

ANNUAL REPORT 2007-08



Victorian Regional Channels
Authority

Our Vision

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

- provide customer focussed 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 pricing 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 5 years from 1 July 2005.

The VRCA is directly responsible for shipping control in the port waters of Geelong and oversees the shipping control and navigation channel services for the ports of Portland and Hastings by 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	Chairman's Report
4	Chief Executive's Report
7	Executive Summary
8	Establishment and Functions
11	Staff Establishment
13	Income and Pricing
14	Financial Performance
15	Operating Performance
17	Key Functions
21	Docking the Smart Way
22	Safety and the Environment
24	Additional Information
28	Financial Report





Geelong Port is one of the largest and busiest in the country. What happens here has major impacts not just on the companies operating out of Geelong but on the broader community, on Victoria and on the nation.

CHAIRMAN'S REPORT

I am delighted to present my first report on the activities of the Victorian Regional Channels Authority (VRCA) since becoming Director in December 2007 and then Chairman in March 2008.

Geelong Port is one of the largest and busiest in the country. What happens here has major impacts not just on the companies operating out of Geelong but on the broader community, on Victoria and on the nation. It is vital then that we set up a framework of technologies, policies and practices that deliver maximum efficiency and minimal risk to shipping in port waters. The Board also views seriously its responsibility for the port waters in the regional ports of Portland and Hastings. In addition, the Board is conscious of the potential effects of recent reviews on all of the regional commercial ports in Victoria.

In the last few years impressive work has been done and great advances made. The navigation technologies operating in the port are among the most advanced in the world. The introduction of the Automatic Identification System (AIS) has transformed the effectiveness of shipping management. There are effective safety and environment plans and practices in place and a culture of cooperation between the VRCA and port stakeholders and the broader community.

Now it is time to look above and beyond this groundwork to the future and take a strategic assessment of the challenges that will confront us not just in two or three but in 15 or 20 years.

It is for this reason the Authority is now engaged in studies that will try to anticipate future developments in ship size and to develop models that will assist us in foreseeing constraints that may arise in the capacity of our channels and port facilities. We want to plan and prepare to ensure that these constraints do not arise in reality and impede the smooth growth of shipping and trade at our ports. This is the key challenge we will be taking into the coming year.

This year saw the departure of two founding Board members, Michael Dowling, inaugural Chairman, and Alan Taylor, inaugural Director. The authority owes a debt of gratitude to Michael, for his indefatigable leadership in its establishment as a respected and effective body, and also to Alan Taylor for the wisdom and expert counsel as a Director.

It is my pleasure to welcome a new Director, John McQuilten and express my gratification that Merran Kelsall is continuing as a Member.

I and my fellow Directors on the Board 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 and the regional ports.

I am proud to be associated with an organisation which has achieved so much. The capacity of the Authority to work and deliver within budget is a testament to all involved.



Neil Edwards
Chairman

CHIEF EXECUTIVE'S REPORT

In 2007-08 the VRCA's financial results were in line with budget expectations. The organisation posted a before tax profit of \$1.7 million, based on a total turnover of \$6.3 million, and a tax expense of \$610,453 has brought the after tax profit to \$1.1 million. Operating expenses for the year amounted to \$4.6 million.

The satisfactory financial performance was achieved with a small rise in channel fees to 25.0 cents per gross ton in line with CPI.

A number of major undertakings relating to shipping safety were completed in this reporting year.

The first of these was the upgrade and replacement of beacons within the Geelong channels. Work started on this project in late 2006 with aging beacon structures and navigation lights being removed and replaced progressively with new structures and GPS synchronised lanterns. The project, formally launched in March 2008, was completed by the VRCA in late 2007 in budget and on time at a final cost of \$7 million. It advances VRCA's objective of reducing navigation risk for ships and puts Geelong at the forefront of world ports in terms of the navigation technologies it deploys on its channels.

The second major undertaking, also completed on time and within budget, was the installation of a laser-controlled docking system at Refinery Pier. The system provides information about the speed of approach of a ship as it nears the wharf, thereby reducing the risk of damage to either the ship or the wharf.

The Authority's focus on making Geelong one of the world's safest and most efficient ports was supported by several other ongoing undertakings including:

- development of computer modelling and other studies to test channel constraints and capacity for large vessels operating in Geelong Port;
- expansion of a campaign to inform the boating public of the safety risks for small leisure craft using the channels;
- use of the Harbour Master's launch, George Molland, to provide a monitoring presence in port waters during major aquatic events such as the Skandia Festival;
- continued participation in all of the emergency, security, safety and environment committees and in exercises associated with the various plans;
- successful annual audit of the VRCA's Safety and Environmental Management Plan; and
- revision and update of the Risk Management Register.

The other objective of the VRCA in 2007-08 was to promote the port to the local community and support stakeholders with shipping and maritime information.

The release of an Economic Impact Study in 2005 indicated that the vital importance of the port to the regional economy was not fully appreciated by the local community. In response, the VRCA developed an education program to raise awareness of the port and its activities among local secondary school students. That program, begun in 2006, was expanded in 2007 to encompass more schools and more students.

Program material was revised to reflect changing trade patterns and incorporate feedback from educators. The VRCA now hosts some of this educational material on its website as well as additional shipping and port information for stakeholders such as port tugs and the Port Phillip Sea Pilots.

High levels of stakeholder satisfaction with the VRCA's services were confirmed in a customer survey carried out from August to September 2007. Responses suggested that the VRCA was valued as a source of shipping advice, that the maritime activities of the Harbour Master were greatly appreciated and that the Authority should continue its efforts to raise local awareness of the port and its role.

In the few years since its establishment the VRCA is routinely consulted or coopted to participate in regional maritime matters, such as in the City of Greater Geelong's cruise ship committees. Our officers liaise regularly with port stakeholders via the Geelong Channel Users Group and with the regional ports of Hastings and Portland in relation to channel depths, navigation markers and insurances. The effectiveness of cooperation with the CFA and other emergency services bodies was proven during a real incident involving a potential fire aboard a cargo ship in February 2008.

Finally, in a year that has seen significant changes at board level. I give my thanks to the outgoing members, pay tribute to them and to their contribution to the Authority and welcome in the new members.

I wish to acknowledge the long term, invaluable contribution of Mr Alan Taylor OA to maritime services in Geelong and in Victoria. He retired at the end of December 2007 after serving on the Board of VRCA for four years and on the Board of VCA for three years before that.

His replacement is Mr Neil Edwards, who succeeded Mr Taylor as Director of the VRCA Board and then took over the role of Chairman of the Authority in March 2008, following the retirement of Mr Michael Dowling.

Mr Dowling was a member of the Board of VCA from 1996 to 2004 and Chairman of the VRCA from its establishment. During that time he

has overseen an exceptional period of development of channel and port facilities, including the introduction of the AIS, improvement of shipping management and communications facilities, upgrade of the navigation beacons and most recently the installation of smart docking at Refinery Pier. His farewell function in March 2008 also served as the official inauguration of the beacon project and to introduce Mr Edwards as the new chairman. The vacant seat on the Board is filled by Mr John McQuilten who took up his position at the beginning of May 2008.

Mr McQuilten is a primary producer who has a distinguished background in state and local government in Victoria. He has

also served as an advisor to the state government on transport matters.

Mr Edwards brings to the VRCA substantial management experience based on senior roles in various State and Commonwealth departments. On behalf of all VRCA staff, I look forward to working with Neil and John in the year ahead.



Captain Peter McGovern
Chief Executive





Upgrade of the VRCA website to accommodate real-time tide, weather and shipping information for port stakeholders.

EXECUTIVE SUMMARY

Highlights of the Year

- Retirement of Board Chairman, Mr Michael Dowling and Board member, Mr Alan Taylor AO and appointment of a new Chairman, Mr Neil Edwards and new Board member, Mr John McQuilten.
- Completion of the installation of new navigation beacons and lanterns.
- Expansion of a Port Educational Program targeting Year 9 and 10 students from Geelong and the region.
- Upgrade of the VRCA website to accommodate real-time tide, weather and shipping information for port stakeholders.
- Extended application of the shipping management and booking system.
- Ongoing assessment for channel improvements opportunities in Port of Geelong.
- Installation of a laser-controlled docking system at Refinery Pier.
- Continuation of an awareness campaign warning small craft of risks associated with channel usage.
- Revision of the Risk Management Register and successful audit 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.
- Provision of professional maritime advice about ships, cargoes and operations in port waters.
- Audit of the channels in the ports of Hastings and Portland as required by the Channel Operating Agreements.

ESTABLISHMENT AND FUNCTIONS

The Victorian Regional Channels Authority (VRCA) was proclaimed as a Government Business Entity on 1 April 2004 and began 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, the shore facilities in Geelong port are managed by Asciano and operated by GeelongPort Pty Ltd, 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 Pty Ltd 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 Pty Ltd. 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 Svitzer 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 Pty Ltd'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 Pty Ltd 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 Pty Ltd 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 managed by VRCA. The site is used by the Australian Defence Industries as an explosives depot. Vessels visit the berth on an irregular basis, perhaps once per month, which is used exclusively for the transport of explosives to and from the Point Wilson.

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

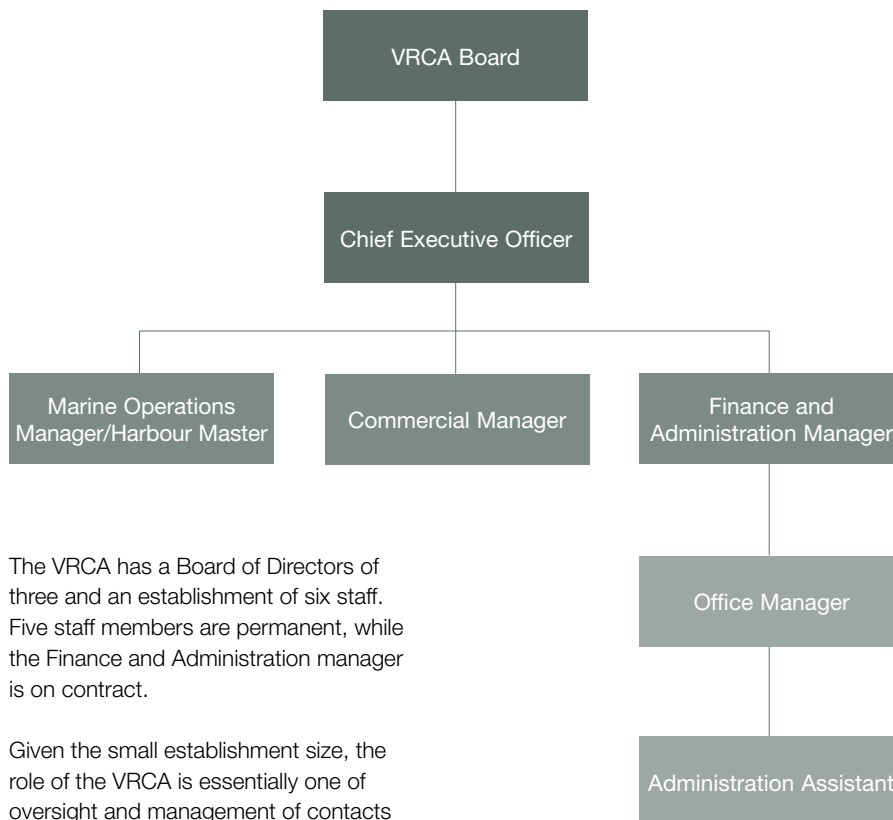
Currently not in operation pending development of the area.

Given the small establishment size, the role of the VRCA is essentially one of oversight and management of contacts and projects.



STAFF ESTABLISHMENT

Organisational Structure



The VRCA has a Board of Directors of three and an establishment of six staff. Five staff members are permanent, while the Finance and Administration manager is 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.



The VRCA is a self-funded government agency, obtaining most of its income from a tonnage charge levied on commercial shipping using the port waters of Geelong.

INCOME AND PRICING

The VRCA is a self-funded government agency, obtaining 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; or
- commercial shipping using the Ports of Hastings or Portland.

Primary Revenue

The basis for shipping charges

The VRCA is able to set prices for its tonnage charges on shipping under a price monitoring framework established by the Essential Services Commission (ESC) on 1 July 2005. The framework is essentially a regime for monitoring and regulating the prices the VRCA charges for its services to shipping. 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.

This arrangement was formalised by 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 provides guidelines for consultation and for managing relations and resolving disputes between the parties.

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.

It should be noted that VRCA revenue is not tied to the cargo volumes that are moved through the port but rather to the internal volume of a ship, excluding certain spaces. This produces a measurement referred to as gross tons and it is on this basis that VRCA charges for channel usage.

The current price-monitoring framework will apply to prescribed services in Victoria's ports for three years from 1 July 2007. The 2007-08 Channel Usage Charge for vessels was 25.0 cents per gross ton, a slight increase on the rate for the previous two years.

The VRCA reviews its pricing annually and fix prices for a year in advance. A small increase, in line with current CPI, will bring the fee for 2008-09 to 26.0 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).

Additional Revenue

Geelong Channel Improvement Program

The deepening of the Geelong Channels completed 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 completion.

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:

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

FINANCIAL PERFORMANCE

Total turnover for VRCA for the 12 months ended 30 June 2008, incorporating revenue from non-operating activities, was \$6.3 million. This was in line with budget expectations, and resulted in a before tax profit of \$1.7 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 2007-08 the VRCA paid \$356,000 in dividends to designated parties in accordance with Treasury guidelines.

Operating Expenses

Operating expenses for 2007-08 amounted to \$4.6 million. This represents minimal variation on spending from the previous year and was slightly below 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.

Special Projects Costs

Additional expenditure of \$460,004 million was incurred to fund one-off items categorised as special projects. These are VRCA initiatives aimed at identifying and mitigating risks associated with the present port operations and at strategic planning for the Port of Geelong.

Special projects items include:

- targeted sediment surveys of sea-bed in port waters;
- biological surveys to determine the nature of marine life forms in the bay;
- commencement of a study into likely bulk vessel sizes in 5, 10 and 20 years time;
- development of navigation simulations to determine the adequacy of the current channels according to various vessel specifications, weather and tidal conditions;
- development of a capacity simulation model to test the impact that increased levels of trade might have on the port;
- a Customer Satisfaction Survey;
- the ongoing Port Education Program;



OPERATING PERFORMANCE

Gross Tonnage Handled

In 2007-08 total gross tonnage of ships entering Geelong ports was 13.6 million gross tons; an overall increase of 0.7 million tons on the previous year.

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

Overall, exports of bulk grain are down substantially from 1.7 million to 100,000 tons as a result of drought conditions. Woodchip and aluminium ingot exports are roughly in line with recent years, as are imports of steel, calcite, alumina and sulphuric acid.

Bulk liquid imports and exports, including petroleum, are down in terms of volumes of products by about 10 per cent on last year but because the average size of each consignment was lower there were more vessels using the port, which contributed to overall increase in VRCA revenue.

Fertiliser cargoes increased by 150,000 tonnes due to expectations of improved growing conditions and exports.

Non cargo visits for bunkering, lay ups for repairs and visits by rig tender vessels more than doubled over the previous year and this too added to overall VRCA revenue.

Gross Tonnage and Number of Ships

Gross tonnage and number of ships visiting Geelong ports for the last nine 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
2007-2008	13.6 million	540





Throughout the year, the VRCA committed to investigating new ways to improve channel access and minimise risks for commercial shipping.

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

A key VRCA responsibility 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. Since 2005 it has been established that major maintenance dredging is unlikely to be needed for the foreseeable future.

The survey conducted on behalf of the VRCA in April 2008 by an independent team confirms that this is still the case, with no significant shoaling or other hazards evident in Geelong berths and channels. Maintenance dredging was therefore not required in 2007-08 and is unlikely to be in the next financial year. The next annual survey to reassess the state of the channels is scheduled for the summer of 2009.

Website Revamp Completed

In 2007 the VRCA website was upgraded to provide more detailed information to port stakeholders and the public in a user-friendly layout. It now provides, for Geelong port waters, data on port operations, shipping, services, links to notices, details of shipping movements and aquatic events advice.

It also hosts in real-time:

- wind and tide data from two sets of tide gauges and anemometers located at the entrance to the Geelong channel in Corio Bay and near to the Refinery Piers at Point Richards.
- port views sourced from four webcams directed at Corio Bay and the Yacht Club; anchorages left and right of the Grain Pier; Cunningham Pier and Carousel Pavilion; and Corio Quay North and South Wharves.

Educational information about the port is hosted for the benefit of schools and the general public and to improve community understanding of the port's importance to the local economy.

In the coming year the VRCA proposes to feature a bulletin board on the site in order to solicit and provide feedback regarding port issues.

Improving Access to Geelong Channels

Throughout the year, the VRCA committed to investigating new ways to improve channel access and minimise risks for commercial shipping.

The focus now is on a strategic assessment of the capacity of the port to handle greater tonnages of commodities,

larger ship sizes and increasing numbers of vessels as it continues to expand in years to come.

The steady increase in the size of ships visiting Geelong – reflective of a worldwide trend – will impose additional demands on port waters and channels. Bigger ships are longer, wider and deeper.

Ships size study

In 2007-08, the VRCA commissioned a study into developments in bulk ship size over the next 10-20 years to see how the port may be affected. It is vital, not only for the economy of the region, but for the state of Victoria, that Geelong's port waters safely accommodate and support the newer vessels. The VRCA is actively investigating how access to local channels and berths can be improved.

Computer simulations

One measure taken was to commission a computer model to simulate and test the movement of vessels through Geelong channels. By entering parameters of ships visiting now and in the future VRCA can see which parts of the channels restrict movements or pose potential risks under certain circumstances and generally determine their adequacy as vessels become larger, higher and longer.

Navigation simulations offer another advantage. Ships are manoeuvred into the port by sea pilots. This is a skilled task with little room for error. The VRCA can use the simulation model as a tool to mitigate navigation risks and enhance safe access to the port.

KEY FUNCTIONS CONTINUED



Finally, it will assist in estimating future channel capacity of the port. Access to the port is limited by the capacity of the channel to cope with traffic. As increasing trade brings more and bigger ships, the capacity of the channels, in their present configuration, will be reached and queues may form that will delay shipping and undermine Geelong's competitiveness. Discrete event capacity simulation will enable VRCA to test and predict how the port, its channels and facilities will handle the increasing cargo tonnages and to prevent potential bottlenecks before they actually occur. These studies form an interlocking data base on which port strategies can be developed.

Channel alignment

Another measure taken this year was to assess the possibility of improving channel turning circles in Geelong Port and changing the gradients of batters in the Point Henry section of the channel.

A risk evaluation is in progress to assess any areas of immediate importance. The evaluation will consider advice from channel users. At present the sites for improvement include some wider bends and turning circles and some manoeuvring zones near berths.

Another Role for the VRCA Launch

The VRCA's multi-purpose launch, the George Molland, purchased from the Port of Bunbury in 2005, is now an indispensable resource. Throughout 2007 it was used by VRCA officials to monitor progress of the beacon installation. It regularly supports the VRCA school education program as a platform for school students to observe various piers and shipping facilities and to acquaint them with the functions and importance of the Port of Geelong.

In 2007-08 it acquired two additional roles: one being to help the Harbour Master to monitor the safety of port waters on weekends and during times of heavy traffic, for example during holiday seasons and special events such as Skandia. With the George Molland, the Harbour Master can ensure that all vessels, particularly small, recreational craft, are operating safely and observing port regulations.

A second role, confirmed during the year, is to support the Harbour Master and emergency services organisations such as Victoria Police and CFA, to respond to incidents and emergencies in the port waters. The CFA has expressed interest in using the launch as a platform to respond to emergencies aboard vessels in the port.



The Port Education Program for Local Schools Expanded

In 2006-07 the VRCA trialled its Port Education Program targeting Year 9 and 10 students in the Geelong region with the aim of raising public awareness of the importance of the Port to the local community. In this reporting year the program was expanded to involve 12 schools and over 450 students.

Designed and co-ordinated by the VRCA, with assistance provided in the form of funding or in-kind contributions by local stakeholders and the Victorian Government, the program is delivered over half a day and includes 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.

A professional teacher is engaged to advise on the content of the program and to present it to local students. Additional written material and electronic presentations are provided to teachers at each school and to each participating student. Some of this material is now hosted on the VRCA website.

Navigation Aids Roll-out Launched Officially

The \$7 million upgrade to the 78 navigation beacons positioned in Geelong port waters was formally completed in 2007 within budget expectations. The upgrade, which featured new LED solar powered lights and GPS satellite technology, and new easy-maintenance steel beacon structures protected by heavy density polyethylene sleeves, was officially launched in March 2008 to coincide with and to acknowledge the contribution of retiring Chairman Michael Dowling.

At launch, the VRCA released to the public a DVD relating to the need for and benefits of the system. It can be obtained on request by interested parties.

Recording Technology for Shipping Management

Traffic in the Geelong port waters is controlled by Geelong Port Marine Control. The Marine Controllers provide a 24 hour radio communication facility to direct shipping and respond to incidents in port waters. One innovation implemented in December 2007 was the establishment of a facility to record and log all conversations relating to the control of vessels in port waters, between ships and marine controllers. Logging these conversations in parallel with recording of tide, wind and AIS information provides a powerful analytical tool to investigate shipping.



Sometime only a few centimetres mean all the difference between successful arrival at berth and damage to the dock and vessel.

DOCKING THE SMART WAY

Smart Docking Systems Increase Safety at Geelong Port

The need for smart docking

Docking at a wharf is one of the most sensitive operations performed by any ship in port waters. Sometime only a few centimetres mean all the difference between successful arrival at berth and damage to the dock and vessel. As vessels grow larger and more unwieldy the ability to minimise risk during docking has become critical. This is all the more imperative at berths where flammable or hazardous liquids such as petroleum products are being loaded.

One recent innovation for reducing risk, especially during inclement conditions, is SmartDock: a system that measures in real-time a ship's closing distance, speed and angle relative to its berth over the last few hundred metres of its approach. Monitoring vessel speed and angle by the second enables pier operators and marine pilots to anticipate and correct hazardous drift before contact is made between the ship and the wharf structure.

In recent years docking systems based on laser technology are being deployed world-wide, especially at terminals where gas, petroleum or bulk materials are being loaded. These systems can also monitor moored vessels and raise alarms should extreme weather or tidal activity cause the vessel to drift outside of safe limits. The advantage of laser sensors is that they can measure distance and operate effectively when visibility is poor or when there is heavy rain.

SmartDock installed at Refinery Pier

In 2006-07 the VRCA investigated the feasibility of smart docking for one of the berths at Refinery Pier to minimise the potential for oil spills during docking and fuel transfer operations. Tenders for a system were assessed in early 2007, with expectations of the overall cost of installation to be about \$300,000.

The winning tender was submitted by Harbour and Marine, a Melbourne-based company that supplies vessel mooring systems and related engineering services internationally. Harbour and Marine's laser-controlled SmartDock system was installed and tested at only one berth at Refinery pier, with a view to installing it on additional berths and piers should it be required.

The system was officially launched on 23 April 2008 by the Minister for Roads and Ports, Tim Pallas MP, who advised that Geelong was the first port in Victoria and the second in Australia to install the system.

SmartDock is also expected to improve docking efficiency and cut costs of shipping companies using Geelong's harbour. In rough weather some ships have to wait until daylight to dock. With SmartDock in place this will no longer be necessary, thus eliminating queuing and potential delays at dock.

How it works

SmartDock uses two laser sensors located on the jetty to measure distance to bow and stern sections of the ship and capture information such as speed, distance and angle of approach in the

critical 0 to 300 meters zone. Laser sensors provide the highest level of reliability for vessel docking: they operate effectively in poor visibility and heavy rain and are eye-safe to FDA Class 1, the safest standard.

Data captured by the sensors is passed via communications cabling to the jetty control unit which processes and outputs it in real time to a 1.75 metre display board mounted on a turntable on the jetty. It shows the speed of a ship approaching in centimetres per second as well as the distance in metres. A green, yellow and red traffic light system assists the docking process by flashing at pre-set distances as the vessel approaches. The display board is visible from more than 200 metres.

The advantage of this is that it can be seen at a significant distance by the pilot from the bridge of the ship; this helps the master and pilot to direct the tug and shipboard personnel to manoeuvre the ship safely towards the jetty and avoid collision.

Data from the complete docking event is logged and recorded for future investigations should any damage be incurred.

After the ship is moored, SmartDock can be switched to drift-warning mode. This sounds an alarm notifying jetty and ships personnel if the ship drifts beyond a defined distance from its fenders.

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 2007-08 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.

Automatic Identification System Proves Decisive

Since its introduction in 2005 the Automatic Identification System (AIS) has proved invaluable to marine controllers for monitoring and reporting shipping movements in port waters. This ship-borne transponder is installed on prescribed vessels, and automatically and continuously transmits in the VHF band to shore facilities information such as vessel identity, position, course, speed, and other ship and cargo particulars. Transmissions are received in real time, and recorded and stored in a database at the VRCA shore facility.

During 2007-08 a number of incidents in Geelong port required investigation by the VRCA. On each of these occasions AIS logs provided key evidence in establishing the factors leading to incidents.

Safety and Environmental Management Plan Reviews

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 Pty Ltd and GrainCorp, prepared and submitted a joint SEMP to the State government for auditing and approval by independent reviewers.

In August 2007 the SEMP was audited as prescribed in the PSA1995. The Plan was approved in November with no additional recommendations made. The Plan is the basis for the VRCA's drive to ensure safe and environmentally acceptable practices within Geelong port waters, all of the measures cited in the plan are now included as part of the official safety and environmental policy of the VRCA.

A Risk Management Register established by the VRCA in 2004 incorporates input from the organisation's SEMP and provides a framework the VRCA to fulfil its responsibilities under the Port Services Act (1995) on behalf of 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. No significant revisions were made, as all major controls have been implemented and active for the last two years.

The VRCA worked with other key port users to review existing practices and facilitate changes to the new Harbour Master directions, which were issued with the new port handbook in December 2007. This document forms the basis for managing and enforcing safety measures for ship transits in the channels and port waters of Geelong.

The provision of safe and secure access to port waters and assurance of environmentally responsible marine operations is a key indicator of performance for the VRCA. In 2007-08 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.

Geelong Port Emergency Response Tested and Proven

The effectiveness of port of Geelong's emergency response and training was put to the test and proven in February 2008, when MV Jin Hui a vessel bound for Geelong and carrying animal feed reported overheating of its cargo in one hold. When the vessel docked at Lascelles Wharf an emergency zone was declared allowing port workers and fire crews to remove the smouldering material from the hold.

Relationships established between port officials, the Harbour Master and the CFA in successive years of training exercises ensured that emergency procedures were implemented expertly and seamlessly. The efficiency of the response confirmed that the port's emergency and safety protocols are well grounded.

Navigation Reliability figures

During the 2007-08 financial year the VRCA complied with all relevant standards for the performance of the 115 navigation aids, beacons and buoys it maintains in Geelong's port waters.

Marine Life and Biological Surveys

In the course of the financial year two studies into the Corio Bay marine environment were conducted. One involved targeted sediment surveys of the sea-bed in port waters to determine their composition; the other, employed biological surveys to determine the nature of marine life forms in the bay. Results of these surveys are still being assessed.

Marine pollution

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

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

During 2007-08 no major marine pollution incidents occurred in port waters.

Promoting Safety Awareness for Small Craft

Geelong's channels are designed for large vessels. Small craft using these channels are at risk from the larger ships which cannot stop or manoeuvre easily around them.

In September, 2007 an amendment to the PSA 1995 clarified VRCA's responsibility for the general direction and control of all vessels in port waters.

The Authority began an awareness program in 2007 and funded and launched a 'Keep Clear of Big Ships!' campaign with the aim of educating the public about the rules and regulations surrounding shipping channels in Corio Bay. Local radio and newspaper advertising, and distribution of promotional flyers and merchandise all served to emphasise safe navigation practices and the regulatory responsibilities of recreational craft in port waters.

The VRCA launch George Molland is being used by the Harbour Master to patrol port waters during peak periods, such as holidays, and other major yachting and boating events, and provide a warning and monitoring presence. It was particularly active during the Skandia Geelong Week Festival from 24 to 28 January 2008, where celebrations included about 450 competitor yachts and numerous visiting craft such as tall ships and passenger ferries. Important safety information was also provided in competitor show bags.



ADDITIONAL INFORMATION

Trading Results

The Authority's profit for the year was \$1,128,924 (2006-07 \$1,258,066) after allowing for an income tax expense of \$610,453 (2006-07 \$665,011).

Reporting

The Authority reports to the Minister for Roads and Ports, The Hon. 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 About Directors

Please see the information following about each Director.





Neil Edwards (Chairperson) was appointed a Director of VRCA in January 2008 and Chairman in April 2008. He has been Chief Executive, Chifley Business School, since July 2005 and also Chief Executive, ETM Search and Selection since February 2007. He was previously a Director of the Port of Melbourne Corporation, serving as Executive Chairman in 2003, and Chairman in 2004-05. From 1999 to March 2003, Neil was Secretary, of the Victorian Department of Innovation, Industry and Regional Development and before Executive Director, State Development Policy. Between 1979 and 1996, Neil worked in the Australian Government, including in several senior executive positions in the Departments of Prime Minister and Cabinet and Industry, Science and Tourism, and serving as Private Secretary to successive Australian Ministers for Finance. During 1989-90, he was seconded to the Government of Canada. After qualifying in economics and politics, Neil taught at Monash University and then at the University of New England. Neil is a Fellow of the Australian Institute of Company Directors and a Fellow of the Institute of Public Administration Australia. Neil is also a Director of the Burnet Institute and has served as Commissioner, State Services Authority.



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 Ltd, Director, Melbourne Water Corporation, RACV Ltd, Cuscal Ltd, and member of Council of Trustees of the National Gallery of Victoria.



John McQuilten (Director) was appointed a Director of VRCA in May 2008. He has a background in government and represented Ballarat Province in the Victorian Legislative Council from 1999 to 2006. During his time in the Parliament, John contributed to a number of government committees including the Economic Development Committee and Rural Regional and Services Committee. John began his career as a business consultant working with companies including KPMG and Electronic Data Systems (EDS). He is currently a Member of the Ballarat University Council and the Victorian Rail Freight Review Committee, and was a participant in the 2020 Summit in Canberra. John is also a vigneron in the Pyrenees region of Central Victoria.

ADDITIONAL INFORMATION CONTINUED

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
Neil Edwards	2	2
Merran Kelsall	5	4
John McQuilten	1	1
Michael Dowling	4	4
Alan Taylor	3	3

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.

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	2008 Number	2007 Number
\$120,000 to \$129,999	-	2
\$130,000 to \$139,999	-	1
\$150,000 to \$159,999	2	-
\$160,000 to \$169,999	1	-

Pecuniary Interests

The Directors, chief executive officer and senior managers have completed a statement of pecuniary interests.

Overseas Visits

Mr Dilip Abraham, Harbour Master, visited Russia in May 2008 for the International Harbour Masters' Association Biennial Congress.

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.

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.

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.

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.

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.

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

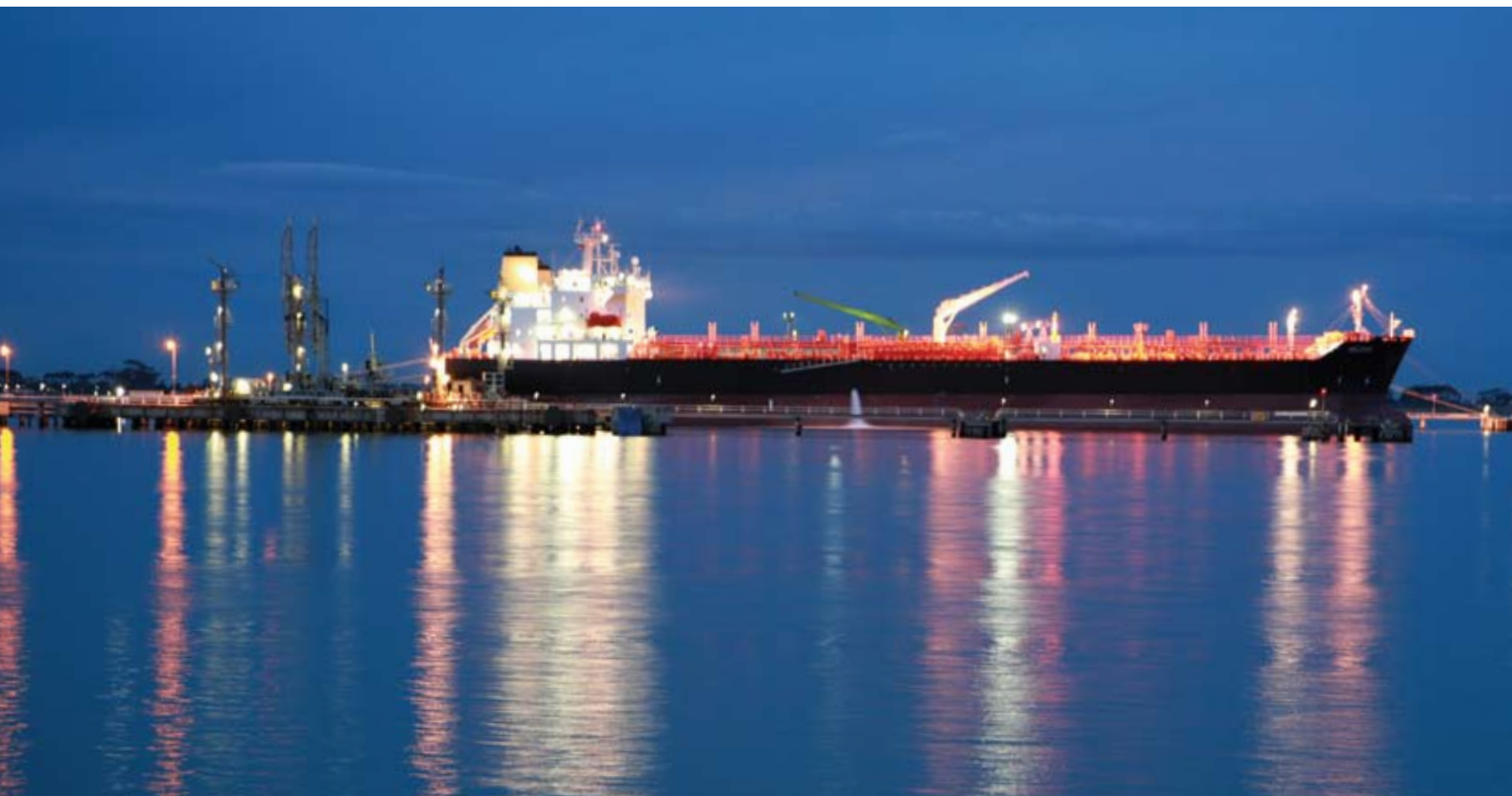


Neil Edwards
Chairperson



Merran Kelsall
Deputy Chairperson

Geelong
21 August 2008



FINANCIAL REPORT

For the Financial Year Ended 30 June 2008

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 2008

	Note	2008 \$	2007 \$
Income			
Revenue		5,822,429	5,585,679
Other income	2(a)	470,377	625,712
Total income		6,292,806	6,211,391
Expenses			
Employee benefits	2(b)	734,933	717,042
Depreciation and amortisation	2(c)	1,564,196	1,664,353
Maintenance dredging		-	-
Other maintenance		161,588	172,902
Lease	2(d)	76,760	67,810
Insurance		147,783	145,991
Marine services		738,040	586,659
Consultancies and contractors		133,390	159,433
Waterway Management		81,092	-
Special projects		460,004	81,578
Loss on disposal of fixed assets		11,185	287,142
Other expenses		444,458	405,404
Total expenses		4,553,429	4,288,314
Net profit before income tax expense		1,739,377	1,923,077
Income tax expense	3	610,453	665,011
Net profit for the period		1,128,924	1,258,066

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

BALANCE SHEET

As at 30 June 2008

	Note	2008 \$	2007 \$
Current assets			
Cash and cash equivalents	4	7,564,573	7,418,697
Trade and other receivables	5	779,753	767,310
Total current assets		8,344,326	8,186,007
Non-current assets			
Infrastructure, property, plant and equipment	6	52,362,799	52,329,568
Intangible assets	7	20,767	36,116
Deferred tax assets	3(b)	59,663	54,660
Total non-current assets		52,443,229	52,420,344
Total assets		60,787,555	60,606,351
Current liabilities			
Trade and other payables	8	137,918	480,794
Provisions	9(a)	126,867	507,307
Total current liabilities		264,785	988,101
Non-current liabilities			
Provisions	9(b)	2,316	2,241
Deferred tax liabilities	3(c)	1,358,606	1,227,085
Total non-current liabilities		1,360,922	1,229,326
Total liabilities		1,625,707	2,217,427
Net assets		59,161,848	58,388,924
Equity			
Contributed equity	10(a)	57,883,058	57,883,058
Retained losses	10(b)	1,278,790	505,866
Total equity		59,161,848	58,388,924
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 2008

	Note	2008 \$	2007 \$
Total equity at the beginning of the period		58,388,924	57,584,858
Net result for the period	2	1,128,924	1,258,066
Dividends paid		(356,000)	(454,000)
Total equity at the end of the period		59,161,848	58,388,924

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 2008

	Note	2008 \$	2007 \$
Cash flows from operating activities			
Receipts from trade and other debtors		6,438,267	6,064,290
Payments to trade creditors, other creditors and employees		(3,248,933)	(2,500,245)
Goods and services tax paid to the Australian Taxation Office		(110,122)	(5,282)
Interest received		466,562	560,701
Income tax paid (refer note 1(j))		(978,339)	(1,021,623)
Net cash inflow from operating activities	19	2,567,435	3,097,841
Cash flows from investing activities			
Payments for infrastructure, property, plant and equipment		(2,134,120)	(5,201,671)
Proceeds from sale of infrastructure, property, plant and equipment		68,561	89,174
Net cash (outflow) from investing activities		(2,065,559)	(5,112,497)
Cash flows from financing activities			
Dividends paid		(356,000)	(454,000)
Net cash (outflow) from financing activities		(356,000)	(454,000)
Net increase in cash and cash equivalents		145,876	(2,468,656)
Cash and cash equivalents at the beginning of the financial year		7,418,697	9,887,353
Cash and cash equivalents at the end of the financial year	4	7,564,573	7,418,697

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 2008

Contents

Note 1.	Summary of accounting policies	33
Note 2.	Net result from operations	39
Note 3.	Income tax	40
Note 4.	Cash and cash equivalents	41
Note 5.	Trade and other receivables	41
Note 6.	Infrastructure, property, plant and equipment	42
Note 7.	Intangible assets	43
Note 8.	Trade and other payables	43
Note 9.	Provisions	43
Note 10.	Equity and movement in equity	44
Note 11.	Financial instruments	44
Note 12.	Responsible persons	46
Note 13.	Remuneration of executives	47
Note 14.	Superannuation funds	47
Note 15.	Remuneration of auditors	48
Note 16.	Contingent assets and liabilities	48
Note 17.	Commitments for expenditure	48
Note 18.	Events occurring after reporting date	49
Note 19.	Reconciliation of profit for the year to net cash flow from operating activities	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, applicable Australian Accounting Standards (AAS) which includes the Australian accounting standards issued by the Australian Accounting Standards Board (AASB), Interpretations and other mandatory professional requirements.

The financial report also complies with relevant Financial Reporting Directions (FRDs) issued by the Department of Treasury and Finance, and relevant Standing Directions (SD) authorised by the Minister for Finance.

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, 2006-07 and 2007-08 reporting periods in relation to channel assets. This will enable VRCA to value its channel assets at cost, provided that they are not impaired.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the financial year ended 30 June 2008

Note 1. Summary of accounting policies continued

(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.

(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
Plant and equipment	5-10 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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the financial year ended 30 June 2008

Note 1. Summary of accounting policies continued

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.

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.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the financial year ended 30 June 2008

Note 1. Summary of accounting policies continued

(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 thirty (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 Authority in the period of initial application, have been issued but are not yet effective:

Standard/ Interpretation	Summary	Application for Annual Reporting Periods Beginning on	Impact on Financial Statements
AASB 2007-8 Amendments to Australian Accounting Standards arising from the review of AASB 101	Editorial amendments to Australian Accounting Standards to align with IFRS terminology	1 January 2009	Impact expected to be insignificant
Revised Interpretation 1038 Contributions by Owners made to Wholly-Owned Public Sector Entities	Editorial amendments to Interpretation 1038 due to changes in AASB1004	1 July 2008	Impact expected to be insignificant
AASB 2007-3 Amendments to Australian Accounting Standards arising from AASB 8	An accompanying amending standard, also introduced consequential amendments into other Standards	1 January 2009	Impact expected to be insignificant

Note 2. Net result from operations

	2008 \$	2007 \$
Income		
(a) Other revenue		
Interest revenue	470,008	559,114
Sundry revenue	369	66,598
Total other revenue	470,377	625,712
Expenses		
(b) Employee benefits		
Salary and wages	620,191	593,644
Superannuation	51,259	53,661
Annual and long service leave expense	13,645	(4,365)
Other employee expenses (fringe benefits tax, payroll tax, workcover levy, etc)	49,838	74,102
Total employee benefits	734,933	717,042
(c) Depreciation and amortisation		
Navigation aids	155,089	194,036
Plant and equipment	134,496	130,373
Major maintenance dredging of channel assets	-	67,965
Channel assets	1,242,209	1,242,209
Software	32,402	29,770
Total depreciation and amortisation	1,564,196	1,664,353
(d) Rental expense relating to operating leases		
Building rentals	67,811	55,357
Storage rentals	3,055	2,670
Equipment rentals	5,894	9,783
Total rental expense	76,760	67,810

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the financial year ended 30 June 2008

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:

	2008 \$	2007 \$
(a) Income tax recognised in the income statement		
Prima facie income tax		
Net result before income tax	1,739,377	1,923,077
Income tax at 30%	521,813	576,923
<i>Adjustment in income tax expense due to:</i>		
Permanent differences	88,640	88,088
Income tax recognised in the income statement	610,453	665,011
<i>Reconciliation of tax recognised in the income statement:</i>		
Current taxation provision	584,329	833,947
Tax receivable	(100,394)	-
Movement in deferred tax asset (refer below)	(5,003)	1,011
Movement in deferred tax liability (refer below)	131,521	(169,947)
Income tax recognised in the income statement	610,453	665,011
(b) Deferred tax asset		
Opening balance	54,660	55,671
Temporary differences	5,003	(1,011)
Closing balance	59,663	54,660
(c) Deferred tax liabilities		
Opening balance	1,227,085	1,397,032
Temporary differences	131,521	(169,947)
Closing balance	1,358,606	1,227,085

Note 4. Cash and cash equivalents

	2008 \$	2007 \$
Cash at bank and on hand	264,573	318,697
Short term deposits	7,300,000	7,100,000
	7,564,573	7,418,697

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	7,564,573	7,418,697
Balance per cash flow statement	7,564,573	7,418,697

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 6.20 and 8.09 per cent (2006-07 – 5.70 and 6.45 per cent).

Note 5. Trade and other receivables

	2008 \$	2007 \$
Current		
Trade debtors	490,691	521,949
Prepayments	105,976	104,672
Interest receivable	47,348	43,902
GST receivable	27,860	96,787
Other	107,878	-
	779,753	767,310

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the financial year ended 30 June 2008

Note 6. Infrastructure, property, plant and equipment

	2008 \$	2007 \$
<i>Navigation aids</i>		
At cost	7,281,128	5,844,166
Less: Accumulated depreciation	(323,967)	(168,878)
	6,957,161	5,675,288
<i>Plant and equipment</i>		
At cost	1,059,133	975,623
Less: Accumulated depreciation	(373,015)	(283,072)
	686,118	692,551
<i>Channel assets</i>		
At cost	49,688,356	49,688,356
Less: Accumulated depreciation	(4,968,836)	(3,726,627)
	44,719,520	45,961,729
Work in progress at cost	-	-
	52,362,799	52,329,568

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 \$	Major Plant and Equipment \$	Channel Assets \$	Work in Progress \$	Total \$
Carrying amount at start of year	5,675,288	692,551	45,961,729	-	52,329,568
Additions	1,436,962	201,577	-	-	1,638,539
Disposals	-	(73,514)	-	-	(73,514)
Depreciation expense	(155,089)	(134,496)	(1,242,209)	-	(1,531,794)
Carrying amount at end of year	6,957,161	686,118	44,719,520	-	52,362,799

Note 7. Intangible assets

	2008 \$	2007 \$
At cost	116,628	74,425
Less: Accumulated amortisation	(95,861)	(38,309)
	20,767	36,116

Note 8. Trade and other payables

Trade creditors	16,478	14,537
GST payable	46,319	47,450
Other creditors and accruals	75,121	418,807
	137,918	480,794

Note 9. Provisions

(a) Current

Provision for tax	-	394,010
Employee benefits (note 9(c))	126,867	113,297
	126,867	507,307

(b) Non-current

Employee benefits (note 9(c))	2,316	2,241
	2,316	2,241

(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	60,342	53,856
- other long term employee benefits that do not fall due within 12 months after the end of the period measured at present value	66,525	59,441
	126,867	113,297

Non-current

LSL representing less than seven years of continuous service measured at present values	2,316	2,241
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NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the financial year ended 30 June 2008

Note 10. Equity and movement in equity

	2008 \$	2007 \$
(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 profits/(losses) at the beginning of the reporting period	505,866	(298,200)
Profit for the year	1,128,924	1,258,066
Dividends paid	(356,000)	(454,000)
Retained profits at the reporting date	1,278,790	505,866

Note 11. Financial instruments

(a) Terms, conditions, and accounting policies

The Authority's accounting policies, including the terms and conditions of each class of financial asset, financial liability, and equity instrument, both recognised and unrecognised, at balance date are:

- (i) Cash Assets: Includes Cash at Bank and cash in bills term deposit with a AAA rated entity.
- (ii) Receivables: Receivables are carried at nominal amounts due less any provision for doubtful debts. A provision for doubtful debts is recognised when collection of the full nominal amount is no longer probable. Debtors are on 30 day terms.
- (iii) Payables: Liabilities are recognised for amounts to be paid in the future for goods and services received, whether or not billed to the Authority. Trade liabilities are normally settled on 30 day terms. No interest is charged on the payables.

(b) Interest rate risk

The Authority's exposure to interest rate risk and the effective interest rates of financial assets and financial liabilities, both recognised and unrecognised, at the balance date are:

		Floating Interest Rate		Non-interest Bearing		Total	
		2008	2007	2008	2007	2008	2007
	Note	\$	\$	\$	\$	\$	\$
<i>Financial assets</i>							
Cash and cash equivalents	4	7,564,573	7,418,697	-	-	7,564,573	7,418,697
Trade and other receivables	5	-	-	779,753	767,310	779,753	767,310
		7,564,573	7,418,697	779,753	767,310	8,344,326	8,186,007
Weighted average interest rate		7.1%	5.6%				
<i>Financial liabilities</i>							
Trade and other payables	8	-	-	137,918	480,794	137,918	480,794
		-	-	137,918	480,794	137,918	480,794
Net financial assets		7,564,573	7,418,697	641,835	286,516	8,206,408	7,705,213

Note 11. Financial instruments continued

Reconciliation of net financial assets to net assets

	Note	2008 \$	2007 \$
Net financial assets (as above)		8,206,408	7,705,213
Non financial assets and liabilities:			
Infrastructure, property, plant and equipment	6	52,362,799	52,329,568
Intangible assets	7	20,767	36,116
Net tax liabilities	3	(1,298,943)	(1,172,425)
Provisions	9	(129,183)	(509,548)
Net assets per balance sheet		59,161,848	58,388,924

(c) Net fair value

The net fair value of financial assets and financial liabilities is reflected by the carrying amount of such assets and liabilities in the balance sheet determined in accordance with the accounting policies disclosed in note 1 to the accounts.

(d) Credit risk exposure

The Authority's maximum exposures to credit risks at balance date in relation to each class of recognised financial assets is the carrying amount of those assets as indicated in the balance sheet.

The Authority does not hold any collateral as security nor credit enhancements relating to any of its financial assets. Credit risk in receivables is managed by payment terms of 30 days. At balance date there were \$4,669 outstanding for more than 30 days.

(e) Liquidity risk

Liquidity risk includes the risk that, as a result of our operational liquidity requirements:

- we will not have sufficient funds to settle a transaction on the date;
- we will be forced to sell financial assets at a value which is less than what they are worth; or
- we may be unable to settle or recover a financial asset at all.

To help reduce these risks we:

- have a liquidity policy which targets a minimum and average level of cash and cash equivalents to be maintained;
- have readily accessible standby facilities and other funding arrangements in place;
- have a liquidity portfolio structure that requires surplus funds to be invested within various bands of liquid instruments;
- monitor budget to actual performance on a regular basis; and

The Authority's exposure to liquidity risk is deemed insignificant based on prior periods' data and current assessment of risk.

(f) Market risk

The Authority does not have an exposure to interest rate risk foreign currency or other price risks.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the financial year ended 30 June 2008

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:

Tim Pallas MP	Minister for Roads and Ports	1 July 2007 to 30 June 2008
Michael Dowling	Director (Chairperson)	1 July 2007 to 31 March 2008
Merran Kelsall	Director (Deputy Chairperson)	1 July 2007 to 30 June 2008
Alan Taylor	Director	1 July 2007 to 31 December 2007
Neil Edwards	Director	1 January 2008 to 31 March 2008
Neil Edwards	Director (Chairperson)	1 April 2008 to 30 June 2008
John McQuilten	Director	1 May 2008 to 30 June 2008
Peter McGovern	Chief Executive Officer (Accountable Officer)	1 July 2007 to 30 June 2008

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			2008 No.	2007 No.
\$0	to	\$9,999	1	-
\$10,000	to	\$19,999	1	-
\$20,000	to	\$29,999	1	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
\$160,000	to	\$169,999	1	-
Total numbers			5	5
Total amount			\$238,072	\$283,365
Bonuses paid to responsible persons included above during the financial year			\$23,288	-

Remuneration received or receivable by the Accountable Officer in connection with the management of the Authority during the reporting period was in the range \$160,000 – \$169 000 (\$120,000 – \$129,000 in 2006-07).

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	2008 No.	2007 No.
\$120,000 to \$129,999	-	1
\$130,000 to \$139,999	-	1
\$150,000 to \$159,999	2	-
Total numbers	2	2
Total amount	\$306,524	\$252,947
Bonuses paid to executive officers included above during the financial year	\$45,807	\$7,521

Related party transactions

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

Note 14. Superannuation funds

Employees of the Authority are entitled to receive superannuation benefits and the Authority contributes to a defined benefit and defined contribution plans. The defined benefit plan provides benefits based on years of service and final average salary.

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

However, superannuation contributions paid or payable for the reporting period are included as part of employee benefits in the Operating Statement of the Authority.

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

Fund	Contributions Made		Contributions Outstanding	
	2008 \$	2007 \$	2008 \$	2007 \$
AMP Flexible Life (Accumulation)	6,758	6,748	-	-
Camilo Super Fund (Accumulation)	12,064	10,426	-	-
Kawrotas Superannuation Fund (Accumulation)	1,815	1,980	-	-
MLC Investments (Accumulation)	1,095	-	-	-
McQuilten Family Super (Accumulation)	165	-	-	-
Scott Family Super Fund (Accumulation)	-	4,736	-	-
SERF (Accumulation)	10,392	9,678	-	-
State Superannuation Scheme (Defined Benefit)	11,001	11,000	-	-
Vic Super (Accumulation)	7,969	9,093	-	-
Total	\$51,259	\$53,661	-	-

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

For the financial year ended 30 June 2008

Note 15. Remuneration of auditors

	2008 \$	2007 \$
Audit fees paid or payable to the Victorian Auditor-General's Office for audit of the VRCA's financial report:		
Paid as at the end of the reporting period	-	-
Payable as at the end of the reporting period	23,700	23,200
Total remuneration	23,700	23,200

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.

Note 17. Commitments for expenditure

	2008 \$	2007 \$
(a) Lease commitments		
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	101,816	97,137
Payable 1-5 years	59,393	250,936
	161,209	348,073
GST claimable	(14,655)	(31,643)
Net commitment	146,554	316,430

(b) Operating commitments

Total expenditure contracted for at balance date but not recognised as liabilities payable in the financial statements:

Payable no later than 1 year	770,757	689,396
Payable 1-5 years	42,453	722,838
	813,210	1,412,234
GST claimable	(73,928)	(128,385)
Net commitment	739,282	1,283,849

(c) Capital commitments

Total expenditure contracted for at balance date but not recognised as liabilities payable in the financial statements:

Payable no later than 1 year	305,503	1,345,924
	305,503	1,345,924
GST claimable	(27,773)	(122,357)
Net commitment	277,730	1,223,567

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

	2008 \$	2007 \$
Profit for the year	1,128,924	1,258,066
Depreciation and amortisation	1,564,196	1,664,353
Loss on sale of assets	11,185	287,142
GST included in investing activities	159,326	493,224
Change in operating assets and liabilities:		
Increase in trade and other receivables	(8,997)	(229,214)
(Increase)/decrease in interest accrued	(3,446)	1,587
Decrease in trade and other payables	(29,906)	(16,339)
Increase/(decrease) in provisions	13,645	(4,365)
Increase in tax provisions	(267,492)	(356,613)
Net cash flows from operating activities	2,567,435	3,097,841

DIRECTORS' DECLARATION

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 2008 and the financial position as at 30 June 2008 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.

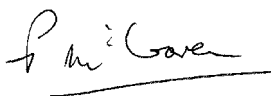
For and on behalf of the board



Neil Edwards
Chairperson



Merran Kelsall
Deputy Chairperson



Peter McGovern
Chief Executive Officer



Richard Keyte
Chief Financial Officer

Geelong
21 August 2008

AUDITOR-GENERAL'S REPORT

VAGO

Victorian Auditor-General's Office

INDEPENDENT AUDITOR'S REPORT

To the Board Members, Victorian Regional Channels Authority

The Financial Report

The accompanying financial report for the year ended 30 June 2008 of the Victorian Regional Channels Authority which comprises the operating 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 Board Members' Responsibility for the Financial Report

The Board Members 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.

Auditor's 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 entity's 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 entity'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.

I believe that the audit evidence obtained is sufficient and appropriate to provide a basis for my audit opinion.

1

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Auditing in the Public Interest

VAGO

Victorian Auditor-General's Office

Independent Auditor's Report (continued)

Matters Relating to the Electronic Presentation of the Audited Financial Report

This auditor's report relates to the financial report published in both the annual report and on the website of the Victorian Regional Channels Authority for the year ended 30 June 2008. The Board Members 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 above. 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 the Victorian Regional Channels Authority web site.

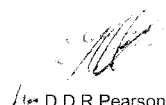
Independence

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. In conducting the audit, the Auditor-General, his staff and delegates complied 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 2008 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
26 August 2008



D D R Pearson
Auditor-General

2

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Auditing in the Public Interest

