Victorian Regional Channels Authority

Annual Report 2005-06

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

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

- establish, manage, dredge and maintain the channels in port waters and provide and maintain navigation aids in port waters in accordance with standards of the Director of Marine Safety;
- provide general direction and control of the movement of vessels within port waters in accordance with 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 a port manager, at their request, and with the approval of the Minister, with integrated planning, development, management and promotion activities for the port.

The VRCA's pricing for the use of channels and related services remains regulated under a pricing monitoring framework administered by the Essential Services Commission (ESC) in accordance with Section 50 of the PSA.

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

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

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

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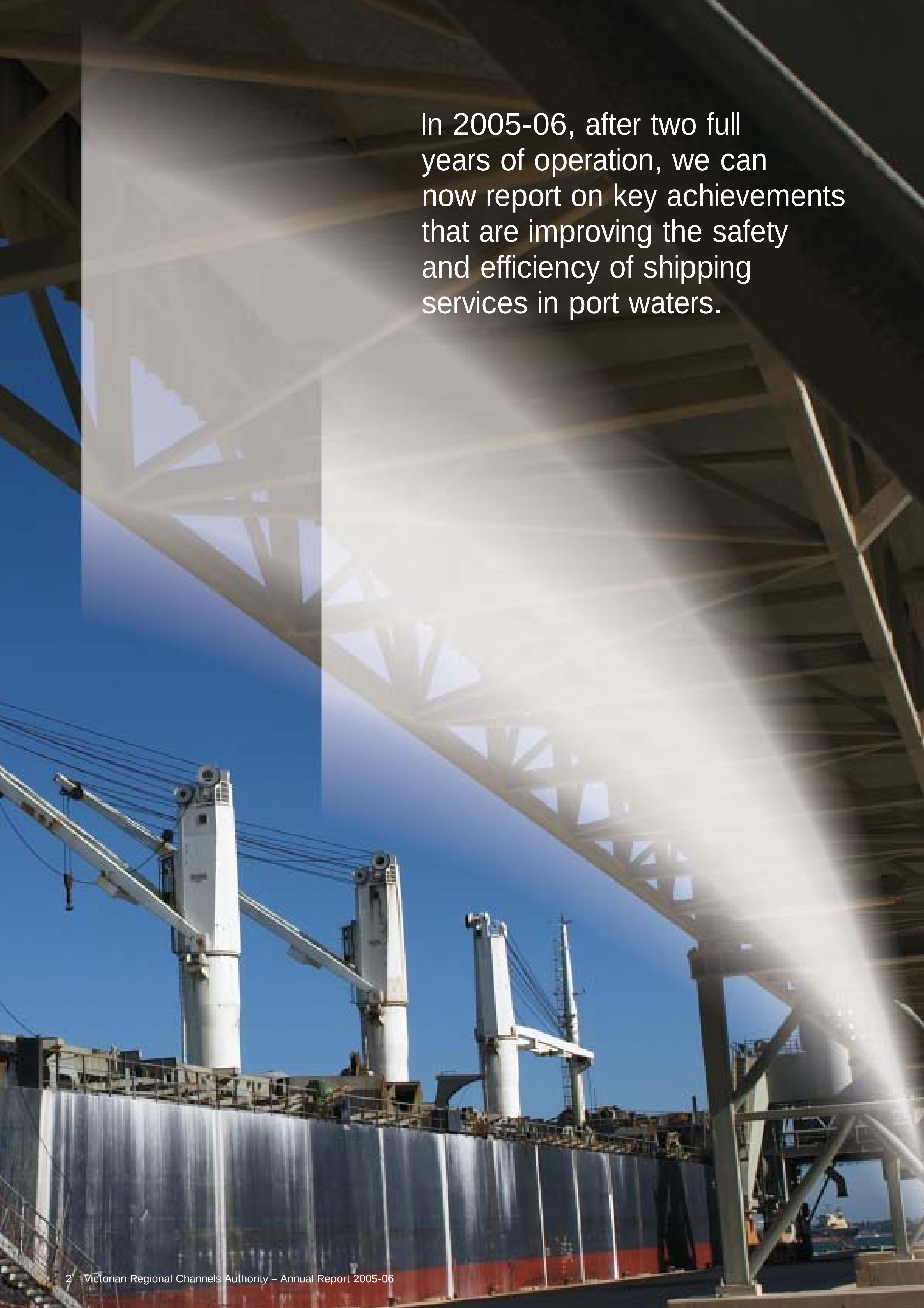


In 2005-06, after two full years of operation, we can now report on key achievements that are improving the safety and efficiency of shipping services in port waters.

Chairperson's Report

This is the third annual report on the operations of the Victorian Regional Channels Authority (VRCA) since the creation of the organisation on 1 April 2004.

In previous reports we discussed plans for developing effective maritime services in the Port of Geelong and some hurdles and initial successes in realising those plans. In 2005-06, after two full years of operation, we can now report on key achievements that are improving the safety and efficiency of shipping services in port waters.

With respect to efficiency, the Authority has implemented the Shipping Management Information System, installed new tide gauges and purchased a multi-purpose launch that will assist activities and inspections by the VRCA and other port and government authorities. With respect to safety it has submitted tenders for a contract to upgrade navigation aids and beacons in Geelong channels and introduced shore facilities for an automated ship identification system. These are outstanding innovations and will be greatly valued by port users and stakeholders for years to come.

What is remarkable is that the Authority has realised these achievements with a budget that is entirely self-funded and an establishment of no more than six full-time staff.

More remarkable still is the way the VRCA has been developing its role not just as a manager of channel and port services, but as a key player within the local community. As one of the initiators and sponsors of the 'Economic Impact Study of the Port of Geelong', which was completed and released to the general public in September 2005, the VRCA has helped to confirm the importance of the port within the regional and state economy.

The operation of Geelong Port not only generates regional employment and income, it has major flow-on effects to other local industries. In addition, all levels of government receive revenue from taxes and charges on these activities.

The results of the economic impact study makes it easier to support the case for port initiatives to all levels of government. By means of a planned port education program, the VRCA hopes to propagate the message more broadly – primarily to local schools but also to business and community organisations – that the Port of Geelong plays an integral part in their lives and contributes significantly to their financial well-being.

I would like to thank my fellow Directors and the staff of the VRCA for their contribution to another year of successful operations in the Port of Geelong and look forward to further achievements in the year to come.

Finally, on behalf of the Directors and staff of the VRCA, I would take this opportunity to thank Ian Scott, the inaugural Chief Executive of the Authority, for his valuable contribution in overseeing the establishment of the VRCA. Ian has announced his decision to retire effective 3 August 2006 and we wish him all the best for the future.

Michael J Dowling
Chairperson

The major initiative for the VRCA in 2006-07 will be the upgrading and replacement of marker beacons within the Geelong channels.

CEO's Report

The 2005-06 financial results for the Victorian Regional Channels Authority (VRCA) have exceeded previous years with the VRCA posting a before tax profit of $1,724,751, based on a total turnover of $6,016,547. The increase in profit was primarily due to cost saving initiatives.

A tax expense of $603,069 brings the after tax profit to $1,121,682.

Total expenditure was $761,501, less than last year due to the VRCA's efforts to achieve self-reliance in major service areas. These results reflect a strong financial performance given that channel fees remained at 24.42 cents per gross ton under the new Price Monitoring Framework introduced by the Essential Services Commission (ESC).

During 2005-06, the VRCA initiated and implemented a number of new projects designed to improve the efficiency and safety of port operations.

Among these were the:

- introduction of shore facilities to operate the Automated Identification System for commercial shipping;
- purchase and installation of new tide gauges and weather monitoring equipment;
- implementation of a Shipping Management Information System to provide a real-time comprehensive record of shipping movements in the Geelong channels and making this available to all stakeholders in the port community via the internet;
- placement of a tender to upgrade and replace marker beacons within Geelong channels;
- upgrading and replacement of obsolete VHF communications equipment for marine controllers;
- acquisition of a multi purpose launch for port use by the VRCA and other port-based and government agencies; and
- approval by government and implementation of the VRCA Safety and Environment Management Plan.

Despite so many projects being undertaken by relatively few staff the VRCA has continued to strive for regular contact throughout the year with its customers and port stakeholders to ensure that the interests of channel users are recognised and responded to effectively.

The Authority actively participated in committees such as the Geelong Channel Users Group, whose members include the Shell Company of Australia Ltd, Alcoa Australia Ltd, Toll GeelongPort and Graincorp, and other committees involved with port security, safety and environmental issues.

A customer satisfaction survey, completed in December 2005, collected valuable information from our customers and key stakeholders on issues such as the quality of VRCA service delivery, strengths and weaknesses and whether they are receiving value for money. Much of the information contained within the survey will be incorporated in actions nominated in our corporate plan for the coming year.

The major initiative for the VRCA in 2006-07 will be the upgrading and replacement of marker beacons within the Geelong channels. This project will cost an estimated $7 million and will be entirely self-funded. The challenge for the Authority will be to continue to offer greater efficiencies and improved infrastructure while maintaining responsible financial management and a competitive fee structure.

I am confident that the balance can be achieved and that the Authority will continue to contribute significantly via its operations at the Port of Geelong to the economy of the region and the State of Victoria.

Ian Scott
Chief Executive Officer

Executive Summary

Highlights of the Year

- Expiry of the ESC pricing order.
- Commencement of the price monitoring framework.
- Tender submitted for the beacon replacement project.
- Installation of new tide gauges.
- Installation of an Automated Identification System.
- Commencement of the Shipping Management Information System.
- Completion of the Port of Geelong economic study.
- Commencement of a Port education project.
- Purchase of a multi-purpose launch.
- Upgrading of VHF radio communications facilities.
- Approval of the Safety and Environmental Management Plan.

Ongoing Provision of Key Services and Facilities

- Hydrographic survey of port waters.
- 24-hour commercial shipping control service.
- Coordination of pilot services, tugs, lines boats, lines men, quarantine services and customs.
- Planning and supervision of contracts for provision and maintenance of all navigation aids for commercial shipping.
- Strategic planning for future needs of commercial shipping in regional commercial channels.
- Maintenance of existing beacons and lights.

Establishment and Functions

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

Objectives of the VRCA

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

In pursuit of this objective, the VRCA aims to:

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

Profiles of Geelong piers and wharves

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

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

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

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

Point Henry Pier

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

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

Bulk Grain Pier

The 'old' bulk grain pier is owned by Toll GeelongPort but is rarely used. 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	Lay up berth
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 Toll GeelongPort's operations in Geelong.

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

Lascelles Wharf

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

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

Refinery Pier

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

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

Point Wilson Explosives Pier

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

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

Cunningham Pier

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

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

Rippleside

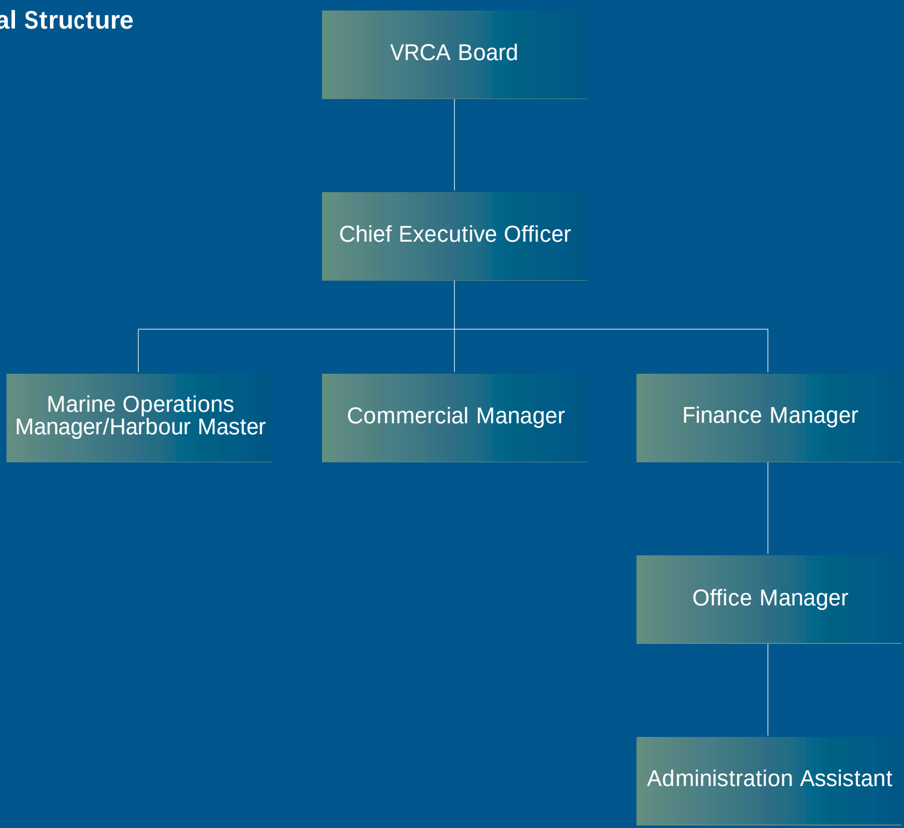
The facilities are used by Adsteam for their towage operations.

Staff Establishment

The VRCA has a Board of Directors of three and an establishment of six staff. Five staff members, including the Marine Operations Manager, Commercial Manager and CEO are permanent and the remaining appointment is on contract.

Given the small establishment size the role of the VRCA is essentially one of oversight and management, whereby 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 government agency that obtains most of its income from a tonnage charge levied on commercial shipping using the port waters of Geelong. Some revenue is derived from contracts with Shell and Alcoa arising from the underwriting of a channel deepening project and from a surcharge levied upon itinerant users of the deeper draught waters within the Geelong Channel.

The VRCA does not gain any revenue from:

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

Primary Revenue

Commencement of the new price monitoring framework

In the 2005-06 financial year the VRCA operated for the first time under a new price-monitoring framework. This new regime for monitoring and regulating the prices the VRCA charges for its services to shipping replaces the pricing order under which the Victorian Channels Authority (VCA) operated since June 2000.

The pricing order was administered by the Essential Services Commission (ESC) and regulated the price that the VCA and subsequently VRCA could charge per ton of commercial shipping passing through port waters. It was originally imposed on the VCA and continued to apply to the VRCA for prescribed services under its control until its expiry on 30 June 2005.

Based on a determination of the ESC, the price-monitoring framework will apply to prescribed services in Victoria's ports for a period of five years, beginning 1 July 2005. Under the new pricing framework the VRCA is free to set its own tariffs but will provide key performance indicators and any other information requested by the ESC to enable its performance and costs to be monitored.

Pricing for the use of channels in Geelong has not changed in the past two years. Prior to that, prices had been progressively reduced from 94 cents per gross ton in 1995 to as low as 26.1 cents per gross ton in 2000-01.

Under the first year of the price-monitoring framework the VRCA's Channel Usage Charge for vessels with a maximum draught of 10.5 meters was the GST exclusive rate of 24.42 cents per gross ton. This amounts to 27.53 cents per gross ton after the shared channel fee of 3.11 cents per gross ton paid to the Port of Melbourne Corporation (PoMC) is included. The VRCA reviews its pricing annually and sets prices for a year in advance. No fee increases are budgeted for 2006-07.

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

Shared Channels

As of 1 July 2005 new arrangements came into effect in relation to Port Phillip Heads and the South Channels that the VRCA shares with the PoMC. These channels are administered by the PoMC but are traversed by all Geelong-bound vessels that enter Port Phillip.

Previously, a separate channel fee was payable to the PoMC by Geelong bound vessels but, for convenience, was charged and collected by VRCA and paid monthly to the PoMC on behalf of Geelong Channel users. Under the new arrangements the PoMC collects these fees directly from customers.

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 annual payments. The contract also provides for annual Consumer Price Index (CPI) increases equivalent to 75 per cent of the CPI movement over the previous 12 months.

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

Income and Pricing continued

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
Handysize	15,000 – 21,999	$143.00
Handymax	22,000 – 29,999	$154.00
Panamax	> 29,999	$178.20

Financial Management

Total turnover for VRCA for the 12 months ended 30 June 2006, incorporating other revenue was $6 million.

Revenue for the year exceeded last year by $160,000, resulting in a before tax profit of $1,724,751.

Dividend Distribution Targets

Dividend distribution targets are as determined by the Treasurer in accordance with Section 41 of the PSA after discussion with the VRCA Board. During the year the VRCA paid $542,000 in dividends in respect of the year ended 30 June 2005 and the six months ended 31 December, 2005.

Operating Expenses

Operating expenses for 2005-06 amounted to $4.3 million.

The VRCA has determined that the most cost effective means of providing core channel services to the Port of Geelong is by direct management. Given its limited funding sources, VRCA's staffing levels and administration costs are kept to a minimum due to continuing self-reliance in major service areas. The Authority has contracts in place with external parties for provision of hydrographic survey and other services such as the maintenance of the navigation aids.

Another reason for the lower expenditure was the fact that no maintenance dredging has had to be carried out in Geelong since early 2005 and is unlikely to be required until at least 2007. When further maintenance dredging requirements do finally arise they will be negotiated with the provider of services to the Port of Melbourne or put to tender.

Economic Impact Study of the Port of Geelong

In March 2005 a study was commissioned by the VRCA, Toll GeelongPort, and the Department of Infrastructure to determine the economic significance of the Port of Geelong to the region and the State of Victoria. The VRCA took a key role in managing the study, which was conducted by EconSearch Pty Ltd under the direction of a project steering group involving members from major regional organisations such as the Department of Infrastructure, Victorian Freight and Logistics Council, City of Greater Geelong, G21 – Geelong Regional Alliance Ltd, Geelong Chamber of Commerce, and the Geelong Manufacturing Council.

The study was undertaken using the general framework for port impact studies developed by the Bureau of Transport Economics (2000) and attempted to measure direct and indirect economic impacts of port-related activity in terms of household income, output, value added and employment. EconSearch relied heavily for its data on survey responses obtained from 36 businesses and organisations involved in Geelong port-related activity.

The study was completed in August 2005 and the results announced on 9 September 2005 at a luncheon attended by the Minister for Transport, The Hon Peter Batchelor, MLA. The study produced two reports: a technical overview for use in future planning and an executive summary that has been released and circulated throughout the community.

Key Findings of the Report

Key findings of the report were that the operation of the Port of Geelong in 2004-05 generated, in terms of output, an estimated total direct and flow-on impact on the economy of the Barwon region over $290 million and around $328 million on the Victorian economy as a whole.

The value added impact on the region was estimated to be $148 million ($168 million state wide); equivalent to approximately 2.1 per cent of gross regional product. In terms of the State's economy, it represented just over 0.08 per cent of Victoria's gross state product in 2004-05. Household income generated by the operation of the port totalled $63 million in the Barwon region and $77 million in Victoria. Employment was estimated at almost 1,200 full-time equivalent jobs, which represented 1.7 per cent of total employment in the Barwon region. At the state level, the estimated employment effect of 1,385 jobs was just under 0.07 per cent of Victoria's total employment.

Trade, ownership of dwellings and finance and business services were the three sectors where port-related activity has the largest impact.

The figures confirm the significant contribution of the Port of Geelong to the state and regional economy in particular and underscore the importance of the VRCA's program to improve port services such as navigation and channel depths. To promote these findings the Authority and Toll GeelongPort have embarked on a port education program aimed at regional schools which will underscore to young people the value of the port to the region.

Operating Performance

Gross Tonnage Handled

Total gross tonnage of ships entering Geelong ports in 2005-06 was 12.3 million gross tons; an overall increase of 2.8 per cent.

At $6 million, revenue from Geelong was 2.7 per cent more than last year.

As in previous years the most significant cargo types in terms of the total volume of trade 80 per cent through the Geelong Port were: crude oil and petroleum products, woodchips, fertiliser, and grain.

A large part of the increase in 2005-06 was due to higher gross tonnage of bulk liquid (oil), which exceeded the previous year by 5.5 per cent.

Gross tonnage and number of ships visiting Geelong ports over the last seven years have remained at roughly the same levels.

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

Key Functions

The VRCA has approximately 20 customers and monitors a total of 800-1,100 ship movements per year in Geelong waters.

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

Shipping Management

A key achievement in 2005-06 was the implementation and successful operation of an Automated Identification System to record shipping movements in Geelong waters in real time.

Shipping Management Information System

This whole-of-port shipping information management system was developed throughout 2005 and has been introduced progressively in the period leading up to 30 June 2006.

It became available from 1 April 2006 to port users such as shipping agents and port operators via the internet.

The system permits storage and web-based retrieval of data relating to shipping movements in Geelong port waters. Designed to reduce duplication of information and to encourage all port users to work from a common database it represents a major leap forward in terms of operational efficiencies.

Hydrographic Survey and Dredging

One of VRCA's key measures of performance is to maintain shipping channels to the port 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.

Following analysis of a hydrographic survey completed in January 2005, it was considered unlikely that any major maintenance dredging will be required until 2007 at the earliest. In February and March of 2006 hydrographic surveys were conducted again on behalf of the VRCA by an independent survey team using extremely accurate multi-beam sonar technology. It confirmed the result obtained in the previous year and was unable to detect signs of shoaling or other potential hazards to shipping. As a result no costly maintenance dredging had to be performed in this financial year or will be performed in 2006-07. The next annual survey to reassess the state of the channels is scheduled for the summer months of 2007.

Most importantly, the greater accuracy of the multi-beam sonar survey technology used has allowed the VRCA to recognise an additional 10 centimetres of draught in Geelong channels. As a consequence large bulk carriers using the port can now carry an additional 1,000 tonnes of cargo, resulting in greater cost efficiencies and affirming the port's continued economic viability.

Dynamic Underkeel Clearance System

The VRCA undertook an investigation in 2004-05 as to whether a Dynamic Underkeel Clearance System could be implemented in Geelong port waters. The study sought to identify optimal periods, based on tidal movements, for visits by vessels of deeper draught.

The study found that opportunities do exist to implement such a system in Geelong waters and that some additional depth could be realised by removing some tight areas to reduce vessel squat. Further work by consultants was required to determine how much material would need to be removed and the likely environmental and engineering issues associated with such a program.

In 2005-06 the VRCA embarked on a cost/benefit analysis to consider the feasibility of progressing with the project. As of 30 June that study has still not been completed. A final resolution as to whether the system is viable in port waters is expected in 2006-07.

Tide Gauges and Monitoring

Because water depth is restricted in the shipping channels in the Port of Geelong the added depth of a rising tide enables large ships using the channels to optimise the cargo tonnage they can lift into and out of the port. A real-time knowledge of the tide and prevailing weather conditions is therefore vitally important to safe and efficient shipping movements.

In 2005 the VRCA sought to improve this aspect of shipping operations in the Port of Geelong by purchasing tide gauging equipment, used to measure and predict tidal movements, and anemometers, used to measure wind speed and direction. During the berthing phase of a vessel, knowledge of the wind direction and strength is important.

The equipment was installed in Corio Bay in the 2005-06 financial year and will function for many years with minimal maintenance overheads. Live data from the new tidal gauges is recorded by equipment installed on two of the navigation beacons in the channel and relayed to and displayed on screens at the office of the Marine Controllers and of the VRCA. During 2006-07 this data will become available live on the VRCA website for the benefit of all port users.

Upgrade and Replacement of VHF Radio System

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

In this financial year the VRCA advanced its plans to acquire new, state-of-the-art VHF radio equipment to replace obsolete VHF communications equipment used by marine controllers at Corio. The new equipment will be installed in 2006 and will overcome the occurrence of radio black spots and allow marine controllers to monitor all of the radio channels in common use by ships in the port.

The equipment will also allow conversations to be recorded for security and audit purposes.

Purchase of a Multi-purpose Launch

In 2005-06 VRCA acquired a launch from the Port of Bunbury. The launch will serve a range of functions within port waters, principally to access the navigation aids in the Geelong shipping channels for maintenance and monitoring, and by the Harbour Master to respond to incidents and emergencies within the port waters. The launch will also be available to emergency services organisations such as the Police and the CFA, by the Australian Customs Service and for educational purposes.

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 2005-06 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.

Upgrading Navigation Aids in Geelong Waters

In 2005 the VRCA progressed its plans to install new LED based navigation lights and replace existing beacon pylons and structures in Geelong waters.

A decision was made to install new solar-powered LED lights that are constantly active, and which use GPS guidance to flash in sequence to provide clearer, brighter indications of channel directions for ships transiting the channels at night.

It is also intended that the old timber structures supporting the beacons will be replaced by taller metal structures more suited to modern shipping needs and designed for ease and safety of maintenance. Risks associated with maintaining existing beacons in Geelong channels will be significantly reduced.

During 2005-06, the VRCA undertook a geo-technical study to support a tender for the works, which provides for capital costs of up to $7 million. The approval of the Treasurer was required and a business case in support of the project was prepared accordingly. The tender was submitted in June 2006 and the contractor for the works was selected in June 2006. Completion of the work and most of the planned expenditure will occur in the 2006-07 financial year.

Navigation reliability figures

During the 2005-06 financial year the VRCA exceeded Marine Safety Victoria (MSV) and IALA standards for the reliability performance of the approximately 100 navigation aids, beacons and buoys it maintains.

Working with the Automatic Identification System

In 2005 the VRCA took the initiative to install shore facilities to operate the shipborne Automatic Identification System (AIS) in Corio Bay.

The AIS is a shipborne transponder that automatically and continuously transmits in the VHF band, from ships to shore facilities and other vessels, information such as vessel identity (assigned internationally), position, course, speed, ship particulars and cargo information. All international ships of a minimum size of 500 gross tons must carry an AIS device to comply with International Maritime Organisation (IMO) legal requirements. If they do not have a transponder they cannot be admitted to the Port of Geelong.

The system works in ship-to-ship and ship-to-shore mode everywhere and at all times, regardless of whether vessels are on the high seas, in coastal waters or on inland waterways.

VRCA shore facilities can now receive AIS transmissions from ships from beyond the heads to Port Phillip and record their movements on monitor screens in the office of the Marine Controllers and in the office of the VRCA. The displayed information gives the Marine Controllers real-time information about the traffic in the port and reduces the risk of collisions as well as manual handling and reporting of shipping movements.

It also provides port staff with a detailed knowledge of where a ship has been prior to it arriving in Port Phillip and Corio Bay. This is particularly important for assuring environmental safety and performing other maritime regulatory activities.

A key innovation has been the introduction of a new code for unsafe ships. A ship-board AIS will transmit the fact that a ship is listed as unsafe in advance to port authorities. This may be because the cargo is dangerous, the ship has a leak, or previously had a hole or has some other unsafe condition to divulge. The VRCA thereby has advance knowledge of the condition and can respond appropriately to the risk posed by the vessel.

Marine Pollution

Under the Marine Act 1988 the Director of Marine Safety is responsible for ensuring that adequate means exist to enable an effective response to marine pollution incidents in Victorian waters. The Director has designated the PoMC as the Regional Control Agency responsible for managing responses to marine pollution incidents within the Port Phillip Region, including Corio Bay.

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

During 2005-06 no major marine pollution incidents occurred in port waters.

Safety and the Environment continued

Safety and Environmental Management Plan Approved

Under Victorian legislation the VRCA must prepare a Safety and Environmental Management Plan (SEMP) and engage with other stakeholders and port users to implement the details of the plan. In June 2005 the VRCA, in conjunction with Toll GeelongPort and GrainCorp, prepared and submitted a joint SEMP to the State government for auditing by independent reviewers and approval.

The plan, which was prepared as the basis for the VRCA's drive to ensure safe and environmentally acceptable practices within Geelong Channels, was approved by the Government in September 2005. As a consequence all of the measures cited in the plan now represent the official safety and environmental policy of the VRCA.

Establishment of a Risk Management Register

In 2004 the VRCA established a comprehensive risk management system for the organisation, known as the Risk Management Register. The register incorporates input from the VRCA's Safety and Environmental Management Plan and provides a sound framework for determining future revenue flow and for securing and maintaining the organisation's assets on behalf of our customers and users of regional ports.

The VRCA Risk Committee met on a quarterly basis throughout this financial year to review the register and the results of an independent risk audit that was performed in February 2006. As a result the Authority has upgraded the register to reflect waterside risks as inputs into whole of port security and environment management plans.

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

Introduction of the Maritime Security Identification Card

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

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

From 1 January 2007, anyone working within the maritime security zones of the Port of Geelong must display an MSIC. The cardholder needs a genuine work-related reason to be in the zone and must have successfully completed the background checking process.

This requirement will apply to:

- all waterfront workers;
- maritime contractors;
- agents and maintenance staff;
- seafarers on Australian regulated ships;
- truck and train drivers and operators;
- regular port visitors and suppliers; and
- anyone working on an offshore oil and gas facility.

Additional Information

Trading Results

The Authority's profit for the year was $1,121,682 (2004-05 $480,760) after allowing for an income tax expense of $603,069 (2004-05 $324,124).

Reporting

The Authority reports to the Minister for Transport, The Hon. Peter Batchelor MLA.

Events Subsequent to Balance Date

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

Directors' Benefits

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

Information on Directors

Michael Dowling (Chairperson) is a Geelong based Chartered Accountant with more than 36 years professional and commercial experience including being the managing partner of a firm of chartered accountants. His commercial experience has included being a Director and Company Secretary of companies which operate in the Australian and international shipping industries. He currently operates a corporate consulting business and is a Director of companies in the health insurance and mortgage lending fields. Michael is a member of Deakin University Council. In addition to his commercial experience, he has been an office holder in several community based organisations covering such diverse fields as chamber of commerce, disability services, education, health, youth services and the visual arts.

Merran Kelsall (Deputy Chairperson) began her career in Chartered Accountancy, becoming a partner in a major practice in 1987. She has worked as an independent Director and consultant since 1996. Merran has considerable experience in highly regulated industries, especially financial services, health and utilities. She is also an experienced executive coach and chairs two syndicates for the CEO Institute. Merran's current appointments include: Chairman Auditing and Assurance Standards Board, Public Transport Industry Ombudsman (Victoria) Ltd, Professional Indemnity Insurance Company Australia Pty Limited, Director, Melbourne Water Corporation, Credit Union Services Corporation (Australia) Ltd (CUSCAL), and member of Council of Trustees of the National Gallery of Victoria.

Alan Taylor OAM is a Chartered Engineer with 49 years experience in the marine transport industry, nationally and internationally. He sailed as the chief engineer officer on ships and has spent the last 38 years in shore management positions involving ship operations, repair and maintenance, technical design and construction and salvage of ships. He has extensive experience in marine environment issues such as ballast water as well as corporate risk and crisis management. His contribution to the maritime industry has been recognised by the award of the Medal of the Order of Australia for service to maritime engineering and the protection of the marine environment.

Directors' Meetings

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

Director	Number Held	Number Attended
Michael Dowling	10	9
Merran Kelsall	10	9
Alan Taylor	10	9

Audit Committee Membership and Role

The Audit Committee consists of all the members of the Board of the Authority, with Merran Kelsall as Chairperson. The main responsibilities of the Audit Committee are to:

- determine the scope of the internal audit function and ensure that its resources are adequate and used effectively including 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.

Risk Committee Membership and Role

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

Additional Information continued

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

Executive Officer Remuneration

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

	2006	2005
Income Bands	Number	Number
$130,000 to $139,999	1	-
$140,000 to $149,999	-	1

Pecuniary Interests

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

Overseas Visits

Mr Dilip Abraham, Harbour Master, visited Malta in March/April 2006 for the International Harbour Masters' Association Biennial Congress.

Indemnification of Officers

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

Consultancies

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

Statutory Requirements

Freedom of Information Act

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

Multicultural awareness

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

Building Act

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

Competitive neutrality

The Authority complies with Victorian Government policy on competitive neutrality.

Whistleblowers Protection Act

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

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

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

Occupational Health and Safety (OH&S)

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

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

Annual report

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

- declarations of pecuniary interests;
- publications produced by the authority;
- changes in prices, fees, charges, rates and levies;
- major external reviews carried out;
- overseas visits;
- occupational health and safety; and
- industrial accidents and disputes.

For and on behalf of the Board

Michael Dowling
Chairperson

Merran Kelsall
Deputy Chairperson

Geelong
2 August 2006

Financial Statements

For the financial year ended 30 June 2006

Income Statement

For the financial year ended 30 June 2006

	Note	2006 $	2005 $
Income			
Revenue		5,519,614	5,471,605
Other income	2(a)	496,933	386,576
Total income		6,016,547	5,858,181
Expenses			
Employee benefits	2(b)	510,593	479,599
Depreciation and amortisation	2(c)	1,686,815	1,679,737
Maintenance dredging		53,756	84,463
Other maintenance		205,144	408,401
Lease	2(d)	55,136	55,059
Insurance		215,107	179,658
Marine services		622,024	1,015,320
Consultancies and contractors		314,274	316,337
Special projects		228,027	378,294
Loss on disposal of fixed assets		4,517	73,544
Other expenses		396,403	382,885
Total expenses		4,291,796	5,053,297
Net profit before income tax expense		1,724,751	804,884
Income tax expense	3	603,069	324,124
Net profit for the period		1,121,682	480,760

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

Balance Sheet

As at 30 June 2006

	Note	2006 $	2005 $
Current assets			
Cash and cash equivalents	4	9,887,353	8,038,857
Trade and other receivables	5	539,682	767,783
Total current assets		10,427,035	8,806,640
Non-current assets			
Infrastructure, property, plant and equipment	6	49,548,833	50,556,617
Intangible assets	7	65,887	-
Deferred tax assets	3(b)	55,671	46,685
Total non-current assets		49,670,391	50,603,302
Total assets		60,097,426	59,409,942
Current liabilities			
Trade and other payables	8	184,163	183,136
Provisions	9(a)	699,516	526,265
Total current liabilities		883,679	709,401
Non-current liabilities			
Provisions	9(b)	2,073	384
Deferred tax liabilities	3(c)	2,416,657	2,484,822
Total non-current liabilities		2,418,730	2,485,206
Total liabilities		3,302,409	3,194,607
Net assets		56,795,017	56,215,335
Equity			
Contributed equity	10(a)	57,883,058	57,883,058
Retained losses	10(b)	(1,088,041)	(1,667,723)
Total equity		56,795,017	56,215,335
Contingent assets and liabilities	16		
Commitments for expenditure	17		

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

Statement of Changes in Equity

For the financial year ended 30 June 2006

	Note	2006 $	2005 $
Total equity at the beginning of the period		56,215,335	55,834,575
Net result for the period	2	1,121,682	480,760
Dividends paid		(542,000)	(100,000)
Total equity at the end of the period		56,795,017	56,215,335

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

Cash Flow Statement

For the financial year ended 30 June 2006

	Note	2006 $	2005 $
Cash flows from operating activities			
Receipts from trade and other debtors		6,257,741	6,055,718
Payments to trade creditors, other creditors and employees		(2,770,735)	(4,059,575)
Goods and services tax paid to the Australian Taxation Office		(292,500)	(276,907)
Interest received		541,581	314,792
Income tax paid (refer note 1(j))		(521,212)	(116,375)
Net cash inflow from operating activities	19	3,214,875	1,917,653
Cash flows from investing activities			
Payments for infrastructure, property, plant and equipment		(891,614)	(187,898)
Proceeds from sale of infrastructure, property, plant and equipment		67,235	74,795
Net cash (outflow) from investing activities		(824,379)	(113,103)
Cash flows from financing activities			
Dividends paid		(542,000)	(100,000)
Net cash (outflow) from financing activities		(542,000)	(100,000)
Net increase in cash and cash equivalents		1,848,496	1,704,550
Cash and cash equivalents at the beginning of the financial year		8,038,857	6,334,307
Cash and cash equivalents at the end of the financial year	4	9,887,353	8,038,857

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

Notes to the Financial Statements

For the financial year ended 30 June 2006

Contents **Page**

Note 1. Summary of accounting policies

Statement of compliance

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

Basis of preparation

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

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

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

VRCA changed its accounting policies on 1 July 2004 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition. An explanation of how the transition from superseded policies to A-IFRS has affected VRCA's financial performance, financial position and cash flows is discussed in Note 20.

This is the first financial report prepared based on A-IFRS and the comparatives for the year ended 30 June 2005 have been restated accordingly.

(a) Reporting entity

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

(b) Cash and cash equivalents

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

(c) Contributions by owners

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

(d) Depreciation of property, plant and equipment

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

Navigation aids	5-20 years
Office furniture, fittings and equipment	3-10 years
Motor vehicles	5 years
Leasehold improvements	3 years
Channel maintenance dredging	4 years
Channels	40 years

(e) Dredging – berth and channel maintenance

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

(i) Minor (routine) maintenance dredging

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

(ii) Major (channel) maintenance dredging

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

(f) Dividends

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

Note 1. Summary of accounting policies continued

(g) Employee benefits

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

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

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

(ii) *Superannuation*

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

(h) Goods and services tax

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

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

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

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

(i) Impairment of assets

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

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

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

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

(j) Income tax

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

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

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

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

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

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

(k) Infrastructure, property, plant and equipment

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

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

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

(l) Intangible assets

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

Amortisation is allocated to intangible assets with finite useful lives on a systematic basis over the asset’s useful life. Amortisation begins when the asset is available for use, that is, when it is in the location and condition necessary for it to be capable of operating in the manner intended by management. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at the end of each annual reporting period. In addition, an assessment is made at each reporting date to determine whether there are indicators that the intangible asset concerned is impaired. If so, the assets concerned are tested as to whether their carrying value exceeds their recoverable amount. The expected useful lives are as follows:

Software 2.5 years

Note 1. Summary of accounting policies continued

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

(a) annually; and

(b) whenever there is an indication that the intangible asset may be impaired.

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

(m) Trade payables

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

(n) Provisions

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

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

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

(o) Trade receivables

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

(p) Revenue recognition

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

(i) Channel fees

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

(ii) Interest revenue

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

(iii) Sundry revenue

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

Note 2. Net result from operations

	2006 $	2005 $
Income		
(a) Other revenue		
Interest revenue	496,557	379,098
Sundry revenue	376	7,478
Total other revenue	496,933	386,576
Expenses		
(b) Employee benefits		
Salary and wages	442,378	415,602
Superannuation	37,823	34,650
Annual and long service leave expense	15,932	(7,408)
Other employee expenses (fringe benefits tax, payroll tax and workcover levy)	14,460	36,755
Total employee benefits	510,593	479,599
(c) Depreciation and amortisation		
Navigation aids	212,097	227,698
Office furniture, fittings and equipment	50,812	36,771
Motor vehicles	17,136	17,332
Leasehold improvements	39,512	39,216
Major maintenance dredging of channel assets	116,511	116,511
Channel assets	1,242,209	1,242,209
Software	8,538	-
Total depreciation and amortisation	1,686,815	1,679,737
(d) Rental expense relating to operating leases		
Building rentals	48,600	48,303
Storage rentals	3,358	3,208
Equipment rentals	3,178	3,548
Total rental expense	55,136	55,059

Note 3. Income tax

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

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

The differences are reconciled as follows:

	2006 $	2005 $
(a) Income tax recognised in the income statement		
Prima facie income tax		
Net result before income tax	1,724,751	804,884
Income tax at 30 per cent	517,425	241,465
Adjustment in income tax expense due to:		
Permanent differences	85,644	82,659
Income tax recognised in the income statement	603,069	324,124
Reconciliation of tax recognised in the income statement:		
Current taxation provision	679,151	345,469
Tax expense related to prior year returns	-	7,203
Movement in deferred tax asset (refer below)	(8,986)	13,494
Movement in deferred tax liability (refer below)	(67,096)	(42,042)
Income tax recognised in the income statement	603,069	324,124
(b) Deferred tax asset		
Opening balance	46,685	60,179
Temporary differences	8,986	(13,494)
Closing balance	55,671	46,685
(c) Deferred tax liabilities		
Opening balance	2,484,822	2,526,864
Deferred tax related to prior year returns	(1,069)	-
Temporary differences	(67,096)	(42,042)
Closing balance	2,416,657	2,484,822

Note 4. Cash and cash equivalents

	2006 $	2005 $
Cash at bank and on hand	387,353	338,857
Short term deposits	9,500,000	7,700,000
	9,887,353	8,038,857
The above figures are reconciled to cash at the end of the financial year as shown in the cash flow statement as follows:		
Balance as above	9,887,353	8,038,857
Balance per cash flow statement	9,887,353	8,038,857

Cash at bank

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

Short term deposits

All deposits of VRCA are limited to instruments directly accepted by an authorised bank or issued by a Government Treasury or Authority and guaranteed by a State or Commonwealth Government. These deposits had a floating interest rate between 5.45 and 5.83 per cent (2004 – 5.20 and 5.84 per cent).

Note 5. Trade and other receivables

	2006 $	2005 $
Current		
Trade debtors	386,461	495,645
Prepayments	82,978	154,741
Interest receivable	45,489	90,513
GST receivable	24,754	26,884
	539,682	767,783

Note 6. Infrastructure, property, plant and equipment

Navigation aids		
At cost	1,951,044	1,951,044
Less: Accumulated depreciation	(518,606)	(306,509)
	1,432,438	1,644,535
Office furniture, fittings and equipment		
At cost	333,148	166,987
Less: Accumulated depreciation	(89,499)	(40,090)
	243,649	126,897
Motor vehicles		
At cost	116,190	76,980
Less: Accumulated depreciation	(13,340)	(8,921)
	102,850	68,059
Leasehold improvements		
At cost	118,534	118,534
Less: Accumulated depreciation	(85,943)	(46,431)
	32,591	72,103
Major maintenance dredging		
At cost	465,964	465,964
Less: Accumulated amortisation	(397,999)	(281,488)
	67,965	184,476
Channel assets		
At cost	49,688,356	49,688,356
Less: Accumulated depreciation	(2,484,418)	(1,242,209)
	47,203,938	48,446,147
Work in progress at cost	465,402	14,400
	49,548,833	50,556,617

Note 6. Infrastructure, property, plant and equipment continued

Reconciliations

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

	Navigation Aids $	Office Furniture Fittings & Equipment $	Motor Vehicles $	Leasehold Improvements $	Major Maintenance Dredging $	Channel Assets $	Work in Progress $	Total $
Carrying amount at start of year	1,644,535	126,897	68,059	72,103	184,476	48,446,147	14,400	50,556,617
Additions	-	154,541	116,190	-	-	-	465,402	736,133
Transfers	-	14,400	-	-	-	-	(14,400)	-
Disposals	-	(1,377)	(64,263)	-	-	-	-	(65,640)
Depreciation expense	(212,097)	(50,812)	(17,136)	(39,512)	(116,511)	(1,242,209)	-	(1,678,277)
Carrying amount at end of year	1,432,438	243,649	102,850	32,591	67,965	47,203,938	465,402	49,548,833

Note 7. Intangible assets

	2006 $	2005 $
At cost	74,425	-
Less: Accumulated amortisation	(8,538)	-
	65,887	-

Note 8. Trade and other payables

Trade Creditors	69,014	47,916
GST payable	38,926	44,614
Other creditors and accruals	76,223	90,606
	184,163	183,136

Note 9. Provisions

	2006 $	2005 $
(a) Current		
Provision for tax	581,686	422,678
Employee benefits (note 9(c))	117,830	103,587
	699,516	526,265
(b) Non-current		
Employee benefits (note 9(c))	2,073	384
	2,073	384
(c) Employee benefits		
Current		
All annual leave and LSL entitlements representing seven plus years of continuous service		
- short term employee benefit that fall due within 12 months after the end of the period measured at nominal value	55,047	15,854
- other long term employee benefits that do not fall due within 12 months after the end of the period measured at present value	62,783	87,733
	117,830	103,587
Non-current		
LSL representing less than seven years of continuous service measured at present values	2,073	384

Note 10. Equity and movement in equity

(a) Contributed Capital

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

(b) Retained Losses

Retained losses at the beginning of the reporting period	(1,667,723)	(2,048,483)
Profit for the year	1,121,682	480,760
Dividends paid	(542,000)	(100,000)
Retained losses at the reporting date	(1,088,041)	(1,667,723)

Note 11. Financial instruments

(a) Credit risk exposure

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

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

Note 11. Financial instruments continued

(b) Interest rate exposures

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

		Floating Interest Rate		Non-Interest Bearing		Total	
	Notes	2006 $	2005 $	2006 $	2005 $	2006 $	2005 $
Financial assets							
Cash and cash equivalents	4	9,887,353	8,038,857	-	-	9,887,353	8,038,857
Trade and other receivables	5	-	-	539,682	767,783	539,682	767,783
		9,887,353	8,038,857	539,682	767,783	10,427,035	8,806,640
Weighted average interest rate		5.6%	5.3%				
Financial liabilities							
Trade and other payables	8	-	-	184,163	183,136	184,163	183,136
		-	-	184,163	183,136	184,163	183,136
Net financial assets		9,887,353	8,038,857	272,541	429,906	10,242,872	8,623,504

Reconciliation of net financial assets to net assets:

	Note	2006 $	2005 $
Net financial assets (as above)		10,242,872	8,623,504
Non financial assets and liabilities:			
Infrastructure, property, plant and equipment	6	49,548,833	50,556,617
Intangible assets	7	65,887	-
Net tax liabilities		(2,360,986)	(2,438,137)
Provisions	9	(701,589)	(526,649)
Net assets per balance sheet		56,795,017	56,215,335

(c) Net fair values

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

Note 12. Responsible persons

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

Names

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

Peter Batchelor MP	Minister for Transport	1 July 2005 to 30 June 2006
Michael Dowling	Director (Chairperson)	1 July 2005 to 30 June 2006
Merran Kelsall	Director (Deputy Chairperson)	1 July 2005 to 30 June 2006
Alan Taylor	Director	1 July 2005 to 30 June 2006
Ian Scott	Chief Executive Officer (Accountable Officer)	1 July 2005 to 30 June 2006

Remuneration

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

Income bands

	2006 No.	2005 No.
$20,000 to $29,999	2	2
$30,000 to $39,999	1	1
$130,000 to $139,999	-	1
$150,000 to $159,999	1	-
Total numbers	4	4
Total amount	$243,165	$213,951

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

Related party transactions

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

Note 13. Remuneration of executives

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

Income bands

	2006 No.	2005 No.
$130,000 to $139,999	1	-
$140,000 to $149,999	-	1
Total numbers	1	1
Total amount	$137,875	$142,582
Bonuses paid to executive officers included above during the financial year	$11,960	$11,500

Related party transactions

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

Note 14. Superannuation funds

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

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

	Contributions Made		Contributions Outstanding	
Fund	2006 $	2005 $	2006 $	2005 $
AMP Flexible Life (Accumulation)	6,492	5,918	-	93
Kawrotas Superannuation Fund (Accumulation)	1,879	1,777	-	-
MLC Masterkey Super Fund (Accumulation)	-	1,592	-	-
Scott Family Super Fund (Accumulation)	11,427	4,286	-	6,158
State Superannuation Scheme (Defined Benefit)	10,085	8,769	-	132
Vic Super (Accumulation)	8,373	5,875	-	50
Total	38,256	28,217	-	6,433

Note 15. Remuneration of auditors

	2006 $	2005 $
Audit fees paid or payable to the Victorian Auditor General's Office for audit of the VRCA's financial report:		
Paid as at the end of the reporting period	4,800	4,580
Payable as at the end of the reporting period	18,800	18,320
Total remuneration	23,600	22,900

The auditors received no other benefits.

Note 16. Contingent assets and liabilities

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

Note 17. Commitments for expenditure

	2006 $	2005 $
(a) Lease commitments		
Commitments in relation to leases contracted for at balance date but not recognised as liabilities payable in the financial statements:		
Payable no later than 1 year	39,002	57,200
Payable 1-5 years	-	38,134
	39,002	95,334
GST claimable	(3,546)	(8,667)
Net commitment	35,456	86,667
(b) Operating commitments		
Total expenditure contracted for at balance date but not recognised as liabilities payable in the financial statements:		
Payable no later than 1 year	673,761	-
Payable 1-5 years	1,358,466	-
	2,032,227	-
GST claimable	(184,748)	-
Net commitment	1,847,479	-
(c) Capital commitments		
Total expenditure contracted for at balance date but not recognised as liabilities payable in the financial statements:		
Payable no later than 1 year	6,032,726	147,255
	6,032,726	147,255
GST claimable	(548,430)	(13,387)
Net commitment	5,484,296	133,868

Note 18. Events occurring after reporting date

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

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

	2006 $	2005 $
Profit for the year	1,121,682	480,760
Depreciation and amortisation	1,686,815	1,679,737
Loss on sale of assets	4,517	73,544
GST included in investing activities	74,944	10,282
Change in operating assets and liabilities:		
(Increase)/decrease in trade and other receivables	183,077	(10,245)
(Increase)/decrease in interest accrued	45,024	(64,306)
Increase/(decrease) in trade and other payables	1,027	(452,460)
Increase/(decrease) in provisions	15,932	(7,408)
Increase in tax provisions	81,857	207,749
Net cash flows from operating activities	3,214,875	1,917,653

Note 20. Impacts of adoption of Australian equivalents to International Financial Reporting Standards (A-IFRS)

The VRCA changed its accounting policies on 1 July 2004 to comply with A-IFRS. The transition to A-IFRS is accounted for in accordance with Accounting Standard AASB 1 'First-time Adoption of Australian Equivalents to International Financial Reporting Standards', with 1 July 2004 as the date of transition.

An explanation of how the transition from superseded policies to A-IFRS has affected the VRCA's financial position, financial performance and cash flow is set out in the following tables and the notes that accompany the tables.

Effect of A-IFRS on the balance sheet as at 1 July 2004

	Note	Superseded Policies* $	Effect of Transition to A-IFRS $	A-IFRS $
Current assets				
Cash and cash equivalents		6,334,307	-	6,334,307
Trade and other receivables		693,232	-	693,232
Total current assets		7,027,539	-	7,027,539
Non-current assets				
Infrastructure, property, plant and equipment		52,207,077	-	52,207,077
Deferred tax assets	(e)	60,522	(343)	60,179
Total non-current assets		52,267,599	(343)	52,267,256
Total assets		59,295,138	(343)	59,294,795
Current liabilities				
Trade and other payables		635,596	-	635,596
Provisions – provision for tax	(d)	87,452	98,929	186,381
Provisions – employee benefits	(b)	112,523	(1,144)	111,379
Total current liabilities		835,571	97,785	933,356
Non-current liabilities				
Deferred tax liabilities	(d)	452,848	2,074,016	2,526,864
Total non-current liabilities		452,848	2,074,016	2,526,864
Total liabilities		1,288,419	2,171,801	3,460,220
Net assets		58,006,719	(2,172,144)	55,834,575
Equity				
Contributed equity		57,883,058	-	57,883,058
Retained profits/(losses)	(f)	123,661	(2,172,144)	(2,048,483)
Total equity		58,006,719	(2,172,144)	55,834,575

* Reported financial position for the financial year ended 30 June 2004.

Note 20. Impacts of adoption of Australian equivalents to International Financial Reporting Standards (A-IFRS) continued

Effect of A-IFRS on the income statement for the financial year ended 30 June 2005

	Note	Superseded Policies* $	Effect of Transition to A-IFRS $	A-IFRS $
Income				
Revenue		5,471,605	-	5,471,605
Other income	(a)	457,831	(71,255)	386,576
Total income		5,929,436	(71,255)	5,858,181
Expenses				
Employee benefits	(b)	479,515	84	479,599
Depreciation and amortisation	(c)	1,687,528	(7,791)	1,679,737
Maintenance dredging		84,463	-	84,463
Other maintenance		408,401	-	408,401
Lease		55,059	-	55,059
Insurance		179,658	-	179,658
Marine services		1,015,320	-	1,015,320
Consultancies and contractors		316,337	-	316,337
Special projects		378,294	-	378,294
Loss on disposal of fixed assets (written down value of assets)	(a)	144,799	(71,255)	73,544
Other expenses		382,885	-	382,885
Total expenses		5,132,259	(78,962)	5,053,297
Net result before income tax expense		797,177	7,707	804,884
Income tax (credit)/expense	(d)	(82,274)	406,398	324,124
Net result for the period		879,451	(398,691)	480,760

* Reported financial result for the year ended 30 June 2005.

Effect of A-IFRS on the balance sheet as at 30 June 2005

	Note	Superseded Policies* $	Effect of Transition to A-IFRS $	A-IFRS $
Current assets				
Cash and cash equivalents		8,038,857	-	8,038,857
Trade and other receivables		767,783	-	767,783
Total current assets		8,806,640	-	8,806,640
Non-current assets				
Infrastructure, property, plant and equipment	(c)	50,548,826	7,791	50,556,617
Deferred tax assets	(e)	129,677	(82,992)	46,685
Total non-current assets		50,678,503	(75,201)	50,603,302
Total assets		59,485,143	(75,201)	59,409,942
Current liabilities				
Trade and other payables		183,136	-	183,136
Provisions – provision for tax	(d)	-	422,678	422,678
Provisions – employee benefits	(b)	26,024	77,563	103,587
Total current liabilities		209,160	500,241	709,401
Non-current liabilities				
Provisions	(b)	79,007	(78,623)	384
Deferred tax liabilities	(d)	410,806	2,074,016	2,484,822
Total non-current liabilities		489,813	1,995,393	2,485,206
Total liabilities		698,973	2,495,634	3,194,607
Net assets		58,786,170	(2,570,835)	56,215,335
Equity				
Contributed equity		57,883,058	-	57,883,058
Retained profits/(losses)	(f)	903,112	(2,570,835)	(1,667,723)
Total equity		58,786,170	(2,570,835)	56,215,335

* Reported financial position for the financial year ended 30 June 2005.

Note 20. Impacts of adoption of Australian equivalents to International Financial Reporting Standards (A-IFRS) continued

Effect of A-IFRS on the cash flow statement for the financial year ended 30 June 2005

There are no material differences between the cash flow statement presented under A-IFRS and the statement of cash flows presented under the superseded policies.

Notes to the reconciliation of income and equity

(a) Proceeds on disposal of fixed assets

Under superseded policies the proceeds from the sale of fixed assets was reported as income with the written down value of the assets reported as an expense. Under A-IFRS the proceeds are netted off against the written down value of assets and the result is reported as either a profit, under other income, or an expense if it is a loss.

(b) Employee benefit provisions

Under superseded policies short term benefits were not discounted to present values. Under A-IFRS short term benefits are discounted to present values and all annual leave and unconditional vested LSL representing seven (7) plus years of continuous service is disclosed as a current liability. LSL representing less than seven years of continuous service is disclosed as a non-current liability.

The table below details the effect in each of the years:

	2004 $	2005 $
Balance sheet		
Current employee benefit provision	(1,144)	77,563
Non-current employee benefit provision	-	(78,623)
Total	(1,144)	(1,060)
Income statement		
Employee benefits	(1,144)	84

(c) Infrastructure, property, plant and equipment

On initial adoption of A-IFRS, the directors have elected to use deemed cost to value channel assets at 1 July 2004, as permitted by the first-time adoption provisions in AASB 1. Consequently, the adoption of A-IFRS will result in the carrying value of channel assets of $49.688 million on 1 July 2004 to be the deemed cost for channel assets. VRCA will continue to hold channel assets at cost and no revaluation will be conducted in future years. This change in accounting for channel assets resulted in a reduction of depreciation expense of $7,791 for the financial year ended 30 June 2005.

(d) Income tax

Under superseded policies customer contributions in respect of capital channel dredging and channel deprecation were treated as permanent differences. Under A-IFRS these items are treated as temporary differences.

The table below details the effect in each of the years:

	2004 $	2005 $
Balance Sheet		
Provision for tax	98,929	422,678
Deferred tax liability	2,074,016	2,074,016
Income Statement		
Income tax expense	98,929	406,423

(e) Deferred tax assets

The difference in deferred tax assets is made up of the tax effect of the change in employee leave provisions (refer (b) above) and the removal of the tax losses reported under superseded policies in 2005. The tax losses are not reported under A-IFRS (refer (d) above).

The table below details the effect in each of the years:

	2004 $	2005 $
Tax effect (30 per cent) on leave balances	(343)	(318)
Tax losses	-	(82,674)
Total	(343)	(82,992)

(f) Retained profits

The effect on retained profits comes from the accounting policy changes between A-IFRS and the superseded policies for revenue and expense items reported in the 2004 and 2005 financial years.

The table below details the effect in each of the years:

	2004 $	2005 $
Employee benefits (refer (b) above)	(1,144)	84
Depreciation (refer (c) above)	-	(7,791)
Income tax (refer (d) above)	98,929	406,423
Income tax (refer (e) above)	343	(25)
Effect on financial year	98,128	398,691
Carry forward effect from last year	-	98,128
Deferred tax liability	2,074,016	2,074,016
Total effect on retained profits	2,172,144	2,570,835

Directors' Declaration

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

(a) the financial statements have been prepared in accordance with Standing Direction 4.2 of the Financial Management Act 1994, applicable Financial Reporting Directions, Australian accounting standards and other mandatory reporting requirements;

(b) the information set out in the Income Statement, Balance Sheet, Statement of Changes in Equity, Cash Flow Statement and notes to and forming part of the financial statements, present fairly the financial transactions during the year ended 30 June 2006 and the financial position as at 30 June 2006 of VRCA;

(c) at the date of this statement, we are not aware of any circumstances, which would render any particulars in the financial statements to be misleading or inaccurate.

For and on behalf of the board

Michael Dowling
Chairperson

Merran Kelsall
Deputy Chairperson

Ian Scott
Chief Executive Officer

Richard Keyte
Chief Financial Officer

Geelong
2 August 2006

Auditor General's Report

AUDITOR GENERAL
VICTORIA

WEB SITE AUDIT REPORT

INDEPENDENT AUDIT REPORT

Victorian Regional Channels Authority

To the Members of the Parliament of Victoria and Members of the Board of the Regional Channels Authority

Matters Relating to the Electronic Presentation of the Audited Financial Report

This audit report for the financial year ended 30 June 2006 relates to the financial report of Victorian Regional Channels Authority included on its web site. The Board of the Victorian Regional Channels Authority is responsible for the integrity of the web site. I have not been engaged to report on the integrity of the web site. The audit report refers only to the statements named below. An opinion is not provided on any other information which may have been hyperlinked to or from these statements. If users of this report are concerned with the inherent risks arising from electronic data communications, they are advised to refer to the hard copy of the audited financial report to confirm the information included in the audited financial report presented on this web site.

Scope

The Financial Report

The accompanying financial report for the year ended 30 June 2006 of the Victorian Regional Channels Authority consists of the income statement, balance sheet, statement of changes in equity, cash flow statement, notes to and forming part of the financial report, and the director's declaration.

Members' Responsibility

The Members of the Board of the Victorian Regional Channels Authority are responsible for:

- the preparation and presentation of the financial report and the information it contains, including accounting policies and accounting estimates
- the maintenance of adequate accounting records and internal controls that are designed to record its transactions and affairs, and prevent and detect fraud and errors.

Audit Approach

As required by the Audit Act 1994, an independent audit has been carried out under the delegated authority provided by the Auditor-General in order to express an opinion on the financial report. The audit has been conducted in accordance with Australian Auditing Standards to provide reasonable assurance as to whether the financial report is free of material misstatement.

Victorian Auditor-General's Office Level 34, 140 William Street, Melbourne Victoria 3000
Telephone (03) 8601 7000 Facsimile (03) 8601 7010 Email comments@audit.vic.gov.au Website www.audit.vic.gov.au

Auditing in the Public Interest

AUDITOR GENERAL
VICTORIA

Independent Audit Report (continued)

The audit procedures included:

- examining information on a test basis to provide evidence supporting the amounts and disclosures in the financial report
- assessing the appropriateness of the accounting policies and disclosures used, and the reasonableness of significant accounting estimates made by the members
- obtaining written confirmation regarding the material representations made in conjunction with the audit
- reviewing the overall presentation of information in the financial report.

These procedures have been undertaken to form an opinion as to whether the financial report is presented in all material respects fairly in accordance with Accounting Standards and other mandatory professional reporting requirements in Australia, and the financial reporting requirements of the *Financial Management Act 1994*, so as to present a view which is consistent with my understanding of the Authority's financial position, and its financial performance and cash flows.

The audit opinion expressed in this report has been formed on the above basis.

Independence

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

Audit Opinion

In my opinion, the financial report presents fairly in accordance with applicable Accounting Standards and other mandatory professional reporting requirements in Australia, and the financial reporting requirements of the *Financial Management Act 1994*, the financial position of the Victorian Regional Channels Authority as at 30 June 2006 and its financial performance and cash flows for the year then ended.

MELBOURNE
2 August 2006

Mark Strickland
Partner
RSM Bird Cameron
Delegate of
JW CAMERON
Auditor-General

Victorian Auditor-General's Office Level 34, 140 William Street, Melbourne Victoria 3000
Telephone (03) 8601 7000 Facsimile (03) 8601 7010 Email comments@audit.vic.gov.au Website www.audit.vic.gov.au

Auditing in the Public Interest

Designed and produced by MDM Design Associates

Victorian Regional Channels
Authority

Level 5
65 Brougham Street
Geelong Victoria 3220

Telephone (03) 5225 3500
Facsimile (03) 5225 3599

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