods was recognised when:

- the Nature Parks no longer had any of the significant risks and rewards of ownership of the goods transferred to the purchaser;
- the Nature Parks no longer had continuing managerial involvement to the degree usually associated with ownership, nor effective control over the goods sold;
- the amount of revenue, and the costs incurred or to be incurred in respect of the transactions, could be reliably measured; and
- it was probable that the economic benefits associated with the transaction would flow to the Nature Parks.

Revenue from the **supply of services** was recognised by reference to the stage of completion of the services performed.

The income was recognised when:

- The amount of the revenue and transaction costs incurred can be reliably measured; and
- It is probably that the economic benefits associated with the transaction will flow to the Nature Parks.

Under this method, revenue is recognised by reference to labour hours supplied or to labour hours supplied as a percentage of total services to be performed in each annual reporting period.

2.1.2 Grants

(\$ thousand)

	NOTES	2020	2019
		\$	\$
Grants from Government		4,538	351
Other grants, donations and sponsorship		380	355
Total grant income		4,917	706

The Nature Parks has determined that all grant income is recognised as income of not-for-profit entities in accordance with AASB 1058, except for grants that are enforceable and with sufficiently specific performance obligations and accounted for as revenue from contracts with customers in accordance with AASB 15.

The impact of initially applying AASB 1058 on the Nature Parks grant revenue is described in Note 8.3. Due to the modified retrospective transition method chosen in applying AASB 1058, comparative information has not been restated to reflect the new requirements. The adoption of AASB 1058 did not have an impact on Other comprehensive income and the Statement of Cash flows for the financial year.

Income from grants that are enforceable and with sufficiently specific performance obligations and accounted for as revenue from contracts with customers. Revenue is recognised when the Nature Parks satisfies the performance obligation by providing the relevant services to the relevant parties. This is recognised based on the consideration specified in the funding agreement and to the extent that it is highly probable a significant reversal of the revenue will not occur. The funding payments are normally received in advance or shortly after the relevant obligation is satisfied.

Income from grants without any sufficiently specific performance obligations, or that are not enforceable, is recognised when the Nature Parks has an unconditional right to receive cash which usually coincides with receipt of cash. On

2. FUNDING DELIVERY OF OUR SERVICES (CONTINUED)

2.1.2 Grants (continued)

initial recognition of the asset, the Nature Parks recognises any related contributions by owners, increases in liabilities, decreases in assets, and revenue ('related amounts') in accordance with other Australian Accounting Standards. Related amounts may take the form of:

- (a) contributions by owners, in accordance with AASB 1004;
- (b) revenue or a contract liability arising from a contract with a customer, in accordance with AASB 15;
- (c) a lease liability in accordance with AASB 16;
- (d) a financial instrument, in accordance with AASB 9; or
- (e) a provision, in accordance with AASB 137 Provisions, Contingent Liabilities and Contingent Assets.

Income received for specific purpose grants for on-passing is recognised simultaneously as the funds are immediately on passed to the relevant recipient entities on behalf of the Commonwealth Government.

The Nature Parks recorded no transitional impacts of adopting AASB 15 and AASB 1058 as at 1 July 2019.

The Nature Parks received a commitment of Government financial support \$8.8M, of which \$4.4M was received June 2020 to mitigate the impact of COVID-19 and ensure the ongoing operations of the Nature Parks.

Donations and sponsorship income is recognised in the period received, except where monies are received to fund projects either for contracted periods of time or specific projects irrespective of the period of time required to completed those projects.

Previous accounting policy for 30 June 2019

Grant income arises from transactions in which a party provides goods or assets (or extinguishes a liability) to the Nature Parks without receiving approximately equal value in return. While grants may result in the provision of some goods or services to the transferring party, they do not provide a claim to receive benefits directly of approximately equal value (and are termed 'non-reciprocal' transfers). Receipt and sacrifice of approximately equal value may occur, but only by coincidence.

Some grants are **reciprocal** in nature (i.e. equal value is given back by the recipient of the grant to the provider). The Nature Parks recognises income when it has satisfied its performance obligations under the terms of the grant.

For non-reciprocal grants, the Nature Parks recognises revenue when the grant is received.

Grants can be received as **general-purpose grants**, which refers to grants which are not subject to conditions regarding their use. Alternatively, they may be received as **specific-purpose grants**, which are paid for a particular purpose and/or have conditions attached regarding their use.

2.1.3 Fair value of assets and services received free of charge or for nominal consideration recognised as income

Voluntary Services: Contributions in the form of services are only recognised when a fair value can be reliably determined and the services would have been purchased if not donated. The Nature Parks has assessed that services provided by volunteers, if not donated, may not be replaced to deliver its services.

2.1.4 Other income

(\$ thousand)

	NOTES	2020	2019
		\$	\$
Interest received		104	591
Education tours and school camps		62	176
Rental income		451	609
Miscellaneous income		28	105
Total other income		646	1,481

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

Rental income from leasing of land and facilities are recognised on a straight-line basis over the term of the agreement.

Miscellaneous income represents all other income received from activities including the sale of plants, livestock and permits. Miscellaneous income is recognised in the period received.

3. THE COST OF DELIVERING SERVICES

Introduction

This section provides an account of the expenses incurred by the Nature Parks in delivering services and outputs. In Section 2, the funds that enable the provision of services were disclosed and in this note the cost associated with provision of services are recorded. Section 4 discloses aggregated information in relation to the income and expenses by output.

Structure

3.1	Expenses incurred in delivery of services	57
3.2	Cost of sales	59
3.3	Other operating expenses	59

3.1 EXPENSES INCURRED IN DELIVERY OF SERVICES

3.1.1 Employee benefits in the comprehensive operating statement (\$ thousand)

	NOTES	2020	2019
		\$	\$
Salaries and wages		10,261	10,053
Payroll tax and Workcover		422	411
Superannuation		1,053	1,016
Movement in annual leave and long service leave provisions		985	806
Total employee expenses		12,721	12,286

Employee expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, termination payments and WorkCover premiums.

The amount recognised in the comprehensive operating statement in relation to superannuation is employer contributions for members of both defined benefit and defined contribution superannuation plans that are paid or payable during the reporting period. The Nature Parks does not recognise any defined benefit liabilities because it has no legal or constructive obligation to pay future benefits relating to its employees.

3.1.2 Employee benefits in the balance sheet

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

	NOTES	2020	2019
Current provisions		\$	\$
Annual leave			
Unconditional and expected to settle within 12 months		588	585
Long service leave			
Unconditional and expected to settle within 12 months		181	151
Unconditional and expected to settle after 12 months		531	513
Provisions for on costs			
Unconditional and expected to settle within 12 months		101	110
Unconditional and expected to settle after 12 months		71	79
Accrued wages		186	255
Total current provisions for employee benefits		1,658	1,692
Non current provisions			
Employee benefits		233	202
On-costs		31	31
Total non-current provisions for employee benefits		264	233
Total provisions for employee benefits		1,922	1,925

3. THE COST OF DELIVERING SERVICES (CONTINUED)

3.1.2 Employee benefits in the balance sheet (continued)

Reconciliation of movement in on-cost provision

(\$ thousand)

	2020	2019
	\$	\$
Opening balance	219	249
Additional provisions recognised	84	79
Reduction arising from payments	(99)	(109)
Closing balance	204	219
Current	172	188
Non-current	31	31

Wages and salaries, annual leave and sick leave: Liabilities for wages and salaries (including non-monetary benefits, annual leave and on-costs) are recognised as part of the employee benefit provision as current liabilities, because the Nature Parks does not have an unconditional right to defer settlements of these liabilities.

The liability for salaries and wages are recognised in the balance sheet at remuneration rates which are current at the reporting date. As the Nature Parks expects the liabilities to be wholly settled within 12 months of reporting date, they are measured at undiscounted amounts.

The annual leave liability is classified as a current liability and measured at the undiscounted amount expected to be paid, as the Nature Parks does not have an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

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

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

Unconditional LSL is disclosed as a current liability; even where the Nature Parks 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 this current LSL liability are measured at:

- undiscounted value – if the Nature Parks expects to wholly settle within 12 months; or
- present value – if the Nature Parks does not expect to wholly settle within 12 months.

Conditional LSL is disclosed as a non-current liability. There is a conditional right to defer the settlement of the entitlement until the employee has completed the requisite years of service. This non-current LSL 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.

3.1.3 Superannuation contributions

Employees of the Nature Parks are entitled to receive superannuation benefits and the Nature Parks contributes to both defined benefit and defined contribution plans. The defined benefit plan(s) provides benefits based on years of service and final average salary.

(\$ thousand)

	Rate		Paid contribution for the year		Contribution outstanding at year end	
	2020	2019	2020	2019	2020	2019
	%	%	\$	\$	\$	\$
Accumulated Funds (Vision)	9.50	9.50	581	533	-	44
Accumulated Funds (Other)	9.50	9.50	661	644	-	51
Defined Benefits Fund (Vision)	9.50	9.50	11	19	-	-
Total			1,252	1,195	-	95

3. THE COST OF DELIVERING SERVICES (CONTINUED)

3.2 COST OF SALES

(\$ thousand)

	2020	2019
	\$	\$
Cost of sales - Retail and souvenirs	1,711	2,148
Total cost of sales	1,711	2,148

Cost of sales: When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related income is recognised. The amount of any write down of inventories to net realisable value and all losses of inventories shall be recognised as an expense in the period the write down or loss occurs.

The reduction in cost of sales – retail and souvenirs is directly related to the decrease in sales due to COVID-19 and subsequent site closures as detailed in note 2.1.1.

The amount of any reversal of any write down of inventories, arising from an increase in net realisable value, shall be recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

3.3 OTHER OPERATING EXPENSES

(\$ thousand)

	2020	2019
	\$	\$
Advertising	476	445
Bank charges	264	257
Consultants and other advice	175	405
Contractors	1,488	2,104
Doubtful debt	388	27
Fringe benefits tax	73	68
Insurance (excluding motor vehicle)	142	109
Legal expenses	140	89
Materials and supplies	516	792
Motor vehicle expenses	121	185
Memberships, licences and commissions	923	721
Repairs and maintenance	200	493
Utilities	256	271
Training	110	109
Telephone and internet	160	106
Travel and entertainment	196	171
Miscellaneous expense	221	660
Total other operating expenses	5,851	7,010

Other operating expenses generally represent the day-to-day running costs incurred in normal operations. It also includes bad debts expense from transactions that are mutually agreed.

As a result of COVID-19, closure of visitor attraction sites and expenditure-reduction measures, other operating expenditure decreased \$1.2M versus prior year. An increase \$361K in doubtful debt was recognised in response to debtor hardship, detailed note 5.1

Supplies and services are recognised as an expense in the reporting period in which they are incurred. The carrying amounts of any inventories held for distribution are expensed when the inventories are distributed.

4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY

Introduction

The Nature Parks controls infrastructure and other assets that are utilised in fulfilling its objectives and conducting its activities. They represent the resources that have been entrusted to the Nature Parks to be utilised for delivery of those outputs.

Structure

4.1	Total property, plant and equipment	60
4.2	Intangible assets	64

Significant judgement: Fair value measurement

Where the assets included in this section are carried at fair value, additional information is disclosed in Note 7.3 in connection with how those fair values were determined.

4.1 TOTAL PROPERTY, PLANT AND EQUIPMENT

(\$ thousand)

	Gross carrying amount	Accumulated depreciation	Net carrying amount
	2020	2020	2020
	\$	\$	\$
Land at fair value	69,094	-	69,094
Buildings at fair value	80,182	(4,298)	75,884
Boardwalks at fair value	2,304	(696)	1,608
Car parks at fair value	1,702	(408)	1,294
Motor vehicles at fair value	1,514	(1,156)	358
Furniture and fittings at fair value	2,374	(1,136)	1,238
Plant and equipment at fair value	3,835	(2,882)	952
Computer hardware at fair value	1,747	(1,260)	487
Leasehold improvements at fair value	961	(59)	903
Work in progress at cost	41	-	41
Net carrying amount	163,754	(11,894)	151,860

(\$ thousand)

	Gross carrying amount	Accumulated depreciation	Net carrying amount
	2019	2019	2019
	\$	\$	\$
Land at fair value	61,145	-	61,145
Buildings at fair value	29,252	(8,613)	20,639
Boardwalks at fair value	2,279	(511)	1,768
Car parks at fair value	3,982	(2,626)	1,356
Motor vehicles at fair value	1,534	(1,024)	510
Furniture and fittings at fair value	1,249	(903)	346
Plant and equipment at fair value	3,653	(2,725)	928
Computer hardware at fair value	1,128	(1,047)	81
Leasehold improvements at fair value	-	-	-
Work in progress at cost	54,735	-	54,735
Net carrying amount	158,957	(17,449)	141,508

4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)

4.1 TOTAL PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

4.1.1 Total right-of-use assets: buildings, plant, equipment and vehicles.

(\$ thousand)

	Gross carrying amount	Accumulated depreciation	Net carrying amount
	2020	2020	2020
	\$	\$	\$
Buildings at fair value	1,212	(132)	1,080
Net carrying amount	1,212	(132)	1,080

(\$ thousand)

	Buildings
	\$
Opening balance - 1 July 2019 ^(a)	1,212
Additions	-
Disposals	-
Depreciation	(132)
Closing balance - 30 June 2020	1,080

Notes:

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

Right-of-use asset acquired by lessees (Under AASB 16 Leases from 1 July 2019) – Initial measurement

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

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

Subsequent measurement: Property, plant and equipment (PPE) as well as right-of-use assets under leases 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) and is summarised on the following page by asset category.

Right-of-use asset – Subsequent measurement

The Nature Parks depreciates the right-of-use assets on a straight-line basis from the lease commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The right-of-use assets are also subject to revaluation.

In addition, the right-of-use asset is periodically reduced by impairment losses, if any and adjusted for certain remeasurements of the lease liability.

Specialised land and specialised buildings: The market approach is also used for specialised land, although is adjusted for the community service obligation (CSO) to reflect the specialised nature of the land being valued.

The CSO adjustment reflects the valuer's assessment of the impact of restrictions associated with an asset to the extent that the CSO adjustment is also equally applicable to market participants.

For the majority of the Nature Parks' specialised buildings, the current replacement cost method is used, adjusting for the associated depreciation.

4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)

4.1.1 Total right-of-use assets: buildings, plant, equipment and vehicles (continued)

Vehicles are valued using the current replacement cost method. The Nature Parks acquires new vehicles and at times disposes of them before the end of their economic life. The process of acquisition, use and disposal in the market is managed by experienced fleet managers in the Nature Parks who set relevant depreciation rates during use to reflect the utilisation of the vehicles.

Fair value for **plant and equipment** that are specialised in use (such that it is rarely sold other than as part of a going concern) is determined using the current replacement cost method.

Refer to Note 7.3 for additional information on fair value determination of property, plant and equipment.

Impairment of property, plant and equipment

The recoverable amount of primarily non-cash-generating assets of not-for-profit entities, which are typically specialised in nature and held for continuing use of their service capacity, is expected to be materially the same as fair value determined under AASB 13 *Fair Value Measurement*, with the consequence that AASB 136 does not apply to such assets that are regularly revalued.

4.1.2 Depreciation and amortisation

Charge for the period ^(a) (\$ thousand)

	2020	2019
	\$	\$
Depreciation		
Buildings	2,215	4,183
Boardwalks	190	175
Car parks	104	1,306
Motor vehicles	182	226
Furniture and fittings	319	142
Plant and equipment	240	272
Leasehold Improvements	59	-
Computer hardware	214	56
Total depreciation	3,522	6,361
Amortisation		
Software	474	505
Total amortisation	474	505
Total depreciation and amortisation	3,996	6,865

Notes:

(a) The table incorporates depreciation of right-of-use assets as AASB 16 Leases have been applied for the first time from 1 July 2019.

All buildings, plant and equipment and other non-financial physical assets that have finite useful lives, are depreciated. The exceptions to this rule include items under assets held for sale, land and investment properties.

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. Typical estimated useful lives for the different asset classes for current and prior years are included in the table below:

4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)

4.1.2 Depreciation and amortisation (continued)

(years)

ASSET	USEFUL LIFE
Buildings	3 to 40
Boardwalks	3 to 10
Car parks	3 to 20
Leasehold improvements	10 to 15
Motor vehicles	5
Furniture, fittings and equipment	3 to 5
Computer hardware and software	3 to 5

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

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

Leasehold improvements are depreciated over the shorter of the lease term and their useful lives.

Indefinite life assets: Land, which is considered to have an indefinite life, are not depreciated. Depreciation is not recognised in respect of these assets because their service potential has not, in any material sense, been consumed during the reporting period.

4.1.3 Reconciliation of movements in carrying amount of property, plant and equipment

(\$ thousand)

	Crown land	Buildings	Boardwalks	Car parks	Motor vehicles	Furniture & fittings	Plant & equipment	Computer hardware	Leasehold improvements	Work in progress	Total property, plant & equipment
Non-current	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2020											
Carrying amount as at 1 July 2019	61,145	20,639	1,768	1,356	510	346	928	81	-	54,735	141,508
Recognition of right-of-use assets on initial application of AASB 16 ^(a)	-	1,212	-	-	-	-	-	-	-	-	1,212
Adjusted balance at 1 July 2019	61,145	21,851	1,768	1,356	510	346	928	81	-	54,735	142,721
Additions	-	3,684	30	-	56	661	172	126	-	41	4,771
Transfer from work in progress	-	52,563	-	42	-	550	92	494	961	(54,703)	-
Disposals	-	-	-	-	(26)	-	-	-	-	(33)	(59)
Revaluation	7,949	-	-	-	-	-	-	-	-	-	7,949
Depreciation and amortisation expense	-	(2,215)	(190)	(104)	(182)	(319)	(240)	(214)	(59)	-	(3,522)
Carrying amount as at 30 June 2020	69,094	75,884	1,608	1,294	358	1,238	952	487	903	41	151,860

Note:

Fair value assessments have been performed for all classes of assets in this purpose group and the decision was made that movements were material (greater than 10 per cent) for a managerial revaluation. The next scheduled full revaluation for this purpose group will be conducted in 2021.

(a) This balance represents the initial recognition of right-of-use assets recorded on the balance sheet on 1 July 2019 relating to operating leases - refer to Note 8.3

4. KEY ASSETS AVAILABLE TO SUPPORT OUTPUT DELIVERY (CONTINUED)

4.1.3 Reconciliation of movements in carrying amount of property, plant and equipment (continued)

(\$ thousand)

	Crown land	Buildings	Boardwalks	Car parks	Motor vehicles	Furniture & fittings	Plant & equipment	Computer hardware	Leasehold improvements	Work in progress	Total property, plant & equipment
Non-current	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
2019											
Carrying amount as at 1 July 2018	61,145	24,684	1,728	2,664	573	263	1,114	96	-	8,674	100,942
Additions	-	-	-	-	168	10	43	25	-	47,055	47,300
Transfer from work in progress	-	258	215	1	2	246	44	24	(994)	-	(204)
Disposals	-	(92)	-	(3)	(7)	(31)	(1)	(8)	-	-	(142)
Revaluation	-	(28)	-	-	-	-	-	-	-	-	(28)
Depreciation and amortisation expense ^(a)	-	(4,183)	(175)	(1,306)	(226)	(142)	(272)	(56)	-	-	(6,361)
Carrying amount as at 30 June 2019	61,145	20,639	1,768	1,356	510	346	928	81	-	54,735	141,508

Note:

(a) Due to the completion of the new Penguin Parade visitor centre, the useful life of the decommissioned facilities was adjusted to end 30 June 2019. This has resulted in an increase in depreciation recognised in this period.

4.2 INTANGIBLE ASSETS

(\$ thousand)

	2020	2019
Non-current	\$	\$
Software at cost	3,383	3,356
Less accumulated amortisation	(3,140)	(2,666)
Net book value at end of financial year	243	690

	2020	2019
Non-current	\$	\$
Opening balance	690	1,232
Additions	27	-
Retirement	-	(37)
Less amortisation	(474)	(505)
Net book value at end of financial year	243	690

INITIAL RECOGNITION

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

Subsequent measurement

Intangible non-produced assets with finite lives are amortised as an 'other economic flow' on a straight-line basis over their useful lives. The amortisation period is three to five years.

Impairment of intangible assets

Intangible assets with finite useful lives are tested for impairment whenever an indication of impairment is identified.

5. OTHER ASSETS AND LIABILITIES

Introduction

This section sets out those assets and liabilities that arose from the Nature Parks controlled operations.

Structure

5.1	Receivables	65
5.2	Payables	65
5.3	Inventories	66

5.1 RECEIVABLES

(\$ thousand)

	2020	2019
Contractual	\$	\$
Sale of goods and services	511	1,037
Allowance for expected credit losses of contractual receivables	(441)	(57)
Accrued interest income	3	9
Other receivables	58	174
Total contractual receivables	131	1,163
Statutory		
GST credit recoverable	27	376
Total receivables	158	1,539
Represented by		
Current receivables	158	1,539

Contractual receivables are classified as financial instruments and categorised as 'financial assets at amortised costs'. They are initially recognised at fair value plus any directly attributable transaction costs. The Nature Parks holds the contractual receivables with the objective to collect the contractual cash flows and therefore subsequently measured at amortised cost using the effective interest method, less any impairment.

Statutory receivables do not arise from contracts and are recognised and measured similarly to contractual receivables (except for impairment) but are not classified as financial instruments for disclosure purposes. The Nature Parks applies AASB 9 for initial measurement of the statutory receivables and, as a result, statutory receivables are initially recognised at fair value plus any directly attributable transaction cost.

The Nature Parks recognised an increase in allowance of expected credit losses of contractual receivables because of COVID-19. The increase in allowance recognises that due to the immediate and direct impact of COVID-19 on many of the Nature Parks tourism partners, management made specific judgements related to the likelihood of recovery of funds.

Details about the Nature Parks' impairment policies, the Nature Parks' exposure to credit risk and the calculation of the loss allowance are set out in Note 7.1.2.

5.2 PAYABLES

(\$ thousand)

	2020	2019
Contractual	\$	\$
Supplies and services	88	1,599
Accrued expenses	372	2,089
Contract liability (Grant)	119	-
Total contractual payables	579	3,688
Statutory		
FBT payable	18	17
Superannuation payable	-	95
Total statutory payables	597	3,800
Represented by		
Current payables	597	3,800

5. OTHER ASSETS AND LIABILITIES (CONTINUED)

5.2 PAYABLES (CONTINUED)

Payables consist of:

- **contractual payables**, classified as financial instruments and measured at amortised cost. Accounts payable represent liabilities for goods and services provided to the Nature Parks prior to the end of the financial year that are unpaid and grants received in advance; and
- **statutory payables**, that 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 contracts.

Payables for supplies and services have an average credit period of 30 days. In response to COVID-19, the Nature Parks committed to complying with the Victorian State Government *Economic Survival and Jobs Package* announced 22 March 2020. In supporting this initiative, the Nature Parks took immediate action to ensure that payables for suppliers and services were paid within five business days where possible.

The following table discloses the maturity of contractual financial liabilities: (\$ thousand)

	Carrying amount	Nominal amount	Less than 1 month	Maturity dates		
				1-3 months	3 months - 1 year	1-5 years
2020	\$	\$	\$	\$	\$	\$
Payables	579	579	653	(29)	(45)	
Total payables	579	579	653	(29)	(45)	-
2019						
Payables	3,688	3,688	3,586	69	33	-
Total payables	3,688	3,688	3,586	69	33	-

5.3 INVENTORIES

(\$ thousand)

	2020	2019
Current inventories	\$	\$
Inventories held for sale at cost		
Penguin Parade	587	494
Koala Conservation Reserve	64	88
Nobbies	118	134
Churchill Island	92	94
Total current inventories	862	810
Less provision for inventory obsolescence	(34)	(34)
Total inventories	828	776

Inventory is measured at the lower of cost and net realisable value. Cost has been assigned to inventory on a first in first out basis. Where inventories are acquired for no cost or nominal consideration, they are measured at current replacement cost at the date of acquisition.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expense. Obsolete and slow-moving stocks are provided for, to ensure the inventories are recorded at net realisable value where such value is below cost.

The amount of any write down of inventories to net realisable value and all losses of inventories shall be recognised as an expense in the period the write down or loss occurs.

Movement in the provision for inventory obsolescence

(\$ thousand)

	2020	2019
	\$	\$
Balance at the beginning of the year	(34)	(29)
Increase in provision recognised in profit or loss	-	(5)
Balance at end of the year	(34)	(34)

6. FINANCING OUR OPERATIONS

Introduction

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

This section includes disclosures of balances that are financial instruments (such as borrowings and cash balances). Notes 7.1 and 7.3 provide additional, specific financial instrument disclosures.

Structure

6.1	Borrowings	67
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6.4	Commitments for expenditure	70

6.1 BORROWINGS

'Borrowings' refer to interest bearing liabilities mainly raised from lease liabilities. Borrowings are classified as financial instruments. Interest bearing liabilities are classified at amortised cost unless the Nature Parks elects to irrevocably designate them at fair value through profit or loss at initial recognition. The election depends on the nature and purpose of the interest-bearing liabilities.

(\$ thousand)

	2020	2019
Current borrowings	\$	\$
Lease liabilities ^(a)	116	-
Total current borrowings	116	-
Non current borrowings		
Lease liabilities	985	-
Total non current borrowings	985	-
Total borrowings	1,101	-

Notes:

(a) Secured by the assets leased. Lease liabilities are effectively secured as the rights to the leased assets revert to the lessor in the event of default.

'Interest expense' includes costs incurred in connection with the borrowing of funds and includes short-term and long-term borrowings, amortisation of discounts or premiums relating to borrowings and interest component of lease repayments.

(\$ thousand)

	2020	2019
	\$	\$
Interest expense on lease liabilities	42	-
Total interest expense	42	-

Interest expense is recognised in the period in which it is incurred. The Nature Parks recognises borrowing costs immediately as an expense, even where they are directly attributable to the acquisition, construction or production of a qualifying asset.

6.2 LEASES

Information about leases for which the Nature Parks is a lessee is presented below.

The Nature Parks' leasing activities

The Nature Parks leases various properties and IT equipment. The lease contracts are typically made for fixed periods of 1-5 years with an option to renew the lease after that date. Lease payments for properties are renegotiated every five years to reflect market rentals.

Leases of IT equipment with contract terms of 1-3 years are either short-term and or/leases of low-value items. The Nature Parks has elected not to recognise right-of-use assets and lease liabilities for these leases.

6. HOW WE FINANCED OUR OPERATIONS (CONTINUED)

6.2 LEASES (CONTINUED)

6.2 (a) Right-of-use Assets

Right-of-use assets are presented in note 4.1.

6.2 (b) Amounts recognised in the Statement of Comprehensive Statement

The following amounts are recognised in the Statement of Comprehensive Operating Statement relating to leases:

	(\$ thousand)
	2020
	\$
Interest expense on lease liabilities	42
Expenses relating to leases of low-value assets	11
Total amount recognised in the statement of comprehensive statement	53

6.2 (c) Amounts recognised in the Statement of Cashflows

The following amounts are recognised in the Statement of Cashflows for the year ending 30 June 2020 relating to leases.

	(\$ thousand)
	2020
	\$
Total cash outflow for leases	164

For any new contracts entered into on, or after 1 July 2019, the Nature Parks considers whether a contract is, or contains a lease. A lease is defined as 'a contract, or part of a contract, that conveys the right to use an asset (the underlying asset) for a period of time in exchange for consideration'. To apply this definition the Nature Parks assesses whether the contract meets three key evaluations:

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

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

Separation of lease and non-lease components

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

Recognition and measurement of leases as a lessee (under AASB 16 from 1 July 2019)

Lease liability - initial measurement

The lease liability is initially measured at the present value of the lease payments unpaid at the commencement date, discounted using the interest rate implicit in the lease if that rate is readily determinable or the Nature Parks' incremental borrowing rate.

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

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

6. HOW WE FINANCED OUR OPERATIONS (CONTINUED)

6.2 LEASES (CONTINUED)

Lease liability - subsequent measurement

Subsequent to initial measurement, the liability will be reduced for payments made and increased for interest. It is remeasured to reflect any reassessment or modification, or if there are changes in-substance fixed payments.

When the lease liability is remeasured, the corresponding adjustment is reflected in the right-of-use asset, or profit and loss if the right-of-use asset is already reduced to zero.

Short-term leases and leases of low-value assets

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

Recognition and measurement of leases (under AASB 117 until 30 June 2019)

In the comparative period, leases of property, plant and equipment were classified as either finance lease or operating leases.

The Nature Parks determined whether an arrangement was or contained a lease based on the substance of the arrangement and required an assessment of whether fulfilment of the arrangement is dependent on the use of the specific asset(s); and the arrangement conveyed a right to use the asset(s).

Leases of property, plant and equipment where the Nature Parks as a lessee had substantially all of the risks and rewards of ownership were classified as finance leases. Finance leases were initially recognised as assets and liabilities at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payment, each determined at the inception of the lease. The leased asset is accounted for as a non-financial physical asset and depreciated over the shorter of the estimated useful life of the asset or the term of the lease. Minimum finance lease payments were apportioned between the reduction of the outstanding lease liability and the periodic finance expense, which is calculated using the interest rate implicit in the lease and charged directly to the consolidated comprehensive operating statement.

Contingent rentals associated with finance leases were recognised as an expense in the period in which they are incurred.

Assets held under other leases were classified as operating leases and were not recognised in the Nature Parks balance sheet. Operating lease payments were recognised as an operating expense in the Statement of Comprehensive Income on a straight-line basis over the lease term.

6.3 CASH FLOW INFORMATION AND BALANCES

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

(\$ thousand)

	2020	2019
	\$	\$
Cash on hand	5	40
Cash at bank - trading account	11,818	15,955
Cash at bank - major project	999	16
Cash at bank - term deposit, maturity of 3 months or less	1,750	1,750
Cash at bank - defined benefits contingency fund	898	898
Balance as per cash flow statement	15,471	18,659

6. HOW WE FINANCED OUR OPERATIONS (CONTINUED)

6.3 CASH FLOW INFORMATION AND BALANCES (CONTINUED)

6.3.1 Reconciliation of net result for the period to cash flow from operating activities

(\$ thousand)

	2020	2019
	\$	\$
Net result for the period	(907)	(1,425)
Non-cash movements		
(Gain)/Loss on sale or disposal of non-current assets	(16)	125
Depreciation and amortisation of non-current assets	3,996	6,865
Movements in assets and liabilities		
Decrease/(increase) in receivables & other current assets	1,581	(693)
Increase in inventories	(52)	(8)
(Decrease)/increase in payables	(2,102)	407
Decrease in employee provisions	(3)	(425)
Net cash flows from operating activities	2,497	4,847

6.4 COMMITMENTS FOR EXPENDITURE

Commitments for future expenditure include operating and capital commitments arising from contracts. These commitments are recorded below at their nominal value and inclusive of GST. Where it is considered appropriate and provides additional relevant information to users, the net present values of significant individual projects are stated. These future expenditures cease to be disclosed as commitments once the related liabilities are recognised in the balance sheet.

In May 2016 it was announced in the 2016-17 State Capital Program (Budget Paper No 4) that the Nature Parks will receive funding for a major capital project. As a condition of this funding, the Nature Parks contributed \$10,000,000 to the project.

6.4.1 Total commitments payable

(\$ thousand)

Nominal amounts 2020	Less than 1 year	1 – 5 years	5+ years	Total
	\$	\$	\$	\$
Capital expenditure commitments payable	632	-	-	632
Operating lease commitments payable ^(a)	11	3	-	13
Total commitments (inclusive of GST)	643	3	-	645
Less GST recoverable				59
Total commitments (exclusive of GST)				704
2019				
Capital expenditure commitments payable	8,016	-	-	8,016
Operating lease commitments payable ^(b)	169	538	-	707
Total commitments (inclusive of GST)	8,184	538	-	8,722
Less GST recoverable				(793)
Total commitments (exclusive of GST)				7,929

Note:

(a) Operating lease commitments relate to low value leases for which AASB 16 exemption option has been elected.

(b) For 2019 operating lease commitments relate to office and warehouse facilities with lease term of five years. These contracts do not allow the Nature Parks to purchase the facilities after the lease ends, but the Nature Parks can renew the lease for a further five years. These have been recorded on the balance sheet as lease liabilities at 30 June 2020.

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS

Introduction

The Nature Parks is exposed to risk from its activities and outside factors. In addition, it is often necessary to make judgements and estimates associated with recognition and measurement of items in the financial statements. This section sets out financial instrument specific information, (including exposures to financial risks) as well as those items that are contingent in nature or require a higher level of judgement to be applied, which for the Nature Parks related mainly to fair value determination.

Structure

7.1	Financial instruments specific disclosures	71
7.2	Contingent assets and contingent liabilities	76
7.3	Fair value determination	77

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

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

Categories of financial assets

Financial assets at amortised cost

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

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

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

The Nature Parks recognises the following assets in this category:

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

Categories of financial liabilities

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. The Nature Parks recognises the following liabilities in this category:

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

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1 FINANCIAL INSTRUMENTS SPECIFIC DISCLOSURES (CONTINUED)

7.1.1 Financial instruments: Categorisation

(\$ thousand)

2020	Cash and Deposits	Financial assets at amortised cost(AC)	Financial liabilities at amortised cost(AC)	Total
Contractual financial assets	\$	\$	\$	\$
Cash and deposits	15,471	-	-	15,471
Receivables				
Sale of goods and services	-	70	-	70
Accrued interest income	-	3	-	3
Other receivables	-	58	-	58
Total contractual financial assets	15,471	131	-	15,602
Contractual financial liabilities				
Payables	-	-	579	579
Total contractual financial liabilities	-	-	579	579

2019	Cash and Deposits	Financial assets at amortised cost(AC)	Financial liabilities at amortised cost(AC)	Total
Contractual financial assets	\$	\$	\$	\$
Cash and deposits	18,659	-	-	18,659
Receivables				
Sale of goods and services	-	980	-	980
Accrued interest income	-	9	-	9
Other receivables	-	174	-	174
Investment and other contractual financial assets				
Term deposits	250	-	-	250
Total contractual financial assets	18,909	1,163	-	20,072
Contractual financial liabilities				
Payables	-	-	3,688	3,688
Total contractual financial liabilities	-	-	3,688	3,688

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1.2 Financial risk management objectives and policies

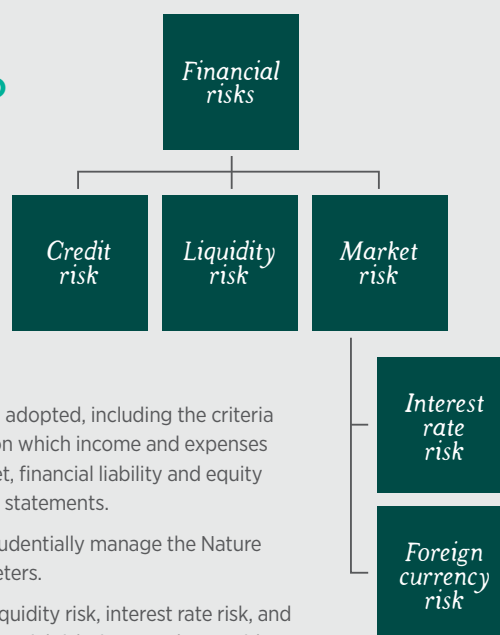
As a whole, the Nature Parks' financial risk management program seeks to manage these risks and the associated volatility of its financial performance.

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument above are disclosed in Note 7.3 to the financial statements.

The main purpose in holding financial instruments is to prudentially manage the Nature Parks' financial risks within the government policy parameters.

The Nature Parks' main financial risks include credit risk, liquidity risk, interest rate risk, and foreign currency risk. The Nature Parks manages these financial risks in accordance with its financial risk management policy.

The Nature Parks uses different methods to measure and manage the different risks to which it is exposed. Primary responsibility for the identification and management of financial risks rests with the Accountable Officer of the Nature Parks.



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. The Nature Parks exposure to credit risk arises from the potential default of a counter party on their contractual obligations resulting in financial loss to the Nature Parks. Credit risk is measured at fair value and is monitored on a regular basis.

Credit risk associated with the Nature Parks contractual financial assets is minimal as the risk is spread across a large number of small debtors. In addition, each debtor must undergo a credit checking process before credit provided and the outstanding balance is reviewed on a regular basis.

In addition, the Nature Parks does not engage in hedging for its contractual financial assets and mainly obtains contractual financial assets that are on fixed interest, except for cash and deposits, which are mainly cash at bank.

Provision of impairment for contractual financial assets is recognised when there is objective evidence that the Nature Parks will not be able to collect a receivable. Objective evidence includes financial difficulties of the debtor, default payments, debts that are more than 60 days overdue, and changes in debtor credit ratings.

Contract financial assets are written off against the carrying amount when there is no reasonable expectation of recovery. Bad debt written off by mutual consent is classified as a transaction expense. Bad debt written off following a unilateral decision is recognised as other economic flows in the net result.

There has been a material change to the Nature Parks' credit risk profile in 2019-20 as a result of COVID-19. This is reflected in the revised provision for doubtful debts.

Impairment of financial assets under AASB 9

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

While cash and cash equivalents are also subject to the impairment requirements of AASB 9, the identified impairment loss was immaterial.

Contractual receivables at amortised cost

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

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1.2 Financial risk management objectives and policies (continued)

On this basis, the Nature Parks determines the opening loss allowance on initial application date of AASB 9 and the closing loss allowance at end of the financial year as follows:

(\$ thousand)

30-Jun-20	Current	Less than 1 month	1-2 months	2 months & over	Total
Expected loss rate	1.19%			90.37%	
Gross carrying amount of contractual receivables	74	-	-	488	561
Loss allowance	1	-	-	441	441

01-Jul-19	Current	Less than 1 month	1-2 months	2 months & over	Total
Expected loss rate	1.19%	4.08%	81.07%	100.00%	
Gross carrying amount of contractual receivables	1,108	69	6	36	1,219
Loss allowance	13	3	5	36	57

Reconciliation of the movement in the loss allowance for contractual receivables is shown as follows:

(\$ thousand)

	2020	2019
Balance at the beginning of the year	(57)	(36)
Increase in provision recognised in net result	(387)	(26)
Reversal of provision of receivables written off during the year as uncollectable	3	6
Balance at the end of the year	(441)	(57)

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

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

Financial instruments: Liquidity risk

Liquidity risk arises from being unable to meet financial obligations as they fall due. The Nature Parks operates under the Government fair payments policy of settling financial obligations within 30 days and in the event of a dispute, making payments within 30 days from the date of resolution.

The Nature Parks is exposed to liquidity risk mainly through the financial liabilities as disclosed in the carrying amount of financial liabilities, which have a maturity of less than one month based on contractual undiscounted cash flows. The Nature Parks manages its liquidity risk by:

- close monitoring of its short-term and long-term funding by management, including monthly reviews on current and future funding levels and requirements;
- maintaining an adequate level of uncommitted funds 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 markets; and
- careful maturity planning of its financial obligations based on forecasts of future cash flows;

The Nature Parks exposure to liquidity risk is deemed increased based on prior periods' data and current assessment of risk. The Nature Parks is wholly dependent on the continued financial support of the State Government and in particular, the Department of Environment, Land, Water and Planning.

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1.2 Financial risk management objectives and policies (continued)

Financial instruments: Market risk

The Nature Parks exposures to market risk are primarily through interest rate risk and foreign currency 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. The Nature Parks 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. The Nature Parks has minimal exposure to cash flow interest rate risks through cash and deposits, term deposits and bank overdrafts that are at floating rate.

The Nature Parks manages this risk by mainly undertaking fixed rate or non-interest-bearing financial instruments with relatively even maturity profiles, with only insignificant amounts of financial instruments at floating rate. Management has concluded for cash at bank, as financial assets that can be left at floating rate without necessarily exposing the Nature Parks to significant bad risk.

The carrying amounts of financial assets and financial liabilities that are exposed to interest rates and the Nature Parks' sensitivity to interest rate risk are set out in the table that follows.

Interest rate exposure of financial instruments (\$ thousand)

2020	Weighted average interest rate	Carrying amount	Fixed interest rate	Variable interest rate	Non interest bearing
	%	\$	\$	\$	\$
Financial assets					
Cash and deposits	0.64	15,471	1,750	13,716	5
Receivables	-	128	-	-	128
Term deposits	1.45	-	-	-	-
Accrued income	-	3	-	-	3
Total financial assets		15,602	1,750	13,716	136
Financial liabilities					
Payables	-	579	-	-	579
Total financial liabilities		579	-	-	579
2019					
	%	\$	\$	\$	\$
Financial assets					
Cash and deposits	1.94	18,659	1,750	16,869	40
Receivables	-	1,154	-	-	1,154
Term deposits	1.50	250	250	-	-
Accrued income	-	9	-	-	9
Total financial assets		20,072	2,000	16,869	1,203
Financial liabilities					
Payables	-	3,688	-	-	3,688
Total financial liabilities		3,688	-	-	3,688

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.1.2 Financial risk management objectives and policies (continued)

Interest rate risk sensitivity

Considering past performance and future expectations, a 0.5% increase or decrease in interest rates is reasonably possible over the next 12 months. The effect on cash assets would be an increase or decrease in fair value of \$78,005 (2019: \$168,686)

Foreign currency risk

All foreign currency transactions during the financial year are brought to account using the exchange rate in effect at the date of the transaction. Exchange differences are recognised in profit and loss in the period in which they arise.

The Nature Parks is exposed to foreign currency risk mainly through its payables relating to purchases from overseas. This is because of a limited amount of purchases denominated in foreign currencies and the short time frame between commitment and settlement.

7.2 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. The Nature Parks is not aware of any quantifiable or non-quantifiable contingent assets between the Phillip Island Nature Parks Board of Management Inc. and third parties as at 30 June 2020 (2019: Nil)

Contingent liabilities

Contingent liabilities are:

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

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

Non-quantifiable contingent liabilities

A number of potential obligations are non-quantifiable at this time arising from:

- indemnities provided in relation to transactions, including financial arrangements and consultancy services, as well as for directors and administrators;
- performance guarantees, warranties, letters of comfort and the like;
- deeds in respect of certain obligations; and
- unclaimed monies, which may be subject to future claims by the general public against the State.

Quantifiable contingent liabilities

(\$ thousand)

	2020	2019
Unsecured debtor balance - AOLiday ^(a)	73	-
Total	73	-

Notes:

(a) Claims for funds paid to the Nature Parks by AOLiday whilst insolvent. As an unsecured creditor the amount paid may be repayable in a future period.

The Nature Parks is not aware of any other material threatened or existing legal actions or other contingencies between the Phillip Island Nature Parks Board of Management Inc. and third parties as at 30 June 2020 (2019: Nil)

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.3 FAIR VALUE DETERMINATION

Significant judgement: Fair value measurements of assets and liabilities

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 the Nature Parks.

This section sets out information on how the Nature Parks 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; and
- land, buildings, infrastructure, 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.

The Nature Parks determines the policies and procedures for determining fair values for both financial and non-financial assets and liabilities as required.

Fair value hierarchy

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.

The Nature Parks 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 the Nature Parks' independent valuation agency (or) the Nature Parks, in conjunction with VGV, monitors changes in the fair value of each asset and liability through relevant data sources to determine whether revaluation is required.

How this section is structured

For those assets and liabilities for which fair values are determined, the following disclosures are provided:

- carrying amount and the fair value (which would be the same for those assets measured at fair value);
- which level of the fair value hierarchy was used to determine the fair value; and
- in respect of those assets and liabilities subject to fair value determination using Level 3 inputs:
 - a reconciliation of the movements in fair values from the beginning of the year to the end; and
 - details of significant unobservable inputs used in the fair value determination.

This section is divided between disclosures in connection with fair value determination for financial instruments (refer to Note 7.3.1) and non-financial physical assets (refer to Note 7.3.2).

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.3 FAIR VALUE DETERMINATION (CONTINUED)

7.3.1 Fair value determination of financial assets and liabilities

The fair values and net fair values of financial assets and liabilities are determined as follows:

- Level 1 – the fair value of financial instruments with standard terms and conditions and traded in active liquid markets are determined with reference to quoted market prices;
- Level 2 – the fair value is determined using inputs other than quoted prices that are observable for the financial asset or liability, either directly or indirectly; and
- Level 3 – the fair value is determined in accordance with generally accepted pricing models based on discounted cash flow analysis using unobservable market inputs.

The Nature Parks currently holds a range of financial instruments that are recorded in the financial statements where the carrying amounts approximate to fair value, due to their short-term nature or with the expectation that they will be paid in full by the end of the 2019-20 reporting period.

These financial instruments include:

Financial assets	Financial liabilities
Cash and deposits Receivables: <ul style="list-style-type: none"> • Sale of goods and services • Accrued investment income • Other receivables Investments and other contractual financial assets: <ul style="list-style-type: none"> • Term deposits: 	Payables <ul style="list-style-type: none"> • For supplies and services • Amounts payable to government • Other payables

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.3.2 Fair value determination of non-financial assets and liabilities (continued)

(\$ thousand)

2020	Carrying amount as at 30 June 2020	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
	\$	\$	\$	\$
Specialised land at fair value	69,094	-	-	69,094
Specialised building at fair value	75,884	-	-	75,884
Boardwalks at fair value	1,608	-	-	1,608
Car parks at fair value	1,294	-	-	1,294
Motor vehicles at fair value	358	-	-	358
Furniture and fittings at fair value	1,238	-	-	1,238
Plant & equipment at fair value	952	-	-	952
Leasehold Improvements at fair value	903	-	-	903
Computer hardware at fair value	487	-	-	487

(\$ thousand)

2019	Carrying amount as at 30 June 2019	Fair value measurement at end of reporting period using:		
		Level 1	Level 2	Level 3
	\$	\$	\$	\$
Specialised land at fair value	61,145	-	-	61,145
Specialised building at fair value	20,639	-	-	20,639
Boardwalks at fair value	1,768	-	-	1,768
Car parks at fair value	1,356	-	-	1,356
Motor vehicles at fair value	510	-	-	510
Furniture and fittings at fair value	346	-	-	346
Plant & equipment at fair value	928	-	-	928
Leasehold Improvements at fair value	-	-	-	-
Computer hardware at fair value	81	-	-	81

There have been no transfers between levels during the period.

Plant and equipment, furniture and fittings, computer hardware and vehicles are valued using the depreciated replacement cost method. The cost represents the replacement cost of the plant and equipment, furniture and fitting and vehicles after applying depreciation rates on a useful life basis. Replacement cost related to the cost to replace the current service capacity of the asset. As depreciation adjustments are considered as significant, unobservable inputs in nature these assets are classified as Level 3 assets.

There were no changes in valuation techniques throughout the period to 30 June 2020.

Specialised land and specialised buildings: The market approach is also used for specialised land, although is adjusted for the community service obligation (CSO) to reflect the specialised nature of the land being valued.

The CSO adjustment reflects the valuer's assessment of the impact of restrictions associated with an asset to the extent that is also equally applicable to market participants. This approach is in light of the highest and best use consideration required for fair value measurement and takes into account the use of the asset that is physically possible, legally permissible, and financially feasible. As adjustments of CSO are considered as significant unobservable inputs, specialised land would be classified as Level 3 assets.

For the majority of the Nature Parks' specialised buildings, the current replacement cost method is used, adjusting for the associated depreciations. As depreciation adjustments are considered as significant, unobservable inputs in nature, specialised buildings are classified as Level 3 fair value measurements.

7. RISKS, CONTINGENCIES AND VALUATION JUDGEMENTS (CONTINUED)

7.3.2 Fair value determination of non-financial assets and liabilities (continued)

An independent valuation of the Nature Parks' specialised land and specialised buildings was performed by the Valuer-General Victoria. The valuation was performed using the market approach adjusted for CSO. The effective date of the valuation is 30 June 2016.

Car parks and boardwalks: are valued using the depreciated replacement cost method. This cost generally represents the replacement cost of the building/component after applying depreciation rates on a useful life basis.

An independent valuation of the Nature Parks' car parks and boardwalks was performed by the Valuer General Victoria. The valuation was performed based on the depreciated replacement cost of the assets. The effective date of the valuation is 30 June 2016.

Reconciliation of Level 3 fair value movements

(\$ thousand)

2020	Specialised land	Specialised buildings	Boardwalks	Car parks	Motor vehicles	Furniture and fittings	Plant and equipment	Leasehold Improvements	Computer hardware
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance	61,145	20,639	1,768	1,356	510	346	928	-	81
Additions	-	57,460	30	42	56	1,211	264	961	620
Depreciation	-	(2,215)	(190)	(104)	(182)	(319)	(240)	(59)	(214)
Disposal	-	-	-	-	(26)	-	-	-	-
Subtotal	61,145	75,884	1,608	1,294	358	1,238	952	903	487
Revaluation	7,949	-	-	-	-	-	-	-	-
Subtotal	7,949	-	-	-	-	-	-	-	-
Closing balance	69,094	75,884	1,608	1,294	358	1,238	952	903	487

2019	Specialised land	Specialised buildings	Boardwalks	Car parks	Motor vehicles	Furniture and fittings	Plant and equipment	Leasehold Improvements	Computer hardware
	\$	\$	\$	\$	\$	\$	\$	\$	\$
Opening balance	61,145	24,684	1,728	2,664	573	263	1,114	-	96
Additions	-	258	215	1	170	256	86	-	49
Depreciation	-	(4,183)	(175)	(1,306)	(226)	(142)	(272)	-	(56)
Disposal	-	(92)	-	(3)	(7)	(31)	(1)	-	(8)
Subtotal	61,145	20,667	1,768	1,356	510	346	928	-	81
Revaluation	-	(28)	-	-	-	-	-	-	-
Subtotal	-	(28)	-	-	-	-	-	-	-
Closing balance	61,145	20,639	1,768	1,356	510	346	928	-	81

8. OTHER DISCLOSURES

Introduction

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

8.1 EX GRATIA EXPENSES

Ex gratia expenses are the voluntary payments of money or other non-monetary benefit (e.g. a write off) that is not made either to acquire goods, services or other benefits for the entity or to meet a legal liability, or to settle or resolve a possible legal liability of or claim against the entity. The Nature Parks is not aware of any ex gratia expenses at the time of finalising the annual report (2019: \$0)

8.2 RESERVES (\$ thousand)

	2020	2019
Physical asset revaluation surplus	\$	\$
Balance at beginning of financial year	59,869	59,897
Revaluation increments/(decrements)	7,949	(28)
Balance at end of financial year	67,818	59,869
Net changes in reserves	7,949	(28)

8.3 CHANGE IN ACCOUNTING POLICIES

8.3.1 Leases

This note explains the impact of the adoption of AASB 16 *Leases* on the Nature Parks' financial statements.

The Nature Parks has applied AASB 16 with a date of initial application of 1 July 2019.

The Nature Parks has elected to apply AASB 16 using the modified retrospective approach, as per the transitional provisions of AASB 16 for all leases for which it is a lessee. The cumulative effect of initial application is recognised in retained earnings as at 1 July 2019. Accordingly, the comparative information presented is not restated and is reported under AASB 117 and related interpretations.

Previously, the Nature Parks determined at contract inception whether an arrangement is or contains a lease under AASB 117 and Interpretation 4 *Determining whether an arrangement contains a Lease*. Under AASB 16, the Nature Parks assesses whether a contract is or contains a lease based on the definition of a lease as explained in note 6.2.

Leases classified as operating leases under AASB 117

As a lessee, the Nature Parks previously classified leases as operating or finance leases based on its assessment of whether the lease transferred significantly all of the risks and rewards incidental to ownership of the underlying asset to the Nature Parks. Under AASB 16, the Nature Parks recognises right-of-use assets and lease liabilities for all leases except where exemption is availed in respect of short-term and low-value leases.

On adoption of AASB 16, the Nature Parks recognised lease liabilities in relation to leases which had previously been classified as operating leases under the principles of AASB 117. These liabilities were measured at the present value of the remaining lease payments, discounted using the Nature Parks' incremental borrowing rate as of 1 July 2019. On transition, right-of-use assets are measured at the amount equal to the lease liability, adjusted by the amount of any prepaid or accrued lease payments relating to that lease recognised in the balance sheet as at 30 June 2019.

The Nature Parks has elected to apply the following practical expedients when applying AASB 16 to leases previously classified as operating leases under AASB 117:

- Applied a single discount rate to a portfolio of leases with similar characteristics;
- Adjusted the right-of-use assets by the amount of AASB 137 onerous contracts provision immediately before the date of initial application, as an alternative to an impairment review;

Structure

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8. OTHER DISCLOSURES (CONTINUED)

8.3 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

8.3.1 Leases (continued)

- Applied the exemption not to recognise right-of-use assets and liabilities for leases with less than 12 months of lease term;
- Excluded initial direct costs from measuring the right-of-use asset at the date of initial application; and
- Used hindsight when determining the lease term if the contract contains options to extend or terminate the lease.

For leases that were classified as finance leases under AASB 117, the carrying amount of the right-of-use asset and lease liability at 1 July 2019 are determined as the carrying amount of the lease asset and lease liability under AASB 117 immediately before that date.

Impacts on financial statements

On transition to AASB 16, the Nature Parks recognised \$1.2 million of right-of-use assets and \$1.2 million of lease liabilities.

When measuring lease liabilities, the Nature Parks discounted lease payments using its incremental borrowing rate at 1 July 2019. The weighted average rate applied is 3.68 per cent.

(\$ thousand)

	1 July 2019
	\$
Total operating lease commitments disclosed at 30 June 2019	642
Discounted using the incremental borrowing rate at 1 July 2019	596
Additional Lease term recognised at 1 July 2019	616
Lease liabilities recognised at 1 July 2019	1,212

8.3.2 Revenue from Contracts with Customers

In accordance with FRD 121 requirements, the Nature Parks has applied the transitional provisions of AASB 15, under modified retrospective method with the cumulative effect of initially applying this standard against the opening retained earnings at 1 July 2019. Under this transition method, the Nature Parks applied this standard retrospectively only to contracts that are not 'completed contracts' at the date of initial application. There was no material transitional impact on the adoption of AASB 15 and 1058.

Comparative information has not been restated.

Note 2.1.1 *Sales of goods and services* includes details about the transitional application of AASB 15 and how the standard has been applied to revenue transactions. For the financial year ending 30 June 2020 the Nature Parks did not record an adjustment of recognition of revenue relating to AASB 15. This is primarily as a result of and due to pandemic restrictions, there were no existing customer contracts where performance was yet to be completed for the delivery of services.

8.3.3 Income of Not-for-Profit Entities

In accordance with FRD 122 requirements, the Nature Parks has applied the transitional provision of AASB 1058, under modified retrospective method with the cumulative effect of initially applying this standard against the opening retained earnings at 1 July 2019. Under this transition method, the Nature Parks applied this standard retrospectively only to contracts and transactions that are not completed contracts at the date of initial application. The Nature Parks has not applied the fair value measurement requirements for right-of-use assets arising from leases with significantly below-market terms and conditions principally to enable the entity to further its objectives as allowed under temporary option under AASB 16 and as mandated by FRD 122.

Comparative information has not been restated.

Note 2.1.2 *Grants* includes details about the transitional application of AASB 1058 and how the standard has been applied to revenue transactions.

The adoption of AASB 1058 did not have an impact on Other comprehensive income and the Statement of Cash flows for the financial year.

8. OTHER DISCLOSURES (CONTINUED)

8.3.4 Transition impact on financial statements

This note explains the impact of the adoption of the following new accounting standards for the first time, from 1 July 2019:

- AASB 16 *Leases*;

Impact on balance sheet due to the adoption of AASB 16 is illustrated with the following reconciliation between the restated carrying amounts at 30 June 2019 and the balances reported under the new accounting standards at 1 July 2019:

Balance Sheet	Notes	Before new accounting standards - 30 June 2019	Impact of new accounting standards - AASB 16	After new accounting standards Opening 1 July 2019
		\$	\$	\$
Total financial assets		20,447	-	20,447
Total non-financial assets	8.3	143,368	1,212	144,580
Total assets		163,815	1,212	165,027
Payables and contract liabilities	5.2	3,800	1,212	5,013
Other liabilities		1,925	-	1,925
Total liabilities		5,725	1,212	6,937
Accumulated surplus	5.2	20,228	-	20,228
Physical revaluation surplus		59,869	-	59,869
Other items in equity		77,993	-	77,993
Total equity		158,090	-	158,090

8.4 RESPONSIBLE PERSONS

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

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

Responsible Minister

Minister for Energy, Environment and Climate Change - Hon. Lily D'Ambrosio MP 1 July 2019 to 30 June 2020

Accountable Officer

Catherine Basterfield, Chief Executive Officer (1 July 2019 to 30 June 2020)

Board Members

- Liz Stinson, Board Chair (1 July 2019 to 30 June 2020)
- Andrew Paxton, Board Member (1 July 2019 to 30 June 2020)
- Dr Danielle Auldist, Board Member (1 July 2019 to 30 June 2020)
- Dr David Cochrane, Board Member (1 July 2019 to 30 June 2020)
- Jane Foley, Board Member (1 July 2019 to 30 June 2020)
- Kay Spierings, Board Member (1 July 2019 to 30 June 2020)
- Kevin Love, Board Member (1 July 2019 to 30 June 2020)
- Michaela Salvato, Board Member (1 July 2019 to 30 June 2020)
- Shelley Lavender, Board Member (1 July 2019 to 30 June 2020)

8. OTHER DISCLOSURES (CONTINUED)

8.4 RESPONSIBLE PERSONS (CONTINUED)

Remuneration

Remuneration received or receivable by the Accountable Officer in connection with the management of the Nature Parks during the reporting period was in the range: \$260,000 - \$269,999 (2019: \$260 000–269 999).

(\$ thousand)

Remuneration bands for responsible persons	2020	2019
\$10,000 to \$19,999	8	8
\$20,000 to \$29,999	1	1
\$260,000 to \$269,999	1	1
Total numbers	10	10
Total remuneration	416	410

8.5 REMUNERATION OF EXECUTIVES

8.5.1 Remuneration of executives

The number of executive officers, other than Ministers and accountable officers, and their total remuneration during the reporting period are shown in the table on the following page. Total annualised employee equivalents provides a measure of full time equivalent executive officers over the reporting period.

Remuneration comprises employee benefits (as defined in AASB 119 *Employee Benefits*) in all forms of consideration paid, payable or provided by the entity, or on behalf of the entity, in exchange for services rendered. Accordingly, remuneration is determined on an accrual basis, and is disclosed in the following categories.

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

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

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

(\$ thousand)

Remuneration of executive officers	2020	2019
	\$	\$
Short-term employee benefits	167	180
Post-employment benefits	9	16
Other long-term benefits	3	4
Total remunerations^(a)	179	200
Total number of executives	1	1
Total annualised employee equivalents	1	1

Notes:

(a) Note that KMPs are also reported in the disclosure of remuneration of executive officers (Note 8.4).

8. OTHER DISCLOSURES (CONTINUED)

8.6 RELATED PARTIES

The Nature Parks is a wholly owned and controlled entity of the State of Victoria.

Related parties of the Nature Parks include:

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

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

Significant transactions with government-related entities

The Nature Parks received funding from the State of Victoria of \$4.4 million (2019: \$0) as funding assistance as a result of declining revenues to support ongoing employment of operational costs of the Nature Parks. This was solely due to COVID-19 and resulting impacts on revenue generating tourism attractions.

Key management personnel (KMP) of the Nature Parks includes the Portfolio Minister for Energy, Environment and Climate Change, the Hon. Lily D'Ambrosio MP and members of the Board of Directors and Chief Executive Officer as detailed in section 8.4.

Remuneration of key management personnel

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.

	(\$ thousand)	
Compensation of KMPs	2020	2019
	\$	\$
Short-term employee benefits ^(a)	377	372
Post-employment benefits	34	33
Other long-term benefits	5	5
Total remunerations^(a)	416	410

Notes:

(a) Note that KMPs are also reported in the disclosure of remuneration of executive officers (Note 8.4).

Transactions and balances with key management personnel and other related parties

Given the breadth and depth of State government activities, related parties transact with the Victorian public sector in a manner consistent with other members of the public e.g. stamp duty and other government fees and charges. Further employment 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 Purchasing Board requirements.

Outside of normal citizen type transactions with the Nature Parks, there was one related party transactions that involved key management personnel, their close family members and their personal business interests. The transaction to Federation University was entered into on an arm's-length basis and declared. The value of the transaction was less than \$5,500, this and all other KMP and their related parties have not been considered material for disclosure. In this context, transactions are only disclosed when they are considered necessary to draw attention to the possibility that the Nature Parks financial position and profit or loss may have been affected by the existence of related parties, and by transactions and outstanding balances, including commitments, with such parties.

The Nature Parks also has a related party relationship with the Penguin Foundation due to the Accountable Officer and Director of Research volunteering their time to hold Board positions with the Foundation.

8. OTHER DISCLOSURES (CONTINUED)

8.7 REMUNERATION OF AUDITORS

(\$ thousand)

Remuneration of Auditors	2020	2019
	\$	\$
Victorian Auditor General's Office	21	20
Total remuneration of auditors	21	20

8.8 SUBSEQUENT EVENTS

The policy in connection with recognising subsequent events that are for events that occur between the end of the reporting period and the date when the financial statements are authorised for issue is as follows:

- adjustments are made to amounts recognised in the financial statements where those events provide information about conditions that existed at the reporting date; and/or
- disclosure is made where the events relate to conditions that arose after the end of the reporting period that are considered to be of material interest.

The uncertainty and challenges caused by COVID-19, including the likelihood of unplanned events, reduction in revenue earnings and the uncertain duration of the current environment have resulted in managerial assessment and forecasts as to the future business expectations. In July 2020, the Victorian State Government announced Stage 3 restrictions, which were in August elevated to Stage 4. Management have estimated that these additional restrictions will have a further estimated loss on forecasted revenue for 2020-21 of \$2.8 million.

It has been necessary throughout the pandemic for the Nature Parks to make managerial estimates and forecasts as to the likelihood of returning visitors, revenue and expenditures. It is anticipated that revenue earnings will be significantly lower in 2020-21 due to travel restrictions, economic climate and decreasing consumer confidence and sentiment. The impact of the pandemic is expected to have significant impacts on the revenue.

8.9 GOING CONCERN

Operations of the Nature Parks was impacted due to disruptions caused by COVID-19 casting significant uncertainty on the entities financial ability to continue to deliver services.

The Nature Parks continues to monitor the financial and non-financial impacts of COVID-19 on its operations and cashflow, and has put in place appropriate mitigation strategies such as reducing all non-critical expenditure and committing to the retention and deployment of tourism staff into conservation, land management, research and business services within the business and broader public sector. However, due to the continuing nature of this event and the material uncertainty that exists, it is not possible to quantify the full economic impact at present. To mitigate this risk, the Department of Environment, Land, Water and Planning has provided a Letter of Comfort to the Nature Parks, to provide a level of assurance that financial assistance will be made available for the entity to continue as a going concern. The Nature Parks is working closely with the Department of Environment, Land, Water and Planning to ensure that an appropriate funding model is developed to continue its operations.

The support provided by the State Government has been provided with the following conditions:

- All necessary steps must be taken to minimise expenditure, including deferring discretionary internal projects, while maintaining core activities as required to ensure programs and services can rebound once restrictions are lifted.
- Retaining existing permanent staff, including the consistent application of the Victorian Public Sector (VPS) guidance note for COVID-19 and any subsequent policies determined by the Victorian Government.
- Phillip Island Nature Parks' existing sources of funding are drawn down, including uncommitted cash reserves and liquidating tradeable equity investments (unless significantly disadvantageous).
- Information to support the application of these conditions and any funding requests is provided to the Department of Environment, Land, Water and Planning and the Department of Treasury and Finance as requested.

8. OTHER DISCLOSURES (CONTINUED)

8.10 OTHER ACCOUNTING POLICIES

(\$ thousand)

	2020	2019
Contribution by owners	\$	\$
Balance at beginning of financial year	77,993	60,629
Capital contribution by State	-	17,364
Balance at end of financial year	77,993	77,993

Consistent with the requirements of AASB 1004 Contributions, contributions by owners (that is, contributed capital and its repayment) are treated as equity transactions and, therefore, do not form part of the income and expenses of the Nature Parks.

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

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

8.11 AUSTRALIAN ACCOUNTING STANDARDS ISSUED THAT ARE NOT YET EFFECTIVE

Certain new and revised accounting standards have been issued but are not effective for the 2019-20 reporting period, which may result in potential impacts on public sector reporting for future reporting periods.

- AASB 2018-7 *Amendments to Australian Accounting Standards – Definition of Material*
 - This Standard principally amends AASB 101 *Presentation of Financial Statements and AASB 108 Accounting Policies, Changes in Accounting Estimates and Errors*. It applies to reporting periods beginning on or after 1 January 2020 with earlier application permitted. The Nature Parks will not early adopt the Standard.
 - The amendments refine and clarify the definition of material in AASB 101 and its application by improving the wording and aligning the definition across AASB Standards and other publications. The amendments also include some supporting requirements in AASB 101 in the definition to give it more prominence and clarify the explanation accompanying the definition of material.
 - The Nature Parks is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact.
- AASB 2020-1 *Amendments to Australian Accounting Standards – Classification of Liabilities as Current or Non Current*
 - This Standard amends AASB 101 to clarify requirements for the presentation of liabilities in the statement of financial position as current or non-current. It initially applied to annual reporting periods beginning on or after 1 January 2022 with earlier application permitted however the AASB has recently issued ED 301 *Classification of Liabilities as Current or Non-Current – Deferral of Effective Date* with the intention to defer the application by one year to periods beginning on or after 1 January 2023. The Nature Parks will not early adopt the Standard.
 - The Nature Parks is in the process of analysing the impacts of this Standard. However, it is not anticipated to have a material impact.

Several other amending standards and AASB interpretations have been issued that apply to future reporting periods, but are considered to have limited impact on the Nature Parks' reporting.

- AASB 17 *Insurance Contracts*.
- AASB 1060 *General Purpose Financial Statements – Simplified Disclosures for For-Profit and Not-for-Profit Tier 2 Entities (Appendix C)*.
- AASB 2018-6 *Amendments to Australian Accounting Standards – Definition of a Business*.
- AASB 2019-1 *Amendments to Australian Accounting Standards – References to the Conceptual Framework*.
- AASB 2019-3 *Amendments to Australian Accounting Standards – Interest Rate Benchmark Reform*.
- AASB 2019-5 *Amendments to Australian Accounting Standards – Disclosure of the Effect of New IFRS Standards Not Yet Issued in Australia*.
- AASB 2020-2 *Amendments to Australian Accounting Standards – Removal of Special Purpose Financial Statements for Certain For-Profit Private Sector Entities*.

8. OTHER DISCLOSURES (CONTINUED)

8.12 GLOSSARY OF TECHNICAL TERMS

The following is a summary of the major technical terms used in this report.

Actuarial gains or losses on superannuation defined benefit plans are changes in the present value of the superannuation defined benefit liability resulting from:

- (a) experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred); and
- (b) the effects of changes in actuarial assumptions.

Administered item generally refers to a department lacking the capacity to benefit from that item in the pursuit of the entity's objectives and to deny or regulate the access of others to that benefit.

Amortisation is the expense that results from the consumption, extraction or use over time of a non-produced physical or intangible asset. This expense is classified as an 'other economic flow'.

Commitments include those operating, capital and other outsourcing commitments arising from non-cancellable contractual or statutory sources.

Comprehensive result is the amount included in the operating statement representing total change in net worth other than transactions with owners as owners.

Current grants are amounts payable or receivable for current purposes for which no economic benefits of equal value are receivable or payable in return.

Depreciation is an expense that arises from the consumption through wear or time of a produced physical or intangible asset. This expense is classified as a 'transaction' and so reduces the 'net result from transaction'.

Effective interest method is the method used to calculate the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the financial asset or, where appropriate, a shorter period.

Employee benefits expenses include all costs related to employment including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments, defined benefits superannuation plans, and defined contribution superannuation plans.

Ex gratia expenses mean the voluntary payment of money or other non-monetary benefit (e.g. a write off) that is not made either to acquire goods, services or other benefits for the entity or to meet a legal liability, or to settle or resolve a possible legal liability or claim against the entity.

Finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an underlying asset.

Financial asset is any asset that is:

- (a) cash;
- (b) an equity instrument of another entity;
- (c) a contractual right:
 - to receive cash or another financial asset from another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity; or
- (d) a contract that will or may be settled in the entity's own equity instruments and is:
 - a non-derivative for which the entity is or may be obliged to receive a variable number of the entity's own equity instruments; or
 - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments.

Financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or equity instrument of another entity.

Financial liability is any liability that is:

- (a) a contractual obligation:
 - to deliver cash or another financial asset to another entity; or
 - to exchange financial assets or financial liabilities with another entity under conditions that are potentially unfavourable to the entity; or
- (b) a contract that will or may be settled in the entity's own equity instruments and is:
 - a non-derivative for which the entity is or may be obliged to deliver a variable number of the entity's own equity instruments; or
 - a derivative that will or may be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the entity's own equity instruments. For this purpose, the entity's own equity instruments do not include instruments that are themselves contracts for the future receipt or delivery of the entity's own equity instruments.

Financial statements in the Model report comprises:

- (a) a balance sheet as at the end of the period;
- (b) a comprehensive operating statement for the period;
- (c) a statement of changes in equity for the period;
- (d) a cash flow statement for the period;
- (e) notes, comprising a summary of significant accounting policies and other explanatory information;
- (f) comparative information in respect of the preceding period as specified in paragraph 38 of AASB 101 *Presentation of Financial Statements*; and
- (g) a statement of financial position as at the beginning of the preceding period when an entity applies an accounting policy retrospectively or makes a retrospective restatement of items in its financial statements, or when it reclassifies items in its financial statements in accordance with paragraphs 41 of AASB 101.

8. OTHER DISCLOSURES (CONTINUED)

8.12 GLOSSARY OF TECHNICAL TERMS (CONTINUED)

Grant expenses and other transfers are transactions in which one unit provides goods, services, assets (or extinguishes a liability) or labour to another unit without receiving approximately equal value in return. Grants can either be operating or capital in nature.

While grants to governments may result in the provision of some goods or services to the transferor, they do not give the transferor a claim to receive directly benefits of approximately equal value. For this reason, grants are referred to by the AASB as involuntary transfers and are termed non-reciprocal transfers. Receipt and sacrifice of approximately equal value may occur, but only by coincidence. For example, governments are not obliged to provide commensurate benefits, in the form of goods or services, to particular taxpayers in return for their taxes.

Grants can be paid as general-purpose grants, which refer to grants that are not subject to conditions regarding their use. Alternatively, they may be paid as specific purpose grants, which are paid for a particular purpose and/or have conditions attached regarding their use.

Interest income includes unwinding over time of discounts on financial assets and interest received on bank term deposits and other investments.

Leases are rights conveyed in a contract, or part of a contract, the right to use an asset (the underlying asset) for a period of time in exchange for consideration.

Net acquisition of non-financial assets (from transactions) are purchases (and other acquisitions) of non-financial assets less sales (or disposals) of non-financial assets less depreciation plus changes in inventories and other movements in non-financial assets. Includes only those increases or decreases in non-financial assets resulting from transactions and therefore excludes write offs, impairment write downs and revaluations.

Net financial liabilities is calculated as liabilities less financial assets, other than equity in public non-financial corporations (PNFC) and public financial corporations (PFC). This measure is broader than net debt as it includes significant liabilities, other than borrowings (e.g. accrued employee liabilities such as superannuation and long service leave entitlements). For the PNFC and PFC sectors, it is equal to negative net financial worth.

Net financial worth is equal to financial assets minus liabilities. It is a broader measure than net debt as it incorporates provisions made (such as superannuation but excluding depreciation and bad debts) as well as holdings of equity. Net financial worth includes all classes of financial assets and liabilities, only some of which are included in net debt.

Net operating balance or **net result from transactions** is a key fiscal aggregate and is revenue from transactions minus expenses from transactions. It is a summary measure of the ongoing sustainability of operations. It excludes gains and losses resulting from changes in price levels and other changes in the volume of assets. It is the component of the change in net worth that is due to transactions and can be attributed directly to government policies.

Net result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those classified as 'other non-owner movements in equity'.

Net worth is calculated as assets less liabilities, which is an economic measure of wealth.

Non-financial assets are all assets that are not financial assets. It includes inventories, land, buildings, infrastructure, road networks, land under roads, plant and equipment, cultural and heritage assets, intangibles and biological assets such as commercial forests.

Non-produced assets are assets needed for production that have not themselves been produced. They include land, subsoil assets, and certain intangible assets. Non-produced intangibles are intangible assets needed for production that have not themselves been produced. They include constructs of society such as patents.

Operating result is a measure of financial performance of the operations for the period. It is the net result of items of revenue, gains and expenses (including losses) recognised for the period, excluding those that are classified as 'other non-owner movements in equity'. Refer also to 'net result'.

Other economic flows included in net result are changes in the volume or value of an asset or liability that do not result from transactions. In simple terms, other economic flows are changes arising from market remeasurements. They include gains and losses from disposals, revaluations and impairments of non-current physical and intangible assets; fair value changes of financial instruments and agricultural assets; and depletion of natural assets (non produced) from their use or removal.

Other economic flows – other comprehensive income comprises items (including reclassification adjustments) that are not recognised in net result as required or permitted by other Australian Accounting Standards. They include changes in physical asset revaluation surplus; share of net movement in revaluation surplus of associates and joint ventures; and gains and losses on remeasuring available-for-sale financial assets.

Payables includes short and long-term trade debt and accounts payable, grants, taxes and interest payable.

Produced assets include buildings, plant and equipment, inventories, cultivated assets and certain intangible assets. Intangible produced assets may include computer software, motion picture films and research and development costs (which does not include the start-up costs associated with capital projects).

The **public non-financial corporation** (PNFC) sector comprises bodies mainly engaged in the production of goods and services (of a non-financial nature) for sale in the marketplace at prices that aim to recover most of the costs involved (e.g. water and port authorities). In general, PNFCs are legally distinguishable from the governments that own them.

8. OTHER DISCLOSURES (CONTINUED)

8.12 GLOSSARY OF TECHNICAL TERMS (CONTINUED)

Receivables include amounts owing from government through appropriation receivable, short and long-term trade credit and accounts receivable, accrued investment income, grants, taxes and interest receivable.

Sales of goods and services refers to income from the direct provision of goods and services and includes fees and charges for services rendered, sales of goods and services, fees from regulatory services and work done as an agent for private enterprises. It also includes rental income under leases and on produced assets such as buildings and entertainment, but excludes rent income from the use of non-produced assets such as land. User charges includes sale of goods and services income.

Supplies and services generally represent cost of goods sold and the day-to-day running costs, including maintenance costs, incurred in the normal operations of the Nature Parks.

Taxation income represents income received from the State's taxpayers and includes:

- payroll tax, land tax and duties levied principally on conveyances and land transfers;
- gambling taxes levied mainly on private lotteries, electronic gaming machines, casino operations and racing;
- insurance duty relating to compulsory third-party, life and non-life policies;
- insurance company contributions to fire brigades;
- motor vehicle taxes, including registration fees and duty on registrations and transfers;
- levies (including the environmental levy) on statutory corporations in other sectors of government; and
- other taxes, including landfill levies, licence and concession fees.

Transactions are those economic flows that are considered to arise as a result of policy decisions, usually an interaction between two entities by mutual agreement. They also include flows into an entity such as depreciation, where the owner is simultaneously acting as the owner of the depreciating asset and as the consumer of the service provided by the asset. Taxation is regarded as mutually agreed interactions between the government and taxpayers. Transactions can be in kind (e.g. assets provided/given free of charge or for nominal consideration) or where the final consideration is cash. In simple terms, transactions arise from the policy decisions of the Government.

8.13 STYLE CONVENTIONS

Figures in the tables and in the text have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage variations in all tables are based on the underlying unrounded amounts.

The notation used in the tables is as follows:

..	zero, or rounded to zero
(xxx.x)	negative numbers
200x	year period
200x 0x	year period

Appendices



DISCLOSURE INDEX

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

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<i>Building Act 1993</i>		
<i>Public Interest Disclosures Act 2012</i>		
<i>Disability Act 2006</i>		
<i>Local Jobs Act 2003</i>		
<i>Financial Management Act 1994</i>		

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Nature Parks staff in bold.

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THANK YOU

For over 20 years, the Nature Parks' achievements have been a tribute to the generous and loyal support of our supporters, community and colleagues. We are indebted to our many volunteers who tirelessly dedicate their time and efforts.

Particular thanks go to the following organisations and volunteer groups for their exceptional support in 2019-20:

Our Community

Barb Martin Bushbank
Bass Coast Specialist School
Better Beef Group - Phillip Island
BirdLife Bass Coast
Boomerang Bags
Friends of Churchill Island Society Inc.
Friends of Scenic Estate Reserve
Hooded Plover Watch
Local land holders
Local schools
National Surfing Reserve Community Working Group
Newhaven Coast Care
Penguin Foundation
Phillip Island and District Historical Society
Phillip Island Boardriders Club
Phillip Island Conservation Society
Phillip Island Integrated Transport Study Group
Phillip Island Landcare Group
Phillip Island Nature Parks volunteers
Phillip Island Progress Association
Preserve Westernport Action
Rhyll Coast Action
San Remo Traders and Business Association
Smiths Beachcombers Association
Surf Beach Sunderland Bay Coast Care Group
Ventnor Coast Care Association
Victorian Wader Study Group Inc.
Wildlife foster carers and shelter operators
Woolamai Beach Surf Life Saving Club

Our Partners

Bass Coast Health
Bass Coast Landcare Network
Bass Coast Shire Council
Bass Coast South Gippsland Reconciliation Group
Bunurong Land Council Aboriginal Corporation
Country Fire Authority (CFA)
Delaware North
Destination Gippsland
Destination Phillip Island
Newhaven, Wonthaggi and Cowes Veterinary Clinics
Phillip Island Tourism and Business Association
Port Phillip and Westernport Catchment Management Authority
South Gippsland Bass Coast Local Learning Network
State Emergency Services (Cowes)
The many Phillip Island businesses who partner with us to deliver positive experiences for our visitors
Tourism Australia
Victorian Tourism Industry Council
Visit Victoria
Westernport Water
Wildlife Coast Cruises
Wildlife Victoria
WWF Australia
Yowengarra Bun Wurrung Balug Clans Aboriginal Corporation
Zoos Victoria

THANK YOU

Our Collaborating Organisations

Australian Academy of Science

Australian Antarctic Division

Australian Geographic

Birdlife Australia

Centre d'Etudes Biologiques de Chizé (France)

CESAR

Chisholm Institute

Conservation Planning Specialist Group (CPSG) Australasia

Conservation Volunteers Australia

CSIRO

Deakin University

Disney Foundation

Ecological Horizons

Ecotourism Australia

Estacion Ecologica de Doñana (Spain)

Federation University

Flinders University

Greening Australia

Heritage Victoria

Institut Pluridisciplinaire Hubert Curien (France)

Institut de Ciencias del Mar (Spain)

Juro Pty Ltd

IUCN Penguin Specialist Group

La Trobe University

Kids Teaching Kids Program

Melbourne Water

Macquarie University

Marie Curie Award, European Union

Melbourne Convention Bureau

Monash University

Mount Rothwell Biodiversity Interpretation Centre

Museum Victoria

National Trust of Australia (Victoria)

National Centre for Coasts and Climate

Netherlands Institute of Ecology

Office of the Threatened Species Commissioner

Parks Victoria

Pinniped Entanglement Group

Port Phillip and Western Port Catchment Management Authority

Victorian Ornithological Research Group Inc.

Reconciliation Australia

Regional Roads Victoria

RMIT University

RF McLaughlin

RSPCA

Royal Botanic Gardens

Savannah Guides

Sheppard Associates

South Australian Research and Development Institute

South East Trawl Fishing Industry Association

Surfing Victoria

Sustainability Victoria

The Andrews Foundation

The University of Melbourne

Trust for Nature

Tourism Australia

Universidad de Barcelona (Spain)

Universite de Strasbourg (France)

University of Adelaide

University of Otago

University of Paris Sud (France)

University of Queensland

University of Sydney

University of Tasmania

University of Western Australia

Victoria University

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Bank of Melbourne

Department of Economic Development, Jobs, Transport and Resources (Regional Development Victoria)

Department of Education and Training (Victoria)

Department of Environment, Land, Water and Planning (Victoria)

Google

Helen McPherson Smith Trust

Penguin Foundation

RACV

Visit Victoria

WWF-Australia

OUR VISION

A place where conservation and ecotourism excellence inspire people to actively protect the environment.

Little Wonders
PENGUIN
PARADE



Wild Ocean
ECOBOAT
ADVENTURES



Antarctic Journey
NOBBIES OCEAN
DISCOVERY



Time Unwinds
CHURCHILL
ISLAND



Bushland Escape
KOALA CONSERVATION
RESERVE



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Phillip Island Nature Parks
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