

1978

VICTORIA

SUPPLEMENTARY REPORT

OF THE

AUDITOR-GENERAL

FOR THE YEAR ENDED

30 JUNE 1978

Ordered by the Legislative Assembly to be printed.

By Authority:

F. D. ATKINSON, GOVERNMENT PRINTER, MELBOURNE

INDEX

	PAGE
Albury-Wodonga (Victoria) Corporation	4
Building Industry Long Service Leave Board	6
Cancer Institute	8
Chicory Marketing Board	52
Citrus Fruit Marketing Board	52
Coal Mine Workers Pensions Tribunal	10
Country Fire Authority	11
Dandenong Valley Authority	14
Emerald Tourist Railway Board	16
Gas and Fuel Corporation of Victoria	18
Geelong Harbor Trust	25
Grain Elevators Board	27
Greyhound Racing Control Board	31
Home Finance Trust	32
Hospitals Superannuation Board	34
Housing Commission	37
Latrobe Valley Water and Sewerage Board	45
Local Authorities Superannuation Board	47
Marketing Boards	52
Melbourne and Metropolitan Board of Works	58
Melbourne and Metropolitan Tramways Board	66
Melbourne Harbor Trust	69
Melbourne Underground Rail Loop Authority	71
Melbourne Wholesale Fruit and Vegetable Market Trust	74
Metropolitan Fire Brigades Board	75
Metropolitan Fire Brigades Superannuation Board	77
Motor Accidents Board	79
National Gallery of Victoria	82
Oats Marketing Board	53
Onion Marketing Board	53
Portland Harbor Trust	83
Public Trustee	85
Rural Finance Commission	88
State Electricity Commission of Victoria	93
State Insurance Office	104
State Superannuation Board of Victoria	111
Teacher Housing Authority	115
Tobacco Leaf Marketing Board	54
Totalizator Agency Board	117
Upper Yarra Valley and Dandenong Ranges Authority	119
Victorian Arts Centre Building Committee	120
Victorian Dairy Industry Authority	122
Victorian Development Corporation	123
Victorian Egg Marketing Board	55
Victorian Public Offices Corporation	125
Zoological Board of Victoria	127

REPORT OF THE AUDITOR-GENERAL OF VICTORIA

SUPPLEMENTAL TO THE REPORT OF 31 OCTOBER 1978, IN RELATION TO THE
TREASURER'S STATEMENT OF THE FINANCES FOR THE YEAR ENDED
30 JUNE 1978.

As authorised by paragraph (b) of sub-section (1) of Section 47 of the *Audit Act* 1958, I present to the Legislative Assembly a Report on the accounts of certain of the statutory bodies which the Auditor-General is required by law to audit. With respect to the accounts of several of the public authorities, the figures furnished herein are subject to audit, but, generally, in such cases, sufficient progress has been made in the audits to establish that the figures published are substantially correct.

The accounts of the Local Authorities Superannuation Board for the year ended 28 February 1978 were not available for inclusion in this Report. The accounts of the Victorian Dairy Industry Authority and the Hospitals Superannuation Board for the year ended 30 June 1978 were also not available for inclusion. The accounts of the Albury-Wodonga (Victoria) Corporation were not available for the years ended 30 June 1977 and 1978.

ALBURY-WODONGA (VICTORIA) CORPORATION

The *Albury-Wodonga Agreement Act 1973*, which came into operation on 10 April 1974, ratified an Agreement called the "Albury-Wodonga Area Development Agreement" entered into on 23 October 1973 between the Commonwealth of Australia and the States of New South Wales and Victoria. The purpose of the Agreement is to promote the growth and development of the Albury-Wodonga area and, to this end, the Agreement makes provision for the establishment of three Corporations—the Albury-Wodonga Development Corporation, the principal working body of the project, and two State Corporations—constituted by Acts of the Parliaments of the Commonwealth and the two States, respectively. The three corporations work as a single entity responsible to the Ministerial Council consisting of the appropriate Commonwealth and State Ministers. The principal functions of the State Corporations are to acquire, hold, manage and provide land in the areas designated for urban and regional development.

The Victorian Corporation, the Albury-Wodonga (Victoria) Corporation, was constituted by the Albury-Wodonga Agreement Act and consists of three members appointed by the Governor in Council. These three members are also the three full-time members of the Development Corporation.

Also, the Agreement provides for the preparation and submission to the Ministerial Council for approval each year of a Development Plan together with a Financial Program which, when approved, is binding on the Development Corporation and each State Corporation. Administrative expenses are shared equally between the parties to the Agreement.

The Act requires the State Corporation to prepare at the end of each financial year a profit and loss account and a balance-sheet and provides for an annual audit by the Auditor-General.

The audit of the accounts for the year ended 30 June 1976 has been completed. The final accounts for the years ended 30 June 1977 and 1978, respectively, were not available at the time of preparation of this Report.

The Corporation's Income and Expenditure Account for the years 1974-75 and 1975-76 are compared hereunder :—

1974-75		INCOME AND EXPENDITURE ACCOUNT						1975-76	
\$		<i>Expenditure</i>						\$	\$
602 221	Interest .. .. .	..	..	..	..	..	..	3 169 018
203 567	Amortisation of Capital Charges ..	..	..	..	..	..	..	344 677
..	Ex Gratia Payments in lieu of Rates	..	..	..	..	..	..	29 437
..	Property Maintenance .. .. .	..	..	..	..	..	..	13 387
143	Miscellaneous .. .. .	..	..	..	..	..	..	4 016
805 931								3 560 535	
		<i>Income</i>							
8 763	Rentals .. .. .	..	..	..	..	..	..	74 674
..	Land Sales .. .. .	..	..	..	..	..	123 650	
..	Less Cost of Land Sold .. .. .	..	..	..	..	..	119 030	
..	Interest Received .. .. .	..	..	..	..	..	..	4 620
8 763								39 623	
797 168	Deficit for Year .. .. .	..	..	..	..	..	..	118 917
								3 441 618	

Assets, Liabilities and Funds—The statement hereunder shows the Assets and Liabilities and Funds of the Corporation as at 30 June 1975 and 1976.

30.6.75		30.6.76
\$	Funds Employed—	\$ \$
	Capital Advance—	
412 500	Commonwealth Government Grants	412 500
24 177 879	Victorian Government Loans	42 704 732
602 221	Capitalised Interest	3 771 239
25 192 600		46 888 471
	Less—	
	Accumulated Deficiency	
..	Balance 1 July 1975	797 168
797 168	Deficiency 1975-76	3 441 618
797 168		4 238 786
24 395 432		42 649 685
	Represented by—	
	Fixed Assets—	
3 263 850	Land and Buildings (at cost)	14 443 642
9 218 710	Land held for Development (at cost)	18 183 424
579 272	Construction in Progress	7 322 207
13 061 832		39 949 273
	Current Assets—	
406 740	Cash at Bank and Deposits on call (net)	124 644
..	Debtors under Contracts of Sale	105 885
8 507	Debtors	7 194
..	Developed Land	12 322
9 958 350	Payments on uncompleted land acquisitions	1 136 550
146 477	Advances to Development Corporation .. .. .	..
10 520 074		1 386 595
	Intangible Assets—	
1 017 837	Establishment and Preliminary Expenses	1 926 953
203 567	Less—Written Off	548 245
814 270		1 378 708
24 396 176		42 714 576
	Less—Current Liabilities—	
744	Creditors, Deposits and Rent paid in advance	64 891
24 395 432		42 649 685

The following Note has been appended to the balance sheet by the Corporation and is to be read in conjunction therewith :—

NOTE—The item Land and Buildings \$14 443 642 under the head of Fixed Assets includes an amount of \$1 962 616 paid in respect of properties outside or partly outside the area designated in pursuance of the *Wodonga Area Land Acquisition Act* 1973. Amounts so paid in 1975-76 include \$242 110 and \$975 510 in respect of properties acquired from N. J. Rowan and D. A. Wallace. Negotiations for the purchase of the two properties commenced prior to detailed definition of the area capable of acquisition by the Corporation, and the Corporation, with the approval of the Minister, proceeded to settlement.

In terms of the *Wodonga Area Land Acquisition Act* 1973, the Corporation's funds were not available for the acquisition of these two properties.

During the year, repayable advances received from the Commonwealth Government through the Victorian Treasury totalled \$18 526 853. Under the relevant Financial Agreement with the Commonwealth, principal repayments are not required for ten years but interest calculated at the long-term bond rate is payable from the date the advance is made and is added to the principal outstanding.

BUILDING INDUSTRY LONG SERVICE LEAVE BOARD

The Building Industry Long Service Leave Board was established under the provisions of the *Building Industry Long Service Leave Act 1975*, to administer the several provisions of the Act including administration of the Building Industry Long Service Leave Fund. The Act was amended to take effect from 1 April 1978, to bring working sub-contractors under the provisions of the Act. Funds for the payment of long service leave entitlements are provided, mainly, by payment by building industry employers of long service leave charges as prescribed in the Act.

The accounts of the Board have been audited for the year ended 30 June 1978, as required by Section 7 of the Act. The following statement summarises the income and expenditure of the Building Industry Long Service Leave Fund for that period, together with figures for the period 1 February 1977 to 30 June 1977.

BUILDING INDUSTRY LONG SERVICE LEAVE FUND

1.2.77- 30.6.77							1977-78
\$	<i>Income</i>						\$
2 163 677	Contributions from Employers	..	..	..	..	..	6 119 704
17 315	Interest on Investments	..	..	..	..	..	300 714
185	Miscellaneous	..	..	..	..	..	1 945
2 181 177							6 422 363
<i>Expenditure</i>							
224 224	Salaries and Related Charges	..	..	..	..	..	647 317
107 560	Long Service Leave Payments	..	..	..	..	..	1 368 481
46 447	Administration and Superannuation Oncost—Treasury Recoup	..	..	..	..	..	181 079
31 019	E.D.P. Equipment Hire and Maintenance	..	..	..	..	..	91 959
25 581	Rental	..	..	..	..	..	70 420
19 754	Postage and Telephone	..	..	..	..	..	28 608
18 360	Printing and Stationery	..	..	..	..	..	21 076
..	Provision for Revenue Adjustment	..	..	..	..	..	144 300
27 442	Other	..	..	..	..	..	51 256
500 387							2 604 496
1 680 790	Operating Surplus	..	..	..	..	..	3 817 867
..	Accumulated Revenue Account Balance 1 July	..	..	..	..	..	1 377 593
157 027	Balance of Interest from Interim Trust Fund	..	..	..	..	..	..
1 837 817							5 195 460
<i>Deduct—</i>							
417 224	Establishment and Development Costs	..	..	..	..	..	16 757
43 000	Provision for Long Service Leave (Initial Liability)	..	..	..	..	..	..
1 377 593	Accumulated Revenue Account Balance 30 June	..	..	..	..	..	5 178 703

The Fund at 30 June 1977 and 1978 comprised :—

30.6.77		\$		\$	30.6.78	\$	\$
43 000	Provision for Long Service Leave—Staff	..	..	..	..	43 000	
1 377 593	Accumulated Revenue Account	..	..	..	..	5 178 703	
<u>1 420 593</u>						<u>5 221 703</u>	
	Represented by—						
	Fixed Assets—						
56 095	Furniture Equipment and Motor Vehicles	..	..	82 850			
1 248	Less Provision for Depreciation	..	..	7 300			
<u>54 847</u>						75 550	
613	Stores and Stationery on Hand	..	..	..	..	703	
<u>55 460</u>							76 253
	Current Assets—						
71 885	Cash at Bank and on Hand	..	..	..	..	10 117	
	Sundry Debtors and Pre-payments—						
314 909	Contributions	..	..	577 365			
..	Less Provision for Revenue Adjustment	..	..	144 300			
							433 065
157 027	Balance of Interest—Interim Trust Fund	..	..	..	..	..
11 942	Interest Accrued	..	..	..	..	100 020	
192	Other	..	..	..	..	694	
<u>555 955</u>							543 896
	Less Current Liabilities—						
24 922	Long Service Leave Benefits	..	..	112 288			
..	Bank Overdraft	..	..	66 563			
110 242	General	..	..	320 921			
<u>135 164</u>							499 772
<u>420 791</u>							44 124
	Investments—						
394 342	Government and Semi-Government Securities	..	..	..	..	3 901 326	
550 000	Short Term Money Market	..	..	..	..	1 200 000	
<u>944 342</u>							5 101 326
<u>1 420 593</u>							<u>5 221 703</u>

An amendment, also operative from 1 April 1978, to the legislation provided that, in respect of certain workers, employers were not liable to make contributions prior to that date, and, in respect of certain other workers, were not liable for contributions either before or after that date.

As the amount of contributions assessed as due from certain employers, who were affected by that amendment, had not been determined at balance date, the Board made a Provision for Revenue Adjustment of \$144 300.

CANCER INSTITUTE

The Cancer Institute is controlled by the Cancer Institute Board constituted in accordance with the provisions of the *Cancer Act 1958*.

Maintenance expenditure of the Institute is met mainly from moneys appropriated under a Health Department Vote and from moneys provided from the Commonwealth Assistance Medibank Trust Account.

Expenditure from the Institute's revenue for the past two years is set out hereunder :—

1976-77		1977-78
\$		\$ \$
	Nursing Services—	
1 571 534	Wards	1 780 494
864 354	Other	1 368 553
		3 149 047
2 435 888		
5 800 718	Medical, Professional and Ancillary Services	6 513 257
3 868 071	Administration and Ancillary Services	4 835 363
858 177	Scientific and Research Departments	757 238
		15 254 905
12 962 854		

The revenue for the past two years was :—

	State Government Grants—	
5 768 498	From Vote—for maintenance	6 544 500
168 428	From Works and Services Account—for items of Capital Equipment under \$50 000	173 343
		6 717 843
5 936 926	Commonwealth Assistance Medibank Trust Account	6 717 843
90 604	Commonwealth Home Nursing Subsidy	100 971
981 447	Patients' Fees	1 396 610
207 474	Miscellaneous	190 055
		15 123 322
13 153 377		

The following balance-sheets set out the financial position as at 30 June 1977 and 1978 :—

30.6.77	ASSETS	30.6.78
\$		\$ \$
	Current and deferred assets—	
1 327 762	Cash at Bank	908 214
150 075	Stores on Hand	196 442
385 608	Sundry Debtors	400 646
25 917	Accrued Income	28 407
4 098	Loans	3 187
		1 536 896
512 794	Reserve Fund Investments	* 478 446
	Fixed Assets (at Cost)—	
18 464 310	Building Improvements	22 189 315
4 206 061	Furniture Plant and Equipment	4 804 716
78 564	Motor Cars	93 785
		27 087 816
(180 292)	Operating Fund	61 045
24 974 897	Total Assets	29 164 203

*Consisting of Short Term Deposits and Deposit Stock of the State Savings Bank \$335 884, Inscribed Stock and Debentures of semi-government Authorities \$136 600, Company Shares and Debentures \$2 530, Commonwealth Government Inscribed Stock \$2 732 and Commonwealth Bonds \$700.

LIABILITIES AND FUNDS

30.6.77						30.6.78	
\$						\$	\$
	Current Liabilities—						
486 559	Sundry Creditors	..	..	..	..	581 148	
240 829	Accrued Expenses	..	..	..	..	330 873	
							912 021
	Reserve Funds—						
202 183	Special Reserve..	..	..	..	..	345 383	
22 509	Research Investigation	..	..	..	..	103 565	
319 117	Peter Crimmins Cancer Research..	..	..	..	..	299 034	
112 314	Other Funds	..	..	..	..	85 767	
							833 749
23 326 027	Capital Funds	..	..	..	..	..	27 418 433
265 359	Maintenance Fund	..	..	..	..	..	..
24 974 897	Total Liabilities and Funds	..	..	..	..	..	29 164 203

COAL MINE WORKERS PENSIONS TRIBUNAL

The Tribunal controls the Coal Mine Workers Pensions Fund the funds of which were exhausted during the 1975-76 year. The *Coal Mines (Pensions) Act 1976*, enacted 7 December 1976, amended the Principal Act retrospectively to provide that, in the event of no coal mines operating, total contributions as estimated by the actuary, required to be paid to the fund, were to be paid by the Treasurer of Victoria.

Expenditures met by the Treasurer for the past two years were :—

	1976-77	1977-78
	\$	\$
Pensions	184 703	173 817
Administration	15 594	14 725
Refund of Contributions	796	1 524
Equipment and Bad Debts written off	678	..
	201 771	190 066

At 30 June 1978, an amount of \$8 021 had not been recouped from the Treasury.

COUNTRY FIRE AUTHORITY

Section 86 of the *Country Fire Authority Act 1958* requires an annual audit of the accounts of the Authority to be carried out by the Auditor-General. A continuous audit of the Authority's receipts and payments is carried out by a firm of chartered accountants. This audit and that conducted by my officers are, by arrangement, complementary in character.

The accounts of the Authority for 1976-77, which were not available for inclusion in last year's Supplementary Report, are summarised below, together with the accounts for 1977-78.

Finance to enable the Authority to carry out its functions is provided, under the provisions of Section 76 of the Act, by contributions as to one-third, by the State from the Municipalities Assistance Fund and, as to two-thirds, rateably by Fire Insurance Companies in proportion to relevant risks underwritten.

To enable such contributions to be determined, the Authority is required to prepare annually an estimate of expenditure, which estimate is subject to the approval of the Governor in Council. For the year ended 30 June 1977, contributions provided \$13 977 485 towards the amount required to meet estimated expenditure for the year, viz., \$13 599 538, plus the deficit of \$398 648 brought forward from 1975-76. For the year ended 30 June 1978, contributions provided \$16 943 047 towards the amount required to meet estimated expenditure for the year, viz., \$16 539 266, plus the deficit of \$403 421 brought forward from 1976-77.

Section 80A of the Act provides for contributions to be made by brokers and, in certain circumstances, property owners, based on premiums paid in respect of fire insurance effected with an insurance company other than an insurance company licensed under Section 96 of the *Stamps Act 1958*. Contributions from this source in 1976-77 and 1977-78 totalled \$160 237 and \$160 376 respectively.

Statements of Receipts and Payments for the years 1976-77 and 1977-78 are shown hereunder.

	1976-77	1977-78
<i>Receipts</i>	\$	\$
Statutory contributions—Government of Victoria	4 666 062	5 647 562
Insurance Companies	9 311 423	11 295 485
Brokers and Property Owners	160 237	160 376
Other receipts	294 714	648 211
Cash deficit	403 421	..
	14 835 857	17 751 634
<i>Payments</i>		
Deficit from previous year	398 648	403 421
Salaries, wages and maintenance	9 478 328	10 930 579
Loan repayments including sinking fund	544 448	627 973
Loan interest	685 547	813 122
Land, buildings, rolling-stock and equipment	804 763	1 082 543
Brigade expenses	269 223	342 455
Motor Replacement Fund Contribution	528 753	576 185
Compensation Fund Contribution	113 000	220 000
Superannuation Contribution	791 959	824 932
Legal fees—Bush Fire Inquiry	60 549	75 056
Printing and Stationery	81 324	130 663
Publicity	81 085	203 527
Pay-roll Tax	344 245	368 043
Rentals and Rates	115 662	156 982
Transport and Travelling	324 608	387 960
Other Payments	213 715	357 048
Cash Surplus .. .. .	..	251 145
	14 835 857	17 751 634

Receipts and payments of loan moneys etc. over the years 1976-77 and 1977-78 are shown hereunder :—

						1976-77	1977-78
						\$	\$
Balance 1 July .. .. .	..	..	..	..	..	692 537	1 157 012
<i>Receipts—</i>							
Loan Proceeds .. .. .	..	..	..	..	..	2 200 000	2 300 000
Interest etc. .. .. .	..	..	..	..	..	93 820	122 573
						<u>2 986 357</u>	<u>3 579 585</u>
<i>Payments—</i>							
Buildings .. .. .	..	..	..	..	..	1 259 538	1 179 260
Vehicles .. .. .	..	..	..	..	..	548 927	1 941 453
Radio Equipment .. .. .	..	..	..	..	..	20 880	168 343
						<u>1 829 345</u>	<u>3 289 056</u>
Balance unexpended 30 June .. .. .	..	..	..	..	..	<u>1 157 012</u>	<u>290 529</u>

The analysis hereunder of the Authority's Balance Sheets shows the financial position at 30 June 1977 and 1978.

		30.6.1977		30.6.1978
	\$	\$	\$	\$
<i>Source of Funds—</i>				
<i>External—</i>				
Loan Liability .. .. .	..	9 086 296	..	10 831 137
Less unexpended .. .. .	..	1 157 012	..	290 529
		<u>7 929 284</u>		<u>10 540 608</u>
<i>Internal—</i>				
Excess of assets over liabilities transferred from Country Fire Brigades Board .. .. .	..	276 271	..	276 271
Income and Expenditure Account—accumulated balance .. .. .	..	6 281 647	..	8 505 222
Reserves .. .. .	..	5 264 018	..	6 228 460
Funds	8 060 881		9 301 264	
Less invested on account of Compensation, Superannuation and other Trust purposes	5 446 387		6 648 411	
	<u>2 614 494</u>		<u>2 652 853</u>	
		14 436 430		17 662 806
<i>Current Liabilities—</i>				
Sundry Creditors	604 376		889 967	
Bank Overdraft	404 541		..	
	<u>1 008 917</u>		<u>889 967</u>	
<i>Less Current Assets—</i>				
Cash at Bank and on Hand	1 120		251 145	
Sundry Debtors and Prepayments	534 109		736 217	
Stock and Work in Progress	298 530		376 550	
	<u>833 759</u>		<u>1 363 912</u>	
	175 158		(473 945)	
<i>Deferred Liabilities—</i>				
Computer and Associated Services .. .. .	..		414 074	
		175 158		(59 871)
		<u>22 540 872</u>		<u>28 143 543</u>

Represented by—

*Funds—Investments, etc.—

Motor Replacement	1 414 264	1 046 029
Sale of Property	271 318	530 836
Sinking Fund—Loans	861 682	1 014 739
Private Fire Appliances	67 045	60 953
Other	185	296
	<hr/>	<hr/>
	2 614 494	2 652 853

Fixed Assets—

Land and Buildings	10 071 341	11 787 776
Rolling-stock	9 393 719	12 346 646
Plant and Machinery	2 815 006	3 326 668
Computer Installation and Development .. ..	..	801 609
Other	342 016	381 064
	<hr/>	<hr/>
	22 622 082	28 643 763
Less Provision for Depreciation ..	2 695 704	3 153 073
	<hr/>	<hr/>
	19 926 378	25 490 690
	<hr/>	<hr/>
	22 540 872	28 143 543

* Includes cash balances. At 30 June 1977 and 1978 cash balances in respect of all funds amounted to \$791 720 and \$1 112 009 respectively.

During 1977, the Authority entered into Contracts for the purchase of a computer, the provision of consultative services and data collection.

Included in the assets of the Authority at 30 June 1978 are :

	\$
Computer	333 637
Systems Development	360 000
Data Collection	107 972
	<hr/>
	801 609

representing the costs of the hardware, consultative services for software development, and data collection of the new computer systems.

An audit review during 1977–78 of the computer installation disclosed a number of areas where internal control was not, in my opinion, satisfactorily exercised by the Authority. These included the following :

- (1) failure to undertake a complete feasibility study in order to justify the development of the various systems ;
- (2) establishment of only tentative and extremely informal criteria for the selection of the hardware and the engagement of consultants ; and
- (3) the commitment of approximately \$800 000 on computer equipment and services without the formal calling of public tenders.

DANDENONG VALLEY AUTHORITY

Functions of the Authority include the drainage of the waters of the Dandenong Creek and its tributaries, including portion of the Mordialloc Creek, the improvement of lands within its catchment area and the prevention of flooding and pollution.

The Authority's balancing date is 30 September in each year and the accounts have been audited to 30 September 1977.

Following is an abridged statement of the General Revenue Account for the years ended 30 September 1976 and 1977 :—

1975-76		1976-77	
\$		\$	\$
	Income—		
1 733 908	Rating Precepts—Municipalities	1 962 629	
306 556	Other	626 646	
<u>2 040 464</u>			<u>2 589 275</u>
	Expenditure—		
460 211	Administration	498 133	
617 931	Maintenance of Works	866 333	
210 606	Survey, Investigation and Design	283 515	
129 536	Depreciation	162 680	
434 818	Debt Services	575 885	
<u>1 853 102</u>			<u>2 386 546</u>
187 362	Excess of Income over Expenditure .. .. .	..	202 729
114 624	Transfer from Plant Replacement Reserve .. .. .	..	108 375
..	Funds utilised from Plant Depreciation Bank Account .. .. .	..	297 000
<u>301 986</u>			<u>608 104</u>
21 395	Less Appropriation to Loans Repayment Sinking Fund .. .. .	..	23 395
<u>280 591</u>	Net Surplus for year .. .. .	..	<u>584 709</u>

The Authority's balances at 30 September 1976 and 1977 are summarised hereunder :—

30.9.76		30.9.77	
\$		\$	\$
	Current Assets—		
2 592 080	Cash at Bank	3 006 553	
342 993	Debtors and Prepayments	537 394	
45 236	Other	59 354	
<u>2 980 309</u>			<u>3 603 301</u>
	Fixed Assets—		
818 321	Land and Buildings (at cost)	878 105	
474 600	Plant, Vehicles and Equipment (at cost less depreciation)	1 003 551	
19 313	Office Furniture and Machines (at cost less depreciation)	36 553	
<u>1 312 234</u>			<u>1 918 209</u>
	Capitalized Works Expenditure—		
4 066 940	River Improvement Works	4 685 591	
12 531 574	Piped or Lined Drainage Channels	14 909 620	
1 773 614	Carrum Drainage District	1 773 614	
1 980 667	Flood Retarding Basins	2 602 509	
2 190 324	Land Acquisition and Compensation	2 285 626	
356 930	Other	450 880	
<u>22 900 049</u>		<u>26 707 840</u>	
647 991	Less Provision for Depreciation	805 933	
<u>22 252 058</u>			<u>25 901 907</u>
796 898	Investments .. .. .	..	749 724
<u>27 341 499</u>			<u>32 173 141</u>

30.9.76						30.9.77		
\$						\$	\$	
	Current Liabilities—							
368 999	Bank Overdraft	..	..	..	..	567 151	
115 309	Sundry Creditors	..	..	..	..	146 346	
28 809	Contractors' Deposits	..	..	..	..	18 000	
<u>513 117</u>						<u>731 497</u>		
	Loans—							
614 755	Government of Victoria	..	..	..	..	612 620	
6 184 550	Other	..	..	..	..	6 878 230	
<u>6 799 305</u>						<u>7 490 850</u>		
<u>7 312 422</u>						<u>8 222 347</u>		
	Excess of Assets over Liabilities—							
396 669	Grants by Government of Victoria	..	..	..	..	526 493	
3 372 806	Capital Expenditure Borne by the State	..	..	..	..	3 704 388	
12 825 801	Contributions by Property Owners	..	..	..	..	15 536 716	
432 624	Other Grants and Contributions	..	..	..	..	588 307	
27 655	Plant Replacement Reserve	..	..	..	..	..
161 910	Loans Repayment Sinking Fund	..	..	..	..	198 569	
2 811 612	General Revenue Account Balance	..	..	..	..	3 396 321	
<u>20 029 077</u>						<u>23 950 794</u>		
<u>27 341 499</u>						<u>32 173 141</u>		

EMERALD TOURIST RAILWAY BOARD

The *Emerald Tourist Railway Act 1977* provided for the establishment of the Emerald Tourist Railway Board to preserve and operate as a tourist attraction in the Dandenong Ranges, for public recreational purposes, the historical narrow-gauge steam railway—"Puffing Billy".

At the request of the Puffing Billy Preservation Society and the Victorian Railways Board and on the recommendation of the Minister for State Development, the Governor in Council by Order provided for the constitution and establishment of the Emerald Tourist Railway Board as from 1 October 1977. The Emerald Tourist Railway Board was authorised to acquire the undertaking, land, rolling stock and other assets of the Victorian Railways Board which constituted the narrow-gauge steam railway commencing at Belgrave and to discharge any outstanding liabilities in respect thereof. The Victorian Railways Board has certified to the Governor in Council that there were no outstanding liabilities.

Borrowing Powers

Within the terms of the Order in Council establishing the Board, it was determined that :—

- (i) The Minister may make any grant or loan to the Board, from moneys made available by Parliament, so that such grant or loan shall not at any time exceed in the aggregate \$1 000 000.

All loans made by the Minister to the Board and all advances thereunder, together with interest, shall be a charge on the property and revenues of the Board, and

- (ii) The Board may borrow moneys by way of overdraft and loans providing such moneys do not exceed at any one time amounts totalling \$100 000 and \$250 000 respectively.

Before the Board adopts any project or scheme or program of works involving the expenditure of moneys proposed to be borrowed, it shall obtain the approval of the Minister. It shall also submit a statement of the purpose of the expenditure, including particulars of any proposed works and services, and a detailed statement of the manner in which it proposes to repay the moneys to be borrowed.

Working Capital

To provide the Board with liquid funds, an amount of \$50 000 was made available in respect of 1977-78 under the Appropriation Act as a payment of surpluses accumulated in Victorian Railways accounts in respect of "Puffing Billy" operation prior to establishment of the Board.

On 1 October 1977, the Board took over from the Puffing Billy Preservation Society such assets as kiosk stock and equipment, motor vehicle and cash on hand. At 30 June 1978, payment for these items had not been made by the Board so that at that date an amount of \$30 775, including accrued interest, was due to the Society. This amount has been shown in the Board's accounts as a deferred liability.

Treasury Grant

A grant of \$200 000 was credited to the Treasury Trust Fund during 1977-78 with the approval of the Honorable the Treasurer of Victoria. This amount represents part proceeds from the 2nd Tattersalls \$1 million Gold Lottery and this sum is available to the Board to meet expenditure on approved capital works.

To 30 June 1978, claims amounting to \$12 299 had been submitted to the Treasury by the Board and recouped from the grant held in the Trust Fund.

Operations

For years prior to the establishment of the Board, members and friends of the Puffing Billy Preservation Society worked without pay as helpers in the kiosk and as ticket sellers and collectors. Since the Board was established, this honorary work has continued to be given and only some train crews, maintenance and full-time office staff are paid employees of the Board.

The Board's Trading and Profit and Loss Account for the period 1 October 1977 to 30 June 1978 is summarised hereunder :—

							Revenue	\$	\$
Gross Fare Revenue	..	..	..	..	..	..	..	261 878
Kiosk Revenue	..	..	..	..	..	..	65 591	
Less : Cost of Sales, Kiosk operating expenses and depreciation	..	..	..	..	..	..	43 487	
Net Profit—Kiosk	..	..	..	..	..	..		22 104
Museum Admissions	..	..	..	..	..	..	..	2 273
Interest Received	..	..	..	..	..	..	..	3 790
Other Income	..	..	..	..	..	..	..	451
								290 496	
<i>Expenditure—Operating and Administrative</i>									
Salaries, Wages and Casual Labour	..	..	..	..	..	..	130 550	
Repairs, Maintenance and Consumables	..	..	..	..	..	..	38 120	
Coal and Light Up Wood	..	..	..	..	..	..	24 349	
Payroll Tax	..	..	..	..	..	..	5 205	
Insurances	..	..	..	..	..	..	12 446	
Printing and Stationery	..	..	..	..	..	..	11 095	
Telephone and Postage	..	..	..	..	..	..	3 748	
Advertising	..	..	..	..	..	..	11 316	
Superannuation	..	..	..	..	..	..	1 682	
Interest	..	..	..	..	..	..	2 047	
Electricity	..	..	..	..	..	..	3 041	
Audit Fees	..	..	..	..	..	..	2 000	
Depreciation	..	..	..	..	..	..	615	
Other Operating Expenses	..	..	..	..	..	..	4 194	
								250 408	
Net Profit Transferred to Accumulated Funds	..	..	..	..	..	..	..	40 088

The Board's Balance Sheet as at 30 June 1978 is summarised hereunder :—

							\$	\$
<i>Accumulated Funds—</i>								
State Treasury Advance for Working Capital	..	..	..	..	..	..	..	50 000
Retained Profits	..	..	..	..	..	..	..	40 088
Asset Revaluation Reserve	..	..	..	..	..	..	..	166 000
Government Grants	..	..	..	..	..	..	..	12 299
								268 387
<i>Represented By :</i>								
<i>Current Assets—</i>								
Cash on Hand and at Bank	..	..	..	..	..	..	..	2 262
Kiosk Stocks (At the lower of cost or net realisable value)	..	..	..	..	..	..	..	28 649
Short Term Deposits	..	..	..	..	..	..	..	80 000
Prepayments	..	..	..	..	..	..	..	6 868
Other Amounts Receivable	..	..	..	..	..	..	..	1 290
								119 069
<i>Less : Current Liabilities—</i>								
Trade Creditors and Accrued Charges	..	..	..	..	..	..	..	49 268
Provision for Holiday Pay	..	..	..	..	..	..	..	6 758
Provision for Superannuation Benefits	..	..	..	..	..	..	..	1 007
								57 033
Working Capital	..	..	..	..	..	..	..	62 036
<i>Fixed Assets—</i>								
Buildings, Locomotives and Rolling Stock (At Board Valuation)	..	..	..	..	..	..	..	166 000
Less Provision for Depreciation	..	..	..	..	..	..	..	100
								165 900
							\$	
Buildings, Plant, Equipment and Motor Vehicle (At Cost)	..	..	..	..	..	..	31 229	
Less : Provision for Depreciation	..	..	..	..	..	..	698	
								30 531
Capital Works in Progress to be recouped from Government Grant	..	..	..	..	..	..	..	40 695
								237 126
								299 162
<i>Less : Deferred Liability—</i>								
Puffing Billy Preservation Society Loan Account	..	..	..	..	..	..	..	30 775
								268 387

GAS AND FUEL CORPORATION OF VICTORIA

By statutory direction, the accounts of the Gas and Fuel Corporation of Victoria have been audited jointly by the Auditor-General and auditors appointed by the Corporation.

The following statement shows the income and expenditure of the Corporation for the year ended 30 June 1978, and the consolidated figures of the Corporation and its subsidiaries, Waldorf Appliances Pty. Ltd., and the Albury Gas Company Ltd., for the years ended 30 June 1977 and 30 June 1978.

Consolidated 1977		Gas and Fuel Corporation 1978	Consolidated 1978
\$		\$	\$
	Income—		
	Sales—		
137 094 943	Gas	160 681 383	161 002 585
53 939 302	Appliances, L.P. Gas, Residual and Other Products	46 089 860	49 769 921
191 034 245		206 771 243	210 772 506
	Less Cost of Sales—		
33 983 936	Gas	38 076 905	38 363 681
43 004 100	Appliances, L.P. Gas and Other Products	37 056 577	39 654 893
76 988 036		75 133 482	78 018 574
114 046 209		131 637 761	132 753 932
	Expenditure—		
33 263 368	Distribution	39 799 545	39 967 549
20 311 842	Marketing	21 918 644	22 473 179
41 790 160	Administration	41 996 995	42 962 109
12 163 882	Amortisation of Natural Gas Change-over Costs	16 200 000	16 200 000
..	Amortisation of Goodwill	2 000 000	2 000 000
4 640 000	Contribution to Consolidated Fund ..	5 860 000	5 860 000
112 169 252		127 775 184	129 462 837
1 876 957	Profit on Trading	3 862 577	3 291 095
..	Dividends Receivable	24 000	..
1 876 957	Net Profit for Year before Income Tax, Transfers to Reserves and Fixed Dividends	3 886 577	3 291 095
37 766	Provision for Income Tax .. .. .	..	27 257
..	Income Tax under-provided 1977 .. .. .	..	1 828
50 000	Transfer to Contingency Reserve	50 000	50 000
1 000 000	Transfer to Reserve for Gas Research	1 500 000	1 500 000
34 686	Transfer to Trading Stock Valuation Reserve ..	..	4 622
1 122 452		1 550 000	1 583 707
754 505	Balance carried forward to Profit and Loss Appropriation Account	2 336 577	1 707 388

The quantity of gas sold for the year was 102 062 882 gigajoules returning \$1.58 per gigajoule compared with, in 1976-77, 95 471 380 gigajoules for a unit return of \$1.44. Sales of gas appliances however fell by 17.4 per cent. The Corporation attributed this fall mainly to general economic conditions and the lack of direct advertising and promotion. The latter was the result of a policy decision of the Corporation to avoid competition with the State Electricity Commission and the advertising of gas appliances was left to the individual manufacturers.

The *Public Authorities (Contributions) Act 1966* requires the Corporation to pay to the Consolidated Fund in each financial year a contribution of an amount equal to 4 per cent. of the total revenue of the Corporation in the preceding financial year. In terms of the legislation, an amount of \$146 500 000 was agreed to by the Treasurer and the Corporation as the total revenue for the year 1976-77 and 4 per cent. thereof, \$5 860 000, was paid to the Consolidated Fund in June 1978.

Movements in the Consolidated Profit and Loss Appropriation Account for the year were :—

	\$	\$
Balance brought forward 1 July 1977	589 792	
Net Profit for year from Profit and Loss Account	1 707 388	
	<hr/>	
Available for Appropriation .. .. .	..	2 297 180
Preference Shares Dividend at 4 per cent. per annum for year ended 30 June 1978	315 278	
“B” Preference Shares Dividend at 6 per cent. per annum for year ended 30 June 1978	361 260	
	<hr/>	676 538
Balance carried forward 30 June 1978 .. .. .	..	<hr/>1 620 642

The Net Profit for the year carried forward to the Consolidated Profit and Loss Appropriation Account consisted of the following :—

	\$	
Gas and Fuel Corporation	2 336 577	(profit)
Waldorf Appliances Pty. Ltd.	14 297	(profit)
	<hr/>	
	2 350 874	
<i>Less</i>		
The Albury Gas Company	643 486	(loss)
	<hr/>	
	1 707 388	(profit)

Charges against revenue for the year included:—

	1977 \$	1978 \$
(a) Interest on debenture and other fixed loans from outside group	19 115 610	24 110 207
Other interest outside group	280 827	359 712
	<hr/>	<hr/>
	19 396 437	24 469 919
<i>Less</i> interest received from investments	1 269 841	3 225 050
	<hr/>	<hr/>
	18 126 596	21 244 869
(b) Provision in respect of Depreciation—		
Buildings, Plant and Equipment	10 638 148	16 476 052
Stores	2 000 000	..
	<hr/>	<hr/>
	12 638 148	16 476 052
(c) <i>Other</i> —		
Amortisation—		
Natural Gas Change-over Costs	8 000 047	16 200 000
Pipeline Establishment Expenses	4 163 835	..
Doubtful Debts—Trade	519 025	780 378
Doubtful Debts—Hire Purchase	89 656	111 690
Accrued Annual Leave	3 200 000	672 086
Long Service Leave	1 124 654	1 054 887
Retiring Allowances	109 000	85 000
Deferred Repairs	599 196	904 610
	<hr/>	<hr/>
	17 805 413	19 808 651

Amortisation of Natural Gas Changeover Costs

The costs of conversion to natural gas which commenced in 1969 amounted to \$67 174 232 at 30 June 1978.

These costs are being written off against revenue by annual charges over a period of years and the amount written off in 1977-78 was \$16 200 000, making the total written off to date \$44 221 709.

Depreciation

Depreciation is calculated on a straight line basis at rates based on the estimated working life of fixed assets. During 1977-78, it was decided to reduce the estimates of the working life of gas mains and services with a consequent increase of \$5 976 790 in depreciation.

The balance sheet discloses that the provision had increased by \$15 299 347 during the year and amounted to \$86 283 584 at 30 June 1978.

Provision for Doubtful Debts

	Trade \$	Hire Purchase \$
Balance 1 July 1977	686 793	90 513
Provisions for year as per statement on page 19	780 378	111 690
	<hr/>	<hr/>
	1 467 171	202 203
Less Bad debts written off during the year	691 000	98 000
	<hr/>	<hr/>
	776 171	104 203

Amortisation of Goodwill

Included in the balance sheet of the Corporation at 30 June 1977 was the intangible asset "Goodwill" amounting to \$5 798 524. This asset resulted from the dissolution of the former subsidiaries, the Geelong Gas Company and Colonial Gas Holdings Limited, and the subsequent transfer of their assets and liabilities to the Corporation, and was made up as follows:—

	\$
Geelong Gas Company	1 875 949
Colonial Gas Holdings Limited	3 922 575
	<hr/>
	5 798 524

During 1977-78, a policy has been adopted to write off this intangible asset over a period of three years. The amount written off in 1977-78 was \$2 000 000, leaving a balance of \$3 798 524 remaining at 30 June 1978.

The following is a consolidated statement of the balances of the Corporation and its subsidiaries Waldorf Appliances Pty. Ltd., and the Albury Gas Company Ltd., at 30 June 1977 and at 30 June 1978. A statement of balances of the Corporation at 30 June 1978 is also given.

Consolidated 30.6.77		Gas and Fuel Corporation 30.6.78	Consolidated 30.6.78
\$		\$	\$
	Shareholders' Funds—		
	Subscribed Capital—		
7 881 952	3 940 976 4 per cent. Cumulative Preference Shares of \$2 each	7 881 952	7 881 952
6 021 006	3 010 503 6 per cent. " B " Cumulative Preference Shares of \$2 each	6 021 006	6 021 006
8 000 000	4 000 000 Ordinary Shares of \$2 each subscribed by the State of Victoria	8 000 000	8 000 000
21 902 958	Subscribed Capital (Fully Paid)		21 902 958
	Reserves—		
1 000 000	Reserve for Gas Exploration	2 500 000	2 500 000
300 000	Provision for Special Leakage Survey	117 000	117 000
1 000 000	Provision for Conversion of Metered L.P. Gas	818 827	818 827
1 000 000	Provision for Demolition of Holders	909 874	909 874
2 609 563	General Reserve	2 682 998	2 722 306
30 376 062	Asset Realization Reserves	30 515 588	30 515 588
807 336	Contingencies Reserve	857 336	857 336
..	Provision for Repairs to Cylinders	335 000	335 000
			38 736 623
			38 775 931
589 792	Profit and Loss Appropriation Account	3 020 905	1 620 642
59 585 711			62 299 531
	Deferred Liabilities—		
10 102 516	Advances from State of Victoria	10 103 445	10 103 445
1 834 432	Less securities purchased and cancelled by the National Debt Commission	1 967 645	1 967 645
8 268 084			8 135 800
	Debentures and Debenture Stock (Secured)—		
15 705 993	Redeemable within twelve months	17 260 783	17 260 783
264 100 204	Redeemable after twelve months	293 853 452	293 853 452
279 806 197			311 114 235
347 659 992			382 910 521
	\$ Contingent Liabilities—	\$	
9 184 000	Commitments under Contracts for 12 734 000 Capital Expenditure and Bank Guarantees		

Consolidated 30.6.77		Gas and Fuel Corporation 30.6.78	Consolidated 30.6.78
\$		\$	\$
	Fixed Assets—		
361 383 859	Freeholds, Leaseholds, Machinery, Plant, Equipment and Capital Work in Progress (at cost or valuation)	410 101 113	414 216 014
70 994 237	Less Provision for Depreciation	86 037 796	86 283 584
<u>290 389 622</u>			<u>327 932 430</u>
	Current Assets—		
670 595	Cash in Hand and at Banks	501 093	503 383
1 000 000	Short-term Deposits	21 298 637	21 298 637
36 051 253	Trade and Other Debtors and Pre-payments (less provision for Bad and Doubtful Debts and Consumers' Deposits)	36 293 939	37 196 895
13 353 185	Stocks at Cost or Valuation	11 364 483	12 592 895
..	Amount Owing by Subsidiaries	6 550 663	..
<u>51 075 033</u>			<u>71 591 810</u>
	Less Current Liabilities—		
23 151 516	Trade and Other Creditors	26 076 406	26 550 859
1 259 757	Bank Overdraft	2 584 535	2 603 378
	Provisions—		
3 202 771	Accrued Annual Leave	3 800 000	3 811 480
10 258 375	Long Service Leave	10 141 042	10 249 020
857 787	Retiring Allowances	745 317	745 317
934 691	Deferred Repairs	1 329 233	1 329 233
338 269	Preference Dividend	338 269	338 269
32 968	Income Tax .. .. .	..	26 735
<u>40 036 134</u>			<u>45 014 802</u>
<u>11 038 899</u>	Net Current Assets		<u>25 937 519</u>
	Investments—		
..	In Subsidiary Companies	1 090 189	..
33 000	In Other Companies	33 000	33 000
<u>33 000</u>			<u>33 000</u>
	Intangibles—		
5 817 452	Goodwill on Consolidation	3 798 524	3 817 452
798 392	Unamortised Debenture Issue Expenses	876 642	876 642
39 582 627	Natural Gas Change-over Costs	22 054 836	22 952 523
<u>46 198 471</u>			<u>27 646 617</u>
<u>347 659 992</u>			<u>381 549 566</u>

<i>Capital</i>	1977	1978
Authorised Capital—	\$	\$
7 500 000 4 per cent. Cumulative Preference Shares of \$2 each ..	15 000 000	15 000 000
6 625 000 6 per cent. "B" Cumulative Preference Shares of \$2 each..	13 250 000	13 250 000
7 500 000 Ordinary Shares of \$2 each	15 000 000	15 000 000
	<u>43 250 000</u>	<u>43 250 000</u>
Issued Capital—		
4 per cent. Cumulative Preference Shares of \$2 each	7 881 952	7 881 952
6 per cent. "B" Cumulative Preference Shares	6 021 006	6 021 006
Ordinary Shares of \$2 each	8 000 000	8 000 000
	<u>21 902 958</u>	<u>21 902 958</u>

All ordinary shares issued are held by the State of Victoria. The Articles of Association of the Corporation prohibit the transfer of the 4 per cent. Cumulative Preference Shares to any transferees other than the State of Victoria, except in special circumstances.

Debentures

Additional loan money was raised during the year by the issue of debentures amounting to \$32 665 000. Also, debentures amounting to \$14 356 900 were issued to redeem maturing loans.

Fixed Assets

The following statement shows details of fixed assets at the close of the past two financial years :—

	1977	1978
	\$	\$
Freehold Land at cost and valuation	26 852 232	27 344 572
Leasehold Land	8 400	8 400
Buildings at cost and valuation	9 502 245	14 331 508
Machinery Plant and Equipment at cost and valuation	278 589 165	356 026 116
Capital works in progress	46 431 817	16 505 418
	<u>361 383 859</u>	<u>414 216 014</u>
<i>Less Provision for Depreciation</i>	70 994 237	86 283 584
	<u>290 389 622</u>	<u>327 932 430</u>

Particulars of Corporation shares acquired by the State and advances for works made by the State are furnished hereunder. The net cost to the Consolidated Fund on account of the State's financial interest in the Corporation is also shown.

—	To 30 June 1977	1977-78	To 30 June 1978
	\$	\$	\$
Acquisition of Shares—			
Subscription for 4 000 000 Ordinary Shares of \$2 ..	8 000 000	..	8 000 000
Purchase of Preference Shares	7 628 894	20 000	7 648 894
	15 628 894	20 000	15 648 894
Advances—			
Advance for Capital Works	12 000 000	..	12 000 000
Loan Flotation Expenses	103 445	1 550	104 995
	12 103 445	1 550	12 104 995
Preference Share Dividend Guarantee—			
Advanced to the Corporation	354 694	..	354 694
Less Repayments	354 694	..	354 694

Total Investments and Advances by the State	27 732 339	21 550	27 753 889
Cost to the State on account of the above—			
Debt Charges.. .. .	25 909 659	1 348 294	27 257 953
<i>Less</i> Recoups, etc., from Corporation—			
Debt Charges	11 647 707	756 733	12 404 440
Dividends on Preference Shares	6 667 734	305 399	6 973 133
	18 315 441	1 062 132	19 377 573
Net Cost to the State	7 594 218	286 162	7 880 380

The above statement does not take into account the sum of \$5 860 000, already referred to, which was paid into the Consolidated Fund in 1977-78 in accordance with the provisions of the *Public Authorities (Contributions) Act 1966* or the total amount that has been transferred to the Consolidated Fund in accordance with these provisions to 30 June 1978 namely, \$28 175 000.

No dividend has been paid on the ordinary shares. Any such dividend can be declared only from profits remaining after preference shareholders have been paid dividends in full.

The transfer of 4 per cent. preference shares by sale is restricted to sale at par to the State. At 30 June 1978, the State was the registered owner of 3 821 858 shares. The transfer of a further 801 shares was in course and \$3 576 was held by the Corporation for future purchases.

GEELONG HARBOR TRUST

The operations of the Trust for the year ended 31 December 1977 resulted in a surplus of \$231 206, compared with a deficit of \$455 261 for the previous year. An increase in the number of ships entering the Port, together with a rise in imports, were major factors contributing to the improved financial result.

Comparative figures for the past two years in the Trust's Revenue Account are shown in the statement hereunder :—

					1976	1977
<i>Revenue</i>					\$	\$
Operating Revenue—						
Harbor Revenue .. .. .	..	..	..	..	2 195 366	2 617 888
Shipping Services .. .. .	..	..	..	..	1 852 384	2 198 192
Other .. .. .	..	..	..	..	375 448	311 210
Non-operating Revenue—						
Interest .. .. .	..	..	..	..	24 844	177 873
Sale of Scrap Materials .. .. .	..	..	..	..	6 259	561
Total Revenue .. .. .	..	..	..	..	4 454 301	5 305 724
<i>Expenditure</i>						
Operating Expenses—						
Administration, etc. .. .. .	..	..	..	..	1 151 809	1 236 884
Shipping Services .. .. .	..	..	..	..	1 524 102	1 664 866
Maintenance .. .. .	..	..	..	..	740 426	766 338
Depreciation and Amortisation .. .. .	..	..	..	..	906 427	844 050
Non-operating Expenses—						
Superannuation .. .. .	..	..	..	..	359 866	336 128
Interest .. .. .	..	..	..	..	150 668	142 248
Miscellaneous .. .. .	..	..	..	..	76 264	84 004
Total Expenditure .. .. .	..	..	..	..	4 909 562	5 074 518
Deficit .. .. .	..	..	..	..	455 261	..
Surplus .. .. .	..	..	..	..	..	231 206

<i>Net Revenue Statement</i>						
					1976	1977
					\$	\$
Balance 1 January .. .. .	..	..	..	..	11 003 137	10 329 013
Less Deficit for year .. .. .	..	..	..	..	455 261	..
Add Surplus for year .. .. .	..	..	..	..	..	231 206
					10 547 876	10 560 219
Less Provision for Long Service Leave .. .. .	..	..	..	..	193 267	16 172
Allocation to Sinking Fund .. .. .	..	..	..	..	25 596	22 385
					218 863	38 557
Balance 31 December .. .. .	..	..	..	..	10 329 013	10 521 662

As mentioned in my previous Report, the increase in the amount provided for long service leave in 1976 was brought about mainly by the change in long service leave entitlement, from fifteen to ten years service.

The following statement summarises the Trust's financial position at 31 December 1976 and 1977 :—

31.12.76		31.12.77
\$		\$
	Source of Funds—	
	External—	
2 559 620	Loan Liability	2 238 500
	Internal—	
5 559 903	Endowments	5 634 903
10 329 013	Net Revenue Account—Accumulated Surplus ..	10 521 662
4 748 635	General Reserve	6 306 660
7 010 912	Specific Reserves and Funds	7 501 379
6 482 767	Less Investments	6 942 865 *
528 145		558 514
21 165 696		23 021 739
23 725 316		25 260 239
	Represented by—	
	Current Assets—	
19 319	Cash	2 100
450 000	Investments	999 886 †
363 824	Sundry Debtors and Prepayments	776 698
67 201	Stores (at cost)	73 825
900 344		1 852 509
	Less Current Liabilities—	
194 761	Sundry Creditors and Accruals	284 759
705 583		1 567 750
	Deferred Assets—	
212 443	Various Advances, etc.	‡ 1 956 950
	Fixed Assets (at Cost less Depreciation)—	
278 581	Land (Purchased and Vested)	258 919
1 576 039	Buildings and Improvements	1 067 807
19 369 892	Harbor Works	18 938 166
1 262 835	Floating Plant	1 168 539
294 294	Other Plant and Vehicles	279 040
25 649	Furniture and Fittings	23 068
22 807 290		21 735 539
23 725 316		25 260 239

* Consisting of Inscribed Stock (at cost) \$6 674 198, Term Deposit and Cash \$268 667

† Consisting of Inscribed Stock (at cost) \$199 886, Official Short Term Money Market \$150 000 and Term Deposit \$650 000

‡ Consisting of advances *re* commercial mortgages etc. \$1 701 080, staff housing \$222 999 and other \$32 871

Specific Reserves and Funds—Transactions within the respective Reserves and Funds during 1977 are given hereunder :—

	Port Development Fund	Sinking Fund	Insurance Reserve Fund	Provision for Long Service Leave
	\$	\$	\$	\$
Balance 1 January 1977	4 142 789	150 233	2 189 745	528 145
Allocation from Revenue .. .. .	..	22 385	..	98 133
Interest on Investments	322 688	8 686	181 200	..
Profit from realisation of inscribed stock	4 988	2 147	4	..
	4 470 465	183 451	2 370 949	626 278
Less—				
Expenditure for year .. .. .	..	82 000	..	67 764
Balance 31 December 1977	4 470 465	101 451	2 370 949	558 514
	7 501 379			

GRAIN ELEVATORS BOARD

The Grain Elevators Board is constituted under the provisions of the *Grain Elevators Act* 1958 and, by agreement, operates as the bulk handling agent, in Victoria, for the Australian Wheat Board and the Australian Barley Board. These latter Boards recoup the Grain Elevators Board for the use of its facilities by meeting a charge which allows for operating costs, interest and loan expenses, depreciation and the hire of grain-handling facilities.

Wheat receivals for the 1976-77 season totalled 1 780 757 tonnes while 361 333 tonnes of barley were handled. The comparable totals for the 1975-76 season were 1 613 352 tonnes and 414 439 tonnes, respectively.

Under the provisions of the *Grain Elevators (Amendment) Act* 1975, and the *Grain Elevators (Amendment) Act* 1977, which latter Act operated from 1 July 1977, the Board's charter as a grain handling authority was extended to cover wheat, barley, oats, sorghum, maize, rice, oil seeds and all prescribed kinds, qualities and varieties of grain. For the year ended 31 October 1977 wheat and barley only were handled by the Board as a bulk handling agent. Other grains were received from merchants for shipping through the Geelong terminal for which charges were recouped in accordance with the Board's by-laws.

Under the provisions of the *Grain Elevators (Amendment) Act* 1977, the authority for the Portland Harbor Trust Commissioners to operate and maintain the grain terminal at Portland was revoked. During the latter part of the financial year, the Board entered into negotiations with the Portland Harbor Trust Commissioners for the acquisition of the grain handling facilities owned by the Trust at the Portland terminal. The necessary contract documents containing the terms of acquisition had not been finalised by 31 October 1977. Operational control of this terminal came under the Board's control as from 1 November 1977.

Under the *Grain Elevators Act* 1958 the Board may borrow up to \$45 million. Loan liability at 31 October 1977 amounted to \$29 082 953, comprising \$27 714 571 for authorised borrowings secured by inscribed stock guaranteed by the State and \$1 368 382 by way of advances from Works and Services Account. The Board may also obtain advances by way of bank overdraft to such limits as may be determined by the Treasurer. Repayment of any such borrowing is guaranteed by the State.

The Board's accounting period ends on 31 October in each year. The statement of revenue and expenditure given below shows a net surplus of \$13 289 for the 1976-77 accounting period compared with a surplus of \$9 799 in respect of the previous period.

		<i>Revenue</i>				<i>Expenditure</i>	
1975-76						1976-77	
\$						\$	\$
5 988 885	Australian Wheat Board— Wheat Handling Charges .. .. .	..	..	..	..	9 298 922	
2 497 799	Australian Barley Board— Barley Handling Charges .. .. .	..	..	..	..	2 090 397	
<u>8 486 684</u>	Total Revenue—Grain Handling .. .. .	..	..	..	..	<u>..</u>	11 389 319
4 393 830	Operating and Maintenance .. .. .	..	..	..	..	6 647 353	
1 163 994	Administration Expenses .. .. .	..	..	..	..	1 394 545	
654 786	*Depreciation .. .. .	..	..	..	..	931 367	
1 944 354	Interest on Loans .. .. .	..	..	..	..	2 078 844	
319 921	Sinking Fund Charges .. .. .	..	..	..	..	323 921	
<u>8 476 885</u>						<u>..</u>	11 376 030
9 799	Net Surplus .. .. .	..	..	..	..	..	13 289
	<i>Add—</i>						
461 304	Net Accumulation brought forward .. .. .	..	..	..	..	..	463 753
1 320 616	Interest on Investments .. .. .	..	..	..	..	..	1 787 105
19 948	Reserve Fund Interest Equity relating to Assets written off .. .. .	..	..	..	..	..	9 259
<u>1 811 667</u>						<u>..</u>	2 273 406
	<i>Less Appropriations—</i>						
787 629	*Depreciation Reserve Fund .. .. .	..	..	..	..	973 183	
148 396	*General Reserve Fund .. .. .	..	..	..	..	46 111	
..	Superannuation Fund .. .. .	..	..	..	..	99 428	
121 941	*Renewals Reserve Fund .. .. .	..	..	..	..	136 958	
19 948	Debentures and Inscribed Stock Sinking Fund .. .. .	..	..	..	..	121 837	
270 000	Transfer to Office Building Fund .. .. .	..	..	..	..	432 136	
<u>1 347 914</u>						<u>..</u>	1 809 653
<u>463 753</u>	Net Accumulation at 31 October .. .. .	..	..	..	..	<u>..</u>	<u>463 753</u>

*Approved by the Honorable the Treasurer

The following is an abridged statement of the Board's balance-sheet :—

31.10.76.		31.10.77.
\$		\$
	Current Assets—	
1 638 534	Sundry Debtors and Advances	2 092 338
10 563	Cash	7 822
<hr/>		<hr/>
1 649 097		2 100 160
22 299 900	Investments	24 034 969*
	Fixed Assets—at Cost—	
	Construction—	
20 194 184	Country Elevators	21 301 098
4 043 955	Geelong Terminal	4 103 805
1 772 224	Sunshine Sub-terminal	1 772 224
		<hr/>
		27 177 127
	Equipment and Plant—	
5 607 660	Country Elevators	5 774 224
1 841 452	Geelong Terminal	1 884 120
254 003	Sunshine Sub-terminal	260 748
		<hr/>
		7 919 092
541 263	Motor Vehicles, Office Furniture and Equip- ment	654 238
613 205	Freehold Land and Buildings—City	613 205
		<hr/>
		1 267 443
		36 363 662
	Grain Storage Construction—	
3 020 149	Storages under Construction	3 048 615
299 883	Less costs recouped	605 298
		<hr/>
		2 443 317†
2 720 266	Country Emergency Storages	7 850 368
7 850 368	Geelong Storages	1 910 390
1 910 390		<hr/>
		9 760 758
..	Works at Sunshine	279 287‡
2 930	National Debt Sinking Fund—Cash in Fund	12 126
<hr/>		<hr/>
71 300 897		74 994 279
	Current Liabilities—	
795 592	Sundry Creditors	1 260 906
	Loans—	
1 404 014	Government of Victoria	1 368 382
27 613 881	Public	27 714 571
		<hr/>
		29 082 953
	Reserves and Funds—	
	Cancelled Securities Reserves—	
756 475	National Debt Sinking Fund	801 457
1 897 119	Debentures and Inscribed Stock	2 092 429
1 949 806	Matured Public Loans	2 053 806
14 888 732	Depreciation Reserve Fund	16 755 965
899 000	Office Building Reserve	1 331 136
699 266	Insurance Reserve Fund	699 266
3 254 367	General Reserve Fund	3 300 478
1 650 384	Debentures and Inscribed Stock Sinking Fund	1 792 649
2 214 324	Renewals Reserve Fund	1 829 752
381 624	Provision for Long Service Leave and Retiring Gratuities	438 798
1 335 206	Superannuation Fund	1 472 046
9 760 758	Grain Storages (Recouped Costs) Reserve	9 760 758
		<hr/>
		42 328 540
1 336 596	Reserve Fund Contribution for Renewal of Assets	1 858 127
463 753	Revenue Account—Net Accumulation	463 753
<hr/>		<hr/>
71 300 897		74 994 279

* Consisting of Inscribed Stock \$18 448 500, Interest Bearing Deposits (Short-term) \$5 200 000, and other investments \$386 469

† Murtoa/Dunolly—financed from Grain Elevators Board's General Reserve and is being recouped from the Australian Wheat Board over a period of ten years, interest free

‡ Financed from Grain Elevators Board's Reserves and to be recouped from Australian Barley Board over a period of five years, interest free

Statutory Reserves

Variations during the year in these Reserves are summarised hereunder :—

	<i>Depreciation</i>	<i>General</i>	<i>Insurance</i>	<i>Debentures and Inscribed Stock</i>	<i>Renewals</i>
	\$	\$	\$	\$	\$
Balance 1 November 1976	14 888 732	3 254 367	699 266	1 650 384	2 214 324
Allocation from Profit and Loss ..	950 537*	..	..	318 608†	..
Appropriation from Accumulated Revenue .. ..	..	..	..	9 259	..
Interest on Investments	973 183*	46 111*	..	112 578†	136 958*
	<u>16 812 452</u>	<u>3 300 478</u>	<u>699 266</u>	<u>2 090 829</u>	<u>2 351 282</u>
<i>Less—</i>					
Expenditure for year	56 487	..	..	298 180	521 530
Balance 31 October 1977	<u>16 755 965</u>	<u>3 300 478</u>	<u>699 266</u>	<u>1 792 649</u>	<u>1 829 752</u>

Other Reserves

Transactions within some of the other Reserves held within the Board's accounts are shown below.

	<i>Office Building Reserve</i>	<i>Superannuation Fund</i>
	\$	\$
Balance 1 November 1976	899 000	1 335 206
Interest on Insurance Reserve Investments	53 736‡	..
Interest on General Investments	365 111‡	..
Surplus on operations for year ended 31 October 1977 ..	13 289‡	..
Allocation from Profit and Loss Account .. ..	..	124 433
Interest on Investments .. ..	..	99 427
	<u>1 331 136</u>	<u>1 559 066</u>
<i>Less—</i>		
Expenditure for year .. ..	..	87 020
Balance 31 October 1977	<u>1 331 136</u>	<u>1 472 046</u>

*Transfers to Reserves totalling \$2 106 789 approved by Treasurer in accordance with provisions of Section 49 of the Act

†Transfers approved by Board

‡Appropriations from Accumulated Revenue Account approved by Board

GREYHOUND RACING CONTROL BOARD

The Board is constituted under the provisions of Section 69 (1) of the *Racing Act* 1958. Its functions are to control the sport of greyhound racing and to exercise such powers and duties as are conferred on it by or under the *Racing Act* or any other Act.

Its principal sources of income are an administration grant from the Totalizator Agency Board made in accordance with that Board's financial scheme under Section 116I of the Act, registration fees and a statutory contribution of three per cent. of the gross revenue of registered Greyhound Racing Clubs.

Following is a statement of income and expenditure for the years ended 31 December 1976 and 1977 :—

1976	<i>Income</i>								1977
\$									\$
50 184	Registrations .. .. .	..	..	..	..	..	..	..	70 323
169 439	Totalizator Agency Board	..	..	..	..	..	..	..	172 074
48 544	Statutory Contributions by Clubs	..	..	..	..	..	..	..	50 182
19 692	Other Income .. .. .	..	..	..	..	..	..	..	23 974
287 859	Total Income .. .. .	..	..	..	..	..	..	..	316 553
<i>Expenditure</i>									
13 499	Board Members—Salaries and Expenses .. .. .	..	..	..	..	..	..	..	15 797
85 821	Supervision Fees—Stewards .. .. .	..	..	..	..	..	..	..	95 170
78 517	Salaries .. .. .	..	..	..	..	..	..	..	83 073
25 371	Publication of Journal .. .. .	..	..	..	..	..	..	..	22 568
32 972	Office Expenses .. .. .	..	..	..	..	..	..	..	34 097
24 205	National Coursing Association of Victoria	..	..	..	..	..	..	..	24 582
24 182	Miscellaneous .. .. .	..	..	..	..	..	..	..	32 585
284 567	Total Expenditure .. .. .	..	..	..	..	..	..	..	307 872
3 292	Surplus .. .. .	..	..	..	..	..	..	..	8 681
<i>Add—</i>									
145 672	Net Accumulation brought forward .. .. .	..	..	..	..	..	..	..	148 964
148 964	Net Accumulation at 31 December .. .. .	..	..	..	..	..	..	..	157 645

The Accumulation of the Greyhound Racing Control Board Fund at 31 December 1976 and 1977 was represented by :—

31.12.76									31.12.77
\$									\$
150 000	Investments .. .. .	..	..	..	..	..	..	..	150 000
12 217	Fixed Assets .. .. .	..	..	..	..	..	..	..	14 745
162 217									164 745
13 253	Less—Excess of Current Liabilities over Current Assets .. .. .	..	..	..	..	..	..	..	7 100
148 964									157 645

HOME FINANCE TRUST

The *Home Finance Act* 1962 empowers the Home Finance Trust to raise money from lending institutions by way of deposit or bank overdraft for the purpose of making housing loans on the security of first or second mortgage. In terms of the Act, the Treasurer may, with the approval of the Governor in Council, execute guarantees in favour of the Commissioners of the State Savings Bank of Victoria or any person or body agreeing to deposit money with the Trust or in favour of any bank providing accommodation by way of overdraft.

The amount so agreed to be deposited or lent at 30 June 1978 was \$38 131 200 compared with \$32 456 200 at 30 June 1977. Of the amount of \$38 131 200, a sum of \$10 623 200 has been deposited or lent, or made available as overdraft accommodation, for the purpose of loans by the Trust on the security of second mortgage. Details are :—

	\$	\$
The Commissioners of the State Savings Bank of Victoria .. .. .	.. .. .	10 258 000
Other Savings Banks	15 633 200	
Trading Banks—Overdraft Accommodation	10 150 000	25 783 200
	<hr/>	
Insurance Companies .. .. .	.. .. .	1 540 000
Other .. .. .	.. .. .	550 000
		<hr/>
		38 131 200

The liability of the Trust on account of deposits and overdrafts, as shown in the summary of assets and liabilities hereunder, is reconciled below with the total of agreed loans :—

	\$
Agreed Loans	38 131 200
Less—Amount repaid to lending institutions (or overdraft accommodation not taken up)	16 197 897
	<hr/>
Total liability of Trust to lending institutions	21 933 303

Loans approved by the Trust to borrowers amounted to \$51 021 270, of which sum \$5 472 590 related to second mortgages. Discharged mortgages, including mortgages on repossessed properties sold under contracts of sale, amounted to \$22 871 289. Advances secured by first mortgage at 30 June 1978 amounted to \$21 239 284 (net) and, by second mortgage, to \$1 172 357 (net).

The net surplus for the year on account of transactions relating to first mortgages (Home Finance Fund No. 1) was \$91 544. The net deficit on account of second mortgages (Home Finance Fund No. 2) was \$29 160.

A summary of the income and expenditure of the Trust for 1976–77 and 1977–78 is furnished below. The figures for 1977–78 are subject to audit.

	<i>Income</i>	
	1976–77	1977–78
	\$	\$
Interest Receivable from Mortgagors and on Sales, etc.	1 776 479	1 751 691
Less Interest Payable to Depositors (including Overdraft Interest)	1 483 418	1 602 394
	<hr/>	<hr/>
	293 061	149 297
Interest from Treasurer of Victoria	758	..
	<hr/>	<hr/>
	293 819	149 297
Insurance Commission	12 790	15 344
Other	870	865
	<hr/>	<hr/>
	307 479	165 506
	<hr/>	<hr/>
	<i>Expenditure*</i>	
Fees—Members of Trust	10 099	10 240
Printing and Stationery	1 254	2 870
Postage and Telephone	3 198	3 415
Contribution to Treasury	76 000	82 000
Sundry	1 410	4 597
	<hr/>	<hr/>
	91 961	103 122
	<hr/>	<hr/>
Operating Surplus (net)	215 518	62 384

* Salaries are not charged in the accounts of the Trust.

Set out hereunder are particulars of the Trust's assets and liabilities as at 30 June 1977 and 1978.

		<i>Assets</i>			
		30.6.77		30.6.78	
		\$	\$	\$	\$
Current ordinary loans secured by first mortgage		25 049 323		26 190 232	
Less repayments by mortgagors		4 759 294		4 950 948	
		<hr/>	20 290 029	<hr/>	21 239 284
Current ordinary loans secured by second mortgage		1 759 171		1 652 184	
Less repayments by mortgagors		489 804		479 827	
		<hr/>	1 269 367	<hr/>	1 172 357
Repossessed properties sold under contracts of sale		82 170		65 570	
Less payments of instalments of principal ..		35 896		31 952	
		<hr/>	46 274	<hr/>	33 618
Arrears—(net) under mortgages and contracts of sale	..	..	25 491	..	14 096
Sundry Debtors .. .. .	.. .. .	.. .. .	69 082	.. .. .	15 393
Office Equipment .. .. .	.. .. .	.. .. .	3 872	.. .. .	3 291
Cash on Fixed Deposit .. .. .	.. .. .	.. .. .	1 910 000	.. .. .	840 000
Cash on Hand .. .. .	.. .. .	.. .. .	40	.. .. .	40
Investment .. .. .	.. .. .	.. .. .	100 000	.. .. .	100 000
		<hr/>	23 714 155	<hr/>	23 418 079
			<hr/>		<hr/>
		<i>Liabilities</i>			
Deposits by lending institutions and accommodation by way of overdraft—repayment guaranteed by Treasurer of Victoria .. .. .	.. .. .	.. .. .	22 265 614	.. .. .	21 933 303
Prepayments by mortgagors of valuation and inspection fees .. .. .	.. .. .	.. .. .	23 210	.. .. .	872
Mortgagors' equities in properties repossessed and sold .. .. .	.. .. .	.. .. .	9 334	.. .. .	9 276
Sundry Creditors .. .. .	.. .. .	.. .. .	4 090	.. .. .	336
Accumulated Surplus—Home Finance Funds Nos. 1 and 2 .. .. .	.. .. .	.. .. .	1 411 907	.. .. .	1 474 292
		<hr/>	23 714 155	<hr/>	23 418 079
			<hr/>		<hr/>

HOSPITALS SUPERANNUATION BOARD

The Hospitals Superannuation Board operates under the provisions of the *Hospitals Superannuation Act 1965*. It is responsible for the administration of the Hospitals Superannuation Fund established under that Act for the purpose of providing, on a contributory basis, a scheme of superannuation for employees of participating hospitals and other institutions. Benefits provided out of that Fund are generally by way of lump sum payment upon retirement, death or disability.

Amending legislation, the *Hospitals Superannuation (Amendment) Act 1976*, the provisions of which came into operation on several dates during 1976-77, effected a reconstitution of the Board and established a new pension scheme which provides for the payment of a pension benefit on retirement in addition to the lump sum benefit payable from the Hospitals Superannuation Fund.

The main features of the new pension scheme, established under Section 5 of the amending Act and operative from 1 January 1977 were set out in last year's Report.

The scheme is applicable to every person who became a contributor to the Hospitals Superannuation Fund on or after 1 January 1977. In terms of the new Act, existing contributors could elect to join the pension scheme and, subject to such election being made on or before 30 June 1977, were entitled to further elect to have past service with participating institutions recorded for purpose of pension calculation. In the case of employees who became contributors on or after 1 July 1976, recognition of past service is restricted to the sum of the period as a contributor up to 1 January 1977, and half of the period of employment with participating institutions prior to 1 July 1976.

Three additional funds, namely, the Pension Contributors' Fund, the Institutions' Fund and the Pensions Fund have been established under the new legislation. The Pension Contributors' Fund is credited with all contributions received by the Board from pension contributors. All amounts levied from participating institutions in respect of pension contributions are paid into the Institutions' Fund. Pensions and other benefits payable under the pension scheme are made from the Pensions Fund. The legislation provides for the Pensions Fund to be reimbursed from the Pension Contributors' Fund and the Institutions' Fund in such proportions as are determined by an Actuary.

The annual audit of the Hospitals Superannuation Fund and the new Funds referred to above is conducted by my officers pursuant to the provisions of the *Hospitals Superannuation Act 1965*. A continuous audit is carried out by a firm of chartered accountants appointed for that purpose by the Board. The audits are, by arrangement, complementary in character.

At the date of preparation of this Report, final figures of the Hospitals Superannuation Fund and the Funds maintained under the new pension scheme, for the year 1977-78, were not available for audit. The figures in respect of 1976-77, which were not available for inclusion in my Supplementary Report for last year, are shown on the following pages, together with the figures for 1975-76.

Summaries of the transactions of the Management Account within the Fund during 1975-76 and 1976-77 and the Balance Sheets of the Board as at 30 June 1976 and 30 June 1977 are given below :—

MANAGEMENT ACCOUNT

ADMINISTRATION

1975-76		1976-77
\$		\$
	<i>Income—</i>	
396 732	Management Proportion of Contributions	450 920
13 365	Commission	21 832
23 538	Distribution of Earnings	30 297
433 635		503 049
	<i>Expenditure—</i>	
239 116	Salaries and Wages	297 892
7 852	Provision for Long Service Leave	6 000
8 227	Staff Superannuation	9 589
104 524	Fees—Actuarial, audit, medical, etc.	112 107
65 841	Office and Miscellaneous Expenses	68 028
6 614	Depreciation	6 967
432 174		500 583
..	Less Pension Scheme proportion of Management Expenses	125 574
432 174		375 009
1 461	Transfer to Accumulated Fund	128 040
433 635		503 049
	ACCUMULATED FUND	
187 618	Balance 1 July	183 460
1 461	Transfer from Administration	128 040
189 079		311 500
	<i>Less—</i>	
5 619	Purchase of Office Furniture, etc.	4 349
183 460	Balance 30 June	307 151
	MANAGEMENT RESERVE ACCOUNT	
12 227	Balance 1 July	21 978
9 751	Transfer from Welfare Account	8 372
21 978	Balance 30 June	30 350

BALANCE SHEET

Assets

30.6.76		30.6.77
\$		\$
	Investments—	
24 424 652	Life Offices	27 792 317
4 323 409	Government and semi-Government Stock (Face Value \$7 660 300)	7 654 844
10 169 832	Mortgages and Members' Loans	13 166 280
2 000 000	Deposits—Short Term Money Market	1 650 000
<hr/>		<hr/>
40 917 893		50 263 441
	Other Assets—	
15 100	Cash at Bank and on Hand	232 420
192 082	Accruals and Outstandings	392 362
96 337	Terminal Benefit Subsidies—Class "A" Institutions	288 026
28 396	Office Furniture, Equipment, Fittings and Motor Vehicles (less Depreciation)	41 334
<hr/>		<hr/>
331 915		954 142
<hr/>		<hr/>
41 249 808		51 217 583
		<hr/>
	<i>Accounts and Liabilities</i>	
	Members' Accounts—	
32 357 744	Approved Scheme	40 419 002
2 283 688	Provident	2 459 399
2 122 414	Supplementary Contributions	2 775 426
486 648	Non-contributing	604 302
<hr/>		<hr/>
37 250 494		46 258 129
	Funds—	
..	Pension Scheme	77 495
	Beneficiaries' Accounts—	
350 603	Deferred Benefits	393 291
127 534	Disability Benefits	204 095
<hr/>		<hr/>
478 137		597 386
	Reserves—	
200 000	Welfare	200 000
693 929	Income Stabilization	741 438
<hr/>		<hr/>
893 929		941 438
	Other Accounts and Liabilities—	
38 948	Annuities	44 303
310 688	Insurance Account	351 915
860 281	Terminal Benefits—Class "B" Institutions	1 146 447
7 907	Mortgage Indemnity Fund	8 698
437 033	Benefits Payable	553 623
36 202	Part IVA Schemes	31 099
185 518	Bank Overdraft	479 099
419 539	Contributions Received in Advance	269 952
<hr/>		<hr/>
2 296 116		2 885 136
	Management—	
37 490	Sundry Creditors and Accrued Expenses	21 945
31 000	Provision for Long Service Leave	37 000
57 204	Capital	61 553
21 978	Reserve	30 350
183 460	Accumulated Fund	307 151
<hr/>		<hr/>
331 132		457 999
<hr/>		<hr/>
41 249 808		51 217 583

HOUSING COMMISSION

The Commission is responsible for the improvement of existing housing conditions, the provision of suitable houses for letting or selling to eligible persons and urban redevelopment.

For these purposes, the State has made loan allocations to the Commission and the Commission, itself, has raised loan moneys by the issue of debentures. However, the major funds which have been allocated to the Commission for housing projects have been those which, between 1945-46 and 1977-78, were advanced by the Commonwealth in terms of a series of Commonwealth-State Housing Agreements. Also, many municipalities have, in various forms, assisted the Commission with cash contributions, rate refunds and gifts of land for housing projects of a special nature.

During 1977-78, loan advances totalling \$76 930 732 were received from the Commonwealth consisting of \$71 231 000 for housing generally under the 1973-74 Housing Agreement and the Commonwealth's *States Grants (Housing Assistance) Act* 1976, \$753 198 for defence housing under the terms of the Commonwealth-State Housing Agreement (Servicemen) 1972, and \$4 946 534, for urban expansion and redevelopment pursuant to the *Urban and Regional Development (Financial Assistance) Act* 1974-1975.

In addition, the Commonwealth provided grants of \$414 459 as an interest subsidy, \$2 530 000 for dwellings for aged pensioners and \$400 000 for aboriginal housing under the *Aboriginal Advancement Act* 1973.

A summary of the Commission's revenue and expenditure for 1976-77 and 1977-78 is furnished below :—

	REVENUE	
	1976-77	1977-78
	\$	\$
Rentals	45 840 188	48 383 723
Gross Surplus—House Sales	17 245 764	15 978 404
Gross Profit—Land Sales for Residential Purposes ..	1 166 169	641 735
Interest—House Sales (net)	3 406 942	4 167 219
Sundry	3 923 273	3 524 181
Urban Renewal Subsidy	373 823	485 000
Certificate Fees	240 816	297 968
Miscellaneous	322 205	326 359
	72 519 180	73 804 589
	EXPENDITURE	
Interest—less amounts capitalised and applied to House Sales	13 799 308	14 626 887
Loan Redemption—Commonwealth-State Agreements ..	2 831 951	2 987 864
	16 631 259	17 614 751
Less Interest and Redemption included in Operating Costs of Parking Bays and Hot Water Services	423 070	426 897
	16 208 189	17 187 854
Contribution to—National Debt Sinking Fund	22 853	24 535
Debenture Loan Sinking Fund	7 000	7 000
Administration—General	4 006 048	4 649 439
House Sales	2 127 830	2 301 761
Land Sales—Residential	156 386	182 697
Cost of Rent Collection in Country Areas etc.	334 340	385 455
Rates—less amount capitalised	7 414 885	7 742 017
Insurable Risks	235 456	299 664
Loan Conversion Expenses	2 886	3 796
Provision for—Accruing Maintenance	13 314 995	13 169 624
Irrecoverable Rents	99 336	74 416
Cost of Communal Services—Flats and Garden Maintenance	3 072 354	3 760 139
Operating Costs—Laundries	111 067	193 267
Parking Bays	314 405	319 774
Appropriation to House Purchasers' Death Benefit Fund	502 502	443 246
Transfer to House Sales Unrealised Profit Suspense Account	12 748 548	12 494 323
Transfer to Land (Residential) Unrealised Profit Suspense Account	272 854	..
Maintenance and Repairs on Houses Sold	553 482	668 758
Maintenance (Rental) Bad Debts written off	82 895	58 033
Central Heating and Hot Water Services	1 502 674	1 562 796
Emerald Hill Survey	35 774	22 577
Special Payments to Employees on Termination	38 500	1 549 581
Contribution to H.A.V.E. Scheme	75 000	..
Consultants' fees and expenses—Reorganisation .. .. .	..	128 460
Land Enquiry Costs .. .. .	..	195 659
Miscellaneous	127 284	213 827
	63 367 543	67 638 698
Less Transfer from Land (Residential) Unrealised Profit Suspense Account .. .. .	..	306 195
	63 367 543	67 332 503
Operational Profit for the Year	9 151 637	6 472 086
Less Appropriation to House Purchasers' Interest Receivable Reserve	1 172 637	1 861 753
Profit—transferred to Accumulated Surplus Account ..	7 979 000	4 610 333

A more concise statement of the General Revenue Account for the past two years is given below :—

	1976-77		1977-78	
	\$	\$	\$	\$
Surplus—Miscellaneous Funds		3 760 599*		1 606 821*
Net Profit—Residential Land Sales		895 650		935 808
Realised Profit—House Sales		3 696 344		2 519 960
		<u>8 352 593</u>		<u>5 062 589</u>
<i>Less—</i>				
Loss—Rental operations	141 011		148 123	
Cost of Statutory Functions—non-revenue producing..	232 582		249 636	
Loss—Urban Renewal operations		373 593	54 497	452 256
		<u>7 979 000</u>		<u>4 610 333</u>
Profits—transferred to Accumulated Surplus Account ..				

* Includes notional interest on interest-free loans—1976-77 \$246 786, 1977-78 \$162 919.

Rental Charges.—The gross rental charges for the past two years are compared hereunder and reconciled with the figures given in the preceding summary of revenue and expenditure :—

	1976-77		1977-78	
	\$	\$	\$	\$
Gross rental charges		51 298 004		55 367 284
<i>Deduct—</i>				
Rental rebates allowed	4 694 640		5 620 809	
Losses from vacancies	763 176		1 362 752	
		<u>5 457 816</u>		<u>6 983 561</u>
Credit for Rentals—General Revenue Account		45 840 188		48 383 723

The increase of \$4 069 280 in gross rental charges was mainly due to the full-year's impact of the general rent increase effective from 16 January 1977.

Sales of Houses.—For the year, 2 435 units were sold for a total sum of \$67 709 244. Details are :—

	No.	Cost	Selling Price	Surplus
		\$	\$	\$
<i>Cash Sales—</i>				
State	1	29 935	33 925	3 990
Commonwealth—State Housing Agreement 1945 ..	4	25 323	53 948	28 625
Commonwealth—State Housing Agreement 1956 ..	1	8 577	14 382	5 805
Aboriginal Housing	1	1 200	1 300	100
<i>Sales per War Service Home Commission—</i>				
Commonwealth—State Housing Agreement 1945..	16	93 443	265 355	171 912
Commonwealth—State Housing Agreement 1956..	3	25 828	47 532	21 704
<i>Terms Sales—</i>				
State	48	1 003 154	1 347 929	344 775
Commonwealth—State Housing Agreement 1945 ..	592	4 074 836	13 365 858	9 291 022
Commonwealth—State Housing Agreement 1956 ..	243	2 150 141	5 049 092	2 898 951
Commonwealth—State Housing Agreement 1973 ..	1 420	42 798 462	44 895 352	2 096 890
Works and Services Account	41	468 841	978 573	509 732
Aboriginal Housing	9	175 961	201 524	25 563
<i>Repossessions Resold—</i>				
State	10	113 653	208 980	95 327
Commonwealth—State Housing Agreement 1945..	10	82 605	264 894	182 289
Commonwealth—State Housing Agreement 1956..	14	127 494	288 173	160 679
Commonwealth—State Housing Agreement 1973..	21	538 619	670 242	131 623
Works and Services Account	1	12 768	22 185	9 417
	<u>2 435</u>	<u>51 730 840</u>	<u>67 709 244</u>	<u>15 978 404</u>

The figures in the General Revenue Account relating to house sales are brought together below to show the net credit to revenue from this source :—

	\$	\$
Gross Surplus on Sales	15 978 404	
Less Transfer to House Sales Unrealised Profit Suspense Account	12 494 323	
	<hr/>	3 484 081
Interest receivable on Terms Sales	19 513 193	
Less Interest payable on houses sold	15 712 552	
	<hr/>	
Interest on House Sales (net)	3 800 641	
Less Appropriation to House Purchasers' Death Benefit Fund ..	443 246	
	<hr/>	3 357 395
Other House Sales revenue		543 858
		<hr/>
		7 385 334
Less Administration—House Sales	2 315 030	
Maintenance and repairs on houses sold	668 758	
Miscellaneous	19 833	
	<hr/>	3 003 621
		<hr/>
		4 381 713
Less Appropriation to Interest Receivable Reserve—House Purchasers		1 861 753
		<hr/>
Net Credit to General Revenue—Realised Profit on House Sales		2 519 960

Residential Land Sales.—Profits from sales of residential land are credited to revenue, whereas profits on sales of land for purposes other than residential are treated as capital profits and credited to a Land Realised Profit Reserve Account.

Realised profit on sales of land for residential purposes for the year amounted to \$935 808 compared with \$895 650 for 1976–77.

Special Payments to Employees on Termination—\$1 549 581

The above payment was made by Holmesglen Constructions to a number of employees under a retrenchment scheme approved by the Governor in Council on 10 May 1977.

Consultants' fees and expenses—Reorganisation—\$128 460

A firm of management consultants was engaged to conduct a comprehensive review of the senior management organisation of the Victorian Ministry of Housing and its constituent agencies, of which the Housing Commission is one.

The three specific objectives of the study were to:—

- (i) investigate the present management structures and responsibilities of the Ministry, and of the Authorities comprising the Ministry, in order to identify impediments to effective administration ;
- (ii) advise the Minister as to whether the present structure is satisfactory to adequately serve the housing needs of the people of Victoria ; and
- (iii) make recommendations concerning the most accountable and efficient form which could be adopted to carry out the Government housing functions in Victoria.

In addition to the \$128 460 paid out of the Housing Commission funds, an amount of \$50 000 was provided from the Treasury funds, thus making the total cost for the year \$178 460.

To 30 June 1978, two reports have been produced by the consultants :—

- (i) Study of Management Organisation ; and
- (ii) Study of Selected Estates Management Operations.

Certain recommendations made regarding the reconstruction of the organisation of the Ministry and its agencies are being implemented.

Land Inquiry Costs—\$195 659

The Honorable Sir Gregory Gowans Q.C. was appointed by Order in Council on 9 August 1977 as the Board of Inquiry to report upon Housing Commission land purchases at Pakenham, Sunbury and Melton in accordance with terms of reference.

The inquiry was conducted from 25 August 1977 to 20 December 1977. The sum of \$195 659 was that portion of the costs of the Inquiry which was paid by the Commission.

The financial position of the Commission at 30 June 1977 and 1978, is summarised hereunder :—

30.6.77		30.6.78
\$		\$
	<i>Current Assets—</i>	
13 252 372	Sundry Debtors	12 697 216
3 237 684	Cash at Bank and in Transit	2 197 127
<hr/>		<hr/>
16 490 056		14 894 343
<hr/>		<hr/>
30 139 665	<i>Investments</i>	27 250 276
<hr/>		<hr/>
	<i>Deferred Assets—</i>	
339 224 637	House Purchase Debtors	386 930 894
<hr/>		<hr/>
	<i>Fixed Assets—</i>	
124 561 077	Estates—Cost of land, developmental and incidental expenses	142 621 954
407 568 157	Dwellings and Shops	435 998 622
909 789	Holmesglen Constructions—Land and Buildings etc.	2 203 869
169 667	Urban Renewal—Properties Acquired	387 851
25 284 773	Properties Acquired for Slum Reclamation	25 313 645
1 100 621	Store-rooms, Offices, etc.	2 263 268
1 260 886	Plant, Vehicles, Office Furniture and Equipment	2 610 462
400	Shares—31 Melrose Street Pty. Ltd.	400
<hr/>		<hr/>
560 855 370		611 400 071
<hr/>		<hr/>
20 555 530	<i>Urban Land Council Land purchased for resale (at cost)</i>	20 778 842
<hr/>		<hr/>
2 309 160	<i>Deposit and Trust Account—Cash at Bank and Securities (Bank Guarantees, etc.)</i>	1 932 567
<hr/>		<hr/>
	<i>Intangibles—</i>	
951 929	Plans and Designs, etc.	838 796
<hr/>		<hr/>
970 526 347		1 064 025 789
<hr/>		<hr/>
	<i>Current Liabilities—</i>	
4 552 872	Sundry Creditors	3 408 934
<hr/>		<hr/>
	<i>Loans—</i>	
756 800 880	Government advances	826 646 801
400 000	Debenture issues	400 000
7 387 913	Death Benefit Fund advances	7 387 913
<hr/>		<hr/>
764 588 793		834 434 714
<hr/>		<hr/>
	<i>Advances and Subsidies—</i>	
2 465 562	Subsidy from Loan for Slum Reclamation	2 465 562
1 725 650	Subsidy from Municipalities	1 725 650
84 316	Gift of Flats—City of Prahran	84 316
14 090 000	Commonwealth Grant—Dwellings for Aged Pensioners	16 620 000
264 021	Advance for Urban Renewal	464 022
5 379 151	Advance for Aboriginal Housing	5 796 963
<hr/>		<hr/>
24 008 700		27 156 513
<hr/>		<hr/>
	<i>Reserves and Sinking Funds, etc.—</i>	
1 010 330	Interest Equalisation Reserve	1 223 060
100 000	Debenture Loans Redemption	100 000
1 581 252	Cancelled Securities—National Debt Sinking Fund	1 767 505
223 020	Debenture Loan Sinking Fund	254 993
31 654 132	Loan Redemption—Commonwealth—State Agreements	33 032 477
492 273	Accruing Maintenance Provision	141 909
100 000	Irrecoverable Rents Provision	100 000
57 921 164	Unrealized Profit Suspense Account—House Sales	69 180 323
1 947 360	Unrealized Profit Suspense Accounts—Land and Shops	1 452 594
14 883 548	House Purchasers' Death Benefit Fund	15 070 492
8 730 180	Realized Profit Reserves	9 115 481
21 809 074	Interest Receivable Reserve—House Purchasers	25 550 931
2 700 000	Appropriation of House Sales Profits for Slum Reclamation Works	2 700 000
5 000	Provision for Loan Flotation Expenses	5 000
<hr/>		<hr/>
143 157 333		159 694 765
<hr/>		<hr/>
31 909 489	<i>Accumulated Surplus</i>	37 398 296
<hr/>		<hr/>
	<i>Deposit and Trust Account—</i>	
2 309 160	Contractors' deposits and other trust moneys	1 932 567
<hr/>		<hr/>
970 526 347		1 064 025 789
<hr/>		<hr/>

The comments which follow are furnished in explanation of certain items in the preceding financial summary.

Sundry Debtors, \$12 697 216. Details are:—

	\$
Rental Arrears	1 302 574
Tenants' Maintenance Arrears	366 675
Works and Materials, etc., for other bodies and adjoining owners, etc. ..	1 278 425
Debtors on account of Shop and Land Sales (net)	8 421 797
Revenue Accruals, Prepayments and Advances, etc.	1 327 745
	12 697 216

Investments.—The book value of investments decreased during the year from \$30 139 665 to \$27 250 276. Relevant details at 30 June 1978 are:—

	\$
Interest-free advances—to other Public Authorities	3 312 534
Loan to a Public Authority	873 510
Investments—Sinking Fund	254 993*
Investments—Death Benefit Fund	14 809 239†
Short Term Investments	8 000 000‡
	27 250 276

Holmesglen Constructions—Included in the amounts \$909 789 and \$2 203 869 at 30 June 1977 and 1978 are the sums \$141 692 and \$1 340 624, representing what are in effect, the notional liabilities, at the respective dates, of Holmesglen Constructions to the Commission. The increase during the year is explained as follows:—

	\$
Liability of Holmesglen Constructions to Commission on account of advances for improvements and for working capital at 30 June 1977	141 692
<i>Add—</i>	
Increase in Current Assets	393 185
Increase in book value of Equipment, Plant, Tools, etc.	377 789
Decrease in Current Liabilities	427 318
Decrease in Reserves	640
	1 340 624

Holmesglen Constructions was charged notional interest at the rate of 5 per cent. per annum on the book value of its land, buildings and road services etc. In the summary of the Commission's Revenue Account for 1977–8 furnished in this Report, the credit for this interest is included in the item, "Interest—Sundry", and the charge therefor is reflected in the cost of the prefabricated units constructed at Holmesglen.

Items Capitalised.—Expenditure on administration, rates and interest deemed to be applicable to or incurred during construction has been capitalised. The amounts capitalised and the proportions thereof to the totals of the respective items for 1976–77 and 1977–78 are:—

	1976–77		1977–78	
	\$	%	\$	%
Interest	3 660 789	11·50	4 266 897	12·18
Rates	900 513	10·83	939 519	10·82
Administration	5 703 566	41·95	6 345 086	41·55
	10 264 868		11 551 502	

"Rates" are based on actual figures. "Administration" is determined primarily on the basis of an estimated allocation of salaries. Regard has also been had to administrative items which are clearly ascertainable as direct charges to either capital or revenue.

*Consisting of Inscribed Stock

†Consisting of investments in Public Authorities \$7 421 326, and invested in the Commission's undertaking \$7 387 913 (See reference to Death Benefit Fund on page 43 of this Report.)

‡Consisting of Short Term Bank Deposits

Loan Liability.—As mentioned earlier, \$76 930 732 was provided by the Commonwealth during the year by way of loan advances. At 30 June 1978, the liability in respect of loans was \$834 434 714. Details are :—

	\$	\$
<i>State Housing</i>		
From the Government of Victoria—Housing	54 151 821	
Slum Reclamation	26 009 274	
From Debenture issues of the Commission	1 040 000	
	81 201 095	
Government Loan transferred to the Commission	60 000	
	81 261 095	
<i>Less Securities purchased out of National Debt Sinking Fund and cancelled</i>	3 506 116	
Debentures redeemed under Housing Act	640 000	
Repayments on Slum Reclamation	8 344 365	
	12 490 481	
		68 770 614
<i>Commonwealth-State Housing Agreement</i>		
Loan Advances received from the Commonwealth of Australia	851 963 845	
<i>Less Repayments</i>	93 687 658	
	758 276 187	
<i>House Purchasers' Death Benefit Fund</i>		
Loan to Commission		7 387 913
		834 434 714

The Commission is required to meet the debt charges on the liability to the Government of Victoria for housing. Debt charges on the amount advanced for slum reclamation are being met from the general revenues of the State.

Commonwealth Grant—Dwellings for Aged Pensioners.—During the year 1977–78, \$2 530 000 was advanced under the Commonwealth's *States Grants (Dwellings for Pensioners) Act 1974* for the provision of self-contained dwellings for eligible pensioners. To 30 June 1978, \$16 620 000 had been spent on this project.

Provision for Maintenance.—At 30 June 1977, the balance of the Accruing Maintenance Provision was \$492 273. To this amount there was added in 1977–78 the sum of \$13 169 624 by way of normal provision from Revenue Account for maintenance. The total expenditure on maintenance charged to the account in 1977–78 was \$13 519 988 leaving a balance at credit of the account at the close of the year of \$141 909.

The estimate of accruing maintenance is based on an architect's assessments as applied to classified types of Commission houses.

House Sales Unrealised Profit Suspense Account.—The primary purpose of this account is to present at date the profit still to be realised on houses sold on terms. The transactions for the year are summarised below :—

	\$
Balance at credit 1 July 1977	57 921 164
Transfer from General Revenue Account	12 494 323
	70 415 487
<i>Less—</i>	
Sundry adjustments arising from cancellation of sales, reduction of sale prices, changes in capital costs etc.	1 235 164
Balance at credit 30 June 1978	69 180 323

House Purchasers' Death Benefit Fund.—House purchasers, unless disqualified by age, may be admitted to participation in the House Purchasers' Death Benefit Scheme, for the purposes of which an appropriation is made from interest receivable under contracts for the sale of houses on terms. Operations during the year and the position of the Fund at 30 June 1978 are summarised below :—

	\$	\$
Balance at 1 July 1977.. .. .		14 883 548
Add Appropriation for year (Section 109 Act No. 6275)	443 246	
Income from Investments	1 122 838	
Premiums	8 183	
	<hr/>	<hr/>
		1 574 267
		<hr/>
		16 457 815
Deduct Payments on Account of Deceased Purchasers	1 321 642	
Administration Expenses	65 681	
	<hr/>	<hr/>
		1 387 323
		<hr/>
Balance at 30 June 1978		15 070 492

Payments on account of deceased purchasers increased from \$135 979 in 1976–77 to \$1 321 642 in 1977–78. This was due to the new *Housing (Home Purchaser's Death Benefits) Regulations 1977*, whereby the Fund is required to reimburse the Commission in full in all current cases, whereas, previously, the Fund met the yearly instalments as they came due. In addition, the Fund is required to liquidate the amount due to the Commission in respect of past deaths by quarterly payments from the Fund.

The sum of the investments of the Fund, \$14 809 239, includes an amount of \$7 387 913 set aside in an account in the Commission's books styled "Loan Advance—Death Benefit Fund".

The amount of \$7 387 913 consists of a number of loans made from the Fund to the Commission at various rates of interest during the period 30 June 1960 to 30 June 1977. The Fund's investments are included in the Commission's balance-sheet item—"Investments \$27 250 276".

In respect of the advance of \$7 387 913, there is a contra of a similar amount in the Commission's balance-sheet under the item "Loans". In consideration of this advance, the Fund is being credited with interest from the Commission's ordinary revenues at rates comparable with those which would have been obtained if the sum had been invested outside the Commission's undertaking.

Realised Profit Reserves, \$9 115 481.—This balance comprises profit on land, \$8 968 970, and on shops, \$146 511. During the year there was an increase of \$385 301 in the Land Realised Profit Reserve, being the resultant net realised profit from sales of land for other than residential purposes to the Commonwealth of Australia, industries, retailers, municipalities for reserves, church institutions and to the Education Department for school sites.

Interest Receivable Reserve—House Purchasers, \$25 550 931.—The stated purpose of the Reserve is to provide, on account of each sale on terms, for the payment of interest on the relevant proportion of the Commission's loan liability over the period commencing immediately after the date of final payment by the purchaser concerned, in terms of his Contract of Sale, and ending at the date of redemption of the outstanding proportion of the Commission's loan from the Commonwealth or State in respect of the unit involved.

Details of movements in this Reserve for the year are as follows :—

	\$	\$
Balance at credit 1 July 1977.. .. .		21 809 074
Add—		
Appropriation House Sales Trading Account	1 861 753	
Interest received—Rental Revenue Account	1 880 104	3 741 857
	<hr/>	<hr/>
Balance at credit 30 June 1978		25 550 931

Depreciation.—No provision has been made out of revenue for depreciation of houses. The charge to revenue on account of debt redemption has so far been regarded by the Commission as a reasonable substitute for depreciation, as it provides for amortisation over a period of 53 years.

Accumulated Surplus, \$37 398 296.—The variations in this account during the year are shown below :—

	\$	\$
Balance—1 July 1977 .. .. .	..	31 909 488
<i>Add—</i>		
Surplus—Urban Land Council	147 819	
Amount written back to Revenue from Loan Redemption Reserve	1 011 924	
Credit Balance, General Revenue Account	4 610 333	
	<hr/>	5 770 076
		<hr/>
<i>Less</i> Net Adjustment of Realised Profit of former years due to capital cost variations and cancellation of sales contracts, etc. ..		281 268
		<hr/>
Balance—30 June 1978 .. .. .	..	<u>37 398 296</u>

Development Management Services Pty. Ltd.

The above company has been employed by the Commission to assist with the development of the Goonawarra (Sunbury) project.

At 30 June 1978, the company and the Commission had not entered into a firm contractual commitment. However, a proposed sealed agreement submitted by the company in December 1977 was mutually agreed upon and adhered to by the Commission and, with adjustments, was formally signed by the Commission in September 1978.

Under this arrangement, the company is paid \$75 000 per annum management fee (subject to cost of living adjustments) and is reimbursed for all expenses incurred, as it is deemed to be fully engaged on the project.

T.B.S. items (i.e. Items To Be Supplied)

In July 1978, a former Housing Commission officer at Horsham was sentenced to twelve months imprisonment on charges, involving goods and money totalling \$7 000, most of which involved T.B.S. items.

These items comprise baths, windows, gas stoves, cupboards etc., and are supplied free of charge by the Housing Commission to its maintenance, modernisation and building contractors.

The accounting system relating to T.B.S. items is complex and involves several branches of the Housing Commission and Holmesglen Constructions, suppliers and contractors.

The case disclosed certain weaknesses of internal control and the Commission is investigating the system with a view to removing these weaknesses.

LATROBE VALLEY WATER AND SEWERAGE BOARD

Functions of the Board include the maintenance of adequate supplies of water and the disposal of industrial and domestic waste.

Total advances to the Board by the State to 30 June 1978 for expenditure on capital works amounted to \$19 693 494. A further \$2 950 000 has been raised from private loans, including \$1 000 000 during 1977-78.

During the year, the Board, as agent of the Environment Protection Authority, incurred operating expenditure of \$475 442 and capital expenditure of \$17 017. This expenditure was recouped from the Authority.

Fees for Environment Protection Authority licences issued by the Board, \$13 378, were remitted to the Treasury.

The Board's Revenue Accounts for the past two years are compared :—

DISPOSAL AREA REVENUE ACCOUNT

1976-77 \$							1977-78 \$ \$		
<i>Income—</i>									
5 589	Rental, Board Properties	..	..	..	..	..	6 258	
3 560	Sundry	..	..	..	..	..	6 049	
21 328	Profit—Cattle Trading Account	..	..	..	..	..	35 517	
81 281	Profit—Sheep Trading Account	..	..	..	..	..	63 064	
111 758								110 888	
<i>Expenditure—</i>									
242 924	Farm Operation and Maintenance	..	..	..	..	..	246 877	
64 228	Interest on Loans and on Overdraft	..	..	..	..	..	131 825	
19 738	Administrative and Sundry Expenses	..	..	..	..	..	10 590	
4 668	Maintenance Farm Dwellings	..	..	..	..	..	4 347	
19 916	Provision for Depreciation	..	..	..	..	..	20 472	
351 474								414 111	
239 716	Deficit transferred to General Revenue Account							303 223	

GENERAL REVENUE ACCOUNT

\$							\$ \$		
<i>Income—</i>									
1 284 270	Water Charges	..	..	..	..	..	1 369 767	
653 928	Disposal Charges	..	..	..	..	..	680 385	
459 450	Recoups from Environment Protection Authority	..	..	..	..	..	492 459	
15 917	Licence Fees	..	..	..	..	..	13 378	
224 989	Other	..	..	..	..	..	228 961	
2 638 554								2 784 950	
<i>Expenditure—</i>									
560 604	Interest on Loans	..	..	..	..	..	576 626	
90 067	Depreciation	..	..	..	..	..	93 091	
417 829	Maintenance and Operation of Works	..	..	..	..	..	461 790	
543 389	Overhead Services	..	..	..	..	..	620 217	
459 450	Environment Protection	..	..	..	..	..	492 459	
15 917	State Treasury—Licence Fees	..	..	..	..	..	13 378	
2 087 256								2 257 561	
551 298	Surplus for year							527 389	
239 716	Deficit on Disposal Area Revenue Account							303 223	
311 582	<i>Net surplus for year</i>							224 166	

The Board's balances at 30 June 1977, and 1978, are summarised hereunder :—

30.6.77		30.6.78
\$		\$ \$
	Current Assets—	
9 933	Cash at Bank	10 215
7 707	Stores, Tools, etc.	9 220
132 105	Livestock, Wool and Ensilage on Hand	128 942
310 740	Debtors and Prepayments, etc.	354 500
		<u>502 877</u>
3 274 545	Investments	3 973 167*
	Fixed Assets—	
19 376 190	Works (including Works in Progress)	20 366 310
532 633	Plant and Equipment	573 196
506 306	Land, Buildings, Residences	521 550
83 613	Office and Laboratory Equipment	101 305
284 298	Environment Protection—Land, Buildings, Equipment, etc.	312 588
		<u>21 874 949</u>
20 783 040		
2 769 123	Less Depreciation	3 141 314
		<u>18 733 635</u>
18 013 917		
	Intangibles—	
523 709	Interest on Works during Construction	523 709
		<u>23 733 388</u>
22 272 656		
	Current Liabilities—	
308 436	Bank Overdraft	215 926
12 519	Sundry Creditors	140 842
137 126	Long Service Leave Provision	175 226
5 000	Staff Training Provision	10 000
		<u>541 994</u>
	Loan Liability—	
16 874 021	State of Victoria	16 736 063
1 907 350	Private Mortgage Loans	2 866 287
		<u>19 602 350</u>
18 781 371		
	Excess of Assets over Liabilities—Represented by—	
284 298	Grant and Contributions by Government of Victoria for Environment Protection Agency Assets	312 587
155 001	Capital Expenditure borne by the State	155 001
55 000	Grant by Government of Victoria	355 000
600 310	Appropriation for Plant Renewals, etc.	598 220
1 544 415	Loans Redeemed Reserve	1 723 438
136 000	Capital Facility Reserve	136 000
67 800	Plantation Reserve	74 800
15 000	Water Re-use Study at Dutson Reserve	15 000
2 922	Loan Sinking Funds Reserve	9 636
167 458	Accumulated Surplus	209 362
		<u>3 589 044</u>
22 272 656		<u>23 733 388</u>

* Consisting of Inscribed Stock \$1 474 109, Mortgage Loans \$965 000, Short Term Deposits \$877 867 and other \$656 191.

LOCAL AUTHORITIES SUPERANNUATION BOARD

The Board operates under the provisions of the *Local Authorities Superannuation Act 1958* and is responsible for the administration of separate schemes to provide pensions, retiring allowances and disability benefits for permanent employees of local governing bodies. The salient features of the various schemes are given below :—

Insurance.—Under this scheme an employee was required to effect, with an approved company, a policy of endowment insurance, the amount of the policy being that obtainable for an annual premium equivalent to 7 per cent. of the salary of the employee. No new policies are being written under this scheme as it has been superseded by the Benefit Contracts scheme.

Provident Fund.—The purpose of this Fund was to provide a lump sum, payable to or in respect of any employee upon his withdrawal, retirement or prior death where he was ineligible, in whole or in part, to contribute to the Benefit Contracts scheme. The annual contribution payable in respect of any such employee was 7 per cent. of so much of his salary as was subject to the Provident Fund scheme. Contributions are no longer being received into this Fund.

Benefit Contracts.—The Board is empowered to enter into contracts with eligible persons to provide benefits by way of superannuation, annuities, retiring allowances or payments on death. To date, benefits provided have been by way of lump sum payment upon withdrawal, retirement or death. Except where an agreement has been made between an employee and an authority for a rate in excess of 7 per cent., the annual premium payable in respect of each permanent employee is 7 per cent. of salary. Benefits are paid in accordance with tables contained in Regulations under the Act.

In addition, employing authorities are required to make contributions equal to 1.75 per cent. of the salaries of eligible employees for disability benefits. The Board is authorised to make payments to a disability beneficiary of such amounts and at such times as it decides.

Pensions Accounts.—These accounts were established pursuant to the provisions of the *Local Authorities Superannuation (Pensions) Act 1975*, which came into operation on the 1 January 1976. This Act amended the *Local Authorities Superannuation Act 1958* and enabled the Authority to enter into contracts and receive contributions towards a pension scheme. Pensions are to be paid in accordance with the provisions of the Act.

Premiums and contributions are payable annually in advance by the employing Authority, which is then entitled to recover from each employee, by instalments over the ensuing year, one-half of the amount paid on the employee's behalf or such lesser proportion as is mutually agreed.

Administrative costs of the Board are met from the Management Account, the income of which is derived from allocations from the Benefit Contracts Account and the Disability Fund, and from interest on investments, rent and computer bureau fees.

The accounts for the year ended 28 February 1977 were not available for audit until August 1978, and were, therefore, not available for inclusion in last year's Report. The accounts for the year ended 28 February 1978 are not available for inclusion in this Report.

As this is the third successive year in which the accounts for the year under review have not been so available, the position is considered to be most unsatisfactory.

MANAGEMENT ACCOUNT

	1975-76	1976-77
<i>Income</i>	\$	\$
Interest on Investments	40 216	29 983
Contribution to Administration—		
From Benefit Contracts Account and Disability Fund	1 108 001	1 404 047
From Pension (Authorities) Fund Account	18 805	141 050
Rent	9 144	21 046
Computer Bureau Fees	726 404	1 125 707
	1 902 570	2 721 833

PROVIDENT FUND

							1975-76	1976-77
							\$	\$
<i>Receipts</i>								
Balance 1 March	..	..	..	..	..	..	9 763	43 794
Interest on Investments	..	..	..	..	..	..	145 095	159 493
Investments Redeemed	..	..	..	..	..	..	124 690	181 188
Transfer Withdrawals—Disability Beneficiaries	..	..	..	..	..	..	..	21 858
							<u>279 548</u>	<u>406 333</u>
<i>Payments</i>								
Death Claims	..	..	..	..	..	..	7 685	14 033
Resignations and Retirements	..	..	..	..	..	..	222 218	306 164
Additional Interest	..	..	..	..	..	..	5 851	5 915
Balance at end of year	..	..	..	..	..	..	43 794	80 221
							<u>279 548</u>	<u>406 333</u>

The position of the Provident Fund at 29 February 1976 and 28 February 1977 was :—

							1976	1977
							\$	\$
Contributors' Credits	..	..	..	..	..	..	2 147 690	1 951 395
Unallotted Interest	..	..	..	..	..	..	216 823	218 157
Sundry Creditors	..	..	..	..	..	..	28 670	73 282
							<u>2 393 183</u>	<u>2 242 834</u>
<i>Represented by—</i>								
Cash	..	..	..	..	..	..	43 794	80 221
Investments	..	..	..	..	..	..	2 294 872	2 113 684*
Sundry Debtors	..	..	..	..	..	..	2 363	..
Accrued Interest	..	..	..	..	..	..	52 154	48 929
							<u>2 393 183</u>	<u>2 242 834</u>

*Consisting of Local Government \$1 745 884, Semi-government \$313 800 and Short-term \$54 000.

BENEFIT CONTRACTS ACCOUNT AND DISABILITY FUND ACCOUNT

							1975-76	1976-77
							\$	\$
<i>Income</i>								
Contract Premiums	..	..	..	..	..	..	13 953 473	17 557 006
Interest on Investments	..	..	..	..	..	..	4 580 512	6 006 713
Withdrawal Benefits—Disability Beneficiaries	..	..	..	..	..	..	382 906	21 858
							<u>18 916 891</u>	<u>23 585 577</u>
<i>Expenditure</i>								
Death Benefits	..	..	..	..	..	..	942 591	1 292 319
Withdrawal Benefits	..	..	..	..	..	..	2 740 045	3 811 873
Retirement Benefits	..	..	..	..	..	..	1 251 597	1 564 002
Contribution to Administration	..	..	..	..	..	..	1 108 001	1 404 047
Other	..	..	..	..	..	..	4 157	11 967
Disability Benefits	..	..	..	..	..	..	855 719	1 525 722
							<u>6 902 110</u>	<u>9 609 930</u>
Surplus	..	..	..	..	..	..	12 014 781	13 975 647

As at 29 February 1976 and 28 February 1977, the funds of the Benefit Contracts Account amounted to \$63 178 542 and \$77 154 189 respectively, and were represented by—

	1976	1977
	\$	\$
Investments	56 672 738	72 334 453*
Less Mortgage Reserve Account	35 906	57 517
	<u>56 636 832</u>	<u>72 276 936</u>
Add Net Current Assets	6 541 710	4 877 253
	<u>63 178 542</u>	<u>77 154 189</u>

*Consisting of Local Government \$41 792 175, Semi-government \$10 849 665, Mortgages \$11 085 750 and Property \$8 606 863.

LOCAL AUTHORITIES (PENSIONS) AUTHORITIES FUND ACCOUNT

Income

	1975-76	1976-77
	\$	\$
Contributions	192 872	1 462 797
Investment Income .. .. .	..	95 471
	<u>192 872</u>	<u>1 558 268</u>

Expenditure

Withdrawals—Refund Contributions .. .. .	..	72 052
Transfer to Pension Fund	773	340 846
Contribution to Administration	18 805	141 050
	<u>19 578</u>	<u>553 948</u>
Surplus	173 294	1 004 320

The position of the Fund at 29 February 1976 and 28 February 1977, was :—

	1976	1977
	\$	\$
Cash	83 778	50 321
Debtors' Contributions	108 782	99 394
Investments .. .. .	..	1 190 000†
	<u>192 560</u>	<u>1 339 715</u>
Less Creditors	19 266	162 101
Accumulated Funds	173 294	1 177 614

†Consisting of Interest Bearing Deposits \$1 070 000 and Short-term Money Market \$120 000.

LOCAL AUTHORITIES (PENSIONS) EMPLOYEES FUND ACCOUNT

Income

	1976	1977
	\$	\$
Contributions	569 439	4 479 051
Investment Income	3	324 982
	<u>569 442</u>	<u>4 804 033</u>

Expenditure

Withdrawals—Refund of Contributions .. .. .	..	438 360
Retirements—Transfer of Contributions	681	52 401
Disabilities—Transfer of Contributions	152	14 662
Deaths—Transfer of Contributions	233	10 896
	<u>1 066</u>	<u>516 319</u>
Surplus	568 376	4 287 714

The position of the Fund at 29 February 1976 and 28 February 1977 was :—

Cash	248 858	9 377
Investments .. .. .	..	4 634 706*
Debtors' Contributions	324 215	87 586
Sundry Debtors	9	242 574
	<hr/>	<hr/>
	573 082	4 974 243
<i>Less</i> Creditors	4 706	118 153
	<hr/>	<hr/>
Accumulated Funds	568 376	4 856 090
	<hr/>	<hr/>

*Consisting of Local Government \$2 864 706, Short-term Money Market \$1 130 000 and Interest Bearing Deposits \$640 000.

MARKETING BOARDS

The *Marketing of Primary Products Act* 1958 provides the machinery under which Boards may be constituted for the marketing of those primary products which, by proclamation of the Governor in Council, have been declared commodities under and for the purposes of the Act.

The legislation specifically provides that a Board so constituted shall not be deemed to represent the Crown for any purpose whatsoever, and thus no liability can accrue to the State as a result of the transactions of any such Board.

The accounts of Boards constituted under the Act are subject to audit by the Auditor-General. Comments on and summaries of the accounts of six Boards, namely, the Chicory, Citrus Fruit, Egg, Oats, Onion, and Tobacco Leaf Marketing Boards follow.

Chicory Marketing Board

Pursuant to the provisions of the *Marketing of Primary Products Act* 1958, the proclamation declaring chicory a commodity was revoked by the Governor in Council on 20 June 1978. On the same date, the Manager's appointment was terminated and he was appointed liquidator for the purpose of winding up the affairs of the Board.

The 1977 Pool consisted of 10 tonnes of chicory. Administrative expenditure charged to Pool Sales was limited to 6 per cent. of sales, i.e., \$269, pursuant to a Board resolution of 26 May 1976. The balance of the Reserve Fund at 31 March 1978 was \$7 730.

Citrus Fruit Marketing Board

Under the provisions of the *Marketing of Primary Products (Citrus Fruit) Act* 1973, the Board may enter into and carry out such contracts relating to the handling of citrus fruit as may, in the opinion of the Board, be necessary for orderly marketing.

The Board's directives and marketing policy, which are formulated in conjunction with the Murray Valley (N.S.W.) Citrus Marketing Board, are administered through a registered company, the Citrus Management Company Limited. The board of directors of this company includes certain members of both marketing boards.

The following statement shows the financial operations of the Board during the last two accounting periods ended 31 March 1977 and 31 March 1978 :—

1976-77		1977-78
\$		\$ \$
53 827	Service Fees	48 535
	<i>Less—Expenditure—</i>	
16 422	Board Members' Allowances and Travelling Expenses ..	16 135
10 000	Administrative Charges paid to the Citrus Management Company Ltd. for services rendered on behalf of the Board ..	10 000
2 830	Amortisation of Establishment Expenses	2 830
16 360	Salaries	20 670
11 830	General Expenses	16 021
57 442		65 656
(3 615)	Deficit for the year	(17 121)

The deficit for the year of \$17 121, less a prior year adjustment of \$150, increased the accumulated deficit of \$13 650 as at 31 March 1977 to \$30 621 as at 31 March 1978. The deficits were represented by the following :—

31.3.77						31.3.78
\$						\$
33 744	Bank Overdraft	..	..	..	..	49 868
16 184	Sundry Creditors	..	..	..	..	36 236
<hr/> 49 928						<hr/> 86 104
	<i>Less—</i>					
27 785	Service Fees due from Citrus Management Company Limited					49 820
8 493	Establishment Expenses (Net)	..	..	..	..	5 663
<hr/> 36 278						<hr/> 55 483
<hr/> 13 650	Accumulated Deficit	..	..	..	..	<hr/>30 621

During the year under review, the Board, together with the Murray Valley (NSW) Citrus Marketing Board, entered into agreements whereby both Boards jointly and severally agreed to guarantee the advances made by the bank to both the Citrus Management Co. Ltd., and the Citrus Marketing Co. Pty. Ltd., a wholly owned subsidiary of Citrus Management Co. Ltd., for amounts up to \$200 000 each.

The consolidated accumulated losses of the Citrus Management Co. Ltd., and the Citrus Marketing Co. Pty. Ltd., increased from \$36 049 at 31 December 1976 to \$158 817 at 31 December 1977.

Many payments made by way of reimbursements to the Citrus Management Co. Ltd., for expenses paid on behalf of the Board, could not be substantiated during the audit. Payments were allocated between the Board and the Company in an arbitrary and inconsistent manner and it appeared that there was no defined policy on the matter. My audit certificate to the accounts of the Board was qualified on the ground that the basis of allocation of expenditure by way of reimbursement to the Citrus Management Co. Ltd., by the Board could not be confirmed.

The Oats Marketing Board

The proclamation of 23 June 1970, declaring oats to be a commodity for the purposes of the Marketing of Primary Products Act, was revoked with effect from 15 November 1972. A liquidator was appointed for the purpose of winding up the affairs of the Board.

An audit of the liquidator's accounts has been completed and the Department of Agriculture was advised on 21 February 1978 that there was no audit objection to proceeding with the winding up.

There was no alteration to the summary of the liquidator's receipts and payments for the period 19 December 1972 to 19 August 1977, as disclosed on page 58 of my Supplementary Report for the year ended 30 June 1977.

Onion Marketing Board

Pursuant to Section 13 (5) of the *Marketing of Primary Products Act* 1958, the Governor in Council appointed a chartered accountant as liquidator of the Onion Marketing Board as from 19 November 1975 for the purpose of wholly winding up its affairs and the liquidator so appointed is still acting in the winding-up.

Delay in finalising the winding-up has occurred mainly because of legal proceedings in respect of a large shipment of onions exported to London, for which the Board is owed an amount of \$67 928.

In last year's Report I mentioned that because of unsatisfactory, incomplete and missing books and records, I was unable to verify the assets and liabilities of the Board at 19 November 1975, and therefore considered it necessary to qualify my certificate to the Balance Sheet.

I am informed by the Department of Agriculture that, despite repeated requests, the former Chairman of the Board has failed to provide any comment or explanation on the apparent inadequacies in the Board's accounting during his term of office.

Tobacco Leaf Marketing Board

A summary of the financial operations for the accounting periods ended 31 March 1977 and 1978 is set out hereunder.

1976-77		1977-78
\$		\$
20 603 458	Gross proceeds from sales of tobacco leaf	20 134 888
	<i>Applied to :—</i>	
386 315	Broker's Commission	377 529
97 064	Freight	101 866
31 776	Rehandling Charges	28 091
67 204	Commonwealth Tax Levy	65 231
371 697	Insurance	373 678
307 895	Marketing Board Charge	300 611
4 677	Other Expenses	1 384
1 569 903	Growers' Liens, Orders, etc.	2 399 534
17 766 927	Net Proceeds to Growers	16 486 964
<u>20 603 458</u>		<u>20 134 888</u>

The Board's charge of \$300 611 against the sales proceeds for 1977-78, together with other receipts, was expended as shown hereunder. The comparable figures for 1976-77 are also shown.

1976-77		1977-78
\$		\$
90 118	Board staff—salaries, superannuation, long service leave	100 172
13 949	Travelling expenses—other than Board members	18 341
30 666	Board members—allowances, travel and air fares	36 396
14 588	Expenses of Tobacco Quota Committee and Tobacco Quota Appeals Tribunal	17 598
22 186	Appraisers' fees and allowances	22 108
21 499	Depreciation	22 789
26 322	Industry surveys	31 131
42 852	Harvester trials	20 558
55 832	General and Administrative Expenses	55 902
158 013	Surplus	43 874
<u>476 025</u>		<u>368 869</u>

The Board's balances are summarised hereunder :

31.3.1977		31.3.1978
\$		\$
	<i>Assets—</i>	
139 815	Cash at Bank and on Hand (net)	133 331
100 000	Loan to Tobacco Industry Leaf Finance Agency	570 000
250 000	Loan to Quota Advance Payment Agency	250 000
5 047	Advances	6 285
28 711	Sundry Debtors	14 458
40 000	Advance Insurance Premium Payment .. .. .	..
..	Loan to Insurance Company	100 000
14 467	Long Service Leave Fund	18 720
89 783	Motor Vehicles and Plant (Cost less depreciation)	79 853
104 767	Land and Buildings	104 767
5 627	Sundry	7 379
<u>778 217</u>		<u>1 284 793</u>
	<i>Liabilities—</i>	
5 668	Sundry Creditors	3 680
61 079	Insurance Equalization	39 196
17 367	Provision for Long Service Leave	24 241
..	Funds accumulated in respect of Jervis leaf sold	479 699
635 915	Growers' Funds Brought Forward	694 103
158 013	Add Surplus for year	43 874
<u>878 042</u>		<u>737 977</u>
99 825	Less Amount distributed to growers .. .. .	..
<u>778 217</u>		<u>1 284 793</u>

The Victorian Egg Marketing Board

This Board administers the marketing of eggs and egg products in Victoria. It operates grading floors in Melbourne and Ballarat in addition to a number of receiving and selling depots which are situated in both metropolitan and country areas. Grading and selling operations are also conducted on behalf of the Board by its authorised agents, producer agents and distributors. Pulp is manufactured by the Board in its factory in Melbourne.

Pursuant to the provisions of the *Poultry Levy (Collection Arrangement) Act 1965*, the Board is responsible for the collection of a hen levy on behalf of the Commonwealth. An amount of \$2 805 901 (subject to final adjustment) was made available by the Commonwealth to the State, under the provisions of the Commonwealth's *Poultry Industry Assistance Act 1965*, for the assistance of the poultry industry in respect of the 1977-78 pool period.

The following statement shows the operations of the pools during the last two accounting periods.

1976-77		1977-78
\$		\$ \$
38 247 068*	Gross Sales	43 646 631*
2 004 566†	Reimbursement—Poultry Industry Trust Fund	2 614 226†
40 251 634		46 260 857
	<i>Less Cost of Sales—</i>	
32 008 579	Net Advances to Producers	36 795 603
6 137 699	Receiving, Grading, Packaging, Manufacturing and Associated Costs	7 266 489
38 146 278		44 062 092
(369 671)	(Decrease) Increase in Stock on Hand	503 265
38 515 949		43 558 827
1 735 685	Gross Operating Surplus	2 702 030
805 335	<i>Less Selling and Marketing Expenses</i>	1 374 068
840 687	Administrative Expenses	1 089 100
1 646 022		2 463 168
89 663	Net Operating Surplus	238 862
	<i>Non-operating—</i>	
4 059	Income	59 478
8 834	Expenses	74 954
(4 775)		(15 476)
84 888	Net Pool Surplus	223 386
271 527	Accumulated Surplus brought forward	223 362
	<i>Adjustments applicable to Pool Accounts (net)—</i>	
..	Current Pool	15 806‡
54 948	Past Pools	160 163
326 475		399 331
411 363		622 717
188 001	<i>Less Transfers to Reserve Fund</i>	330 456
223 362	Accumulated Surplus at close of Pool Period	292 261

* Subject to adjustment on final realisation of export sales from Australian Egg Board.

† Reimbursement for losses on export and from use of first quality eggs in local pulp and products.

‡ Depreciation charged during 1977-78 in excess of cost of certain assets.

The following is a statement of the Board's balances. Comparative figures at the end of the preceding pool period are also given.

The Board's funds were—

2.7.77		1.7.78
\$		\$
1 978 691	Reserve Fund	2 309 147
468 131	Surplus Distribution 1947-48 (ex Commonwealth)	468 131
	Accumulated Surplus—	
223 362	1976-77 .. .. .	..
..	1977-78	292 261
<u>2 670 184</u>		<u>3 069 539</u>

The Board's funds were represented by net assets as detailed hereunder :—

2.7.77		1.7.78
\$		\$
	Current Assets—	
883	Cash on Hand and at Bank	1 153
300 000	Short Term Deposit—State Bank	500 000
52 254	Claim on Poultry Industry Trust Fund	108 370
	Stock on Hand—	
520 459	Eggs and Egg Products at valuation	1 023 724
328 697	Packing materials at cost	306 769
43 462	Supplies at cost	49 183
<u>1 245 755</u>		<u>1 379 676</u>
	Debtors—	
1 659 644*	Trade and other	1 565 603*
361 070†	Australian Egg Board	690 055†
<u>2 020 714</u>		<u>2 255 658</u>
30 000	Less Provision for Doubtful Debts	30 000
<u>1 990 714</u>		<u>2 225 658</u>
<u>3 236 469</u>		<u>4 214 857</u>
	Less Current Liabilities—	
1 048 560	Creditors	1 203 494
119 455	Reserve Bank of Australia	401 024
5 129	Department of Primary Industry (Hen Levy)	37 007
345 473	Provision for Employees Long Service Leave, Annual Leave and Sick Pay	400 119
100 000	Special Advance—Poultry Industry Trust Fund	100 000
..	Term Loan—State Bank	12 696
<u>1 618 617</u>		<u>2 154 340</u>
<u>1 617 852</u>	Working Capital (Carried Forward)	<u>2 060 517</u>

* Includes \$338 797 claimed under insurance policy re loss on damaged egg pulp on hand 5 July 1975, and disposed of during 1975-76. The claim is subject to litigation.

† Subject to adjustment on final realisation of export sales.

2.7.77						1.7.78
\$						\$
1 617 852	Working Capital (Brought Forward)	..	..	..	..	2 060 517
	Fixed Assets (at cost)—					
552 653	Freehold Properties	..	..	..	..	973 422
15 947	Less Accumulated Depreciation	..	..	..	..	18 297
536 706						955 125
353 401	Leasehold Property	..	..	..	..	353 401
95 257	Less Accumulated Depreciation	..	..	..	..	105 651
258 144						247 750
1 013 140	Plant and Equipment	..	..	..	..	1 137 057
854 094*	Less Accumulated Depreciation	..	..	..	..	653 160
159 046						483 897
169 240	Motor Vehicles	..	..	..	..	181 170
96 479	Less Accumulated Depreciation	..	..	..	..	98 485
72 761						82 685
67 179	Office Machinery and Equipment	..	..	..	..	61 351
41 504*	Less Accumulated Depreciation	..	..	..	..	40 338
25 675						21 013
1 052 332						1 790 470
	Less Non-Current Liabilities—					
..	Term Loan—State Bank..	..	..	..	..	781 448
1 052 332						1 009 022
2 670 184						3 069 539

* Includes \$66 489 provided in excess of the cost of certain assets (Plant and Equipment \$66 340, Office Machinery and Equipment \$149), transferred to Reserve Fund in 1977-78

As in previous pool periods, the results of the year's operations have been affected by the valuation of stocks of eggs and egg products. The asset "Eggs and Egg Products" shown in the balance-sheet at \$1 023 724 has been valued at current local market prices after providing for storage and after deducting an additional and arbitrary amount of \$100 000 from the valuation of the stocks of egg products. This arbitrary reduction has resulted in the understatement of the value of stocks on hand, compared with current local market prices, at 1 July 1978, and has the effect of providing a reserve of \$100 000 not incorporated in the accounts.

Depreciation totalling \$66 489 provided in excess of the cost of certain assets in 1976-77 together with an excess amount of \$15 806 in respect of 1977-78 has been transferred to Reserve Fund as part of the total transfer in 1977-78 of \$330 456 approved by the Governor in Council.

Construction works associated with the move of the Board's premises from Port Melbourne to Dandenong commenced during 1977-78. Capital expenditure for the year totalled \$420 768. During the year, the Board obtained a loan of \$800 000 from the State Bank, repayable over twenty years, to help finance the project. At 1 July 1978, a capital commitment of \$4 100 000 existed in respect of these works.

Pursuant to the provisions of the *Egg Industry Stabilization Act 1973*, proclaimed to operate from 3 April 1974, the Poultry Farmer Licensing Committee and the Poultry Farmer Licensing Review Committee were constituted. The Licensing Committee has the power to grant licences which fix hen quotas in respect of egg production and may also grant permits to poultry farmers to keep hens for special purposes. The Review Committee is empowered, after hearing appeals, to vary decisions of the Licensing Committee.

All moneys received by the Licensing Committee are payable to the Victorian Egg Marketing Board when requested by the Board. The remuneration and allowances payable to the members of the two Committees together with all other costs of administration are met from the funds of the Board. In 1977-78, fees received on account of applications for licences amounted to \$8 670 compared with \$9 010 in the previous year. Expenditure incurred in the administration of the Act increased from \$57 434 in 1976-77 to \$70 349 in 1977-78.

MELBOURNE AND METROPOLITAN BOARD OF WORKS

The Melbourne and Metropolitan Board of Works is constituted under the provisions of the *Melbourne and Metropolitan Board of Works Act 1958*. The principal functions of the Board are to supply water, provide sewerage facilities and carry out drainage and river improvement works within the metropolis of Melbourne, as defined by the Act. In addition, the Board, under the provisions of the *Town and Country Planning Act 1961*, is a responsible authority for the preparation of planning schemes in the metropolitan area.

The costs of carrying out the above functions are financed generally by Loan borrowings, the levying of a Metropolitan General Rate to meet the costs of supplying water, sewerage and drainage facilities, and the levying of a Metropolitan Improvement Rate to meet the costs of carrying out the Board's planning functions.

The audit of the books and accounts of the Board for the year ended 30 June 1978 has been completed.

The Board's Revenue Accounts for the past two years are compared hereunder :—

1976-77		METROPOLITAN GENERAL FUND		1977-78	
\$		\$	\$	\$	
	Rates and Charges—				
67 189 109	Water Supply	73 950 921			
93 330 992	Sewerage	102 512 540			
11 882 298	Drainage and Rivers	13 713 085			
<u>172 402 399</u>					190 176 546
	Farm—				
229 303	Profit on cattle and sheep	420 451			
2 501	Sundry receipts	2 127			
<u>231 804</u>					422 578
<u>172 634 203</u>	Gross Revenue				<u>190 599 124</u>
	Working Expenses—				
21 997 683	Management	25 422 725			
43 241 065	Maintenance	48 961 555			
74 245 611	Interest	89 052 229			
<u>139 484 359</u>					<u>163 436 509</u>
<u>33 149 844</u>	Gross Surplus				<u>27 162 615</u>
	General Expenditure—				
1 128 274	Loan Flotation Expenses	671 776			
843 852	Staff Retiring Gratuities .. .. .	..		
4 964 973	Contributions to Superannuation Account	5 317 310			
1 018 589	Depreciation—Furniture and Fittings, Works Temporarily Capitalised, etc. ..	1 148 370			
<u>7 955 688</u>					7 137 456
	Statutory Expenditure—				
203 604	Fees for Municipal Valuations	443 682			
61 674	Contributions to Municipalities .. .. .	..		
					443 682
<u>8 220 966</u>	Carried forward				<u>7 581 138</u> <u>27 162 615</u>

1976-77		1977-78	
\$		\$	\$
8 220 966	Brought forward	7 581 138	27 162 615
Provisions and Transfers to Reserves—			
1 795 655	Renewals Fund	2 448 508	
2 726 728	Sinking Fund	3 172 317	
6 435 560	Loans Redeemed from Revenue Reserve ..	7 158 939	
	Fund for Replacement of Interior Fittings—		
100 000	Head Office Building	100 000	
400 000	Provision for Repayment of Funds Invested in Board's Buildings	400 000	
<u>11 457 943</u>		<u>13 279 764</u>	
19 678 909	Expenditure, etc. from Gross Surplus .. .. .	.. .. .	20 860 902
<u>13 470 935</u>			<u>6 301 713</u>
Appropriations from Revenue—			
5 900 000	General Reserve	5 900 000	
1 000 000	Provision for Long Service Leave .. .. .	..
2 000 000	Insurance Fund .. .. .	..
200 000	Provision for Doubtful Debts	200 000	
<u>9 100 000</u>		<u>6 100 000</u>	
Net Surplus Transferred to Rates Equalisation Fund—			
4 370 935	Metropolitan General Fund .. .. .	.. .. .	<u>201 713</u>

In addition to the yearly contributions to Renewals Fund, Sinking Fund and Loans Redeemed from Revenue Reserve, the Board also transferred \$5 900 000 to the General Reserve. This represents the amount appropriated from revenue for capital works for water supply, drainage and sewerage.

Payments of Gratuities during the year amounted to \$964 352, and were charged to construction costs and revenue expenditure.

At 30 June 1978, the Provision for Long Service Leave stood at \$7 630 499, with the liability of the Board, at that date, being approximately \$9 000 000.

Net interest charges amounted to \$89 052 229, and continued to be a heavy burden on the Board's revenue, being \$14 806 618 higher than the previous year. The percentage of rates and charges absorbed by interest was 46.83 compared with 43.07 in 1976-77.

METROPOLITAN IMPROVEMENT FUND

Details of the Revenue Account for the past two years are given below :—

1976-77		1977-78
\$		\$
	Revenue—	
13 660 978	Metropolitan Improvement Rate	13 547 770
..	Land Sales	741 438
967 257	Property Income (Net.)	1 090 554
1 715 958	Interest on Investments	2 067 574
<hr/>		<hr/>
16 344 193		17 447 336
	Less Expenditure—	
4 575 611	Management	4 863 659
304 565	Maintenance	453 489
119 718	Interest	209 655
339 269	Contribution to Superannuation Account	380 793
20 998	Fees for Valuations	40 862
1 372 500	Contribution to Melbourne Underground Rail Loop Authority	2 250 000
<hr/>		<hr/>
6 732 661		8 198 458
<hr/>		<hr/>
9 611 532		9 248 878
	Less Appropriated for Works—	
	Planning—	
5 557 278	Reserved Land and Acquisitions	2 180 593
	Metropolitan Parks—	
6 080 402	Land Acquisitions	6 629 215
32 202	Fixed Plant .. .. .	..
893 791	Construction Works	1 451 359
<hr/>		<hr/>
12 563 673		10 261 167
	Less Amount reimbursed to the Board for—	
		\$
1 643 811	Sales of Land	4 547 769
19 284	Miscellaneous Receipts	4 415
<hr/>		<hr/>
10 900 578		4 552 184
<hr/>		<hr/>
(1 289 046)	Net (Deficit) Surplus Transferred (from) to Rates Equalisation Fund—Metropolitan Improvement Fund	3 539 895

At 30 June 1978, the credit balances in the accounts of the Board relating to its planning were :—

	\$
Loan Liability—Loan 1477	800 000
Sinking Fund—Metropolitan Improvement Fund.. .. .	800 000
Contributions to Works—Metropolitan Improvement Fund	2 556 146
General Reserve—Metropolitan Improvement Fund	66 865 339
Rates Equalisation Fund—Metropolitan Improvement Fund	11 493 234
Superannuation Fund—Metropolitan Improvement Fund Equity	2 845 661
	<u>85 360 380</u>

These balances were represented by the following assets or capitalised expenditure :—

	\$	\$
Securities—Short Term		22 588 749
Advances to Municipalities		339 150
Arrears—Rates and Charges (estimate)		311 133
Sundry Debtors—		
Land Sales	5 669 530	
Accrued Interest	259 783	
Rent	38 300	
Cycle Path	4 520	
	<u>5 972 133</u>	
Less Sundry Creditors—Hired Plant	14 515	
		<u>5 957 618</u>
Reserved Land—held temporarily under Section 57, Act No. 6849	33 308 521	
Compensation under Section 42, Act No. 6849	2 047 380	
	<u>35 355 901</u>	
Metropolitan Parks—		
Capitalised Expenditure		25 881 692
		<u>90 434 243</u>
Less—		
Cash at Bank—overdrawn	2 664 598	
Amount due to Metropolitan General Fund	2 409 265	
	<u>5 073 863</u>	
		<u>85 360 380</u>

Assets and Liabilities and Funds—The statement hereunder shows the Assets and Liabilities and Funds of the Board at 30 June, in each of the past two years :—

30.6.1977		30.6.1978
\$		\$ \$
	Loan Liability—	
149 321 447	From State Funds	176 106 335
64 939 979	From Commonwealth Funds	64 767 114
916 255 308	Other	1 017 547 707
<hr/>		<hr/>
1 130 516 734		1 258 421 156
	Deferred Liabilities—	
25 967 202	Superannuation Account.. .. .	31 431 949
6 630 499	Provision for Long Service Leave	7 630 499
<hr/>		<hr/>
32 597 701		39 062 448
	Funds and Reserves—	
72 031 547	Sinking Fund—Metropolitan General Fund	77 613 275
41 489 497	Loans Redeemed from Revenue Reserve	48 648 437
53 413 486	General Reserve—Metropolitan General Fund	60 365 389
87 620 181	Contribution to Works—Metropolitan General Fund	120 060 521
230 580	Replacement Fund—Interior Fittings, Head Office Building	364 185
800 000	Sinking Fund—Metropolitan Improvement Fund	800 000
2 514 864	Contribution to Works—Metropolitan Improvement Fund	2 556 146
7 953 339	Rates Equalisation Fund—Metropolitan Improvement Fund	11 493 235
61 142 295	General Reserve—Metropolitan Improvement Fund.. .. .	66 865 339
11 255 204	Rates Equalisation Fund—Metropolitan General Fund	11 456 917
	Special Reserve—	
5 607 904	Head Office Building	5 607 904
3 130 956	Contributions to Works .. .. .	..
7 908 875	Insurance Fund.. .. .	9 862 357
10 120 520	Sewage Disposal Contributions Reserve	13 536 522
7 406 032	Water Supply Contributions Reserve	9 137 255
2 776 957	Main Drainage Contributions Reserve	3 988 668
<hr/>		<hr/>
375 402 237		442 356 150
<hr/>		<hr/>
1 538 516 672		1 739 839 754
	Fixed Assets—	
515 931 400	Water Supply Works	622 597 276
700 769 057	Sewerage Works	772 444 885
74 097 656	Main Drainage and River Improvement Works	83 342 871
17 618 327	Metropolitan Parks	25 881 692
<hr/>		<hr/>
1 308 416 440	Carried forward	1 504 266 724

30.6.1977		30.6.1978
\$		\$
1 308 416 440	Brought forward	1 504 266 724
59 386 946	Buildings, Water Meters and Other Items	67 383 931
<hr/>		<hr/>
1 367 803 386		1 571 650 655
28 015 814	Less Renewals Fund	30 789 310
<hr/>		<hr/>
1 339 787 572		1 540 861 345
12 882 628	Plant and Tools	13 359 051
6 299 194	Motor Vehicles	7 814 344
1 431 700	Furniture and Fittings	1 349 418
<hr/>		<hr/>
1 360 401 094		1 563 384 158
<hr/>		<hr/>
35 835 407	Reserved Land—Metropolitan Improvement Fund—	
2 138 063	Acquired Land	33 308 521
	Compensation for Loss	2 047 380
<hr/>		<hr/>
37 973 470		35 355 901
<hr/>		<hr/>
11 919 220	Investments—	
3 196 518	External—Stock—Short Term Securities, etc.	13 682 850
	Internal—Stock—Melbourne and Metropolitan Board of Works	4 237 098
<hr/>		<hr/>
15 115 738		17 919 948
<hr/>		<hr/>
	Current Assets—	
	Cash at Bank and on Hand—	\$
157 144	Metropolitan Improvement Fund .. .. .	..
313 151	Special Accounts	259 290
304 061	Cash on Hand	480 940
		<hr/>
		740 230
895 701	Advances to Contractors etc.	696 566
141 020 288	Securities—Short Term	127 841 107
<hr/>		<hr/>
7 306 340	Arrears of Rates and Charges	9 447 209
	Debtors—	
	Land Sales	6 098 665
9 397 332	Accrued Interest	5 283 494
3 308 111	Advances House Connections	3 842 146
3 602 618	Sundry	1 983 515
		<hr/>
		26 655 029
23 614 401	Less Provision for Doubtful Debts	600 000
400 000		<hr/>
		26 055 029
<hr/>		<hr/>
23 214 401	Stores and Materials on Hand	11 992 226
11 639 172	Livestock on Hand	1 178 398
1 199 241		<hr/>
<hr/>		<hr/>
178 743 159		168 503 556
<hr/>		<hr/>
1 592 233 461		1 785 163 563
<hr/>		<hr/>
2 229 114	Less Current Liabilities—	
	Metropolitan General Fund—Bank Overdraft	923 126
	Metropolitan Improvement Fund—Bank Overdraft	2 664 598
43 928 729	Sundry Creditors, Advances to the Board	40 146 886
9 654 562	Loan Interest, Matured Debentures, Inscribed Stock	11 387 234
<hr/>		<hr/>
55 812 405		55 121 844
<hr/>		<hr/>
1 536 421 056		1 730 041 719
<hr/>		<hr/>
807 211	Deferred Charges—	
1 288 405	Expenditure on Remedial Works—Head Office Building	2 942 039
	Distributable Expense Variance Account	6 855 996
		<hr/>
		9 798 035
<hr/>		<hr/>
1 538 516 672		1 739 839 754
<hr/>		<hr/>

The main credits during the year to Special Funds and the balances of those Funds at 30 June 1978 are shown hereunder :—

—	Contributions from Revenue	Interest Credited	Total Revenue Additions to Fund	Credit Balance at 30 June 1978
	\$	\$	\$	\$
Sinking Fund	3 172 317	2 409 411	5 581 728	77 613 275
Loans Redeemed from Revenue Reserve ..	7 158 939	..	7 158 939	48 648 437
Renewals Fund	2 448 508	740 210	3 188 718	30 789 310
Superannuation Fund	5 698 103	1 401 269	7 099 372	31 431 949

In addition to the Funds listed above, there are other Provisions and Reserves with credit balances to the sum of \$292 935 627 at 30 June 1978. Thus, the sum of the Board's Funds and Reserves at that date was \$481 418 598. Of this sum, \$145 694 855 was invested and \$335 723 743 was utilised in the Board's undertakings.

The amount of \$3 130 956, which stood to the credit of the Special Reserve—Contribution to Works at 30 June 1977, was transferred during the year to Sewage Disposal and Water Supply Contributions Reserves.

Deferred Charges at 30 June 1978 amounted to \$9 798 035 and were represented by :—

the temporarily capitalised amount of \$2 942 039, which the Board has paid for repairs to and restoration of the facade of its Head Office building, and in respect of which legal action is being taken for recovery ; and

the balance of the Distributable Expense Variance Account, \$6 855 996, which comprises unrecovered overhead accounts and work-in-progress accounts amounting to \$7 234 185, which were offset by miscellaneous clearing accounts having balances of \$378 189.

In previous years, amounts transferred to the Insurance Fund in respect of the equivalent of premium for motor vehicle insurance, the amount provided for fire insurance on certain of the Board's depots, and the amount provided to meet the excess of legal liability on workers compensation claims, have been charged to Management Expenses in the Metropolitan General Fund and Metropolitan Improvement Fund Revenue Accounts. Where the Board considered that, to provide adequate cover for its self insurance program, additional contributions should be made to the Fund, such contributions have been appropriated.

During the year under review, the Board charged Management Expenses in respect of motor vehicle, fire and workers compensation insurance. Management Expenses were also charged with a further \$1 000 000 which the Board considered was the contribution necessary to enable the Fund to adequately cover the insurance program.

As indicated in a note to the Board's accounts, the charging of \$1 000 000 to Management Expenses is a departure from previous accounting treatment.

In addition to transfers to the Fund, either charged to Management Expenses or appropriated, the Fund is also credited with amounts recovered through labour oncost in respect of public liability and Contractors All Risk insurance.

The item "Contribution to Works—Metropolitan General Fund" includes the sum of \$4 724 625 provided by the State from the Works and Services Account for fluoridation of the water supply under the control of the Board.

The increase of \$6 951 903 in the General Reserve—Metropolitan General Fund was accounted for as follows :—

	\$
Capital Works financed from Revenue (Appropriation)	5 900 000
Profit on sale of properties	492 765
National Debt Sinking Fund—Commonwealth Contribution	14 125
Profit on sale of Miscellaneous Assets	138 922
Repayment of Superannuation Funds invested in Board's building ..	400 000
Miscellaneous	6 091
	6 951 903

Loans raised under Section 187 of the *Melbourne and Metropolitan Board of Works Act 1958* may not exceed a maximum of \$1 300 000 000 and at 30 June 1978 the Board's total liability in respect of such loans stood at \$1 016 747 707. Additional sums have been advanced by way of loan by the Treasurer of Victoria under the provisions of Section 200 of the Act and liability in respect of these advances totalled \$240 873 449 at the close of the year. These advances are not subject to a statutory maximum.

Included in the Board's liability under Section 200 is the amount of \$64 767 114, in respect of loans made by the Commonwealth under its *Urban and Regional Development (Financial Assistance) Acts 1974 and 1975*, to assist the State to overcome a backlog of sewerage works.

The increase in fixed assets financed from loan moneys and the Board's internal resources amounted to \$205 756 560. Major increases were :—

	\$
Reservoir and Conduit Construction, etc.	66 435 576
Water Supply—extension large mains	18 776 885
Water Supply—reticulation, water meters, etc.	14 670 311
Water Supply—treatment and fluoridation plants	3 651 841
Construction and Amplification—sewage disposal, etc.—Farm	429 084
Sewerage—extension mains, purification plants, etc.	69 786 524
Sewerage Pumping Stations	1 207 466
Main Drains and River Improvements—extensions, etc.	9 245 215

MELBOURNE AND METROPOLITAN TRAMWAYS BOARD

In the conduct of the audit of the accounts, the continuous checking of receipts and vouching of disbursements carried out by the Board's auditors—a firm of chartered accountants—have been accepted.

The Board's Revenue Accounts for the past two years are compared :—

<i>Revenue</i>		1976-77	1977-78
		\$	\$
Traffic Receipts—Tram		26 532 274	27 815 729
Bus		5 661 623	5 730 146
Miscellaneous—Operating Receipts		179 253	194 775
Non-operating Receipts		458 420	551 015
Received from the Drivers' Licence Suspense Account		115 982	1 927 000
Total Revenue		32 947 552	36 218 665
<i>Expenditure</i>			
Traffic Operation Costs—Tram		22 871 595	24 826 289
Bus		6 275 893	6 882 272
Maintenance—Permanent Way		1 827 088	1 667 329
Tramcars		6 249 230	6 981 888
Buses		2 837 081	3 181 493
Electrical Equipment		1 498 319	1 511 276
Buildings and Grounds		730 254	827 214
Traction Energy Costs		1 178 292	1 376 275
Fuel Oil (Buses)		560 974	661 450
Bus Licence Fees and Road Tax		1 090	1 595
General Administration and Supply Department Costs		3 598 357	4 050 927
Workers Compensation Insurance		2 705 492	*Cr. 154 893
Payroll Tax		2 191 280	2 280 801
Interest on Capital Debt		3 094 109	4 440 473
Depreciation and Amortisation Provisions		1 478 409	1 779 770
Charges for—Accrued Sick Leave		164 558	216 108
Long Service Leave		1 138 064	1 281 938
Retiring Gratuities		1 785 190	2 122 369
Public Liability Claims		852 785	1 317 007
Non-operating expenses		186 255	240 654
Total Expenditure		61 224 315	65 492 235
Result for year		Deficit 28 276 763	Deficit 29 273 570

*This credit resulted from over-estimates, over a period of several years, of the Workers Compensation Premiums payable by the Board.

The Board's balances at 30 June 1977 and 1978, are summarised hereunder :—

30.6.77		30.6.78
\$		\$
Current Assets—		
149 731	Balances at Bank and Cash in Hand	297 619
450 604	Sundry Debtors	396 956
4 677 265	Stores on Hand and Work in Progress	6 973 085
5 277 600		7 667 660
Fixed Assets—		
23 031 506	Permanent Way, Overhead Construction, Transmission Lines	23 898 460
29 555 591	Rolling Stock	38 816 038
5 832 822	Land and Buildings	6 329 814
4 553 120	Plant, Furniture and Fittings, etc.	5 038 296
62 973 039		74 082 608
24 097 153	Less Provision for Depreciation	25 220 621
38 875 886		48 861 987
44 153 486	Carried forward	56 529 647

30.6.77		30.6.78
\$		\$
44 153 486	Brought forward	56 529 647
Intangible Assets—		
1 006 967	Sundry Construction Charges	1 006 967
647 678	Contributions to Roads and Bridges	776 612
321 640	Alterations to Mains and Sewers	338 222
63 800	Expenditure on Proposed Tramways	63 800
2 040 085		2 185 601
1 699 354	Less Provision for Amortisation	1 738 879
340 731		446 722
5 550 287	Investments	4 646 000*
50 044 504	Total Assets	61 622 369
Current Liabilities—		
870 703	Bank Overdraft	1 017 597
1 286 438	Accounts Payable	5 010 335
1 626 101	Other	1 080 796
3 783 242		7 108 728
Accrued Liabilities—		
779 640	Interest on Loans	1 349 136
1 068 405	Public Liability Claims—Tram	1 131 905
214 050	Bus	356 550
1 934 026	Workers Compensation Insurance	600 000
1 340 964	Other	919 133
5 337 085		4 356 724
15 555 000	Special State Advance—Works and Services Account ..	15 555 000
71 741 018	Vote	99 782 018
87 296 018		115 337 018
45 724 675	Liability in respect of Loans from Banks, Superannuation Funds, etc.	54 413 298
142 141 020	Total Liabilities	181 215 768
The excess of Liabilities over Assets is represented by—		
73 565 456	The Accumulated Deficit brought forward 1 July	101 842 219
28 276 763	Plus—Deficit for year	29 273 570
101 842 219	Accumulated Deficit at 30 June	131 115 789
Less—Grants from Commonwealth for Tramlines constructed at its request		
157 573		157 573
2 181 181	Net Contributions towards Major Tramways Works constructed at the request of other Authorities	2 384 859
1 200 000	Grant from Country Roads Board—Tram Track Construction Project	1 585 576
6 206 949	Grants from Commonwealth under <i>States Grants (Urban Public Transport) Act 1974</i>	7 394 382
9 745 703		11 522 390
92 096 516		119 593 399

As a result of the writing back, in 1966–67, of the Specific Provisions for Accrued Sick Leave, Retiring Gratuities, Long Service Leave, etc., no provision now exists in the Board's accounts for such contingencies.

The revenue credit of \$1 927 000 from the Driver's Licence Suspense Account is the amount which was determined by the Treasurer as being payable in 1977–78 from that Account to the Board pursuant to Section 22E (3) of the *Motor Car Act 1958*. The payment is regarded as assistance towards meeting the cost to the Board of maintenance of roads along tram tracks and of debt charges on funds applied towards costs of roadworks.

The large deficits which have occurred regularly in recent years have reduced the Board's equity in the undertaking, calculated on Balance-sheet figures, to such an extent that for some years its liabilities have exceeded its assets. The advances from the State amounting to \$115 337 018 over the last six years indicate the amount of direct financial assistance given to the Board.

*Consisting of Inscribed Stock \$2 346 000, Short Term Money Market \$2 300 000.

The Board regards the provision for depreciation and amortisation as covering not only those two particular items but also the Board's sinking fund commitments. Supplementary records are kept to substantiate the sinking fund component of such provision. Details are :—

						30.6.77	30.6.78
						\$	\$
Provision for depreciation and amortisation	..	..	..	..	..	23 660 084	24 615 668
Sinking Fund	..	.	..	..	..	2 136 423	*2 343 832
Total Provision	..	..	..	..	..	<u>25 796 507</u>	<u>26 959 500</u>

* Of the investments of the Board amounting to \$4 646 000 at 30 June 1978, investments to the sum of \$2 343 832 were accepted as being held on behalf of the Sinking Fund.

MELBOURNE HARBOR TRUST

In the conduct of the audit of the accounts, the continuous checking of receipts and vouching of disbursements carried out by the Trust's auditors—a firm of chartered accountants—have been accepted.

Up till 30 June 1978, capital expenditure of a preliminary nature amounting to \$3 446 172 had been incurred in connection with the proposed construction of the World Trade Centre on Harbor Trust Land. At the time of preparation of this Report, a bill containing a provision approving the construction of the Centre and authorising the expenditure incurred had been introduced to Parliament.

The Trust's Revenue Accounts for the financial years 1976-77 and 1977-78 are shown in the following summary:—

						1976-77	1977-78
						\$	\$
<i>Revenue</i>							
Charges on Ships	..	..	..	..	..	4 247 321	4 438 260
Charges on Goods	..	..	..	..	..	18 663 268	17 794 520
Charges for Services—Cranes	..	..	..	..	..	2 382 960	2 089 493
Charges for Services—Other	..	..	..	..	..	434 136	373 726
Rents and Licence Fees from Lands	..	..	..	..	..	4 560 919	4 966 983
Other Revenue..	..	..	..	..	..	807 643	954 130
Total Revenue	..	..	..	..	..	<u>31 096 247</u>	<u>30 617 112</u>

Expenditure and Provisions

Payment to the Consolidated Fund	..	..	..	..	..	1 249 862	700 281
Operating Expenses	..	..	..	..	..	7 546 635	8 026 389
Maintenance	..	..	..	..	..	6 604 753	6 683 197
Interest on Loans	..	..	..	..	..	4 194 819	4 604 755
Administration	..	..	..	..	..	2 384 122	2 263 477
General Expenses	..	..	..	..	..	815 581	610 461
Provision for Depreciation	..	..	..	..	..	5 440 113	5 895 709
Provision for Insurance	..	..	..	..	..	507 175	537 363
Total Expenditure	..	..	..	..	..	<u>28 743 060</u>	<u>29 321 632</u>

Appropriations

Sinking Fund	..	..	..	..	..	1 000 000	1 000 000
General Reserve	..	..	..	..	..	1 000 000	..
Surplus	..	..	..	..	..	<u>353 187</u>	<u>295 480</u>

In addition to the provisions for depreciation and insurance appearing in the foregoing summary, the following provisions were made and absorbed in other expenditure accounts:—

						1976-77	1977-78
						\$	\$
Depreciation	..	..	..	..	..	993 761	1 105 846
Insurance	..	..	..	..	..	135 308	157 553
Superannuation Pensions	..	..	..	..	..	1 400 000	820 000
Service Grant Gratuities	..	..	..	..	..	20 000	100 000
Long Service Leave	..	..	..	..	..	450 000	450 000
						<u>2 999 069</u>	<u>2 633 399</u>

The following statement, based on the balance-sheet, analyses the sources of funds available to the Trust up to 30 June 1978, and the application thereof, and includes comparative figures at 30 June 1977 :—

30.6.77	<i>Source of Funds</i>					30.6.78	
\$						\$	\$
	<i>External—</i>						
61 302 540	Loan Liability	..	..	..	..	68 768 525	
10 808 650	Contributions to Capital Works	..	..	..	..	10 946 596	
3 623 988	Sundry Creditors	..	..	..	..	4 451 103	
1 043 356	Bank Overdraft	..	..	..	..	787 141	
45 158	Trust Accounts	..	..	..	..	53 315	
						85 006 680	
	<i>Internal—</i>						
16 233 184	Capital Redemption Reserve	..	..	..	..	17 475 199	
12 537 000	General Reserve	..	..	..	..	12 537 000	
4 931 274	Depreciation Adjustment Reserve	..	..	..	..	6 776 432	
4 779 680	Insurance Provision	..	..	..	..	5 082 994	
2 780 178	Superannuation Accounts	..	..	..	..	3 027 249	
46 835 990	Provision for Depreciation	..	..	..	..	51 672 866	
20 679	Provision for Periodical Maintenance	..	..	..	..	..
2 718 241	Provision for Pensions and Gratuities	..	..	..	..	2 713 306	
957 703	Provision for Long Service Leave	..	..	..	..	1 035 884	
3 077 254	Sinking Fund	..	..	..	..	3 042 406	
10 708 290	Revenue Account Balance	..	..	..	..	11 003 771	
						114 367 107	
182 403 165						199 373 787	
	<i>Application of Funds</i>						
166 818 444	Works of Construction and Plant (at cost)	..	..	..	..	183 846 389	
6 603 770	Investments (at cost) and Cash	..	..	..	..	6 353 830*	
	<i>Current Assets—</i>						
1 419 887	Sundry Debtors	..	..	..	..	1 918 044	
456 295	Advances for Housing	..	..	..	..	472 392	
2 608 740	Materials in Stock (at cost)	..	..	..	..	2 623 456	
						5 013 892	
2 373 617	General Reserve Fund Investments (at cost) and Cash	..	..	..	..	2 063 956†	
2 077 254	Sinking Fund Investments (at cost) and Cash	..	..	..	..	2 042 405‡	
45 158	Cash Held in Trust Accounts	..	..	..	..	53 315	
182 403 165						199 373 787	

* Consisting of Interest Bearing Term Deposits \$6 350 000 and Cash in Hand \$3 830.

† Consisting of Interest Bearing Term Deposits \$2 060 000 and Cash at Bank \$3 956.

‡ Consisting of Inscribed Stock \$1 565 684, Interest Bearing Term Deposits \$300 000, Savings Bonds \$100 000, Accrued Interest \$67 286 and Cash at Bank \$9 435.

MELBOURNE UNDERGROUND RAIL LOOP AUTHORITY

This Authority, which was constituted under the provisions of the *Melbourne Underground Rail Loop Act 1970*, is charged with the duty of supervising and co-ordinating the planning, financing and construction of an underground rail loop and ancillary works. It may also lease land, which is no longer required for Loop construction purposes, for re-development in accordance with the requirements of the Authority. Operations of the Authority commenced as from 1 February, 1971.

Provision is made in the legislation for operations to be financed from borrowings within Australia or overseas and from advances by the State, with a limit to the amount borrowed, at any time, of \$400 000 000. As at 30 June 1978, loan liability amounted to \$179 429 727 in respect of authorised borrowings secured by inscribed stock guaranteed by the State and advances from Works and Services Account. The Authority may also arrange temporary accommodation by way of bank overdraft or by such other means and to such limits as may be determined by the Treasurer. Repayment of any such temporary borrowing is guaranteed by the State.

Consequent upon the passing of the *Melbourne Underground Rail Loop (Amendment) Act 1977*, the Authority was empowered, as from 1 January 1977, to purchase or, with the consent of the Minister, compulsorily acquire, a certain area of land adjacent to land owned by the Authority within the City of Melbourne. Re-development powers in respect of such site were conferred on the Authority. The cost of land, plus expenses, totalled \$6 106 380 to 30 June 1978. Short term financing arrangements in connection with this purchase by the Authority were approved by the Treasurer of Victoria.

The Authority is also required to establish a Special Fund to record transactions relevant to this land purchase. Amounts required to be paid into the Fund include net proceeds of the sale of any land purchased or acquired, net proceeds of leases and interest received on investment of any moneys in the Fund. Moneys in the Special Fund shall be applied towards defraying the costs and expenses of purchasing or acquiring land, the repayment of moneys borrowed for such purpose, and payments to a sinking fund. The Treasurer may from time to time direct that moneys standing to the credit of the Special Fund, or such portion thereof as he requires, be paid into the Consolidated Fund. For the year 1977-78, there were no transactions in the Fund, and there was no balance at 30 June 1978.

Treasurer's Determination

The legislation provides that the Treasurer shall determine amounts required to be paid to the Authority each year for the purpose of defraying estimated expenses of administering the Melbourne Underground Rail Loop Act, the net loan redemption payments on general borrowings and the loan redemption payments relating to loans raised to finance land purchases under the provisions of Section 30A of the Act.

The Treasurer made no determination with respect to administrative expenses which are being capitalised in the accounts of the Authority and financed from general borrowings.

In accordance with the Act, as amended by the *Melbourne Underground Rail Loop (Financial Contributions) Act 1976*, the Treasurer determined, for 1977-78, that contributions to the net loan redemption payments totalling \$15 959 840 were payable to the Authority. Pursuant to the determination, the following amounts were received by the Authority during the year.

	\$
From—Victorian Railways Board—as determined by Treasurer	1 797 580
City of Melbourne—10 per cent of \$15 million	1 500 000
Melbourne and Metropolitan Board of Works—15 per cent of \$15 million	2 250 000
Consolidated Fund—the balance <i>re</i> General Borrowings	9 452 420
	<hr/>
	15 000 000
From—Consolidated Fund—Land Purchase Section 30A	959 580
	<hr/>
	15 959 580
Shortfall	260
	<hr/>
Treasurer's Determination	15 959 840
	<hr/>

The shortfall of \$260 will be adjusted in 1978-79 in accordance with Section 24 (5) of the *Melbourne Underground Rail Act 1970*.

Capital Expenditure

Expenditure on fixed assets for 1977-78 amounted to \$54.44 million (See page 73 of this Report). Included in the works expenditure figure of \$43.83 million was \$21.32 million for further construction costs of tunnels between the Jolimont railway yards and the proposed Parliament, Museum and Flagstaff Stations and \$10.80 million on those three underground stations. Also included were \$7.25 million on signalling and other works carried out by the Victorian Railways Board and \$4.41 million towards the overpass between Flinders and Spencer Streets to carry additional tracks.

At 30 June 1978, there were compensation claims outstanding in respect of land acquired by the Authority for which no provision has been made in the statement of financial position.

The financial position of the Authority as at 30 June 1977 and 1978 is set out hereunder. Fixed assets in the financial statement are shown at cost. No provision is made for depreciation.

30.6.77		\$	30.6.78	\$	\$
	Fixed Assets—				
120 128 612	Loop Development		173 341 050*		
120 744	Plant		120 851		
101 706	Office Furniture, Fittings and Equipment ..		88 154		
6 609	Motor Vehicle		6 609		
	Land Acquisitions and Expenses—				
6 101 014	Section 30A	6 106 380			
13 281 304	Other	14 515 914	20 622 294		
<u>139 739 989</u>					194 178 958
	Investments—Inscribed Stock, Fixed Deposits and Bonds				
545 678	Sinking Fund		935 299		
..	Staff Retirement Fund		33 061		
<u>545 678</u>					968 360
	Current Assets—				
2 704	Cash at Bank and on Hand		145 687		
5 000	Investments—Short Term		5 000		
38 125	Accrued Interest Receivable		45 442		
423 636	Prepayments		281 271		
..	Sundry Debtors		200 000		
<u>469 465</u>					677 400
	Intangibles—Capitalised Costs—				
2 724 154	Administrative Expenses		3 453 880		
20 622 642	Interest (Net)		36 330 121		
490 035	Contributions to Sinking Fund		803 435		
<u>23 836 831</u>					40 587 436
<u>164 591 963</u>					236 412 154
	Less Current Liabilities—				
2 069 906	Bank Overdraft	2 000 000			
4 000 000	Short Term Advances—Section 20	11 500 000			
1 215 000	Inscribed Stock Applications	100 000			
3 198 914	Sundry Creditors	871 390			
3 205 606	Accrued Interest Payable	4 294 508			
32 375	Contractors' Deposits	20 000	18 785 898		
<u>13 721 801</u>					
	Reserves—				
545 678	Sinking Fund Reserve	935 299			
..	Staff Retirement Fund	33 061	968 360		
<u>14 267 479</u>					19 754 258
<u>150 324 484</u>					<u>216 657 896</u>

* Includes \$3.84 million advance payments to contractors

The assets and expenses of the Authority have been financed as shown hereunder :—
1976-77 1977-78

\$	Contributions—Pursuant to Sections 25 and 26—	\$	\$
	To Loan Redemption Payments—		
5 148 373	Victorian Railways Board	6 945 953	
3 396 124	City of Melbourne	4 896 123	
3 853 624	Melbourne and Metropolitan Board of Works	6 103 624	
6 676 373	Consolidated Fund	17 088 373	
<hr/>		<hr/>	
19 074 494			35 034 073
	To Administrative Expenses—		
56 975	Victorian Railways Board		56 975
	To Capital Works—		
2 137 121	Victorian Railways Board		2 137 121
<hr/>			<hr/>
21 268 590			37 228 169
	Loans—		
127 074 813	Secured by Inscribed Stock	177 456 132	
1 981 081	Works and Services Account	1 973 595	
<hr/>		<hr/>	
129 055 894			179 429 727
<hr/>			<hr/>
150 324 484			216 657 896

A statement of the financial transactions of the Authority for the year ended 30 June 1978 is given :—

FUNDS AVAILABLE TO THE AUTHORITY

	\$	\$
<i>Contributions—pursuant to Sections 25 and 26—</i>		
Victorian Railways Board	1 797 580	
City of Melbourne	1 500 000	
Melbourne and Metropolitan Board of Works	2 250 000	
Consolidated Fund	10 412 260	
	<hr/>	
		15 959 840
<i>Borrowings—</i>		
Inscribed Stock	51 000 000	
Short Term Advances	9 500 000	
	<hr/>	
		60 500 000
<i>Interest—Receivable on Investments</i> .. .. .	..	985 008
		<hr/>
		77 444 848

FUNDS APPLIED BY THE AUTHORITY

<i>Capital Expenditure—</i>		
Works	43 834 694	
Advances to Contractors	1 354 013	
Consultancy	6 427 265	
Insurance	1 469 270	
Property Acquisitions and Expenses	1 239 976	
Sundry	113 751	
	<hr/>	
		54 438 969
<i>Administrative Expenses</i> .. .. .	..	729 726
<i>Loans—</i>		
Interest	16 692 487	
Reductions—Inscribed Stock	626 168	
—Short Term Advances	2 000 000	
Sinking Fund Contributions	313 400	
	<hr/>	
		19 632 055
<i>Decrease in Current Liabilities</i> .. .. .	..	2 435 903
<i>Increase in Current Assets</i> .. .. .	..	207 935
<i>Short Fall Loan Redemption Contributions (to be adjusted 1978-79)</i> .. .. .	..	260
		<hr/>
		77 444 848

MELBOURNE WHOLESALE FRUIT AND VEGETABLE MARKET TRUST

Pursuant to the provisions of the *Melbourne Wholesale Fruit and Vegetable Market Trust Act* 1977, the Melbourne Wholesale Fruit and Vegetable Market Trust was established as a body corporate. The Act requires the Trust to control, maintain and manage the Market and Market lands.

The Act provides for the Trust's accounts to be audited annually by the Auditor-General but the Trust, at the time of preparation of this Report, had not submitted its financial statements for audit for the period ended 30 June 1978.

METROPOLITAN FIRE BRIGADES BOARD

Under Section 48 of the *Metropolitan Fire Brigades Act 1958*, the Auditor-General is required to audit the accounts of all moneys received and disbursed by the Board. The accounts are periodically audited by a firm of Chartered Accountants appointed by the Board. These Auditors provide the Board with a certificate to the Balance Sheet and related statements.

The Board's revenue consists primarily of contributions from Fire Insurance Companies, Municipalities and the Consolidated Fund to meet the estimated annual expenditure of the Board, as provided under Sections 36 and 37 of the *Metropolitan Fire Brigades Act 1958*. In addition, brokers and owners are required to contribute where properties are insured with companies other than those licensed under Section 96 of the *Stamps Act 1958*.

The following statement, in which the figures relating to the financial year 1977-78 are subject to audit, shows receipts and disbursements for the past two years :—

1976-77		1977-78
\$	<i>Receipts</i>	\$ \$
	Statutory Contributions—	
19 262 308	Fire Insurance Companies	22 423 018
3 219 250	Municipalities	3 736 250
3 219 250	Treasurer of Victoria (Consolidated Fund)	3 736 250
356 515	Brokers and Owners	518 477
26 057 323		30 413 995
..	Telecommunications Commission Subsidy	359 904
2 091 326	Patrol Services, Testing and Inspecting Appliances	2 112 244
256 605	Sale of Materials, Property and Plant	472 305
181 896	Rents	204 455
632 922	Interest on Investments etc.	617 224
330 000	Investments—Short Term (Net) .. .. .	..
..	Long Term (Net)	1 200
48 965	Miscellaneous	50 082
1 265 391	Balance 30 June overdrawn	1 166 142
30 864 428		35 397 551
	Disbursements	
1 671 033	Balance 1 July overdrawn	1 265 391
20 875 365	Salaries and Wages	22 881 854
4 543 291	Maintenance etc.	5 658 548
2 106 925	Superannuation Contributions and Staff Insurance Subsidies	2 545 789
360 725	Purchases—Land and Buildings	781 564
285 746	Plant Machinery and Equipment	459 498
486 256	Rolling Stock	592 682
373 703	Interest on Loans	428 231
159 884	Loan Repayments	213 994
..	Investments—Short Term (Net)	570 000
1 500	Long Term (Net) .. .. .	..
30 864 428		35 397 551
An abridged statement of assets and liabilities and funds of the Board at 30 June 1977 and 1978, is set out hereunder :—		
30.6.77		30.6.78
\$	<i>Current Assets—</i>	\$ \$
156 012	Sundry Debtors	232 238
3 500 000	Investments—Short Term	4 070 000*
638 636	Stock on Hand (at cost)	726 949
4 294 648		5 029 187
	Fixed Assets (at cost less depreciation)—	
14 266 872	Land and Buildings	16 117 847
595 682	Plant, Machinery and Equipment	861 068
2 597 355	Rolling Stock	3 083 110
17 459 909		20 062 025
672 392	Investments—Long Term	671 192†
22 426 949	Total Assets	25 762 404

* Term Deposit \$1 600 000, Official short-term money market \$2 470 000.

† Inscribed stock \$289 992, Debentures in public company \$381 200.

30.6.77						30.6.78		
\$						\$	\$	
	<i>Current Liabilities—</i>							
1 265 391	Cash Balance Overdrawn (Net)	..	..	..	..	1 166 142	
12 521	Sundry Creditors .. ..	..	..	..	..	16 020	
<u>1 277 912</u>							1 182 162	
<u>4 936 321</u>	<i>Loan Liability</i> .. ..	..	..	..	..	..	5 722 327
	<i>Funds—</i>							
3 807	Florant Reward Fund .. ..	..	..	..	..	4 166	
150 349	Motor Replacement Fund .. ..	..	..	..	..	45 172	
1 595 321	Plant and Building Fund .. ..	..	..	..	..	1 647 583	
11 697	Recreation and Education Fund .. ..	..	..	..	..	12 000	
684 101	Special Service Fund .. ..	..	..	..	..	650 315	
<u>2 445 275</u>							<u>2 359 236</u>	
8 659 508	Total Liabilities and Funds .. ..	..	..	..	..	..	9 263 725
13 767 441	Excess of Assets over Liabilities .. ..	..	..	..	..	..	16 498 679
<u>22 426 949</u>							<u>25 762 404</u>	

METROPOLITAN FIRE BRIGADES SUPERANNUATION BOARD

The Metropolitan Fire Brigades Superannuation Board was constituted under the *Metropolitan Fire Brigades Superannuation Act 1976*, proclaimed to operate from 22 December 1976, for the purpose of establishing and administering the Metropolitan Fire Brigades Superannuation Fund.

Under the terms of the legislation, the Metropolitan Fire Brigades Board was required to assign to the Superannuation Board any policy of insurance held in respect to a superannuation scheme previously in operation. Subject to the Act, all powers, authorities, immunities, rights, obligations and duties previously exercisable by the Fire Board or by any other person on behalf of the Fire Board in relation to the superannuation scheme, together with any assets forming part of the scheme fund (No. 1 and No. 2 schemes), were required to be transferred to the Superannuation Board.

The revenue of the Superannuation Fund includes—

- (a) contributions by way of deduction from the salaries of Fire Board officers ;
- (b) payments by the Fire Board of a fixed percentage of the salary of each Board scheme contributor ;
- (c) reimbursement of contributions to premiums under an insurance scheme ; and
- (d) income from investments authorised under the Act.

Costs and expenses incurred in the administration of the Act, together with superannuation benefits payable pursuant to the Act and Regulations thereunder, are chargeable to the Fund.

The following statement, in which the figures relating to the financial year 1977-78 are subject to audit, shows income and expenditure of the Fund for the past two years :—

1976-77		INCOME AND EXPENDITURE		1977-78	
\$		<i>Income</i>		\$	\$
	Board Scheme Contributions—				
690 461	Contributors			1 516 485	
1 181 106	Fire Board			2 592 974	
443	Superannuation Board			3 268	
				4 112 727	
	Insurance Scheme Contributions—				
13 158	Members			19 929	
21 471	Fire Board			31 263	
				51 192	
	Special Superannuation Scheme Contributions—				
..	Members			2 082	
..	Fire Board			3 570	
				5 652	
1 228 308	Interest .. .. .			..	2 981 518
1 720	Dividends .. .. .			..	2 511
245	Commission .. .. .			..	2 833
1 752	Profit on Sale of Investments .. .. .			..	..
19 024	Profit on Realisation of Insurance Scheme Policies .. .. .			..	8 574
3 157 688				7 165 007	
	<i>Expenditure</i>				
	Benefits—				
690 066	Board Scheme			1 292 099	
46 525	No. 1 Scheme			152 549	
123 316	No. 2 Scheme			391 860	
..	Insurance Scheme			38 497	
				1 875 005	
	Administrative Costs—				
31 582	Salaries (including temporary staff)			55 210	
2 724	Printing, Stationery and Advertising			2 009	
2 681	Office Equipment			9 636	
1 900	Computer Consultants' Fees			8 670	
443	Superannuation			6 837	
2 910	Rent			9 007	
10 667	Other			21 643	
				113 012	
912 814					1 988 017
..	Loss on Sale of Investments .. .. .			..	235 547
912 814					2 223 564
2 244 874	Excess of Income over Expenditure .. .. .			..	4 941 443
3 157 688				7 165 007	

MOTOR ACCIDENTS BOARD

The *Motor Accidents Act* 1973 authorised the establishment of :—

- (i) the Motor Accidents Board, to provide for the payment of compensation to persons injured and to certain relatives of persons who die as the result of motor accidents ; and
- (ii) a Motor Accidents Tribunal, to decide appeals against decisions of the Board.

The three-year period relating to the Special Account, particulars of which have been given in previous Reports, ended on 11 February 1977. The surplus at 30 June 1978 was \$2 493 600, and outstanding benefit liability has been estimated to be \$140 000. The legislation does not provide for disbursement of any surplus and in my opinion the situation should be clarified.

Expenses and compensation payments granted by the Board as the result of motor accidents in respect of which no liability accrues to the Special Account are met from the General Account. This latter Account is financed from funds provided by authorised insurers (as defined in the Motor Car Act) and from surcharges imposed by the Motor Car Act and payable by certain drivers on renewal of their driving licences.

The Board is empowered, under certain circumstances and pursuant to the provisions of Section 65 of the *Motor Accidents Act* 1973, to require the authorised insurers to pay to the Board certain sums determined by it. In 1976-77, calls made under Section 65 amounted to \$11 108 000, and in 1977-78, to \$20 928 000. The General Account showed deficits of \$7 817 554 and \$6 198 334 in the two years, respectively.

Pursuant to the provisions of Section 63 of the *Motor Accidents Act* 1973, a continuous audit of the income and expenditure of the Board is made by auditors appointed by the Board. My statutory audit for 1977-78 has not yet been completed, and the figures shown hereunder in respect of that year are subject, therefore, to the completion of that audit.

SPECIAL ACCOUNT

1976-77		1977-78
\$		\$ \$
1 205 281	Deductions from Third Party Premiums .. .. .	..
177 394	Interest earned on Short Term Deposits	222 567
33 877	Medibank Receipts	3 672
<hr/> 1 416 552		<hr/> 226 239
	<i>Less—</i>	
201 628	Benefits Paid	145 239
21 150	Administrative Expenses	17 010
<hr/> 222 778		<hr/> 162 249
1 193 774	Surplus for Period	63 990
1 235 836	Balance brought forward	2 429 610
<hr/> 2 429 610	Balance at 30 June	<hr/> 2 493 600

GENERAL ACCOUNT

11 108 000	Calls on Authorised Insurers	20 928 000
93 155	Drivers' Licence Surcharges	113 530
357 526	Interest earned on Short Term Deposits	507 796
1 220 820	Medibank Receipts	132 315
<hr/> 12 779 501		<hr/> 21 681 641
	<i>Less—</i>	
18 641 630	Benefits Paid	25 227 516
1 955 425	Administrative Expenses	2 652 459
<hr/> 20 597 055		<hr/> 27 879 975
(7 817 554)	Deficit for Period	(6 198 334)
16 414 928	Surplus brought forward	8 597 374
<hr/> 8 597 374	Balance at 30 June	<hr/> 2 399 040

BALANCE SHEET

30.6.77		30.6.78
\$		\$
	Funds held by the Board—	
8 597 374	General Account	2 399 040
2 429 610	Special Account	2 493 600
<hr/>		<hr/>
11 026 984		4 892 640
	Represented by—	
	Current Assets—	
200	Cash on Hand	200
6 138	Prepayments	7 138
355 650	Sundry Debtors	153 652
4 529	Third Party Premiums Deductions Due .. .. .	..
9 100 000	Short Term Deposits at Bank	6 100 000
3 116 000	Unpaid Calls—Authorised Insurers .. .. .	..
<hr/>		<hr/>
12 582 517		6 260 990
	Less Current Liabilities and Provisions—	
1 585 149	Sundry Creditors and Accruals—(Note 1)	1 369 429
384 999	Bank	440 589
126 006	Provision for Long Service Leave	161 796
<hr/>		<hr/>
2 096 154		1 971 814
<hr/>		<hr/>
10 486 363		4 289 176
	Fixed Assets (at cost)—	
110 582	Office Partitions	129 569
56 103	Furniture and Fittings	74 328
97 976	Office Equipment	105 493
30 657	Motor Vehicles	39 448
<hr/>		<hr/>
295 318		348 838
32 697	Less Provision for Depreciation	63 374
<hr/>		<hr/>
262 621		285 464
	E.D.P. Development Expenses (Note 2)	478 000
278 000	Less Provision for Depreciation	160 000
<hr/>		<hr/>
278 000		318 000
<hr/>		<hr/>
11 026 984		4 892 640

The Board has appended the following explanatory notes to its accounts for the year ended 30 June 1978 :—

1. Sundry Creditors and Accruals include an amount of \$1 300 530 being June benefits payable, paid in July.
2. E.D.P. Development Expenses represent expenditure of a capital nature on development and implementation of systems.
Depreciation of \$160 000 has been charged for the estimated usage of the systems.
3. Outstanding Benefits Liability.

The liability for future benefits payable for accidents occurring up to and including 30 June 1978, including unreported accidents, was determined from an examination of case files over a selected period and has been estimated to be :

	\$
Special Account	140 000
General Account	28 162 932

4. No deductions from benefits were made in respect of Income Tax. A Supreme Court judgment delivered on 10 October 1978 found in favour of the Commissioner of Taxation in that benefits paid under Section 25 (1) of the *Motor Accidents Act* 1973, are taxable income to the applicant. Based on taxation rates applicable to the Board's total benefit payments under Sections 25 to 29 for the period 12 February 1974 to 30 June 1978, the contingent liability has been estimated not to exceed \$3 285 860.

The following audit comments are made :—

(1) E.D.P. Development Expenses (Note 2 above)—

In my opinion, the \$160 000 depreciation provided is inadequate, as system developments render a substantial portion of this item redundant.

(2) Outstanding Benefits Liability (Note 3 above)—

A new component, disputed hospital charges of \$2 040 000, has been included in the General Account estimate of \$28 162 932.

NATIONAL GALLERY OF VICTORIA

The Council of Trustees of the National Gallery of Victoria was constituted under the *National Gallery of Victoria Act 1966*. The functions of the Council are to :—

- (i) manage and control the National Gallery,
- (ii) maintain and develop the State collection of works of art,
- (iii) make material within the State collection available to persons, departments and institutions in such manner and subject to such conditions as the Council determines with a view to the most advantageous use of the State collection,
- (iv) carry out and make available such other services including the printing, publication and sale of books, information and reproductions in relation to pictures, works of art and art exhibits as the Council thinks fit,
- (v) assist in the promotion, organisation and supervision of art galleries and any body or association established for the promotion of art within Victoria,
- (vi) advise on matters of general policy relating to art galleries,
- (vii) make recommendations to the Minister on the allocation of any moneys made available by Parliament to assist art galleries, and
- (viii) carry out such other functions in connection with art galleries as the Minister from time to time directs.

The following statement of receipts and payments summarises the various transactions within the Trustees' accounts for the year ended 30 June 1978.

	<i>Receipts</i>	1977-78
		\$
Balance—1 July		8 777
Interest and Dividends		191 069
Exhibitions		254 705
Admission Charges		207 304
Donations and Bequests		576 845
Sale of books, publications and catalogues		416 131
Grants from auxiliaries, etc.		29 926
Subsidy from State Government (<i>re</i> Art Foundation)		500 000
Loan from State Government		260 000
Investments redeemed and matured		294 164
Hiring charges for the Great Hall		37 879
Restaurant—Share of turnover		29 506
Miscellaneous		18 322
		2 824 628

	<i>Payments</i>	\$
Purchase of investments		1 301 000
Exhibitions		262 155
Repayment of loan from State Government		130 000
Purchase of works of art, etc.		439 217
Purchase of books, publications, etc.		308 079
Scholarships and prizes		10 488
Administrative charges		75 681
Salaries and wages		54 654
Great Hall expenses		22 300
Building maintenance		31 026
Miscellaneous		63 485
Balance—30 June		126 543
		2 824 628

Investments held by the Trustees as at 30 June 1978 consisted of :—

	\$
Bank Interest Term Deposits	2 150 000
Government and Semi-Government Inscribed Stock	199 100
Australian Savings Bonds	100 000
Company debentures	83 000
Company shares	35 866*
Mortgage	39 000
	2 606 966

* Market Value as at 30 June 1978.

The above figures are subject to the completion of the audit.

PORTLAND HARBOR TRUST

Pursuant to the provisions of the *Portland Harbor Trust Act 1958* the exclusive management and control of the Port of Portland is vested in the Commissioners of the Trust.

This Act also provided authority for the Commissioners to erect and operate a grain terminal at Portland. However this authority was revoked under the provisions of the *Grain Elevators (Amendment) Act 1977* which came into operation on 1 July 1977 and the grain terminal and its operations were taken over by the Grain Elevators Board as from 1 November 1977.

Although the necessary contract documents containing the terms of the acquisition of the terminal and its facilities have not yet been finalised, the book value of the fixed assets of the terminal at 1 July 1977, \$2 380 961, less provision for depreciation of \$373 327, and also the loan liability in respect thereof amounting to \$2 000 000 have, in accordance with a tentative agreement, been excluded from the accounts of the Commissioners at 30 June 1978. The remaining balance of \$7 634 has been included as a sundry debtor at this stage. The question of the value of the land on which the grain terminal is built has also to be resolved.

The statement of revenue and expenditure and the abridged balance-sheet hereunder summarise the financial results of the operations of the Trust. After taking into consideration a State contribution of \$1 000 000, there was a deficit of \$94 329 on the year's operations. This compares with a surplus of \$108 834 in 1976-77.

Particulars of revenue and expenditure for the past two years are shown hereunder. The figures for 1977-78 are subject to audit.

1976-77			1977-78	
\$			\$	\$
	Operating Revenue—			
369 512	Wharfage Rates		504 797	
61 251	Tonnage Rates		94 615	
6 609	Slipway Charges and Licences		11 274	
399 496	Shipping Services		505 054	
..	Ship Loading		253 488	
72 762	Rent		73 649	
723 180	Handling Charges, etc.—Grain Terminal to 31 October 1977 ..		340 611	
28 370	Cool Store Operations		21 677	
915	Other		996	
1 662 095			1 806 161	
	Operating Expenditure—			
356 398	Administrative		428 554	
139 654	Maintenance		192 470	
444 310	Shipping Services		541 608	
395 933	Grain Terminal Expenses (including Depreciation) to 31 October 1977		151 325	
..	Ship Loading Expenses		137 718	
12 020	Depreciation—Harbor Works, etc.		12 380	
25 539	Cool Store Expenses		35 749	
1 373 854			1 499 804	
288 241	Operating Surplus			306 357
	Non-operating Revenue—			
3 068	Interest			15 496
291 309				321 853
	Non-operating Expenditure—			
1 402 418	Loan Interest		1 416 152	
57	Loan Flotation Expenses, etc.		30	
1 402 475			1 416 182	
1 111 166	Excess of Expenditure over Revenue			1 094 329
1 220 000	Contribution by State from the Consolidated Fund for maintenance of port facilities and for other purposes			1 000 000
108 834	Surplus (Deficit) for year			(94 329)
429 839	Accumulated Deficit at end of previous year		487 579	
56 419	Sinking Fund Provision		54 606	
110 155	Redemption of Loans		116 571	658 756
487 579	Accumulated Deficit at end of year			753 085

Loan interest shown in the above statement relates only to the interest payable in respect of inscribed stock and debentures issued by the Trust. Section 30 of the *Portland Harbor Trust Act* 1958 requires the Trust to meet interest charges and National Debt Sinking Fund contributions in respect of advances which have been made by the Treasurer, but, so far, the Treasurer has approved of payment of these amounts being deferred. At 30 June, the amounts so deferred were interest, \$3 583 235, and National Debt Sinking Fund contributions, \$444 389.

The following is an abridged statement of the Trust's balance-sheet :—

30.6.77.		30.6.78.
\$		\$ \$
	Current Liabilities—	
410 061	Sundry creditors and accrued charges	397 249
1 801	Other	2 406
<hr/>		<hr/>
411 862		399 655
	Deferred Liabilities—	
10 000	Treasury Advance .. .. .	..
24 223 653	Loan Liability	23 107 083
107 311	Provision for Long Service Leave	123 702
242 594	Other Provisions and Reserves	291 554
<hr/>		<hr/>
24 583 558		23 522 339
	Funds of the Trust—	
23 000	Endowments	22 908
1 726 326	Sinking Fund	1 923 768
965 347	Loans Redeemed Reserve	1 081 917
<hr/>		<hr/>
2 714 673		3 028 593
487 579	<i>Less—Accumulated Deficit</i>	753 085
<hr/>		<hr/>
2 227 094		2 275 508
<hr/>		<hr/>
27 222 514		26 197 502
	Current Assets—	
92 404	Cash	113 382
166 574	Stores	195 840
401 197	Other	352 898
		<hr/>
		662 120
3 038 540*	Investments	3 418 427*†
	Fixed Assets—	
11 379	Property Vested (<i>less</i> Written Off)	11 379
80 838	Other (<i>less</i> Depreciation)	79 890
20 978 394	Harbor Construction Works and Plant (<i>less</i> Depreciation) ..	22 025 686
2 453 188	Grain Terminal Construction Works and Plant (<i>less</i> Depreciation) .. .. .	..
		<hr/>
		22 116 955
<hr/>		<hr/>
27 222 514		26 197 502

Loan Liability at 30 June 1978 comprised advances from the Treasurer, \$3 822 900, (including \$24 900 discount and expenses on loans) and \$19 284 183 raised by the Trust by the issue of Inscribed Stock and Debentures.

Deferred Liabilities do not include the amount of \$3 583 235, interest accrued on advances from the Treasurer.

* Includes investments on account of Sinking Fund.

† Consisting of investments in semi-government Authorities \$1 760 600, Municipalities \$548 980, Water and Sewerage Authorities \$683 823 and Bank Deposits \$425 024.

PUBLIC TRUSTEE

The powers and duties of the Public Trustee are prescribed by the *Public Trustee Act 1958*. Funds of the estates administered by him do not form part of the Public Account. All receipts are paid into a Common Fund controlled by the Public Trustee as authorised by the Act. The statement below shows the composition of the Common Fund at 30 June 1977 and 1978.

	30.6.77	30.6.78
	\$	\$
Estates—Protected Persons, Deceased Persons, Trusts and Agencies ..	47 881 235	53 217 655
Moneys held in Trust for Minors	3 643 981	4 182 497
Unclaimed Moneys	2 016 974	2 162 392
Estates Guarantee and Reserve Account.. .. .	2 670 097	3 173 197
Interest Reserve	804 690	900 000
Suspense—Amounts pending allocation or adjustment	1 638	3 976
Building Depreciation Account	26 387	32 714
	<u>57 045 002</u>	<u>63 672 431</u>

The Common Fund was invested as follows :—

	30.6.77	30.6.78
	\$	\$
Inscribed Stock	6 413 600	7 389 600
Bank Term Deposit and Special Deposits	4 195 094	3 006 092
Loans to Municipal and other Statutory Bodies	3 850 268	3 824 222
Mortgages	38 674 765	45 200 991
Loan to Co-operative Housing Society	4 204	..
Cash at Bank and in Hand	613 900	949 953
Land and Buildings	3 293 171	3 301 573
	<u>57 045 002</u>	<u>63 672 431</u>

In addition to the funds held as the Common Fund, the Public Trustee had under his control, in respect of estates in the course of administration, real estate and other unrealised assets of a substantial value, and specific investments in government and semi-government securities which amounted to \$1 623 400 at 30 June 1978.

The *Public Trustee (Amendment) Act 1971* empowered the Public Trustee to apply moneys from the Common Fund, to a maximum of \$5 000 000, to purchase land and buildings for use by him in connection with his duties, powers or functions under the Public Trustee Act. To 30 June 1978, a sum of \$3 301 573 had been so applied.

The Public Trustee is required to establish a Building Operations Account and a Building Depreciation Account in respect of the investment in land and buildings. Gross rentals, \$509 716, were credited to the Building Operations Account for the year. After debiting operating expenses of \$121 925 in respect of the land and building at 168 Exhibition Street, Melbourne, and paying \$4 690 into the Building Depreciation Account, the balance of \$383 101 was transferred to the Interest Suspense Account, in terms of sub-section (8) of Section 56A of the Act.

Interest received from the investment of moneys forming part of the Common Fund is required by the Act to be paid into the Interest Suspense Account. From this Account there is payable in each year :—

- (i) to the credit of the respective estates represented in the Common Fund, interest at rates determined from time to time by the Public Trustee ; and
- (ii) such amount as the Public Trustee deems necessary for credit to the Estates Guarantee and Reserve Account for the purpose of meeting certain contingencies including losses which might arise on the sale of investments of the Common Fund.

At the end of the financial year, any remaining credit in the Interest Suspense Account is payable to the Consolidated Fund towards administrative costs.

Operations through the Suspense and Reserve Accounts for the financial years 1976-77 and 1977-78 were :—

1976-77	INTEREST SUSPENSE ACCOUNT				1977-78	
\$					\$	\$
5 776 089	Income from investments .. .. .	..	..	..	7 014 308	
386 868	Transfer from Building Operations Account .. .. .	..	..	..	383 101	
<u>6 162 957</u>						<u>7 397 409</u>
	Appropriations—					
3 740 651	Interest allocated to estates .. .. .	..	..	..	4 567 671	
804 690	Provision for interest payable to estates .. .. .	..	..	..	900 000	
154 000	Estates Guarantee and Reserve Account .. .. .	..	..	..	200 000	
1 463 616	Consolidated Fund .. .. .	..	..	..	1 729 738	
<u>6 162 957</u>						<u>7 397 409</u>

ESTATES GUARANTEE AND RESERVE ACCOUNT						
2 274 508	Balance at 1 July .. .. .	..	..	..	..	2 670 097
246 586	Interest credited on balance .. .. .	..	..	..	..	307 613
154 000	Transfer from Interest Suspense Account .. .. .	..	..	..	..	200 000
<u>2 675 094</u>						<u>3 177 710</u>
4 997	Less Legal costs and other expenses .. .. .	..	..	..	..	4 513
<u>2 670 097</u>	Balance at 30 June .. .. .	..	..	..	..	<u>3 173 197</u>

Moneys standing to the credit of this Reserve Account are invested as part of the Common Fund and the Account is credited with a share of the earnings of the Fund.

CONSOLIDATED FUND OPERATIONS

Receipts from the management of estates by way of fees and commission, as well as the interest contribution already mentioned, are paid into the Consolidated Fund, from which operating expenses are met. On this basis, the net result of operations for the year was a surplus of \$536 880 compared with a surplus of \$389 788 in the preceding year. Particulars are :—

1976-77					1977-78	
\$					\$	\$
	<i>Receipts—</i>					
1 406 349	Fees and Commission .. .. .	..	..	..	1 518 525	
1 463 616	Surplus—Interest Suspense Account .. .. .	..	..	..	1 729 738	
<u>2 869 965</u>						<u>3 248 263</u>
	<i>Less Payments—</i>					
2 101 737	Salaries, pay in lieu of long service leave, overtime and payroll tax ..	..	..	..	2 296 339	
293 436	Rent .. .. .	..	..	..	300 060	
85 004	Other Expenses (net) .. .. .	..	..	..	114 984	
<u>2 480 177</u>						<u>2 711 383</u>
389 788	Surplus for the year .. .. .	..	..	..	..	<u>536 880</u>

The Public Trustee also collects amounts from various sources on account of the Consolidated Fund, including probate duty on estates administered by him and amounts on account of maintenance of certain patients in public mental hospitals.

Amounts paid by the Public Trustee to Consolidated Fund and to Treasury Trust from all sources during the last three years were :—

	1975-76	1976-77	1977-78
	\$	\$	\$
Consolidated Fund—			
Fees and Commission	1 259 290	1 406 349	1 518 525
Probate Duty	1 382 097	1 957 704	2 401 091
Surplus from Interest Suspense Account.. .. .	1 303 402	1 463 616	1 729 738
Maintenance—Patients in Mental Hospitals	80 118	96 038	90 026
Postages, Stationery recouped	54 436	81 404	71 910
Sundry Receipts	35 078	19 047	..
	<u>4 114 421</u>	<u>5 024 158</u>	<u>5 811 290</u>
Treasury Trust Fund—			
Unclaimed Moneys	169 752	268 485	305 896

The above remittances for 1976-77 include \$71 000 not brought to account in the Treasury until 1977-78 in respect of the Consolidated Fund.

The current E.D.P.—based Asset Control System introduced in 1975 has not operated effectively since its inception. Audit comments on the system resulted in the establishment, during 1977-78, of a committee consisting of representatives from the Treasury, Law Department and the Audit Office, to investigate and review the existing system.

RURAL FINANCE COMMISSION

The main functions of the Commission relate to the provision of financial assistance to primary and secondary industries in rural Victoria, responsibility for the operation of the Land Settlement and Soldier Settlement Schemes and the administration of several special schemes of assistance including Natural Disasters Relief, Rural Reconstruction, Dairy Adjustment Program, Beef Industry Relief Assistance and Rural Adjustment Scheme.

The *Rural Finance and Settlement Commission (Amendment) Act 1977*, the provisions of which came into operation on 1 January 1978, amended several of the Acts administered by the Commission. The salient points of the amending legislation were :—

- (i) Changing the name of the Commission from Rural Finance and Settlement Commission to Rural Finance Commission ;
- (ii) Including in the Rural Finance Fund (formerly known as Rural Finance and Settlement Fund) transactions relating to the operation of special schemes of assistance. In past years these transactions have been recorded on a cash basis under Government Agency Department but are now incorporated in the accounts of the Commission on an accrual basis ;
- (iii) Authorising the Commission, with the consent of the Treasurer, to raise moneys by the issue of debentures and inscribed stock ;
- (iv) Enabling the Commission to sell land acquired under the *Land Settlement Act 1959* in instances where such land is no longer required for settlement because of changed conditions in primary industry ;
- (v) Increasing the amount which may be issued from the Works and Services Account for the purpose of the *Land Settlement Act 1959* from \$40 000 000 to \$45 000 000 ;
- (vi) Increasing the total borrowing authorisation of the Commission under the provisions of the *Rural Finance Act 1958* from \$40 000 000 to \$55 000 000 but limiting the amount which may be issued from the Works and Services Account under the authority of this Act to \$50 000 000 ; and
- (vii) Expanding the scope of financial assistance under the *Rural Finance Act 1958* to include the fishing industry.

Particulars of the operations of the Commission under the authority of the relevant legislation are furnished below :—

RURAL FINANCE ACTS

As explained earlier, because of amending legislation, agency department transactions which in past years were recorded separately, now form part of the accounts of the Commission. Therefore, in summarising the financial statements for the year ended 30 June 1978, it is not appropriate to include comparative figures in respect of the previous year.

INCOME								1977-78	
								\$	\$
Interest on Loans	..	..	..	..	..	..	..	7 230 154	
Interest on Temporary Investments	..	..	..	..	..	..	..	2 109 574	
Application and Legal Fees	..	..	..	..	..	..	..	111 155	
Agency Loans Repayments and Contributions on account of Administrative Expenses	..	..	..	..	..	..	..	292 874	
Miscellaneous Income	..	..	..	..	..	..	..	17 898	9 761 655
EXPENDITURE AND PROVISIONS									
Administration	..	..	..	..	..	..	..	2 487 466	
Interest	..	..	..	..	..	..	..	6 016 990	8 504 456
Operating Profit for Year	..	..	..	..	..	..	..	..	1 257 199
Add—Surplus on Sale of Residences	..	..	..	..	..	..	..	..	27 898
									1 285 097
<i>Less—</i>									
National Debt Sinking Fund Contribution	..	..	..	..	..	..	..	70 697	
Discounts and Expenses on Loans	..	..	..	..	..	..	..	4 607	
Provision for Doubtful Debts	..	..	..	..	..	..	..	53 966	129 270
Surplus transferred to Profit and Loss Appropriation Account	..	..	..	..	..	..	..	..	1 155 827

PROFIT AND LOSS APPROPRIATION ACCOUNT

	1977-78	
	\$	\$
Balance 1 July 1977		127 305
Add—Adjustments arising from the introduction of amending legislation operative from 1 January 1978—		
Interest accrued on Agency Loans	573 803	
less Interest on Agency Loans capitalised	69 843	503 960
		<hr/> 631 265
Add—		
Surplus for the year		1 155 827
Amount provided from the Consolidated Fund pursuant to Section 25 (5) of the <i>Rural Finance and Settlement Commission Act 1961</i>		410 847
Principal Repayments of Agency Schemes applied to Administration Costs of previous years		347 376
		<hr/> 2 545 315
Less—		
Costs of Administration, Soldier Settlement and Land Settlement	475 017	
Appropriation—General Reserve	500 000	
Appropriation—Loan Equalization Account	1 500 000	2 475 017
		<hr/> 70 298
Balance 30 June 1978		<hr/> <hr/> 70 298

The transfer of \$1 500 000 to the Loan Equalization Account is for further lending under Part III of the *Rural Finance Act 1958*.

At 30 June 1978, funds available to the Commission were :—

	1977-78	
	\$	\$
Loan Funds—		
Loan Liabilities—Treasurer of Victoria		91 789 020
Other Funds—		
Advances—Treasurer of Victoria	43 164 014	
Inscribed Stock	1 000 000	44 164 014
		<hr/> 317 807
Trust Account—Amounts in Suspense		1 504 535
Sundry Creditors and Accrued Expenses		43 826
Insurance Claims admitted but not paid		4 170 879
Reserve—National Debt Sinking Fund		1 942 929
Rural Finance Insurance Fund		146 967
Provision for Long Service Leave		3 599 961
Provision for Superannuation		2 895 306
Provision for Doubtful Debts		4 130 000
Loan Equalization Account		2 014 213
General Reserve		70 298
Profit and Loss Appropriation Account		<hr/> <hr/> 156 789 755

The funds shown in the preceding statement were represented by the following assets :—

	\$	\$
Loans and Advances		118 766 774
Contracts of Sale		475 939
Interest Due and Accrued		3 241 296
Cash and Deposits—		
Cash on hand and at Treasury	158 321	
National Debt Sinking Fund Cash	161 090	
Temporary Investments	25 522 357	25 841 768
		<hr/> 721 462
Fixed Assets—		
Furniture and Office Equipment (at cost less Depreciation)	354 939	
Motor Cars (at cost less Depreciation)	80 816	
Residences and Offices (at cost less Depreciation)	145 291	
Farms at cost—awaiting disposal	140 416	721 462
		<hr/> 38 445
Prepayments and Sundry Debtors—		
Insurance Premium	27 803	
Other	10 642	38 445
		<hr/> 7 704 071
Investment Pool (at cost) on account of Provisions for Long Service Leave and Superannuation, General Reserve and Insurance Fund		7 704 071
		<hr/> <hr/> 156 789 755

The notes which follow are furnished in explanation of certain items contained in the preceding financial summaries :—

Rural Finance Insurance Fund, \$1 942 929. The Fund was established pursuant to the provisions of Section 29 of the *Rural Finance and Settlement Commission Act 1961*.

Details of the operation of the Fund for the year are shown below :—

	\$	\$
Balance at 1 July 1977		1 606 976
<i>Add—</i>		
Premiums Raised 1977–78	311 908	
Interest on Investments	155 002	466 910
		<hr/> 2 073 886
<i>Less—</i>		
Current Claims admitted	138 852	
Administration Expenses	123 067	
Statutory Contribution to Country Fire Authority	65 038	326 957
		<hr/> 1 746 929
<i>Add—</i> Claims Recovered		196 000
Balance at 30 June 1978		<hr/> 1 942 929

Loans and Advances, \$118 766 774. Particulars of loans and advances outstanding at 30 June 1978 are given below :—

	\$	\$
<i>Rural Finance Act—</i>		
Part III—Primary Industries	27 675 820	
Part III—Secondary Industries	7 346 909	
Part IV—Rehabilitation	38 481	35 061 210
		<hr/>
<i>Agency Schemes—</i>		
Rural Reconstruction	34 635 547	
Dairy Adjustment Program	18 317 743	
Rural Adjustment	13 811 163	
Beef Industry Relief Assistance	3 515 657	
Natural Disasters	4 470 756	
Fruitgrowing Reconstruction	1 677 041	
General Agency Schemes	7 277 657	83 705 564
		<hr/> 118 766 774

The amount advanced during the year by way of loans to primary and secondary industries under the authority of Part III of the *Rural Finance Act 1958* was \$5 482 367.

Agency funds received by the Commission in 1977–78 from State and Commonwealth sources, including balances on hand at 1 July 1977, amounted to \$19 412 807, of which \$17 423 204 was advanced during the year, as follows :—

	\$	\$
Rural Reconstruction Scheme		38 931
<i>Dairy Adjustment Program—</i>		
Vats	48 296	
Carry-on	19 779	
Other Assistance	441 174	509 249
		<hr/>
<i>Rural Adjustment Scheme—</i>		
Household Support	58 083	
Farm Build-up	7 497 311	
Farm Improvement	304 127	
Debt Reconstruction	3 805 750	
Rehabilitation	19 959	11 685 230
		<hr/>
Beef Industry Relief Assistance		432 912
<i>Natural Disasters—</i>		
Loans	3 440 309	
Road Freight Subsidies	157 315	3 597 624
		<hr/>
Fruitgrowing Reconstruction		239 190
Refund to Commonwealth of Special Canneries Assistance		10 301
<i>General Agency—</i>		
Loans	854 345	
Road Freight Subsidies to Beef Producers	55 422	909 767
		<hr/>
Total Expenditure		17 423 204

Temporary Investments, \$25 522 357, and Investment Pool, \$7 704 071.—A total of \$33 226 428 was invested by the Commission as at 30 June 1978. Details are :—

	\$
Short Term Money Market	3 250 000
Fixed Deposits with Banks	12 600 000
Australian Savings Bonds	50 000
Inscribed Stock—various registries	17 218 811
S.E.C. Extension Deposits	107 617
	<hr/>
	33 226 428
	<hr/>

SOLDIER SETTLEMENT ACT 1958

The Soldier Settlement Act authorised the borrowing of \$130 000 000 for the purpose of a land settlement scheme for eligible ex-servicemen and for advances to discharged servicemen to assist them in the purchase of individually selected farms (single units).

In the period from the inception of the Soldier Settlement Scheme in the year 1945–46 to 30 June 1978, a sum of \$131 282 022 has been allocated for soldier settlement. Of this sum, \$116 884 616 has been made available from State loan moneys and \$14 397 406 by the Commonwealth in the nature of special assistance loans.

According to the books of the Commission, its loan liability on account of soldier settlement at 30 June 1978 was \$23 914 687.

With the exception of \$2 647 325 paid to the Commonwealth as part redemption of its special assistance loans, repayments by settlers and receipts of a capital nature have been credited to the Consolidated Fund. During 1977–78, \$1 985 233 was so credited, bringing the total repayments to 30 June 1978 to \$81 828 919.

Principal assets of the Commission at 30 June 1978 were :—

	\$
Land and improvements held by settlers under purchase lease	18 865 901
Advances to finance single unit farms	3 700 512
Advances to effect improvements and for purchase of stock, etc.	2 708

In respect of Soldier Settlement, the Commission's Profit and Loss Account for 1977–78 shows :—

	\$	\$
<i>Expenditure—</i>		
Interest	1 644 190	
Less Interest transferred and borne by the State	784 319	
	<hr/>	
	859 871	
Administrative Costs	241 626	
	<hr/>	
		1 101 497
<i>Income—</i>		
Interest earned	474 284	
Rents, Fees and Sundries	3 334	
	<hr/>	
		477 618
Deficit for 1977–78		<hr/>
		623 879
		<hr/>

The total accumulated deficit to 30 June 1978 amounted to \$30 775 498. This deficit is almost wholly caused by remissions of rent and interest ; the difference between the concessional rate of interest at 2 per cent. charged to settlers as fixed by the Act and the current rates payable on Government loans ; the costs and expenses of raising the loans ; and the cost of administration of the scheme.

LAND SETTLEMENT ACT 1959

The *Land Settlement Act 1959* provides for the application from the Works and Services Account of amounts not exceeding in the aggregate \$45 000 000 for a land settlement scheme which was to be open, in terms of the Act, to applications by all adult British subjects. From its inception in 1959–60 to the close of the year under review, a sum of \$40 147 508 has been allocated for the purposes of the scheme. According to its books, the Commission's loan liability on account of land settlement, as at 30 June 1978, was \$21 893 769—a reduction of \$18 253 739, made up as hereunder :—

	To 30.6.77	1977-78	Total
	\$	\$	\$
Settlers' repayments to the Consolidated Fund	11 934 330	1 508 843	13 443 173
Borne by the State pursuant to Section 41	3 782 726	1 027 840	4 810 566
	<u>15 717 056</u>	<u>2 536 683</u>	<u>18 253 739</u>

Assets of the Commission at 30 June 1978 were :—	\$	\$
Estates purchased and developed awaiting disposal.. ..	..	7 063 118
Unpaid balances under contracts of sale .. ..	..	20 280
Land and improvements held under purchase lease—Division 4 .. ..	..	13 674 741
Advances to settlers—Division 6 .. ..	..	138 864
Land and improvements under mortgage—Division 4 .. ..	..	1 045 822
Capital expenses not allocated to estates .. ..	..	143 357
Interest and rents due and accrued .. ..	..	114 767
Other assets—		
Buildings and working plant (at cost <i>less</i> depreciation) .. ..	..	85 909
Plant, materials, services and expenses not yet allocated .. ..	..	578 512
Livestock .. ..	..	561 835
		<u>1 226 256</u>
		<u>23 427 205</u>

The Profit and Loss Account for the year ended 30 June 1978 excluding livestock transactions, shows :—

<i>Expenditure—</i>	\$
Interest and Loan-raising Expenses	1 701 046
<i>Less</i> Interest transferred and borne by the State under Section 41	247 103
	<u>1 453 943</u>
Administrative Costs	233 391
	<u>1 687 334</u>
<i>Income—</i>	
Interest earned, agistment, etc.	676 546
	<u>1 010 788</u>
<i>Deficit</i>	

The accumulated deficit to 30 June 1978, before taking into account profits from livestock trading, amounted to \$9 055 246. This deficit is almost wholly caused by remissions of rent and interest, the difference between the concessional rate of interest at 4 per cent. charged to settlers as fixed by the Act and the rates payable on Government loans, the costs and expenses of raising the loans and the cost of administration of the scheme.

For the year, trading in livestock showed a profit of \$128 150, (1977, a loss of \$69 262), thereby increasing the accumulated profit from this activity to \$753 570 at 30 June 1978.

STATE ELECTRICITY COMMISSION OF VICTORIA

The State Electricity Commission of Victoria is a statutory corporation constituted under the *State Electricity Commission Act 1958*. The principal functions of the Commission relate to the generation, transmission and distribution of electricity throughout the State.

For the year ended 30 June 1978, the net revenue of the Commission prior to Provisions and Appropriations was \$46 132 538. The amount absorbed by Provisions and Appropriations was \$46 742 803, the balance, \$610 265, being funded from General Reserve. Details are :—

	\$
Provisions—	
Statutory Contributions to the Consolidated Fund	22 242 803
Long Service Leave	1 000 000
Appropriations—	
Emergency Generating Plant	21 000 000
Insurance Reserve	2 500 000
	46 742 803

Increased electricity sales of 3·6 per cent. together with the full year's effect of the 17 per cent. tariff increase from January 1977 and the 9 per cent. tariff adjustments in January/March 1978 were the main factors in an increase of \$70 630 413 in sales revenue compared with the previous year. Loss of revenue attributable to an industrial dispute during 1977-78 was estimated by the Commission to be \$7 000 000.

Costs and expenses incurred in earning revenue in 1977-78 increased by \$71 165 537 to \$501 959 966. Higher costs of salaries and wages and an increase in net interest charges were significant factors in increased operating costs for the year. An increase of \$11 404 549 in the annual depreciation charge was mainly due to the application of reduced depreciation lives to the modern thermal power stations and to certain coal production assets.

REVENUE ACCOUNT

The financial operations of the Commission for the past two years are shown in the following statement :—

1976-77		1977-78	
\$	Sales Revenue—	\$	\$
464 156 551	Electricity	534 889 133	
12 659 885	Briquettes	12 449 374	
645 655	Brown Coal	753 997	
<u>477 462 091</u>		<u>548 092 504</u>	
Costs and Expenses incurred in earning revenue—			
204 062 583	Labour and Materials, etc.	237 881 207	
68 753 711	Administration and General Services	78 925 384	
63 956 481	Depreciation	75 361 030	
94 021 654	Interest and Loan Flotation Expenses	109 414 853	
..	Commonwealth Government Coal Research Levy	377 492	
<u>430 794 429</u>		<u>501 959 966</u>	
46 667 662	Net Revenue prior to Statutory Contributions to the Consolidated Fund		46 132 538
Provision for Statutory Contributions to the Consolidated Fund—			
18 720 000	Based on Total Revenue for 1977-78	21 520 000	
730 889	Based on Brown Coal Production for 1977-78	722 803	
<u>19 450 889</u>		<u>22 242 803</u>	
27 216 773	Net Revenue available for Special Charges, Provisions and Appropriations		23 889 735
11 006 000	Appropriation for Financing Emergency Generating Plant	21 000 000	
2 500 000	Appropriation for Insurance Reserve	2 500 000	
7 250 000	Provision for Long Service Leave	1 000 000	
3 489 227	Provision for Replacement of Yallourn Community Facilities .. .. .	..
2 714 392	Newport Power Station Delay Costs and Other Expenditure previously capitalised .. .. .	..
<u>26 959 619</u>		<u>24 500 000</u>	
257 154	Balance to General Reserve—Surplus/(Deficit) .. .. .	..	(610 265)

The Public Authorities (Contributions) Act 1966 provides for an annual contribution based on total revenue of the preceding year to be made by the Commission to the Consolidated Fund. The present rate of contribution is 4 per cent. and, since 1966, a total of \$116 190 000 has been contributed by the Commission. Details are :—

	\$
Contributions to 30 June 1977	97 470 000
Paid during 1977-78 from Provision set aside in 1976-77	18 720 000
	<u>116 190 000</u>

After the allocation of relevant operating expense and overhead (including depreciation, interest and loan flotation expense), the preceding summary may be re-stated as follows to show sectional results for the year 1977-78 compared with the previous year :—

1976-77		1977-78	
\$		\$	\$
50 591 767	Profit on Electricity Supply	50 658 747	
71 419	Profit on Brown Coal Sales (Yallourn North Extension) ..	287 460	
<hr/>		<hr/>	
50 663 186			50 946 207
2 699 967	Loss on Briquetting		3 416 501
<hr/>			<hr/>
47 963 219			47 529 706
1 295 557	Less—Excess of Miscellaneous Expenditure over Income ..	1 019 676	
..	Commonwealth Government Coal Research Levy ..	377 492	
<hr/>		<hr/>	
1 295 557			1 397 168
46 667 662	Net Revenue prior to Provisions and Appropriations ..		46 132 538
<hr/>			<hr/>

Comments on various aspects of the year's operations follow :—

Electricity Supply—(Profit \$50 658 747). Operational statements for the past two years show :—

	1976-77	1977-78
	\$	\$
Sales—		
Domestic	159 972 216	185 147 815
Commercial and General	87 401 931	102 175 898
Industrial	111 642 818	128 616 361
Bulk Supplies	85 678 644	98 482 746
Traction	6 101 984	6 903 964
Public Lighting	6 640 469	7 556 618
Increase in Unread Consumption	6 718 489	6 005 731
	<hr/>	<hr/>
	464 156 551	534 889 133
Operating Charges—		
Power Generation	198 062 043	233 742 478
Purchased Electricity	23 922 392	25 831 223
Transmission	63 425 835	70 048 010
Distribution	128 154 514	154 608 675
	<hr/>	<hr/>
	413 564 784	484 230 386
Profit	50 591 767	50 658 747
	<hr/>	<hr/>

Brown Coal Production and Distribution—Coal won for the year amounted to 29 382 229 tonnes, a decrease of 328 710 tonnes on the previous year's production.

The summary which follows presents in comparative form the annual output obtained from the various open cuts for the past two years and, in parentheses, shows, in respect of each year, the production costs per tonne.

	1976-77 Tonnes	1977-78 Tonnes
Morwell	16 024 300 (\$1.68)	15 267 691 (\$1.95)
Yallourn	13 498 965 (\$1.67)	13 902 976 (\$2.01)
Yallourn North Extension	187 674 (\$3.06)	211 562 (\$2.20)
	<u>29 710 939</u>	<u>29 382 229</u>

Distribution of the output was as follows :—

	1976-77 Tonnes	1977-78 Tonnes
Power Production	26 760 562	26 322 318
Briquette Manufacture	2 762 703	2 848 349
Sales to Public	187 674	211 562
	<u>29 710 939</u>	<u>29 382 229</u>

Briquetting—(Loss \$3 416 501). Trading results for the past two years, excluding costs charged on internal transfers to works, are shown in the following statement :—

	1976-77		1977-78	
	\$	\$	\$	\$
Sales—				
Domestic	4 971 956		4 048 293	
Industrial	7 687 929		8 401 081	
	<u>12 659 885</u>		<u>12 449 374</u>	
Manufacturing Costs	10 378 524		11 109 062	
Distribution and Selling	4 981 328		4 756 813	
	<u>15 359 852</u>		<u>15 865 875</u>	
Loss		<u>2 699 967</u>		<u>3 416 501</u>

Depreciation—The following comparative statement shows depreciation charges for the past two years :—

	1976-77 \$	1977-78 \$
Normal provision—charged to operations	62 683 800	73 801 426
Fixed Assets component of charges for services	1 645 481	1 872 354
	<u>64 329 281</u>	<u>75 673 780</u>
Amortisation—Development of open cuts—charged to operations	1 272 681	1 559 604
	<u>65 601 962</u>	<u>77 233 384</u>

The balance-sheet shown on page 98 of this Report discloses that at 30 June 1978 the provision increased by \$70 247 754 compared with the figure at 30 June 1977. This net increase is explained hereunder :—

	\$
Balance—30 June 1977	668 826 219
Add Provision for year as per statement above	75 673 780
	<u>744 499 999</u>
Less Retirements	5 426 026
Balance—30 June 1978	<u>739 073 973</u>

The greater portion of the provision for depreciation remains invested in the undertaking, but some use has been made of it to meet the following statutory requirements :—

	\$
National Debt Sinking Fund—Repurchases, etc.	39 055 793
Sinking Fund Schedule Requirements—Repurchases, etc.	29 083 992
Sinking Fund Investments	28 753 100

Interest—The following statement compares the interest charges for the past two years. These charges have all been allocated against the revenue account.

	1976-77	1977-78
	\$	\$
On—Capital Liabilities	88 676 978	100 622 951
Advances from Superannuation Fund	7 750 397	9 957 582
Advances for Capital Works	4 534 878	5 746 882
Trade Credit Financing	1 326 482	4 335 838
Yallourn Resettlement Trust	274 741	321 600
Insurance Reserve . . . . .	..	95 000
Acquisition Loans from Municipalities	88 487	68 399
Advances from Employees' Retirement and Benefit Fund	Cr. 15 841	51 928
Current Liabilities	22 374	24 588
	<hr/>	<hr/>
	102 658 496	121 224 768
Deduct Interest earned on Investments	9 581 825	12 249 046
	<hr/>	<hr/>
	93 076 671	108 975 722

The Commission's balances at 30 June 1977 and 1978 are summarised hereunder—

30.6.77		30.6.78
\$		\$ \$
	Current Assets—	
2 011 353	Balances at Bank and Cash in Hand	588 467
43 511 541	Customers' and Other Accounts Receivable ..	61 873 447
38 867 776	Estimated Income from Unread Electricity Consumption	44 873 507
24 245 172	Materials and Fuel—at cost	27 459 615
<u>108 635 842</u>		<u>134 795 036</u>
89 343 416	Investments—at cost	78 755 660
<u>3 044 042</u>	Long Term Debtors (Real Estate Sales)	3 229 278
4 091 510	Deferred Charges	10 580 716
	Fixed Assets—	
2 039 190 876	Assets—at cost	2 309 049 867
668 826 219	Less Provision for Depreciation	739 073 973
<u>1 370 364 657</u>		<u>1 569 975 894</u>
19 116 352	Development of Open Cuts—balance of cost ..	18 970 936
<u>1 389 481 009</u>		<u>1 588 946 830</u>
<u>1 594 595 819</u>		<u>1 816 307 520</u>
	Current Liabilities—	
30 317 246	Accounts Payable and Miscellaneous Accruals ..	36 992 858
23 713 411	Interest Accrued	28 608 003
19 450 889	Provision for Statutory Contributions to the Consolidated Fund	22 242 803
3 302 128	Customers' and Contractors' Deposits	4 922 012
3 637 573	Provision for Replacement of Yallourn Community Facilities	3 296 522
<u>80 421 247</u>		<u>96 062 198</u>
	Deferred Liabilities—	
161 345 263	Advances for Capital Works	242 637 031
933 458	Acquisition Loans from Municipalities	668 228
41 300 000	Provision for Long Service Leave	42 300 000
<u>203 578 721</u>		<u>285 605 259</u>
	Reserves—	
20 100 070	General Reserve	21 008 660
36 499 602	Contributions for Capital Works	57 241 502
11 006 000	Special Finance for Emergency Generating Plant ..	18 527 248
2 500 000	Insurance Reserve	5 758 000
<u>70 105 672</u>		<u>102 535 410</u>
	Capital Liabilities—	
930 416 154	Inscribed Stock and Debentures	1 012 033 799
310 074 025	Victorian Government Advances	320 070 854
<u>1 240 490 179</u>		<u>1 332 104 653</u>
<u>1 594 595 819</u>		<u>1 816 307 520</u>

The following is a re-statement (in abbreviated form) of the balance-sheets at 30 June 1977 and 1978 to show funds held by the Commission at the balance dates and the assets representing those funds—

	30.6.77	30.6.78	Variation
	\$	\$	\$
<i>Funds held—</i>			
External Borrowings (net)	1 324 446 842	1 475 246 605	+150 799 763
Superannuation Fund Advances	78 322 058	100 163 307	+ 21 841 249
Internal Funds	753 639 791	855 156 283	+101 516 492
	<u>2 156 408 691</u>	<u>2 430 566 195</u>	<u>+274 157 504</u>
<i>Represented by—</i>			
Gross Fixed Assets	2 058 307 228	2 328 020 803	+269 713 575
Long Term Debtors	3 044 042	3 229 278	+ 185 236
Deferred Charges	4 091 510	10 580 716	+ 6 489 206
Net Current Assets	28 445 166	39 126 428	+ 10 681 262
Investments	62 520 745	49 608 970	- 12 911 775
	<u>2 156 408 691</u>	<u>2 430 566 195</u>	<u>+274 157 504</u>

Investments—During the year, the Commission's investments, including deposits held on account of contractors and customers, decreased by \$10 587 756.

Investments held at 30 June 1977 and 1978 were as follows :—

	30.6.77	30.6.78
	\$	\$
<i>General—</i>		
Government and semi-Government Securities	17 697 695	19 969 959
Short Term Money Market and Commercial Bills	15 318 050	18 034 011
Shares in Australian Char Pty. Ltd.	105 000	105 000
Bank Deposits	29 400 000	11 500 000
	<u>62 520 745</u>	<u>49 608 970</u>
<i>Sinking Fund—</i>		
Government and semi-Government Securities	26 592 100	28 753 100
Contractors' and Customers' Deposits	230 571	393 590
	<u>89 343 416</u>	<u>78 755 660</u>

Deferred Charges—Included under this item is a contract cancellation charge of \$4.7 million, paid by the Commission in 1977-78 as a result of the omission of the second 500 MW boiler unit and associated plant from works at the Newport D Power Station.

The Commission has indicated that the deferred charge will be written off over a period of not more than five years commencing, preferably, with the first full financial year following the date of commercial operation of Newport D Power Station.

Fixed Assets

The following statement shows the details of fixed assets at the close of the past two years :—

	30.6.77	30.6.78
	\$	\$
Coal Production	123 744 506	148 523 768
Briquette Production and Distribution	34 149 316	34 100 283
<i>Power Production—</i>		
Thermal Stations	699 697 133	834 782 526
Hydro Stations	81 891 194	90 184 814
Gas Turbine Station .. .. .	..	13 478 752
Transmission System	380 068 896	398 897 448
Distribution System	553 162 504	603 697 120
General Service Assets.. .. .	166 477 327	185 385 156
	<u>2 039 190 876</u>	<u>2 309 049 867</u>
Deduct Provision for Depreciation	668 826 219	739 073 973
	<u>1 370 364 657</u>	<u>1 569 975 894</u>
Development of Open Cuts—Balance of cost	19 116 352	18 970 936
	<u>1 389 481 009</u>	<u>1 588 946 830</u>

Advances for Capital Works—The Commission's liability on account of advances for capital works increased during the year. Details are :—

	Balance 30.6.77	Balance 30.6.78	Variation for Year
	\$	\$	\$
Customers' Advances for Capital Works (Self Help)	57 023 419	64 375 006	+ 7 351 587
Advances for Construction of Offices and Showrooms	1 490 610	1 455 815	— 34 795
Advances for Construction of Power Stations ..	24 509 176	76 642 903	+52 133 727
	<u>83 023 205</u>	<u>142 473 724</u>	<u>+59 450 519</u>
Advances from Superannuation Fund	78 322 058	100 163 307	+21 841 249
	<u>161 345 263</u>	<u>242 637 031</u>	<u>+81 291 768</u>

The value of trade credit utilised by the Commission under deferred payment arrangements with contractors or financiers for works associated with the construction of power stations increased during 1977-78 by \$52 133 727. To date all payments advanced to contractors under such arrangements have been financed in foreign currency and are recorded in the Commission's accounts at the base rate of exchange applicable to each contract. The Commission's present policy is to account for exchange rate variations at the time when repayments of advances are made. Based on exchange rates ruling at 30 June 1978, the value of outstanding advances at that date was \$112 111 874, compared to the recorded balance of \$76 642 903, resulting in a contingent liability to the Commission in respect of exchange rate variations of \$35 468 971.

A summary of transactions for the past two years in respect of Customers' Advances for Capital Works shows—

	1976-77		1977-78	
	\$	\$	\$	\$
Contributions received	16 016 231		13 859 134	
Interest credits	3 884 833		5 127 792	
	<u>19 901 064</u>		<u>18 986 926</u>	
Less refunds of instalments and expired deposits		10 406 109		11 635 339
Net Increase		<u>9 494 955</u>		<u>7 351 587</u>

Provision for Long Service Leave—A further \$1 000 000 was appropriated to the Provision for Long Service Leave, bringing its balance to \$42 300 000 at 30 June 1978.

Loans—The loan liability of \$320 070 854 to the Treasury at 30 June 1978 was determined after the deduction of \$54 155 257, the Commission's equity in the National Debt Sinking Fund. The increase in this equity during 1977-78 was \$3 670 116, in respect of which a credit of \$726 605 was made to the General Reserve representing, mainly, the relevant Commonwealth contributions to the Fund and adjustment of charges in connection with the repurchase of securities.

Including settlements of \$1 004 100 on account of loans authorised in 1976-77, loan moneys raised by the Commission during the year amounted to \$127 713 900. The sources of these moneys were :—

	\$
Public Loans	56 737 900
Private Loans	69 378 800
Retired Staff Loans	1 597 200
	<u>127 713 900</u>

The net increase in Commission loans in 1977-78 was \$81 617 645. The difference of \$46 096 255 between the total raisings of \$127 713 900, detailed immediately above, and the net increase represents the total of conversions and redemptions of maturing loans and payments in reduction of current loans.

Reserves—The balance-sheet discloses that, at 30 June 1978, Reserves totalled \$102 535 410 compared with \$70 105 672 at 30 June 1977.

(i) *General Reserve*—The increase of \$908 590 in the balance of this Reserve is accounted for as follows :—

	\$	\$	\$
Balance at 30 June 1977			20 100 070
<i>Add—</i>			
Surplus from sale of land	792 250		
Credit on account of contributions to the National Debt Sinking Fund for 1977–78 not payable by the Commission, and certain adjustments	726 605		
		1 518 855	
<i>Less—</i> Deficit from Revenue Appropriation Account		610 265	
			908 590
Balance at 30 June 1978			21 008 660

(ii) *Contributions for Capital Works*—The balance of this Reserve at 30 June 1978 represents non-repayable contributions made to the Commission towards the cost of fixed assets.

In 1977–78, the credits to this Reserve included an amount of \$13 478 752, the equivalent of expenditure incurred by the Commission during the year in connection with construction of the first gas turbine power station at Jeeralang. This expenditure is financed by a Special Reserve established by the Commission during 1976–77.

Continued acceptance by land developers of the Commission's conditions for underground reticulation, particularly in the eastern metropolitan area, was a further reason for the significant increase in contributions for capital works compared with the previous year.

(iii) *Special Finance for Emergency Generating Plant*—In its Annual Report covering the financial year ended 30 June 1977, the Commission stated that a special Reserve had been created to finance emergency generating plant as a result of delays in construction of the Newport Power Station. The Reserve was to be funded by a 5 per cent. surcharge on tariffs applicable from 4 January 1977.

In 1976–77, an amount of \$11 006 000, the equivalent of surcharge revenue for the period 4 January to 30 June 1977, was credited to the Reserve.

An amount of \$21 000 000 was appropriated to the Reserve in respect of the period under review. This amount represents the estimated surcharge revenue which would have been received by the Commission in 1976–77 had the surcharge operated for the whole of that year. The appropriation, therefore, does not reflect the additional revenue generated by the increase of 3.6 per cent. in electricity consumption in 1977–78.

The Commission has resolved that, in future, provisions will be maintained at \$21 000 000 per annum until the costs associated with the emergency generating plant have been completely offset.

(iv) *Insurance Reserve*—This Reserve was established in 1976–77 to meet the costs of compensation claims arising from the 1977 bush fires. The scope of the Reserve has been extended to cover certain insurance risks associated with contract works for the Loy Yang project and public liability insurance which was carried by the Commission during 1977–78.

Details of the balance of the Reserve at 30 June 1978 are given hereunder :—

Bush Fire Compensation Appropriations—	\$	\$
1976–77	2 500 000	
1977–78	2 500 000	
		5 000 000
<i>Less—</i> Payments borne by the Commission	700 000	
		4 300 000
Contract Works Insurance		1 095 000
Public Liability Insurance		363 000
		5 758 000
Balance at 30 June 1978		5 758 000

Bush fire compensation payments by the Commission during 1977–78 totalled \$14 230 932. Of that amount, \$13 530 932 was covered by insurance and, at 30 June 1978, a total of \$5 303 930 had been recouped from insurers. The balance outstanding was received early in 1978–79.

S.E.C. SUPERANNUATION FUND

The following statement shows operations of the Fund during the past two years :—

1976-77		1977-78	
\$		\$	
158 278 826	Balance of Fund at 1 July .. .. .	.. .. .	188 203 738
21 405 626	Add—Contributions—Commission	24 084 263	
7 137 453	Officers	7 623 663	
		<hr/>	31 707 926
16 618 457	Investment Income .. .. .	.. .. .	19 859 460
<hr/>			<hr/>
203 440 362			239 771 124
15 236 624	Less—Benefit Payments .. .. .	.. .. .	19 997 171
<hr/>			<hr/>
188 203 738	Balance of Fund at 30 June .. .. .	.. .. .	219 773 953
<hr/>			<hr/>
The Fund was represented by—			
Assets—			
78 322 058	Investments in Commission—Loan Advances	100 163 307	
37 250 600	Inscribed Stock (at cost)	37 205 600	
		<hr/>	137 368 907
11 336 202	Freehold Property (Less Provision for Depreciation)	21 386 088	
Other Investments (at cost)—			
18 077 770	Company Shares	18 364 584*	
7 858 473	Company Debentures	8 288 524	
5 401 554	Property Development	516 880	
5 875 000	Property Leaseholds .. .. .	.. .. .
3 000 300	Property Trust	3 000 300	
14 064 775	Mortgages	21 511 809	
..	Commercial Bills	3 921 408	
176 129	Convertible Notes	254 008	
2 000 000	Bank Guaranteed Loans .. .. .	.. .. .
59 123	Housing Societies	51 296	
		<hr/>	77 294 897
567 000	Accrued Income—Contributions	776 000	
4 737 767	Investment Income	5 262 292	
		<hr/>	6 038 292
<hr/>			<hr/>
188 726 751			220 702 096
Less—Liabilities—			
190 235	Investment Purchases Awaiting Settlement	139 178	
332 703	Benefits Accrued and Unpaid	777 206	
75	Legal Fees Received in Advance	11 759	
		<hr/>	
523 013			928 143
<hr/>			<hr/>
188 203 738			219 773 953
<hr/>			<hr/>

* Market Valuation 30 June 1978, \$17 187 619.

Details of the Commission's contribution to the Fund, \$24 084 263, are shown hereunder :—

- (i) \$15 258 127—contributions funded at the rate of 2 : 1 of members' contributions ;
- (ii) \$5 762 409—an additional contribution, equivalent to 5 per cent. of the superannuation payroll, applied to the reduction of the actuarial deficit of the Fund ; and
- (iii) \$3 063 727—the cost of supplementing pensions for variations in the cost of living.

With the exception of investment expenses, the costs of administering the Fund are borne by the Commission.

S.E.C. EMPLOYEES' RETIREMENT AND BENEFIT FUND

This Fund was established for the benefit of wages award employees who were not contributors to the Superannuation Fund. For a weekly contribution which is supplemented by the Commission at the rate of \$2.00 for each \$1.00 of contributions, members are eligible for a lump-sum benefit on retirement or total and permanent disablement. In addition, certain benefits are available to dependants in the event of a contributor's earlier death. Membership is voluntary.

With the exception of investment expenses, the costs of administering this Fund are borne by the Commission.

Details of the Fund's operations for 1976-77 and 1977-78 are shown hereunder:—

1976-77		1977-78	
\$		\$	\$
5 282 824	Balance of Fund at 1 July .. .. .	..	6 433 941
979 395	Add Contributions—Commission	1 568 708	
487 196	Employees	781 106	
		<hr/>	2 349 814
588 418	Investment Income		747 786
<hr/>			<hr/>
7 337 833			9 531 541
903 892	Less—Benefit Payments .. .. .	..	1 541 741
<hr/>			<hr/>
6 433 941	Balance of Fund at 30 June .. .. .	..	7 989 800
			<hr/>
\$ The Fund was represented by—		\$	\$
<i>Assets—</i>			
113 521	Advances to Commission .. .. .	..	524 372
1 052 428	Freehold Property (<i>Less</i> Provision for Depreciation) .. .. .	..	2 097 519
1 701 941	Investments (at cost)—Company Shares	1 734 955*	
2 006 895	Company Debentures, Notes, etc... .. .	2 055 678	
750 075	Property Trusts	750 075	
770 825	Mortgages	767 425	
118 430	Convertible Notes	151 100	
		<hr/>	5 459 233
73 916	Accrued Income—Contributions	108 000	
44 400	Interest	83 449	
		<hr/>	191 449
<hr/>			<hr/>
6 632 431			8 272 573
<i>Less—Liabilities—</i>			
198 490	Benefits Accrued and Unpaid	282 423	
..	Valuation Fees Unpaid	350	
		<hr/>	282 773
<hr/>			<hr/>
6 433 941			7 989 800
			<hr/>

* Market Valuation 30 June 1978, \$1 766 632

STATE INSURANCE OFFICE

The State Insurance Office was established from 1 July 1975 by the amalgamation of the State Accident Insurance Office and the State Motor Car Insurance Office, pursuant to the provisions of the *State Insurance Act 1975*.

In terms of the legislation, all premiums and other moneys received by the Insurance Commissioner are required to be paid into the State Insurance Fund, from which moneys are available to meet liabilities incurred before and after the commencement of the Act, together with administration and other costs payable under the Act. Moneys standing to the credit of the Fund may be invested by the Commissioner on the advice of the Investment Advisory Committee, constituted under the Act, in such securities as are within the classes or kinds of securities approved by the Treasurer.

Information as to the financial operations of the Office is furnished herein in respect of each of the financial years 1976-77 (not available for inclusion in my 1976-77 Supplementary Report) and 1977-78 separately, with comparative figures for the respective previous years.

Financial Year 1976-77

A summary of income and expenditure in respect of each of the classes of insurance transacted by the Office, together with comparative figures for 1975-76, is furnished hereunder :—

	Employers Liability		Compulsory Third-party		Comprehensive Motor Vehicle	
	1975-76	1976-77	1975-76	1976-77	1975-76	1976-77
	\$	\$	\$	\$	\$	\$
Premiums less Reinsurance	90 362 246	72 949 203	76 454 007	139 133 382	16 355 504	18 338 194
Less Adjustment of Provisions for Unearned Premiums	23 124 581	1 237 846	4 229 700	42 440 473	2 740 277	30 668
Net Premiums Earned ..	67 237 665	71 711 357	72 224 307	96 692 909	13 615 227	18 307 526
Stamp Duty Recouped ..	6 388 946	4 280 606	..	..	1 243 687	1 321 526
	73 626 611	75 991 963	72 224 307	96 692 909	14 858 914	19 629 052
Less Provision for Claims Experience Discount ..	15 000 000	8 647 023	..	..	..	..
	58 626 611	67 344 940	72 224 307	96 692 909	14 858 914	19 629 052
Claims	55 968 766	72 457 660	74 217 240	95 767 390	10 318 410	10 765 936
Management	3 883 516	4 074 708	1 443 513	1 592 888	3 066 108	3 704 656
Licence Fee	2 973 852	4 108 909	..	..	799 505	1 146 460
	62 826 134	80 641 277	75 660 753	97 360 278	14 184 023	15 617 052
Operating Profit .. ..	..	..	..	..	674 891	4 012 000
Operating Loss	4 199 523	13 296 337	3 436 446	667 369	..	..
Loss ratio to earned premium income	% 83.2	% 101.0	% 102.8	% 99.0	% 75.8	% 58.8

The overall financial position of the Office for the financial years 1975-76 and 1976-77 is summarised hereunder :—

	1975-76	1976-77
	\$	\$
Operating Income for Year	145 709 832	183 666 901
Less Expenditure	152 670 910	193 618 607
Operating Loss	6 961 078	9 951 706
Add Net Non-operating Income	18 102 327	29 485 299
Net Profit	11 141 249	19 533 593

As shown above, non-operating income, consisting mainly of interest on investments, had a significant impact on the net profit.

APPROPRIATION ACCOUNT

	1975-76		1976-77	
	\$	\$	\$	\$
<i>Net Profit (Loss) :—</i>				
Employers Liability	2 277 230		(1 741 296)	
Compulsory Third-Party	6 717 975		15 469 370	
Comprehensive Motor Vehicle	2 146 044		5 805 519	
		11 141 249		19 533 593
<i>Appropriations and Transfers :—</i>				
Contribution to Consolidated Fund	100 000		400 000	
General Reserve—Employers Liability	2 227 230		(1 895 150)	
—Comprehensive Motor Vehicle	2 096 044		5 635 170	
Transfer to Accumulated Loss—Compulsory Third-Party	6 717 975		15 393 573	
		11 141 249		19 533 593

Incurred Claims

As in the previous years, the financial result for each year was influenced to a major extent by the degree of accuracy of the assessment of the potential liability for unsettled and unreported claims at the close of the year. Details of incurred claims, including such estimated liability, for the years 1975-76 and 1976-77 in respect of each class of insurance are given in the following statement :—

	Employers Liability		Compulsory Third-party		Comprehensive Motor Vehicle	
	1975-76	1976-77	1975-76	1976-77	1975-76	1976-77
	\$	\$	\$	\$	\$	\$
Claims paid during year	19 271 339	26 762 660	35 397 240	47 867 390	9 183 410	10 675 446
Add claims unpaid as at close of year	80 397 000	126 092 000	173 500 000	221 400 000	3 655 000	3 745 490
	99 668 339	152 854 660	208 897 240	269 267 390	12 838 410	14 420 936
Less claims unpaid brought forward from previous year	43 699 573	80 397 000	134 680 000	173 500 000	2 520 000	3 655 000
Incurred claims	55 968 766	72 457 660	74 217 240	95 767 390	10 318 410	10 765 936

Information and comments in respect of each of the three classes of insurance business conducted by the Office are given hereunder :—

Employers Liability Insurance

As stated in one of the qualifications, referred to later, on the Balance Sheet for 1976-77, the audit was unable to establish that all premium income had been properly raised in the accounts.

The financial result disclosed for the year 1976-77, in respect of this class of business, was significantly affected by a large increase in incurred claims.

Comprehensive Motor Insurance

The significant improvement in the operating result for the year, a profit of \$4 012 000 compared with a profit of \$674 891 in 1975-76, was mainly due to a rise in premium income during 1976-77.

Compulsory Third-party Insurance

The rise in premium rates from 6 August 1976, together with the State Insurance Office having become the sole insurer in the field of insurance from 1 January 1977, were major reasons for the substantial increase in premium income.

The following is an abridged statement of the Assets and Liabilities at balance dates :—

ASSETS			
30.6.76		30.6.77	
\$		\$	\$
	Current—		
50 990 449	Sundry Debtors	53 154 668	
618 520	Less Provision for Doubtful Debts	505 751	
<hr/>		<hr/>	
50 371 929			52 648 917
2 152 661	Licence Fee in Advance .. .. .	..	3 102 708
8 647 797	Interest Accrued .. .. .	..	13 154 726
	Investments—		
253 373 807	Government and Other Authorised Securities .. .. .	..	400 431 728
	Fixed (at cost)—		
5 652 885	Land and Buildings	5 671 561	
884 777	Less Provision for Depreciation	1 041 777	
<hr/>		<hr/>	
4 768 108			4 629 784
533 881	Furniture, Office Equipment and Motor Cars	554 282	
252 115	Less Provision for Depreciation	200 248	
<hr/>		<hr/>	
281 766			354 034
1 395 199	Computer Installation	2 725 738	
279 039	Less Provision for Depreciation	824 186	
<hr/>		<hr/>	
1 116 160			1 901 552
<hr/>		<hr/>	
320 712 228			476 223 449
			<hr/>
	LIABILITIES AND FUNDS		
30.6.76		30.6.77	
\$		\$	
	Current—		
3 567 355	Bank Overdrawn .. .. .	..	6 411 480
2 411 851	Sundry Creditors .. .. .	..	1 231 101
100 000	Contribution to Consolidated Fund .. .. .	..	400 000
	Provisions—		
78 673 471	Unearned Premium .. .. .	..	122 382 459
257 552 000	Outstanding Claims .. .. .	..	351 237 490
15 000 000	Claims Experience Discount .. .. .	..	12 000 000
179 264	Reinsurance Premiums .. .. .	..	179 264
366 261	Building Maintenance .. .. .	..	386 036
	Reserves—		
15 166 067	General Reserve—Employers Liability .. .. .	..	13 270 917
9 052 662	—Comprehensive Motor Vehicle .. .. .	..	14 687 832
(61 356 703)	Accumulated Losses—Compulsory Third-party .. .. .	..	(45 963 130)
<hr/>		<hr/>	
320 712 228			476 223 449
			<hr/>

In respect of the year 1976-77, I found it necessary to record the following qualifications on the Balance Sheet of the State Insurance Office :—

“1. Premiums Less Reinsurance—It has not been possible, due to a breakdown in internal control, to establish that all premiums collectable in respect of Employers Liability Insurance have been properly raised in the accounts. In my opinion, therefore, the amount of \$72 949 203 shown as Premiums less Reinsurance cannot be verified, and, in turn, the items Provision for Claims Experience Discount \$8 647 023, Adjustment of Provision for Unearned Premium \$1 237 846 and Recouped Stamp Duty \$4 280 606 under Employers Liability in the Statement of Profit and Loss cannot be verified.

2. Provision for Outstanding Claims—As stated in note 1 to the accounts, the Provisions for Outstanding Claims in respect of Compulsory Third Party Insurance, \$221 400 000 and Employers Liability Insurance \$126 092 000 were established after obtaining advice from a firm of consulting actuaries. In determining the Provision in respect of Compulsory Third Party the Insurance Commissioner adopted the higher of two estimates furnished by the actuaries. The Provision for Employers Liabilities Outstanding Claims was calculated by the Insurance Commissioner on the basis of a number of estimates provided by the actuaries. The reasonableness or otherwise of these Provisions will depend on the correctness of the assumptions made by the Insurance Commissioner in determining the respective amounts.

3. Sundry Debtors—Due to the inadequacy of existing records, I am unable to establish that the amount of \$53 148 280 shown as outstanding is correct.

4. Sundry Creditors—The amount of \$1 231 101 is understated by an unknown amount, being an amount related to the surcharge levy collected from agents. The amount involved was due and payable to the Insurers Guarantee and Compensation Supplementation Fund in the Treasury at balance date.”

Financial Year 1977-78

The income and expenditure for the year in respect of each of the classes of insurance transacted by the Office, together with comparative figures for 1976-77, are summarised hereunder :—

	Employers Liability		Compulsory Third-party		Comprehensive Motor Vehicle	
	1976-77	1977-78	1976-77	1977-78	1976-77	1977-78
	\$	\$	\$	\$	\$	\$
Premiums less Reinsurance ..	72 949 203	71 412 831	139 133 382	186 486 341	18 338 194	17 977 410
Adjustments of Provisions for Unearned Premiums ..	(1 237 846)	3 517 554	(42 440 473)	(12 038 088)	(30 668)	(487 183)
Net premiums Earned ..	71 711 357	74 930 385	96 692 909	174 448 253	18 307 526	17 490 227
Stamp Duty Recouped ..	4 280 606	4 511 122	..	..	1 321 526	1 285 434
	75 991 963	79 441 507	96 692 909	174 448 253	19 629 052	18 775 661
Less Provision for Claims Experience Discount ..	8 647 023	7 371 452	..	..	..	..
	67 344 940	72 070 055	96 692 909	174 448 253	19 629 052	18 775 661
Claims	72 457 660	52 263 910	95 767 390	167 215 946	10 765 936	10 466 351
Management	4 074 708	8 056 302	1 592 888	1 981 898	3 704 656	4 506 967
Licence Fee	4 108 909	4 705 729	..	..	1 146 460	1 269 037
	80 641 277	65 025 941	97 360 278	169 197 844	15 617 052	16 242 355
Operating Profit .. .. .	..	7 044 114	..	5 250 409	4 012 000	2 533 306
Operating Loss	13 296 337	..	667 369	..	..	..
	%	%	%	%	%	%
Loss ratio to earned premium income	101.0	69.7	99.0	95.9	58.8	59.8

A summary of the overall financial position of the Office for the financial years 1976-77 and 1977-78 is given hereunder :—

	1976-77	1977-78
	\$	\$
Operating Income for year	183 666 901	265 293 969
Less Expenditure	193 618 607	250 466 140
Operating Profit (Loss)	(9 951 706)	14 827 829
Add Net Non-operating Income	29 485 299	46 847 155
Net Profit	19 533 593	61 674 984

The substantial rise in non-operating income from \$18 102 327 in 1975-76 to \$29 485 299 in 1976-77 and to \$46 847 155 in 1977-78 is mainly attributable to higher interest earnings resulting from a significant increase in the investment of funds held by the Office.

APPROPRIATION ACCOUNT

	1976-77		1977-78	
	\$	\$	\$	\$
<i>Net Profit (Loss) :—</i>				
Employers Liability	(1 741 296)		23 938 289	
Compulsory Third-party	15 469 370		32 928 979	
Comprehensive Motor Vehicle	5 805 519		4 807 716	
		19 533 593		61 674 984
<i>Appropriations and Transfers :—</i>				
Contribution to Consolidated Fund	400 000		15 000 000	
General Reserve—Employers Liability	(1 895 150)		11 503 465	
—Comprehensive Motor Vehicle	5 635 170		2 257 490	
Transfer to Accumulated Loss—Compulsory Third-party	15 393 573		32 914 029	
		19 533 593		61 674 984

Incurred Claims

As in previous years, the financial results for the year were influenced to a major extent by the degree of accuracy of the assessment of the potential liability for unsettled and unreported claims at the close of the year. Details of incurred claims, including such estimated liability, for the years 1976-77 and 1977-78 in respect of each class of insurance are given in the following statement :—

	Employers Liability		Compulsory Third-party		Comprehensive Motor Vehicle	
	1976-77	1977-78	1976-77	1977-78	1976-77	1977-78
	\$	\$	\$	\$	\$	\$
Claims paid during year	26 762 660	33 638 910	47 867 390	64 315 946	10 675 446	10 777 503
Add claims unpaid at close of year	126 092 000	144 717 000	221 400 000	324 300 000	3 745 490	3 434 338
	152 854 660	178 355 910	269 267 390	388 615 946	14 420 936	14 211 841
Less Claims unpaid brought forward from previous year	80 397 000	126 092 000	173 500 000	221 400 000	3 655 000	3 745 490
Incurred Claims	72 457 660	52 263 910	95 767 390	167 215 946	10 765 936	10 466 351

Information in respect of each of the three classes of insurance business conducted by the Office are given hereunder :—

Employers Liability Insurance

The improved position, an operating profit of \$7 044 114 compared with a loss in 1976–77 of \$13 296 337, would have been even greater had the basis of assessment accepted for outstanding claims at balance date been wholly consistent with that adopted at 30 June 1977.

An increase in the provision for bad and doubtful debts by an arbitrary amount of \$2 900 000 was mainly responsible for the rise in expenses of management.

Comprehensive Motor Insurance

A decrease in earned premium from \$18 307 526 in 1976–77 to \$17 490 227 in 1977–78, together with a rise in expenses of management, were chiefly responsible for the fall in the operating profit.

Compulsory Third-party Insurance

Premium in respect of a full year's operations on a substantially increased number of vehicles, following the Office having become the sole insurer for compulsory third-party insurance from 1 January 1977, was the main reason for the large increase in earned premium in 1977–78. On the other hand, the adoption by the Commissioner of the higher of two estimates furnished by the actuaries of the potential liability for unsettled and unpaid claims at 30 June 1978 absorbed to a major degree the additional revenue earned.

The following is an abridged statement of the Assets and Liabilities at balance dates :—

		ASSETS					
30.6.77	\$					30.6.78	\$
		Current—					
53 154 668	Sundry Debtors .. .. .	..	..	..	..	54 356 153	
505 751	Less Provision for Doubtful Debts .. .. .	..	..	..	..	3 367 901	
52 648 917							50 988 252
3 102 708	Licence Fee in Advance .. .. .	..	..	..	..	2 872 058	
13 154 726	Interest Accrued .. .. .	..	..	..	..	15 039 487	
		Investments—					
400 431 728	Government and Other Authorised Securities .. .. .	..	..	..	..	582 023 388	
..	Land and Buildings (at cost) .. .. .	..	..	..	..	7 830 727	
		Fixed (at cost)—					
5 671 561	Land and Buildings .. .. .	..	..	..	..	5 738 877	
1 041 777	Less Provision for Depreciation .. .. .	..	..	..	..	1 198 777	
4 629 784							4 540 100
554 282	Furniture, Office Equipment and Motor Cars .. .. .	..	..	..	..	702 448	
200 248	Less Provision for Depreciation .. .. .	..	..	..	..	227 082	
354 034							475 366
2 725 738	Computer Installation .. .. .	..	..	..	..	3 098 752	
824 186	Less Provision for Depreciation .. .. .	..	..	..	..	1 443 936	
1 901 552							1 654 816
476 223 449							665 424 194
		LIABILITIES AND FUNDS					
		Current—					
6 411 480	Bank Overdrawn .. .. .	..	..	..	..	4 785 476	
1 231 101	Sundry Creditors .. .. .	..	..	..	..	507 964	
400 000	Contribution to Consolidated Fund .. .. .	..	..	..	..	15 000 000	
		Provisions—					
122 382 459	Unearned Premium .. .. .	..	..	..	..	131 390 176	
351 237 490	Outstanding Claims .. .. .	..	..	..	..	472 451 338	
12 000 000	Claims Experience Discount .. .. .	..	..	..	..	12 000 000	
179 264	Reinsurance Premiums .. .. .	..	..	..	..	179 264	
386 036	Building Maintenance .. .. .	..	..	..	..	439 373	
		Reserves—					
13 270 917	General Reserve—Employers Liability .. .. .	..	..	..	..	24 774 382	
14 687 832	Comprehensive Motor Vehicle .. .. .	..	..	..	..	16 945 322	
(45 963 130)	Accumulated Losses—Compulsory Third-party .. .. .	..	..	..	..	(13 049 101)	
476 223 449							665 424 194

I have found it necessary in respect of the year 1977-78 to record the following qualifications on the Balance Sheet :—

“ 1. Provision for Outstanding Claims—As stated in note 1 to the accounts, the Provision for Outstanding Claims in respect of Compulsory Third Party Insurance, \$324 300 000, and Employers Liability Insurance, \$144 717 000, were established after obtaining advice from a firm of consulting actuaries. In determining the Provision in respect of Compulsory Third Party the Insurance Commissioner adopted the higher of two estimates furnished by the actuaries. The Provision for Employers Liability Outstanding Claims was calculated by the Insurance Commissioner on the basis of a number of estimates provided by the actuaries. The reasonableness or otherwise of these Provisions will depend on the correctness of the assumptions made by the Insurance Commissioner in determining the respective amounts.

2. Sundry Debtors—Due to the inadequacy of existing records, I am unable to establish that the amount of \$51 141 153, which forms part of the Sundry Debtors total of \$54 354 939, shown as outstanding premiums in respect of Employers Liability and Motor Vehicle policies is correct.”

Funds invested by the State Insurance Office increased by \$189 422 387 during 1977-78 compared with the previous year. This followed an increase of \$147 057 921 between 1975-76 and 1976-77.

The majority of funds available for investment have been generated by—

- (a) additional income by way of premiums upon the Office becoming the sole insurer for Compulsory Third-party insurance, and
- (b) the substantial increase in interest received from investments.

A comparison of investments held at 30 June 1976, 1977 and 1978 is detailed hereunder :—

	30.6.76	30.6.77	30.6.78
	\$	\$	\$
Commonwealth Government Securities	14 512 440	27 866 989	51 237 198
Commonwealth Semi-Government Authorities .. .. .	..	12 472 532	44 039 858
Victorian Semi-Government Authorities	71 984 313	156 959 035	262 801 103
Victorian Local Government Authorities	1 732 113	2 190 236	8 904 281
Interstate Semi-Government Authorities	20 983 300	60 762 628	96 348 842
Bank Term Deposits	132 097 359	105 190 650	59 612 810
Bank Accepted Commercial Bills	10 064 282	30 489 658	41 606 796
First Mortgages .. .. .	..	..	9 472 500
Land and Property held for Investment .. .. .	..	..	7 830 727
Deposits on Official Short-term Money Market	2 000 000	4 500 000	8 000 000
	<u>253 373 807</u>	<u>400 431 728</u>	<u>589 854 115</u>

STATE SUPERANNUATION BOARD OF VICTORIA

By legislative direction, the State Superannuation Board of Victoria is responsible for the administration of the Superannuation Fund, the Pensions Supplementation Fund, the Married Women's Superannuation Fund and the Parliamentary Contributory Superannuation Fund.

The cost of administering the Board is met from the Consolidated Fund. (For further reference to such cost, see my Annual Report to Parliament for 1977-78 at page 129).

SUPERANNUATION FUND

This Fund, authorised under the provisions of the *Superannuation Act 1958*, provides, on a contributory basis, retiring benefits for the public and teaching services, the officers and employees of the railways service and certain statutory bodies and, in terms of the *Superannuation Act 1963*, certain members of the police force.

The audit of the accounts to 30 June 1977 has been completed and the audit for the year ended 30 June 1978 is in course.

Subject to final audit, the receipts and disbursements of the Fund for the current year, compared with those of the previous year, are summarised below.

1976-77							1977-78	
\$	<i>Receipts</i>						\$	\$
	Contributions—							
51 978 452	Current (net)	..	..	..	..	..	50 725 497	
38 649	Deferred	..	..	..	..	..	18 494	
								50 743 991
48 887 212	Payments from the Consolidated Fund	..	..	..	..	..	..	58 531 912
21 619 682	Interest on Investments	..	..	..	..	..	..	23 589 052
39 738	Insurance Commission	..	..	..	..	..	..	43 705
116 359	Mortgage Reserve Account Premiums	..	..	..	..	..	..	100 076
2 272 310	Property Revenue (net)	..	..	..	..	..	..	2 330 026
								135 338 762
124 952 402								
\$	<i>Disbursements</i>						\$	\$
52 680 778	Pensions	..	..	..	..	..	..	61 547 293
	Lump Sum Payments—							
386 648	Limited and ill-health Contributors	..	..	..	..	..	493 376	
26 439 930	Cash Options	..	..	..	..	..	23 016 526	
								23 509 902
10 479 454	Pensions Supplementation Fund—Statutory Transfer	..	..	..	..	..	..	12 818 752
2 091	The Consolidated Fund—Act 7081, Sec. 9 (3) (4)	..	..	..	..	..	..	..
113 862	Interest on Refunds of Reserve Units Contributions	..	..	..	..	..	..	112 812
(1 101)	Assurance Premiums (net)	..	..	..	..	..	..	221 802
25	Miscellaneous	..	..	..	..	..	..	..
684	Valuation Fees (net)	..	..	..	..	..	..	(1 670)
70 637	Reserve Units Account (net)	..	..	..	..	..	..	147 853
562 197	Net loss on sale of securities	..	..	..	..	..	..	..
								98 356 744
90 735 205								
34 217 197	Surplus of Receipts over Disbursements	..	..	..	..	..	..	36 982 018
303 619 678	Balance (including Investments) 1 July	..	..	..	..	..	..	337 836 875
								374 818 893
337 836 875	Balance 30 June	..	..	..	..	..	..

The provisional figures furnished by the Board for 1977-78 indicate that investments during the year, other than short-term investments, amounted to \$68 857 773, including payments in connection with properties acquired, \$4 104 075.

Development of the necessary computer sub-systems for the application of electronic data processing to the Board's accounting functions has continued since 1974 when the Board retained the services of a computer consultant. However, progress has been slow and there is no clear indication as to when an effective computerised system embracing the major activities of the Board will be in operation.

PENSIONS SUPPLEMENTATION FUND

This Fund was established pursuant to the *Pensions Supplementation Act 1966* to meet the cost of supplementing, as from 1 April 1966, the pensions of officers who retired on or before 12 July 1961 or the widows of such officers or of those officers who died prior to that date. Amending legislation incorporated in the Pensions Supplementation Act gave the Board power to increase the supplementary pensions of those persons and to grant supplementary pensions to, or in respect of, persons who became entitled to a pension subsequent to that date.

The sources of revenue to the Fund are—

- (i) transfers from the Superannuation Fund and the Consolidated Fund of amounts equal to the cost of the supplementation of pensions, in the proportions specified in the relevant provisions of the Pensions Supplementation Act;
- (ii) transfers from the Police Pensions Fund established under the *Police Regulation Act 1958* equal in value to the amounts debited to the Pensions Supplementation Fund in respect of the supplementation of the pensions of police pensioners and police widow pensioners; and
- (iii) interest earned on investments of the Fund.

A summary is given below of the year's transactions of the Fund, on an accrual basis, together with comparative figures for 1976-77 :—

1976-77		1977-78
\$		\$
	Income—	
10 535 943	Statutory Transfer—Superannuation Fund	12 907 503
1 875 560	Police Pensions Fund	2 239 420
15 494 269	Consolidated Fund	22 039 613
938	Interest on Current Account	591
27 906 710		37 187 127
	Expenditure—	
27 903 669	Pensions	37 183 861
3 041	Surplus	3 266

The Accumulated Funds as at 30 June 1977 and 1978 respectively were represented by—

30.6.77		30.6.78
\$		\$
	Assets—	
16 725	Cash at Bank	19 991
	Accruals—	
217 423	Superannuation Fund	306 174
39 693	Police Pensions Fund	53 808
339 106	Consolidated Fund	547 632
612 947		907 614
	Less Liabilities—	
596 222	Pensions approved but unpaid	907 614
16 725	Accumulated Funds	19 991

MARRIED WOMEN'S SUPERANNUATION FUND

The *Married Women's Superannuation Act* 1968 provided for the establishment, on a contributory basis, of the Married Women's Superannuation Fund. The purpose of this Fund is to provide retiring benefits to married women who are on the permanent staff of the public service and who, because of their married status, prior to the operation of the *Superannuation Act* 1975, were not eligible to become contributors to the Superannuation Fund established under the *Superannuation Act* 1958, or who, subsequent to the operation of the 1975 Act, elected to contribute to the Married Women's Superannuation Fund.

Each contributor is required to contribute to the Fund, through the medium of deductions from salary, a sum equal to 5 per cent. of her salary. Contributions are credited to members' accounts in the Fund and are supplemented by payments out of the Consolidated Fund when benefits become due. Benefits on retirement consist of lump sum payments or annuities.

A statement of receipts and disbursements for the past two years is given hereunder—

Receipts

1976-77		1977-78	
\$		\$	\$
4 364 840	Balance 1 July .. .. .	..	3 312 711
	Contributions—		
570 212	Officers and the Consolidated Fund	579 759	
50 978	The Consolidated Fund—Lump Sums	92 906	
		<hr/>	672 665
372 110	Interest on Investments .. .. .	..	306 691
<hr/>			<hr/>
5 358 140			4 292 067

Disbursements

87 965	Lump Sum Payments .. .. .	..	182 695
7 060	Annuities .. .. .	..	7 100
	Contributions Refunded, Section 15—		
300 395	Officers	245 695	
95 329	The Consolidated Fund	8 404	
		<hr/>	254 099
1 554 680	Transfer to Superannuation Fund, Section 16 .. .. .	..	131 968
3 312 711*	Balance 30 June .. .. .	..	*3 716 205
<hr/>			<hr/>
5 358 140			4 292 067
	*Represented by—		
3 265 416	Investments (at cost) .. .. .	..	3 683 416†
47 295	Cash at Bank .. .. .	..	32 789
<hr/>			<hr/>
3 312 711			3 716 205

† Consisting of Inscribed Stock \$830 416 Mortgage \$2 608 000 and Short Term Deposits \$245 000.

PARLIAMENTARY CONTRIBUTORY SUPERANNUATION FUND

The *Parliamentary Salaries and Superannuation Act* 1968 provides for the establishment of the Parliamentary Contributory Superannuation Fund. The purpose of the Fund is to provide pensions, retiring allowances and other superannuation benefits to former members of Parliament and their widows. Members are required to contribute by way of deduction from salary, and, to the extent certified by the actuary appointed by the Trustees, the Consolidated Fund is applied to enable the Fund to meet its liabilities.

A statutory account, the Supplementary Retirement Account, has been established within the Fund and a member may make contributions to this Account by way of deduction from salary, not exceeding 10 per cent. of gross salary. No such contributions have been made during the past two years. Withdrawals by a member of the whole or part of the moneys standing to his credit in the Account may be made at five-yearly intervals. When a contributor ceases to be a member, there is payable to him or his personal representative the amount standing to his credit in the Account together with compound interest thereon at a rate determined by the Trustees of the Fund.

TEACHER HOUSING AUTHORITY

The function of this Authority is to provide and maintain adequate and suitable housing for teachers at rentals fixed by the Teachers Tribunal.

Under the provisions of the *Teacher Housing Act* 1970, all land vested in the Minister of Education to provide housing accommodation for teachers, and teachers' houses on Crown land under the control of the Education Department, were vested in the Authority as from 30 June 1971, together with all rights, interests and liabilities in respect thereof.

A summary of receipts and payments of the Authority during the past two years is as follows :—

	1976-77	1977-78
<i>Receipts</i>	\$	\$
Balance 1 July	2 988	4 655
Treasurer of Victoria—advances under Works and Services Acts	3 800 000	3 800 000
Education Department—rent collections	1 240 088	1 768 885
Interest on short term deposits .. .. .	..	63 688
Sales of land and houses	163 953	29 696
Sundry Tenants—rent collections	9 671	33 793
Other	48	1 183
	5 216 748	5 701 900
<i>Payments</i>		
Capital expenditure	3 395 790	2 889 694
Maintenance and rates	683 998	1 565 803
Administration	215 036	222 225
Payments to Consolidated Fund—Interest	569 704	688 937
Repayment	152 496	179 429
Interest on Private Loans	136 172	106 488
Redemption of Private Loans	58 897	39 576
Other .. .. .	..	4 280
	5 212 093	5 696 432
Balance 30 June	4 655	5 468

The debt charges due to the Treasurer of Victoria in 1975-76 in respect of the Authority's liability under advances from the Works and Services Account amounting to \$102 778 principal, and \$390 503 interest, were deferred. These are required to be met by three equal annual instalments, and the second of such instalments amounting to \$164 427 was paid in June 1978, together with debt charges due in 1977-78 of \$703 939.

The large increase in the Education Department rent collections was due to a full-year's effect of the general increase in rents as fixed by the Teachers Tribunal from 24 October 1976 and to additional units having been built and purchased.

The above statement shows the moneys available to the Authority for the years 1976-77 and 1977-78 and the purposes to which the moneys were applied.

Statements of the Revenue Account in respect of the years 1975-76 and 1976-77 are summarised on the following page. As at the date of preparation of this Report, the Revenue Account and the Balance Sheet as required by the Act had not been prepared in respect of the year 1977-78.

							<i>Income</i>	
							1975-76	1976-77
							\$	\$
Rent charged	..	..	..	..	..	..	704 447	1 218 816
Maintenance Grant	..	..	..	..	..	..	650 000	650 000
Other	..	..	..	..	..	..	..	20
							<hr/>	<hr/>
							1 354 447	1 868 836
 <i>Expenditure</i> 								
Interest paid	..	..	..	..	..	..	460 805	575 709
Maintenance	..	..	..	..	..	..	307 462	431 915
Rates	..	..	..	..	..	..	237 405	351 330
Agents' Commission	..	..	..	..	..	..	5 826	20 229
Depreciation	..	..	..	..	..	..	145 576	145 657
Administration	..	..	..	..	..	..	128 809	191 752
Miscellaneous	..	..	..	..	..	..	1 327	10
							<hr/>	<hr/>
							1 287 210	1 716 602
 Surplus for the year							<hr/>	<hr/>
							67 237	152 234

The Balance Sheets at 30 June 1976 and 1977 are summarised hereunder. The latter Balance Sheet was not available at the time of preparation of my 1976-77 Supplementary Report.

The audit of the accounts for the year 1976-77 revealed certain weaknesses in accounting control and my certificate in respect of the financial statements of the Authority for that year was qualified. Certain records were incomplete because of arrears in processing, and the rent shown on the statements as having been charged for the year, \$1 218 816, was an estimate only and could not be verified.

Consequently, the surplus for the year, \$152 234, sundry debtors—rental arrears, \$25 573 and rent paid in advance, \$8 525, as shown on the Balance Sheet, also could not be verified.

				30.6.1976		30.6.1977	
				<i>Liabilities</i>			
				\$	\$	\$	\$
Government of Victoria	..	..	..	14 090 000		17 240 000	
Less Repayments	..	..	..	418 708		536 944	
				<hr/>		<hr/>	
				13 671 292		16 703 056	
Private loans	..	..	..	1 100 000		1 041 103	
Contribution from Commonwealth Government							
—States Grants (Schools) Act 1973	..		..	600 000		600 000	
				<hr/>	15 371 292	<hr/>	18 344 159
Depreciation Reserve	..	..	..	..	556 510		702 167
Current Liabilities—							
Creditors	..	..	..	525 944		479 228	
Rents in Advance	..	..	..	3 882		8 525	
				<hr/>	529 826	<hr/>	487 753
					<hr/>		<hr/>
					16 457 628		19 534 079
Less Accumulated Deficit	..	..	..		1 810 780		1 658 547
					<hr/>		<hr/>
					14 646 848		17 875 532
 <i>Assets</i> 							
Fixed Assets—							
Land and Buildings	..	..	..	14 565 692		17 819 491	
Furniture and Fittings	..	..	..	13 543		12 549	
Equipment and Motor Vehicle	..	..	..	9 020		9 540	
				<hr/>	14 588 255	<hr/>	17 841 580
Current Assets—							
Cash	..	..	..	3 016		4 655	
Debtors	..	..	..	54 643		28 205	
Stock	..	..	..	934		1 092	
				<hr/>	58 593	<hr/>	33 952
					<hr/>		<hr/>
					14 646 848		17 875 532

TOTALIZATOR AGENCY BOARD

The *Racing (Totalizators Extension) Act* 1960 authorised the establishment of an off-course betting scheme under the control of the Totalizator Agency Board. The *Racing (Amendment) Act* 1969 requires the accounts of the Board to be audited by the Auditor-General. The Board has determined that its balancing date, with effect from the year under review, will be the Saturday nearest to 31 July in each year and, accordingly, the accounts have been audited to 29 July 1978.

Turnover for the financial year ended 29 July 1978 amounted to \$570 821 358 compared with \$546 840 420 in the previous year.

Following is a statement of Profit and Loss, showing the surplus funds available for distribution for the financial years ended 31 July 1977 and 29 July 1978 :—

	1977		1978	
	\$	\$	\$	\$
<i>Revenue—</i>				
Commission on totalizator investments ..		46 469 543		48 511 958
<i>Other Income—</i>				
Manual Dividends not paid after 26 weeks ..		232 917		344 862
Rimfire Dividends not paid after 12 weeks ..		2 352 424		2 361 757
Interest receivable		1 611 246		1 284 626
Rents receivable		99 542		81 299
Miscellaneous Income		41 008		68 550
		<hr/>		<hr/>
		50 806 680		52 653 052
<i>Less Expenditure—</i>				
Employees' remuneration, agency fees including superannuation, payroll tax, long service leave, etc.	19 215 744		20 125 092	
Depreciation	1 789 415		1 402 950	
Communication costs	1 011 176		1 269 516	
Rental and rates	1 245 170		1 485 971	
Printing, stationery and tickets	1 297 994		1 282 845	
Repairs and Maintenance—Premises	586 391		857 273	
Repairs and Maintenance—Computer Systems	566 336		619 553	
Administration and other costs	1 489 068		1 738 765	
	<hr/>		<hr/>	
		27 201 294		28 781 965
		<hr/>		<hr/>
		23 605 386		23 871 087
<i>Plus</i> Transferred from Distribution Reserve .. .. .		..		371 360
		<hr/>		<hr/>
		23 605 386		24 242 447
<i>Less—</i>				
Transferred to Development Reserve		3 566 098		3 718 447
Transferred to Distribution Reserve		535 288		..
Transferred to Late Dividends Reserve		120 000		276 000
Provision for Agents' Fees Equalisation		104 000		127 000
		<hr/>		<hr/>
<i>Total Surplus Funds for Distribution</i>		19 280 000		20 121 000
<i>Deduct—</i>				
Advances of first charge administration costs	3 090 501		3 390 707	
Advances Spring Racing Stakes	315 031		328 672	
	<hr/>		<hr/>	
		3 405 532		3 719 379
		<hr/>		<hr/>
<i>Balance of Surplus Funds available for Distribution</i>		15 874 468		16 401 621

The item "Advances of first charge administration costs \$3 390 707" represents reimbursements to the Victoria Racing Club and the Trotting Control Board of the costs of administration of racing and trotting, respectively, in accordance with the provisions of Section 1160 of the *Racing Act* 1958.

The item, "Balance of Surplus Funds available for Distribution \$16 401 621", represents the balance of moneys payable to participating clubs in accordance with the financial scheme approved by the Minister in terms of Section 1161 of the Act.

The Board's balances as at 31 July 1977 and 29 July 1978 are summarised hereunder :—

	31.7.77		29.7.78	
	\$	\$	\$	\$
Capital				
Contributing Clubs		6 059 807		6 059 807
Development Reserve		11 132 332		14 850 779
		<u>17 192 139</u>		<u>20 910 586</u>
Represented by—				
<i>Fixed Assets—</i>				
Freehold land and buildings (at cost) ..	13 331 405		17 429 216	
Less provision for depreciation ..	<u>2 120 918</u>		<u>2 540 985</u>	
		11 210 487		14 888 231
Leasehold improvements (at cost) ..	3 621 600		3 962 919	
Less provision for depreciation ..	<u>2 874 928</u>		<u>3 143 757</u>	
		746 672		819 162
E.D.P. Systems (at cost)	21 422 309		24 218 695	
Less provision for depreciation ..	<u>11 649 838</u>		<u>12 200 834</u>	
		9 772 471		12 017 861
Motor Vehicles, plant, machinery, furniture and fittings (at cost)	1 532 825		1 960 487	
Less provision for depreciation ..	<u>962 479</u>		<u>922 499</u>	
		570 346		1 037 988
		<u>22 299 976</u>		<u>28 763 242</u>
<i>Current Assets—</i>				
Cash on hand and at bank	2 546 318		2 933 547	
Interest bearing term deposits ..	19 050 000		17 050 000	
Funds on official short-term money market	550 000		450 000	
Sundry Debtors	105 664		112 988	
Prepayments	224 165		260 806	
Interest Accrued	445 758		404 849	
Stock of equipment spares	<u>85 109</u>		<u>72 610</u>	
		23 007 014		21 284 800
		<u>45 306 990</u>		<u>50 048 042</u>
<i>Deduct Liabilities—</i>				
Proposed distribution of surplus funds ..	15 874 468		16 401 621	
Amounts payable to Treasurer of Victoria	1 431 810		1 420 013	
Dividends payable on totalizator investments and telephone betting deposits held ..	4 583 935		4 615 243	
Creditors and accrued expenses	1 303 639		1 794 897	
Provisions and sundry reserves	1 715 711		1 795 754	
Late Dividends Reserve	2 390 000		2 666 000	
Distribution Reserve	<u>815 288</u>		<u>443 928</u>	
		28 114 851		29 137 456
		<u>17 192 139</u>		<u>20 910 586</u>

The following explanatory notes have been appended to the Balance-sheet by the Board and are to be read in conjunction therewith :—

1. Contingent Liability on uncompleted capital projects is \$7 330 000 for Crisp and Head Office Building projects.
2. Retention moneys of \$180 000 are held in trust in the joint names of Totalizator Agency Board and K. G. Hooker Builders Pty. Ltd.
3. The Depreciation period for Head Office Building, including extensions, has been increased from 25 to 33 years as from 20 February 1978.

During 1977-78, the Minister approved the transfer to the Development Reserve of \$2 283 000 and an additional \$1 435 447 was credited to the Reserve representing one-quarter per cent. of off-course totalizator investments and three per cent. of Tabella totalizator investments, bringing the total amount available in the Reserve, at 29 July 1978, to \$14 850 779. This amount has been fully expended on approved development projects.

Capital contributed by the three Metropolitan Racing Clubs and the Trotting Control Board—the Contributing Clubs—remained at \$6 059 807.

UPPER YARRA VALLEY AND DANDENONG RANGES AUTHORITY

The Upper Yarra Valley and Dandenong Ranges Authority was constituted pursuant to the *Upper Yarra Valley and Dandenong Ranges Authority Act 1976*, proclaimed to operate from 15 April 1977.

The Authority is required under the legislation to provide increased protection for the special features and character of the region and the implementation of planning policy approved from time to time under the provisions of the *Town and Country Planning Act 1961*.

The Authority's accounts have been audited to 30 September 1977.

The following is an abridged statement of the first Income and Expenditure Account for the period ended 30 September 1977.

								\$	\$
<i>Income</i>									
Melbourne and Metropolitan Board of Works	..	..	..	..	..	..	..	63 347	
Ministry for Planning	..	..	..	..	..	..	..	126 693	
Other	..	..	..	..	..	..	..	632	190 672
<i>Expenditure</i>									
Salaries and Wages	..	..	..	..	..	..	..	38 163	
Maps and Plan Printing	..	..	..	..	..	..	..	13 189	
Rent—Office Machines	..	..	..	..	..	..	..	10 401	
Publicity and Public Information	..	..	..	..	..	..	..	10 249	
Printing and Stationery	..	..	..	..	..	..	..	4 800	
Advertising	..	..	..	..	..	..	..	4 018	
Other Administrative Costs	..	..	..	..	..	..	..	13 825	94 645
Surplus for the period	..	..	..	..	..	..	..	..	96 027

The Balance Sheet of the Authority as at 30 September 1977 is summarised as follows :—

								\$	
<i>Current Assets—</i>									
Cash on Hand and at Bank	..	..	..	..	..	..	..	54 307	
<i>Fixed Assets—</i>									
Motor Vehicles, Office Furniture, Machinery and Equipment	..	..	..	..	..	..	..	64 519	
									118 826
<i>Current Liabilities—</i>									
Sundry Creditors	..	..	..	..	..	..	..	19 499	
<i>Deferred Liabilities—</i>									
Provisions for Long Service Leave, Office Furniture and Motor Vehicle Replacement	..	..	..	..	..	..	..	3 300	
<i>Accumulated Surplus</i>	..	..	..	..	..	..	..	96 027	
									118 826

VICTORIAN ARTS CENTRE BUILDING COMMITTEE

The *National Art Gallery and Cultural Centre Act 1956* provided for the appointment of a Committee for the purpose of raising funds and providing a suitable building on land reserved for the construction of an Arts Centre. The audit of the accounts of the Committee in respect of the year 1977-78 has not yet been completed.

The following statement of receipts and payments sets out in summary form the transactions of the Committee from the Trust Accounts for the years ended 30 June 1977 and 1978.

<i>Receipts</i>		1976-77	1977-78
		\$	\$
	Balance 1 July	28 866	64 185
	Grants received from State Treasury	16 200 000	11 700 000*
	Less Repaid to Treasury Trust Fund	6 600 000	..
		9 600 000	11 700 000
	Realisation of Investments etc.	6 907 852	9 069 000
	Interest on Investments	179 061	197 111
	Donations	56 080	70 718
	Car Park	146 366	161 172
	Sundry	31 212	101 444
		16 949 437	21 363 630
<i>Payments</i>			
	Administrative Expenses etc.	482 191	670 808
	Gallery Building and Service Area Maintenance	194 986	299 581
	Less Recoup from National Gallery	162 702	164 781
		32 284	134 800
	Construction Costs	7 907 169	12 161 169
	Purchase of Investments	8 261 267	8 193 956
	Debenture Loan repayments	61 221	61 221
	Purchase of Works of Art	97 038	22 383
	Sundry	44 082	17 470
	Balance 30 June	64 185	101 823
		16 949 437	21 363 630

* Reconciliation with Works and Services Account—

		\$
Grants received by Committee in 1977-78		11 700 000
Add Grant paid by State Treasury on 30 June 1978 and received by Committee on 4 July 1978		7 100 000
		18 800 000
Less Grants paid to the Committee from Treasury Trust Fund		3 800 000
Works and Services Account		15 000 000

Further comment in respect to the grant of \$7 100 000 was included in my Report to Parliament dated 31 October 1978.

The income and expenditure of the Building Fund for the year ended 30 June 1978, compared with the previous year, was as follows:—

<i>Income</i>		1976-77	1977-78
		\$	\$
	Government Grant	9 600 000	11 700 000
	Interest on Investments	179 061	197 111
	Car Park	146 366	161 172
	Donations	56 080	70 718
	Theatre Events	26 417	71 674
	Profit on Sale of Investments	2 898	5 468
	Miscellaneous	4 388	27 772
		10 015 210	12 233 915
<i>Expenditure</i>			
	Administrative Expenses etc.	482 191	670 808
	Building Maintenance	32 284	134 800
	Interest on Debenture Loans	42 344	41 231
	Miscellaneous	28 522	5 947
		585 341	852 786
	Increase in Building Fund for the year	9 429 869	11 381 129
		10 015 210	12 233 915

The Building Fund of the Committee increased from \$41 930 537 in 1976-77 to \$53 311 666 in 1977-78 and was represented by :—

1976-77				1977-78	
\$		\$	\$	\$	
	<i>Current Assets</i>				
64 186	Cash at Bank .. .. .	..	..	101 825	
270	Cash on hand .. .. .	..	..	270	
12 000	Salaries Advance Account .. .. .	..	..	18 000	
1 600 000	Cash on Deposit .. .. .	..	..	848 000	
24 783	Prepayments .. .. .	..	..	24 822	
				<hr/>	992 917
	<i>Investments</i>				
475 612	Semi-Government Inscribed Stock etc. .. .. .	..	..	813 613	
741 366	Company debentures .. .. .	..	..	525 790	
6 006	Shares in Listed Companies .. .. .	..	..	6 006	
240 000	Mortgage .. .. .	..	..	..
				<hr/>	1 345 409
	<i>Fixed Assets</i>				
16 073 130	Gallery Art School and Car Park Building .. .. .	..	..	16 139 346	
35 778	Office Equipment and Furniture .. .. .	..	38 047		
(20 165)	Less Provision for Depreciation .. .. .	..	23 970	14 077	
			<hr/>		
..	Motor Vehicle .. .. .	..	6 476		
..	Less Provision for Depreciation .. .. .	..	1 457	5 019	
			<hr/>		
	Victorian Arts Centre—				
	Work in Progress—Stages II and III				
	At Cost on 1 July 1977 .. .. .	..	23 188 918		
15 437 608	Add—Additions for year .. .. .	..	12 094 953		
7 751 310			<hr/>	35 283 871	
				<hr/>	51 442 313
202 141	Art Acquisitions .. .. .	..	..	..	224 525
				<hr/>	
42 644 025					54 005 164
713 488	Less—Debenture Loan .. .. .	..	..	..	693 498
				<hr/>	
41 930 537	Building Fund—30 June .. .. .	..	..	..	53 311 666
				<hr/>	

VICTORIAN DAIRY INDUSTRY AUTHORITY

Under the *Victorian Dairy Industry Authority Act 1977*, the Milk Board was abolished from 1 July 1977 and its powers and functions were taken over by the Victorian Dairy Industry Authority, which, accordingly, became responsible for administering the supply, sale and distribution of milk in the proclaimed milk districts of the State.

All milk produced under contract is purchased by the Authority. The Authority also purchases quantities of non-contract milk, the proceeds of which, when sold, form "pools" on a monthly basis.

In accordance with Section 38 of the Act, cash distributions have been made each month from the pools, after meeting operating expenses, to all producers who delivered non-contract milk of approved quality.

The Act provides that all milk contracts shall terminate on or before 30 June 1986, and that on surrender of a contract, the producer shall receive compensation. Compensation paid, deferred and accrued to 30 June 1978 amounted to \$29 361 629 which has been capitalised in the accounts, and is to be amortised during the financial years to 30 June 1986.

The checking of the transactions of the monthly pools has been carried out during the year by a firm of chartered accountants and this check has been accepted for the purposes of my audit.

The final form in which the annual statements of account are to be presented had not been determined at the date of preparation of this Report, and the financial results for the year are, therefore, not included.

VICTORIAN DEVELOPMENT CORPORATION

The Corporation was established pursuant to the provisions of the *Victorian Development Corporation Act 1973* for the purpose of encouraging, promoting, facilitating and assisting in the establishment, carrying-on, expansion and development of country industries and the provision of tourist facilities throughout Victoria.

Further advances from the State Treasury's Works and Services Account of \$5 750 000, together with funds on hand at 1 July 1977, enabled the Corporation to provide loans totalling \$8 835 383 during 1977-78.

Included in the amount provided by State Treasury is a sum of \$2 000 000 advanced by way of capital grant. In relation to this grant, the Treasurer has indicated that he may, from time to time and after taking into account the Corporation's operating result in a preceding financial year, direct that a payment be made to the Consolidated Fund in the nature of a dividend on the capital so provided to the Corporation.

The Corporation is acting in an agency capacity for a special advance of \$800 000 made available by the State Treasury in 1975-76 for the purpose of enabling a Braybrook firm to transfer its operations to Shepparton. The amount was fully advanced to the firm in the year under review.

The Corporation constructs and purchases factories, which are rented on a lease/purchase basis, the lessees having the option of purchase at cost of development at the conclusion of the leases. The item, "Leased Property Provision \$121 500", shown in the balance-sheet represents that portion of rental income which would need to be allowed by the Corporation as part purchase price in the event of lessees exercising their options to purchase.

In the year under review an amount of \$279 684 was provided by the Corporation for doubtful debts and contingencies. Of this amount, \$129 684 was set aside for debts expected to be irrecoverable at 30 June 1978, and the balance, \$150 000, was transferred to the Provision for Contingencies.

At 30 June 1978 the Corporation had a contingent liability of \$434 000 for guarantees executed in terms of Section 11 of the Act (1977, \$250 000).

Following is a summary of the Profit and Loss Accounts for the years ended 30 June 1977 and 1978 :—

1976-77		1977-78	
\$		\$	\$
	Income—		
1 121 530	Interest on loan advances	1 778 315	
499 197	Interest on bank term deposits.. .. .	333 993	
51 007	Rental from Leased Factories	165 408	
1 525	Other	26 488	
1 673 259			2 304 204
	Expenditure—		
1 311 858	Interest payable	1 690 527	
360 746	Provision for doubtful debts and contingencies	279 684	
335 403	Administration expenses	352 751	
2 008 007			2 322 962
334 748	Loss for year		18 758

The balance-sheets of the Corporation as at 30 June 1977 and 1978 are summarised hereunder :—

30.6.77		30.6.78	
\$		\$	\$
468 598	Current Assets .. .. .	..	599 091
5 400 000	Investments—Fixed Deposits .. .. .	..	3 116 913
16 148 721	Loans to Industries—Section 11	23 103 834	
(699 868)	Less Provision for doubtful debts	829 552	
30 551	Fixed Assets—Less Depreciation		22 274 282
1 110 792	Industrial properties at cost .. .. .	..	33 732
700 000	Agency Loan—Section 16 .. .. .	..	2 086 660
23 158 794			800 000
			28 910 678

30.6.77							30.6.78	
\$							\$	\$
	Current Liabilities—							
648 382	Bank Overdraft	..	..	..	..	..		..
60 309	Accruals and Prepayments	..	..	..	..	..		861 166
	Deferred Liabilities—							
19 533 333	Treasurer of Victoria—Loan	..	..	..	..	..	22 950 000	
2 800 000	Inscribed Stock	..	..	..	..	..	2 800 000	
								25 750 000
800 000	Agency Loan	..	..	..	..	..	..	800 000
	Reserves—							
510 878	Provision for Contingencies	..	..	..	..	..	660 878	
70 000	Leased Property Provision	..	..	..	..	..	121 500	782 378
..	Capital Provided by the State	..	..	..	..	..	2 000 000	
(1 264 108)	Less Accumulated Loss	..	..	..	..	..	1 282 866	
								717 134
23 158 794								28 910 678

VICTORIAN PUBLIC OFFICES CORPORATION

The Victorian Public Offices Corporation was constituted pursuant to the *Victorian Public Offices Corporation Act 1974*. The Act was proclaimed to operate from 10 February 1975.

The Act states that the Corporation is to consist of four Ministers—the Minister of Public Works, the Treasurer of Victoria, the Minister of Lands and the Minister for State Development and Decentralization.

It is the duty of the Corporation to provide such public offices as are from time to time required for the Government of Victoria. Professional and administrative services are made available to the Corporation through the Public Works Department.

The more important transactions of the Corporation during the year included—

- (i) the expenditure of \$6 304 015 on construction of the State Public Offices complex at Geelong ;
- (ii) the acquisition, by grant, of a number of properties from the Crown, including those at 179 Queen Street and 43 Little Bourke Street, Melbourne, valued at \$1 925 000 and \$142 500 respectively, and the former police station site at Grimshaw Street, Greensborough, valued at \$160 000 ;
- (iii) the purchase, for \$35 000, of a property, 404 Mair Street, Ballarat, as part of a site for a proposed complex of Ballarat Public Offices ; and
- (iv) the sale of properties at Bendigo, Echuca, Narre Warren, Rokewood and Tallangatta, all of which properties were considered redundant.

The Corporation also acted in an advisory capacity in respect to the purchase and leasing of other properties on behalf of Government Departments.

An abridged statement of the Corporation's Profit and Loss Statement for the years ended 30 June 1977 and 1978 is given :—

	1976-77		1977-78	
	\$	\$	\$	\$
Sale of Properties	9 302 036		94 265	
Other Income.. .. .	22 850		15 108	
	9 324 886		109 373	
<i>Less Cost of Sales—</i>				
Valuation of Properties Sold*	9 710 500		97 750	
Other Selling Expenses	15 153		6 042	
	9 725 653		103 792	
Gross Profit (Loss)		(400 767)		5 581
<i>Less Operating Expenses—</i>				
Valuation fees on Corporation Properties .. .. .	..		5 965	
Interest on Corporation Borrowings	73 500		89 315	
Other	8 947		4 411	
		82 447		99 691
		(483 214)		(94 110)
<i>Plus Non Operating Income—</i>				
Interest on Investments		913 259		574 424
Net Profit†		430 045		480 314

*Valuations made by officers of the Valuer-General's Office or by a municipal valuer

†The net profit of the Corporation is notional only. The properties sold during each of the years shown had been granted to the Corporation under Section 8 (1) of the *Victorian Public Offices Corporation Act 1974*.

An abridged statement of the Corporation's Balance Sheets at 30 June 1977 and 1978 is given :—

	30.6.77		30.6.78	
	\$	\$	\$	\$
<i>Liabilities</i>				
Loan from State Superannuation Board ..	700 000		700 000	
Loan from State Savings Bank of Victoria ..	..		1 000 000	
Other	6 041		264 082	
	<u> </u>	706 041	<u> </u>	1 964 082
<i>Equity of Corporation</i>				
Accumulated Surplus	412 385		892 698	
Properties granted to the Corporation by the Crown, at valuation*	11 027 830		13 512 330	
	<u> </u>	11 440 215	<u> </u>	14 405 028
		<u> </u>		<u> </u>
		12 146 256		16 369 110
<i>Assets</i>				
In Public Offices Fund at Treasury—				
Cash	99 731		24 480	
Investments (Interest Bearing Term Deposits)	8 150 000		4 100 000	
	<u> </u>	8 249 731	<u> </u>	4 124 480
Sundry Debtors, including accrued interest ..		470 905		89 008
Properties—at cost	2 760 790		9 104 042	
at valuation*	664 830		3 051 580	
	<u> </u>	3 425 620	<u> </u>	12 155 622
		<u> </u>		<u> </u>
		12 146 256		16 369 110

*Valuations made by officers of the Valuer-General's Office or by municipal valuers

ZOOLOGICAL BOARD OF VICTORIA

The Zoological Board of Victoria, under the provisions of the *Zoological Parks and Gardens Act 1967*, is responsible for the administration and control of zoological parks at Royal Park and Werribee and is required to maintain these parks for—

- (a) the exhibition of zoological specimens to the public ;
- (b) the scientific study of zoological specimens ;
- (c) the instruction and entertainment of the public ;
- (d) the protection, preservation, management and use of wildlife ; and
- (e) the protection or preservation of wildlife habitat including native plants and trees.

Receipts and payments of the Board for the year ended 30 June 1978, together with comparative figures for the previous year, are set out hereunder.

		RECEIPTS					
1976-77					1977-78		
\$					\$	\$	
	Balance 1 July—						
16 573	Royal Melbourne Zoological Gardens				O/D (33 188)		
5 224	Werribee Fauna Park				2 172		
					—————		
						O/D (31 016)	
	<i>Royal Melbourne Zoological Gardens</i>						
701 980	Government Grants					799 000	
..	Schools Commission Grant					50 000	
40 000	Loans—Government					40 000	
400 000	Private .. .. .					..
997 598	Ticket Sales					971 109	
93 325	Kiosk Sales .. .. .					..
85 817	Souvenir Shop Sales					86 739	
39 260	Donations—Education Service .. .. .					..
38 758	Commissions—Catering etc.					69 981	
64 159	Amusements					64 790	
22 414	Miscellaneous					25 143	
	<i>Werribee Fauna Park</i>						
137 773	State Government Grants				192 000		
20 000	Rural Relief Grants .. .. .					..
2 551	Other Receipts				4 215		
					—————	196 215	
2 665 432						2 271 961	

PAYMENTS

1976-77		1977-78
\$	<i>Royal Melbourne Zoological Gardens—</i>	\$ \$
858 599	Salaries, Wages and Ancillary Charges	987 628
138 866	Animal Maintenance	149 218
83 815	Kiosk Expenses .. .. .	..
67 862	Souvenir Shop Expenses	64 154
336 124	General Maintenance and Other Operating Expenses	400 669
	<i>Loan Repayments—</i>	
31 854	Government	32 004
5 277	Private	48 878
		<hr style="width: 100px; margin-left: auto; margin-right: 0;"/>
		80 882
55 928	Administration and Sundries	68 371
45 689	Education Service	60 058
	<i>Special Works—</i>	
854 857	New Catering Centre	4 443
7 962	Flight Aviary	169 902
..	Residences	83 639
..	Bird Isolation Building	36 128
46 238	Other	3 771
		<hr style="width: 100px; margin-left: auto; margin-right: 0;"/>
		297 883
	<i>Werribee Fauna Park—</i>	
31 721	Wages	43 582
65 793	Plant and Equipment	24 040
..	Residences	46 023
45 442	Other	47 012
20 421	Rural Relief Grant .. .. .	..
		<hr style="width: 100px; margin-left: auto; margin-right: 0;"/>
		160 657
	<i>Balance 30 June</i>	
(33 188)	Royal Melbourne Zoological Gardens—Overdrawn	(5 289)
2 172	Werribee Fauna Park	7 730
		<hr style="width: 100px; margin-left: auto; margin-right: 0;"/>
<hr style="width: 100px; margin-left: 0; margin-right: 0;"/>		2 271 961

ACKNOWLEDGMENT

I appreciate the helpful co-operation received during the year from the members and staff of the several Authorities referred to in this Report.

The assistance of the Government Printer in the presentation of my Annual Report and this Report is appreciated.

B. J. WALDRON,
Auditor-General.

Melbourne.