

# ANNUAL REPORT 2006-07



Victorian Regional Channels  
Authority

## Our Vision

By employing the world's best practices, we aim to:

- provide customer focused navigation services;
- enhance overall port performance;
- provide safe and secure management of port waters; and
- ensure environmentally responsible marine operations.

## Our mission

To provide safe, secure and environmentally responsible navigation services to the users and operators of Victoria's regional commercial ports.

## Scope of operations

The Victorian Regional Channels Authority (VRCA) was established under the Port Services Act 1995 (PSA) to manage channels in the port waters of Geelong, and oversee channel operations in the ports of Hastings and Portland. It began operations on 1 April 2004.

The principal functions of the VRCA, as provided in Section 21 of the Act, are to:

- establish, manage, dredge and maintain the channels in port waters and provide and maintain navigation aids in port waters in accordance with standards of the Director of Marine Safety;
- provide general direction and control of the movement of vessels within port waters in accordance with the Marine Act 1988;
- provide technical advice and support to port managers about the management and operation of port waters and channels in port waters; and
- assist port managers, at their request, and with the approval of the Minister, with integrated planning, development, management and promotion activities for the port.

The VRCA charges for the use of channels and related services in accordance with a price monitoring framework established by the Essential Services Commission (ESC). The pricing framework allows the VRCA to set its own tariffs subject to oversight of the ESC for a period of five years from 1 July 2005.

The VRCA is directly responsible for shipping control in the port waters of Geelong and contracts the shipping control and navigation channel services for the ports of Portland and Hastings to their owner and manager respectively.

The VRCA has approximately 20 customers, being agents and owners of vessels who use its services. These owners and agents are charged according to the Gross Tonnage (GT) of their vessels for the use of channels, navigation aids, shipping control and other associated services. Income is derived almost entirely from this charge.

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

# CONTENTS

- 3 Chairperson's Report
- 5 Chief Executive Officer's Report
- 6 Executive Summary
- 8 Establishment and Functions
- 10 Staff Establishment
- 12 Income and Pricing
- 14 Financial Performance
- 15 Operating Performance
- 16 Key Functions
- 19 Shedding New Light on Geelong Channels
- 22 Safety and the Environment
- 25 Additional Information
- 28 Financial Statements





# beacons

# CHAIRPERSON'S REPORT

It is my pleasure to report that during 2006-07, the Victorian Regional Channels Authority (VRCA) has once again focused on its key role of ensuring the safety and efficiency of regional ports in Victoria, and particularly maritime services in the Port of Geelong.

During the year the VRCA worked to minimise risk and maximise access for commercial shipping and initiated and managed a major program of replacing navigation aids and beacons in Geelong channels. Many of the beacon structures were over 50 years of age, so the project was timely, and it required the focus and dedication of the VRCA to carry the project forward.

The size of the organisation allows it to develop and implement new ideas rapidly. Once a need is defined, based on direct consultation with port stakeholders, it can move quickly through the investigation, planning and delivery stages of a project. It has shown this, for example, in the way it has addressed findings presented in the *Economic Impact Study of the Port of Geelong 2005*, which confirmed the importance of the port within the regional and state economy. To promote these findings the Authority embarked on a port education program directed at regional schools in order to underscore to high school students the value of the port to the region. I am sure that it will also draw the attention of this age group to the opportunities the port provides as a major employer and generator of income and ancillary services within the region.

Another important role of the VRCA is acting as the facilitator for port users. Regular meetings of the Port Users Committee are held at the VRCA's office and they provide an excellent forum for all parties to plan and coordinate their activities. Since its establishment three years ago, the VRCA has presided over a remarkable series of innovations and improvements to port facilities. It has introduced new equipment and systems for Shipping Management, VHF radio, tide and weather gauges, and navigation aids, and encouraged the use of the latest hydrographic survey technologies. In parallel it has implemented management systems for controlling environmental and security risks and provided a more active and responsive approach to the needs of port customers and stakeholders.

In the coming year our priority is to continue to minimise risk and maximise port access to commercial shipping. The VRCA proposes to continue investigations into channel improvements which will help to maximise access to the Port of Geelong while minimising risk to shipping and to the environment.

In August 2006 the VRCA saw a change in management following the retirement of our first Chief Executive Officer, Ian Scott. Mr Scott provided exceptional service to the VRCA and prior to that the Victorian Channels Authority. I thank him for his professional contribution and wish him well in the future. Mr Scott is succeeded by Captain Peter McGovern. Having joined the VRCA at the outset as the Commercial Manager, Captain McGovern brings great experience and continuity to the role and familiarity with key participants in the port community.

My fellow Directors and I would like to thank the management and staff of the VRCA for another year of excellent service to our customers and their continuing contribution to the safety and efficiency of the Port of Geelong.



Michael J Dowling  
Chairperson



# vessels

# CHIEF EXECUTIVE OFFICER'S REPORT

The VRCA's financial results for 2006-07 were in line with budget expectations, with a before tax profit of \$1.9 million, based on a total turnover of \$6.2 million. A tax expense of \$0.6 million brings the after tax profit to \$1.3 million. Operating expenses for the year amounted to \$4.3 million and were in line with budget expectations.

The satisfactory financial performance was achieved without channel fees rising above 24.42 cents per gross ton and despite significant investment by the VRCA in improving the efficiency and safety of the port's navigation aids.

The upgrade and replacement of marker beacons within the Geelong channels was the major initiative undertaken by the VRCA in this financial year. At a final cost of just under \$7 million the project is, relative to the size of the Authority and its resources, a significant investment, yet it was entirely self-funded. Work started on the project in late 2006 with aging beacon structures being removed and replaced progressively. By the end of 2007 all of the structures will be replaced and the old navigation lights replaced with GPS synchronised lanterns. Final commissioning of the project will make the port one of the most advanced in the world in terms of the navigation technologies it deploys on its channels.

Other major undertakings relating to improved shipping include:

- the relocation of the marine controllers office at Corio Quay to a more prominent position overlooking the port;
- relocation of all aerials from the VRCA office to the top of the grain silos located at the Bulk Grain Pier;
- investigation of a better tidal prediction system to estimate when favourable tide heights facilitate movement of ships of deeper draught into the port;
- investigation of a smart vessel docking system for Refinery Pier; and
- investigation into improving channel turning circles in Geelong Port and changes to the batters in the Point Henry section of channel.

The Economic Impact Study of the Port of Geelong, which was completed and released to the general public in September 2005, indicated that the vital importance of the port to the regional economy was a fact perhaps not fully appreciated within the local community. The perception of the VRCA and various port stakeholders was that efforts should be made to raise local awareness of the port's significance.

In this financial year the Authority took a number of steps to promote better awareness of the port's role. The cornerstone of that effort has been the Port Education Project for middle-level high school students attending local schools. A professionally produced program describing port functions and operations was developed for presentation to the students, who were also provided with an inspection of the port facilities aboard the VRCA launch, the George Molland. Getting younger people to witness the workings of the port is a cost-effective way of reaching those who represent the future of the region.

In the same vein, the Authority has also expanded and improved client and public information presented on its website. The site was completely revamped to feature local shipping management, tide and weather information in real-time.

Another public information campaign focused on the risk for small leisure craft using the channels, both to themselves and to the ships for which the channels were designed. Written information sent to local yachting and fishing clubs, supplemented by an electronic awareness campaign, spelled out to owners of small craft the need for greater safety awareness when transiting the port.

Liaison between the Authority and port stakeholders is now routine and formalised via the Geelong Channel Users Group, and other committees involved with port security, safety and environmental issues. The VRCA was active as usual in monitoring and managing risk within the port via revisions and changes to its Safety and Environment Management Plan and Risk Management Register.

The task of minimising risk and maximising access for commercial shipping to the Port of Geelong is ongoing and the VRCA remains responsive to all new challenges and opportunities for making it one of the safest and most efficient in Australia and in the world.

We look forward to continuing the VRCA's vital contribution to Geelong Port and the wider region in the new financial year.



Captain Peter McGovern  
Chief Executive Officer

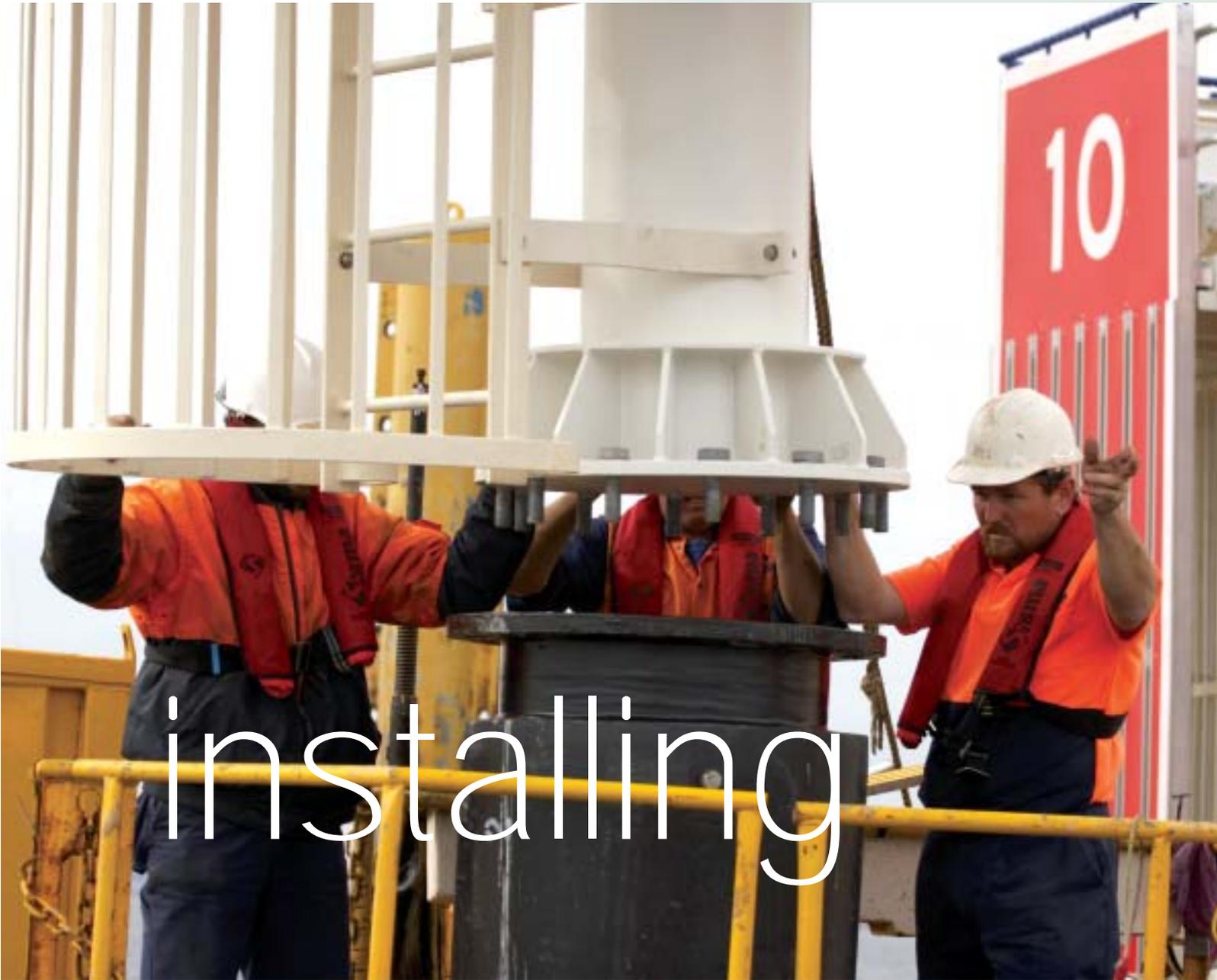
# EXECUTIVE SUMMARY

## Highlights of the Year

- Installation of new navigation beacons and lanterns commenced.
- Inauguration of a Port Education Program targeting Geelong Year 9 and 10 students.
- Upgrade of the VRCA website to accommodate real-time tide, weather and shipping information.
- Extended application of the shipping management and booking system.
- Assessment for channel improvements opportunities in Port of Geelong.
- Investigation of a possible smart docking system for Refinery Pier.
- Investigation of a tidal prediction system.
- Promotion of a media campaign warning small craft of risks associated with channel usage.
- Revision of the Risk Management Register and successful review of the Safety and Environmental Management Plan.

## Ongoing Provision of Key Services and Facilities

- Hydrographic survey of port waters.
- Planning of contracts for all potential capital and maintenance dredging of commercial shipping channels and berths.
- 24-hour commercial shipping management service.
- Coordination of pilot services, tugs, lines boats, lines men, quarantine services and customs.
- Planning and supervision of contracts for provision and maintenance of all navigation aids for commercial shipping.
- Strategic planning for future needs of commercial shipping in regional commercial channels.



installing

# ESTABLISHMENT AND FUNCTIONS

The Victorian Regional Channels Authority (VRCA) was proclaimed as a Government Business Entity on 1 April 2004 and commenced operations on that date. The VRCA was established pursuant to Section 18 of the Port Services Act 1995 with the responsibility of managing the shipping channels in the Port of Geelong and overseeing the channels in the ports of Hastings and Portland.

## Objectives of the VRCA

The principal objective of the VRCA is to ensure that port waters and channels in port waters are managed on a fair and reasonable basis.

In pursuit of this objective, the VRCA aims to:

- operate a safe and secure channel operations business;
- exhibit a culture of sustainability including demonstrated social and environmental responsibility;
- provide the State with a reasonable return on investment;
- provide a quality service to its customers at a reasonable charge;
- manage all assets and liabilities on a prudent basis; and
- be a good employer by adopting and applying appropriate personnel policies.

## Profiles of Geelong piers and wharves

Geelong is the largest regional port in Victoria, handling 25 per cent of Victoria's overseas exports, most of which are raw materials like petroleum products, bulk and bagged grain and woodchips.

The port hosts a number of separate piers and wharves including:

- Point Henry Pier
- Bulk Grain Pier
- Corio Quay
- Lascelles Wharf
- Refinery Pier
- Point Wilson Explosives Pier
- Cunningham Pier
- Rippleside

Aside from the Point Wilson Explosives Pier, Cunningham Pier and the new Bulk Grain Pier, Geelong Port is managed by GeelongPort, which has owned most of the land-based infrastructure since the port was privatised in July 1996.

## Point Henry Pier

The facility is owned by GeelongPort but operated and managed by Alcoa Australia Limited.

Berth	Max LOA	Max Draft	Remarks
Point Henry Pier	209m	11.4m	Alcoa – alumina unloading

## Bulk Grain Pier

The 'old' bulk grain pier is owned by GeelongPort. It is used as a tug berth and lay-up berth. The 'new' bulk grain pier is owned and operated by GrainCorp Ltd for export of bulk grain and woodchips.

Berth	Max LOA	Max Draft	Remarks
Bulk Grain Pier 1	210m	9.9m	Berth facilities used by Adsteam for their towage operations
Bulk Grain Pier 2	192m	11.6m	Lay up berth
Bulk Grain Pier 3	225m	11.6m	GrainCorp – dedicated grain/woodchip

## Corio Quay

Corio Quay comprises Corio Quay North and Corio Quay South. The facility forms the nucleus of GeelongPort's operations in Geelong.

Berth	Max LOA	Max Draft	Remarks
Corio Quay 1 & 2 North	375m	10.4m	Woodchip (priority)/dry bulk/general cargo
Corio Quay 3 North	166m	10.4m	General cargo
Corio Quay 1 South	180m	10.4m	General cargo

## Lascelles Wharf

Lascelles Wharf is owned and managed by GeelongPort for receipt and dispatch of general cargo.

Berth	Max LOA	Max Draft	Remarks
Lascelles Wharf 1, 2 & 3	621m	11.6m	Dry bulk cargo

## Refinery Pier

This facility is owned by GeelongPort but is operated by Shell Australia Ltd and Terminals Ltd for receipt and in some cases, the export of oil products and chemicals.

Berth	Max LOA	Max Draft	Remarks
Refinery Pier 1 & 2	185m	11.6m	Petroleum and chemical products
Refinery Pier 3	230m	11.6m	Petroleum products and VCM
Refinery Pier 4	265m	11.6m	Crude oil and VCM

## Point Wilson Explosives Pier

Point Wilson is located north east of Corio Bay. The channels leading to the pier are serviced by VRCA. The site is used by the Australian Defence Industries as an explosives depot. Vessels visit the berth which is used exclusively for the transport of explosives to and from Point Wilson on an irregular basis, perhaps once per month.

Berth	Max LOA	Max Draft	Remarks
Point Wilson Jetty North	168m	8.5m	Explosives
Point Wilson Jetty South	168m	8.5m	Explosives

## Cunningham Pier

This privately owned facility is included under Victoria's declared port waters. The pier provides berthing for occasional visits by passenger liners and naval vessels.

Berth	Max LOA	Max Draft	Remarks
Cunningham Pier East	186m	7.9m	Cruise and naval vessels
Cunningham Pier West	186m	7.9m	Cruise and naval vessels

## Rippleside

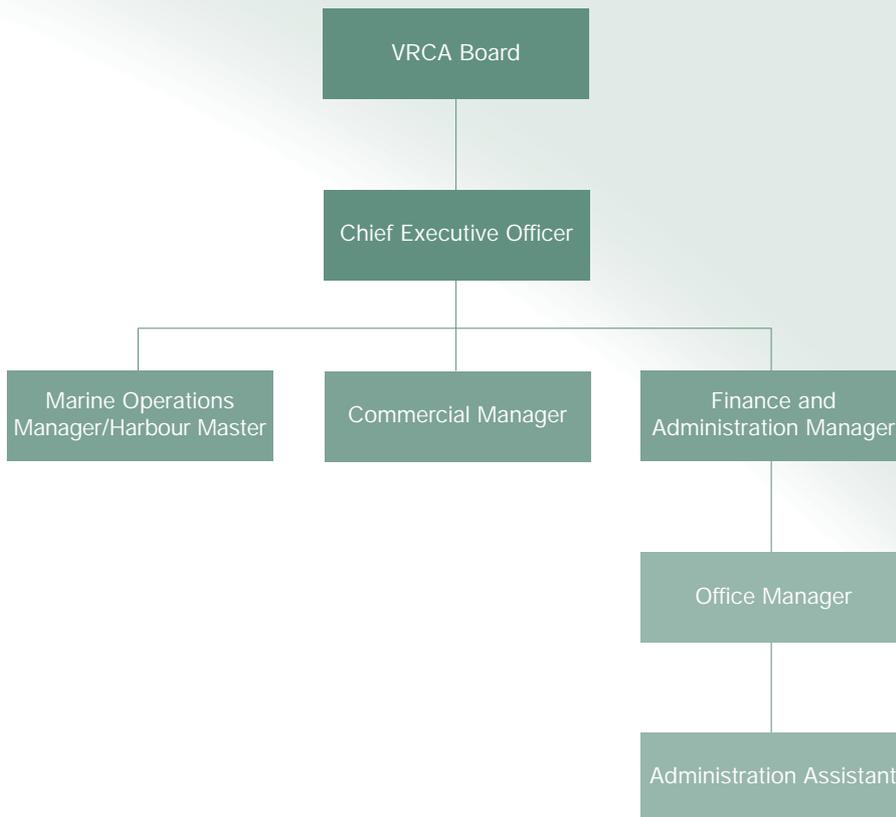
Currently not in operation pending development of the area.

# STAFF ESTABLISHMENT

The VRCA has a Board of Directors of three and an establishment of six staff. Five staff members are permanent, with the Finance and Administration Manager on contract.

Given the small establishment size the role of the VRCA is essentially one of oversight and management of contacts and projects. Key functions such as shipping control, hydrographic survey, dredging and maintenance of navigation aids are contracted to third parties.

## Organisational Structure





# channels

# INCOME AND PRICING

The VRCA is a self-funded government agency that obtains most of its income from a tonnage charge levied on commercial shipping using the port waters of Geelong. Some revenue is derived from contracts with Shell and Alcoa arising from the underwriting of a channel deepening project and from a surcharge levied upon itinerant users of the deeper draught waters within the Geelong Channel.

The VRCA does not gain any revenue from:

- passenger cruise liners and naval vessels using channels or services under the VRCA's control; and
- commercial shipping using the Ports of Hasting or Portland.

## Primary Revenue

### *Memorandum of understanding for price monitoring framework*

The price monitoring framework established by the Essential Services Commission (ESC) is now in its second year since coming into effect on 1 July 2005. Its successful operation has now been formalised with the signing of a memorandum of understanding (MOU) between the VRCA and ESC in April 2007.

The purpose of the MOU is to:

- ensure that the regulatory and decision making processes of the parties are closely integrated and better informed;
- prevent overlap or conflict between regulatory schemes;
- share information between the parties more effectively;
- promote the adoption of best practice in relation to regulation; and
- assist in ensuring the ESC is in a position to consider environmental legislation and regulatory practice when considering decisions in relation to regional channels.

The memorandum also contains guidelines for consultation and for managing relations and resolving disputes between the parties.

In essence the price-monitoring framework is a regime for monitoring and regulating the prices the VRCA charges for its services to shipping and replaces the pricing order under which the Victorian Channels Authority (VCA) and subsequently the VRCA operated until 30 June 2005. Under this arrangement the VRCA is free to set its own tariffs but must provide key performance indicators and any other information requested by the ESC to enable its performance and costs to be monitored.

Fees for channels administered by the Port of Melbourne Corporation (PoMC) but traversed by all Geelong-bound vessels that enter Port Phillip are collected directly from customers by the PoMC and subject to the PoMC's fee structure.

The price-monitoring framework will apply to prescribed services in Victoria's ports for a further three years from 1 July 2007. The 2006-07 Channel Usage Charge for vessels with a maximum draught of 10.5 meters was 24.42 cents per gross ton. This rate has remained the same for the last two years. The VRCA reviews its pricing annually and fix prices for a year in advance.

A small fee increase, in line with current CPI, has been announced for 2007-08.

The new fee is 25.0 cents per gross ton.

Details of tariffs are issued to customers annually by letter and can be downloaded from the VRCA website ([www.regionalchannels.vic.gov.au](http://www.regionalchannels.vic.gov.au)).

## Additional Revenue

### *Geelong Channel Improvement Program*

The deepening of the Geelong Channels in May 1998 was underwritten by the Shell Company of Australia Ltd and Alcoa Australia Ltd under agreements entered into in 1995 with the Victorian Channels Authority.

As a result, both companies are required by contract to make an annual payment commencing one month after 1 May 1998 to the VRCA, the date of practical completion of the deepening of the Geelong channels. The contract also provides for annual CPI increases equivalent to 75 per cent of the CPI movement over the previous 12 months.

The agreements with Shell and Alcoa will remain in effect for 30 and 50 years respectively from the date of signing.

### *Itinerant use*

A charge is levied on itinerant users of the deepened Geelong channels for vessels other than those of Shell and Alcoa, for using water deeper than 10.5 metres. The charge is based on a scale per centimetre of draught over 10.5 metres as follows:

<u>Vessel Type</u>	<u>Vessel Size (Gross Ton)</u>	<u>Rate</u>
Handy	Up to 21,999	\$143.00
Handymax	22,000 – 29,999	\$154.00
Panamax	> 29,999	\$178.20



# exports

# FINANCIAL PERFORMANCE



Total turnover for VRCA for the 12 months ended 30 June 2007, incorporating revenue from non-operating activities, was \$6.2 million.

Revenue was in line with budget expectations, resulting in a before tax profit of \$1.3 million.

## Dividend Distribution Targets

Dividend distribution targets are as determined by the Treasurer in accordance with Section 41 of the PSA after discussion with the VRCA Board. During 2006-07 the VRCA paid \$454,000 in dividends to designated parties in accordance with Treasury guidelines.

## Operating Expenses

Operating expenses for 2006-07 amounted to \$4.3 million. This represents minimal variation on spending from the previous year and was in line with budget expectations.

Direct management is the most cost effective means for the VRCA to provide core channel services to the Port of Geelong. Limited funding sources and continuing self-reliance in major service areas requires that the Authority's staffing levels and administration costs are kept to a minimum. The VRCA has contracts in place with external parties for provision of services such as navigation aid maintenance, maintenance dredging, hydrographic survey and ancillary services.

As in the previous year lower expenditure was in part attributable to the fact that no maintenance dredging has had to be carried out in Geelong since early 2005 and is unlikely to be required until at least 2008. When further maintenance dredging requirements do finally arise they will be negotiated with the provider of services to the Port of Melbourne or put to tender.

# OPERATING PERFORMANCE



## Gross Tonnage Handled

Total gross tonnage of ships entering Geelong Ports in 2006-07 was 12.9 million gross tons; an overall increase of 0.6 million tons (5.4 per cent) on the previous year.

As in previous years the most significant cargo types passing through Geelong Port were: crude oil and petroleum products, woodchips, fertiliser, and grain.

Overall, exports of bulk grain were down due to the ongoing drought which has cut \$6 billion from Australia's agriculture production this year. However, with no surplus grain produced by eastern producers, imports of grain and animal feed increased. Soy bean meal, a new dry bulk product used for animal feed, was imported for the first time through Geelong Port.

Gross Tonnage of crude oil imported to the Shell Refinery, which produces 50 percent of Victoria's needs, also increased because of higher levels of domestic consumption.

## Gross Tonnage and Number of Ships

Gross tonnage and number of ships visiting Geelong Ports over the last eight years has remained at roughly the same levels.

Year	Gross Tonnage Handled	Ship Visits
1999-2000	11.8 million	513
2000-2001	12.4 million	498
2001-2002	12.6 million	490
2002-2003	11.6 million	461
2003-2004	11.9 million	443
2004-2005	11.9 million	470
2005-2006	12.3 million	545
2006-2007	12.9 million	478

# KEY FUNCTIONS

The VRCA has approximately 20 customers and monitors a total of some 1,000 ship movements per year in Geelong waters.

Under the Port Services Act, the VRCA has primary responsibility for channels in the Ports of Geelong, Hastings and Portland. Hastings and Portland ports administer their respective channels on behalf of the VRCA under channel operating agreements that set out management arrangements such as the responsibility to provide and maintain navigation aids and channel depths. The VRCA maintains an overseeing role to ensure these responsibilities are met and regular visits to those ports are made by the VRCA Harbour Master.

## Hydrographic Survey and Dredging

One of VRCA's key measures of performance is to maintain shipping channels to the Port of Geelong to a declared depth of 12.3 metres at all times. Knowledge about the state of the channels is obtained by conducting annual hydrographic surveys of Port of Geelong channels, berths and anchorages.

Hydrographic surveys completed in 2005 and 2006 revealed that it was unlikely that major maintenance dredging will be required in the ensuing years. This continues to be the case for the current financial year. Hydrographic surveys were conducted on behalf of the VRCA in April 2007 by an independent survey team. The team was unable to detect signs of shoaling or other potential hazards to shipping. As a consequence no costly maintenance dredging was required in 2006-07 or will be required in the next financial year. The next annual survey to reassess the state of the channels is scheduled for the summer months of 2008.

The Australian Hydrographic Office has recently determined that the highly accurate multi-beam sonar technology that has been used by the VRCA's survey team in the last few years should now become standard for all hydrographic surveys conducted on behalf of maritime authorities in Australia.

## Shipping Management

In November 2006 the office of the five marine controllers located at Corio Quay was relocated to a more prominent position in an office area owned by GeelongPort.

The new office provides controllers with a capacity – not previously available to them – to survey the entire port area and its approaches.

## New Website to Improve Client and Public Information

Work began in mid 2007 to expand and revamp the existing VRCA website to provide more detailed information to clients and the public in an improved user friendly layout.

The website will host real-time data from the new tide gauges and anemometers that were installed at the entrance to the Geelong channel and near to the refinery piers in 2006. In 2007 a third set of tide gauges and anemometers will be installed in the middle of the channel to provide a reference reading and redundancy.

Educational information about the port will also be hosted on the website for the benefit of schools and the general public and to improve community understanding of the port's importance to the local economy.

## Improving Access to Geelong Channels

Work is continuing on the VRCA's long term investigation of the feasibility of operating an Underkeel Clearance System in Geelong Port has, as of June 2007, not yet been resolved. The study, conducted by the Melbourne firm OMC, which is the world leader in this technology, sought to identify optimal periods, based on tidal movements, for visits by vessels of deeper draught. The VRCA's cost/benefit analysis of the feasibility of progressing with the project found that opportunities may exist to implement such a system in Geelong waters and that some additional depth could be realised by removing some tight areas to reduce vessel squat. However further work is still required to determine whether the system is feasible.

An additional method for improving access of ships to Geelong Port is also being considered. Tides in Geelong Port are often depressed and sometimes, as a result, ships of deeper draught are not able to enter for some days. A better tidal prediction system will help to estimate some weeks in advance, times when more favourable tide heights are probable. Shipping schedulers could then use the system to estimate periods when large vessels can visit the port without being subject to expensive delays.

## Upgrade and Replacement of VHF Radio System

Good communications between ships and shore facilities are vital for safe and efficient port operations. In port waters marine controllers communicate with vessels using radio transmissions in the VHF band.

The VRCA has acquired and installed new, state-of-the-art VHF radio equipment to replace obsolete VHF communications equipment used by marine controllers at Corio. The new equipment installed in September 2006 overcomes the occurrence of radio black spots and allows marine controllers to monitor all of the radio channels in common use by ships in the port. The equipment allows conversations to be recorded for security and audit purposes.

Initially the VHF radio aerials were installed on the roof of the VRCA office, but due to new building in the area, have since been moved to the top of the grain silos located at the Bulk Grain Pier.

### **Possible New Vessel Docking System for Refinery Pier**

The VRCA has investigated the feasibility of introducing a smart docking system at one of the berths at Refinery Pier to minimise the potential for oil spills during docking and fuel transfer operations. In particular the system would help reduce the risks associated with oil tankers berthing in inclement conditions. The Authority began assessing tenders for a system in early 2007, with expectations to implement it in 2007-08. The overall cost of the installation is expected to be about \$250,000.

A docking aid system provides real time data of a vessel's distance and speed of approach relative its berth. With this data pier operators and marine pilots are better able to direct shipboard personnel to manoeuvre vessels safely to the berth. The system uses laser sensors to measure distance and can operate effectively in periods of poor visibility and in heavy rain.

Initially the system will be installed on one berth only, with a view to installing it on additional berths and piers should it be required.

### **Further Uses of the VRCA Launch**

The George Molland (named after the Port of Geelong's first Harbour Master), the multi-purpose launch purchased by the VRCA from the Port of Bunbury in 2005 is already proving its value to the Authority.

To date it has proved indispensable in allowing VRCA officials to monitor progress of the beacon installation. It was also used extensively during the year to support the VRCA education program for Geelong schools. The George Molland was used

to take school children on inspections of the various piers and shipping facilities and to acquaint them with the functions and importance of the Port of Geelong.

It remains an important resource for the Harbour Master to respond to incidents and emergencies in the port waters and is available to emergency services organisations such as the Police, CFA, and Australian Customs Service.

### **The Port Education Project for Local Schools**

During the year the VRCA trialled its Port Education Program targeting Year 9 and 10 students in the Geelong region. The need for such a campaign was prompted by the economic evaluation of Geelong Port carried out in 2005, which explored opportunities for raising public awareness of the importance of the port to the local community.

An education program aimed at middle to upper secondary school students was developed and coordinated by the VRCA with local port organisations offering money and in-kind contributions to the program.

A professional teacher was engaged to advise on the content of the program and to present it to local students. Additional written material and electronic presentations were provided to teachers at each school as well as to each student participating, which in 2006-07 amounted to ten schools and over 300 students in all.

The program was designed to be delivered over half a day and to include an audio visual presentation and interactive exercises. The highlight for each student is a trip around the port facilities aboard the Harbour Master's launch the George Molland.

The then Minister for Transport, Peter Batchelor launched the program with industry and media attending.

### **Channel Improvements in Port of Geelong**

The VRCA continued its ongoing investigation into channel improvements that will maximise access and minimise risks for commercial shipping.

One area that the Authority is assessing is improvement to channel turning circles in Geelong Port and changes to the gradients of batters in the Point Henry section of the channel.



# navigation

# SHEDDING NEW LIGHT ON GEELONG CHANNELS

## Background

Assurance that a ship is correctly positioned in a channel is the most important factor in ensuring safe and efficient passage of ships visiting the port. During the day, highly visible day marks can provide that assurance; but at night and in periods of poor visibility it can only be provided by bright, reliable, easily distinguishable lights.

Soon after the establishment of the VRCA in 2004 it became apparent that the existing navigation beacons in Corio Bay and the structures on which they were mounted were reaching the limits of their life and needed to be replaced.

About half of the beacons in the channel were close to 50 years old and were supported on wooden structures that were, in some cases, deteriorating. The structures no longer satisfied new OHS rules for safe human access and the existing incandescent lights required costly manual monitoring and maintenance, thus posing an ongoing safety risk to the personnel involved.

It was evident that these navigation beacons no longer provided the highest levels of visibility available. The conspicuousness of channel lights for navigation is diminished against the backdrop of city and vehicle lights from Geelong. Excessive background light is a problem in many port cities across the world, and maritime authorities have sought various ways to overcome it.

In addition, the size of ships using the channels has increased over the years adding to the complexity of channel transits. As the port is comprised of a number of commercial wharves and piers, a sophisticated navigation system is needed to ensure safe passage for vessels in and around Corio Bay.

The solution adopted by the VRCA was to install new, taller steel beacon structures with GPS-synchronised, solar-powered, LED navigation lights. Synchronous lighting means that the series of lanterns illuminating the channel flash in a controlled pattern as a ship makes its passage. This provides a clear outline of the channel, allowing it to be distinguished against background lighting from the nearby city, and offers a highly effective visual track for safe navigation.

The synchronised lights are supported by remote monitoring. Blue leading lights, clearly distinguishable against background lighting, are used to distinguish berth-approach channel centre-lines.

## The New Beacon Structures

The wooden beacons have been replaced with single steel piles with a 610mm diameter base and wall thickness of 16 to 20mm depending on water depth. The tops of the piles are the same diameter but the wall thickness is 16mm. The top platforms are made from glass fibre resin with a locked hatch and are 2.1 square metres in width to allow full access around the lights.

Rollers on all of the top hand rails provide a deterrent to birds.

Each pile is driven 8 to 10 metres into the sea bed in water depths of 5 to 13 metres. Heavy density plastic sleeves are driven around the piles, the annular space is filled and grout wrapped with Denso below the flange level. Ladders are caged above the flange level and fendered below to provide protection. A light-weight hoist and davit is provided at each beacon.

Day marks are aluminium on a steel frame with an area of 8 square metres and have Class A1 reflective coatings.

## The New Lights

### *What is GPS synchronisation?*

Getting each SL125 navigation lantern to flash in a set sequence involves writing an algorithm into the lantern's supporting software. Having it flash on and off at the right moment in the sequence as a ship passes through the channel requires that the lantern receive highly accurate time data from a GPS satellite. This satellite data is provided from a number of earth stations using atomic clocks as the time base. Only three satellites need to be in contact at any time for the built-in GPS receiver to collect time data.

### *Automatic operation*

The navigation lanterns are constantly active and once installed, require no operator intervention. If it is daylight the internal microprocessor goes into idle mode after 10 seconds. This reduces the overall power consumption when the light is not required. At dusk or whenever the ambient light threshold drops sufficiently a light sensor on the lantern turns it on automatically.

Once on, the microprocessor checks that the internal GPS module is programmed correctly and can receive valid time base and time data. As the data is received the light flashes in the right sequence along with every other light set with the same flash algorithm. There is no limit to the distance between lights, nor do objects between the lights disrupt the flash pattern.

# SHEDDING NEW LIGHT ON GEELONG CHANNELS

CONTINUED



The lanterns also incorporate a remote monitoring feature which enables operators on shore to receive key maintenance information such as battery condition, flash characters, operational configurations and lantern position through radio and satellite communications.

## Benefits and Advantages

### *Automatic operation*

- Each GPS controlled light operates independently and requires no operator intervention.
- Each light activates automatically at dusk or in periods of low ambient light.

### *Higher visibility*

- LEDs give about twice the candela of a filament light and provide a visible range of 6nm.
- The LEDs flash in sequence for clearer, brighter indications of channel directions for ships transiting the channels at night.

### *More efficient and easier to maintain*

- LEDs are solar powered with power consumption some 25 to 35 per cent less than the incandescent lights.
- The LEDs are smaller and lighter (about a third of the

weight of the incandescent lights) easing OHS concerns for installation or replacement.

- LEDs have an operational life of 100,000 hours – resulting in a greater life between failures and considerable maintenance savings to the VRCA.
- LEDs have a self-cleaning dome lens, inbuilt GPS receiver and incorporate temperature control mechanisms to ensure maximum operational performance.
- The LED lanterns are watertight and made from long life polycarbonate material.
- A spike and slippery dome is fitted to the top of the light to discourage birds, one of the main causes of degraded channel lighting.
- Lights at critical locations are fitted with a remote monitoring capability to reduce costly and risky manual inspection.

## The Project

### *Initial trial*

The VRCA trialled the new LED-based navigation system in October 2004. The technology was developed in Somerville, Victoria by the Sealite company, a world leader in the provision of maritime navigation aids and systems.



### *Tender*

Following the success of the trial, the VRCA confirmed that it would continue installation of the system and proceeded to develop plans to replace old timber beacon pylons and structures with taller metal structures.

A geo-technical study was undertaken to support a tender for the works. The approval of the Victorian Treasurer was required and a business case in support of the project was prepared accordingly. The tender was submitted to the public in June 2006 and the successful tenderer for the works was KV Johnston of Carrum in Victoria.

### *Installation*

Work on removing the old beacon structures and incandescent lanterns and replacing them with steel structures and Sealite SL125-GPS synchronised lanterns began in late 2006 and continues in 2007. The new lanterns feature on all beacons, except the Point Richards entrance beacon where a Vega light is used. The last of the old beacons is expected to be removed and replaced in the second half of 2007 after which final commissioning of the system will occur. The final cost of the project is expected to be about \$6.8 million.

### **Consultation Brings a Successful Solution**

Consultation with the parties exposed to risks in the channels has been a key factor in implementing a successful solution to the beacon requirement.

A significant group in the consultation process is the Port Phillip Sea Pilots who have provided advice about beacon design, light sequencing and lead light location. Their involvement on the project is ongoing.

Valuable input was provided by the Geelong Channel User Group (CUG), which includes Shell, Toll, Graincorp, Alcoa, IPL, Midway and Terminals. The Geelong business community has also recognised the importance of the port and given support and encouragement.

A key beneficiary of the new technologies will be the small craft owners, who also use the channels. Often casual users, they present an ongoing risk to commercial shipping and to themselves. A well-marked channel allows small craft to see if they are in potential danger and provides them an easy reference to their position.

# SAFETY AND THE ENVIRONMENT

The provision of safe and secure port waters and assurance of environmentally responsible marine operations is a key indicator of performance for the VRCA. In 2006-07 the Authority reported zero marine incidents of significance and undertook a number of initiatives to maintain the standards of navigation aids and facilities in port waters.

## **Additional Uses Found for the Automatic Identification System**

The Automatic Identification System (AIS) installed by the Authority in Corio Bay in the previous financial year has been operating effectively and has proved beneficial in ways not initially anticipated.

All international ships of a minimum size of 500 gross tons must carry an AIS device to comply with International Maritime Organisation (IMO) legal requirements. The AIS is a transponder that automatically and continuously transmits in the VHF band, from ships to shore facilities and other vessels, information such as vessel identity (assigned internationally), position, course, speed, ship particulars and cargo information.

AIS transmissions from ships are received in real time and recorded at the VRCA shore facility. The display gives the marine controllers information about the traffic in the port, improves security and reporting of shipping movements. Storage of this information in a database has now provided the Authority with a powerful tool for investigating incidents after they have occurred and determining factors which may be affecting levels of safety in port waters. The data has enabled the VRCA to investigate a number of minor incidents and obtain key information about their causes.

## **Revisions to the Risk Management Register**

A Risk Management Register was established by the VRCA in 2004. This comprehensive risk management system incorporates input from the organisation's Safety and Environmental Management Plan. It provides a sound framework for fulfilling VRCA's responsibilities under the Port Services Act (1995) and for securing and maintaining VRCA assets on behalf of our customers and users of regional ports.

The VRCA Risk Committee of the VRCA Board met on a quarterly basis throughout this financial year to review the register. Significant revisions were made, which were subject to an independent risk audit that was completed in November. Following approval of the register, the proposed controls were implemented and are now active.

The VRCA recently published and distributed a revised port handbook incorporating Harbour Master's directions, which complement measures contained in the Port of Geelong Safety and Environmental Management Plan (SEMP). This document forms the basis for managing and enforcing safety measures for ships transits in the Port of Geelong. The VRCA will work with other key port users to review existing practices and facilitate changes to Harbour Master directions where required.

## **Introduction of the Maritime Security Identification Card**

In this financial year the VRCA took steps to comply with the Federal Department of Transport and Regional Services (DOTARS) requirements to introduce a Maritime Security Identification Card (MSIC): a nationally recognised security identification card for the maritime industry.

The introduction of the card is an Australian Government initiative arising from the review of Australia's maritime security arrangements conducted in 2004. Its implementation covers 70 ports and approximately 250 maritime industry participants across Australia.

Implementation at the Port of Geelong actually began in the month before the appointed compliance date of 1 January 2007, after which anyone working in the maritime security zones of the port must display an MSIC.

This requirement applies to all waterfront workers, maritime contractors, agents and maintenance staff, seafarers, truck and train drivers and operators, and regular port visitors and suppliers. Cardholders need a genuine work-related reason to be in the zone and must have successfully completed the background checking process.

## Safety and Environmental Management Plan Reviewed Successfully

Under Victorian legislation the VRCA must prepare a Safety and Environmental Management Plan (SEMP) and engage with other stakeholders and port users to implement the details of the plan. In June 2006 the VRCA, in conjunction with GeelongPort and GrainCorp, prepared and submitted a joint SEMP to the State government for auditing and approval by independent reviewers.

The plan, which was prepared as the basis for the VRCA's drive to ensure safe and environmentally acceptable practices within Geelong Channels, was approved by the Government in November 2006. As a consequence all of the measures cited in the plan now represent the official safety and environmental policy of the VRCA.

## Geelong Port Emergency Response Exercise

On 30 April the VRCA participated with emergency officers and other port stakeholders in 'Exercise Hotspot' a security exercise to test Geelong Port's emergency responses. The scenario used was a terrorist-linked explosion at Geelong's Port resulting in multiple injuries and crude oil leaking into Corio Bay.

The exercise involved a joint-response from VRCA, Victoria Police, State Emergency Services, CFA, along with port operator GeelongPort, as well as GrainCorp, Shell, Alcoa, Incitec Pivot and Svitzer Marine.

The purpose of the exercise, which took place under the supervision of the Department of Transport and Regional Services, was to examine response and capability in relation to the Maritime Security Plan. The training exercise followed months of planning and has proved invaluable in testing requirements and readiness for port safety.

## Navigation Reliability Figures

During the 2006-07 financial year the VRCA exceeded Marine Safety Victoria (MSV) and International Association of Lighthouse Authorities (IALA) standards for the reliability performance of the approximately 100 navigation aids, beacons and buoys it maintains.

## Risks for Small Craft

Geelong's channels are designed primarily for large vessels. Small craft using the port channels are at risk from the larger vessels which cannot stop or manoeuvre easily around boats that anchor or cross in front of them.

In response to this risk the Authority mounted a media campaign in 2006-07 involving written material, radio and television ads and boat ramp signs to warn small boat owners of the danger posed by the presence of large ships.

The VRCA targeted television and radio shows dealing with small leisure craft and fishing boats and placed warnings in local newspapers particularly in weekend editions focused on leisure activities. Brochures and ramp signs were produced and sent to yacht and fishing clubs to provide members with ongoing reminders of these dangers.

## Marine Pollution

Under the Marine Act 1988 the Director of Marine Safety is responsible for ensuring that adequate means exist to respond effectively to marine pollution events in Victorian waters. The Director has designated the PoMC as the regional control agency responsible for responding to marine pollution incidents within the Port Phillip region, including Corio Bay.

Investigation of marine pollution incidents in Victorian waters is the responsibility of the Victorian Environmental Protection Authority (EPA). The VRCA has a reporting and support role in preparing for and responding to such incidents in port waters and cooperates with the PoMC, the EPA and emergency services organisations as required and as directed by the Director of Marine Safety.

During 2006-07 no major marine pollution incidents occurred in port waters.



# shipping

# ADDITIONAL INFORMATION

## Trading Results

The Authority's profit for the year was \$1,258,066 (2005-06 \$1,121,683) after allowing for an income tax expense of \$665,011 (2005-06 \$603,069).

## Reporting

The Authority reports to the Minister for Roads and Ports, Tim Pallas MP.

## Events Subsequent to Balance Date

Since the end of the financial year the Directors are not aware of any matter or circumstance not otherwise dealt with in this report, which has the potential to significantly affect the operations of the Authority, the results of those operations or the state of affairs of the Authority in subsequent financial years.

## Directors' Benefits

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

## Information on Directors

**Michael Dowling** (Chairperson) is a Geelong based Chartered Accountant with more than 37 years professional and commercial experience including being the managing partner of a firm of chartered accountants. His commercial experience has included being a Director and Company Secretary of companies which operate in the Australian and international shipping industries. He currently operates a corporate consulting business and is a Director of companies in the health insurance and mortgage lending fields. Michael is a member of Deakin University Council. In addition to his commercial experience, he has been an office holder in several community based organisations covering such diverse fields as chamber of commerce, disability services, education, health, youth services and the visual arts.

**Merran Kelsall** (Deputy Chairperson) began her career in Chartered Accountancy, becoming a partner in a major practice in 1987. She has worked as an independent Director and consultant since 1996. Merran has considerable experience in highly regulated industries, especially financial services, health and utilities. She is also an experienced executive coach and chairs a syndicate for the CEO Institute. Merran's current appointments include: Chairman Auditing and Assurance Standards Board, Public Transport Ombudsman (Victoria) Ltd, Director, Melbourne Water Corporation, Avant Mutual Group Ltd, and subsidiaries, Cuscal Ltd, and member of Council of Trustees of the National Gallery of Victoria.

**Alan Taylor OAM** is a Chartered Engineer with 50 years experience in the marine transport industry, nationally and internationally. He sailed as the chief engineer officer on ships and has spent the last 39 years in shore management positions involving ship operations, repair and maintenance, technical design and construction and salvage of ships. He has extensive experience in marine environment issues such as ballast water as well as corporate risk and crisis management. His contribution to the maritime industry has been recognised by the award of the Medal of the Order of Australia for service to maritime engineering and the protection of the marine environment.

## Directors' Meetings

The number of Directors' meetings held in the period each Director held office during the financial year and the number of meetings attended by each Director is:

Director	Number Held	Number Attended
Michael Dowling	7	6
Merran Kelsall	7	7
Alan Taylor	7	7

## ADDITIONAL INFORMATION CONTINUED

### Audit Committee Membership and Role

The Audit Committee consists of all the members of the Board of the Authority, with Merran Kelsall as Chairperson.

The main responsibilities of the Audit Committee are to:

- determine the scope of the internal audit function and ensure that its resources are adequate and used effectively including coordination with the external auditors;
- oversee the effective operation of the risk management framework; and
- review the Authority's internal control environment covering:
  - effectiveness and efficiency of operations;
  - reliability of financial reporting; and
  - compliance with applicable laws and regulations.

### Risk Committee Membership and Role

Board members of the Authority constitute membership of the Committee, with Alan Taylor as Chairperson.

The Risk Committee sits on a quarterly basis to review the risk register and progress in risk management procedures.

The main responsibilities of the risk committee are to:

- ensure the continuing assessment of the risk environment;
- oversee the review and audit of the risk register; and
- ensure the reliable reporting of risks and operational controls.

### Executive Officer Remuneration

The number of executive officers whose income is \$100,000 or more is shown below in their relevant income bands:

Income Bands	2007 Number	2006 Number
\$120,000 to \$129,999	2	-
\$130,000 to \$139,999	1	1
\$150,000 to \$159,999	-	1

### Pecuniary Interests

The Directors, Chief Executive Officer and senior managers have completed a statement of pecuniary interests.

### Overseas Visits

There was no overseas travel during the financial year.

### Indemnification of Officers

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

### Consultancies

There were no consultancies for the financial year over \$100,000.

### Statutory Requirements

#### *Freedom of Information Act*

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

#### *Multicultural awareness*

The Authority is committed to promoting culturally appropriate policies, programs and strategies. With employees representing several nationalities, cultural integration within the work environment is strongly encouraged.

#### *Building Act*

The Authority complies with the provision of the Building Act 1993.

### *Competitive neutrality*

The Authority complies with Victorian Government policy on competitive neutrality.

### *Whistleblowers Protection Act*

The Authority is committed to the aims and objectives of the Whistleblowers Protection Act 2001.

Since the commencement of the Act in January 2002, no disclosures have been received or investigations made by the Authority, and it has not referred any disclosures to the Ombudsman for any reasons. Neither has the Ombudsman referred any disclosures or made any recommendations to the Authority.

The Authority's procedures for reporting disclosures in accordance with the Act are included on the Authority's website.

### *Occupational Health and Safety (OH&S)*

The Authority had an Occupational Health and Safety (OH&S) committee in place that met on a regular basis to deal with any issues raised. The committee was made up of representatives from a cross section of the Authority.

The Authority reported no significant incidents or lost time injuries for the year.

### *Annual report*

The Authority has complied with its statutory obligations in relation to the annual report. Information in relation to the Authority's following activities has been complied with and is available upon request:

- declarations of pecuniary interests;
- publications produced by the authority;
- changes in prices, fees, charges, rates and levies;

- major external reviews carried out;
- overseas visits;
- occupational health and safety; and
- industrial accidents and disputes.

For and on behalf of the Board



Michael Dowling  
Chairperson



Merran Kelsall  
Deputy Chairperson

Geelong  
9 August 2007

# FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

- 29 Income Statement
- 30 Balance Sheet
- 31 Statement of Changes in Equity
- 32 Cash Flow Statement
- 33 Notes to the Financial Statements
- 50 Directors' Declaration
- 51 Auditor General's Report



# INCOME STATEMENT

For the financial year ended 30 June 2007

	Note	2007 \$	2006 \$
<b>Income</b>			
Revenue		5,585,679	5,519,614
Other income	2(a)	625,712	496,933
<b>Total income</b>		<b>6,211,391</b>	<b>6,016,547</b>
<b>Expenses</b>			
Employee benefits	2(b)	717,042	543,287
Depreciation and amortisation	2(c)	1,664,353	1,686,815
Maintenance dredging		-	53,756
Other maintenance		172,902	205,144
Lease	2(d)	67,810	55,136
Insurance		145,991	215,107
Marine services		586,659	622,024
Consultancies and contractors		159,433	314,274
Special projects		81,578	228,027
Loss on disposal of fixed assets		287,142	4,517
Other expenses		405,404	363,708
<b>Total expenses</b>		<b>4,288,314</b>	<b>4,291,795</b>
<b>Net profit before income tax expense</b>		<b>1,923,077</b>	<b>1,724,752</b>
Income tax expense	3	665,011	603,069
<b>Net profit for the period</b>		<b>1,258,066</b>	<b>1,121,683</b>

*The above income statement should be read in conjunction with the accompanying notes.*

# BALANCE SHEET

As at 30 June 2007

	Note	2007 \$	2006 \$
<b>Current assets</b>			
Cash and cash equivalents	4	7,418,697	9,887,353
Trade and other receivables	5	767,310	539,683
<b>Total current assets</b>		<b>8,186,007</b>	<b>10,427,036</b>
<b>Non-current assets</b>			
Infrastructure, property, plant and equipment	6	52,329,568	49,319,048
Intangible assets	7	36,116	65,887
Deferred tax assets	3(b)	54,660	55,671
<b>Total non-current assets</b>		<b>52,420,344</b>	<b>49,440,606</b>
<b>Total assets</b>		<b>60,606,351</b>	<b>59,867,642</b>
<b>Current liabilities</b>			
Trade and other payables	8	480,794	184,163
Provisions	9(a)	507,307	699,516
<b>Total current liabilities</b>		<b>988,101</b>	<b>883,679</b>
<b>Non-current liabilities</b>			
Provisions	9(b)	2,241	2,073
Deferred tax liabilities	3(c)	1,227,085	1,397,032
<b>Total non-current liabilities</b>		<b>1,229,326</b>	<b>1,399,105</b>
<b>Total liabilities</b>		<b>2,217,427</b>	<b>2,282,784</b>
<b>Net assets</b>		<b>58,388,924</b>	<b>57,584,858</b>
<b>Equity</b>			
Contributed equity	10(a)	57,883,058	57,883,058
Retained profits/(losses)	10(b)	505,866	(298,200)
<b>Total equity</b>		<b>58,388,924</b>	<b>57,584,858</b>
Contingent assets and liabilities	16		
Commitments for expenditure	17		

The above balance sheet should be read in conjunction with the accompanying notes.

# STATEMENT OF CHANGES IN EQUITY

For the financial year ended 30 June 2007

	Note	2007 \$	2006 \$
<b>Total equity at the beginning of the period</b>		<b>57,584,858</b>	57,005,175
Net result for the period	2	1,258,066	1,121,683
Dividends paid		(454,000)	(542,000)
<b>Total equity at the end of the period</b>		<b>58,388,924</b>	57,584,858
Effects of correction of errors	20	-	789,830

*The above statement of changes in equity should be read in conjunction with the accompanying notes.*

# CASH FLOW STATEMENT

For the financial year ended 30 June 2007

	Note	2007 \$	2006 \$
<b>Cash flows from operating activities</b>			
Receipts from trade and other debtors		6,064,290	6,255,610
Payments to trade creditors, other creditors and employees		(2,500,245)	(2,768,604)
Goods and services tax paid to the Australian Taxation Office		(5,282)	(292,500)
Interest received		560,701	541,581
Income tax paid (refer note 1(j))		(1,021,623)	(521,212)
<b>Net cash inflow from operating activities</b>	19	<b>3,097,841</b>	<b>3,214,875</b>
<b>Cash flows from investing activities</b>			
Payments for infrastructure, property, plant and equipment		(5,201,671)	(891,614)
Proceeds from sale of infrastructure, property, plant and equipment		89,174	67,235
<b>Net cash (outflow) from investing activities</b>		<b>(5,112,497)</b>	<b>(824,379)</b>
<b>Cash flows from financing activities</b>			
Dividends paid		(454,000)	(542,000)
<b>Net cash (outflow) from financing activities</b>		<b>(454,000)</b>	<b>(542,000)</b>
<b>Net increase in cash and cash equivalents</b>		<b>(2,468,656)</b>	<b>1,848,496</b>
Cash and cash equivalents at the beginning of the financial year		9,887,353	8,038,857
<b>Cash and cash equivalents at the end of the financial year</b>	4	<b>7,418,697</b>	<b>9,887,353</b>

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

# NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 30 June 2007

Contents	Page
Note 1. Summary of accounting policies	33
Note 2. Net result from operations	38
Note 3. Income tax	39
Note 4. Cash and cash equivalents	40
Note 5. Trade and other receivables	40
Note 6. Infrastructure, property, plant and equipment	41
Note 7. Intangible assets	42
Note 8. Trade and other payables	42
Note 9. Provisions	42
Note 10. Equity and movement in equity	42
Note 11. Financial instruments	43
Note 12. Responsible persons	44
Note 13. Remuneration of executives	45
Note 14. Superannuation funds	46
Note 15. Remuneration of auditors	47
Note 16. Contingent assets and liabilities	47
Note 17. Commitments for expenditure	48
Note 18. Events occurring after reporting date	48
Note 19. Reconciliation of profit for the year to net cash flow from operating activities	49
Note 20. Correction of errors	49

## Note 1. Summary of accounting policies

### Statement of compliance

The financial report is a general purpose financial report which has been prepared on an accrual basis in accordance with the Financial Management Act 1994, Australian Accounting Standards, Urgent Issues Group Interpretations and other authoritative pronouncements of the Australian Accounting Standards Board. Accounting Standards include Australian equivalents to International Financial Reporting Standards (A-IFRS).

### Basis of preparation

The Victorian Regional Channels Authority (VRCA) has been assessed as a for-profit entity under Financial Reporting Direction (FRD) 108. The financial report has been prepared in accordance with the historical cost convention.

VRCA is required to use a discounted cash flow (DCF) methodology to fair value channel assets and test for impairment. VRCA has received the Minister for Finance's temporary exemption from applying the fair value model requirements of FRD 103 Non-Current Physical Assets, for the 2005-06 and 2006-07 reporting periods in relation to channel assets. This will enable VRCA to value its channel assets at cost, provided that cost exceeds the present value of future cash flows.

The accounting policies adopted, and the classification and presentation of items, are consistent with those of the previous year, except where a change is required to comply with accounting standards or an alternative accounting policy permitted by an Australian accounting standard is adopted to improve the relevance and reliability of the financial report. Where practicable, comparative amounts are presented and classified on a basis consistent with the current year.

### (a) Reporting entity

VRCA has responsibility for regional shipping channels in Geelong, Hastings and Portland. The main objective of VRCA is to ensure that port waters and channels in port waters are managed for use on a fair and reasonable basis.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the financial year ended 30 June 2007

## Note 1. Summary of accounting policies continued

### *(b) Cash and cash equivalents*

Cash and cash equivalents include cash on hand, deposits held at call with banks and investments in money market instruments.

### *(c) Contributions by owners*

Consistent with UIG Interpretation 1038 Contributions by Owners Made to Wholly-Owned Public Sector Entities appropriations for additions to net assets have been designated as contributions by owners. Other transfers that are in the nature of contributions or distributions have also been designated as contributions by owners.

### *(d) Depreciation of property, plant and equipment*

Depreciation is calculated on a straight line basis to write off the net cost or 'deemed' net cost of each item of property (excluding land) over its expected useful life to VRCA. Estimates of the remaining useful lives for all assets are reviewed at least annually. The expected useful lives are as follows:

Navigation aids	5-40 years
Office furniture, fittings and equipment	3-10 years
Motor vehicles	5 years
Leasehold improvements	3 years
Channel maintenance dredging	4 years
Channels	40 years

### *(e) Dredging – berth and channel maintenance*

The shipping channels in Geelong Port are subject to continual deterioration through siltation, which reduces the depth of water available to commercial shipping. The berths and channels are restored to declared depths by maintenance dredging. Maintenance dredging falls into two types, as follows:

#### *(i) Minor (routine) maintenance dredging*

Minor maintenance dredging is generally dredging of the berths. This dredging is carried out on an as needs basis and is expensed as incurred.

#### *(ii) Major (channel) maintenance dredging*

Major maintenance dredging is dredging of the channels and is generally carried out on at least a four year cycle. These dredging costs are capitalised and amortised over four (4) years. Refer Note 1(d).

### *(f) Dividends*

An obligation to pay a dividend only arises after consultation between the Board, the Minister for Transport and the Treasurer. Following this consultation a formal determination is made by the Treasurer. There is no such obligation as at the reporting date.

### *(g) Employee benefits*

#### *(i) Salaries and wages (including leave)*

Liabilities for salaries and wages, including non-monetary benefits and annual and long service leave (including oncosts) are recognised and measured as the amounts expected to be paid when liabilities are settled in respect of employees' services up to the reporting date. Sick leave is non-vesting and a liability is recognised only when the amount of sick leave expected to be taken in future periods exceeds the entitlement expected to accrue in those periods.

A liability for employee benefits is recognised and is measured as the present value of expected future payments to be made in respect of services provided by employees up to the reporting date and is inclusive of oncosts. Consideration is given to future salary and wage levels, experience of employee departures and periods of service. Benefits not expected to be settled within 12 months are measured as the present value of the estimated future cash outflows to be made in respect of the service provided by employees up to the reporting date.

#### *(ii) Superannuation*

The amount charged to the income statement in respect of superannuation represents the contributions made by VRCA to the superannuation fund in respect to the current services of employees. Superannuation contributions are made to funds based on the relevant rules of each fund.

#### *(h) Goods and services tax*

Revenues, expenses and assets are recognised net of goods and services tax (GST) except:

- where that amount of GST incurred is not recoverable from the taxation authority, it is recognised as part of the cost of acquisition of an asset or as part of an item of expense; or
- for receivables and payables which are recognised inclusive of GST.

The net amount of GST recoverable from, or payable to, the taxation authority is included as part of receivables or payables.

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

#### *(i) Impairment of assets*

VRCA's assets are assessed annually for indications of impairment, except for:

- assets arising from employee benefits;
- deferred tax assets; and
- non-current assets held for sale.

If there is an indication of impairment, the assets concerned are tested as to whether their carrying amount exceeds their recoverable amount. Where an asset's carrying value exceeds its recoverable amount, the difference is written-off by a charge to the income statement except to the extent that the write-down can be debited to an asset revaluation reserve amount applicable to that specific asset.

The recoverable amount for assets is measured at the higher of value in use and fair value less costs to sell. The value in use is measured as the present value of future cash flows expected to be obtained from the asset.

#### *(j) Income tax*

By direction of the Treasurer of Victoria under the State Owned Enterprises Act 1992, VRCA is subject to the National Tax Equivalent Regime (NTER), but limited to the Income Tax component of the NTER.

The amount recognised for current tax is based on the profit or loss for the year as adjusted for non-assessable and non-deductible items. It is calculated using tax rates that have been enacted or substantively enacted by the reporting date.

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

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition of assets and liabilities (other than as a result of the acquisition of an entity or operation) which affects neither taxable income nor net profit or loss.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the financial year ended 30 June 2007

## Note 1. Summary of accounting policies continued

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

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

### *(k) Infrastructure, property, plant and equipment*

Assets with a cost of \$1,000 or less are expensed as incurred. The cost method of accounting is used for all assets costing greater than \$1,000. Cost is measured as the fair value of the assets given up or liabilities undertaken at the date of acquisition plus incidental costs directly attributable to the acquisition and estimated costs for the dismantling, removing or site restoration works that are necessary when the asset is disposed of.

Assets acquired at no cost, or for nominal consideration, are initially recognised at their fair value at the date of acquisition.

Where settlement of any part of cash consideration is deferred, the amounts payable in the future are discounted to their present value as at the date of the acquisition. The discount rate used is the incremental borrowing rate, being the rate at which similar borrowing could be obtained from an independent financier under comparable terms and conditions.

### *(l) Intangible assets*

Intangible assets represent identifiable non-monetary assets without physical substance. Intangible assets are recognised at cost. Cost incurred subsequent to initial acquisition are capitalised when it is expected that additional future economic benefits will flow to VRCA.

Amortisation is allocated to intangible assets with finite useful lives on a systematic basis over the asset's useful life. 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. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period. In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset concerned is impaired. If so, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. The expected useful lives are as follows:

Software 2.5 years

Intangible assets with indefinite useful lives are not amortised. The useful life of intangible assets that are not being amortised are reviewed each period to determine whether events and circumstances continue to support an indefinite useful life assessment for that asset. In addition, the entity tests all intangible assets with indefinite useful lives for impairment by comparing its recoverable amount with its carrying amount:

- (a) annually; and
- (b) whenever there is an indication that the intangible asset may be impaired.

Any excess of the carrying amount over the recoverable amount is recognised as an impairment loss.

### *(m) Provisions*

Provisions are recognised when VRCA has a present obligation, the future sacrifice of economic benefits is probable, and the amount of the provision can be measured reliably.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the reporting date, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recognised from a third party, the receivable is recognised as an asset if it is virtually certain that recovery will be received and the amount of the receivable can be measured reliably.

*(n) Revenue recognition*

Amounts disclosed as revenue are, where applicable, net of trade allowances and duties and taxes paid or payable. Revenue is recognised for each of VRCA's major activities as follows:

*(i) Channel fees*

Channel fees represents revenue earned from the sale of VRCA's services (use of shipping channels). These fees are recognised as revenue in the period in which the service has been provided.

*(ii) Interest revenue*

Interest revenue represents revenue received or receivable on at-call and short term deposits invested by VRCA. At-call and short term deposits are brought to account at face value.

*(iii) Sundry revenue*

Sundry revenue is all other revenue earned by VRCA not dealt with above. Sundry revenue is recognised as revenue in the period in which the service has been provided.

*(o) Trade receivables*

Debtors are generally settled within thirty (30) days and are carried at amounts due. A review is made of all outstanding amounts at year end in order to determine whether a provision for doubtful debts is required. No provision for doubtful debts was deemed necessary at balance date.

*(p) Trade payables*

Creditors, including accruals not yet billed, are recognised when VRCA becomes obliged to make future payments as a result of a purchase of assets or services. Trade creditors are generally settled within 30 days.

*(q) New standards and interpretations issued but not yet effective*

At the date of this financial report the following standards and interpretations, which may impact the entity in the period of initial application, have been issued but are not yet effective:

Reference	Title	Summary	Application Date (Financial Years Beginning)	Expected Impact
AASB 7	Financial Instruments: Disclosures	New standard – replaces disclosure requirements of AASB 132	1 January 2007	Disclosures only
AASB 2005-10	Amendments to Australian Accounting Standards arising from AASB 7	Amends AASB 132, AASB 101, AASB 114, AASB 117, AASB 133, AASB 139, AASB 1, AASB 4, AASB 1023, AASB 1038 as a result of issue of AASB 7	1 January 2007	Disclosures only
AASB 101	Presentation of Financial Statements	Revised standard	1 January 2007	Disclosures only
AASB 2007-4	Amendments to Australian Accounting Standards arising from ED 151 and Other Amendments	Amends AASB 1, 2, 3, 4, 5, 6, 7, 102, 107, 108, 110, 112, 114, 116, 117, 118, 119, 120, 121, 127, 128, 129, 130, 131, 132, 133, 134, 136, 137, 138, 139, 141, 1023 & 1038	1 July 2007	Disclosures and minor dollar impact
AASB 2007-7	Amendments to Australian Accounting Standards	Further amends AASB 1, AASB 2, AASB 4, AASB 5, AASB 107 and AASB 128 as a result of issue of AASB 2007-4	1 July 2007	Disclosures only

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the financial year ended 30 June 2007

## Note 2. Net result from operations

	2007 \$	2006 \$
<b>Income</b>		
<b>(a) Other revenue</b>		
Interest revenue	559,114	496,557
Sundry revenue	66,598	376
<b>Total other revenue</b>	<b>625,712</b>	<b>496,933</b>
<b>Expenses</b>		
<b>(b) Employee benefits</b>		
Salary and wages	593,644	442,378
Superannuation	53,661	37,823
Annual and long service leave expense	(4,365)	15,932
Other employee expenses (fringe benefits tax, payroll tax, workcover levy, etc.)	74,102	47,154
<b>Total employee benefits</b>	<b>717,042</b>	<b>543,287</b>
<b>(c) Depreciation and amortisation</b>		
Navigation aids	194,036	212,097
Plant and equipment	130,373	107,460
Major maintenance dredging of channel assets	67,965	116,511
Channel assets	1,242,209	1,242,209
Software	29,770	8,538
<b>Total depreciation and amortisation</b>	<b>1,664,353</b>	<b>1,686,815</b>
<b>(d) Rental expense relating to operating leases</b>		
Building rentals	55,357	48,600
Storage rentals	2,670	3,358
Equipment rentals	9,783	3,178
<b>Total rental expense</b>	<b>67,810</b>	<b>55,136</b>

### Note 3. Income tax

By direction of the Treasurer of Victoria under the State Owned Enterprises Act 1992, the VRCA is subject to the National Tax Equivalent Regime (NTER) from the date of commencement, but limited to the Income Tax component of the NTER.

The amount of income tax attributable to the financial year differs from the amount prima facie payable on the operating profit.

The differences are reconciled as follows:

	2007	2006
	\$	\$
<b>(a) Income tax recognised in the income statement</b>		
Prima facie income tax		
Net result before income tax	1,923,077	1,724,752
Income tax at 30 per cent	576,923	517,426
<i>Adjustment in income tax expense due to:</i>		
Permanent differences	88,088	85,643
<b>Income tax recognised in the income statement</b>	<b>665,011</b>	<b>603,069</b>
<i>Reconciliation of tax recognised in the income statement:</i>		
Current taxation provision	833,947	679,151
Movement in deferred tax asset (refer below)	1,011	(8,986)
Movement in deferred tax liability (refer below)	(169,947)	(67,096)
<b>Income tax recognised in the income statement</b>	<b>665,011</b>	<b>603,069</b>
<b>(b) Deferred tax asset</b>		
Opening balance	55,671	46,685
Temporary differences	(1,011)	8,986
<b>Closing balance</b>	<b>54,660</b>	<b>55,671</b>
<b>(c) Deferred tax liabilities</b>		
Opening balance	1,397,032	1,465,197
Deferred tax related to prior year returns	-	(1,069)
Temporary differences	(169,947)	(67,096)
<b>Closing balance</b>	<b>1,227,085</b>	<b>1,397,032</b>

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the financial year ended 30 June 2007

## Note 4. Cash and cash equivalents

	2007 \$	2006 \$
Cash at bank and on hand	318,697	387,353
Short term deposits	7,100,000	9,500,000
	<b>7,418,697</b>	<b>9,887,353</b>

The above figures are reconciled to cash at the end of the financial year as shown in the cash flow statement as follows:

Balance as above	7,418,697	9,887,353
Balance per cash flow statement	<b>7,418,697</b>	<b>9,887,353</b>

### Cash at bank

Due to VRCA's investment policy generally only small amounts of cash are held in the bank account. These amounts are aimed at levels sufficient to cover current liabilities of VRCA.

### Short term deposits

All deposits of VRCA are limited to instruments directly accepted by an authorised bank or issued by a Government Treasury or Authority and guaranteed by a State or Commonwealth Government. These deposits had a floating interest rate between 5.70 and 6.45 per cent (2005-06 – 5.45 and 5.83 per cent).

## Note 5. Trade and other receivables

	2007 \$	2006 \$
Current		
Trade debtors	521,949	386,461
Prepayments	104,672	82,979
Interest receivable	43,902	45,489
GST receivable	96,787	24,754
	<b>767,310</b>	<b>539,683</b>

## Note 6. Infrastructure, property, plant and equipment

	2007 \$	2006 \$
<b>Navigation aids</b>		
At cost	5,844,166	1,721,259
Less: Accumulated depreciation	(168,878)	(518,606)
	<b>5,675,288</b>	<b>1,202,653</b>
<b>Plant and equipment</b>		
At cost	975,623	567,872
Less: Accumulated depreciation	(283,072)	(188,782)
	<b>692,551</b>	<b>379,090</b>
<b>Major maintenance dredging</b>		
At cost	-	465,964
Less: Accumulated amortisation	-	(397,999)
	-	<b>67,965</b>
<b>Channel assets</b>		
At cost	49,688,356	49,688,356
Less: Accumulated depreciation	(3,726,627)	(2,484,418)
	<b>45,961,729</b>	<b>47,203,938</b>
Work in progress at cost	-	465,402
	<b>52,329,568</b>	<b>49,319,048</b>

### Reconciliations

Reconciliations of the carrying amounts of each class of infrastructure, property, plant and equipment at the beginning and end of the year are set out below.

	Navigation Aids \$	Plant and Equipment \$	Major Maintenance Dredging \$	Channel Assets \$	Work in Progress \$	Total \$
Carrying amount at start of year	1,202,653	379,090	67,965	47,203,938	465,402	49,319,048
Additions	4,770,548	242,764	-	-	-	5,013,312
Transfers	157,856	307,546	-	-	(465,402)	-
Disposals	(261,733)	(106,476)	-	-	-	(368,209)
Depreciation expense	(194,036)	(130,373)	(67,965)	(1,242,209)	-	(1,634,583)
<b>Carrying amount at end of year</b>	<b>5,675,288</b>	<b>692,551</b>	<b>-</b>	<b>45,961,729</b>	<b>-</b>	<b>52,329,568</b>

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the financial year ended 30 June 2007

## Note 7. Intangible assets

	2007 \$	2006 \$
At cost	74,425	74,425
Less: Accumulated amortisation	(38,309)	(8,538)
	<u>36,116</u>	<u>65,887</u>

## Note 8. Trade and other payables

Trade Creditors	14,537	69,014
GST payable	47,450	38,926
Other creditors and accruals	418,807	76,223
	<u>480,794</u>	<u>184,163</u>

## Note 9. Provisions

### (a) Current

Provision for tax	394,010	581,686
Employee benefits (note 9(c))	113,297	117,830
	<u>507,307</u>	<u>699,516</u>

### (b) Non-current

Employee benefits (note 9(c))	2,241	2,073
	<u>2,241</u>	<u>2,073</u>

### (c) Employee benefits

#### Current

All annual leave and LSL entitlements representing seven plus years of continuous service

- short term employee benefits that fall due within 12 months after the end of the period measured at nominal value	53,856	55,047
- other long term employee benefits that do not fall due within 12 months after the end of the period measured at present value	59,441	62,783
	<u>113,297</u>	<u>117,830</u>

#### Non-current

LSL representing less than seven years of continuous service measured at present values	2,241	2,073
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## Note 10. Equity and movement in equity

### (a) Contributed capital

Opening initial capital	57,883,058	57,883,058
Closing contributed capital	57,883,058	57,883,058

### (b) Retained profits/(losses)

Retained losses at the beginning of the reporting period	(298,200)	(877,883)
Profit for the year	1,258,066	1,121,683
Dividends paid	(454,000)	(542,000)
Retained profits/(losses) at the reporting date	<u>505,866</u>	<u>(298,200)</u>

## Note 11. Financial instruments

### (a) Credit risk exposure

The credit risk on financial assets (excluding cash) of VRCA which have been recognised on the balance sheet is the carrying amount net of any provision for impairment.

VRCA's credit risk is concentrated within commercial shipping activities.

### (b) Interest rate exposures

VRCA's exposure to interest rate risk and the effective weighted average interest rate for each class of financial assets and the financial liabilities is set out in the table below.

	Notes	Floating Interest Rate		Non-Interest Bearing		Total	
		2007 \$	2006 \$	2007 \$	2006 \$	2007 \$	2006 \$
<b>Financial assets</b>							
Cash and cash equivalents	4	7,418,697	9,887,353	-	-	7,418,697	9,887,353
Trade and other receivables	5	-	-	767,310	539,683	767,310	539,683
		<b>7,418,697</b>	<b>9,887,353</b>	<b>767,310</b>	<b>539,683</b>	<b>8,186,007</b>	<b>10,427,036</b>
Weighted average interest rate		<b>6.1%</b>	5.6%				
<b>Financial liabilities</b>							
Trade and other payables	8	-	-	480,794	184,163	480,794	184,163
		-	-	<b>480,794</b>	<b>184,163</b>	<b>480,794</b>	<b>184,163</b>
Net financial assets		<b>7,418,697</b>	<b>9,887,353</b>	<b>286,516</b>	<b>355,520</b>	<b>7,705,213</b>	<b>10,242,873</b>

Reconciliation of net financial assets to net assets:

	Note	2007 \$	2006 \$
Net financial assets (as above)		7,705,213	10,242,873
<i>Non financial assets and liabilities:</i>			
Infrastructure, property, plant and equipment	6	52,329,568	49,319,048
Intangible assets	7	36,116	65,887
Net tax liabilities	3	(1,172,425)	(1,341,361)
Provisions	9	(509,548)	(701,589)
<b>Net assets per balance sheet</b>		<b>58,388,924</b>	<b>57,584,858</b>

### (c) Net fair values

The net fair value of cash and cash equivalents and non-interest bearing monetary financial assets and financial liabilities of VRCA equals their carrying amount.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the financial year ended 30 June 2007

## Note 12. Responsible persons

In accordance with the Ministerial Directions issued by the Minister for Finance under the Financial Management Act 1994, the following disclosures are made regarding responsible persons for the financial year.

### Names

The persons who were responsible persons of VRCA during the financial year were:

Peter Batchelor MP	Minister for Transport	1 July 2006 to 30 November 2006
Tim Pallas MP	Minister for Roads and Ports	1 December 2006 to 30 June 2007
Michael Dowling	Director (Chairperson)	1 July 2006 to 30 June 2007
Merran Kelsall	Director (Deputy Chairperson)	1 July 2006 to 30 June 2007
Alan Taylor	Director	1 July 2006 to 30 June 2007
Ian Scott	Chief Executive Officer (Accountable Officer)	1 July 2006 to 2 August 2006
Peter McGovern	Acting Chief Executive Officer (Accountable Officer)	3 August 2006 to 9 March 2007
Peter McGovern	Chief Executive Officer (Accountable Officer)	9 March 2007 to 30 June 2007

### Remuneration

Remuneration received or receivable by responsible persons in connection with the management of the Authority during the financial year was in the ranges of:

Income bands	2007 No.	2006 No.
\$20,000 to \$29,999	2	2
\$30,000 to \$39,999	-	1
\$40,000 to \$49,999	1	-
\$60,000 to \$69,999	1	-
\$120,000 to \$129,999	1	-
\$150,000 to \$159,999	-	1
<b>Total numbers</b>	<b>5</b>	<b>4</b>
<b>Total amount</b>	<b>\$283,365</b>	<b>\$243,165</b>

The Minister's remuneration is reported in the financial statements of the Department of Premier and Cabinet.

### Related party transactions

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

### Note 13. Remuneration of executives

The number of executive officers, other than responsible persons, and their total remuneration during the financial year are shown in the table below in their relevant income bands.

Income bands	2007 No.	2006 No.
\$120,000 to \$129,999	1	-
\$130,000 to \$139,999	1	1
<b>Total numbers</b>	<b>2</b>	<b>1</b>
<b>Total amount</b>	<b>\$252,947</b>	<b>\$137,875</b>

Bonuses paid to executive officers included above during the financial year	<b>\$7,521</b>	\$11,960
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### Related party transactions

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

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the financial year ended 30 June 2007

## Note 14. Superannuation funds

No liability is recognised in the income statement for VRCA's share of the State's unfunded superannuation liability. The State's unfunded superannuation liability has been reflected in the financial statements of the Department of Treasury and Finance.

The names and details of the superannuation funds and contributions made by VRCA are as follows:

Fund	Contributions Made		Contributions Outstanding	
	2007 \$	2006 \$	2007 \$	2006 \$
AMP Flexible Life (Accumulation)	6,748	6,492	-	-
Camilo Super Fund (Accumulation)	10,426	-	-	-
Kawrotas Superannuation Fund (Accumulation)	1,980	1,879	-	-
Scott Family Super Fund (Accumulation)	4,736	11,427	-	-
SERF (Accumulation)	9,678	-	-	-
State Superannuation Scheme (Defined Benefit)	11,000	10,085	-	-
Vic Super (Accumulation)	9,093	8,373	-	-
<b>Total</b>	<b>53,661</b>	<b>38,256</b>	<b>-</b>	<b>-</b>

**Note 15. Remuneration of auditors**

	2007	2006
	\$	\$
<b>Audit fees paid or payable to the Victorian Auditor General's Office for audit of the VRCA's financial report:</b>		
Paid as at the end of the reporting period	-	4,800
Payable as at the end of the reporting period	<b>23,200</b>	18,800
<b>Total remuneration</b>	<b>23,200</b>	23,600

The auditors received no other benefits.

**Note 16. Contingent assets and liabilities**

The Directors are not aware of any matter or circumstances not otherwise dealt with in this report, which has the potential to significantly affect the operations of VRCA, the results of those operations or the state of affairs of VRCA in subsequent financial years.

# NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the financial year ended 30 June 2007

## Note 17. Commitments for expenditure

	2007 \$	2006 \$
<b>(a) Lease commitments</b>		
Commitments in relation to leases contracted for at balance date but not recognised as liabilities payable in the financial statements:		
Payable no later than 1 year	97,137	39,002
Payable 1-5 years	250,936	-
	348,073	39,002
GST claimable	(31,643)	(3,546)
<b>Net commitment</b>	<b>316,430</b>	<b>35,456</b>
<b>(b) Operating commitments</b>		
Total expenditure contracted for at balance date but not recognised as liabilities payable in the financial statements:		
Payable no later than 1 year	689,396	673,761
Payable 1-5 years	722,838	1,358,466
	1,412,234	2,032,227
GST claimable	(128,385)	(184,748)
<b>Net commitment</b>	<b>1,283,849</b>	<b>1,847,479</b>
<b>(c) Capital commitments</b>		
Total expenditure contracted for at balance date but not recognised as liabilities payable in the financial statements:		
Payable no later than 1 year	1,345,924	6,032,726
	1,345,924	6,032,726
GST claimable	(122,357)	(548,430)
<b>Net commitment</b>	<b>1,223,567</b>	<b>5,484,296</b>

## Note 18. Events occurring after reporting date

Since the end of the financial year the Directors are not aware of any matter or circumstance not otherwise dealt with in this report, which has the potential to significantly affect the operations of VRCA, the results of those operations or the state of affairs of VRCA in subsequent financial years.

#### Note 19. Reconciliation of profit for the year to net cash flow from operating activities

	2007 \$	2006 \$
Profit for the year	1,258,066	1,121,683
Depreciation and amortisation	1,664,353	1,686,815
Loss on sale of assets	287,142	4,517
GST included in investing activities	493,224	74,944
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	(229,214)	183,076
Decrease in interest accrued	1,587	45,024
Increase/(decrease) in trade and other payables	(16,339)	1,027
Increase/(decrease) in provisions	(4,365)	15,932
Increase/(decrease) in tax provisions	(356,613)	81,857
<b>Net cash flows from operating activities</b>	<b>3,097,841</b>	<b>3,214,875</b>

#### Note 20. Correction of errors

	2007 \$	2006 \$
<b>Effect of correction of errors in previous year</b>		
Total equity at the beginning of the financial year	57,005,175	56,215,335
Correction of error – write off of Navigation Aids <sup>1</sup>	-	(229,785)
Correction of error – restatement of cost base for Channel Assets <sup>2</sup>		1,019,625
<b>Restated total equity at the beginning of the financial year</b>	<b>57,005,175</b>	<b>57,005,175</b>

Details of prior year adjustments are as following:

1. A comprehensive review of existing navigational aids revealed a number of items of capital expenditure that had not been written off from the Authority's predecessor organisations when these items were disposed of. As such the asset values allocated to the Authority at commencement were overstated by \$229,785. This amount has been adjusted to prior period losses and the fixed asset values.
2. As a result of consultation with the Australian Taxation Office and the Department of Treasury and Finance an agreement was reached to increase the tax cost base of channel assets by \$3,398,749. The effective date for this adjustment was 1 April 2004, when the Authority commenced operations. An adjustment to deferred tax liability of \$1,019,625 was required with a corresponding adjustment to retained losses. These are prior period adjustments.

## DIRECTORS' DECLARATION CONTINUED

In accordance with a resolution of the Directors of Victorian Regional Channels Authority (VRCA), in the opinion of the Directors:

- (a) the financial statements have been prepared in accordance with Standing Direction 4.2 of the Financial Management Act 1994, applicable Financial Reporting Directions, Australian accounting standards and other mandatory reporting requirements;
- (b) the information set out in the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to and forming part of the financial statements, present fairly the financial transactions during the year ended 30 June 2007 and the financial position as at 30 June 2007 of VRCA; and
- (c) at the date of this statement, we are not aware of any circumstances, which would render any particulars in the financial statements to be misleading or inaccurate.

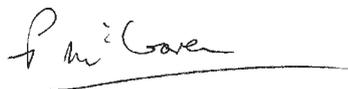
For and on behalf of the board



Michael Dowling  
Chairperson



Merran Kelsall  
Deputy Chairperson



Peter McGovern  
Chief Executive Officer



Richard Keyte  
Chief Financial Officer

Geelong  
9 August 2007

# AUDITOR GENERAL'S REPORT

## VAGO

Victorian Auditor-General's Office

### INDEPENDENT AUDIT REPORT

#### Victorian Regional Channels Authority

#### To the Members of the Parliament of Victoria and Members of the Board of the Authority

##### *Matters Relating to the Electronic Presentation of the Audited Financial Report*

This auditor's report for the financial year ended 30 June 2007 relates to the financial report of the Victorian Regional Channels Authority included on its web site. The Members of the Board of the Victorian Regional Channels Authority are responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The auditor's report refers only to the statements named below. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

##### *The Financial Report*

The accompanying financial report for the year ended 30 June 2007 of the Victorian Regional Channels Authority which comprises income statement, balance sheet, statement of changes in equity, cash flow statement, a summary of significant accounting policies and other explanatory notes to and forming part of the financial report, and the directors' declaration has been audited.

##### *The Responsibility of the Members of the Board for the Financial Report*

The Members of the Board of the Victorian Regional Channels Authority are responsible for the preparation and the fair presentation of the financial report in accordance with Australian Accounting Standards (including the Australian Accounting Interpretations) and the financial reporting requirements of the *Financial Management Act 1994*. This responsibility includes:

- establishing and maintaining internal controls relevant to the preparation and fair presentation of the financial report that is free from material misstatement, whether due to fraud or error
- selecting and applying appropriate accounting policies
- making accounting estimates that are reasonable in the circumstances.

##### *Auditors Responsibility*

As required by the *Audit Act 1994*, my responsibility is to express an opinion on the financial report based on the audit, which has been conducted in accordance with Australian Auditing Standards. These Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance whether the financial report is free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial report. The audit procedures selected depend on judgement, including the assessment of the risks of material misstatement of the financial report, whether due to fraud or error. In making those risk assessments, consideration is given to internal control relevant to the Board Members' preparation and fair presentation of the financial report in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Authority's internal control. An audit also includes evaluating the appropriateness of the accounting policies used, and the reasonableness of accounting estimates made by the Board Members, as well as evaluating the overall presentation of the financial report.

1

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*Auditing in the Public Interest*

# AUDITOR GENERAL'S REPORT

## VAGO

Victorian Auditor-General's Office

### Independent Audit Report (continued)

#### *Independence*

The Auditor-General's independence is established by the *Constitution Act 1975*. The Auditor-General is not subject to direction by any person about the way in which his powers and responsibilities are to be exercised. The Auditor-General, his staff and delegates comply with all applicable independence requirements of the Australian accounting profession.

#### *Auditor's Opinion*

In my opinion, the financial report presents fairly, in all material respects, the financial position of the Victorian Regional Channels Authority as at 30 June 2007 and its financial performance and cash flows for the year then ended in accordance with applicable Australian Accounting Standards (including the Australian Accounting Interpretations), and the financial reporting requirements of the *Financial Management Act 1994*.

MELBOURNE  
30 August 2007



D.D.R. Pearson  
Auditor-General

2

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*Auditing in the Public Interest*



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