

ANNUAL REPORT 2010/11



Victorian Regional Channels
Authority

Level 2, 235 Ryrie Street,
Geelong VIC 3220

GPO Box 1135,
Geelong VIC 3220

t: (03) 5225 3500

f: (03) 5225 3599

e: admin@regionalchannels.vic.gov.au
www.regionalchannels.vic.gov.au

Victorian Regional Channels Authority Annual Report 2010 – 2011

Table of Contents

Our vision	2
Our mission	2
Scope of operations	2
Chair's report.....	3
Chief Executive Officer's report	5
Executive summary	6
Establishment and functions.....	8
Staff establishment	10
Income and pricing.....	11
Financial performance	12
Operating performance.....	13
Key functions	14
Additional information	16

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.
- 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) is established under the *Transport Integration Act 2010* to manage channels in the port waters of Geelong, and oversee channel operations in the Port of Portland. It began operations on 1 April 2004.

The principal functions of the VRCA, as provided in Part 6 of Division 3B of the *Transport Integration Act 2010*, 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 is directly responsible for shipping control in the port waters of Geelong and contracts the shipping control and navigation channel services for the Port of Portland to the operator of this port.

The VRCA has numerous stakeholders, including 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 Ports with respect to industry policy 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.

Chairman's report

It is my pleasure to present my first report as Chairman of the Victorian Regional Channels Authority (VRCA).

In doing so I would like to take this opportunity to thank both outgoing Chairman Mr Neil Edwards who has led the Board for the previous 3 years and departing Director Mr John McQuilten, for their commitment and support over this period.

During this time the VRCA made substantial progress in serving the shipping community including investment in new infrastructure and risk mitigation in the order of \$1.5 million.

I also take this opportunity to thank Merran Kelsall for her outstanding continuing service to the board and welcome new Director, Mr Lindsay Ward, who joined the Board in May 2011.

The significance of the Port of Geelong to the regional and State economies cannot be underestimated. A recently completed Economic Impact Study of the port operations commissioned by the VRCA showed that the Port of Geelong handles around 10 million tonnes of cargo each year valued at more than \$6 billion and generates \$360 million of economic activity for the Victorian economy annually.

For its part, the VRCA provides a vital service in ensuring the continuous, efficient, and safe day-to-day movement of commercial shipping through the port.

In the port precinct there are some 11 major operators, including terminal operators, berth operators and port service providers. To ensure that there is a coordinated approach to port operations as well as to the future development of the port, the VRCA acts as the focal point for coordination of activities and provides a centre of expertise for the development of long term strategic plans for the maritime infrastructure in the port.

The VRCA also has the important responsibility of acting as the lead agency for coordinating 'whole of port' responsibilities relating to safety, security and the environment.

In recognition of the success of these activities over recent years, and with the support of the port operators, the State Government has recently requested that the VRCA take the lead planning role for the Port of Geelong as required under the *Port Management Act 1995*.

In addition to its marine operational responsibilities, the VRCA is the primary point of contact in the Port of Geelong for the coordination of stakeholder and community involvement in the port.

The VRCA is keenly aware that community support is vital for the long term success of the port and despite the many projects and relatively few staff, has an extensive program of community involvement and consultation with industry stakeholders including the Geelong Chamber of Commerce, G21, City of Greater Geelong, Geelong Manufacturing Council and Committee for Geelong as well as community service organisations and local residents.

We would also believe that we at the VRCA have a key role to play in ensuring that the general Geelong community appreciates the importance of the Port to Geelong's current and future economic development. As part of this process, the VRCA is also investing in long term community support and increasing awareness of the importance of the port to the community through its Port Education Program which provides valuable educational experiences for secondary school students. This year the program has expanded to involve more than 1,000 students.

Risk minimisation, improved accessibility and improved vessel control in the Geelong channels remains the Authority's highest priority and extensive preparatory work including site investigations have been carried out over the last two years in readiness for channel improvements at a number of locations in the port.

This project requires approval from relevant government agencies and, when approved, will involve a significant investment by the Authority for the benefit of port customers.

The VRCA is looking forward to the exciting new challenges it will have in the coming year in its role in supporting the Victorian Government's current study into the potential relocation of the car carrier operations to Geelong. We also stand ready to help with the future development of the Port of Hastings as responsibilities for the channels in the Port of Hastings are passed to the VRCA from the Port of Melbourne.

I am pleased to be associated with an organisation that continues to provide such excellent service to its customers and stakeholders and I am looking forward to working with my fellow Directors and the management and staff of the VRCA in continuing the impressive work and great advances made by the Authority over recent years.

Ken Jarvis
Chair

Chief Executive Officer's report

The VRCA's financial results for 2010/11 exceeded budget expectations, with a before tax profit of \$3.7 million based on a total turnover of \$10.0 million. Operating expenses for the year amounted to \$4.2 million and were in line with budget expectations.

The satisfactory financial performance was achieved with a moderate rise in channel fees from 28.0 to 29.5 cents per gross ton from 1 July.

The VRCA's commitment to the safety, efficiency and reliability of the Geelong channels has continued throughout the year with no marine operational incidents or issues occurring again this year.

The VRCA also met its responsibilities in overseeing the channel operations at the Port of Portland through a channel operating agreement with this port as well as the Port of Hastings in the early part of the year.

Port safety again featured strongly this year with continuing widespread public education campaigns aimed at the operators of recreational craft about the requirements for keeping clear of commercial shipping in the Geelong channels.

Since its inception in 2004, the VRCA has implemented an extensive program of operational improvements for the port users in Geelong involving substantial capital investments.

This has included the complete replacement of the commercial channel markers in the Geelong channels, upgraded communication systems, new marine information and monitoring systems, the smart docking system at Refinery Pier and the introduction of an on-water operational response capability through the use of the launch, the George Molland.

The task of improving access and minimising risk for vessels using the Geelong channels remains at the forefront of our efforts.

With this solid foundation of operational improvements behind it, the VRCA has increasingly been able to direct its attention to planning for the long term strategic development of the port.

This work involves research and analysis into shipping industry trends including current and future characteristics of ships and shipping as well as projected commodity growth and potential new commodities that may be transported through the port in the future.

This research is important due to the long lead times associated with developing port infrastructure, including channel improvements.

A key area of research this year has been into the ability to provide effective access for specialised high-sided vessels such as large woodchip carriers and car-carriers.

These vessels present particular challenges in their ability to transit the Geelong channels. The VRCA, in collaboration with the Port Phillip Sea Pilots, has undertaken extensive analysis of the conditions under which they could operate including the introduction of new technologies for assisting with their movement.

This research is timely given the Victorian Government's recently initiated feasibility study into the potential for relocating the current car trade from the Port of Melbourne to the Port of Geelong.

The VRCA is also undertaking detailed analysis and navigation simulation studies of vessel movements associated with potential berth extensions at Corio Quay South and at Lascelles Wharf. The full scope of this work will include landside capacity modelling for transport access, connectivity and cargo management to comply with the Transport Integration Act 2010.

This year saw the completion of the second major Economic Impact Study for the Port of Geelong. The study builds on similar research undertaken in 2005 and forecasts significant growth in all existing commodities over the next 10 to 20 years.

Given the wide impact that port activities have on the economy of the region it is important to make sure that the community is well aware of the issues facing the port and how the port is likely to develop in the future.

The VRCA seeks to continually build broad-based community interest and support for the port by regularly participating in a wide range of local forums with groups such as Rotary and Probus Clubs, the Royal Geelong Yacht Club, the Volunteer Coast Guard, the North Shore Residents Group, the Geelong Maritime Museum, Deakin University, the Missions to Seafarers and many secondary schools through the Port Education Program.

The VRCA continues to be directly involved with port related operators, users and stakeholders in addressing operational issues as they arise. These matters are regularly addressed and resolved through the Geelong Channel User Group which is an informal forum whose membership includes all direct and indirect users of the port and its facilities.

As always, our priority remains with the delivery of our core service which is to provide world-class marine services to port users which ensure safe, reliable and efficient access to the port.

I would like to thank my fellow staff members for their unstinting efforts during the year and acknowledge the enthusiastic support and valuable guidance given over the last 3 years by our outgoing Board chairman Mr Neil Edwards and Director Mr John McQuilten.

I also take this opportunity to welcome to the Board our new Chairman Mr Ken Jarvis who joined the Board in April 2010 and new Director Mr Lindsay Ward who joined the Board in May 2011.

I look forward to another safe and successful year of operation in the coming financial year.

Captain Peter McGovern
Chief Executive Officer

Executive summary

Highlights of the year:

- Continued research using the VRCA's Capacity Simulation Model. This year emphasis was placed on cargo capacity and vessel movements associated with high-sided vessels such as woodchip carriers and car carriers
- Continued navigation simulation work undertaken with the Port Phillip Sea Pilots to test vessel transits in the Geelong channels under a variety of sea conditions and vessel operating parameters
- Detailed simulation and capacity modelling for potential berth extensions at Corio Quay South and Lascelles Wharf
- Completion of the annual hydrographic survey to determine the maintenance of channel depths and to assess the extent of works required to improve access to the port
- Review of risks and risk controls in the VRCA Risk Management Register
- Completion of the second major Economic Impact Study for the Port of Geelong in partnership with key stakeholders
- Continuation of the awareness campaign warning small craft of risks associated with channel usage
- Continuation of the Port Educational Program for Year 9 and 10 students from Geelong and the surrounding region involving more than 1000 students

Ongoing provision of key services and facilities:

- 24-hour commercial shipping management service
- Liaison with pilot services, tugs, lines boats, lines men, quarantine services and customs
- Planning and supervision of tasks for the provision and maintenance of all navigation aids for commercial shipping
- Oversight of channel operations at the Port of Portland and at the Port of Hastings until the end of September 2010
- Provision of professional maritime advice about ships, cargoes and operations in port waters
- Undertaking research and the collection of information on shipping industry trends
- Strategic planning for future needs of commercial shipping in regional commercial channels
- Provision of regular industry briefings
- Provision of support for port consultative groups

Establishment and functions

The VRCA is defined as a Transport Corporation under the *Transport Integration Act 2010* with the responsibility of managing the shipping channels in the Port of Geelong and overseeing the channels in the Port of 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 bulk cargoes, most of which are raw materials like petroleum products, fertiliser, grain and woodchips.

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

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

Aside from the Point Wilson Explosives Pier, Cunningham Pier and the new Bulk Grain Pier, Geelong Port is managed by GeelongPort 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 4 North	230m	10.4m	Woodchip
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 serviced by VRCA. The site was used by the Australian Defence Industries as an explosives depot. It has been closed to shipping until further notice.

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

Cunningham Pier

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

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

Rippleside

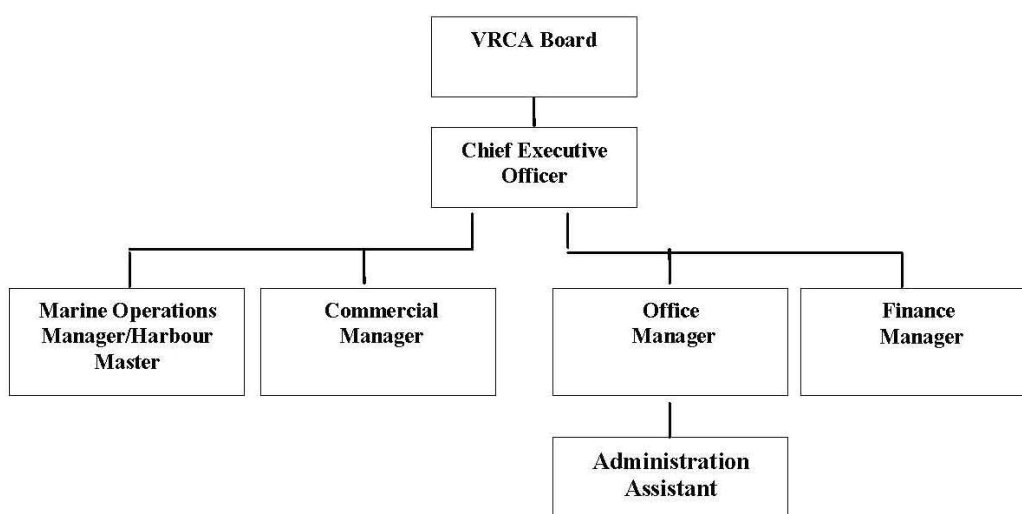
Currently not in operation pending development of the area.

Staff establishment

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

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

Organisational structure



Income and pricing

The VRCA is a self-funded transport corporation, obtaining income from a tonnage charge levied on commercial shipping using the port waters of Geelong. Additional 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;
- commercial shipping using the Ports of Hasting or Portland.

Primary revenue

The basis for shipping charges

The VRCA sets prices for its tonnage charges on shipping based on a gross tonnage measure which is related to the internal volume of the vessel accessing the port.

The VRCA reviews its pricing annually and fixes prices for a year in advance. The 2010/2011 Channel Usage Charge was 29.5 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 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 to the VRCA. The contract provides for annual increases equivalent to 75 percent of the CPI movement over the previous twelve months.

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

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	\$158.00
Handymax	22,000 – 29,999	\$169.00
Panamax	> 29,999	\$200.00

Financial performance

Total turnover for VRCA for the 12 months ended 30 June 2011, incorporating revenue from non-operating activities, was \$10.0 million which included an amount of \$2.1 million for a revaluation increment in channel assets. This was above expectations, and resulted in a before tax and asset revaluation adjustment profit of \$2.6 million. Government Accounting Standards required VRCA to conduct an assessment of the channels value. This resulted in additional income of \$2.1 million and an increase in tax expense of \$0.6 million. The reported profit after tax was \$4.1 million which included an after tax profit of \$1.5 million resulting from channel revaluation. Operating expenses for year amounted to \$4.1 million and were in line with budget expectations.

Dividend Distribution Targets

Dividend is as determined by the Treasurer in accordance with Section 41 of the PSA after discussion with the VRCA Board. During 2010/2011 the VRCA paid \$527,000.

Operating expenses

Operating expenses for 2010/2011 amounted to \$4.2 million. This represents minimal variation on spending from the previous year and was in line with budget expectations.

Special projects costs

Additional expenditure of \$0.3 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.

Operating performance

Gross tonnage handled

In 2010/2011 total gross tonnage of ships entering Geelong ports was 14.2 million gross tons; an overall increase of 3.6 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.

Grain exports have increased by more than 400% compared with last year as a result of the breaking of drought conditions. Fertiliser throughput has increased by 75% compared to the previous year.

Bulk liquid imports and exports, including petroleum products, crude oil, sulphuric acid and bitumen, are up in terms of volumes of products by about 13% on last year.

Gross tonnage and number of ships

Gross tonnage and number of ships visiting Geelong ports for the last 10 years has remained at roughly the same levels.

Year	Gross tonnage handled	Ship visits
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
2008/2009	12.1 million	522
2009/2010	10.6 million	435
2010/2011	14.2 million	508

Key functions

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.

Surveys conducted on behalf of the VRCA over the past five years by an independent team confirm this fact, and that no significant shoaling or other hazards are evident in Geelong berths and channels. Accordingly, maintenance dredging will not be required before the next annual survey in 2012.

Ships size and port capacity studies

The VRCA continued its long term forward planning program in relation to a number of key issues facing the Port of Geelong. These are:

- The steady increase in the size of bulk ships being built and operated that are likely to access the port in the near future, and;
- The potential changes to the type and volume of commodities being moved through the port
- The capacity of the channels and berths in the port to accommodate these changes

The work being undertaken by the VRCA includes extensive computer modelling and simulation studies in collaboration with other port users and stakeholders.

Risk Management

The Risk Management Register established by the VRCA in 2004 provides a framework within which the VRCA fulfils its responsibilities under the *Port Management Act (1995)* on behalf of customers and users of regional ports. The VRCA Risk Committee of the VRCA Board met twice throughout this financial year to review the register. No significant revisions were made, as all major controls have been implemented and active for a number of years.

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 2010/2011 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.

Marine pollution

Under the *Marine Act*, the Director (Marine Safety) Transport Safety Victoria is responsible for ensuring that there are adequate resources to respond effectively to marine pollution events in Victorian waters. The Director has designated the Port of Melbourne Corporation (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 (Marine Safety) Transport Safety Victoria.
During 2010/2011 no major marine pollution incidents occurred in port waters.

Study of port environment and sediments

Department of Sustainability and Environment (DSE) protocols require that the VRCA conduct a survey of sea bed sediments in Geelong port waters every two years, and provide it with the results. Surveys have been conducted in 2005, 2007, 2009 and 2011.

The information collected from the surveys is used to inform long-term port planning and environmental assessment. Most importantly, it is incorporated into the VRCA Channel Improvement database to establish baselines for future comparison.

Port education program for local schools

In 2010-2011 the VRCA continued its Port Educational 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. Students were drawn from local schools based in Geelong and expanded to include representation from schools in other regional areas near Geelong. Groups under the auspices of 'Northern Futures', an organisation which is a collaboration of local business, government, schools and community groups, also participated in the programme.

Continuation of the safety awareness campaign

In order to minimise the level of incidents involving small leisure craft in port channels the Authority resumed the 'Keep Clear of Big Ships!' education and awareness program begun in 2007/2008.

A program of presentations by senior staff to community organisations was undertaken to spread the safety message as widely as possible. As in previous years this was supported by local radio advertisements, newspaper advertising, and distribution of promotional flyers and merchandise.

Once again the VRCA launch George Molland was used by the Harbour Master to patrol port waters during peak periods and major yachting and boating events.

Additional information

TRADING RESULTS

The Authority's profit / (loss) for the year was \$4.1 million (2009-2010 (\$17.3 million) after allowing for an income tax expense / (benefit) of \$1.8 million (2009-2010 (\$7.4 million). The results for 2010 – 2011 included additional income associated with revaluation of infrastructure assets of \$2.1 million with tax expense of \$0.6 million.

REPORTING

The Authority reports to the Minister for Ports, The Hon Dr. Denis Napthine 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 a director or with a firm of which the director has a substantial financial interest.

INFORMATION ON DIRECTORS

Kenneth Jarvis OAM KSJ MAICD (Chairman) was appointed Chairman of the VRCA in April 2011. He was appointed a director of GMHBA Ltd in September 2004 and appointed chairman in June 2010. He is also a director of Gordon TAFE Ltd and ADAL Ltd (the company that runs the Avalon Air Show). He has had past extensive involvement with a range of community organisations including being a director of Geelong College Ltd, President of the Geelong College Foundation Ltd, director of the Geelong Community foundation Ltd, Chairman of the Linton Appeal, Vice President and life member of the Geelong Hospital, Patron of Geelong Red Cross, and Patron of the Deakin Great Hall Appeal. He was also a former Mayor of the City of Greater Geelong from 1990 to 2001 and lead the revitalisation of Geelong through projects such as the upgrade of the Geelong to Melbourne Road and the upgrade of the Geelong waterfront. He has also sat on many other community boards in the Geelong area. He is currently managing Director of Aerolite Quarries Pty Ltd and has a number of other personal company interests. He has been CEO of a number of large private companies and has held senior executive roles in Alcoa Ltd and other public companies. He has qualifications in metallurgy, mathematics and engineering and has worked extensively in the mining industry across Australia. He is also a qualified commercial helicopter and fixed wing pilot.

Merran Kelsall (Deputy Chairman) 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, and Super Partners Pty. Ltd.

Lindsay Ward (Director) was appointed a Director of the VRCA in May 2011. Lindsay is an experienced senior executive having worked in a broad range of industries including ports, mining, mineral processing, rail, electricity generation, transport and logistics at both General Manager and CEO level.

Lindsay is currently Managing Director and CEO of Dart Mining. Prior to this, Lindsay was general Manager – Patrick Bulk Ports and Pacific National Bulk Rail, a business unit of Asciano Ltd. As an integral part of this role, Lindsay was also the CEO of GeelongPort, the privatised operator of the landside operations of the Port of Geelong.

Before joining Patrick, Lindsay was General Manager Production – Yallourn Energy, a Victorian based power generator.

Lindsay started his career in the mining industry, spending some 15 years working with various mining companies in WA, Queensland, NSW and Victoria in roles ranging from Mining Engineer through to Mine Manager.

Lindsay is a Government appointed member of the Victorian Freight and Logistics Council.

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	4	4
Merran Kelsall	6	6
John McQuilten	5	5
Ken Jarvis	2	2
Lindsay Ward	1	1

PECUNIARY INTERESTS

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

AUDIT COMMITTEE MEMBERSHIP AND ROLE

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

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 co-ordination 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.

FINANCE AND AUDIT COMMITTEE 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	4	4
Merran Kelsall	6	6
John McQuilten	5	5
Ken Jarvis	2	2
Lindsay Ward	1	1

RISK COMMITTEE MEMBERSHIP AND ROLE

Board members of the Authority constitute membership of the Committee, with John McQuilten as Chairman.

The Risk Committee sits on a half yearly 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.

RISK COMMITTEE 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	1	1
Merran Kelsall	1	1
John McQuilten	1	1

EXECUTIVE OFFICER REMUNERATION

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

Income bands	2011 Number	2010 Number
\$150,000 to 159,999	-	2
\$160,000 to 169,999	2	-

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.

Disability Act

The Authority is committed to the aims and objectives of the Victorian Disability Act 2006 in regard to respecting the rights and needs of people with a disability.

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.

Risk Attestation Statement

I, Kenneth Jarvis, certify that the Victorian Regional Channels Authority (VRCA) has risk management processes in place consistent with the Australian/New Zealand Risk Management Standard AS/NZS 4360:2004.

The VRCA has in place an internal control system which enables the management of the VRCA to understand, manage and control risk exposures. In addition, the VRCA has a Risk Management Committee comprising all of the Board members of the Authority.

The Risk Committee sits on a half yearly basis to review the risk register and the progress of risk management procedures.

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



Kenneth E Jarvis

Chair

Geelong

5 August 2011



Merran Kelsall

Deputy Chair

Geelong

5 August 2011



Victorian Regional Channels Authority

FINANCIAL STATEMENTS

For the year ended 30 June 2011

CONTENTS

Comprehensive operating statement.....	22
Statement of financial position.....	23
Statement of changes in equity.....	24
Statement of cash flows.....	25
Notes to the financial statements.....	26
Certification of financial statements.....	50
Auditor-General's report.....	51

VICTORIAN REGIONAL CHANNELS AUTHORITY
COMPREHENSIVE OPERATING STATEMENT
For the year ended 30 June 2011

	Note	2011 \$'000	2010 \$'000
Continuing operations			
Income			
Channel income		7,305	5,534
Reversal of prior year revaluation write down	8	2,122	-
Other income	3	591	404
Total income		10,018	5,938
Expenses			
Employee benefits	4(a)	876	823
Depreciation and amortisation	4(b)	955	1,847
Other maintenance		196	172
Lease	4(c)	189	72
Insurance		146	150
Marine services		798	745
Vessel expenses		131	51
Consultancies and contractors		82	116
Waterway Management		103	75
Special projects		281	166
Revaluation write down	8	-	25,909
Loss on disposal of fixed assets		5	14
Other expenses		393	487
Total expenses		4,155	30,627
Profit/(loss) for the year before income tax expense/(benefit)		5,863	(24,689)
Income tax expense/(benefit)	5	1,758	(7,411)
Profit/(loss) for the year	14	4,105	(17,278)
Other comprehensive income:			
Movement in property, plant and equipment reserve	13	-	(10,501)
Total other comprehensive income for the year, net of tax		-	(10,501)
Total comprehensive income/(loss) for the year		4,105	(27,779)

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

VICTORIAN REGIONAL CHANNELS AUTHORITY
STATEMENT OF FINANCIAL POSITION
As at 30 June 2011

	Note	2011 \$'000	2010 \$'000
Current assets			
Cash and cash equivalents	6	13,863	10,920
Prepayments		130	101
Trade and other receivables	7	914	778
Total current assets		14,907	11,799
Non-current assets			
Infrastructure, property, plant and equipment	8	26,742	24,644
Intangible assets	9	-	3
Deferred tax assets	5(c)	377	1,308
Total non-current assets		27,119	25,955
Total assets		42,026	37,754
Current liabilities			
Trade and other payables	10	347	251
Provisions	11(a)	772	179
Total current liabilities		1,119	430
Non-current liabilities			
Provisions	11(b)	23	18
Total non-current liabilities		23	18
Total liabilities		1,142	448
Net assets		40,884	37,306
Equity			
Contributed capital	12	57,883	57,883
Reserves	13	505	505
Retained profit/(accumulated losses)	14	(17,504)	(21,082)
Total equity		40,884	37,306

The above statement of financial position should be read in conjunction with the accompanying notes.

VICTORIAN REGIONAL CHANNELS AUTHORITY
STATEMENT OF CHANGES IN EQUITY
For the year ended 30 June 2011

	Contributed capital \$'000	Reserves \$'000	Retained profit/ (accumulated losses) \$'000	Total equity \$'000
Balance at 1 July 2009	57,883	11,006	(3,548)	65,341
Profit/(loss) for the year (refer note 14)	-	-	(17,278)	(17,278)
Other comprehensive income for the year (refer note 13)	-	(10,501)	-	(10,501)
Total comprehensive income for the year	-	(10,501)	(17,278)	(27,779)
Transactions with owners in their capacity as owners:				
Dividends provided for or paid (refer note 14)	-	-	(256)	(256)
	-	-	(256)	(256)
Balance at 30 June 2010	57,883	505	(21,082)	37,306
Balance at 1 July 2010	57,883	505	(21,082)	37,306
Profit/(loss) for the year (refer note 14)	-	-	4,105	4,105
Total comprehensive income for the year	-	-	4,105	4,105
Transactions with owners in their capacity as owners:				
Dividends provided for or paid (refer note 14)	-	-	(527)	(527)
	-	-	(527)	(527)
Balance at 30 June 2011	57,883	505	(17,504)	40,884

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

VICTORIAN REGIONAL CHANNELS AUTHORITY
STATEMENT OF CASH FLOWS
For the year ended 30 June 2011

	Note	2011 \$'000	2010 \$'000
Cash flows from operating activities			
Receipts from trade and other debtors		7,738	6,031
Payments to trade creditors, other creditors and employees		(3,262)	(2,886)
Goods and services tax paid to the Australian Taxation Office		(397)	(322)
Interest received		619	323
Income tax paid (refer note 1(e))		(202)	(366)
Net cash inflow from operating activities	23	4,496	2,780
Cash flows from investing activities			
Payments for infrastructure, property, plant and equipment		(1,153)	(762)
Proceeds from sale of infrastructure, property, plant and equipment		127	98
Net cash outflow from investing activities		(1,026)	(664)
Cash flows from financing activities			
Dividends paid	14	(527)	(256)
Net cash outflow from financing activities		(527)	(256)
Net increase in cash and cash equivalents		2,943	1,860
Cash and cash equivalents at the beginning of the financial year		10,920	9,060
Cash and cash equivalents at the end of the financial year	6	13,863	10,920

The above statement of cash flows should be read in conjunction with the accompanying notes.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

Contents

Note 1.	Summary of significant accounting policies	27
Note 2.	Critical accounting estimates and judgements	34
Note 3.	Other revenue.....	34
Note 4.	Expenses	35
Note 5.	Income tax expense/(benefit)	35
Note 6.	Cash and cash equivalents.....	36
Note 7.	Trade and other receivables	37
Note 8.	Infrastructure, property, plant and equipment.....	38
Note 9.	Intangible assets	39
Note 10.	Trade and other payables	39
Note 11.	Provisions.....	39
Note 12.	Contributed capital	40
Note 13.	Reserves	40
Note 14.	Retained profits/(accumulated losses).....	40
Note 15.	Superannuation	41
Note 16.	Key management personnel disclosures	41
Note 17.	Remuneration of auditors.....	43
Note 18.	Financial instruments	45
Note 19.	Contingencies.....	47
Note 20.	Commitments.....	48
Note 21.	Related party transactions	48
Note 22.	Events occurring after reporting period	48
Note 23.	Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities.....	49

VICTORIAN REGIONAL CHANNELS AUTHORITY

NOTES TO THE FINANCIAL STATEMENTS

For the year ended 30 June 2011

Note 1. Summary of significant accounting policies

(a) Corporate information

Victorian Regional Channels Authority (VRCA) is a Government Business Enterprise established by the Victorian Government under the *Port Services Act 1995 (Vic)*. The financial statements cover VRCA as an individual reporting entity. The board of VRCA is directly accountable to the Victorian Government through the Minister for Ports, Major Projects, Racing and Regional Cities and the Treasurer.

The principal activity of VRCA are outlined under Section 21 of the *Port Services Act 1995 (Vic)* and cover the management and maintenance of the Geelong shipping channels and direction and control of vessels within the Geelong port waters. 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.

The financial statements incorporate all activities of VRCA.

(b) Statement of compliance

The financial statements of VRCA are a set of general purpose financial statements, which have been prepared on an accrual basis in accordance with the *Financial Management Act 1994 (FMA)* and applicable Australian Accounting Standards (AAS) and Interpretations.

The annual financial statements were authorised for issue by the VRCA Board on 5 August 2011.

(c) Basis of accounting preparation and measurement

The financial statements have been prepared on an accruals and a historical cost basis, except for the revaluation of property, plant and equipment. Cost is based on the fair values of the consideration given in exchange for assets. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

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

VRCA has been assessed as a for-profit entity under *Financial Reporting Direction (FRD) 108*.

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

Compliance with International Financial Reporting Standards

The financial statements of VRCA also comply with IFRS as issued by the International Accounting Standards Board (IASB).

The accounting policies set out below have been applied in preparing the financial statements for the year ended 30 June 2011 and the comparative information presented for the year ended 30 June 2010.

(d) Revenue

Revenue is measured at fair value of the consideration received or receivable.

VRCA recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to VRCA and specific criteria have been met for each of VRCA's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the income have been resolved. VRCA bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

Revenue is recognised for each of VRCA's major activities as follows:

(i) Channel fees

Channel fees represents revenue earned from the levying of channel fees (use of shipping channels). These fees are recognised as revenue in the period in which the service has been consumed by the users.

(ii) Interest revenue

Interest revenue represents revenue received or receivable on at-call and short-term deposits invested by VRCA. It is recognised as the interest accrues to the net carrying amount of the financial assets using the effective interest rate method. At-call and short-term deposits are brought to account at fair 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.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

Note 1. Summary of significant accounting policies
(continued)

(e) 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).

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

In principle, deferred tax liabilities are recognised for all taxable temporary differences. Deferred tax assets are recognised to the extent that it is probable that sufficient taxable amounts will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from 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.

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

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

(f) Leases

Operating lease

Operating lease payments, including any contingent rentals, are recognised as an expense in the comprehensive operating statement on a straight-line basis over the lease term, except where another systematic basis is more representative of the time pattern of the benefits derived from the use of the leased asset. The leased asset is not recognised in the statement of financial position.

All incentives for the agreement of a new or renewed operating lease are recognised as an integral part of the net consideration agreed for the use of the leased asset, irrespective of the nature of incentive or form or the timing of payments.

In the event that lease incentives are received to enter into operating leases, the aggregate cost of incentives are recognised as a reduction of rental expense over the lease term on a straight-line basis, unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

Note 1. Summary of significant accounting policies
(continued)

(g) Impairment of assets

All of VRCA's assets, except financial assets, are assessed annually for indications of impairment (i.e. as to whether their carrying value exceeds their recoverable amount).

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

If there is an indication that there has been a change in the estimate of an asset's recoverable amount since the last impairment loss was recognised, the carrying amount shall be increased to its recoverable amount. This reversal of the impairment loss occurs only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised in prior years.

It is deemed that, in the event of the loss or destruction of an asset, the future economic benefits arising from the use of the asset will be replaced unless a specific decision to the contrary has been made. The recoverable amount for most assets is measured at the higher of depreciated replacement cost and fair value less costs to sell. Recoverable amount for assets held primarily to generate net cash inflows is measured at the higher of the present value of future cash flows expected to be obtained from the asset and fair value less costs to sell.

(h) Cash and cash equivalents

Cash and deposits, including cash equivalents, comprise cash on hand and cash at bank, deposits held at call with financial institutions and those highly liquid investments with an original maturity of three months or less, that are readily convertible to known amounts of cash and are subject to an insignificant risk of changes in value.

(i) Receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days.

Collectability of trade receivables is reviewed on an ongoing basis. Individual debts that are known to be uncollectible are written off when identified. An impairment provision is recognised when there is objective evidence that VRCA may not be able to collect the receivable. Financial difficulties of the debtor, default payments or debts more than 120 days overdue are considered objective evidence of impairment. The amount of the impairment loss is the receivable carrying amount compared to the present value of estimated future cash flows, discounted at the original effective interest rate. Cash flows relating to short-term receivables are not discounted if the effect of discounting is immaterial.

(j) Other financial assets

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

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

Note 1. Summary of significant accounting policies
(continued)

(k) Infrastructure, property, plant and equipment

All non-financial physical assets, are measured initially at cost and subsequently revalued at fair value less accumulated depreciation and impairment.

(i) Revaluations of non-financial physical assets

Non-financial physical assets are measured at fair value, in accordance with the Financial Reporting Directions (FRDs) issued by the Minister for Finance. A full revaluation occurs every five years, based upon the asset's government purpose classification but may occur more frequently if fair value assessments indicate material changes in values. Independent valuers are used to conduct these scheduled revaluations. Certain infrastructure assets are revalued using specialised advisors. Any interim revaluations are determined in accordance with the requirements of FRD 103D.

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

Net revaluation increments (where the carrying amount is increased as a result of a revaluation) are recognised as a credit in equity under the asset revaluation reserve. However, the net revaluation increase is recognised in the net result to the extent that it reverses a net revaluation decrease in respect of the same asset previously recognised as an expense in the net result.

Net revaluation decrements are recognised immediately in the net result. However the net revaluation decrement is debited directly to equity under the heading of the asset revaluation reserve to the extent that a credit balance exists in the asset revaluation reserve in respect of the same asset.

In 2010, a valuation of VRCA's non-current physical assets were performed to determine fair value as follows:

Class	Method	Valuer
Channel assets	Discounted cash flows	Valuer-General Victoria
Plant and Equipment	Depreciated replacement cost	Management Assessment
Navigation aids	Depreciated replacement cost	Valuer-General Victoria

The written down value of plant and equipment approximates fair value.

(ii) Depreciation

All infrastructure assets, channels, plant and equipment and other non-financial physical assets (excluding items under operating leases) that have finite useful lives are depreciated. Depreciation is calculated on a straight-line basis, at rates that allocate the asset's value, less any estimated residual value, over its estimated useful life.

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

The following are typical estimated useful lives for the different asset classes for current and prior years.

Asset class	Useful life
Channels	40 years
Navigation aids	5-40 years
Office furniture, fittings and equipment	3-10 years
Motor vehicles	4 years

(iii) Changes in accounting estimates

The estimated useful lives, residual values and depreciation method are reviewed at the end of each financial reporting period and, where changed, are accounted for as a change in an accounting estimate. Where depreciation rates or methods are changed, the net written down value of the asset is depreciated from the date of the change in accordance with the new depreciation rate or method. The revaluation of fair value and reassessment of useful lives in 2010 resulted in a decrease in depreciation on channel assets of \$1,078,000 per year and an increase in depreciation on navigation aids of \$89,000 per year. The interim revaluation of channel assets and reassessment of useful live in 2011 resulted in an increase in depreciation on channel assets of \$43,000 per year.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

Note 1. Summary of significant accounting policies
(continued)

(k) Infrastructure, property, plant and equipment (continued)

(iv) Acquisition

The purchase method of accounting is used for all acquisitions of assets, being the fair value of the assets provided as consideration at the date of acquisition plus any incidental costs attributable to the acquisition.

Infrastructure, property, plant and equipment represent non-current assets comprising channels, navigation aids, motor vehicles and plant and equipment used by VRCA in its operations. Items with a cost or value in excess of \$1,000 and a useful life of more than one year are recognised as assets. All other assets are expensed as acquired.

(v) Recoverable amount

An asset's carrying amount is written down immediately to its recoverable amount if the assets' carrying amount is greater than its estimated recoverable amount (refer to note 1(g)).

(vi) Repairs and maintenance

Routine maintenance, repair costs and minor renewal costs are expensed as incurred. Where the repair relates to the replacement of a component of an asset and the cost exceeds the capitalisation threshold, the cost is capitalised and depreciated.

(vii) Major maintenance dredging costs

The shipping channels in port waters are subject to deterioration through siltation, which reduces the depth of water available to commercial shipping. The channels are restored to proper depths by routine maintenance dredging. Dredging and associated costs (including all costs incurred under the dredging contract to restore the channels to proper depths) are capitalised and will be amortised once the asset is ready for use.

(l) Intangible assets

Costs incurred in developing products or systems and costs incurred in acquiring software and licenses are capitalised to software and systems. Costs capitalised include external direct costs of materials and services. Amortisation is calculated on a straight-line basis over periods ranging from 3 to 5 years (or shorter if the useful life assessment indicates otherwise). The basis of amortisation is consistent with the prior year.

(m) Payables

Trade and other payables are recorded at amortised cost. Due to their short-term nature they are not discounted. They represent liabilities for goods and services provided to VRCA prior to the end of the financial year that are unpaid as at year end. The amounts are unsecured and are usually paid within 30 days of recognition.

(n) Provisions

Provisions are recognised when VRCA has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the reporting date. The discount rate used to determine the present value reflects current market assessments of the time value of money and the risks specific to the liability.

(o) Employee benefits

These expenses include all costs related to employment (other than superannuation which is accounted for separately) including wages and salaries, fringe benefits tax, leave entitlements, redundancy payments and WorkCover premiums.

(i) Wages, salaries and sick leave

Liabilities for wages and salaries, expected to be settled within 12 months of the reporting date, are measured at their nominal amounts (including on-costs) using the remuneration rates expected to apply at the time of the settlement and are recognised as current liabilities. No liability is recognised for non-vesting sick leave as the anticipated pattern of future sick leave taken indicates that accumulated non-vesting leave will not be used.

(ii) Annual leave

Annual leave entitlements are accrued on a pro rata basis in respect of services provided by employees up to the reporting date, having regard to rates expected to apply when the liabilities are settled. Appropriate amount of on-costs have been included. The entire obligation has been recognised as a current liability as VRCA does not have an unconditional right to defer settlement.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

Note 1. Summary of significant accounting policies
(continued)

(o) Employee benefits (continued)

(iii) Long service leave

Long service leave entitlements are assessed at balance date having regard to expected employees' remuneration rates on settlement, employment related on-costs and other factors including expected accumulated years of employment on settlement and experience of employees' departure per year of service. Commonwealth bond rates are used for discounting future cash flows.

Unconditional long service leave is disclosed as a current liability even when the liability is not expected to settle within 12 months because there is not the unconditional right to defer the settlement of the entitlement should an employee take leave within 12 months. The component of leave expected to be settled within 12 months is measured at nominal value and the component expected to be settled beyond 12 months is measured at present value.

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

(iv) Superannuation

One VRCA employee is a member of a defined benefit superannuation scheme. These defined benefit funds are closed to new members. All other employees are members of accumulation schemes.

The amount recognised in the comprehensive operating statement in relation to employer contributions for members of defined benefit superannuation plans is simply the employer contributions that are paid or payable to these plans during the reporting period. The level of these contributions will vary depending upon the relevant rules of each plan, and is based upon actuarial advice. (Refer to note 15 for contribution amounts).

The Department of Treasury and Finance (DTF) in their Annual Financial Statements, disclose on behalf of the State as the sponsoring employer, the net defined benefit cost related to the members of these plans as an administered liability. Refer to DTF's Annual Financial Statements for more detailed disclosures in relation to these plans.

(p) Contributed capital

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

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

(q) Dividend policy

VRCA pays dividends in accordance with a determination of the Treasurer of Victoria under the *Port Services Act 1995 (Vic)*. The obligation to pay a dividend arises after consultation between VRCA's Board, the Minister for Ports, Major Projects, Racing and Regional Cities and the Treasurer of Victoria. Following this consultation process, the Treasurer makes a formal determination. Dividends declared on or before the reporting date are recognised as a liability.

(r) Goods and Services Tax (GST)

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

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

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

(s) Rounding of amounts

Unless otherwise stated, amounts in the financial report have been rounded to the nearest thousand dollars or in certain cases to the nearest dollar.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

Note 1. Summary of significant accounting policies
(continued)

(t) New accounting standards and interpretations

At the date of this financial report the following standards and interpretations, which are applicable to VRCA, have been issued but are not yet operative. A discussion of their future requirements and their impact on VRCA follows:

Reference	Summary	Application date (financial years beginning)	Impact on VRCA's financial statements
AASB 9 Financial Instruments, AASB 2009-11 Amendments to Australian Accounting Standards from AASB 9 [AASB 1, 3, 4, 5, 7, 101, 102, 108, 112, 118, 121, 127, 128, 131, 132, 136, 139, 1023 & 1038 and Interpretations 10 & 12]	These standards address the classification, measurement and recognition of financial assets resulting from the first part of phase 1 of the IASB's project to replace IAS 39 Financial Instruments.	1 Jan 2013	To be assessed.
AASB 1053 Application of Tiers of Australian Accounting Standards and AASB 2010-2 Amendments to Australian Accounting Standards arising from Reduced Disclosure Requirements [AASB 1, 2, 3, 5, 7, 8, 101, 102, 107, 108, 110, 111, 112, 116, 117, 119, 121, 123, 124, 127, 128, 131, 133, 134, 136, 137, 138, 140, 141, 1050 & 1052 and Interpretations 2, 4, 5, 15, 17, 127, 129 & 1052]	This standard introduces a revised differential reporting framework consisting of two tiers with reduced reporting requirements for applicable entities.	1 Jan 2013	Applicable to VRCA. Application of the standard may be subject to an FRD released by the Department of Treasure and Finance.
AASB 2010-4 Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project [AASB 1, AASB 7, AASB 101 & AASB 134 and Interpretation 13]	Emphasises the interaction between quantitative and qualitative AASB 7 disclosures and the nature and extent of risks associated with financial instruments.	1 July 2011	Clarification of disclosures. Minor impact.
AASB 2010-5 Amendments to Australian Accounting Standards [AASB 1, 3, 4, 5, 101, 107, 112, 118, 119, 121, 132, 133, 134, 137, 139, 140, 1023 & 1038 and Interpretations 112, 115, 127, 132 & 1042]	This standard makes numerous editorial amendments to a range of Australian Accounting Standards and Interpretations, including amendments to reflect changes made to the text of IFRS by the International Accounting Standards Board.	1 July 2011	No impact.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

Note 1. Summary of significant accounting policies
(continued)

(u) New accounting standards and interpretations that became operative during the year

VRCA has adopted the following new and amended Australian Accounting Standards and AASB Interpretations as of 1 July 2010:

- AASB 2009-5 *Further Amendments to Australian Accounting Standards arising from the Annual Improvements Project*; and
- AASB 2010-3 *Amendments to Australian Accounting Standards arising from the Annual Improvements Project*.

The adoption of these standards did not have a material impact on the current period or any prior period and is not likely to affect future periods.

Note 2. Critical accounting estimates and judgements

In the application of AAS, management is required to make judgements, estimates and assumptions about carrying values of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstance, the results of which form the basis of making the judgements. Actual results may differ from these estimates.

Estimates and judgements are continually evaluated and are based on historical experience and other factors including expectations of future events that may have a financial or disclosure impact on VRCA and are believed to be reasonable under the circumstances.

Critical accounting judgements

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

Impairment of non-financial assets

VRCA assesses impairment of all assets at each reporting date by evaluating conditions specific to VRCA and to the particular asset that may lead to impairment. These include obsolescence or physical damage, technology, economic and political environments and future product expectations. If an impairment trigger exists, the recoverable amount of the asset is determined.

Fair value of property, plant and equipment

All non-current physical assets are measured initially at cost and subsequently revalued at fair value in accordance with FRD 103D. As at 30 June 2010 an independent valuation of VRCA's non-current physical assets was performed by the Victorian Valuer-General to determine their fair value. The valuation, which conforms to Australian Valuation Standards, was determined by reference to the amounts for which assets could be exchanged between knowledgeable willing parties in an arm's length transaction. The valuation was based on independent assessments. The effective date of the valuation is 30 June 2010.

In 2011, in accordance with FRD 103D, a fair value assessment was undertaken and determined that the carrying amount of all non-current physical assets, except for channel assets, reasonably approximated fair value. Further details of the estimates and assumptions used by management are provided in Note 8.

Recovery of deferred tax asset

Deferred tax assets are recognised for deductible temporary differences as management considers that it is probable that future taxable profits will be available to utilise these temporary differences.

Note 3. Other revenue

	2011 \$'000	2010 \$'000
Other revenue		
Interest revenue	590	389
Sundry revenue	1	15
Total other revenue	591	404

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

Note 4. Expenses

	2011	2010
	\$'000	\$'000
(a) Employee benefits		
Salary and wages	680	645
Superannuation	63	61
Annual and long service leave expense	44	33
Other employee expenses (fringe benefits tax, payroll tax, workcover levy, etc)	89	84
Total employee benefits	876	823
(b) Depreciation and amortisation		
Navigation aids	301	213
Plant and equipment	249	147
Channel assets	402	1,480
Software	3	7
Total depreciation and amortisation	955	1,847
(c) Operating Leases		
<i>Minimum lease payments</i>		
Building rentals	179	64
Storage rentals	3	2
Equipment rentals	7	6
Total rental expense	189	72

Note 5. Income tax expense/(benefit)

	2011	2010
	\$'000	\$'000
(a) Numerical reconciliation of income tax expense/(benefit) to prima facie tax payable/(receivable)		
Profit/(loss) from continuing operations before income tax expense/(benefit)	5,863	(24,689)
Tax at the Australian tax rate of 30% (2010 - 30%)	1,759	(7,406)
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Under/(over) provided in prior year	(3)	(8)
Non deductible items	2	3
Income tax expense/(benefit)	1,758	(7,411)
(b) Income tax expense/(benefit)		
Current taxation	830	383
Under/(over) provided in prior year	(3)	(8)
Movement in deferred tax asset (refer 5(c))	940	(1,271)
Movement in deferred tax liability (refer 5(d))	(9)	(6,515)
Income tax expense/(benefit) recognised in the statement of comprehensive income	1,758	(7,411)
<i>Weighted average effective tax rate</i>	29.98%	30.02%

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

Note 5. Income tax expense/(benefit)
(continued)

	2011	2010
	\$'000	\$'000
(c) Deferred tax asset		
Opening balance	1,308	68
Temporary differences	(940)	1,271
Transferred from deferred tax liabilities (5 (d))	9	(31)
Closing balance	377	1,308
Represented by:		
<i>Amounts allocated to profit and loss</i>		
Fixed assets	285	1,227
Pooled assets	7	4
Accrued expenses	35	49
Annual and long service leave provisions	72	59
Accrued revenue	(22)	(31)
	377	1,308
(d) Deferred tax liabilities		
Opening balance	-	11,047
Temporary differences recognised in comprehensive operating statement	9	(6,515)
Temporary differences recognised directly in equity	-	(4,501)
Transfer to deferred tax asset (5(c))	(9)	(31)
Closing balance	-	-

Note 6. Cash and cash equivalents

	2011	2010
	\$'000	\$'000
Cash at bank and on hand	1,163	270
Short term deposits	12,700	10,650
	13,863	10,920

Cash at bank

Due to VRCA's investment policy, generally only small amounts of cash are held in the bank account. These amounts are kept at a level to sufficiently cover the current liabilities of VRCA.

Short term deposits

All deposits of VRCA are limited 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 of 5.20% and 5.84% (2009/10 3.09% and 4.84%).

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

Note 7. Trade and other receivables

	2011 \$'000	2010 \$'000
Current		
Trade receivables	840	599
Interest receivable	74	102
Other	-	77
	914	778

Note 8. Infrastructure, property, plant and equipment

	Navigation aids \$'000	Plant and equipment \$'000	Channel assets \$'000	Work in progress \$'000	Total \$'000
Carrying amount 1 July 2009	6,992	613	59,200	-	66,805
Revaluations recognised directly in equity	721	-	(15,723)	-	(15,002)
Revaluations recognised in profit/(loss)	(7)	-	(25,902)	-	(25,909)
Additions	10	182	-	501	693
Transfers	-	-	-	-	-
Disposals	(10)	(93)	-	-	(103)
Depreciation charge	(213)	(147)	(1,480)	-	(1,840)
Carrying amount 30 June 2010	7,493	555	16,095	501	24,644
Fair value (note 1(k))	7,493	-	16,095	-	23,588
Cost *	-	978	-	501	1,479
Accumulated depreciation	-	(423)	-	-	(423)
	7,493	555	16,095	501	24,644
Carrying amount 1 July 2010	7,493	555	16,095	501	24,644
Revaluations recognised directly in equity	-	-	-	-	-
Revaluations recognised in profit/(loss)	-	-	2,122	-	2,122
Additions	-	209	-	839	1,048
Transfers	-	316	-	(316)	-
Disposals	-	(120)	-	-	(120)
Depreciation charge	(301)	(249)	(402)	-	(952)
Carrying amount 30 June 2011	7,192	711	17,815	1,024	26,742
Fair value (note 1(k))	7,493	-	17,815	-	25,308
Cost *	-	1,330	-	1,024	2,354
Accumulated depreciation	(301)	(619)	-	-	(920)
	7,192	711	17,815	1,024	26,742

* Written down value approximates fair value.

Impairment of asset

VRCA performs annual impairment testing of its assets. There were no impairments losses recognised in 2010/2011 (nil: 2009/2010)

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

Note 8. Infrastructure, property, plant and equipment
(continued)

2011 Fair value assessment

A managerial assessment was undertaken on VRCA's channel assets and navigation aids to determine whether their carrying amount represented a reasonable approximation of fair value.

Channel assets

The fair value of channel assets was assessed using the same principles as that used by the Valuer-General Victoria to value the channel assets in 2010, which was the discounted cash flow method (value in use). This method was used as there was no market based evidence of fair value (value through sale) of the channel assets given the specialised nature of the assets in question (the channel assets would rarely be sold (if ever), except as part of a continuing business). The carrying value of channel assets was increased by \$2,122,375 to \$17,815,000 inline with the assessment.

The main assumptions applied in 2011 were as follows:

- Discount rates of 8.75% (low) and 9.42% (high) was calculated using a nominal post tax weighted average cost of capital;
- Cash flows were modelled over a 40 year period in line with the timeframe consistent with VRCA's long term strategic plan;
- Trade forecasts and pricing factors were consistent with VRCA's 40 year funding model and Pricing Policy Statement; and
- Projected expenses were in line with wage inflation and CPI of 2.75% for other expenditure items.

Navigation aid

Managerial assessments undertaken for navigation aids indicate that the carrying amount approximates fair value as at 30 June 2011.

2010 Valuation

Independent valuations were undertaken in 2010 for Financial Reporting Purposes in accordance with the Financial Management Act 1994 (Vic). The valuations incorporated requirements outlined in:

- AASB 116 Property Plant & Equipment; and
- FRD 103D Non-current Physical Assets, issued by The Department of Treasury and Finance.

All valuations were undertaken by Valuer-General Victoria. The effective date of the valuations was 30 June 2010.

Channel assets

The fair value of channel assets was independently determined by Valuer-General Victoria using the discounted cash flow method (value in use). This method was used as there was no market based evidence of fair value (value through sale) since the channel assets would rarely be sold (if ever), except as part of a continuing business.

The main assumptions applied were as follows:

- An allowance for risk in the discount rate – two discount rates were used (high – 9.7% and low – 9.1%);
- The impact of taxation; and
- All direct and non-direct costs (a whole business approach).

Navigation aids

Management determined the fair value of navigation aids using the depreciated replacement cost method. The main assumption applied is as follows:

- Effective life of the assets (reviewed annually) is accurate.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

Note 9. Intangible assets

	2011 \$'000	2010 \$'000
Software and systems		
At cost	113	113
Less: Accumulated amortisation	(113)	(110)
	-	3
Reconciliation:		
Carrying amount at start of year	3	10
Amortisation expense	(3)	(7)
Carrying amount at end of year	-	3

Note 10. Trade and other payables

	2011 \$'000	2010 \$'000
Current unsecured		
Trade Creditors	95	25
GST payable	52	18
Other creditors and accruals	200	208
	347	251

Note 11. Provisions

	2011 \$'000	2010 \$'000
(a) Current		
Employee benefits (note 11(c))	218	179
Provision for income tax	554	-
	772	179
(b) Non-current		
Employee benefits (note 11(c))	23	18
	23	18
(c) Employee benefits		
<i>Current</i>		
All annual leave and LSL entitlements representing 7 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. This balance represents the annual leave provision for VRCA.	101	76
• Other long-term employee benefits that do not fall due within 12 months after the end of the period measured at present value. This balance represents the LSL provision for VRCA.	117	103
	218	179
<i>Non-current</i>		
LSL representing less than 7 years of continuous service measured at present values	23	18

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

Note 12. Contributed capital

	2011 \$'000	2010 \$'000
Balance at the beginning of the year	57,883	57,883
Balance at the end of the year	57,883	57,883

Capital Management

Management controls the capital of VRCA in order to maintain a good debt to equity ratio and ensure that it can fund its operations and continue as a going concern. VRCA's debt and capital includes contributed capital and financial liabilities, supported by financial assets.

There are no externally imposed capital requirements.

Management effectively manages VRCA's capital by assessing its financial risks and adjusting its capital structure in response to changes in these risks and in the market. These responses include the management of debt levels.

Note 13. Reserves

	2011 \$'000	2010 \$'000
Asset Revaluation Reserve		
Balance at the beginning of the year	505	11,006
Revaluation increments/(decrements) in navigation aids	-	505
Revaluation increments/(decrements) in channel assets	-	(11,006)
Balance at the end of the year	505	505

The revaluation reserve records revaluations of non-current assets net of tax effect.

Note 14. Retained profits/(accumulated losses)

	2011 \$'000	2010 \$'000
Movements in retained profits were as follows:		
Retained profits/(accumulated losses) at the beginning of the year	(21,082)	(3,548)
Profit/(loss) for the year	4,105	(17,278)
Dividends paid	(527)	(256)
Retained profits/(accumulated losses) at the end of the year	(17,504)	(21,082)

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

Note 15. Superannuation

One VRCA employee is a member of a defined benefit superannuation scheme. All other employees are members of accumulation schemes. Expenses recognised by VRCA in relation to contributions made during the year to defined contribution and benefits superannuation plans of which VRCA's employees are members are as follows:

Fund	Contributions made		Contributions outstanding	
	2011 \$'000	2010 \$'000	2011 \$'000	2010 \$'000
AMP Flexible Life (Accumulation)	8	8	-	-
Camilo Super Fund (Accumulation)	17	16	-	-
MLC Investments (Accumulation)	3	4	-	-
SERF (Accumulation)	13	12	-	-
State Superannuation Scheme (Defined Benefit)	13	13	-	-
Vic Super (Accumulation)	5	4	-	-
Various funds	4	4	-	-
Total	63	61	-	-

Note 16. Key management personnel disclosures

(a) Responsible persons

The names of persons who were responsible persons of VRCA at any time during the financial year were:

(i) Responsible Ministers:

Mr T Pallas MP	1 st July 2010 to 8 th December 2010	Minister for Roads and Ports and Major Projects
Mr J Lenders MP	1 st July 2010 to 8 th December 2010	Treasurer of Victoria
Dr Denis Napthine MP	8 th December 2010 to 30 June 2011	Minister for Ports, Major Projects, Racing, and Regional Cities
Mr Kim Wells	8 th December 2010 to 30 June 2011	Treasurer of Victoria

(ii) Directors:

Mr N Edwards	1 st July 2010 to 31 st March 2011	Chair
Mr Ken Jarvis	1 st April 2011 to 30 th June 2011	Chair
Ms M Kelsall	1 st July 2010 to 30 th June 2011	Deputy Chair
Mr J McQuilten	1 st July 2010 to 30 th April 2011	Director
Mr Lindsay Ward	1 st May 2011 to 30 th June 2011	Director

(iii) Accountable Officer:

Captain P McGovern	1 st July 2010 to 30 th June 2011
--------------------	---

	2011 \$'000	2010 \$'000
Responsible person's remuneration (*)		
Short-term employment benefits accountable officer	181	175
Short-term employment benefits other	92	92
Total base remuneration paid or payable during the year pursuant to employment contracts included in the above remuneration.	273	267
Bonuses paid or payable during the year pursuant to employment contracts included in the above remuneration.	24	16
Total remuneration paid or payable (including bonuses and superannuation) during the year to all responsible persons by VRCA.	297	283

(*) The responsible Ministers' remuneration is reported separately in the financial statements of the Department of Premier and Cabinet.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

Note 16. Key management personnel disclosures
(continued)

The number of responsible persons and their total and base remuneration during the reporting period are shown below in their relevant income bands. Base remuneration includes superannuation and other benefits but is exclusive of bonus payments, long service leave payments, redundancy payments and retirement benefits.

	Total Remuneration		Base Remuneration	
	2011	2010	2011	2010
\$10,000 to \$19,999	2	-	2	-
\$20,000 to \$29,999	2	2	2	2
\$30,000 to \$39,999	1	-	1	-
\$40,000 to \$49,999	-	1	-	1
\$170,000 to \$179,999	-	-	-	1
\$180,000 to \$189,999	-	-	1	-
\$190,000 to \$199,999	-	1	-	-
\$200,000 to \$209,999	1	-	-	-
Total numbers	6	4	6	4
Remuneration \$'000	297	283	273	267

Remuneration received or receivable by the Accountable Officer in connection with the management of VRCA during the reporting period was in the range \$200,000 – \$209,999 (\$190,000 – \$199,999 in 2009/10).

(b) Executive Officer's remuneration

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

	Total Remuneration		Base Remuneration	
	2011	2010	2011	2010
\$130,000 to \$139,999	-	-	-	-
\$140,000 to \$149,999	-	-	2	1
\$150,000 to \$159,999	-	2	-	1
\$160,000 to \$169,999	2	-	-	-
Total numbers	2	2	2	2
Remuneration \$'000	327	312	287	286
Bonuses paid to executive officers included above during the financial year \$'000	40	26		

(c) Loans and other transactions with responsible persons and their related entities

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

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

Note 17. Remuneration of auditors

	2011 \$'000	2010 \$'000
During the year the following fees were paid or payable for services provided by the auditor of VRCA:		
Victorian Auditor-General's Office		
Audit of financial statements	26	25

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

Note 18. Financial instruments

Financial risk management objectives and policies

VRCA's principal financial instruments comprise of:

- cash assets;
- receivables (excluding statutory receivables); and
- payables (excluding statutory payables).

Details of the significant accounting policies and methods adopted, including the criteria for recognition, the basis of measurement, and the basis on which income and expenses are recognised, with respect to each class of financial asset, financial liability and equity instrument above are disclosed in Note 1 to the financial statements.

The main purpose in holding financial instruments is to prudentially manage VRCA's financial risks within the Government policy parameters.

(i) Categorisation of financial instruments

	Notes	Contractual financial assets – loans and receivables \$'000	Contractual financial liabilities at amortised cost \$'000	Total \$'000
2011				
Contractual financial assets				
<i>Current assets</i>				
Cash and cash equivalents	6	13,863	-	13,863
Trade and other receivables	7	840	-	840
Total contractual financial assets		14,703	-	14,703
Contractual financial liabilities				
<i>Current liabilities</i>				
Trade and other payables	10	-	95	95
Total contractual financial liabilities		-	95	95
Net holding gain/(loss) on financial instruments by category				
Total interest income/(expense)	3	590	-	590
Total		590	-	590
2010				
Contractual financial assets				
<i>Current assets</i>				
Cash and cash equivalents	6	10,920	-	10,920
Trade and other receivables	7	599	-	599
Total contractual financial assets		11,519	-	11,519
Contractual financial liabilities				
<i>Current liabilities</i>				
Trade and other payables	10	-	25	25
Total contractual financial liabilities		-	25	25
Net holding gain/(loss) on financial instruments by category				
Total interest income/(expense)	3	389	-	389
Total		389	-	389

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

Note 18. Financial instruments
(continued)

(ii) Credit quality of contractual financial assets that are neither past due nor impaired

	Notes	Financial institutions (AAA credit rating)	Other	Total
2011				
Contractual financial assets				
Current assets				
Cash and cash equivalents	6	13,863	-	13,863
Trade and other receivables	7	-	840	840
Total contractual financial assets		13,863	840	14,703
2010				
Contractual financial assets				
Current assets				
Cash and cash equivalents	6	10,920	-	10,920
Trade and other receivables	7	-	599	599
Total contractual financial assets		10,920	599	11,519

(iii) Financial Risk Management

VRCA maintains a comprehensive Risk Management System, which is integrated with its business planning processes. There is a formally documented Risk Management Policy, guidelines and a framework, which is consistently applied across the business. Risk assessment reports are presented to the Audit Committee and the Board regularly, which outlines all corporate risks including financial risks. Each risk is assessed regularly against the risk matrix to ensure the level of risk is appropriate and the treatment and controls are adequate.

(iv) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a financial loss to VRCA. The credit risk relating to VRCA's financial assets, which are recognised in the statement of financial position is the carrying amount of such assets, net of any provisions for doubtful debts.

VRCA manages credit risk by obtaining credit checks for new counterparties prior to establishing credit facilities and by conducting checks for existing customers on a regular basis. Receivables are monitored on an ongoing basis, resulting in minimal exposure to bad debts. Receivables are 30 day accounts and paid within the trading terms. Credit risk is also minimised by investing surplus funds with financial institutions that maintain a high credit rating.

There are no material financial assets which are individually determined to be impaired. VRCA does not hold any collateral as security or credit enhancement relating to any of its financial assets.

(v) Liquidity risk

Liquidity risk is the risk that VRCA would be unable to meet its financial obligations as and when they fall due. VRCA operates under the Government's fair payment policy of settling financial obligation within 30 days and in the event of a dispute making payments within 30 days of resolution.

VRCA's maximum exposure to liquidity risk is the carrying amount of financial liabilities as disclosed on the face of the statement of financial position.

VRCA manages its liquidity risk to ensure that adequate cash funds are available at all times to meet its commitments as they arise. This objective is met through:

- an efficient and effective banking structure;
- sound cash management practices;
- regular identification and monitoring of the maturity profile of liquid assets and liabilities together with regular cash flow forecasting; and
- investments that are limited to highly liquid and secure assets.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

Note 18. Financial instruments
(continued)

The Treasury Corporation of Victoria ensures adequate access to financial markets for VRCA and hence, the liquidity risk faced by VRCA is not considered significant in view of VRCA's cash holding. Contractual obligations for payables is equal to the carrying amounts disclosed in note 10. Payables held at 30 June 2011 mature within 30 days (2010 30 days).

(vi) Market risk

Market risk refers to the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in market prices.

VRCA's exposure to market risk is primarily through interest rate movements in respect of cash and cash equivalents. An increase in interest rates by 1% will have a favourable impact of \$138,630 (2010: \$109,200). A decrease in interest rates will have an equal and opposite effect.

(vii) Interest rate risk analysis

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

	Floating Interest \$'000	Non-interest bearing \$'000	Total \$'000
2011			
Financial assets:			
Cash and cash equivalents	13,863	-	13,863
Trade and other receivables	-	840	840
	13,863	840	14,703
<i>Weighted average interest rate</i>	5.45%		
Financial liabilities:			
Trade and other payable	-	95	95
	-	95	95
Net financial assets/(liabilities)	13,863	745	14,608
2010			
Financial assets:			
Cash and cash equivalents	10,920	-	10,920
Trade and other receivables	-	599	599
	10,920	599	11,519
<i>Weighted average interest rate</i>	4.0%		
Financial liabilities:			
Trade and other payable	-	25	25
	-	25	25
Net financial assets/(liabilities)	10,920	574	11,494

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

Note 18. Financial instruments
(continued)

(viii) Net fair value of financial assets and liabilities

The net fair value of VRCA's cash and deposits and non-interest bearing financial assets and liabilities is equal to their carrying value.

Comparison between carrying amount and fair value

	Carrying amount 2011 \$'000	Fair value 2011 \$'000	Carrying amount 2010 \$'000	Fair value 2010 \$'000
Notes				
Contractual financial assets				
<i>Current assets</i>				
Cash and cash equivalents	13,863	13,863	10,920	10,920
Trade and other receivables	840	840	599	599
Total contractual financial assets	14,703	14,703	11,519	11,519
Contractual financial liabilities				
<i>Current liabilities</i>				
Trade and other payables	95	95	25	25
Total contractual financial liabilities	95	95	25	25

Fair value measurements in the statement of financial position

Certain financial instruments that are measured subsequent to initial recognition at fair value are grouped into levels 1, 2 or 3 based on the degree to which fair value is observable.

- Level 1 fair value measurements are those derived from quoted priced (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those derived from inputs other than quoted prices included with level 1 that are observable for the asset or liability either directly (ie as prices) or indirectly (ie derived from prices).
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

At 30 June 2011 and 30 June 2010, no financial assets or liabilities held by VRCA required fair value measurement subsequent to initial recognition.

Note 19. Contingencies

As at the reporting date there were no events that would give rise to a contingency.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

Note 20. Commitments

	2011	2010
	\$'000	\$'000
(a) Operating lease commitments		
<i>Non cancellable operating leases contracted for but not capitalised in the financial statements</i>		
Commitments for minimum lease payments:		
Payable no later than 1 year	224	-
Payable 1-5 years	231	-
	455	-
GST claimable	41	-
Net commitment	414	-

VRCA entered into a new office lease which commenced on 1st July 2010.
The term is 3 years with options of 2 further terms of 3 years.

(b) Operating commitments		
Total expenditure contracted for operating expenditure at balance date but not incurred or recognised as liabilities:		
Payable no later than 1 year	44	45
Payable 1-5 years	20	65
	64	110
GST claimable	6	10
Net commitment	58	100

Note 21. Related party transactions

The Victorian State Government prepares consolidated financial statements relating to its controlled entities. For the purpose of preparing the State government's financial statements, transactions which VRCA has undertaken with other State Government controlled entities, have been eliminated in the State Government's statements.

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

	2011	2010
	\$'000	\$'000
<i>Other transactions</i>		
Interest revenue	582	370
Assets	12,700	10,650

Note 22. Events occurring after reporting period

Since the end of the financial year there was not any matter or circumstance not otherwise dealt with in these statements, 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.

VICTORIAN REGIONAL CHANNELS AUTHORITY
NOTES TO THE FINANCIAL STATEMENTS
For the year ended 30 June 2011

Note 23. Reconciliation of profit/(loss) to net cash inflow/(outflow) from operating activities

	2011	2010
	\$'000	\$'000
Profit/(loss) for the year	4,105	(17,278)
Depreciation and amortisation	955	1,847
Revaluation of fixed assets	(2,122)	25,909
Loss on sale of assets	5	14
GST included in investing activities	93	60
<i>Change in operating assets and liabilities;</i>		
(Increase) / decrease in trade & other receivables & prepayments	(193)	(73)
(Increase) / decrease in interest accrued	28	(65)
Decrease in trade & other payables	96	118
Increase in provisions	598	34
(Increase) / decrease in deferred tax asset	931	(7,786)
Net cash flows from operating activities	4,496	2,780

VICTORIAN REGIONAL CHANNELS AUTHORITY
CERTIFICATION OF FINANCIAL STATEMENTS
30 June 2011

We certify that the attached financial statements for Victorian Regional Channels Authority has been prepared in accordance with the Standing Direction 4.2 of the *Financial Management Act 1994*, applicable Financial Reporting Directions, Australian Accounting Standards including Interpretations, and other mandatory professional reporting requirements.

We further state that, in our opinion, the information set out in the comprehensive operating statement, statement of financial position, statement of changes in equity, statement of cash flows and notes to and forming part of the financial statements, presents fairly the financial transactions during the year ended 30 June 2011 and financial position of the Victorian Regional Channels Authority as at 30 June 2011.

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

We authorise the attached financial statements for issue on 5 August 2011.



Ken Jarvis
Chair
Dated: 5 August 2011



Merran Kelsall
Deputy Chair
Dated: 5 August 2011



Peter McGovern
Chief Executive Officer
Dated: 5 August 2011



Richard Keyte
Chief Financial Officer
Dated: 5 August 2011

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 2011 of the Victorian Regional Channels Authority which comprises the comprehensive operating statement, statement of financial position, statement of changes in equity, statement of cash flows, notes comprising a summary of significant accounting policies and other explanatory information, and the certification of financial statements, 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 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*, and for such internal control as the Board Members' determine is necessary to enable the preparation of the financial report that is free from material misstatement, whether due to fraud or error.

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. Those Standards require compliance with relevant ethical requirements relating to audit engagements and that the audit be planned and performed to obtain reasonable assurance about 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 the 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 I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

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.

Independent Auditor's Report (continued)

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 2011 and of its financial performance and its 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*.

Matters Relating to the Electronic Publication of the Audited Financial Report

This auditor's report relates to the financial report of the Victorian Regional Channels Authority for the year ended 30 June 2011 included both in the Victorian Regional Channels Authority's annual report and on the website. The Board Members of the Victorian Regional Channels Authority are responsible for the integrity of the Victorian Regional Channels Authority's website. I have not been engaged to report on the integrity of the Victorian Regional Channels Authority's website. The auditor's report refers only to the subject matter described above. It does not provide an opinion on any other information which may have been hyperlinked to/from these statements. If users of the financial report are concerned with the inherent risks arising from publication on a website, they are advised to refer to the hard copy of the audited financial report to confirm the information contained in the website version of the financial report.

MELBOURNE
5 August 2011



D D R Pearson
Auditor-General

